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URUGUAY

PROGRAM TO DEVELOP AND STRENGTHEN FISCAL AND SUBNATIONAL SERVICES MANAGEMENT (UR-L1164)

SECOND INDIVIDUAL OPERATION UNDER THE CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP) PROGRAM TO DEVELOP AND STRENGTHEN FISCAL AND SUBNATIONAL SERVICES MANAGEMENT (UR-O1148)

LOAN PROPOSAL

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ABBREVIATIONS

ANTEL	Administración Nacional de Telecomunicaciones [National Telecommunications Administration]
BCU	Banco Central del Uruguay
CCLIP	Conditional credit line for investment projects
CGN	Contaduría General de la Nación [Office of the Comptroller General]
ESRS	Environmental and social review summary
ICB	International competitive bidding
IFD/FMM	IDB Fiscal Management Division
NCB	National competitive bidding
OPP	Oficina de Planeamiento y Presupuesto [Planning and Budget Office]
PCU	Program coordination unit
PCR	Program completion report
RUNAEV	Registro Único de Alimentos Empresas y Vehículos [Consolidated Food Product, Food Producer, and Food Vehicle Register]
SDGs	Sustainable Development Goals of the United Nations
SESMP	Strategic environmental and social management plan
SIFI	Sistema de Información Financiera Integrada [Integrated financial information system]
SNIP	Sistema Nacional de Inversión Pública [National Public Investment System]
SNRCC	Sistema Nacional de Respuesta al Cambio Climático y Variabilidad [National Climate Change and Variability Response System]
SOFR	Secured Overnight Financing Rate
TCR	Tribunal de Cuentas [National Audit Office]
TOCAF	Texto Ordenado de Contabilidad y Administración Financiera [Consolidated Accounting and Financial Administration Text]

PROGRAM SUMMARY

URUGUAY
PROGRAM TO DEVELOP AND STRENGTHEN FISCAL AND SUBNATIONAL SERVICES MANAGEMENT
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SECOND INDIVIDUAL OPERATION UNDER THE CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP)
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(UR-O1148)

Financial Terms and Conditions				
Borrower: Oriental Republic of Uruguay			**Flexible Financing Facility**[(a)]	
Executing agency: The borrower, acting through the Office of Planning and Budget			**Amortization period:**	24.5 years
			Disbursement period:	5 years
Type of loan: Specific investment loan			**Grace period:**	6 years [(b)]
Source	**Amount (US$)**	**%**	**Interest rate:**	SOFR-based
IDB (Ordinary Capital):	90 million	83	**Credit fee:**	[(c)]
			Inspection and supervision fee:	[(c)]
Local:	18 million	17	**Weighted average life:**	15.25 years
Total:	108 million	100	**Approval currency:**	U.S. dollar

Program at a Glance
Objective of the CCLIP: The CCLIP's objective is to improve the fiscal and public investment management of the departmental governments. **Objective of the second operation:** The general development objective of the second operation under the CCLIP is to improve the fiscal and public investment management of the departmental governments. The specific development objectives are to: (i) strengthen departmental financial and accounting management; (ii) boost the efficiency of public service management through digitalization; and (iii) facilitate access to sustainable and inclusive public infrastructure.
Special contractual conditions precedent to the first disbursement: Prior to the first disbursement of the loan, the executing agency will submit evidence of: (i) the approval and entry into effect of the program Operating Regulations in accordance with the terms and conditions agreed upon in advance with the Bank; and (ii) appointment of the executing agency's core staff, consisting of, at minimum, the coordinators needed for the program (paragraph 3.9). See the special environmental and social contractual conditions precedent to the first disbursement in Annex B of the environmental and social review summary (ESRS). **Special contractual condition for execution:** Prior to a departmental government beginning the activities and works in Components 1 and 2, the borrower, through the executing agency, will submit evidence of the signature and entry into effect of the framework participation agreement mentioned in paragraph 3.3, in accordance with the terms and conditions agreed upon in advance with the Bank (paragraph 3.10). See the special environmental and social conditions precedent to execution in Annex B of the ESRS.
Exceptions to Bank policy: None.

Strategic Alignment			
Challenges:[(d)]	SI ☐ PI ☒ EI ☐		
Crosscutting themes:[(e)]	GE ☒ and DI ☒	CC ☒ and ES ☒	IC ☒
Sustainable development Goals (SDGs):[(f)]	SDG1 ☐ SDG2 ☐ SDG3 ☐ SDG4 ☐ SDG5 ☐ SDG6 ☐ SDG7 ☐ SDG8 ☐ SDG9 ☐ SDG10 ☐ SDG11 ☐ SDG12 ☒ SDG13 ☒ SDG14 ☐ SDG15 ☐ SDG16 ☒ SDG17 ☒		

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

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

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

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

(e) GE (Gender Equity) and DI (Diversity); CC (Climate Change) and ES (Socioenvironmental Sustainability); and IC (Institutional Capacity and Rule of Law).

(f) SDGs (Sustainable Development Goals). For more information on the SDGs, consult this link, and for information on the IDB Group's SDG project classification methodology, consult this link.

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

1.1 **Background.** The government of the Oriental Republic of Uruguay asked the Bank for a US$300 million conditional credit line for investment projects (CCLIP) for the Program to Develop and Strengthen Fiscal and Subnational Services Management (UR-O1148), approved in 2016,[1] as a means of offering gradual and sustained support for boosting the capacity of its departmental governments. The present proposal is the second operation under that CCLIP.[2] The first operation, approved in 2016 for US$75 million (3792/OC-UR), is currently in execution, with 63% disbursed.[3] The CCLIP was based on a history of more than 38 years of Bank programs in Uruguay to strengthen subnational public management capacity and finance strategic investments in the departmental governments.[4]

1.2 CCLIP UR-O1148 has been designed to help improve fiscal management and public investment in the departmental governments. Under the first operation, progress was made on implementing an integrated financial information system (SIFI) in 10 departments, which is expected to be extended to six more during the remainder of the program. The SIFI has facilitated the systematization of processes and improved the quality of information and the speed at which it is produced. Progress has been made on digitalizing departmental regulations, and 35 investment projects have been implemented (11 completed, 12 under way, and 12 planned). Although significant headway has been made under the first operation, the departmental governments still present shortcomings in fiscal management. The main causes that negatively affect the departments' capacity to reduce their primary deficits include aspects that affect all areas of expenditure, revenue, and debt management.

1.3 Uruguay comprises 19 departments (including Montevideo) and 112 municipios. Fiscally speaking, spending by the subnational governments accounted for 10.4% of general government expenditure in 2019 or 3.8% of GDP.[5] Subnational revenue represented 10.1% of general government revenue in 2019, equivalent to 3.3% of GDP. The departmental government level is the most relevant subnationally, accounting for over 90% of subnational expenditure. Uruguay's subnational governments execute about 30% of consolidated public investment, equivalent to 0.7% of GDP. In turn, investments by the subnational governments account for about 16% of their total expenditure, which is low, considering that the average for the region is nearly twice as high (31%).

1.4 **Problem addressed.** As in the rest of the region, the advent of COVID-19 had a major impact on public finances in Uruguay's central and departmental

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1 Approved by the Bank's Board of Executive Directors in Resolution DE-89/16. The CCLIP agreement was signed by the Bank and the Oriental Republic of Uruguay on 6 July 2017.

2 The line is expected to include four operations under Multisector Modality I.

3 Approved by the Board of Executive Directors in Resolution DE-90/16. The loan contract (3792/OC-UR) was signed by the Bank and the government on 6 July 2017.

4 Grafe and Radics (2020) document the history, achievements, and lessons learned by the Bank in the sector.

5 This section draws on the Panorama de las relaciones fiscales entre niveles de gobierno en países de América Latina y el Caribe [Overview of fiscal relations between levels of government in Latin American and Caribbean countries] (Radics, A., N. Pérez, I. Ruelas, and F. Vazquez, 2022).

governments, increasing demand for emergency public services in a context of reduced public revenues caused by the economic slowdown. Public expenditure by the departmental governments fell by 2.7% in 2020 compared to 2019, while the departmental governments' revenues shrank by 3.2%. Despite the economic recovery in 2021 (the economy grew by 4.4% of GDP in 2021 after a drop of 6.1% of GDP in 2020) and the initial data for 2022, which points to estimated growth of 4.5% of GDP, the fiscal record of the departmental governments shows sustained growth in the primary deficit. The aggregate budget results (primary deficit) of the departmental governments grew from 0.2% in 2017 to 1.7% in 2019.[6] Good fiscal management, sustainable public investment, and efficient spending are essential for returning to primary surplus. These actions will also help to improve efficiency in the delivery of public services and strengthen the contribution of the departmental governments to crosscutting priorities such as climate change, gender, and diversity.

1.5 **Shortcomings in financial and accounting management in the departmental governments, particularly management of moveable and immovable property,** stem from the lack of complete and timely information on the financial status of the departmental governments. They do not use accrual basis accounting systems that help make quality financial information available and allow for informed decisions about their assets. Progress toward accrual basis accounting in the departmental governments is impeded by the absence of inventories of moveable and immovable property that could then be subjected to appraisal using the methodologies that are applicable in each case. This, in turn, results in: (i) expenditures that are not properly accounted for; (ii) the absence of accounting of the stock of assets; and (iii) an opportunity cost, since with good accounting and management, those assets could be a source of revenue for the departmental governments, e.g. through leasing or sale. The SIFI has a module for managing fixed assets that would allow information on inventories and appraisal methodologies to be collected.

1.6 **No centralized database exists to understand and monitor the volume of departmental government debt.**[7] The departments mainly obtain financing directly from the banking sector and/or through financial trusts into which future resources are ceded, mainly revenue from the Sistema Único de Cobro del Impuesto Vehicular (SUCIVE) [vehicle tax].[8] The bank debt increased from 0.15% of GDP in 2010 to about 0.26% in 2017 (Observatorio Territorio Uruguay-OTU, 2018). Data on the debt issued through trusts is incomplete, although a study by the Planning and Budget Office (OPP) estimated it at about 1.1% of national GDP at year-end 2017. The current SIFI does not have functions that allow for reporting the debt with trusts, and does not measure the impact of clearing those debts on departmental financial management or of short-, medium-, or long-term debt commitments on departmental ability to pay. These limitations contributed to a gap between the debt declared in departmental accounts and the bank debt records kept by the Banco Central del

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[6] It grew to 2.1% in 2020, which is viewed as an outlier year on account of the pandemic, until the 2021 results are obtained.

[7] Radics et al. (2022).

[8] The SUCIVE is an innovation in tax administration which has centralized, by agreement among all the departments, the definition of the tax base and collection of the vehicle license tax. See blog.

Uruguay of 24% in 2020. All of the above undermines transparency in the subnational debt and limits the options for sustainable access to financing.

1.7 **The departmental financial management systems have no dashboards** that enable them to efficiently visualize key financial variables that include all aspects of revenue and expenditure. The SIFI does not visualize internal processes such as accounting cycles, human talent management, or public procurement processes. This limits the efficient monitoring of departmental financial management and hinders decision-making that would lead to more efficient financial management.

1.8 **Weaknesses in departmental tax management.** Excluding the department of Montevideo, departmental government own revenue represents 62% of their total revenue (Observatorio Territorio Uruguay, 2022)[9] which points to relatively high fiscal autonomy compared to other countries in the region. Despite this, the importance of own departmental revenue in Uruguay is limited. This is due to inefficient designs (the regulatory bases for applying taxes are scattered and heterogeneous) and outdated tax databases, particularly the property tax base, which is the main subnational tax. The departmental governments do not have strategies for analyzing and managing tax arrears (which amount to about 14% of rural and 28% of urban and suburban property taxes).[10] The charges to be levied for rates and services are hard to define because there are no quality-cost measurements.

1.9 **Inefficiencies in the delivery of departmental public services that result in higher production costs.** The delivery of basic utilities by the departmental governments fails to tap opportunities for savings through increased use of information and communication technologies (ITCs).[11] The energy cost of public lighting could be reduced by at least 25% through billing by metering (instead of count), lowering the intensity (dimming) of public lighting adapted to predefined time cycles, real mobility based on sensors, and mobility patterns generated through big data or artificial intelligence.[12]

1.10 With regard to solid waste collection, installation of volumetric sensors, management through big data analysis, and optimization of route planning would reduce current costs (employees, fuel consumption, and fleet maintenance) by about 30%.[13]

1.11 Bromatological services in Uruguay (particularly registration of food products, food companies, and food vehicles), which are the responsibility of the departments, are essential on account of the importance of the country's livestock and agriculture industry. The services suffer from substantial shortcomings that limit the development of the private sector and management by the departments themselves.

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[9] When Montevideo is included, the figure is 72%.

[10] OPP (2022). Nota Técnica. Aportes para el PDGS III [Technical Note. Contributions for PDGS III].

[11] See the document Identificación de oportunidades para la mejora de la gestión fiscal incorporando la incorporación de TIC [Identifying Opportunities for Improving Fiscal Management by Incorporating ICTs]. IDB (2022).

[12] The use of light emitting diode (LED) streetlights in telemanaged systems could reduce the cost of energy billed by count from between 25% and 30% (IDB, 2021).

[13] See Identificación de oportunidades para la mejora de la gestión fiscal incorporando la incorporación de TIC [Identifying Opportunities for Improving Fiscal Management by Incorporating ICTs]. IDB (2022).

In the existing, uncoordinated system, a food product must be registered 19 times to obtain national coverage (once per department), which multiplies transaction costs for companies and management costs for the departmental governments. Each department differs in its criteria, requirements, costs, and deadlines. Food product subregisters are not consolidated, which means that a single product may have different bromatological classifications, depending on the department where it is registered. Quality standards are inconsistent. Some departmental governments do not have complete or up-to-date bromatological records and lack the technical capacity for controls and inspections, limiting their ability to collect fees.

1.12 **Lack of capacity to incorporate climate change adaptation and mitigation objectives into departmental fiscal management.** According to Notre Dame University's vulnerability index, Uruguay is moderately vulnerable to climate change. Precipitation increased significantly between 1980 and 2014 (Barreiro, 2019). On average between 2000 and 2015, the fiscal impact of extreme events in Uruguay could increase the fiscal deficit by up to 0.3% of GDP. By 2050, the Economic Commission for Latin America (ECLAC) estimates that the economic cost of climate change in the country could rise to 10 GDP points in revenue lost owing to changes in geophysical systems and their impact on the productive structure (ECLAC, 2010).

1.13 In 2021, Uruguay presented its National Plan for Climate Change Adaptation in Cities and Infrastructure (PNA-ciudades). Any adaptive process will need to consider adaptation in the local context and generating adaptive capacity at the municipal level (Grünwaldt, Brusa et al. 2020). Uruguay's Congress of Governors [Congreso de Intendentes de Uruguay] asked the OPP to improve the understanding and capacity of the departments to address climate change.

1.14 The departmental governments do not have tools, criteria, or capacity to incorporate climate change into their fiscal management. No green taxes have been defined and no tax or nontax sources aligned with climate change objectives have been designed.

1.15 **Shortcomings in management of departmental public investments.** Despite sustained efforts to maintain adequate levels of departmental public investment, investment spending has remained at about 16% of total departmental expenditure (the regional average is 31%).[14] The figures mask wide differences between departments (Durazno allocated 25% of its total expenditure to investment in 2019, compared to 4% in Treinta y Tres and 5% in Flores) and significant variations in budget allocations to investment by department, aggregated year to year. As a result, the departments still present wide gaps in infrastructure related to urban services and equipment and improvements in accessibility and connectivity, as well as low financing for preinvestment studies that assess socioeconomic returns on projects ex ante, including climate change and gender and diversity criteria.[15] Public investment project identification does not prioritize initiatives that address the

[14] See Panorama de las relaciones fiscales entre niveles de gobierno de países de América Latina y el Caribe. [Outlook of Fiscal Relationships between the Levels of Government in Latin American and Caribbean Countries].

[15] OPP, through the National Public Investment System (SNIP), has completed a methodological guide on the inclusion of the principles and objectives for combatting climate change in the identification and design of departmental public investment projects.

challenges of climate change adaptation and mitigation or that are aligned with the challenge of gender equality and diversity.

1.16 **Gender and diversity.** According to the World Economic Forum's Global Gender Gap Report 2022, although women's participation in the workforce has improved in Uruguay in recent years, the percentage of women who work (54.68%) continues to be lower than for men (69.25%). According to that index, Uruguay ranks 15th among 22 countries in the region in gender parity and 72nd in the global ranking of 146 countries.[16] According to a gender study by the World Bank in 2020, the gender gaps in the labor and business markets in Uruguay could be costing the country close to 13% of the per capita GDP.[17]

1.17 According to the 2011 National Census, 15.9% of Uruguayans suffer from some type of disability. By 2050, it is projected that the country will have a nation-wide disability rate of 25%, which, according to a 2020 study, would rank it second after Brazil, out of the eight countries analyzed (Pérez-Vincent, 2021).

1.18 The 2011 Census[18] reports significant differences in employment and economic activity rates between persons with and without disabilities, which are considerably worse for women.[19]

Table 1. Activity, employment, and unemployment rates by sex and prevalence of disabilities

	Men without disabilities	Men with disabilities	Women without disabilities	Women with disabilities
Activity rate	77.38	46.79	59.42	30.46
Employment rate	74.01	44.54	54.33	27.5
Unemployment rate	4.35	4.8	8.57	9.7

Source: Ministry of Social Development-Law Faculty, University of the Republic (2015), Discapacidad y trabajo en Uruguay. Perspectiva de derechos [Disability and work in Uruguay. Rights perspective], page 82.

1.19 Discrimination and inequality can be linked to the lack of access to education, health care, and decent, good quality jobs, contributing to informality and precariousness among women[20] and persons with disabilities. The strategies proposed by the National Gender Equality Strategy (ENIG) 2030 to close the gender gaps include the creation and upgrading of public infrastructure adapted to the needs of women, persons with disabilities, and older adults.[21]

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16 The WEF's Global Gender Gap Report includes aspects of economic participation, school achievement, and political empowerment.

17 World Bank (2020).

18 The 2011 Census used the definition "self-identified limitations."

19 Laboratorio de Innovación y Observatorio de la Función Pública, Uruguay, 2021 [Public Service Innovation Laboratory and Observatory, Uruguay, 2021].

20 United Nations Office for Project Services (2020).

21 ENIG 2030.

1.20 **Gender and diversity in public investment projects.** Investment projects are not neutral from the gender and diversity standpoints. Good public lighting[22] and reliable public transport[23] benefit women substantially more than men, because they offer women greater safety and favor mobility and access to labor markets. It has also been documented that women have a greater preference for good-quality water and sanitation infrastructure.[24] The lack of adequate sanitary installations for women can create stigma and greater risk of infection, and gender violence.[25] The literature indicates that gender differences reflect different investment priorities.[26] These differences are even greater in contexts where women are more vulnerable.[27] Mainstreaming the gender perspective[28] in investment projects can help to narrow gender gaps, improving the delivery of services, and contributing to productive development[29] (IDB, 2019).

1.21 **Program design strategy.** To help improve fiscal and public investment management by the departmental governments, and consistent with the CCLIP, this second operation proposes to execute two components. The first focuses on improving financial accounting information by the departmental governments and the second on improving public investment management to promote development that includes gender, diversity, and climate change criteria. The operation preserves the technical design of the first operation under the CCLIP, in which the effort to strengthen fiscal management by the departments is supplemented and incentivized with efficient infrastructure investment lines, while maintaining the general objectives of the CCLIP. The second operation includes an additional effort to digitalize subnational public services, incorporating the principles of climate change into subnational fiscal management, and establishes binding selection criteria for public investment projects financed by the competitive fund.

1.22 **Bank experience in the sector, the country, and in similar programs in other countries or in the area of intervention.** Cooperation between the IDB, Uruguay's central government, and departmental governments dates back for more than 38 years and combines investments in works with improvements in fiscal and administrative management capacity. The different IDB operations have supported consolidation of the decentralized state with technical and financial assistance, as well as the promotion of innovations through knowledge products. The progress made on deepening the decentralization process in Uruguay and the stainable strengthening of its departmental governments is evident, despite pending challenges. [30]

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[22] Orlando et al. (2018).

[23] Dominguez et al. (2020).

[24] Das (2017).

[25] The Economist (2019).

[26] Duflo (2012).

[27] Gottlieb et al. (2016).

[28] The gender perspective is an analytical tool that identifies existing gaps between people as a consequence of their gender in a given cultural and historical context (United Nations Development Programme, Chile 2014).

[29] International Monetary Fund (2022) and studies cited in this document.

[30] Loans PCR 2668/OC-UR and PCR 2085/OC-UR.

Table 2. Summary of past operations

Program	Operation	Financing		
		IDB	Local	Total
PDM I	471/OC-UR/472/OC-UR (1984)	40.0	10.0	50.0
PDM II	609/OC-UR(1990)	28.0	7.0	35.0
PDM III	993/OC-UR (1997)	49.0	21.0	70.0
PDGM IV	2085/OC-UR (2003)	60.0	15.0	75.0
PDGS I	2668/OC-UR (2011)	70.0	15.0	85.0
PDGS II	3792/OC-UR (2016)	75.0	15.0	90.0
	Total	**322.0**	**83.0**	**405.0**

In current US$ millions. See Grafe and Radics (2020).

1.23 Over that period, investment in the IDB's different programs totaled US$405 million, with the Bank contributing close to 80% (US$322 million). At the regional level, the Bank has a long history of helping to build subnational capacity, particularly through the following operations in recent years: in Brazil, the CCLIPs PROFISCO I (BR-X1005 approved in 2008 for US$500 million) and PROFISCO II (BR-X1039, approved in 2017 for US$900 million), have been strengthening fiscal management over the last 12 years, with particular focus on revenue in PROFISCO I, which ended in 2021,[31] and on expenditure in PROFISCO II, which is still in execution. In Argentina, the CCLIP for the Provincial Management Strengthening Program (AR-O0007) has been supporting better public and fiscal management in the provinces since 2016 through financing for strategic provincial works as an incentive for improvements in the management of revenue, expenditure, and debt in the provinces.

1.24 **Lessons learned.** The lessons taken into account in the design of this operation include:[32] (i) continue to strengthen the autonomy of the departments in overall works management, with increasingly specialized technical support from the OPP; (ii) strengthen the ex ante cost-benefit analysis of projects under SNIP criteria and methodologies; (iii) promote competition and innovation through a competitive fund; (iv) interact with the community to obtain suggestions from the project idea stage; (v) incorporate the institutional priorities of climate change and gender and diversity; and (vi) support the institutional strengthening of the departmental governments with projects, agreeing on the priorities and interventions identified by consensus with the Congress of Governors.

1.25 **Country strategy in the sector.** The proposal is aligned with the objective of the Uruguayan Government Plan 2020-2025 of improving the quality of public spending at the subnational level. This includes a focus on improving financial management systems, digitalization of public services, and facilitation of sustainable and inclusive investments.

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[31] A recent evaluation of PROFISCO I found that actions to strengthen state revenues focusing on electronic billing helped to boost revenues by nearly 12%, the number of companies by 1.7%, and the average wage of formal sector employees by 3.4%.

[32] The lessons learned are based on the experience of the Municipal Works Program (POM) I, POM II, the Municipal Development Program, and the Subnational Development Program (first operation).

1.26 **Bank strategy in the country.** The IDB Group's strategy with Uruguay 2021-2025 (document GN-3056) supports the Uruguayan Government Plan to achieve inclusive and sustainable growth. The proposed program is specifically aligned with the strategy through the following strategic objectives: (i) generate efficiencies and sustainability in public policies; (ii) increase innovation; (iii) improve productive and resilient infrastructure; and (iv) facilitate urban and housing services. It also contributes to the strategic area of public resource management, since it seeks to improve fiscal management in the departmental governments, specifically financial and accounting management, and facilitate access to sustainable and inclusive public infrastructure through program financing.

B. Objective, components, and costs

1.27 **Objective and scope.** The objective of the CCLIP is to improve the fiscal and public investment management of the departmental governments.

1.28 The general development objective of the second operation under the CCLIP is to improve the fiscal and public investment management of the departmental governments. The specific development objectives of the second operation are to: (i) strengthen departmental financial and accounting management; (ii) boost the efficiency of public services management through digitalization; and (iii) facilitate access to sustainable and inclusive public infrastructure.

1.29 These objectives will be attained through the components and principal program activities described below.

1.30 **Component 1. Strengthening departmental financial and accounting management** (**US$5,483,740).** This component will strengthen departmental financial and accounting management, helping to improve departmental fiscal results through the following subcomponents: (i) strengthening departmental financial management systems; (ii) strengthening service management through digitalization; and (iii) strengthening capacity for environmental management and the incorporation of climate change. With regard to the first subcomponent, the following will be financed: (i) development of new modules for the integrated departmental financial information system for debt management and dashboards, and inventories of moveable and immovable property to contribute to strategic management of public assets; and (ii) preparation of strategies to manage tax arrears and studies to improve tax management. The second subcomponent will finance: (i) implementation and startup of a Consolidated Food Product, Food Producer, and Food Vehicle Register (RUNAEV); and (ii) the use of ICTs in the delivery of departmental public services through investment projects and evaluations that measure its contribution; and the third subcomponent will finance: (i) implementation of projects to improve environmental management; and (ii) studies to incorporate climate change principles into fiscal management.

1.31 **Component 2. Investments for departmental development (US$99,385,689).** This component will help facilitate access to public infrastructure to promote sustainable and inclusive growth. It will attain these objectives by financing: (i) the preinvestment studies needed for project formulation on the executive level; (ii) works related to the delivery of urban and territorial services and equipment, with eligible sectors being barrio consolidation works, works to improve access and connectivity, and urban services and consolidation of the urban fabric that have been

prioritized by the Congress of Governors in alignment with their development plans; (iii) works management and supervision; and (iv) consulting services to help implement the principles of climate change and gender equity and diversity in the works by developing guidelines for incorporating these criteria into the requirements for selecting projects for the competitive fund.

1.32 The component will be structured as follows: The first line of financing will include an initial allocation[33] (US$84.380,693) divided among the departments based on the distribution criteria established in the Five-Year Budget 2020-2024, paragraphs 3.6 and 3.7. A second line of financing will include a competitive fund (US$10,000,000) that will finance works in the same eligible sectors, and will award, on a competitive basis, the departmental governments that present the best projects. Specifically, projects will be selected that are aligned with the challenges of climate change and gender equality and diversity in accordance with paragraph 3.8. The third line will finance preinvestment studies, works management and supervision, and specialized consulting assignments (US$5,004,996).

1.33 If public residential services are financed under the initial allocation or under the competitive fund, the projects must meet financial sustainability and economic evaluation conditions (Section IV), and be consistent with the principles governing the Public Utilities Policy (document GN-2716-6).[34]

1.34 **Program administration, supervision, and audits (US$3,130,571).** Program administration will finance operation of the program coordination unit (PCU), reports, and contingencies.

Table 3. Estimated costs by component (US$ thousands)

Component	IDB	Local	Total
1. Strengthening of departmental financial and accounting management	**4,569.6**	**914.1**	**5,483.7**
Subcomponent 1.1. Strengthening departmental financial management systems	1,728.2	913.1	2,641.2
Subcomponent 1.2. Strengthening service management through digitalization	2,325.6	1,0	2,326.7
Subcomponent 1.3. Strengthening capacity for environmental management and the incorporation of climate change	515.8	-	515.8
2. Investments for departmental development	**82,8222.0**	**16,563.7**	**99,385.7**
Initial allocation	67,817.0	16,563.7	84,380.7
Competitive fund	10,000.0	-	10,000.0
Works management and supervision	5,005.0	-	5,005.0
Program administration, supervision, and audits	**2,608.4**	**522.2**	**3,130.6**
Total	**90,000.0**	**18,000.0**	**108,000.0**

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[33] The initial allocation will cover implementation of 26 projects already prioritized by the Congress of Governors based on needs identified in the territory.

[34] This is a specific investment loan, following the precedents set in earlier operations (2668/OC-UR and 3792/OC-UR) that have demonstrated the suitability of this financial modality.

1.35 **Main results indicators, benefits, and beneficiaries.** The general development objective will be measured through the following impact indicators: primary fiscal balance compared to total departmental revenue and the percentage of investments that incorporate climate change criteria into their ex ante evaluations. The specific development objectives will be measured through the following indicators: (i) gap between the debt declared in departmental accounts and the debt register of the Banco Central del Uruguay; (ii) indexed cost of registering a food product; (iii) savings in public lighting in intervention areas that use energy-saving technologies; (iv) percentage appreciation of the price per square meter of real estate in areas adjacent to the public investment projects; and (v) total climate financing of the projects financed.

1.36 The beneficiaries of this operation are the departmental governments (18 departments, less the department of Montevideo),[35] which will have stronger financial and investment management capacity. The population of the departments will also benefit, particularly citizens who gain direct access to the public services that are built or upgraded under the investment projects. In particular, women and persons with disabilities will benefit through the inclusion of gender and diversity criteria in the design of investment projects. The national government will also benefit from the stronger departmental incentives to manage their spending more efficiently.

C. Strategic alignment

1.37 The program is aligned with the second Update to the Institutional Strategy 2020-2023 (document AB-3190-2), particularly the challenge of: (i) productivity and innovation, given that it promotes the adoption of digital technologies in financial administration and digitalization of departmental services. It is also aligned with the crosscutting themes of: (i) gender equality, since it incorporates gender criteria into infrastructure design; (ii) diversity, since it promotes access for persons with disabilities and incorporates diversity criteria into infrastructure design; (iii) climate change and environmental sustainability, since it includes mitigation and adaptation measures in the buildings planned and supports the creation of adaptive capacity in the departments; and (iv) institutional capacity and the rule of law, since it improves capacity for financial and accounting management and for management of departmental public investments. The project contributes to the IDB Group's Corporate Results Framework 2020-2023 (document GN-2727-12) through the indicators: (i) *Agencies with strengthened digital technology and managerial capacity*; and (ii) *Emissions avoided (annual tons of CO_2 equivalent)*. The operation is directly aligned with the IDB Group's Climate Change Action Plan 2021-2025 (document GN-2848-8). According to the joint methodology of the multilateral development banks for tracking climate finance, an estimated 31.96% of the IDB's resources are invested in climate change mitigation and adaptation. This is due both to application of mitigation and adaptation criteria in the projects designed by the departments under Component 2, and to the energy efficiency measures and

[35] The department of Montevideo will participate in the development and implementation of the RUNAEV system.

linkage between fiscal management and climate change in Component 1.[36] The methods for achieving this outcome are reflected in the program Operating Regulations and in the operation's climate change annex. Furthermore, the program is aligned with the Bank's Vision 2025, since it promotes gender equality and actions to address climate change. Lastly, it is included in the update to Annex III of the 2022 Operational Program Report (document GN-3087-2).

D. Feasibility analysis

1.38 **Technical feasibility.** When the program was being prepared, technical data sheets were produced for the 26 projects to be financed in the departments. Five of those projects, which represent 32% of the investment, include a cost-benefit analysis which indicates that they are technically and socioeconomically feasible. These projects involve accessibility and neighborhood improvement. See details in link 4.

1.39 **Socioeconomic feasibility.** Link 5 describes socioeconomic feasibility, calculating the program's internal rate of return (36.7%). The discounted flows of benefits are 118.9% higher than the discounted flows of costs, for a discount rate of 7.5%. With these discount rates, the program is efficient and exceeds the reference discount rates that could be applied (7.5% and 12%). Therefore, the investment in public works is justified independently in comparison with other alternatives. Of the 26 projects to be financed by the competitive fund, five (representing 32% of total investment) had advanced preinvestment studies that were financed in the first operation under the CCLIP, which served as the basis of the evaluation. Headway is being made on the different preinvestment processes in the remaining projects.

1.40 **Socioenvironmental feasibility.** To comply with the requirements of the Environmental and Social Policy Framework, the executing agency will: (i) have an environmental and social management system for the program; (ii) implement the actions in the strategic environmental and social assessment and the strategic environmental and social management plan (SESMP), which form part of the Environmental and Social Management Framework; and (iii) the actions to address the risks associated with the gaps identified have already been included in the environmental and social action plan. See link 2 for more details.

1.41 **Institutional and financial feasibility.** An institutional capacity assessment of the executing agency was preformed using the Institutional Capacity Assessment Platform (ICAP). The executing agency has institutional capacity and experience and the teams that work on Components 1 and 2 have the technical capacity to carry out the planned activities. Recommendations have been made to systemize procedures for better quality management, clearly establish intra- and interagency communication mechanisms, and strengthen the PCU and Component 1 team with additional personnel to enable them to work in a timely and efficient manner during execution. The program Operating Regulations will include aspects related to

[36] The funds in each activity allocated to climate finance will be measured using the joint methodology of the multilateral development banks for climate change mitigation and the measures adopted will be evaluated following the guidelines for works to be financed in the vulnerability context and priorities identified in PNA-ciudades. These measures will be accompanied by training and guidelines to enable the departments to design projects that can attain or surpass these targets.

communication processes and mechanisms and the program's budget includes funds to contract consultants to support execution.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

2.1 This second operation will be financed through a specific investment loan, since the outputs to be financed are associated with specific objectives and their successful execution is linked to the indivisibility of the program itself. The loan of up to US$90 million will be financed from the Bank's Ordinary Capital through the Flexible Financing Facility, with a local contribution of US$18 million, equivalent to 17% of the total program cost.

2.2 **Fulfilment of the eligibility criteria for the second individual operation under CCLIP UR-O1148.** The CCLIP will gradually and flexibly attend to the financial and technical assistance requirements of the departmental governments. The program complies with the eligibility criteria established in the policy applicable to the CCLIP instrument (paragraph 1.17, Annex 6 of document GN-2246-9)[37] for a second individual lending operation since: (i) the operation is in the sector and contains the components defined in the CCLIP; (ii) the operation is included in the update to Annex III of the 2022 Operational Program Report (document GN-3087-2); (iii) the borrower will execute the operation through the OPP, which is the executing agency of the first individual operation under way (3792/OC-UR); and (iv) the institutional analysis indicates that the capacity of the executing agency has not deteriorated and the required monitoring and evaluation system will be used during the operation. Also, with regard to the first operation (3792/OC-UR): (i) its performance is satisfactory and it is likely that its development objectives will be attained; (ii) 63% of the funds have been disbursed; (iii) the borrower and the executing agency have fulfilled the contractual conditions for the loan and the Bank's disbursement and procurement policies; and (iv) the financial and operational reports have been submitted on time, and meet the required quality standards.

2.3 **Program resources and disbursement schedule.** The planned disbursement period is five years after the loan contract comes into effect. The disbursement schedule is presented in Table 4.

Table 4. Disbursement schedule (US$ thousands)

Component	Year 1	Year 2	Year 3	Year 4	Year 5	% Total
IDB	5,389.5	34,254.1	30,648.7	14,273.1	5,434.6	**90,000.0**
Local contribution	215.9	4,634.1	9,125.8	3,473.8	550.4	**18,000.0**
Total	**5,605.4**	**38,888.2**	**39,774.5**	**17,746.9**	**5,985.0**	**108,000.0**
%	**5**	**36**	**37**	**16**	**6**	**100**

[37] This operation has been prepared in line with the eligibility criteria established in document GN-2246-9, in accordance with the provisions of paragraph 3.12 of document GN-2246-13.

B. Environmental and social risks

2.4 In accordance with the Environmental and Social Policy Framework (document GN-2965-23), the operation is classified in Category "B," since the potential impacts are typical of moderate or small-scale construction (Category "A" projects will be excluded). Known, effective mitigation measures exist to prevent or manage the impacts and have been included in the SESMP. It has not been found that any of the proposed subprojects are located in critical habitats, protected areas, or indigenous territory, or involve involuntary resettlement or economic displacement. Exclusion criteria will be included in the SESMP to ensure that the subprojects have no negative impact on critical habitats or indigenous territory and do not involve involuntary resettlement or economic displacement.

2.5 A meaningful stakeholder consultation was held in hybrid format, including key and vulnerable stakeholders on 7 September 2022, with more than 30 participants who participated either virtually or in person. The consultation fielded questions on whether the program would include the purchase of land and whether remediation of contaminated land could be included among the projects eligible for financing (see environmental and social review summary, Environmental and Social Performance Standard 10).[38] The participants viewed the program in a positive light and the consultations centered on resolving execution-related issues. No unforeseen risks were identified in the program's environmental and social evaluations, and no suggestions were received about the mechanism for managing grievances and complaints. Communication will continue with interested and affected parties during program execution, based on the interested party participation plan. A public activity will be carried out for each project prior to the start of the works, which will be the responsibility of the departmental governments, and will have the goal of presenting the project, explaining the environmental and social management system to be used, and answering questions listening to feedback from interested parties.

C. Fiduciary risks

2.6 The OPP has broad experience with Bank-financed projects, and so the level of fiduciary risk of the operation is considered low. When the program was being prepared, a medium-high risk was identified that if the response times of the Office of the Comptroller General (CGN), the National Audit Office (TCR), and the departmental governments exceed one month, it will not be possible to make the proposed payments as established in the financial plan and, as a result, justifications of expenditures would not be submitted to the Bank in a timely manner. The risk will be mitigated by making the percentage of advances pending justification more flexible. The OPP should also consider interceding with the CGN, TCR, and the departmental governments in the program's payments planning exercise.[39] The fiduciary team will continue to identify and manage risks during execution. The first CCLIP operation has the same management team, which will facilitate timely completion of these activities. See Annex III for more details.

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[38] The consultation report was published on 4 October 2022.

[39] The operation will generally work with a 12-month financial plan and at least 50% of the cumulative unjustified balances will be justified.

D. Other risks and key issues

2.7 **Sustainability.** The departments will include the necessary funds in their budgets for their operation and maintenance as a requisite for their participation in the program. The program will include funds in Component 1 to design a strategy for the transition to and the managerial sustainability of the SIFI and RUNAEV. Regarding the capacity for environmental management and the incorporation of climate change, the program plans to strengthen the departmental governments to ensure sustainability.

2.8 **Interagency coordination.** The executing agency has broad experience in coordinating with the departmental governments that will serve as the subexecuting agencies of the projects in Component 2, under the conditions established in the participation agreements that will formalize their participation. The executing agency will have primary responsibility for the execution of Component 1 and will ensure close coordination with the departments on the contents and functions of the outputs to be developed. Coordination with other ministries[40] and public companies will be on a project-by-project basis since the program's activities are the exclusive responsibility of the departments and the OPP.

III. ARRANGEMENTS FOR EXECUTION AND RESULTS MONITORING AND EVALUATION

A. Execution arrangements

3.1 The borrower will be the Oriental Republic of Uruguay. The executing agency will be the borrower acting through the OPP and its coordination unit. The program coordination unit (PCU) will coordinate and administer the program, carrying out the functions described in the program Operating Regulations, and will be answerable to the Bank for complying with the contractual conditions applicable to the executing agency. To carry out its functions, the PCU will maintain adequate systems for contract administration, financial accounting administration, and internal control. It will keep exclusive, separate bank accounts for the loan proceeds and the national counterpart.

3.2 The departmental governments will serve as the program's subexecuting agencies.[41] Their responsibilities under Component 2 include:[42] (i) preparing and contracting preinvestment studies and completing the project designs in accordance with current standards, the methodological guidelines approved for that purpose, and taking into account the policies governing environmental solutions, gender, and diversity, as pertinent; (ii) conducting the bidding processes; (iii) contracting the works and directing their technical aspects; (iv) making payments and accounting to the PCU for the funds received, and preparing any financial reports requested; and (v) following adequate maintenance standards for the program investments. Under

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[40] Coordination with the Ministry of Economic Affairs and Finance is mainly through the Congress of Governors and centers on ensuring availability of the financial resources for the departments established by law.

[41] All the departmental governments participate in the program, except for Montevideo, which will only benefit from implementation and startup of the RUNAEV, but not from the other program activities.

[42] When required, the departmental governments may make use of resources for preinvestment and supervision of the works financed by the program.

Component 1, the departmental governments will participate in the actions envisaged for implementation.

3.3 Participation in the program by the departments will be formalized through signature by the executing agency and the departmental governments of framework participation agreements, in which the departments declare that they are familiar with the provisions of the loan contract that will finance the program and undertake to abide, during execution, with the different program documents, including the program Operating Regulations. The framework participation agreements will include the departmental governments' obligations to: (i) account for the funds received by the executing agency and prepare the financial reports requested; (ii) keep adequate accounting and financial records; (iii) keep the documentation on contracts and expenditures made from loan and counterpart resources duly filed; and (iv) maintain exclusive and separate accounting for program proceeds and departmental counterpart resources.

3.4 The PCU will be primarily responsible for centralizing the execution of Component 1, and will coordinate actions and contents with the agencies involved and the departmental governments. Accordingly, framework participation agreements will be signed with the departmental governments and other pertinent agreements will be entered into with participating national agencies.

3.5 The departmental governments will primarily be responsible for the execution of Component 2, under PCU supervision. The departmental governments will be responsible for contracting consulting services for project designs and works management and supervision, as required. They will also conduct calls for bids and make payments to contractors. All their actions will be based on procedures agreed upon with the PCU, which will be included in the program Operating Regulations.

3.6 The investment will comprise two tranches: (i) an initial allocation, and (ii) a competitive fund. For the initial allocation, each department in the program will have the right to receive a percentage of the funds, in accordance with the percentages determined in Law 19,924, Article 660:

Table 4. Allocation of program proceeds

Department	%	Department	%	Department	%
Artigas	5.68	**Flores**	2.78	**Rivera**	5.32
Canelones	10.09	**Florida**	4.52	**Rocha**	5.03
Cerro Largo	5.83	**Lavalleja**	4.42	**Salto**	6.81
Colonia	4.89	**Maldonado**	7.92	**San José**	4.19
Durazno	5.13	**Paysandú**	6.44	**Soriano**	5.34
Treinta y Tres	4.58	**Río Negro**	4.74	**Tacuarembó**	6.29

Source: Law 19,924, Article 660.

3.7 The departmental governments will present projects that comply with the technical, economic, financial, institutional, and environmental eligibility criteria established in the program Operating Regulations. The criteria are intended to ensure that the projects comply with the specifications described in the technical guidelines for the formulation of projects in the design stage; that coordination exists among the

different public and private stakeholders in the areas of intervention; and that the projects are economically and socially cost-efficient and comply with existing environmental standards (for more information see paragraph 4.51 of the program Operating Regulations). In the case of investments in public utilities, the projects are required to comply with the financial sustainability[43] and economic evaluation criteria[44] (Section IV) of the Public Utilities Policy (document GN-2716-6). Project eligibility will require the no objection of the PCU and the Bank. The initial allocation for each departmental government established in the above table is contingent upon presentation of projects on the executive level, which will require approval from the PCU and the Bank's no objection. This should take place within 18 months after the loan contract is signed.

3.8 The competitive fund will operation from the start of the program using especially allocated resources. The projects in this portfolio must also comply with the eligibility criteria established in the program Operating Regulations and in paragraph 3.7 above, and will mainly be judged on: (i) the general quality of the project, with stress on its impact; (ii) its consistency with departmental and national plans; and (iii) the counterpart funds. Additionally, the projects presented to the competitive fund should be aligned with the gender equality, diversity, and climate change challenges. All 18 departments, except for Montevideo, are eligible to participate in the fund. Operation of the fund includes the eligibility criteria established in the program Operating Regulations, which guarantee compliance with eligibility requirements in the allocation of resources.

3.9 **Special contractual conditions precedent to the first disbursement of the financing. Prior to the first disbursement of the loan, the executing agency will submit evidence of: (i) the approval and entry into effect of the program Operating Regulations in accordance with the terms and conditions agreed upon in advance with the Bank; and (ii) appointment of the executing agency's core staff, consisting of, at minimum, the coordinators needed for the program.** These conditions are necessary to ensure that the leaders of the executing team are available from the start of the program and that the necessary execution procedures are fulfilled.

3.10 **Special contractual condition for execution:** Prior to a departmental government beginning the activities and works in Components 1 and 2, the borrower, through the executing agency, will submit evidence of the signature and entry into effect of the framework participation agreements mentioned in paragraph 3.3, in the terms and conditions agreed upon in advance with the Bank. This condition is required to

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43 Financial sustainability. For each operation it should be verified that the corresponding services will generate or receive sufficient funds to cover its financial commitments and the operating and maintenance costs of the related systems. When a Bank operation involves budgetary contributions to subsidize the provision of a public service, it will be necessary to verify: (i) that the budget allocated to the contribution is transparent; and (ii) that the purpose corresponds to one of the following objectives: (i) expand the capacity to provide greater access; (ii) upgrade the quality of existing services; or (iii) improve process management and incorporate technology to enable the services to help mitigate climate change or the risks associated with natural disasters. If the budget contributions are rate subsidies, it will be necessary to show progress in the design and implementation of tools to target the subsidies that prioritize the most vulnerable groups and the low income population.

44 Public utilities projects should be economically viable in accordance with cost-benefit and cost-effectiveness methodologies used and accepted by the Bank.

ensure that the departmental governments participate as program subexecuting agencies in accordance with the provisions of the loan contract, the program Operating Regulations, and other program documents.

3.11 **Maintenance.** During the disbursement period, the borrower undertakes, through the executing agency, to take the steps necessary to ensure that program works and goods are adequately maintained up to generally-accepted technical standards. The borrower, through the executing agency, will present in the first half of each calendar year during program execution a report on the status of those works and goods. If Bank inspections or the reports it receives indicate that maintenance is below the required levels, the borrower, through the executing agency, will take the necessary steps to fully correct such shortcomings.

3.12 **Fiduciary agreements and requirements.** Annex III establishes the guidelines for financial management and procurement execution applicable to the program.

3.13 **Procurement.** Procurements of goods and works and consulting contracts will abide by the provisions of the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15) or the country procurement system if so indicated in the procurement plan, under the conditions applicable to use of the national government procurement system. To date, no purchases of solar panels are anticipated in the operation. In the event needs change during execution, steps will be taken to mitigate and prevent the use of forced labor in the solar panel supply chain. The procurement plan includes details on the procurements to be made during execution and the procedures to be applied by the Bank for their supervision.

3.14 **Disbursements and audits.** Disbursements will mainly take the form of advances of funds or another method established in Financial Management Guidelines for IDB-financed Projects (document OP-273-12). Advances will be made in accordance with a financial plan that covers the program's real liquidity requirements for up to 12 months and, except for the first advance, the subsequent ones will be made when at least 50% of total cumulative unjustified balances are justified. The OPP will use the Treasury Single Account. The OPP will submit audited financial statements annually and at the end of the operation in accordance with the terms and conditions required by Bank policies. The financial statements may be audited by an independent accounting firm or by the TCR (see Annex III).

3.15 **Advance contracting, retroactive financing, and expenditure recognition.** The Bank may retroactively finance from the loan proceeds up to US$9 million (10% of the proposed loan) and recognize up to US$1.8 million from the local contribution (10% of the estimated local contribution) as eligible expenditures incurred by the borrower prior to the loan's approval, provided that they were made in accordance with conditions substantially analogous to those established in the loan contract, and whose contracting procedures confirm to the basic procurement principles for nonconsulting services related to data center hosting. The expenditures will have been incurred within 18 months prior to approval of the loan by the Bank's Board of Executive Directors. This retroactive financing is needed to ensure service stability and avoid interruptions between the close of the first operation and the start of the second. Use of the retroactive financing mechanism is anticipated to finance any of the works projects identified in the initial allocation of Component 2, provided that

their preinvestment studies are in an advanced stage. To date, no expenditures have been made that could be considered eligible.

3.16 **Direct contracting.** In accordance with: (i) paragraph 5.4(a) of document GN-2350-15, and to maintain technical focus during program execution, individual consultants selected competitively with resources under the first CCLIP operation (3792/OC-UR) will be contracted directly and will continue to provide services for this operation, as their positions are key for the proper functioning of the PCU, for an estimated US$422,000 each year; (ii) in accordance with paragraphs 3.11(a) and paragraph 3.12 of document GN-2350-15, ITC consulting services to support and maintain the SIFI and RUNAEV will be contracted directly as a continuation of the services selected from the competitive processes held in the first operation under the CCLIP, for an estimated US$647,820 and US$335,400, respectively; and (iii) under paragraph 3.7(c) of document GN-2349-15, and continuing the activities established and approved by the Bank in the previous operation, the National Telecommunications Administration (ANTEL) will be contracted directly since the good required can only be obtained from a single source, for an estimated US$983,220, to guarantee adequate data storage in the national territory and to have the appropriate technical resources in place to ensure integrity, availability, and confidentiality. See Annex III.

B. Arrangements for the monitoring and evaluation of results

3.17 **Monitoring and tracking system.** The monitoring system will be based on the following instruments: (i) the program execution plan; (ii) the procurement plan; (iii) the results matrix; and (iv) and the monitoring and evaluation plan. The executing agency will prepare semiannual reports on attainment of the results, outputs, and financial targets for the Bank's approval, which will in turn perform inspection visits and ex post reviews as part of program monitoring.

3.18 **Evaluation.** The program will be evaluated against the targets and the annual results and output indicators in the program's results matrix through a before-and-after comparison. The monitoring and evaluation plan provides for an independent midterm evaluation within 90 days after the contract has been in effect for 36 months or when 50% of the loan has been disbursed, whichever occurs first. A final evaluation will be submitted to the Bank within 90 days after the date on which 90% of the loan proceeds have been disbursed. The evaluation reports will be used as input for the program completion report (PCR). Both the final evaluation and the PCR will be produced once execution has been completed and the questions in these evaluations will refer to whether the activities financed contributed to the program's objectives (see the monitoring and evaluation plan). The PCR will include an ex post economic evaluation to validate the social effectiveness of the program's activities.

3.19 The final program evaluation will include an ex post economic analysis (cost-benefit) to validate its social returns, calculated according to the section on Economic Analysis. For Component 1, the RUNAEV will be evaluated through a cost-benefit analysis. For Component 2, an impact analysis will be performed to generate evidence on how improvements in public infrastructure improve the well-being of the beneficiaries. For further details, see the monitoring and evaluation plan.

Development Effectiveness Matrix		
Summary UR-L1164		
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
1. The Strategic Alignment tab in convergence shows alignment on IDB Group Strategic Priorities. The Results Matrix tab lists flagged CRF indicators		
2. The Strategic Alignment tab in convergence shows information on alignment to Country Development Objectives		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		8.3
3.1 Program Diagnosis		2.5
3.2 Proposed Interventions or Solutions		3.5
3.3 Results Matrix Quality		2.3
4. Ex ante Economic Analysis		7.5
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		1.5
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		0.0
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		7.4
5.1 Monitoring Mechanisms		2.3
5.2 Evaluation Plan		5.2
III. Risks & Mitigation Monitoring Matrix		
6. Overall risks rate = magnitude of risks*likelihood		Medium Low
The Environmental and Social Data tab in convergence shows the environmental and social risk classification of the project		
IV. IDB´s Role - Additionality		
Annex III Fiduciary Arrangement **s describes project reliance on the use of country systems (VPC/FMP Criteria)**		
7. Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		

Evaluability Assessment Note: The project is the second operation of a CCLIP (line of credit) that seeks to improve the fiscal management and public investment of the Departmental Governments (GD) in Uruguay. The specific objectives of the operation are: (i) to strengthen departmental accounting financial management; (ii) improve the efficiency of the management of public services through their digitalization; and (iii) facilitate access to sustainable and inclusive public infrastructure. The achievement of these objectives will contribute to the overall objective which is the same as the CCLIP. While the region has public investment levels of 31%, Uruguay is only at levels of 16%. Therefore, this operation seeks to increase departmental public investment while improving the fiscal management of the intendencies so that they give a better service to citizens. The specific problems that will be worked on are: (i) deficiencies in the accounting financial management of the quartermasters; (ii) inefficiencies in the provision of public services that result in costs for the private sector; and (iii) the poor management of departmental public investment.

The vertical logic of the project is adequate. However, the project would benefit from including an outcome indicator to measure the facilitation of access to inclusive infrastructure. The results matrix proposes SMART indicators to measure the achievement of all other dimensions of specific objectives. The project proposes three indicators that need active and constant monitoring: the rate of revaluation of land in areas adjacent to the works and the two indicators associated with specific objective 2. Therefore, it is recommended that the team ensure adequate funding for the timely measurement of indicators according to the activities foreseen in the MEP. The program suggests an impact evaluation that allows the increase in the value of the properties to be attributed to public investment in neighborhood improvement in the surrounding areas. The success of this evaluation depends on proper implementation of the proposed surveys.

The project presents a cost-benefit analysis. The benefits are generated because of the improvement of neighborhoods that is promoted with public investment projects. The CBA is based on five public investment projects that will be financed with the project for which detailed pre-investment information is available. The key assumption of the CBA is that these projects are a representative sample of the 36 that are expected to be financed thanks to the program. The CBA requires adequate support for this key assumption. The CBA estimates an Internal Rate of Return (IRR) of between 36.7%.

RESULTS MATRIX

PROGRAM OBJECTIVE:	The specific development objectives are to: (i) strengthen departmental financial and accounting management; (ii) boost the efficiency of public service management through digitalization; and (iii) facilitate access to sustainable and inclusive public infrastructure. These objectives will contribute to the program's general development objective of improving the fiscal and public investment management of the departmental governments.

GENERAL DEVELOPMENT OBJECTIVE

Indicator	Unit of measure	Baseline	Baseline year	Expected year achieved	Target	Means of verification	Comments
GENERAL DEVELOPMENT OBJECTIVE. Improve the fiscal and public investment management of the departmental governments							
Primary fiscal balance compared to total departmental revenue	%	-2.6	Average for the 2017-2019 period	2028	-2.0	Office of Planning and Budget (OPP) report	I = Fiscal balance year X/departmental revenue year X Information from departmental government accounts is used, excluding Montevideo.
Percentage of investment that includes ex ante evaluation of climate change criteria	%	0	2022	2028	20%	OPP report	Investment projects that comply with climate change criteria out of all departmental investment projects approved in the previous year.

SPECIFIC DEVELOPMENT OBJECTIVES

Indicator	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of program	Means of verification	Comments
SPECIFIC DEVELOPMENT OBJECTIVE 1. Strengthen departmental financial and accounting management											
Gap between the debt declared in departmental accounts and the debt register of the Banco Central del Uruguay (BCU)	Percentage	24	2020	24	24	20	15	5	5	OPP report	Gap between the debt declared in the departmental accounts and the BCU's bank debt register, expressed as a percentage of the debt registered in the BCU's risk center.
SPECIFIC DEVELOPMENT OBJECTIVE 2. Boost the efficiency of public service management through digitalization											
Indexed cost of registering a food product	Points	100	2022	100	100	100	100	80	80	OPP report	Cost of registering a new food product for sale in the country, measured by the number of the hours required to complete the procedure. The baseline will be measured through a survey of a representative sample of departments. See the monitoring and evaluation plan for details on the indicator.

Indicator	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of program	Means of verification	Comments
Savings in public lighting in intervention areas that include energy-saving lighting technologies	Index	100	2022	0	0	0	0	90	90	OPP report	Standard reduction in kilowatt-hour consumption in areas where energy-saving lighting technologies have been implemented.
SPECIFIC DEVELOPMENT OBJECTIVE 3. Facilitate access to sustainable and inclusive public infrastructure											
Percentage appreciation of the price per square meter of real estate in areas adjacent to the public investment projects	Percentage	100	2022	100	100	106	109	111	111	OPP report	Metric: Average standard increase measured on the basis of the sample used in the cost-benefit analysis. The increase will be estimated using the hedonistic price methodology as a synthetic proxy for the features of urban services and equipment. See the monitoring and evaluation plan for details on the indicator.
Total climate financing of the projects financed[1]	Percentage	11.75	2022	11.75	15	22	28	33	33	OPP report	Percentage increase in climate financing in Component 2 compared to the baseline estimated for projects executed in PDGS I and II.

[1] Significant material changes are expected in the quality of the projects designed to include climate change adaptation and mitigation beginning in the second half of 2023, once training has been provided and guidelines issued.

OUTPUTS

Indicator	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of program	Means of verification	Comments
COMPONENT 1. Strengthening departmental financial and accounting management											
SUBCOMPONENT 1.1. Strengthening departmental financial management systems											
Departmental governments with completed inventories of public assets	Department	0	2022	0	8	8	0	0	16	OPP report	
Departmental governments with the Integrated Financial Information System (SIFI) dashboard module implemented	Department	0	2022	0	8	8	0	0	16	OPP report	
Departmental governments with the SIFI debt module implemented	Department	0	2022	0	8	8	0	0	16	OPP report	
Departments with evolutionary maintenance of the system and data center hosting	Department	0	2022	0	8	8	0	0	16	OPP report	
Congress of Governors strategy for the transition to and sustainability of SIFI management	Strategy report	0	2022	0	0	1	0	0	1	OPP report	
Departments with analyses and strategies to recover tax arrears	Department	0	2022	0	0	0	2	0	2	OPP report	
Studies on tax management conducted	Study	0	2021	0	3	1	1	0	5	OPP report	The studies include: a review and analysis of departmental revenue sources including a proposal for tax simplification; report containing proposals to improve the tax base; manual on collections management; report on good practices for managing income and alternatives for Uruguay; and quality and cost indicators applied to the main subnational services. Includes a technical supervisory team.
Workshops on aspects of fiscal management	Workshop	0	2021	0	0	1	2	0	3	OPP report	

Indicator	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of program	Means of verification	Comments
Proposed system for evaluating departmental public policies	Report	0	2022	0	0	0	0	1	1	OPP report	
SUBCOMPONENT 1.2. Strengthening service management through digitalization											
Departments with evolutionary maintenance and data center hosting of the Consolidated Food Product, Food Producer, and Food Vehicle Register (RUNAEV)	Department	0	2022	0	9	10	0	0	19	OPP report	Includes information technology support, hosting, and evolutionary maintenance
Congress of Governors strategy for transition to and sustainability of RUNAEV management	Strategy report	0	2022	0	0	1	0	0	1	OPP report	
Reports on optimizing RUNAEV management produced	Report	0	2022	1	1	1	0	0	3	OPP report	For bromatology services management
Workshops for training in the RUNAEV	Workshop	0	2022	1	1	1	0	0	3	OPP report	
Departments that implement digital transformation projects for service delivery	Department	0	2021	0	2	0	2	2	6	OPP report	Projects will be promoted for the digital transformation of public lighting, trash collection, mobility and transit, and complaints management systems. The report evaluating the projects implemented should consider fiscal and quality aspects of the services supported. Includes a technical team (1 person).
Evaluations of digitalized service delivery systems	Number	0	2021	0	0	0	0	2	2	OPP report	Evaluations that measure the contribution of incorporating technologies into public services, implemented as stated in the preceding output.
SUBCOMPONENT 1.3. Strengthening capacity for environmental management and the incorporation of climate change											
Projects to improve environmental management implemented	Project	0	2022	1	1	0	1	1	4	OPP report	

Indicator	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of program	Means of verification	Comments
Departments trained in application of climate change principles to departmental fiscal management	Department	0	2022	6	0	0	6	6	18	OPP report	
Studies incorporating climate change principles into fiscal management conducted	Study	0	2022	1	0	1	2	0	4	OPP report	Includes a technical team
COMPONENT 2. Investments for departmental development											
Projects with preinvestment studies	Project		2022	3	5	6	0	4	18	OPP report	
Investment projects with construction management	Project	0	2022	0	2	12	5	2	21	OPP report	
Projects financed from the initial appropriation	Project		2022	0	2	14	7	3	26	OPP report	
Investment projects financed under the competitive fund that incorporate gender equality and disability considerations	Project	0	2022	0	0	0	2	3	5	OPP report	Projects selected in accordance with the gender and diversity guidelines defined for the competitive fund will be considered.
Investment projects financed under the competitive fund that contribute to climate adaptation and mitigation	Project	0	2022	0	0	0	2	3	5	OPP report	Projects selected in accordance with the climate change guidelines defined for the competitive fund will be considered.
Technical guidelines for incorporating climate change, gender equality, and disability considerations into the competitive fund guidelines	Technical report	0	2022	0	1	0	0	0	1	OPP report	
Projects supervised jointly by the executing agency and the departmental governments	Project	0	2022	0	2	14	11	9	36	OPP report	

Country: Uruguay **Division**: IFD/FMM **Operation:** UR-L1164 **Year**: 2022

FIDUCIARY AGREEMENTS AND REQUIREMENTS

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

Operation name: Program to Develop and Strengthen Fiscal and Subnational Services Management, Second Individual Operation under CCLIP UR-O1148

I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

1. Use of country systems in the operation

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

2. Fiduciary execution mechanism

☒	Coexecuting/ subexecuting agencies	Component 2 will primarily be subexecuted by the departmental governments through transfers from the OPP and under the supervision of the OPP's coordination unit. This will take place under framework participation agreements in which the departments declare that they are familiar with the provisions of the loan contract that will finance the program and undertake to abide, during execution, with the different program documents, including the program Operating Regulations. The departmental governments will be responsible for contracting consulting services for project designs and works supervision, as required. They will also conduct calls for bids and make payments to contractors.

3. Fiduciary capacity

Fiduciary capacity of the executing agency	The assessment of the overall fiduciary capacity of the OPP using the Institutional Capacity Assessment Platform (ICAP) indicates a low-level risk. The OPP has broad experience in Bank-financed projects, an adequate organizational and administrative structure to execute the operation, and the fiduciary team can be strengthened depending on the workload. The fiduciary agreements and requirements established for this program are based on the OPP's record as executing agency of loan 3792/OC-UR, which is similar to the proposed operation, and the unqualified opinion of the audited financial statements. The OPP also has experience in executing operations 2668/OC-UR, 1489/OC-UR, and 993/OC-UR.

4. Fiduciary risks and risk response

Risk taxonomy	Risk	Level	Response
Planning	If the response times of the Office of the Comptroller General (CGN), the National Audit Office (TCR), and the departmental governments exceed one month, it will not be possible to make the proposed payments as established in the financial plan and, as a result, justifications of expenditures would not be submitted to the Bank in a timely manner.	Medium-high	The percentage of advances pending justification will be made more flexible. The OPP will also consider interceding with the CGN, TCR, and the departmental governments in the program's payments planning exercise.
Internal processes	Delays in the program schedule may occur, which would affect the execution period.	Medium-low	Workshops and Bank support during execution. Internal processes in the executing agency will be systemized in procedural manuals and guidelines to visualize all stages of the process, and the need to contract additional support staff to guarantee effective execution will be evaluated in a timely manner.

5. Policies and guidelines applicable to the operation: For financial management, the Financial Management Guidelines for IDB-financed Projects Guidelines (document OP-273-12) will be used or its most recent update. For procurement, the Policies for Procurement of Goods and Works Financed by the IDB (document GN-2349-15), and the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-15) will be used, or the country procurement system, if so indicated in the procurement plan.

6. Exceptions to policies and guidelines: None.

II. Considerations for the Special Provisions of the Loan Contract

Exchange rate: For the purposes of Article 4.10 of the General Conditions of the loan contract, the parties agree that the applicable exchange rate will be the one indicated in section (b)(i) of that article. To determine the equivalence of expenditures made in local currency from the local contribution or the reimbursement of expenditures from the loan, the exchange rate will be the one in effect on the last working day of the month before the borrower, the executing agency, or any other person or legal entity empowered to incur expenditures makes payment to a contractor, supplier, or beneficiary.
Audits: The program's financial statements will be submitted within 120 days after the close of the program's fiscal year if they are audited by a firm of independent auditors acceptable to the Bank, or within 180 days after the close of the program's fiscal year if they are audited by the TCR. The last of these audited statements will be submitted within 120 days after the last disbursement, or any extensions thereof, if they are audited by a firm of independent auditors acceptable to the Bank, or within 180 days after the last disbursement or extensions thereof if they are audited by the TCR.

III. Agreements and Requirements for Procurement Execution

☒	Bidding documents	For procurements of works, goods, and nonconsulting services under the procurement policies (document GN-2349-15) that are subject to international competitive bidding, the Bank's standard bidding documents will be used or documents agreed on by the executing agency and the Bank for a specific procurement. The selection and contracting of consulting services will be based on the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15) and the standard request for proposals issued by the Bank or agreed on by the executing agency and the Bank for a specific selection will be used. The technical specifications and terms of reference for procurements will be reviewed by the program's sector specialist during preparation of the selection processes. This technical review may be ex ante and is independent of the procurement review method.
☒	Use of national systems	The Consolidated Accounting and Financial Administration Text (TOCAF), which sets out the national regulations applicable to procurement, may be used as approved by the Bank's Board of Executive Directors. The procurement plan for the operation will indicate which contracts will be executed under the approved country system. In the event the Board broadens the extent to which the approved country system can be used, this will apply to the operation.
☒	Contracting and direct selection	To maintain technical focus during program execution, the procurement plan envisages re-contracting individual consultants who had previously been selected competitively with funds from the first operation under the CCLIP, 3792/OC-UR, who will continue to provide services for this operation, as their positions are key for the proper functioning of the PCU, for an estimated US$422,000 each year during the entire execution period. Renewal of these contracts is evaluated annually on the basis of performance, results, and business requirements. The terms of reference and contractual conditions for these consultants will continue to be similar and therefore the request complies with paragraph 5.4(a), Section V, of document GN-2350-15, which allows for direct contracting for the continuation of service. Direct contracting will also be used for ITC support and maintenance of the integrated financial information system (SIFI) and the Consolidated Food Product, Food Producer, and Food Vehicle Register () for US$647,820 and US$335,400, respectively, in line with paragraphs 3.11(a) and 12 of document GN-2350-15, since they are continuation of services engaged competitively under the first CLIPP. The terms of the existing contracts will be maintained. The National Telecommunications Administration (ANTEL) will be directly contracted for US$983,220 to guarantee adequate data storage in the national territory and to have the appropriate technical resources in place to ensure integrity, availability, and confidentiality. This direct contracting is justified under paragraph 3.7(c) of document GN-2349-15, as ANTEL is the sole source provider. Decree 92/014 of 7 April 2014 on cybersecurity in the central administration, which includes the departmental governments, makes it mandatory for data processing centers to be located in the country and have adequate technical resources to guarantee integrity, availability, and confidentiality.

☒	Advance procurement/ retroactive financing	The Bank may retroactively finance from the loan proceeds up to US$9 million (10% of the proposed loan) and recognize up to US$1.8 million from the local contribution (10% of the estimated local contribution) as eligible expenditures incurred by the borrower prior to the loan's approval, provided that they were made in accordance with conditions substantially analogous to those established in the loan contract, and whose contracting procedures confirm to the basic procurement principles for nonconsulting services related to data center hosting. The expenditures will have been incurred within 18 months prior to approval of the loan by the Bank's Board of Executive Directors (see documents GN-2349-15, GN-2350-15, and the Bank policy on the recognition of expenditures, retroactive financing, and advance procurement (document GN-2259-1).
☒	Special procurement provisions applicable to the operation	Given the characteristics of the execution plan in which the departmental governments will be subexecuting agencies, Articles 65 and 67 of the TOCAF will be applied to their processes to enable bidders to view the bidding documents and give them access to the bids submitted. This procedure is part of a national practice that seeks to favor transparency and has been approved by the Bank under CLIPP 3792/OC-UR. The standard bidding documents will be adapted as indicated above and agreed upon by the executing agency and the Bank in advance.
☒	Procurement supervision	Supervision will be ex post, except in cases where ex ante supervision is justified or in cases identified in the procurement plan. For procurements using the country system, supervision will be performed by the country's supervision system. Ex post reviews will be conducted every 12 months, as called for in the program supervision plan. Ex post review reports will include at least one visit, The thresholds for review are:
☒	Records and files	To prepare and file program reports, the forms or procedures agreed upon and described in the program Operating Regulations will be used, which will conform to the policy requirements.

Executing agency	Works	Goods/services	Consulting services
OPP	US$5,000,000	US$500,000	US$200,000

Main procurement items

Name of procurement process	Selection method	Estimated amount (US$)
Paysandú coastal strip	NCB	5,433,905
Consolidation of the Aeroparque neighborhood in the municipio of Nicolich-Canelones	ICB	8,513,680
Technical support consultants for supervision and quality control of the works (various consultants for the entire execution period)	Direct contracting	2,109,996
Consultants for the program coordination unit	Direct contracting	2,852,752
ANTEL data center hosting	Direct contracting	745,962

Name of procurement process	Selection method	Estimated amount (US$)
Widening, fill, and bituminous treatment of the Rossell-Durazno Road (Route 14/19)	NCB	4,328,561
Urban and environmental upgrading in Saladero neighborhood of Salto	NCB	5,746,101
Urban upgrading and dirt road in the So de Mercedes sector in Soriano Department	NCB	4,505,753
Infrastructure works for the departmental governments	NCB	10,000,000
IT support and maintenance	Direct contracting	983,220

The procurement plan can be consulted in the links to the program proposal document.

IV. Agreements and Requirements for Financial Management

☒	Programming and budget	The program's budget will be managed through the integrated financial information system (SIFI) as part of the national budget, under the Consolidated National Budget approved in the Budget Law for the government's five-year term. Budget reprogramming and any annual increases are prepared by the executive branch in its annual report on budget execution. The executive branch submits those reports to the legislative branch within six months after the end of the fiscal year and may propose amendments for justified reasons. The OPP will consider the times required by the Ministry of Economic Affairs and Finance to approve inclusion of the project's budget in the general budget and the formalities to amend the project's budget that would entail an increase in the credits assigned by the Budget Law to the OPP.
☒	Treasury and disbursement management	The Treasury Single Account will be used and, at the request of the OPP, the General Treasury Department will open a special account in the BCU to receive the Bank's funds and a specific bank account for the program in Banco de la República Oriental del Uruguay (government commercial bank) to make program payments. The currency of the operation is the U.S. dollar and the exchange rate to be used is identified in Section II. Disbursement requests will be processed through Online Disbursement (or the latest system). The preferred disbursement modality will be through advances of funds. The operation will generally work with a 12-month financial plan. The operation will justify at least 50% of the cumulative balance pending justification because: (i) the central government agencies, which include the OPP, are required to hold money in the BCU account to contract new obligations; (ii) the payment process requires the preventive intervention of the TCR and the CGN, which have their own response times; and (iii) the operation provides for the participation of departmental governments as subexecuting agencies (document OP-273-12, paragraph 3.3 (a), (c), and (d) of Annex I of the Guidelines).

☒	Accounting information systems and reporting	The OPP will use the same dual-currency accounting system that it has used for accounting and reporting in earlier Bank-financed operations, known as integrated accounting management, which is adequate for this operation. The executing agency has a complete chart of accounts with a subledger per cost center associated with the outputs in the results matrix (separated by department). This subledger will generate information by accounting item, output, and department. The SIFI will be used to assign and execute the budget credits approved for the project. The program Operating Regulations will include the applicable supplemental financial management guidelines.
☒	Internal control and internal audit	The national system will be used as the basis in accordance with the legal regulations in effect. The OPP is one of the agencies that does not have an internal audit unit. Considering its experience with other loan contracts, the program Operating Regulations will establish the financial management framework that is applicable under Bank guidelines and instructions, which will be complemented with the financial processes that govern the OPP under applicable local rules.
☒	External control and financial reports	External control will be performed by the TCR, just as for 3792/OC-UR which is under way. However, an independent auditing firm may audit the program. The audits will conform to terms of reference agreed upon in advance with the Bank. The cutoff dates and deadlines for submission are identified in Section II. The longer period granted to the TCR responds to its internal processes for approving audited financial statements before they are submitted to the Bank, the executing agency, and the General Assembly. As established in the TOCAF, the TCR will perform preventive control of all expenditures related to project execution.
☒	Financial supervision of the operation	The financial supervision of the operation may be adjusted depending on program execution and the external auditor's reports. The activities include monitoring the program's progress and instruments, reviewing disbursements requests, and visits (in person or virtually) to the OPP.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-__/22

Uruguay. Loan ____/OC-UR to the Eastern Republic of Uruguay. Program to Develop and Strengthen Fiscal and Subnational Services Management. Second Individual Operation Under the Conditional Credit Line for Investment Projects (CCLIP) Program to Develop and Strengthen Fiscal and Subnational Services Management (UR-O1148)

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Eastern Republic of Uruguay, as borrower, for the purpose of granting it a financing aimed at cooperating in the execution of the Program to Develop and Strengthen Fiscal and Subnational Services Management, which constitutes the second individual operation under the Conditional Credit Line for Investment Projects (CCLIP) Program to Develop and Strengthen Fiscal and Subnational Services Management (UR-O1148), approved by Resolution DE-89/16 on November 9, 2016. Such financing will be for the amount of up to US$90,000,000, from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on _______________ 2022)

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