

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

URUGUAY

MUNICIPALITY OF MONTEVIDEO MODERNIZATION PROGRAM

(UR-0139)

LOAN PROPOSAL

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ABBREVIATIONS

CCRM	Comisión Coordinadora de la Reforma Municipal [Municipal Reform Coordinating Committee]
CCZs	Centros Comunes Zonales [district community centers]
DPT	División de Planificación Territorial [Land-use Planning Division]
EAP	Emergency action plan
IMM	Intendencia Municipal de Montevideo [Municipality of Montevideo]
OAC	Oficina de Atención al Ciudadano [Citizen Services Office]
OPP	Oficina de Planeamiento y Presupuesto [Office of Planning and Budget]
PCU	Program coordination unit
PROPEF	Project Preparation and Execution Facility
SEFI	Sistema Económico Financiero [economic financial system]
SGCM	Sistema de Gestión de Cobro de Morosos [delinquent collection management system]
SIR	Sistema Integrado de Carreras y Remuneraciones [Integrated Career and Compensation System]
SRR	Sistema de Recolección de Recibos [Invoice Collection System]
UCPM	Unidad Central de Planificación Municipal [Municipal Central Planning Unit]
UCPMG	Unidad de Coordinación del Programa de Mejora de Gestión [Management Strengthening Program Coordinating Unit]



URUGUAY

IDB LOANS

APPROVED AS OF JULY 31, 2002

	<i>US\$Thousand</i>	<i>Percent</i>
TOTAL APPROVED	2,816,073	
DISBURSED	2,166,914	76.9%
UNDISBURSED BALANCE	649,159	23.1%
CANCELLATIONS	250,069	8.9%
PRINCIPAL COLLECTED	659,525	23.4%
APPROVED BY FUND		
ORDINARY CAPITAL	2,670,158	94.8%
FUND FOR SPECIAL OPERATIONS	104,079	3.7%
OTHER FUNDS	41,836	1.5%
OUTSTANDING DEBT BALANCE	1,507,389	
ORDINARY CAPITAL	1,475,458	97.9%
FUND FOR SPECIAL OPERATIONS	31,931	2.1%
OTHER FUNDS	0	0.0%
APPROVED BY SECTOR		
AGRICULTURE AND FISHERY	277,841	9.9%
INDUSTRY, TOURISM, SCIENCE TECHNOLOGY	433,805	15.4%
ENERGY	116,462	4.1%
TRANSPORTATION AND COMMUNICATIONS	328,343	11.7%
EDUCATION	146,337	5.2%
HEALTH AND SANITATION	397,654	14.1%
ENVIRONMENT	0	0.0%
URBAN DEVELOPMENT	269,110	9.6%
SOCIAL INVESTMENT AND MICROENTERPRISE	85,280	3.0%
REFORM PUBLIC SECTOR MODERNIZATION	644,654	22.9%
EXPORT FINANCING	8,940	0.3%
PREINVESTMENT AND OTHER	107,646	3.8%

* Net of cancellations with monetary adjustments and export financing loan collections



Inter-American Development Bank
Regional Operations Support Office
Operational Information Unit

Uruguay

Tentative Lending Program

2002

Project Number	Project Name	IDB US\$ Millions	Status
UR0136	Multesectoral Finance Global Program	180.0	APPROVED
UR0151	Social Protection and Sustainability Program	500.0	APPROVED
UR0139	RTC Improvement Municipal Management IMM	3.0	
UR0134	Infancy, Adolescent & Family At Risk	40.0	
*UR0142	Port of M'bopicua	13.6	
Total - A : 5 Projects		736.6	
*UR0148	Port of Montevideo	12.2	
Total - B : 1 Projects		12.2	
TOTAL 2002 : 6 Projects		748.8	

2003

Project Number	Project Name	IDB US\$ Millions	Status
UR0150	Financial Sector Loan	200.0	
Total - A : 1 Projects		200.0	
UR0131	Municipal Development and Management	70.0	
UR0135	Highway Infrastructure	160.0	
UR0147	Legislature Administrative Strengthening	3.9	
UR0141	Cattle Development Program	32.0	
Total - B : 4 Projects		265.9	
TOTAL - 2003 : 5 Projects		465.9	
Total Private Sector 2002 - 2003		25.8	
Total Regular Program 2002 - 2003		1,188.9	

*** Private Sector Project**



INTER-AMERICAN DEVELOPMENT BANK
Regional Operations Support Office
Operational Information Unit

URUGUAY

STATUS OF LOANS IN EXECUTION AS OF JULY 31, 2002

(Amounts in US\$ thousands)

APPROVAL PERIOD	NUMBER OF PROJECTS	AMOUNT APPROVED	AMOUNT DISBURSED	% DISBURSED
Before 1996	2	99,000	91,621	92.55%
1996 - 1997	6	442,900	355,435	80.25%
1998 - 1999	5	309,900	188,830	60.93%
2000 - 2001	7	347,425	144,951	41.72%
2002	1	180,000	90,000	50.00%
TOTAL	21	\$1,379,225	\$870,837	63.14%

* Net of Cancellations . Excluding export financing loans.

MUNICIPALITY OF MONTEVIDEO MODERNIZATION PROGRAM

(UR-0139)

EXECUTIVE SUMMARY

Borrower:	Eastern Republic of Uruguay	
Executing agency:	Intendencia Municipal de Montevideo [Municipality of Montevideo] (IMM)	
Amount and source:	IDB (OC):	US\$3.000 million
	Local:	<u>US\$1.225 million</u>
	Total:	US\$4.225 million
Financial terms and conditions:	Amortization period:	20 years
	Grace period:	4 years
	Disbursement period (maximum):	42 months
	Interest rate:	variable
	Inspection and supervision:	1%
	Credit fee:	0.75%
	Currency:	U.S. dollars, Single Currency Facility
Objectives:	<p>The program's main objective is to modernize the IMM, thereby improving the quality of the services it provides to the community. To achieve this objective, the program will provide support to the IMM's strategic and operational levels through the fine-tuning of administrative, fiscal, and technological mechanisms as well as the processes that have a high impact on the citizens. Specifically, the program will seek to: (i) increase the IMM's capacity in terms of planning, organization, and management evaluation; (ii) improve the quality of services rendered to the population; (iii) improve the quality of the IMM's work through training for staff and the implementation of a performance-based pay system; and (iv) strengthen the municipal government's fiscal administration and fiscal management.</p>	
Description:	<p>The program will consist of four components: (i) strengthening of horizontal management systems; (ii) reorganization of processes with a significant impact on citizens; (iii) improvement of human resources management; and (iv) municipal fiscal management.</p>	

The objective of the **strengthening of horizontal management systems** component is to make the program universal and cross-cutting, to encourage methodologies and processes of a corporate nature. To this end, the following will be introduced: (i) a strategic management system; (ii) performance indicator systems; and (iii) an “e-government” strategy. In the area of cross-cutting strategic management, a system will be set up so that a periodic diagnostic study and programming of activities may be incorporated for a medium-term horizon. The implementation of a performance indicator system will generate pertinent and reliable information for evaluating performance for the strategic and managerial levels as well as the citizens themselves. Lastly, in the information technology area, the program will focus on developing and implementing a communications strategy and an e-government strategy.

The component involving the **reorganization of high-impact processes** encompasses a set of actions the common objective of which is to rationalize the performance of administrative processes that affect a large number of citizens and that have a particular impact on the quality of life of the city’s population. To this end, the program will support these rationalization efforts in three specific areas: strengthening of decentralization, rationalization of municipal cleaning services, and rationalization of land management. In the area of decentralization, the aim is to strengthen the IMM’s capacity to decentralize administrative processes and the delivery of services that affect a large number of citizens. In the cleaning area, the goal is to strengthen the managerial and operational capacity of this service by adopting and using new technologies in the logistic aspects of trash collection and complementary areas. To rationalize land management processes, the program will introduce reforms covering services performed by various institutions whose common denominator is participation in the regulation of land use.

Under the **human resources management** component, the program will provide training for managerial development in leadership positions, training to update competencies, job retraining for new positions, design and selective application of a performance-based pay system, and improvement of dialogue with social actors, primarily with organized labor.

The **municipal fiscal resource management** component will seek consolidation in a number of specific areas, deepening the process currently under way at the IMM, which has made great progress towards strengthening its fiscal and financial management. Support for the IMM will focus on creating instruments and systems for management and control of revenues and economic and financial

information, for accountability vis-à-vis external agents. In the revenue area, support will be provided for restructuring the services responsible for municipal revenue management. Various activities will be supported to strengthen the financial area, including: adjustments in the accrual accounting system; control of fixed assets, development and installation of an import-based procurement system; definition of contents and timing of automated economic-financial reports.

The Bank's country and sector strategy:

In keeping with the economic policy of the national government and with the Eighth Replenishment, the main objective of the Bank's strategy in Uruguay is to support development programs and government policies for the 2000-2004 period, aimed at achieving sustained growth with stability to enhance social equity. In this context, the Bank's strategy focuses on three areas. In the area of **competitiveness and regional integration**, the Bank will support initiatives that boost competitiveness and increase private investment, based on export-oriented production that exploits the country's comparative advantages, and on the implementation of modern technology. In the area of **modernization of the State and governance**, the Bank will support the State modernization process, the aim of which is to reduce the government's presence in the economy; increase its efficiency and efficacy, by rationalizing and targeting its interventions; and reduce its influence on national goods and services production. In the area of **welfare and social equity**, the goal is to increase equity and draw the most vulnerable groups into the development process and towards better living standards.

Environmental and social review:

Program execution is not expected to have any adverse environmental or social impact. On the contrary, the program will provide significant social benefits by promoting improved municipal services and the development of human capital to enhance productivity and wellbeing. The efforts to be made in the public cleaning sector will help improve sanitary conditions and quality of life in the city. The support for land-use management and planning will indirectly support better environmental management by the Department of Montevideo.

Benefits:

Two large groups of benefits will be engendered by the program: improvement in the institutional, managerial, and technical capacity of the IMM and better services to users. These two groups of benefits are directly related to the strategy of Back Office (internal management)/Front Office (customer service) integration.

The establishment of a more modern institutional framework for the IMM will result in more effective and efficient administrative and managerial dynamics. The introduction of modern management systems will should the levels of efficiency and transparency in the

use of IMM resources. These increases in internal efficiency should, in turn, translate into concrete improvements in the effectiveness of citizen services.

Risks:

The main risk of the program relates to resistance to changes that a program like the one proposed can generate. The IMM has an administrative organization and set of processes that are deeply ingrained in the municipal practices of officials and citizens. In addition, some of the units to be reorganized might have unionized groups that are not cooperative. These risks are mitigated by the commitment of the top municipal authorities to the process of change and by the very content and sequence of the program, that provide for gradual implementation with annual targets. The above notwithstanding, specific actions to build consensus and raise awareness about change are planned.

There is a risk that execution will be slow, owing to inexperience in project execution with multilateral agencies. To mitigate this risk, and given that this is the IMM's first experience with the Bank involving programs of this type, the establishment and startup of the program coordination unit (PCU) during the program preparation period has been supported with resources from the Project Preparation and Execution Facility (PROPEF). Among other things, the PROPEF has enabled the PCU to gain experience in the execution of Bank-financed programs, particularly with regard to the procurement of goods and contracting of services.

Special contractual conditions:

Prior to the first disbursement, the IMM must present, to the Bank's satisfaction: (a) a certified copy of the execution agreement signed by the IMM and the Oficina de Planeamiento y Presupuesto [Office of Planning and Budget] (OPP), pursuant to the same conditions established in the loan contract between the Bank and the borrower (paragraph 3.2); (b) a copy of the resolution of the Departmental Council authorizing the operation (paragraph 3.2); (c) evidence that the Municipal Reform Coordination Committee has approved the first annual operating plan (paragraph 3.7); and (d) evidence that the project leaders needed to begin execution have been selected and hired (paragraph 3.14).

Poverty-targeting and social sector classification:

This operation does not qualify as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704).

**Exceptions to
Bank policy:**

None.

Procurement:

All procurements as well as the selection and contracting of consulting services will be carried out pursuant to the Bank's standard procedures. The guidelines Hestablished in document GN-1679-3 will be followed for purposes of selecting and contracting consulting services. For this program, when consulting firms are selected on the basis of quality and cost, the relative weight given to price in the evaluation criteria will normally not exceed 20percent. Accordingly, the technical component of bid quality will normally be up to 80percent. In exceptional, duly justified cases, the relative weight given to price may be as high as 30percent, with the technical element at a maximum of 70percent.

When the amount involved in the procurement of goods is equal to the equivalent of US\$350,000 or higher, and when the amount of consulting services contracts exceeds US\$200,000, international bids or calls for proposals will be required. The program does not provide for the financing of works, other than remodeling work spaces and front offices. After the first year of execution and based on the experience acquired by the executing agency, the Bank may conduct ex post reviews by sampling of contracts for individual consultants involving amounts below US\$50,000 and for consulting firms involving amounts below US\$100,000.

I. FRAME OF REFERENCE

A. Introduction

- 1.1 Uruguay is divided into 19 departments, including Montevideo. While it covers for only 0.3 percent of the country's land area (530 square kilometers), Montevideo has approximately 1.3 million inhabitants (40 percent of the total population) and accounts for close to 58 percent of Uruguay's economic activity (GDP). The executive and administrative functions within the departmental government of Montevideo are carried out by the mayor, who is elected by direct vote every five years (the present mayor's term of office ends in July of 2005). Legislative functions are performed by a Departmental Council composed of 31 individuals, referred to as council members. Their term of office coincides with that of the mayor.

- 1.2 As of the restructuring that took place in July 2000—which implemented a structure approved by the Departmental Council in 1997—the Intendencia Municipal de Montevideo [Municipality of Montevideo] (IMM) is divided into the following 11 administrative units, named departments: General Secretariat, Human and Material Resources, Legal, Accounting, Financial Resources, P C U, Economic Development, Cultural Affairs, Urban Planning, Environmental Development, and Decentralization.
-
- ```
graph TD
 Mayor[Mayor] --- GS[General Secretariat]
 Mayor --- Legal[Legal]
 Mayor --- HMR[Human and Material Resources]
 Mayor --- Accounting[Accounting]
 Mayor --- FR[Financial Resources]
 Mayor --- PCU[P C U]
 Mayor --- ED[Economic Development]
 Mayor --- CA[Cultural Affairs]
 Mayor --- UP[Urban Planning]
 Mayor --- ED2[Environmental Development]
 Mayor --- Dec[Decentralization]
 GS --- BO[Back Office]
 Legal --- BO
 HMR --- BO
 Accounting --- BO
 FR --- BO
 PCU --- BO
 ED --- FO[Front Office]
 CA --- FO
 UP --- FO
 ED2 --- FO
 Dec --- FO
```
- The diagram illustrates the organizational structure of the Intendencia Municipal de Montevideo (IMM). At the top is the Mayor. Below the Mayor are 11 administrative units (departments) arranged in two columns. The first column includes the General Secretariat, Human and Material Resources, Financial Resources, Economic Development, Urban Planning, and Decentralization. The second column includes Legal, Accounting, P C U, Cultural Affairs, Environmental Development, and Decentralization. A large orange arrow on the right side of the chart points upwards and is labeled 'Back Office' for the top half and 'Front Office' for the bottom half. The departments are grouped into these two categories: Back Office (General Secretariat, Legal, Human and Material Resources, Accounting, Financial Resources, P C U) and Front Office (Economic Development, Cultural Affairs, Urban Planning, Environmental Development, Decentralization).

### B. Main management challenges of the IMM

- 1.3 Management of the IMM presents challenges in four main areas: strategic planning, improvement in the quality of primary citizen services, human resources management, and financial management.

#### 1. Planning in the IMM

- 1.4 The vision and mission of the institution, services, and administrative units in the IMM are insufficiently defined. Consequently, the department or division may be favored over the public good or service provided to the user or client. In this

context, operation of the units risks becoming the administration's ultimate goal, creating confusion as to the units' true mission and functions. Accordingly, the predominant general focus of operations is characterized by excessive compartmentalization and verticality in the approach to problems, which translates into each topic being addressed in isolation by the units, divisions, or departments. In this situation, a shared vision—the search for complementarity between departments, consistency in their actions, and particularly an interface between support functions and the provision of goods or services—is fairly limited.

- 1.5 These considerations complicate the design of global municipal policies and the administrative decision-making process, as the institution's excessive fragmentation prevents objectives and priorities from being adequately organized by order of importance. This means that in different areas, the administration's actions are guided predominantly by urgency rather than the medium- and long-term impact of the matters at issue. Consequently, initiatives and ventures that aim to improve management are often incomplete, affect one division or department of the IMM, and in most cases, are insubstantial in that their coordination is unclear or has not been defined.
- 1.6 Despite these limitations, in 1996 the IMM began to carry out and implement the recommendations of the 1994 strategic plan, as well as the recommendations noted in the master plan and the urban development plan. The main advances and results of the process of implementing the strategic plan have been: (i) the draft of the Montevideo urban zoning plan, which continued to guide the preparation of the Montevideo Plan; (ii) implementation of the human resources system and the Integrated Career and Compensation System; (iii) implementation of the collections system, with decentralized collection through a broad network of collection sites; (iv) implementation of the municipal file system, which allows access to information on the processing of any file from any station on the network; (v) progress in the Geographic Information System, which combines the digital map with socioeconomic and topographical variables; (vi) the reorganization and computerization of the civil registry service; (vii) implementation of a supply system with special reference to the procurement and construction control process; and (viii) the startup of the economic financial system integrating all areas of the IMM with regard to budget execution.
- 1.7 The program will support the IMM in designing and implementing a strategic management system, to be implemented as a pilot project in at least two of its administrative units.

## **2. The main services of the IMM**

- 1.8 The IMM provides three types of services to citizens. First, it is the principal provider of certain public services such as cleaning and urban sanitation, lighting, paving and street maintenance, and maintenance of parks and the municipal

woodlands. Additionally, it supplements certain services provided mainly by the central government in such areas as health, services for children and senior citizens, and public registers. Second, the IMM regulates urban land use, and in that capacity issues permits and licenses for construction, demolition, and remodeling. Lastly, in its municipal tax collection capacity the IMM processes municipal tax payments, including taxpayer management and services.

- 1.9 Citizen surveys show that in the areas for which the IMM is responsible, citizens' primary concerns relate to two major issues: first, the proximity of the government to the citizens, and the ability to transact municipal government business at facilities close to the places where citizens live or work; and second, as a complement to the first concern, service quality. In this regard, two concerns stand out: cleaning (called "trash-pollution" in the surveys), and payment of taxes.

#### **a. The process of decentralizing municipal government in Montevideo**

- 1.10 In 1990, the IMM began a decentralization process with the twofold aim of promoting participation in and the democratization of municipal government. To that end, in 2000 the municipal area was divided into 18 districts grouped into three regions to facilitate supervision and homogenization of criteria.
- 1.11 This decentralization has taken place on three levels: (a) *political decentralization*, through Local Boards consisting of delegates from the political parties represented on the Departmental Council and who are appointed by the mayor. The Local Board is responsible for deciding on and managing local policies and supervision of the community administrative body; (b) *social decentralization*, through the Neighborhood Council, a body consisting of directly-elected local residents acting in representation of the people and responsible for advising and monitoring municipal management; and (c) *administrative decentralization*, through Centros Comunales Zonales [district community centers] (CCZs), decentralized municipal offices responsible for managing deconcentrated services such as lighting, greenbelts and public spaces, sweeping, general inspection, processing information and startup, and social programs, for which it has its own administrative and technical staff.
- 1.12 In the past decade, while the general work force of the IMM decreased by more than 3,000, the district community centers have grown steadily in terms of responsibilities and personnel. Presently, they employ a staff of approximately 1,000. The CCZs, as a potential decentralized one-stop window for the city's





population, have been welcomed warmly and are given high marks by citizens. In general, the centers are perceived as mechanisms that “bring government closer to the people.” In a recent survey, over 90 percent of the population felt that taking part in the CCZs was positive or very positive, and over 72 percent were familiar with the CCZ in their jurisdiction. However, this success is also a vulnerability, to the extent that the management model of the CCZs does not meet citizens’ expectations. Only slightly more than 50 percent of the population has ever used the district community centers’ services and thinks that opening the centers was “a positive thing,” while about 40 percent feels that “not much has changed.”

- 1.13 The development of the CCZs, an unprecedented experiment at the national level, was the result of a gradual process of transferring authority and resources, through successive aggregations and without a preconceived model of internal organization, consistent identification of local added-value processes, and shared criteria for processing and equipment. The fact that most procedures are not resolved by the CCZs, and that there is no standardized service model with shared criteria for the CCZs to address issues poses recurring coordination problems between centralized and decentralized services. These shortcomings are reflected in the fact that only 33 percent of the population served rates the service received as “satisfactory” or “very satisfactory.” In sum, the administrative decentralization achieved through the CCZ mechanism is more favorably perceived than the services that the centers actually deliver.
- 1.14 The program will support the consolidation of the CCZs as a central element in the strategy for citizens services and their decentralization.

#### **b. Land management and regulation of urban land use**

- 1.15 The basis for the IMM’s land management is the plan, which was prepared in 1997. The IMM team understands that the main challenge with regard to land management lies in streamlining the main land management procedures in order to make the land-use management plan operational and improve the services that the IMM provides in this area. The IMM has begun to streamline these processes and, using own resources, has made progress toward ISO 9000 certification for issuing building permits. However, many of the other procedures are laborious, and files are not up to date or readily accessible to the public. The program provides for designing and implementing more efficient processes in the IMM’s land management.

#### **c. Urban cleaning in Montevideo**

- 1.16 The cleanliness of the city is perceived, in opinion surveys, as one of the main concerns of the city’s inhabitants. Specifically, the process of collecting non-household waste, which involves garbage, pruning waste, rubble, and other types of refuse dumped in large public spaces, is viewed as slow and inefficient. In recent

years, the IMM has moved forward with a gradual process of contracting with third parties to provide urban cleaning services. Now approximately 30 percent of cleaning services are provided by private companies and nongovernmental organizations. As a reflection of this gradual process, the number of department staff members has decreased by approximately 35 percent over the past six years.

- 1.17 Despite these advances in outsourcing various operational aspects of urban solid waste management, a number of labor and political problems are impeding the process. For example, a 2001 survey revealed that 70 percent of the population opposes full outsourcing of these services, perhaps because the solutions adopted, which have such disparate management models (private-sector providers in some cases, NGOs in others), have made it difficult for the public to identify the advantages and disadvantages of outsourcing. This means that progress in contracting with third parties will be gradual.
- 1.18 It should be noted that the sanitation program and solid-waste master plan in metropolitan Montevideo is currently being executed with the Bank's support. The program will set forth long-term environmental policies concerning the management and disposal of solid waste. The program's cleaning subcomponent aims exclusively to improve management of the trash collection service, and does not involve the final treatment of solid waste. The subcomponent has been deemed consistent with and complementary to the above-mentioned program.
- 1.19 The major changes that have taken place in recent years, and the modernization effort planned and programmed in the Cleaning Divisions agenda turn existing circumstances into an exceptional opportunity, one that should not be missed, to institute a set of products for the cleaning sector such as those described in the following chapter. In this respect, it is vital that support be provided to the IMM with regard to adopting more modern technical management methods. The effects of the changes under way and those planned for the immediate future will be strengthened through the introduction of new operational and management tools and the incorporation of new technologies relating to collection logistics. These tools and technologies, which are the products provided in this program, are included in the component on reorganization of high-impact processes and will increase the benefits received by the citizens of Montevideo in regard to a matter that is so crucial for a municipality, given its economic, social, territorial, urban, and environmental implications.
- 1.20 The Department of Environmental Development was established in February 1995, sending a clear political signal concerning the IMM's priorities. Its task is the environmental stewardship of Montevideo, including land, water resources, and air. The department deals specifically with sanitation, cleaning, control of industry, control of streams and beaches, and promotion of environmental education activities in the Department of Montevideo. The organizational structure of the Department of Environmental Development includes the Cleaning and Sanitation

Divisions and their respective services, in addition to a series of units with specific assignments.

- 1.21 The objectives and principles of the environmental policy for the department were approved by the Departmental Council of Montevideo on 30 July 1992 pursuant to decree 25,657, with regulations later devised under Resolution 13,240 in 1993.<sup>1</sup>
- 1.22 The program will promote improvements in the management of cleaning services, reducing their cost and optimizing the use of existing material resources.

### **3. Human resources in the IMM**

- 1.23 In recent years, the IMM has made progress in streamlining its structures and modernizing its human resources policies through a project supported by the International Labour Organization, which was implemented in two stages: 1994 and 1996-1999. The aim of the project was to streamline the somewhat oversized and dysfunctional municipal employment structure, which was characterized by complex regulations, an imbalance between positions and occupational groups, and salary imbalances. Salaries were determined based on an excessively large number of factors other than variable salary, support information systems were lacking, and over 400 professions were grouped into 19 occupational groups and 111 pay grades.
- 1.24 Against this background, a human resources management reform project was designed and executed. The project had three objectives: first, simplification of the occupational structure; second, streamlining of the compensation structure consisting of salaries and variable compensation factors; and third, organization of the career civil service with respect to recruitment, promotion, and advancement and standards for competitions, promotions, and qualifications. At the same time, early retirement plans were also implemented which, in combination with normal attrition, reduced the size of the work force. In the past decade, the work force has been reduced by over 25 percent, and consequently the IMM's staff costs account for about 50 percent of the municipal budget, in comparison to 60 percent 10 years ago.<sup>2</sup>
- 1.25 The project was executed based on certain key principles, such as maintaining the stability and rights of civil servants (including rank and compensation levels), the unitary nature of the new systems (which are supposed to cover all situations), and the gradual approach to their application in accordance with the "social viability"

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<sup>1</sup> See the IMM's web site: [http://www.montevideo.gub.uy/ambiente/amb\\_ciudad.htm](http://www.montevideo.gub.uy/ambiente/amb_ciudad.htm).

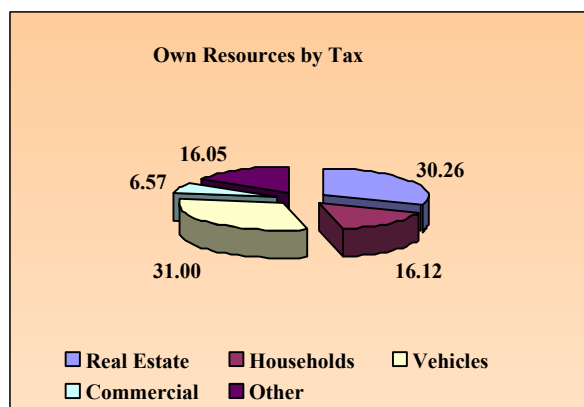
<sup>2</sup> It is important to note that the IMM has the lowest relative municipal employment index in Uruguay. In comparison with an average of 60 inhabitants per civil servant in the interior, the figure is approximately 130 in Montevideo.

criteria of the changes. Although the project was executed within the context of intensive dialogue and negotiation with the trade unions,<sup>3</sup> the unions still have reservations concerning some of the steps for streamlining structures, salaries, and mobility, which they consider detrimental to lower-level municipal workers.

- 1.26 The cornerstone of this reform is the Integrated Career and Compensation System (SIR) which sets out the IMM's occupation and compensation structure, by defining grade schedules, career levels, and job descriptions. Its main characteristics are: establishing a single scale with 22 salary steps; positioning the personnel on the scale in accordance with an evaluation of the individual's responsibilities; a uniform design of the various career levels; a separate scale for management positions; and the opportunity for a greater number of candidates to enter the ranks of management. Consistent with the SIR definition, the project set out to prepare the organizational design of the IMM, including determining the size of the management level, establishing the number and profiles of management positions for the entire IMM. Lastly, a general manual of standards was prepared and approved with regard to the recruitment, promotion and advancement of municipal workers, which is the dynamic portion of the system.
- 1.27 The program will support the deepening of managerial skills among mid-level and senior managers in municipal administration, as well as the process of relocating and retraining civil servants involved in the reorganization projects.

#### 4. Fiscal administration in the IMM

- 1.28 IMM tax administration is handled by the Department of Financial Resources. The main sources of the IMM's own resources (approximately US\$350 million annually) are land-related revenues (real-estate taxes), vehicle-related revenues (vehicle licenses), and household-related revenues that include collection of the General Municipal Tax, which is charged for street lighting, public health, conservation, and policing. Vehicle-related revenues account for approximately 31

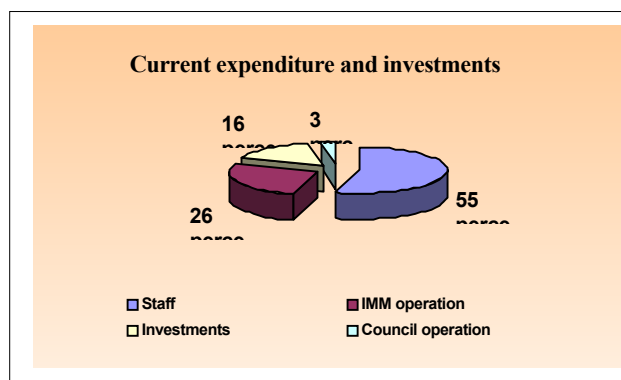


<sup>3</sup> IMM civil servants are active members in three organizations: the Asociación de Empleados y Obreros Municipales [Association of Municipal Employees and Workers] (ADEOM), the Asociación de Empleados Profesionales [Association of Professional Employees] (ADEP), and the Asociación de Funcionarios de los Casinos y Hoteles [Association of Casino and Hotel Employees] (AFACH); ADEOM is the largest of the three, with a membership of about 60 percent of the municipal civil servants (although that figure stood at 80 percent in the past).

percent of all revenues, real estate for 30 percent, and household-related revenues for about 16 percent. Additionally, the IMM collects resources by providing other services, such as the office of the building inspector (building permits, etc.), funeral services (cemetery maintenance and monitoring), and the food science service. The above graph shows the share of each major tax in total collections for 2001<sup>4</sup>. Notwithstanding the lengthy recession, the rate at which the three main taxes and fees (property taxes, vehicle licencing fees, and the general tax) are collected is still high. On average the effective collection as opposed to potential collection ranges from 85 percent to 88 percent. Despite these levels of collection, the IMM faces challenges in the area of management, particularly financial management, of tax arrears, an area that will be strengthened under the present program.

1.29 Although the IMM did not receive transfers from the central government or contributions from the national government until 2000, starting in 2001 the IMM began receiving transfers in the amount of 0.56 percent of revenues. Its share is expected to increase starting in 2002, reaching a level of 3.17 percent in 2004.

1.30 In terms of the structure of expenditures, approximately 55 percent goes to personnel costs, 26 percent to operating costs related mainly to providing services, and 16 percent to investments. The following graph shows the respective percentages of these items in overall spending for 2001.<sup>5</sup>



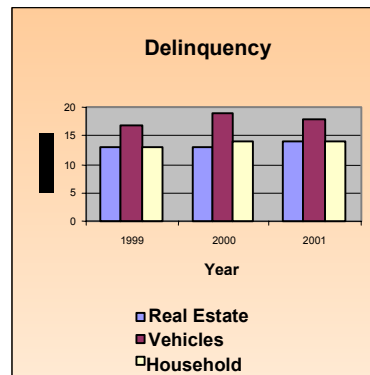
1.31 Despite the recessive situation at the national level and the highly procyclical nature of municipal taxes and levies—vehicle licenses and real estate collections—in real terms the IMM has managed to increase revenues while controlling expenditures. Revenues grew by nearly 13 percent from 1999/2000 to 2000/2001 while expenditures were reduced by approximately 8 percent through an expenditure control program.<sup>6</sup> It is important to note that the consolidated deficit of all municipal governments is approximately equivalent to 0.1 percent of GDP, including the IMM. The program agreed with the IMF provides for eliminating this deficit in 2002.

<sup>4</sup> Source: Management report of the IMM's Department of Financial Resources, preliminary data for 2001.

<sup>5</sup> Source: *ibid*.

<sup>6</sup> Source: 1984-2001 revenue figures, Department of Financial Resources (IMM), constant values.

- 1.32 Starting in 1996, the IMM's Department of Financial Resources designed and implemented new financial management systems, including: (i) a decentralized collection system; (ii) a personalized telephone service system for taxpayers that provides access to information about all tax-related transactions; (iii) a tax management system that includes a comprehensive system for generating and invoicing the IMM's main taxes; and (iv) an economic financial system known as SEFI, that serves the entire IMM and is characterized by a single data input and automatic interfaces with other systems, covering all accounting, budgetary, economic, and financial aspects.
- 1.33 The fiscal management systems cover all taxes, including vehicles, real estate, cemetery, and services rendered such as sanitation, lighting, sweeping, and trash collection. The systems also include managing the collection of delinquent taxes, payments, and legal stamps for transactions, etc. All collections are managed comprehensively through individual windows or via the collection network. In other words, the necessary audits and controls are performed, allocations to individual demand deposit accounts are made, and the accounting entries are generated through an interface with the SEFI.
- 1.34 The SEFI, shared with the Accounts Division, handles budget accounting, analytical accounting, and some financial accounting, and is integrated into the supply system. These systems form an electronic tool that the IMM uses for purchase orders, under any of the approved means (direct shopping, abbreviated or competitive bidding), including payments to providers, while complying with all the necessary legal steps and generating accounting records from a single transaction under the three accounting systems.
- 1.35 Lastly, it is important to note that the Department of Financial Resources is supported by its own computer node, which in the last six years has allowed for significant progress in the development of management systems with a fairly high level of integration, and in the implementation of modern tools and databases, in addition to the installation of servers and work stations to operate the systems.
- 1.36 Despite this progress, the IMM needs to expand its revenue and expenditure management capacity. The main weakness with respect to revenues relates to the low degree of integration of some tax files, which impedes efficient execution of collection procedures for delinquent taxes and controls of tax exemptions and refunds. The graph shows delinquency rates for three of the main taxes during the 1999-2001



period.<sup>7</sup> Additionally, there is little capacity for immediate resolution of taxpayer inquiries in general, and a lack of specific systematic controls of large taxpayers.

- 1.37 In the financial area, the most significant problem relates to the lack of a systematic planning process that ensures integration between the budget planning processes and the making of payments. Nonetheless, budget execution is integrated with financial administration (recognition of payment for accounting purposing). Moreover, an automated process has not been implemented to manage inventories of goods in all the IMM's warehouses, and there are problems with the valuation and revaluation of fixed assets, creating financial accounting weaknesses.
- 1.38 The program will support improvement in the management of municipal revenues, seeking to reduce delinquent payments. Support will also be provided for management improvements by consolidating financial accounting.

## **5. Summary**

- 1.39 In summary, the IMM is facing an array of challenges in the modernization process. First, horizontal planning systems have shortcomings in their design and implementation. There is a lack of comprehensive systems that allow for consistent verification and control of the quality and effectiveness of services that the IMM provides. Likewise, citizens, organized around neighborhood boards and councils, do not have systems that allow for a verifiable examination of the municipal government's actions. Additionally, the IMM does not have a strategic plan for the use of technology in improving municipal service delivery (e-government).
- 1.40 Second, it is important to make further progress in the process of the delivery and centralized control of services based on the district community centers and in improving the delivery of critical services such as cleaning. This challenge means reviewing the distribution of responsibilities among the various levels of municipal administration and strengthening the capacity of the district community centers in the uniform delivery of IMM services and the permanent resolution of the community's problems.
- 1.41 Third, despite significant advances, the human resources policy has shortcomings, particularly with regard to evaluations, promotions, and technical and managerial training. The relationship between civil servants' qualifications and the government's needs is minimal. Additionally, training, particularly at the professional and managerial levels, is limited. Lastly, administration of the IMM's fiscal resources has limits, such as a lack of certain financial accounting modules and limited internal auditing capacity.

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<sup>7</sup> Source: Management report of the IMM's Department of Financial Resources, preliminary data for 2001.

### C. Program strategy

- 1.42 As noted above, a primary limitation on the IMM's performance lies in the limited and isolated vision of each department, and inadequate linkage among the various organizational areas. This administrative compartmentalization has two significant effects on management outcomes. First, the lack of a joint vision may lead to duplication of functions and activities, needlessly increasing administrative costs. Second, limited links between areas also means that citizen services are also limited by each area's "borders." Management of back office operations risks becoming an end in itself, not a support function and logistical foundation for providing high-quality services. Consequently, a disconnect can arise between internal management and service delivery. Having a shared vision makes it possible to link areas and departments with each other and to lay the foundations for improvements in internal management to seek efficiency gains in service delivery. Improvement in strategic management and the management of human, financial, and fiscal resources makes sense to the extent that it helps to enhance customer care,



information, and services, resulting in greater citizen satisfaction.

### D. The Bank's strategy and experience

- 1.43 In keeping with the government's economic policy and the Eighth General Increase in Resources, the main objective of the Bank's strategy in Uruguay is to support development programs and government policies for the 2000-2004 period, aimed at achieving sustained growth with stability to enhance social equity. In this context, the Bank's strategy will focus on:

- Competitiveness and regional integration:** In this area, the Bank will support initiatives that increase competitiveness and private investment, based on export-oriented production supported by its comparative advantages and the incorporation of modern technology, so as to create conditions for healthy



competition that lead to gaining a greater foothold in regional and international markets.

- b. **Modernization of the State and governance:** This area will receive Bank support to carry out the process of transformation of the State so as to reduce the magnitude of its presence in the economy; to increase its efficiency and effectiveness, and streamline and focus its intervention; and to reduce its impact on the national production of goods and services.
  - c. **Welfare and social equity:** This area will receive special attention from the Bank owing to its significance with respect to increasing equity and the involvement of vulnerable groups in the development process, and improving their quality of life.
- 1.44 The proposed municipal program fits within the second strategic area mentioned above, and complements other efforts that the Bank has supported on behalf of the central government in the past five years. Specifically, the Bank's strategy has been oriented toward: (i) completing and deepening the reform of the central government; (ii) streamlining government spending, improving tax administration, and reducing its burden on private-sector activities; (iii) supporting the departmental decentralization process by strengthening local governments; (iv) facilitating the establishment of modern regulatory frameworks for providing public services; (v) supporting the strengthening of mechanisms that aim to increase accountability and enhance transparency; (vi) strengthening the technical and managerial capacity of other branches of the government, such as the judiciary and legislature; and (vii) strengthening relations between the government, businesses, and civil society. This strategy has been embodied in a number of projects, including the public administration restructuring and modernization program (995/OC-UR), the social security reform program (921/OC-UR), and modernization of the accounts tribunal (827/OC-UR). The Municipality of Montevideo modernization program complements the Bank's support for the modernization efforts of departments other than Montevideo (UR-0131).
- 1.45 The program's proposals are consistent with the Bank's subnational development strategy in that they address three of the four central themes of the strategy: to enhance municipal institutional capacity to provide services, to improve executive accountability processes, and to develop municipal fiscal management capacity. The element that is not addressed, intergovernmental relations, falls outside the scope of action of this operation.

## **E. Lessons learned**

- 1.46 The experience of the reform process that the Bank has supported in Uruguay over the past five years has yielded the following lessons:

- 1.47 **Political support, legal support, and institutional leadership.** The depth of any modern reform is directly proportional to the commitment of senior officials and their perception of the need for and urgency of the changes. The modernization process supported by this project is a top priority for the municipal authorities. As a result, there is support and political will, as well as institutional leadership behind the project.
- 1.48 **Vision and sequence of reforms.** Although there is no universally accepted sequence of reforms, it is important to have an overall long-term vision of the process so as to ensure an adequate order of actions. The process of reforming the municipal government, particularly the decentralization process during the 1990-2000 period, has led to a point at which improvements in internal management must go hand in hand with a focus on the service provided to the citizens who are consumers of municipal services. This operation seeks to support a reform that has an impact on the quality of the services that the government provides.
- 1.49 **Communication and dissemination.** The success of an outward-oriented reform program, focusing on improvements in the quality of municipal services, calls for a communications strategy that announces the new options and uses that communication to form alliances and gain political support. Therefore, activities have been included to support the dissemination and communication of what has been accomplished in the reform process.
- 1.50 **Institutionalization.** In order to ensure the long-term sustainability of the reform, it is important to deepen its institutionalization as a product of the program and of the reform itself, directly involving the various departments in the design and execution of program activities. The design of the operation is being undertaken by the municipal line civil servants themselves, organized in work teams coordinated by the program coordination unit (PCU). This participatory design process, which has used the institutional development methodology developed by RE1/SC1, seeks to institutionalize the modernization processes supported by the program, right from the start. This approach has enabled the PCU to establish the technical teams responsible for program component design early on and to lay the initial foundation for an analysis of the consensus among the various agents involved at this level, and at the management level of the IMM. The Bank's project team held training workshops in the use of the institutional development methodology, as a necessary step prior to forming the technical teams that are currently formulating, and specifying the details of the program's four components.
- 1.51 **Small gains.** All reform processes are complex and involve many players. It is important to achieve visible benefits quickly, and to use them as examples of the advantages of the reforms under way. These "small gains" make it possible to win allies among the citizens and social actors.

- 1.52 Achieving the program's objectives, particularly improving municipal management, calls for support, at the decentralized level, of the staff at the community centers and the community's active participation in program design and implementation. At the same time, it is advisable that internal social actors, particularly the unions representing municipal civil servants, be included in the process of designing and implementing the different systems.

## **II. THE PROGRAM**

### **A. Objectives and description**

- 2.1 The program's main objective is to modernize the IMM, in order to enhance the efficiency and quality of the services it provides, and improve the effectiveness and transparency of its performance. To achieve this objective, the program will provide support to the IMM's strategic and operational levels through the fine-tuning of administrative, fiscal, and technological mechanisms and of the processes that have a high impact on citizens. Specifically, the program will seek to: (i) increase the IMM's capacity in terms of planning, organization, and management evaluation; (ii) improve the quality of services rendered to the population; (iii) improve the quality of the IMM's performance through staff training and the implementation of a performance-based pay system; and (iv) strengthen the municipal government's fiscal administration.

### **B. Monitoring benchmarks**

- 2.2 The program's logical framework (Annex II-1) includes specific detailed indicators for each of the program's components, projects, and activities. It is important to note, however, that the indicators selected for each component seek to reflect the expected outputs and outcome. Each of these indicators has an initial value or baseline against which the evaluation will be made. The following table contains a summary of the main outputs of each component and the critical indicators with which impact will be measured.

| Principal Outputs                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Critical Indicators                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Strengthening of Horizontal Management Systems Component:</i><br><i>Strategic Planning</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <ul style="list-style-type: none"> <li>IMM strategic plan in place</li> <li>Indicator systems in place</li> <li>Strategic guidelines for the electronic management plan approved and developed</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                    | <ul style="list-style-type: none"> <li>Decentralization and cleaning with plan and strategic indicators in place</li> <li>Number of hits for on-line processes doubles annually</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <i>Reorganization of High-impact Processes Component</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <p><b>Decentralization</b></p> <ul style="list-style-type: none"> <li>Service and organizational models defined</li> <li>Quality certification of the 18 CCZs</li> <li>Adaptation of physical infrastructure</li> <li>Staff training</li> </ul> <p><b>Cleaning</b></p> <ul style="list-style-type: none"> <li>Fleet supervisor and corrective and preventive maintenance systems installed</li> <li>Collection circuits optimized</li> <li>System to address complaints in place</li> </ul> <p><b>Land-use management</b></p> <ul style="list-style-type: none"> <li>Land-use Planning Division (DPT) reorganized</li> </ul> | <ul style="list-style-type: none"> <li>ISO 9002 quality certificates in 18 CCZs</li> <li>Processes completed in CCZs increase from 30 percent to 60 percent</li> <li>Average waiting time at CCZs &lt; 5 minutes</li> <li>30 percent improvement in citizen satisfaction at CCZ level</li> <li>Average productivity (ton/employee) increases by 20 percent</li> <li>Collection/cleaning cost drops by 5 percent</li> <li>Annual savings of US\$700,000</li> <li>Index of citywide image increases from 42 percent to 60 percent</li> <li>Time required for 80 percent of DPT processing reduced 40 percent</li> </ul> |
| <i>Human Resources Component</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <ul style="list-style-type: none"> <li>Training for senior managers (approximately 70), middle managers (approximately 160) and section chiefs (approximately 270)</li> <li>Training and job retraining (approximately 100)</li> <li>Performance-based pay system</li> <li>Technical strengthening of labor unions</li> </ul>                                                                                                                                                                                                                                                                                                | <ul style="list-style-type: none"> <li>90 percent of staff set up management improvement projects presented in the courses</li> <li>Savings on management improvement projects exceed the cost of the training (US\$470,000)</li> </ul>                                                                                                                                                                                                                                                                                                                                                                               |
| <i>Municipal Fiscal Resource Management Component</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <ul style="list-style-type: none"> <li>Property tax files integrated with each other</li> <li>Handling of delinquencies improved</li> <li>Financial and loan planning implemented</li> <li>Accrual accounting implemented</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                         | <ul style="list-style-type: none"> <li>Accrued delinquencies fall by at least 0.5 percent per year</li> <li>Payments in arrears decline at least 25 percent per year</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                       |

## **C. Program structure**

- 2.3 The program will consist of four components: (i) strengthening of horizontal management systems; (ii) reorganization of high-impact processes; (iii) improvement of human resources management; and (iv) municipal fiscal resources management.

### **1. Strengthening of “horizontal” management systems—strategic management (US\$446,000; Local counterpart US\$86,000)**

- 2.4 The objective of this component is to make the program sufficiently general and cross-cutting, to encourage methodologies and processes of a corporate nature. To this end, the following will be introduced: (i) a strategic management system; (ii) performance indicator systems; and (iii) an “e-government” strategy.
- 2.5 In the area of cross-cutting strategic management, a system will be set up so that periodic diagnostic studies and programming of activities may be incorporated into the organization’s routine for a medium-term horizon. A corporate strategic management plan will have to be implemented that sets out strategic objectives, annual operating plans, and result-verification systems with defined coverage and timing. This requires the establishment of an administrative unit responsible for system implementation and continuity over time. The system will be set up as a pilot experience in at least two IMM units, which would tentatively be: Decentralization and Cleaning.
- 2.6 The implementation of a performance indicator system will generate pertinent and reliable information for performance evaluation for the strategic and managerial levels as well as the citizens themselves. The indicators, which will be identified in the consultants’ studies, must adequately reflect the objectives agreed by the unit following an analysis of the main problems to be solved, so that they can be compared with the results achieved by each unit, in terms of productivity of the staff and quality of the service provided. This set of indicators will fully complement the progress of the reorganization process of both divisions. Data that currently exists on several databases will thus be organized and made available to the authorities, to underpin the startup of an individual and group performance evaluation system. A central team would have to be created to coordinate the activities of the teams from the various areas in the design and implementation stages. The system should be set up as a pilot experience in the two IMM units mentioned above. These and other pilot experiences will be evaluated for possible implementation throughout the municipal government.
- 2.7 Lastly, in the information technology area, the program will focus on developing and implementing a communications strategy and an e-government strategy. In the communications area, support will be provided for the formulation of a proposal to update and expand the IMM’s data network and for a study on the reorganization of

telephone and data services, in order to improve citizen services. In the e-government area, a strategic systems plan will be designed and implemented, with emphasis on the use of new technologies focused on e-government.

**2. Reorganization of processes with a high impact on citizens (US\$1,706,000; Local counterpart US\$116,000)**

- 2.8 This component encompasses a set of actions the common objective of which is to rationalize the performance of administrative processes that affect a large number of citizens and that have a particular impact on the quality of life of the city's population. To this end, the program will support these rationalization efforts in three specific areas: strengthening of decentralization, rationalization of municipal cleaning services, and rationalization of land-use management procedures.
- 2.9 **Strengthening of decentralization (US\$1,053,000; Local counterpart US\$78,000).** The aim of this part of the component is to strengthen the IMM's capacity to decentralize administrative processes and the delivery of services that affect a large number of citizens. The following outputs will be financed:
- a. **Definition of a citizen services model.** A study will focus on preparing the conceptual design of an integrated citizen services model for the IMM as a whole, with particular emphasis on decentralized services. The study will cover the following areas: (a) a diagnostic assessment of the current citizen service channels and centers, whether face-to-face, by telephone, or on-line; (b) identification of processes involved in citizen service; (c) identification of processes that could be decentralized, with the various modalities; (d) proposals for rationalizing service, with an indication of costs and level of priority.
  - b. **Definition of CCZ organizational models.** Based on the conclusions of the study mentioned above and a detailed diagnostic assessment of the services provided by the CCZs, their organizational models will be defined in detail based on different types of citizen demands generated by the communities according to their socioeconomic characteristics. The models must incorporate the following elements:
    - CCZ organizational manual
    - necessary staffing levels
    - detailed design of a Citizen Services Office (OAC) for each CCZ, including:
      - (a) identification of basic processes; (b) requirements and organization of physical space; (c) computer equipment needed; (d) suitable profiles for customer service staff.
  - c. **Adaptation of the CCZs' physical infrastructure to create the OACs.** Based on the criteria of the previously mentioned study, the infrastructure of the CCZs

will be adapted to provide the OAC of each center with its own space. It is estimated that each one would cover about 70 square meters with its own furniture and signage suited to its functions.

- d. **Computer equipment for the OACs.** The OACs would be outfitted based on the requirements identified in the study described in subparagraph (b). Procurement of the following equipment is anticipated: (i) two work stations per CCZ, plus two stations and a server in central services; (ii) office software for the stations; (iii) specific citizen services software, including a system for managing lines, adaptation and improvement of the municipal file system's registry function, a basic land-use information package, and a quality management package.
- e. **Rationalization, standardization, and certification of quality in citizen service processes at CCZs.** Based on the map of service processes identified in the study mentioned in subparagraph (b) above, such processes will be fully rationalized, culminating in the certification of the OACs at the 18 CCZs according to ISO 9001 quality standard. To this end, the following sequence is proposed: (i) description, rationalization, and standardization of citizen service processes; (ii) implementation of standardized processes in the 18 CCZs, including extensive training of staff before new staff is hired and establishment of quality control systems at CCZs; and (iii) auditing and certification of each CCZ pursuant to ISO 9001 standards.
- f. **Rationalization and computerization of processes with decentralization potential.** Based on the findings of the study described in subparagraph (a), administrative processes that have a high impact on the population and decentralization potential will be rationalized and computerized, either through comprehensive processing at the CCZs or by telephone or on-line. The findings of the above-mentioned study notwithstanding, it is anticipated that this work could eventually be done in four areas: (i) urban development, in particular in situations that affect the implementation of the Montevideo land-use plan; (ii) environmental development; (iii) social services; and (iv) general inspection.
- g. **Citizen communication campaign.** In order to inform the citizens of the new organization of the CCZs, the startup of the OACs, and their quality certification, the operation will finance a communication campaign involving posters and pamphlets to be distributed to the citizens.
- h. **Monitoring of implementation of the citizen service model at the CCZs and central areas of the IMM.** In order to offer support to the IMM in monitoring the implementation of these products, the operation will finance an international consultant for eight weeks, spread out over four missions, to support the IMM's project team.



- 2.10 **Rationalization of processes in the cleaning area (US\$1,420,000; Local counterpart US\$23,000).** The goal of this subcomponent is to strengthen the managerial and operational capacity of the Cleaning Division, by adopting and using new technologies in the logistical aspects of trash collection and complementary areas. This strengthening effort is expected to reduce the cost and enhance the quality of the service and, consequently, improve the image of the service provided by the IMM and the satisfaction of the citizens of Montevideo therewith.
- 2.11 The average productivity of each worker of the residential trash collection service is expected to increase by at least 20 percent, from the current level of 1.6 tons/worker/day, and reduce the cost of collection by at least 10 percent from the current US\$71/ton. While residents are reasonably satisfied with the performance of the IMM in terms of the cleanliness of their neighborhoods, a negative image with respect to the city as a whole persists. In this regard, the subcomponent seeks to enhance the “clean Montevideo” image index from the current 42 percent to at least 60 percent.
- 2.12 This subcomponent encompasses the following five outputs: (i) implementation of a system to monitor the use and location of the fleet of residential waste collection vehicles, which will reduce the collection cost by 3 percent; (ii) installation of a preventive and corrective maintenance system for the garbage truck fleet, that will increase vehicle availability from 65 percent to 80 percent; (iii) optimization of the garbage truck collection circuits to reduce distances traveled by 3 percent; (iv) design and implementation of a new system to address complaints that will provide operational managers with the information they need to reduce the response time to citizens by 35 percent; and (v) design and implementation of an integrated management information system that will allow management to monitor and evaluate the aforementioned areas.
- 2.13 The financial impact of the investments in urban cleaning is calculated as annual savings of approximately US\$700,000. It is important to note that the objectives and activities of this program will be closely coordinated with the studies and activities provided for in the Montevideo sanitation program (UR-0089), currently being executed, which includes resources for the development of a solid-waste master plan. This plan offers a comprehensive, long-term solution to waste treatment problems, while the cleaning subcomponent under this program adopts a strictly managerial, short-term approach, on a small scale in terms of investment required.
- 2.14 **Rationalization of land-use management processes (US\$133,000; Local counterpart US\$15,000).** Under the common heading of “land management”, the program will introduce reforms that will include services performed by different entities (the Building Inspection Service in the Urban Development Department and the Land-use Planning Division in the Central Planning Unit), whose common

denominator is participation in the regulation of land use. Close coordination between both reorganizations is therefore essential. Both services have had problems resulting from the lack of access to and clarity of urban-planning information, the lack of guidelines for entry and processing of transactions, excessively vertical and compartmentalized structures, and inadequate file management. The result of all this is the multiplication of processing errors (for example, in the final stages of construction, 80 percent of the construction affidavits reviewed were different from the charts filed) and unjustified slowness, with increased costs for both the IMM and the applicants.

- 2.15 The functional and organizational restructuring will be supported by the Land-use Planning Division, whose aim will be to reduce processing time and design a methodology for updating the graphics file to allow for expeditious handling thereof and optimizing of the division's Regulations Unit.

### **3. Human resources management (US\$304,000; Local counterpart US\$477,000)**

- 2.16 At this time, the IMM faces challenges stemming from the application of new human resource management structures and policies. The following challenges stand out because of their scale: (i) holding competitions for executive positions and training staff hired to fill them according to the needs of modern and efficient management; (ii) in sectors with high impact on citizens, updating the core skills of staff included in the program for learning and skills acquisition related to the new job position descriptions; (iii) restructuring certain staff members' jobs as a result of the reorganization of the sectors mentioned, to hold new positions in the IMM; (iv) applying the variable component of performance-based compensation; and (v) discussing the reform implementation process with staff and their union representatives.
- 2.17 In the human resources project, the IMM will receive support in the application of the described reforms. The program will help achieve this objective through development and training for leadership positions, training to update core skills, and training for staff members changing jobs as a result of the reorganization of the two services. Other efforts include design and selective application of a performance-based compensation system, and improvement of communication with social actors including a training program for organized labor.
- 2.18 **Training for leadership positions.** The program will finance the design and execution of training and development courses for leadership staff, after the various stages of the competitions that have begun and will be processed over the next two years have been completed. Leadership levels ranging from managers to section chiefs of the IMM will be trained. The training will be adjusted to the respective hierarchical levels. For senior managers (approximately 70 positions), it will focus on aspects of strategic planning; for middle managers (approximately

160 positions), it will focus on human, material, and financial resources management; and for the section chiefs (approximately 270 positions), aspects of operation supervision will be strengthened.

- 2.19 Management training will focus on involving and enhancing the capacity of executives as agents of change, giving them new management tools. By the end of the course and on the basis of the learning acquired, each participant will prepare a project to improve the performance of his or her unit and will undertake to implement it effectively within one year from the end of the course. This project will be prepared in accordance with a methodology contained in the program and will need to be approved by the staff member's supervisor. Its execution will be monitored by a tutor designated from among the teachers of the course. The project will include performance indicators that will make it possible to measure the monetary benefit of applying the improvements. Passing the course will depend on the satisfactory execution of the project—in the opinion of the tutor and the staff member's supervisor. It is expected that 100 percent of the cost of the training provided will be recovered as a result of all the improvements.
- 2.20 The IMM has demonstrated that it has an effective equal opportunity policy with regard to gender. At this time, some 30 percent of the leadership positions are held by women, which represents one of the highest percentages in Uruguay's public sector. In addition, this percentage is expected to increase to 36 percent once the current competitions for leadership positions are completed, given the percentage of women candidates. In addition, the IMM has a specific commission on gender equality that has put various initiatives into place, including awareness building and training actions.
- 2.21 **Design and application of a job skills update program.** The operation will finance training courses for staff in the cleaning and land-use management sectors. Programs to update technical and operational know-how will be developed that will adjust the skills and knowledge of the staff to the requirements of new management technologies to be implemented in the aforementioned sectors.
- 2.22 **Design and application of a staff retraining and relocation program.** Based on the reorganization initiatives of the high-impact processes in two areas of the IMM supported by the program, there will be a need to retrain and outplace approximately 100 redundant employees from these departments to other jobs. The operation will finance the procurement by IMM of a working methodology to outplace and train these employees to perform these new functions.
- 2.23 **Design and application of a performance-based compensation system.** The operation will finance the design and implementation of a performance-based compensation system based on the operating results of the selected sectors. The system must meet the following conditions: (i) be linked to achievement of the management objectives agreed upon and measured on the basis of tangible and

measurable results; (ii) apply at a group level, i.e., based on the performance of organizational units and not individuals, although the individual contribution of people to the work of the group may be recognized as well; and (iii) applying the incentive should not assume an increase in the wage bill of the IMM as a whole or of the departments of the staff members to which it applies. This means that application of the incentive should primarily be applied against a drop in payments by the IMM for overtime hours (currently 4 percent of personnel costs) and other direct expenses. The application of the remuneration system will be done in two pilot areas, to which end the following have been tentatively identified: (a) Decentralization Department; and (b) Cleaning Division.

- 2.24 **Design and application of a program for technical strengthening of unions.** With the goal of strengthening the capacity of unions to confer with the IMM on all matters affecting their function of representing and defending municipal workers, the operation will finance a program of technical strengthening workshops. The latter will be executed pursuant to an agreement with the ILO which will be implemented by CINTERFOR (representative of the ILO in Uruguay), with financing drawn on the local counter-part funding.

#### **4. Management of municipal fiscal resources (Local counterpart US\$215,000)**

- 2.25 This component seeks to consolidate a number of specific areas, a process already well under way aimed at strengthening the IMM's fiscal and financial management. Support for the IMM will focus on creating instruments and systems for the management and control of revenues and economic and financial information, for accountability vis-à-vis external agents.
- 2.26 In the revenue area, the restructuring of offices responsible for managing municipal revenues will be supported through: (i) setup of property tax files; (ii) rationalization of the process for tax refunds and relief; (iii) improvement of delinquency management; (iv) promotion of better taxpayer services in general; and (v) implementation of a specialized system of preferred taxpayer services for different taxpayer groups, by establishing different modalities for treatment follow-up based on the entity and the nature of the tax.
- 2.27 With regard to strengthening the financial area, the following activities will be supported: (i) implementation of a system for borrowing and financial planning; (ii) inventory control, including surveys and valuation of physical inventory; (iii) adjustments to the accrual accounting system; (iv) control of fixed assets, with enumeration, updates, valuations, and determination of criteria for amortization and revaluation, guaranteeing an interface with works and warehouses; (v) development and installation of an import purchasing system; and (vi) identification of the content and timing of automated economic and financial reports, ensuring dissemination of accessible information to external agents, including citizens,

banks, and other agencies. This system will also include information on fulfillment of plans and targets, to facilitate public oversight of executives, a key element of an efficient accountability process.

#### **D. Cost and financing**

- 2.28 The total cost of the program is estimated at US\$4.225 million, which will be financed with a loan of US\$3 million and a counterpart of US\$1.225 million, the distribution of which, by source of financing, appears in the table below. The Bank's contribution to the program cost will be charged to the Ordinary Capital, with an amortization period of 20 years and a grace period of five years. The loan will have a variable interest rate with a credit fee of 0.75 percent, and an inspection and supervision fee of 1 percent of the loan amount.

| <b>Consolidated budget by category (US\$000)</b> |               |              |              |
|--------------------------------------------------|---------------|--------------|--------------|
| <b>Budget category</b>                           | <b>IDB/OC</b> | <b>IMM</b>   | <b>Total</b> |
| Component 1: Strategic management                | 446           | 86           | 532          |
| Component 2: High-impact processes               | 1,706         | 116          | 1,822        |
| Component 3: Human resources                     | 304           | 477          | 781          |
| Component 4: Municipal fiscal resources          | 0             | 215          | 215          |
| Coordinating unit                                | 0             | 162          | 162          |
| <b>SUBTOTAL</b>                                  | <b>2,456</b>  | <b>1,056</b> | <b>3,512</b> |
| 1. Financial costs                               | 292           | 22           | 314          |
| a. Credit fee                                    | 0             | 22           | 22           |
| b. FIV                                           | 30            | 0            | 30           |
| c. Interest                                      | 262           | 0            | 262          |
| 2. Contingencies                                 | 32            | 147          | 179          |
| <b>TOTAL (without PROPEF)</b>                    | <b>2,780</b>  | <b>1,225</b> | <b>4,005</b> |
| 3. PROPEF                                        | 220           |              | 220          |
| <b>GRAND TOTAL</b>                               | <b>3,000</b>  | <b>1,225</b> | <b>4,225</b> |

### III. PROGRAM EXECUTION

#### A. Borrower and executing agency

- 3.1 The borrower will be the Eastern Republic of Uruguay, represented in the loan contract by the Office of Planning and Budget (OPP). The executing agency will be the Municipality of Montevideo (IMM), which will conduct the program in coordination with the OPP.
- 3.2 Prior to the first disbursement, the IMM will present, to the Bank's satisfaction: (a) a certified copy of the execution and funds agreements transfer signed by the IMM and the OPP, establishing the same conditions as those set forth in the loan contract between the Bank and the borrower, and reflecting the IMM's responsibility for execution; and (b) a certified copy of the resolution of the Departmental Council approving the aforementioned agreement.

#### B. Organization for program administration

##### 1. Overall framework

- 3.3 The Executive Branch of the Municipality of Montevideo is headed by the mayor, who is popularly elected for a five-year term. Municipal administration is delegated by the mayor to the department directors who constitute the Municipal Cabinet.<sup>8</sup>
- 3.4 The Mayor of Montevideo has the authority to delegate specific functions to special committees<sup>9</sup>. Based on this authority, the Mayor created<sup>10</sup> the Municipal Reform Coordinating Committee (CCRM) to promote and coordinate the institutional modernization initiatives to be implemented in the IMM. The CCRM is comprised of the directors of the following department: General Secretariat, Financial Resources, Human Resources, Legal Affairs, and Decentralization. The coordination unit of the



<sup>8</sup> Article 280 of the Constitution of the Republic.

<sup>9</sup> Pursuant to Article 278 of the Constitution.

<sup>10</sup> Created pursuant to Resolution 2,435/95, dated 17 July 1995.

management improvement program is attached to the CCRM, administratively linked through the Municipal Central Planning Unit (UCPM), to which it reports.

- 3.5 The Mayor of Montevideo has charged the CCRM with the ***strategic management*** of the program. Accordingly, the CCRM will approve, by means of resolutions, and will agree with the Bank on annual operating plans (AOPs) for each project. The ***general planning*** and ***strategic supervision*** will be the responsibility of the UCPM.
- 3.6 The ***operational and administrative coordination*** of the various projects will be the responsibility of the coordination unit of the management improvement program (PCU),<sup>11</sup> which was especially created for program preparation and execution. The ***execution*** and achievement of the objectives and goals of each of the six projects will be the responsibility of the project teams, under the direction of a project leader, who will answer to the PCU. Each project leader will work in close coordination with the respective line authorities and with the general coordinator of the PCU. The project teams will be made up of IMM staff, supported by specialized consultants where necessary.
- 3.7 The program's activities will be conducted according to annual programming set out in AOPs, which will be consistent with the program's logical framework.

## **2. Program supervision**

- 3.8 The UCPM will be responsible for ***strategic supervision*** of the program. It will ensure that: (i) the values, objectives, and interests of the IMM are safeguarded; (ii) the commitments assumed by the IMM in the context of this program are fulfilled and the activities included in the respective AOP are carried out, while ensuring necessary coordination among the actors; (iii) the main advisory and executive bodies are kept informed on program execution; and (iv) the program's objectives and progress are disseminated, both within the IMM and to the community in general.

## **3. General administrative coordination of the program**

- 3.9 The PCU, under the direction of the general coordinator, will assume the following functions:
- Approve partial and final outputs and/or reports on the various activities performed by the consultants;
  - Prepare the consolidated AOP based on the AOPs presented by each project leader;

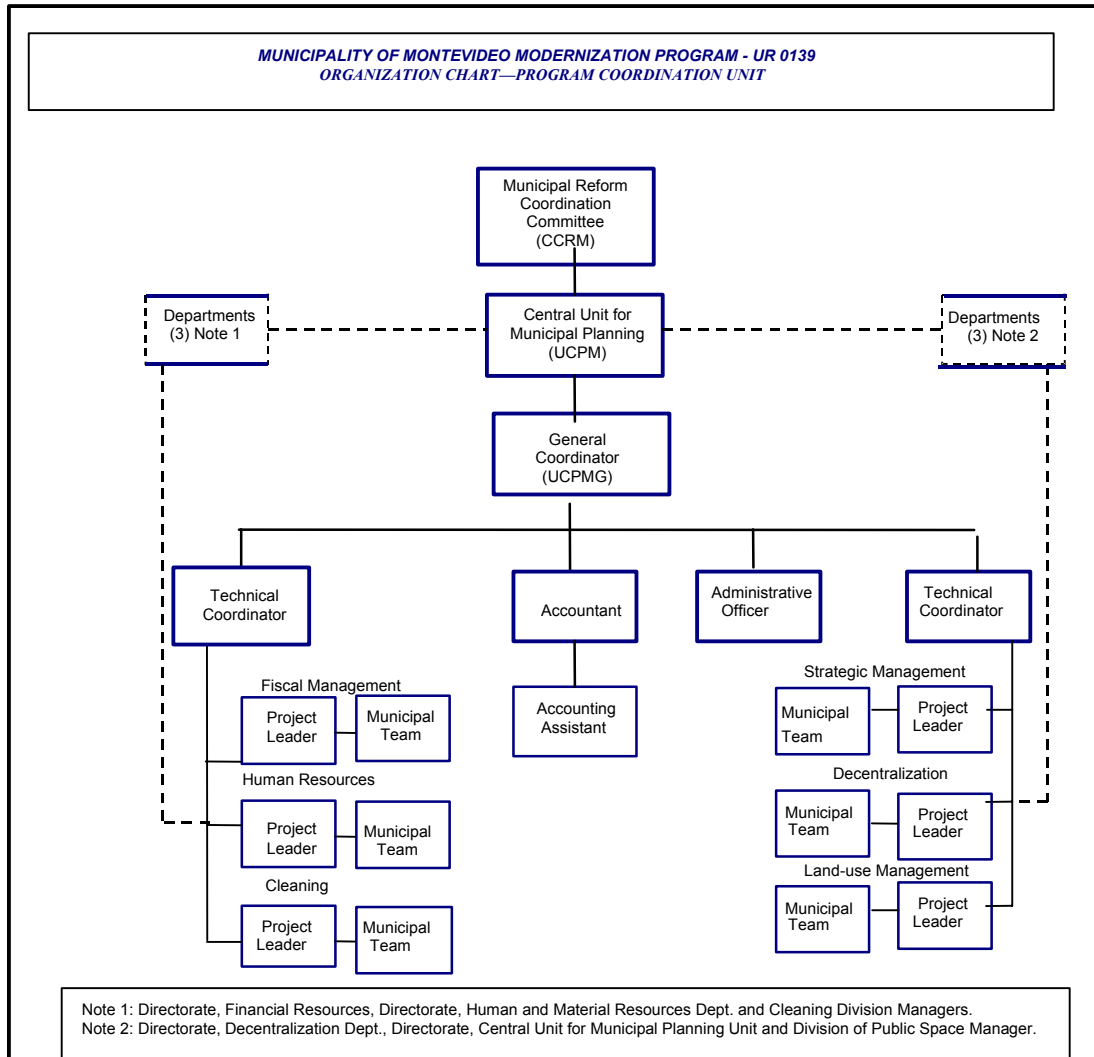
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<sup>11</sup> This unit was set up pursuant to Resolution 2,577/01 dated 16 July 2001 and participated in the program preparation activities.

- Coordinate the preparation of indicators, forms, and instruction manuals for preparation of the AOPs specific to each project;
- Provide technical assistance and coordinate the formulation and timely reporting of AOPs and semiannual progress reports on the part of project leaders;
- Prepare and administer the information system for the general coordination and monitoring of the program;
- Periodically monitor completion of outputs and fulfillment of project and component deadlines, pursuant to the logical framework, schedules, and other instruments for evaluating verifiable commitments with respect to program output indicators;
- Evaluate, together with the respective department or division, the performance of each project leader and his or her fulfillment of output indicators;
- Manage the administrative and financial aspects of the program, including the conduct of bidding processes, professional contracts and payments, goods and services considered in the projects; account for program revenues and expenditures; update and prepare financial statements and other financial reports as required;
- Ensure communications between the program and the Bank;
- Coordinate and support tasks involving dissemination of program objectives and progress, including administration and updating of the program's Internet site.

3.10 The PCU will be comprised of the program's general coordinator; two technical coordinators for planning and monitoring project activities and components; a financial-accounting professional; and two technical-administrative assistants. The unit will be supported by the IMM's Legal Department and the Procurement Division, as needed. The PCU's organizational chart appears below.





#### 4. Organization of project execution

##### a. Project leaders

- 3.11 Execution of each of the six projects will be the responsibility of a project leader, who will work under the PCU while retaining his or her organizational-functional attachment to the department or division to which he or she belongs. Each project leader will be “hired” by the PCU to carry out the activities set out in the respective terms of reference. This way, the line departments (division or department) concerned are able to be heavily involved in program execution and administration capacity is strengthened.
- 3.12 Irrespective of the specific activities and duties of each project leader, he or she will have the following responsibilities:

- Achievement of project and component targets and objectives within anticipated completion dates and budgets.
  - Preparation of annual operating plans, quarterly plans of activities and tasks, and semiannual progress reports covering their area of competence.
  - Supervision, coordination, and evaluation of performance of the work teams for execution of the project and its components, in their area of competence.
  - Specification of the technical characteristics of the equipment to be acquired and terms of reference for the hiring of professional services for the project, in agreement with the respective line authority and the PCU.
  - Supervision of fulfillment of the terms of reference and outputs of the consulting services, in agreement with the respective line authority and the PCU.
  - Coordination of the various work teams under their responsibility.
  - Generation of methods to consult future internal or external users of the project's outputs.
  - Periodic progress report on the project to the PCU.
  - Transfer of results and knowledge acquired in the project to areas of the IMM in which these will be applied.
  - Dissemination, once the tasks have been agreed upon with the general coordinator.
  - Maintenance and updating of information available in the project's Internet site.
- 3.13 The project leaders will have professional training in fields related to the project's objective and ample experience in project administration at complex organizations, with experience in processes similar to those proposed. They will be dynamic, proactive, and results-oriented.
- 3.14 The UCPM, the PCU, and the director of the relevant department or division will participate in the project leader selection process. Prior to the first disbursement, the executing agency will present evidence that the project leaders needed to initiate execution have been selected and hired.

**b. Project teams**

- 3.15 Each project will be executed by a project team. The members of the teams will answer directly to the project leader. Each project team member will be hired through an internal invitation to submit statements of qualifications and will be responsible for carrying out the activities assigned to him or her to achieve the objectives and targets. The project teams will be comprised of IMM staff supported by specialized professionals and consultants, as necessary to address specific technical matters.
- 3.16 The following table contains information on each of the projects.

|                                                                                                                                                                                                                              |                                                                                                                                                                       |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Project Team 1: Strategic management</b>                                                                                                                                                                                  |                                                                                                                                                                       |
| <b>Strategic planning group</b><br><u>Expected outputs</u><br>⇒ Strategic planning system<br>⇒ Strategic management plan (3 unid)<br>⇒ Budgeting by results (2 unid)<br>⇒ Management audit                                   | <u>Members (UCPM)</u><br>⇒ 1 external project leader<br>⇒ 2 professionals<br>⇒ 3 technical staffers<br>⇒ Consultants                                                  |
| <b>Indicators group</b><br><u>Expected outputs</u><br>⇒ Strategic evaluation indicators<br>⇒ Performance indicators (3 unid)                                                                                                 | <u>Members (UCPM)</u><br>⇒ 3 professionals<br>⇒ 3 technical staffers<br>⇒ Consultants                                                                                 |
| <b>Project Team 2: Cleaning</b>                                                                                                                                                                                              |                                                                                                                                                                       |
| <u>Expected outputs</u><br>⇒ System to monitor fleet use and location<br>⇒ Preventive and corrective maintenance system<br>⇒ Collection circuits optimized<br>⇒ Complaint handling system<br>⇒ Management information system | <u>Members (Cleaning Division)</u><br>⇒ 1 professional project leader<br>⇒ 3 technical staffers<br>⇒ Consultants                                                      |
| <b>Project Team 3: Decentralization</b>                                                                                                                                                                                      |                                                                                                                                                                       |
| <u>Expected outputs</u><br>⇒ Design of citizen services model<br>⇒ Design of CCZ organizational structure<br>⇒ Rationalization, standardization, and certification of CCZs                                                   | <u>Members (Decentralization Dept.)</u><br>⇒ 1 project leader<br>⇒ 1 professional<br>⇒ 6 technical staffers<br>⇒ 1 computer engineer<br>⇒ Consultants                 |
| <b>Project Team 4: Land-use management</b>                                                                                                                                                                                   |                                                                                                                                                                       |
| <b>Land-use planning group</b><br><u>Expected outputs</u><br>⇒ Functional and organizational restructuring of DPT<br>⇒ Methodology for updates of graphics files                                                             | <u>Members (UCPM)</u><br>⇒ 1 professional<br>⇒ 1 technical staffer<br>⇒ Consultants                                                                                   |
| <b>Building inspector group</b><br><u>Expected outputs</u><br>⇒ Operationalization of land-use plan<br>⇒ File management                                                                                                     | <u>Members (Public Spaces Division)</u><br>⇒ 1 professional project leader<br>⇒ 2 technical staffers<br>⇒ Consultants                                                 |
| <b>Project Team 5: Human resources management</b>                                                                                                                                                                            |                                                                                                                                                                       |
| <u>Expected outputs</u><br>⇒ Design of training plans<br>⇒ Execution of management training program<br>⇒ Skills update (3u)<br>⇒ Retraining and reassignment<br>⇒ Performance-based remuneration system                      | <u>Members (Human Resources Dept. and Institute of Municipal Studies)</u><br>⇒ 1 project leader<br>⇒ 4 technical staffers<br>⇒ Consultants                            |
| <b>Project Team 6: Management of municipal fiscal resources</b>                                                                                                                                                              |                                                                                                                                                                       |
| <u>Expected outputs</u><br>⇒ Accrual accounting modules<br>⇒ Restructuring of fiscal administration<br>⇒ Economic-financial management reports                                                                               | <u>Members (Financial Resources Dept. and General Accounting Office)</u><br>⇒ 1 professional project leader<br>⇒ 7 part-time professionals<br>⇒ 15 technical staffers |

- 3.17 The establishment of the project teams will be a condition precedent to the first disbursement.

#### **5. Program dissemination methods**

- 3.18 The program will have instruments for internal and external dissemination, including:

- A quarterly information sheet on the program, designed to be distributed electronically to all IMM staff.
- A semiannual presentation on program progress, open to representatives of the various sectors of IMM and union associations.
- An annual presentation on program progress, open to representatives of civil society institutions interested in the IMM's performance.
- Periodic publication of articles and press releases reporting on the purposes and achievements of the program.
- An Internet site providing information on the program.

#### **C. Procurement of goods and services**

- 3.19 All procurements as well as the selection and contracting of consulting services will be carried out pursuant to the Bank's standard procedures. The guidelines established in document GN-1679-3 will be followed for purposes of selecting and contracting consulting services. For this program, in the case of selection of consulting firms on the basis of quality and cost, the relative weight given to price in the evaluation criteria will normally not exceed 20 percent. Accordingly, the technical component of the quality of the bid will normally be up to 80 percent. In exceptional, duly justified, cases, the relative weight given to price may be as high as 30 percent, with the technical element remaining at a maximum of 70 percent.
- 3.20 When the amount involved in the procurement of goods is equal to the equivalent of US\$350,000 or higher, and when the amount of consulting services contracts exceeds US\$200,000, international bids or calls for proposals will be required.
- 3.21 After the first year of execution and based on the experience acquired by the executing agency, the Bank may conduct ex post reviews by sampling of the consulting services contracts for individuals involving amounts below US\$50,000 and for consulting firms involving amounts below US\$100,000.

**D. Disbursements and revolving fund**

- 3.22 For purposes of program disbursements, a revolving fund containing up to 5 percent of the Bank's financing will be set up, by opening a separate special bank account in the name of the Bank's program. Semiannual reports will be presented on the status of the executing agency's revolving fund within 60 days after the end of each six-month period in June and December of each year. Documentation to support requests for disbursement will be reviewed ex ante.

**E. Execution period and schedule of disbursements**

- 3.23 The execution period will be at least of three years, with disbursements over 42 months.

**F. Accounting and audits**

- 3.24 The executing agency will maintain an internal control system and separate accounting and financial records to allow: (i) the identification of financial transactions undertaken with program resources, by investment category and source of financing, independently of other resources handled by the IMM; and (ii) the periodic preparation of the program's financial statements.
- 3.25 The external audit will be performed in accordance with terms of reference previously approved by the Bank. The external audit will be conducted by the Office of the Auditor General of the Eastern Republic of Uruguay. The executing agency will present the audited financial statements to the Bank within 120 days after the close of the fiscal year.

**G. Ex post evaluation**

- 3.26 On the basis of consultations with the executing agency, it has been decided that an ex post evaluation of the program will not be conducted. Nevertheless, throughout the program execution period, the executing agency will make available a series of progress and performance reports based on the monitoring of logical framework indicators, to allow the Bank to conduct an ex post evaluation, if deemed necessary.

**H. Recognition of costs**

- 3.27 At the request of the IMM, it is recommended that retroactive financing be approved as follows: (i) expenses incurred and charged to the local counterpart beginning on 30 November 2001, up to the equivalent of US\$145,000; and (ii) expenses incurred and chargeable to the financing for the equivalent of US\$150,000.
- 3.28 In May 2002, the IMM signed an agreement with the Office of Planning and Budget (OPP) to execute an individual reimbursable operation (UR-0149) with

resources from the revolving line under the Project Preparation and Execution Facility (PROPEF), in an amount of up to US\$220,000. This individual line is currently in the final stages of approval by the local legislative body, the Departmental Council.

## **I. Monitoring and evaluation**

- 3.29 Program activities will be carried out according to annual programming set out in AOPs, which will be agreed upon with the Bank at annual monitoring meetings. Pursuant to the program's logical framework, the AOPs will contain at least the following information: (i) one evaluation of the activities undertaken and the accomplishments of the immediately preceding period; (ii) an accounting of the activities to be carried out in a specific year; (iii) the quarterly objectives and targets, by group of activity, and indicators to be used to measure their accomplishment; (iv) the quarterly timetable of execution with respective costs; and (v) the financing needs for the period.
- 3.30 Each AOP will be submitted to the Bank in December of each year, to prepare for the annual meetings that will be conducted prior to 31 March of the following year. The executing agency and the Bank will hold annual monitoring meetings to evaluate progress over the previous year and fulfillment of the criteria established for disbursements and the technical execution of the program as well as to agree on the respective annual plans. Approval of the first AOP will be a condition precedent to the first disbursement.

## **J. Status of preparation**

- 3.31 The executing agency is carrying out a set of preparatory activities financed with resources from the PROPEF. At this writing (August 2002), the PROPEF agreement has been signed by the Bank and the IMM has been approved by the Departmental Council of Montevideo (local legislative body) and is under way.
- 3.32 The objective of the PROPEF is to support the IMM in the following activities: (i) fulfillment of the conditions precedent to the first disbursement of the prospective loan; (ii) organization and initiation of execution of a number of activities essential to the program, which will facilitate implementation of subsequent activities, once the financing is approved and the program is declared eligible by the Bank; and (iii) the setup of the PCU.
- 3.33 The PCU has been set up and is in full operation. The project teams have been identified and competitions for project leaders have already been initiated among IMM staff.

## **IV. ENVIRONMENTAL AND SOCIAL FEASIBILITY**

### **A. Technical and institutional feasibility**

- 4.1 Both the national Executive Branch and the IMM attach high priority to the program, which means that it has the necessary institutional foundation and sufficient resources for its execution. The IMM enjoys constitutionally guaranteed independence and has the broad authority to issue on its own internal regulations and to organize its work. Execution of the proposed activities and the proposed organizational and work changes will not require legislative amendments.
- 4.2 The diagnostic assessments performed and the program design, which was supported by consultants specializing in municipal government reform, suggested taking up the problems affecting municipal performance slowly, and promoting gradual changes, with an amount of resources consistent with the institution's current capacity. In this regard, the various projects will focus on experiences of a pilot nature.
- 4.3 The institutional analysis conducted brings to light that the participating municipal staff and the technical personnel from the administrative areas are qualified to be members of the project teams. As a result of the consensus achieved and the participatory nature of the program, the staff is motivated to undertake a process of far-reaching improvements like the one proposed. In addition, program execution will be organized in such a way as to strengthen project design and execution in the institution.
- 4.4 The organization adopted jointly with the IMM's authorities highlights the importance of active participation by each office, division and unit benefiting from the program. In this regard, it should be noted that responsibility for program execution lies with each of the internal teams, which will work towards achieving the results on the basis of medium- and long-term outlooks. The program will include resources to recognize expenditures related to overtime and per diem for staff involved in these work teams. This expenditure will be allowed once delivery of specific outputs has been verified.

### **B. Environmental and social feasibility**

- 4.5 No adverse environmental or social impacts are anticipated in connection with program execution. On the contrary, the program will accrue significant social benefits by promoting an improvement in services delivered by the IMM and the development of human capital to improve productivity and wellbeing. The efforts to be undertaken in the public cleaning sector will contribute to better sanitary and aesthetic conditions in the city. The mitigation of social impacts caused by staff



streamlining at the IMM is provided for in the projects. Profile II was approved by the Committee on Environment and Social Impact on 22 February 2002.

- 4.6 Although the program is not aimed at improving environmental management, the IMM's management capacity will be strengthened, which will have an impact on environmental management with more transparent and efficient procedures. Specifically, the consultants to be hired will consider and facilitate the coordinated application of environmental procedures in the municipality under the municipal management subcomponent. In addition, knowledge of environmental rules and procedures that apply in the Department of Montevideo are expected to be included in the staff training on land-use management.
- 4.7 Beyond the social and financial impact, the urban cleaning component will have a positive impact on the city's environmental quality. In particular, the support that these outputs will provide for the implementation of the containers system for 500,000 inhabitants in the southwest section of the city and that includes the Miguelete and Pantanoso streams, will reduce the quantity of waste dumped into those bodies of water. Optimizing the collection circuits and quick response to complaints on the part of the cleaning vehicle fleet will make it possible to pick up trash efficiently that has accumulated legally and illegally in the service area of the emergency action plan (EAP) for the Miguelete and Pantanoso streams. The EAP is at the design stage with Bank support and will be executed by the IMM.
- 4.8 The IMM has a gender policy vis-à-vis the population of Montevideo through the Equity and Gender Committee of the Women's Commission, which is part of the permanent structure of the Decentralization Department. Together with other departments, the IMM has developed the first equal opportunity and rights plan for the city of Montevideo. Within the internal municipal plan, the Human Resources Department has promoted a policy of gender equality. Some experiments were conducted aimed at eliminating segregation, by incorporating women into traditionally male areas (cleaning). Gender awareness and training programs have been initiated, the results of which are beginning to show in the management of municipal services and resources. Currently, 30.8 percent of management positions are held by women. This figure includes senior management positions, of which 24 percent are held by women. For the competitions currently under way, to fill all the senior management positions, 36 percent of those registered are women. This indicates a positive trend in gender matters at the highest decision-making level in the municipal career ladder. It should be noted that 38 percent of the positions in the current municipal cabinet are filled by women, the highest such indicator in the country.
- 4.9 The project does not set out any specific performance indicators to gauge poverty reduction and social-equity enhancement.

## **C. Benefits**

- 4.10 Two large groups of benefits will be engendered by the program: improvement in the institutional, managerial, and technical capacity of the IMM and improved services to users. These two groups of benefits are directly related to the strategy of Back Office (internal management)/Front Office (customer service) integration. The establishment of a more modern institutional framework for the IMM will provide more effective and efficient administrative and managerial dynamics. The introduction of modern management systems will raise the levels of efficiency and transparency in the use of IMM resources. These increases in internal efficiency should, in turn, translate into concrete improvements in the effectiveness of citizen services.

## **D. Risks**

- 4.11 The main risk of the program relates to resistance to change that a program like the one proposed can generate, particularly with regard to design and organizational processes in management and the proposal to introduce a compensation system tied to performance. The IMM has an administrative organization and set of processes that are deeply ingrained in the municipal practices of officials and service users. These risks are mitigated by the commitment of the top municipal authorities to the process of change and by the content and sequence of the program itself, that provides for gradual implementation with annual targets. The above notwithstanding, specific actions to build consensus and raise awareness about change are planned.
- 4.12 There is a risk that execution will be slow, owing to inexperience in project execution with multilateral agencies. To mitigate this risk, and given that this is the IMM's first experience with the Bank, the establishment and startup of the program coordination unit (PCU) during the program preparation period has been supported with resources from the Project Preparation and Execution Facility (PROPEF). Among other things, the PROPEF has enabled the PCU to gather experience in the execution of Bank-financed programs, particularly with regard to the procurement of goods and contracting of services.

**LOGICAL FRAMEWORK**  
**MUNICIPALITY OF MONTEVIDEO MODERNIZATION PROGRAM**  
**(UR-0139)**

| OBJECTIVES                                                                                                                                                                                                         | INDICATORS                                                                                                                                                                                       | MEANS OF VERIFICATION                                                            | MAIN ASSUMPTIONS                                                                              |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| <b>GOAL</b><br>Contribute to strengthening the IMM's management, in order to attain a higher level of citizen satisfaction with municipal public services                                                          | Increased citizen satisfaction with municipal management                                                                                                                                         | Opinion survey (external firm) on the quality of municipal management            |                                                                                               |
| <b>PURPOSE</b><br>Support the modernization of the IMM's strategic and operational management, to achieve greater efficiency and quality in the delivery of services and more effective and transparent management | At the same level of benefits, coverage, and services provided to the citizenry, annual municipal operating outlays drop by 1% within a year of the end of the program.                          | Budget performance<br><br>Reports to the Departmental Council                    | Level of productive activity recovers and macroeconomic situation remains stable              |
| <b>COMPONENTS</b><br><b>1. Strengthening of horizontal management systems—strategic management</b>                                                                                                                 | Indicators defined and in place in Decentralization and Cleaning areas by end of project<br><br>Access to IMM portal for consultation and processing of transactions increases by 100% each year | Progress reports<br>Indicator system operational<br><br>Counter for IMM web hits | Organized labor's attitude is neutral or favorable to the implementation of indicator systems |

| OBJECTIVES                                                                                                                                                                                                                                                                       | INDICATORS                                                                                                                                                                                                                                                                                                        | MEANS OF VERIFICATION                                                               | MAIN ASSUMPTIONS                                                                                     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| <b>2. Reorganization of processes with a high impact on citizens</b><br>More responsive and higher quality citizen services at the Centros Comunes Zonales [district community centers (CCZs) and in the delivery of cleaning, land management, and building inspection services | By the end of project execution, the response time for complaints regarding the services involved drops by at least 30%                                                                                                                                                                                           | Reports from municipal file system and specific complaint management systems        |                                                                                                      |
| <b>Subcomponents</b><br><b>2.1 Strengthening of decentralized processes and customer service</b>                                                                                                                                                                                 | The annual load per administrative staff member at the CCZs goes from 278 in 2001 to a minimum of 600 in 2005<br>Citizen satisfaction with the services received at the CCZs increases by 30% by the end of year 3                                                                                                | Municipal file system<br>Periodic CCZ user satisfaction survey conducted by the IMM | Organized labor's attitude is neutral or favorable to the implementation of reorganization processes |
|                                                                                                                                                                                                                                                                                  | CCZ certified based on ISO 9001 in citizen service processes by end of year 3                                                                                                                                                                                                                                     | Certificates granted by a competent body                                            |                                                                                                      |
|                                                                                                                                                                                                                                                                                  | Citizen service processes that begin and end with CCZ increase from 30% to 60% by end of year 3<br>Average waiting time at citizen service points in CCZ does not exceed 5 minutes by end of year 3                                                                                                               | Municipal File System<br>Survey to measure time required for service                |                                                                                                      |
| <b>2.2 Rationalization of processes in the cleaning area</b>                                                                                                                                                                                                                     | The population's "clean Montevideo" image index rises from the current 42% to a minimum of 60%<br>The average productivity per worker of the residential trash collection service increases by at least 20% from the current 1.6 tons/worker/day<br>Cost of cleaning drops by 5%<br>Annual savings of US\$700,000 | Cleaning services image survey<br>Reports to the Modernization Committee            | Organized labor's attitude is neutral or favorable to the implementation of reorganization processes |
|                                                                                                                                                                                                                                                                                  | Distance traveled shortened by 3% (76,000 km/month)                                                                                                                                                                                                                                                               | Reports issued by vehicle control system (CONVE)                                    |                                                                                                      |

| OBJECTIVES                                                                                                                                          | INDICATORS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | MEANS OF VERIFICATION                                                                                                     | MAIN ASSUMPTIONS                                                                                     |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
|                                                                                                                                                     | Collection costs drop by 3% (US\$71/ton)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | SRR system statistical data (1950)                                                                                        |                                                                                                      |
|                                                                                                                                                     | All modules in complaint service system developed and in place upon completion of activities<br>Response time reduced by 35% (2.5 days)                                                                                                                                                                                                                                                                                                                                                                                            | Reports issued by new complaint service system                                                                            |                                                                                                      |
|                                                                                                                                                     | Daily availability of vehicles 80% (65%)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Statistical data of vehicle maintenance service                                                                           |                                                                                                      |
|                                                                                                                                                     | All system modules developed and in place<br>Information accessing time shorted by 50% (7 days)                                                                                                                                                                                                                                                                                                                                                                                                                                    | Reports issued by the new SEM statistical and management information system                                               |                                                                                                      |
| <b>2.3 Rationalization of land-use management processes</b>                                                                                         | The level of knowledge of the process is high for 80% of users and good for 20% within six months of implementation and for 90% and 10%, respectively, within a year of implementation                                                                                                                                                                                                                                                                                                                                             | Land Management Unit user satisfaction survey                                                                             |                                                                                                      |
|                                                                                                                                                     | 100% of procedures to be redesigned implemented by output completion<br>Time involved in 80% of procedures shortened by 40% once the output is implemented                                                                                                                                                                                                                                                                                                                                                                         | PCU report<br>Statistics from the Graphic Files Unit and SEM statistics                                                   |                                                                                                      |
| <b>3. Human resources management</b><br>Increase the capacity, commitment, and motivation of managers and staff in terms of public service delivery | At least 80 % of all staff participating in the management training courses are satisfied with the training received<br>The implementation of management improvement projects stemming from the courses generates economic results estimated in the first year to be equivalent to at least 100 % of the cost of the training courses (US\$ 470,400).<br>The application of the performance-based compensation system makes it possible to reduce payments for overtime work by at least 40% in the areas and departments affected | Training evaluation reports<br><br>Improvement project evaluation reports<br><br>Human resources budget execution reports | Organized labor's attitude is neutral or favorable to the implementation of reorganization processes |

| OBJECTIVES                                                                                                                                                                                           | INDICATORS                                                                                                                                                                                                                                                                                                                 | MEANS OF VERIFICATION                                                                                                                                                                                | MAIN ASSUMPTIONS                                                                                                                                                |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                      | 90% of the staff taking management training courses pass evaluation by implementing the management improvement projects                                                                                                                                                                                                    | Data from the Human Resources Planning Service<br><br>Municipal leadership training program                                                                                                          |                                                                                                                                                                 |
|                                                                                                                                                                                                      | At least 80 % of all staff participating in the job retraining courses are placed in another position                                                                                                                                                                                                                      | Data from the Human Resources Service                                                                                                                                                                |                                                                                                                                                                 |
|                                                                                                                                                                                                      | At least 25% of IMM staff are paid on the basis of a compensation system that incorporates a performance-evaluation component                                                                                                                                                                                              | Report presented and approved by the authorities                                                                                                                                                     | Organized labor's attitude is neutral or favorable to system implementation                                                                                     |
| <b>4. Fiscal and financial management</b><br>Set up instruments and systems for the management and control of revenues and economic and financial data with accountability vis-à-vis external agents | Accumulated arrears drop by at least 0.5% per year, one year from implementation of new Sistema de Gestión de Cobro de Morosos [delinquent collection management system] (SGCM)<br>The payment of commercial interest rates will drop by at least 25% per year, six months after the financial planning system is in place | Reports from the new SGCM and management report of the Financial Resources Department<br>Reports of the economic financial system (SEFI) and management report of the Financial Resources Department | Agreement for access to national government data regarding current property registries<br>Level of activity recovers and macroeconomic situation remains stable |

## Procurement schedule

|                                                      | AMOUNT<br>US\$ | METHOD<br>(n° of contracts) | PREQUALIFICATION | ESTIMATED DATE OF<br>PUBLICATION<br>HALF / YEAR |
|------------------------------------------------------|----------------|-----------------------------|------------------|-------------------------------------------------|
| <b>A. GOODS</b>                                      | <b>901</b>     |                             |                  |                                                 |
| Equipment                                            | 773            | 4 by LB                     | YES              | 2°/2002                                         |
| Furnishings and other                                | 128            | 2 by LB                     | YES              | 2°/2002 - 1°/2003 - 2°/2003                     |
| <b>B. CIVIL WORKS</b>                                | <b>323</b>     | 3 by LB                     | YES              | from 2°/2002 to 1°/2004                         |
| <b>C. CONSULTING SERVICES</b>                        | <b>2,003</b>   |                             |                  |                                                 |
| Component 1: Strategic management                    | 451            | 3 by ICB and 6 by LB        | YES              | 2°/2002                                         |
| Component 2: Human resources                         | 249            | 5 by ICB and 3 by LB        | YES              | 2°/2002                                         |
| Component 3: Reorganization of high impact processes | 1,186          | 12 by ICB and 6 by LB       | YES              | 2°/2002                                         |
| <i>i. Cleaning</i>                                   | 267            | 4 by ICB and 1 by LB        | YES              | 2°/2002                                         |
| <i>ii. Decentralization</i>                          | 773            | 4 by ICB and 1 by LB        | YES              | 2°/2002                                         |
| <i>iii. Urban planning</i>                           | 146            | 4 by LB                     | NO               |                                                 |
| Component 4: Fiscal and financial management         | 117            |                             | NO               |                                                 |
| <b>D. OTHER</b>                                      | <b>757</b>     |                             |                  |                                                 |
| Executing Unit (technical and support staff)         | 162            |                             | NO               |                                                 |
| Training (4 programs)                                | 595            | 2 by ICB and 4 by LB        | YES              | 2°/2002 and 1°/2003                             |
| <b>TOTAL</b>                                         | <b>3,984</b>   |                             |                  |                                                 |