

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**URUGUAY**

**PROGRAM TO STRENGTHEN PUBLIC POLICY AND FISCAL MANAGEMENT IN  
RESPONSE TO THE HEALTH AND ECONOMIC CRISIS CAUSED BY COVID-19  
IN URUGUAY II**

**(UR-L1175)**

**LOAN PROPOSAL**

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1.	<a href="#">Comparative matrix</a>
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## ABBREVIATIONS

AGESIC	Agencia de Gobierno Electrónico y Sociedad de la Información y del Conocimiento [Agency for e-Government and the Information and Knowledge Society]
ANEP	Administración Nacional de Educación Pública [National Public Education Administration]
ANTEL	Administración Nacional de Telecomunicaciones [National Telecommunications Administration]
ARCE	Agencia Reguladora de Compras Estatales [Public Procurement Regulatory Agency]
BCU	Banco Central del Uruguay [Central Bank of Uruguay]
BPS	Banco de Previsión Social [Social Security Bank]
CND	Corporación Nacional para el Desarrollo [National Development Corporation]
COVID-19	Coronavirus disease 2019
DDO	Deferred drawdown option
DEM	Development Effectiveness Matrix
DGI	Dirección General Impositiva [Tax Bureau]
EAP	Economically active population
EOP	End of period
IMF	International Monetary Fund
LUC	Ley de Urgente Consideración [fast-track legislation]
MEF	Ministry of Economy and Finance
MIDES	Ministry of Social Development
MSMEs	Micro, small, and medium-sized enterprises
MSP	Ministry of Public Health
MTSS	Ministry of Labor and Social Security
SARS-CoV-2	Severe acute respiratory syndrome coronavirus 2
SIGa	Sistema Nacional de Garantías [National Guarantee System]
SINAE	Sistema Nacional de Emergencias [National Emergency System]
VAT	Value-added tax
WEO	World Economic Outlook

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Financial Terms and Conditions					
Borrower			Flexible Financing Facility <sup>(a)</sup>		
Eastern Republic of Uruguay			Amortization period:		20 years
Executing agency			Drawdown period:		3 years
Ministry of Economy and Finance			Grace period:		(b)
Source	Amount (US\$)	%	Interest rate:		LIBOR-based <sup>(c)</sup>
IDB (Ordinary Capital):	145 million	100%	Upfront fee:		50 basis points
			Standby fee:		(d)
			Inspection and supervision fee:		(d)
Total:	145 million	100%	Weighted average life:		12.75 years
			Currency of approval:		U.S. dollars
Project at a Glance					
<p><b>Program objective/description:</b> The general objective of the program is to strengthen the efficiency and effectiveness of public policy and fiscal management in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures. The specific objectives are: (i) to promote the availability and timely execution of public resources to respond to the health crisis caused by COVID-19; (ii) to strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis; (iii) to support the effective and continuous provision of essential goods and services through public policy and management measures; and (iv) to promote economic and fiscal recovery during the postpandemic period.</p> <p>This operation is the second in a series of two programmatic policy-based loans that are contractually independent but technically linked.</p>					
<p><b>Special contractual conditions for the disbursement of the loan proceeds:</b> The disbursement of the loan proceeds will be contingent on fulfillment of the policy reform conditions as established in the Policy Matrix (Annex II) and other conditions of the loan contract (paragraph 3.4). The deferred drawdown option will be used for this operation (paragraph 2.1).</p>					
<p><b>Exceptions to Bank policies:</b> None.</p>					
Strategic Alignment					
<b>Challenges:</b> <sup>(e)</sup>		SI	<input checked="" type="checkbox"/>	PI	<input type="checkbox"/>
<b>Crosscutting themes:</b> <sup>(f)</sup>		GE	<input checked="" type="checkbox"/>	and	DI
				CC	<input checked="" type="checkbox"/>
				and	ES
					IC
					<input checked="" type="checkbox"/>

- (a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. The Bank will take operational and risk management considerations, prevailing market conditions, and the loan's concessionality level into account when reviewing such requests, in accordance with the applicable Bank policies in force.
- (b) The grace period will depend on the amortization schedule agreed upon between the borrower and the Bank at the time the disbursement request is formalized during the drawdown period.
- (c) In keeping with document FN-729 (Strategy and Operational Readiness for the Execution of the LIBOR Transition for the IDB Balance Sheet) and document CF-257-1 (Base Rate Replacement for Sovereign Guaranteed LIBOR-based Loans), this loan will be subject to the SOFR-based interest rate, upon notification to the borrower by the Bank or at the borrower's request, pursuant to the provisions of the loan contract.
- (d) The standby fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable policies.
- (e) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).
- (f) GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

## I. DESCRIPTION AND RESULTS MONITORING

### A. Background, problem to be addressed, and rationale

- 1.1 This is the second of two operations in a programmatic policy-based loan series. The series, which originated in 2020 (loan 5034/OC-EC for US\$350 million), was agreed upon with the Government of Uruguay in support of measures to strengthen the efficiency and effectiveness of public policy and fiscal management in response to the health and economic crisis caused by COVID-19. These measures were designed and implemented: (i) to promote the availability and timely execution of public resources to respond to the health crisis caused by COVID-19; (ii) to strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis; (iii) to support the effective and continuous provision of essential goods and services through public policy and management measures; and (iv) to promote economic and fiscal recovery during the postpandemic period. The first operation had very significant outcomes with real improvements in various aspects of the loan components.
- 1.2 This operation continues to support the reforms that began under the first programmatic loan (loan 5034/OC-UR), approved in 2020. These included: creation of the “Fondo Solidario COVID-19” [COVID-19 Solidarity Fund] to channel all government activities to protect the population; financial and food assistance measures for the most vulnerable households; direct support for micro, small, and medium-sized enterprises (MSMEs) to promote liquidity in the form of subsidies, guarantees, and tax moratoriums; and implementation of systems to electronically support public service delivery during the lockdown. During the first six months of the pandemic, Uruguay had one of the lowest rates of COVID-19 cases per 100,000 people in the world. When this indicator began rising rapidly in November 2020, peaking in the second quarter of 2021,<sup>1</sup> several temporary support measures had to be extended. Uruguay is expected to be entering a more benign public health phase of the pandemic, based on its current relatively low level of daily confirmed cases and deaths and because it stands out as one of the countries with the highest percentage of the population fully vaccinated (72%).<sup>2</sup> This second operation will support the reforms that Uruguay adopted to transition toward this new public health phase and lay the foundations for a robust, fiscally sustainable economic recovery. The country’s progress on vaccinations enabled it to move ahead with a structural reform program aimed at generating transformations essential to its development. This includes reforms of fiscal institutional framework, social security reform, private sector development, and business climate enhancements, while keeping initiatives in place to assist the population hardest hit by the pandemic.

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<sup>1</sup> [WHO Coronavirus \(COVID-19\) Dashboard](#).

<sup>2</sup> Ministry of Public Health (MSP). [Monitor de datos de vacunación](#) [vaccination data tracker].

## 1. Macroeconomic context

- 1.3 In 2020, Uruguay's economy, after annual average growth of 0.8% between 2015 and 2019, experienced its largest drop in GDP in the past 18 years (-5.9%). The government projects a near-term recovery with expected growth of 3.5% in 2021 and 2.9% in 2022.<sup>3</sup> Although the fiscal response to the pandemic was adequate, it was implemented in a setting of fiscal moderation, without tax increases, and seeking to streamline public expenditure. As a result of this approach, Uruguay retained its investment-grade rating. The pandemic put additional pressure on the public finances, pushing up the central government's debt by around 12.5 percentage points (61.3% of GDP in December 2020). The central government fiscal deficit stood at 4.9% of GDP in the rolling year to August 2021, including extraordinary expenditure equivalent to 1.7% of GDP due to the pandemic. According to government projections, the deficit will reach 4.9% in 2021 but will decrease to 3.1% in 2022.<sup>4</sup> The poverty rate, which was 8.8% of the population in 2019, rose 2.8 percentage points in 2020, with young people and children being the hardest hit. Unemployment was 9.4% in June 2021, 1.3 percentage points lower than one year earlier but similar to prepandemic levels.

**Table 1. Selected economic indicators (%)**

Indicators	2016	2017	2018	2019	2020	2021
Real GDP growth (% change)	1.6	1.6	0.5	0.4	-5.9	3.5
Unemployment (% EAP)	7.9	7.9	8.4	8.9	10.5	10.2
Inflation (EOP and as %)	8.1	6.6	8.0	8.8	9.4	6.9
Total central government revenue (% GDP)	25.6	26.7	27.1	26.4	26.5	26.7
Central government primary expenditure (% GDP)	26.4	27.0	27.6	27.9	29.5	28.6
Central government fiscal balance (% GDP)	-3.2	-2.7	-3.1	-4.0	-5.8	-4.9
Central government debt (% GDP)	45.5	44.6	45.6	48.8	61.3	62.3

Sources: Ministry of Economy and Finance (MEF), Central Bank of Uruguay (BCU), and National Institute of Statistics (INE). Fiscal data excludes impacts of the pension reform ("Ley de Cincuentones").

- 1.4 The government has guaranteed that the necessary resources are available to deal with the emergency, anchored with measures to reduce public spending and reallocate resources to finance the temporary response to the health crisis through

<sup>3</sup> Projections from the Ministry of Economy and Finance (MEF) (2021), based on the new national accounts methodology with a 2016 baseline. Since 2020, the MEF has preferentially reported aggregate statistics for the central government to align with the calculations for the new fiscal rule. The analysis is consistent with the conclusions of a recent report from the International Monetary Fund (IMF), Uruguay: Staff Concluding Statement of the 2021 Article IV Mission, which reports fiscal aggregates for the nonmonetary public sector.

<sup>4</sup> Based on the nonmonetary public sector result, the fiscal deficit is projected to widen to -4.5% of GDP, and the debt to reach 67.5% of GDP in 2021 (IMF, 2021).

the COVID-19 Solidarity Fund.<sup>5 6</sup> To mitigate the impact of the pandemic on the income of people who were already experiencing structural economic vulnerability, the Uruguayan government has been temporarily increasing the cash transfers received by beneficiaries of the Equity Plan Family Assistance (AFAM-PE) program and the Tarjeta Uruguay Social low-income household food card. In addition, it launched the Emergency Food Basket program for the unemployed and informal workers not covered by existing social assistance programs, who receive transfers via an electronic wallet. Access to unemployment insurance was made more flexible, and a partial unemployment insurance was created to help workers at companies with scaled-back operations. Access to the National Health Care Fund was temporarily expanded for laid-off workers. As of 2021, MSMEs were receiving significant financial guarantees from the government, tax exemptions, and loans on favorable terms.

## **2. The pandemic and the health crisis**

- 1.5 A series of factors help explain how until late October 2020 Uruguay has been among the world's best performing countries in managing the pandemic, despite not declaring a mandatory lockdown for the population. These factors include the following: (i) Uruguay had broad coverage of health care services prior to the pandemic; (ii) Uruguay was one of the countries in the region with the highest testing rates per capita; and (iii) strategies for contact tracing of infected patients were extensively deployed. The exponential increase in cases that Uruguay experienced from November 2020 to mid-2021 threatened the effectiveness of this strategy based on testing and case tracking. Although quantifying the causal relationship between the high vaccination rate that Uruguay achieved and its current relatively low rate of daily COVID-19 cases and deaths is still premature, the available information points toward confirming the safety of the vaccines being administered, as well as their effectiveness with respect to preventing transmission, development of severe cases, and mortality.<sup>7</sup>
- 1.6 The use of digital tools has been one of the pillars of Uruguay's strategy to manage the pandemic. At the onset of the health crisis, this pillar focused on clearing the lines of communication with the population and preventing the overburdening of in-person health care services. One of these tools is the Coronavirus UY app, the first version of which was released to the public in late March 2020. The app features an epidemiological questionnaire to record symptoms. With this, people with symptoms were connected directly with their health care providers, and later with laboratories, to manage the process of performing and recording diagnostic tests, monitoring patients at home, and providing hospital care. Since then, new functionalities have been added to the app, including: (i) anonymized notifications of exposure to a confirmed case, identified based on prolonged proximity of cellular devices;<sup>8</sup> (ii) communication with a centralized appointment schedule for

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<sup>5</sup> Government of Uruguay, 2020. Law 19874.

<sup>6</sup> In 2020, the COVID-19 Solidarity Fund had total outlays of US\$727 million at current prices, while total savings for the central government and the Social Security Bank (BPS) were US\$1.792 billion. Government of Uruguay. Rendición de Cuentas 2020.

<sup>7</sup> MSP, 2021. "Lo que ahora se sabe sobre las vacunas disponibles en Uruguay. Información para el público general." Report of the National Vaccine Advisory Board and the ad hoc group, updated 26 May 2021.

<sup>8</sup> [Exposure notifications: Help slow the spread of COVID-19, with one step on your phone.](#)



vaccination, with reminders; (iii) testing and vaccination affidavits for travelers from abroad; and (iv) access to COVID-19 vaccination certificate. As a result of these enhancements, more than 2.5 million users have downloaded the app (more than 70% of Uruguay's population).

- 1.7 Another pillar of the pandemic's health care management has been guaranteed accessibility of COVID-19 diagnostic tests using the different techniques approved and regulated by the Ministry of Public Health (MSP). After the tests were temporarily added to the comprehensive health care plan, a measure supported under the first programmatic operation, the Uruguayan government decided to include them via Decree 60/021 of February 2021. This created a requirement for all public and private providers of the National Health System to make them available for free to their covered population, through a list of authorized providers. The second operation in the programmatic series supports this addition, as well as supports a provision in the same decree that, diagnostic tests will be financed by the coronavirus fund during the health emergency. Decree 183/021 of June 2021 regulates the unit price of the tests and their parametric formula and adjustment period.
- 1.8 With the prospect that Uruguay has entered into a controlled phase of the pandemic, the government was able to gradually resume the agenda to improve public expenditure in health care as one of its priorities, implemented through fast-track legislation known as the "Ley de Urgente Consideración" (LUC). To this end, via Decree 241/021 of July 2021, the government established regulations for the Health Technologies Evaluation Agency with the main objective of providing evidence for authorization of the use of cost-effective medications and clinical procedures for health care services. The empirical literature demonstrates that these types of institutional arrangements are fundamental for the efficient and effective management of health care spending.<sup>9</sup>

### **3. Public policy and fiscal management challenges during the pandemic**

- 1.9 The arrival of the pandemic brought major challenges related to: (i) ensuring adequate budgetary resources to cope with the crisis and facilitate service delivery;<sup>10</sup> (ii) ensuring transparency in use of the resources allocated in response to the crisis; (iii) addressing business continuity challenges in the face of large-scale staff shortages; and (iv) developing institutional coordination instruments at different levels of the administration.<sup>11</sup>
- 1.10 In the first operation of this programmatic series, these challenges were addressed through several different measures. First, the COVID-19 Solidarity Fund was created to assist with all government activities for protecting the population amid the national health emergency. The Solidarity Fund was allotted the total revenue collected through the COVID-19 health emergency tax; a percentage of the earnings generated by the National Development Corporation (CND) and Banco

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<sup>9</sup> Pichón, A., et al. (2018). "Evaluación de tecnologías sanitarias para la toma de decisiones en Latinoamérica: principios de buenas prácticas." *Revista Panamericana de Salud Pública*.

<sup>10</sup> Includes exploiting the fungibility of resources in treasury single accounts. According to Yaker et al. (2012), proper single account management can help countries gain access to liquidity. I. F. Yaker and S. Pattanayak (2012).

<sup>11</sup> Institute of Medicine, 2012.

de la República Oriental del Uruguay (BROU); and funds from loans provided by international agencies. The Solidarity Fund coordinates assistance to shield the population in terms of health measures (prevention, mitigation, treatment, and rehabilitation), as well as measures to support the most vulnerable populations, the productive sector, and employment. This includes paying social benefits for unemployment and illness, and subsidies and tax forbearance due to reduced employment. In 2021, this also included tax forbearance arising from measures to support MSMEs. The Solidarity Fund had outlays of US\$727 million in 2020 (1.4% of GDP) and is expected to execute US\$980 million in 2021 (1.7% of GDP). To ensure the entry of products needed to address the health emergency, the temporary, tax-free import of specific goods was authorized under the first programmatic operation, ensuring adequate supply.

- 1.11 For the second operation in the programmatic series, the need to produce regular accountability reports on the use of these goods was identified, to maintain transparency standards. Since its establishment, the Solidarity Fund required a full audit within 90 days after its expiration; however, regular accountability reports are necessary because its duration was extended.

#### **4. The pandemic and its impact on household and business income**

- 1.12 As anticipated at the start of the pandemic, social distancing measures, essential to limiting its impact, was associated with an economic slowdown that had a differentiated impact by sector, leading to job losses, particularly among women,<sup>12</sup> and lower household income. In Uruguay, job creation was already an issue before the pandemic, but the crisis was the main reason for the elimination of 60,000 jobs in 2020. The impact was more limited than expected because a special regime for unemployment benefits was created to protect workers in sectors impacted by the partial shutdown due to the health emergency.
- 1.13 To address the impact on household income, the first operation in the programmatic series supported mortgage loan payment moratoriums as part of household financial assistance measures, benefitting 74% of Banco Hipotecario de Uruguay's borrowers. It also supported the temporary increase of income assistance for low-income households through existing cash transfer programs or the creation of new temporary programs. In addition, a subsidy was established for sole proprietors paying simplified monthly taxes to the Ministry of Social Development (MIDES) in 2020, and extended temporarily in 2021, benefiting 32% of active businesses.<sup>13</sup> Departments also extended the payment deadline for vehicle registration fees.
- 1.14 To help increase liquidity for businesses, the first operation in the programmatic series supported the implementation of a deadline extension for value-added tax (VAT) payments for microenterprises and small businesses, as well as an exemption of up to 40% on employee and employer contributions and a provisional payment plan system. Significantly, the National Guarantee System (SIGa) established the "SIGa Emergencia" guarantee line, to serve the credit needs of MSMEs arising from the health emergency, in order to provide credit for working

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<sup>12</sup> The gender and diversity annex ([optional link 2](#)) looks at the differential impact of the crisis on women's employment.

<sup>13</sup> BPS, 2021.

capital, investment capital, and restructuring of previous credit obligations. Under this and subsequent lines, 20,761 guarantees were issued to 15,420 companies, with average credit of US\$39,000.<sup>14</sup>

- 1.15 For the second operation, the need was identified to continue supporting the development of MSMEs, which account for 40% of GDP and 67% of private employment. Specifically, the tax framework applicable to microenterprises and small businesses needs to be modified, to promote their liquidity and support their development and competitiveness in the short and medium term. Moreover, considering that the pandemic had particularly strong impacts during the first four months of 2021, additional support should be provided to MSMEs in the form of temporary tax exemptions, including exemptions for social security contributions and corporate income taxes. Another need anticipated was to implement structural reforms to regulatory institutions for communication, water, and sanitation services, to increase their regulatory authority and independence.
- 1.16 Employment protection measures should also give way to initiatives more focused on job placement and workforce reintegration for workers not eligible for any benefits. An additional need identified was to target specific unemployment benefits to certain activities hard hit by the pandemic, as well as to highly vulnerable populations, such as domestic workers, 97% of whom are women. This is the third most commonly held job for women (12.8%), and the most commonly held job for Afro-descendant women (20.5%). Workers in this sector earn the lowest wages in the economy and have the highest rates of informality, and 42.3% have single-parent households (gender and diversity annex, [optional link 2](#)). In the context of transparency and the temporary nature of all the support measures being financed, the need was anticipated to prepare an impact assessment of the guarantee lines opened to MSMEs.

## **5. Public expenditure and the continuity of essential services**

- 1.17 In response to the health emergency, the first operation in the programmatic series supported measures to assist with the continuity of essential services. Uruguay's National Emergency System developed guidelines for the implementation of telework, initially as a one-time, temporary measure. Between March and April 2020, the percentage of wage-earning employees<sup>15</sup> who teleworked rose from less than 10% to 23%.<sup>16</sup> Measures were implemented to support Internet access for the population, to narrow the digital divide, and alternatives were developed to facilitate tax transactions.
- 1.18 In education, Uruguay coped with the challenge of emergency remote teaching due to school closures better than any other country of the region, supported by the Plan CEIBAL. This plan provided universal access to devices and content and learning management platforms, in addition to training teachers and promoting new pedagogical practices. The system overall and administration and teaching staff responded nimbly to the emergency, reducing the number of days without

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<sup>14</sup> Source: Accountability and budget execution balance sheet. Explanation. Fiscal year 2020.

<sup>15</sup> For Uruguay, the working population refers to wage-earners and the self-employed, and also includes unpaid family work. BPS, "Trabajo decente: Construcción de un índice para su medición en el Uruguay," 2007.

<sup>16</sup> [International Labour Organization, 2021](#).

face-to-face classes for compulsory education. The adoption and active use of platforms grew in 2019-2020 (Table 2), reinforcing the central role of CEIBAL in educational continuity and its utilization in classrooms.

**Table 2. Increased coverage and active use of CEIBAL platforms**  
(% increase 2019-2020)

Category	Learning management system		Math platform*		Library	
	% Coverage	% Active users	% Coverage	% Active users	% Coverage	% Active users
Students	+100	+65	+77	+89	+690	+106
Teachers	+71	+54	Not applicable to teachers	Not applicable to teachers	+142	+98

Source: Plan CEIBAL (2021).

- 1.19 The second operation in the programmatic series identified the need to institutionalize public expenditure procedures and monitoring and evaluation methodologies, to improve their allocative and technical efficiency. The health crisis underscored the need to strengthen remote public procurement planning and management, with an emphasis on the fast, timely procurement of essential goods and services, while preserving the principles of efficiency and transparency. There is thus a need to: (i) increase the regulatory and coordination capabilities of the prior organizational structure for procurement; and (ii) adopt contracting procedures and methods that expand demand aggregation and value for money, while increasing their transparency and effectiveness.
- 1.20 Another need identified was to provide sustainability for key strategies to maintain essential public services. This included the development of permanent regulations for telework that would also prevent gender-based discrimination and promote this work modality, particularly among persons with disabilities. Increased active use of digital education posed the challenge of improving services, reconfiguring platforms, adding new services such as videoconferencing, and facilitating access to low-cost, quality connectivity for students and teachers.

## **6. Macroeconomic management for new phases of the pandemic**

- 1.21 To promote economic and fiscal recovery during the period after the first phases of the pandemic, the first programmatic operation supported the creation of an interagency workgroup to guide actions for strengthening and recovery of the economy. Support was also provided to prepare documents and reports that estimate and track the fiscal costs of measures and reforms implemented to address the health, economic, and social crisis. The supported actions contributed to finance a support package equivalent to 1.4% of GDP in 2020 (US\$727 million) through the COVID-19 Solidarity Fund. This proportional support amid the country's fiscal challenges made it possible to meet this fiscal objectives for 2020. The fiscal balance of the central government and the BPS was -5.1% of GDP with a revenue decrease of only 0.4%, and an expenditure increase of 1.6%, compared to 2019.

- 1.22 These measures needed to be strengthened under the second operation with structural reforms of the macrofiscal management framework and the governance of State-owned enterprises. Particularly, the need was identified to approve a fiscal rule that enabled improved mechanisms for control of central government expenditure and structural fiscal balance. To align with international good practices, these management instruments have to be accompanied by an effective institutional structure that enriches the government's analysis and fiscal policy decisions.
- 1.23 **The Bank's experience in the region and lessons learned.** The IDB Group has supported the region through various types of crises (macroeconomic crises, health crises, and natural disasters) to mitigate their immediate effects and to design reforms for the recovery period. The Bank's support varies depending on the nature of the crisis to be addressed.<sup>17</sup> The lessons learned from these experiences and applied to the design of this operation include: (i) the need for effective coordination with the donor community; (ii) simplification of operation design and approval processes; and (iii) the coordinated use of different financial instruments to support the country. Amid the pandemic, the Bank has already approved 14 operations for US\$2.825 billion, including emergency and fast-disbursing operations for public policy and fiscal management. This operation is the first to undertake the second tranche in a prototype programmatic series, as part of the Proposal for the IDB Group's Governance Response to the COVID-19 Pandemic Outbreak (document GN-2996), to address the pandemic. Additionally, the Bank has recently supported the Government of Ecuador in re-establishing macroeconomic stability, restoring fiscal sustainability, and safeguarding social spending in support of the vulnerable population through the Emergency Program for Macroeconomic Sustainability and Prosperity (loan 4771/OC-EC for US\$500 million, approved in 2019). The Bank has also provided support to countries in their reform processes to improve tax policy and administration, public expenditure quality, and the strengthening of fiscal sustainability.<sup>18</sup> In the area of health, the Bank has experience in programs and initiatives that have contributed to better management of various communicable diseases, including malaria, Zika, cholera, and the Pandemic H1N1/09 Virus (Influenza A). The Bank also has experience in restoring basic service infrastructure in areas affected by earthquakes, both during the emergency and in the rebuilding phase.<sup>19</sup> Lastly, the Bank has extensive experience with public procurement reforms, including support for the implementation of coordinated procurement modalities and the application of artificial intelligence in Chile (loan 5302/OC-CH for US\$500 million, approved in 2021); and a website to monitor the prices of COVID-19-related items in Argentina

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<sup>17</sup> The first contingent financing instrument for natural disasters was the Contingent Credit Facility for Natural Disaster Emergencies. Examples include the Dominican Republic ([DR-X1003](#) for US\$100 million, approved in 2009), Honduras ([HO-X1016](#) for US\$100 million, approved in 2011), Ecuador ([EC-X1014](#) for US\$300 million, approved in 2014), and others (document RE-496-1).

<sup>18</sup> The most recent programs include [4552/OC-CO](#) for US\$600 million, approved in 2018; [4819/OC-CR](#) for US\$350 million, approved in 2019; and [4667/OC-PR](#) for US\$300 million, approved in 2018.

<sup>19</sup> In 2016, the Bank supported Ecuador in restoring infrastructure and basic services in earthquake-affected areas through various instruments ([EC-X1014](#) for US\$300 million, approved in 2014; [3751/OC-EC](#) for US\$22 million, approved in 2016; [3906/OC-EC](#) for US\$69 million, approved in 2017; and [ATN/JF-15752-EC](#) for US\$1 million, approved in 2016). Other examples include support for Haiti in 2010 and for El Salvador following the 2001 earthquake.

through a regional technical-cooperation operation to support public procurement at the subnational level (operation ATN/AA-16486-RG for US\$300,000, approved in 2017).<sup>20</sup>

- 1.24 **The Bank's operational work and technical support in the country.** This operation builds on the support provided by the Bank to the Government of Uruguay for its agenda to improve public expenditure quality under investment loan 3161/OC-UR (for US\$26 million, approved in 2014), which supported the modernization of accounting, treasury, and budgetary systems; investment loan 4705/OC-UR (for US\$20 million, approved in 2018), which seeks to improve budget allocation through better use of resource management information at government agencies; and technical cooperation operation ATN/OC-15889-UR (for US\$440,000, approved in 2016), which is financing improvements in financial information controls for State-owned enterprises in Uruguay. Technical cooperation operation ATN/OC-18765-UR (for US\$200,000, approved in 2021) supports procurement activities through the transformation and strengthening of Uruguay's government procurement system in technology, operations, and institutional areas. In addition, the Bank supports the establishment of a fiscal rule and evaluation processes for public expenditure under operation ATN/OC-18137-UR (for US\$150,000, approved in 2020); the strengthening of economic statistics under operation ATN/OC-18729-UR (for US\$150,000, approved in 2021); and the strengthening of the government procurement system under operation ATN/OC-18765-UR (for US\$200,000, approved in 2021). In the health sector, the Bank has been supporting the Uruguay Digital Agenda 2020 under conditional credit line for investment projects UR-X1009 (for US\$21 million, approved in 2013) with three approved individual operations: loans 3007/OC-UR for US\$7 million in 2013, 4300/OC-UR for US\$7 million in 2017, and 5176/OC-UR for US\$7 million in 2020. These operations have financed the development and implementation of national electronic health records, an electronic medical records management system for oncology, and an integrated network for diagnostic imaging. For CEIBAL, a noteworthy project was Generation C: Consolidating Educational Innovations for 21st-Century Skills and Competencies (for US\$30 million, approved in 2017), aimed at improving student learning and competencies at the primary and lower secondary education levels. This loan based on results was essential in supporting educational continuity.
- 1.25 The Bank has provided sustained support for the government's precautionary borrowing strategy. Uruguay has used the policy-based loan with deferred drawdown option (DDO) extensively as a fast-disbursing line of credit for better liquidity management depending on market conditions, disbursing US\$1,050,750,000 in 2020 to meet its financing requirements through operations under this financial instrument. Processing the second operation in the programmatic series under the DDO modality follows this same strategy.
- 1.26 The Bank's value-added is demonstrated through its close support for the health assistance strategy developed to address the pandemic via the implementation of guarantee lines to facilitate MSME liquidity (5058/OC-UR); support for maintaining

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<sup>20</sup> In 2020, using a crowdsourcing model, a [benchmark price portal](#) was developed to mitigate the impact of the COVID-19 pandemic on the supply chain for essential goods. The portal enabled competitive bidding with contracted prices, preventing speculation.

minimum income and employment levels for those affected by the coronavirus in the immediate period and during the recovery (5105/OC-UR); and reforms to the institutional structure for macrofiscal management of the government procurement system (ATN/OC-18137-UR).

- 1.27 **Complementarity with other Bank operations.** After the first operation in this program's programmatic series was approved (5034/OC-UR), the Bank capitalized the SIGa Emergencia guarantee line under operation 5058/OC-UR (for US\$80 million, approved in 2020), as part of emergency support for the pandemic, to foster the financial sustainability of Uruguay's MSMEs. Since then, initiatives to support the digital transformation of MSMEs have been approved (5294/OC-UR for US\$15 million, approved in 2021). Moreover, in the social protection area, the program of Emergency Support for Vulnerable Populations Affected by Coronavirus (5105/OC-UR for US\$125 million) was approved in August 2020. Education for Transformation: Completion of Cycles and New Educational Offerings (5337/OC-UR for US\$61 million) was approved in September 2021, to improve the quality of educational offerings and strengthening the capacity of the National Public Education Administration (ANEP) to manage quality public education. An operation to strengthen public policies to benefit gender equality and the women's empowerment is now in preparation.
- 1.28 **Coordination with other donors.** During preparation of this programmatic loan and under the leadership of the MEF, the Bank coordinated with the IMF and the World Bank to maximize synergies and strengthen complementarity in the actions of these institutions, making the most of their impact, particularly in macrofiscal management. At the country level and under the leadership of the MEF, the Bank is also coordinating with the Development Bank of Latin America (CAF), other bilateral donors, and United Nations agencies on monitoring and designing initiatives in response to the different stages of the pandemic. During program design in 2020, the indicative measures in Policy Matrix for the second operation in the programmatic series were identified in coordination with the IMF and the World Bank. The IMF emphasized the importance of calculating the fiscal costs of the emergency program, for which the MEF is preparing monthly reports and included a specific amount in the 2020 Accountability Act. The World Bank, which approved a public policy loan for Uruguay now in execution, is supporting the government with the design of cash transfer programs as an instrument to lessen the impact of the economic crisis on poverty levels.
- 1.29 **Pending challenges and gaps.** After this programmatic series ends, it will be necessary to strengthen policies aimed at delivering telemedicine services; promoting the narrowing of gaps that widened with the postponement of surgeries and other scheduled consultations because of pandemic management measures; and advancing telework regulations. In fiscal management, efforts to improve expenditure quality need to continue, particularly with the implementation of government procurement system reforms, strengthening of the fiscal rule and the pension system, and institutionalization of public policy monitoring and evaluation processes.
- 1.30 **Strategic alignment.** The program is consistent with the Update to the Institutional Strategy (document AB-3190-2) and aligned with the development challenge of social inclusion and equality through measures to ensure the maintenance of



essential health and education services during the health crisis. The program is also aligned with the crosscutting themes corresponding to: (i) institutional capacity and rule of law, by strengthening fiscal policy and management to address the health, economic, and social crisis (institutional and technical capacity-building to improve efficiency and transparency in service delivery and strengthening of public expenditure management through support for measures to improve public expenditure quality and the macrofiscal management of the State); (ii) gender equality and diversity, by implementing a special unemployment subsidy for domestic workers, the large majority of whom are women with overrepresentation of Afro-descendants; and (iii) climate change, specifically the IDB Group Climate Change Action Plan 2021-2025 (document GN-2848-9), by including a measure to act on greenhouse gas mitigation through a tax on carbon dioxide emissions. An estimated 4% of the operation resources will be invested in climate change mitigation activities, according to the [multilateral development banks' joint methodology for tracking climate finance](#). These resources contribute to the IDB's climate finance goal of at least 30% of the volume of annual approvals. The program will also contribute to the Corporate Results Framework 2020-2023 (document GN-2727-12), particularly the following indicators: (i) beneficiaries receiving health services; (ii) beneficiaries of employment support initiatives; (iii) jobs supported; (iv) micro, small, and medium-sized enterprises financed; and (v) agencies with strengthened digital technology and managerial capacity.

- 1.31 The program is consistent with the Proposal for the IDB Group's Governance Response to the COVID-19 Pandemic Outbreak (document GN-2996), by implementing measures to help support health, social, and employment protection systems during the recovery. It also supports exemptions from income tax payments and social security contributions for businesses with revenues below the thresholds set in the support measures, as well as a plan to strike a balance between the need to lift temporary fiscal support measures and structural fiscal reforms to invigorate the economy and improve the medium-term fiscal position. The program is also consistent with the IDB Group's Vision 2025 "Reinvest in the Americas: A Decade of Opportunity" (document AB-3266), and aligned with the medium-term strategic goal of reactivating the productive sector, by providing immediate support for small and medium-size enterprises through collaboration on MSME development, particularly to amend the tax structure applicable to microenterprises and small businesses, in order to favor their liquidity and assist their development and competitiveness in the short and medium term. The program will also contribute to gender equality, diversity, and climate change through support for: (i) measures to promote gender equality and the implementation of a special regime for unemployment benefits for domestic workers, the majority of whom are women; and (ii) initiatives to act on greenhouse gas mitigation. It is also aligned with the Sector Strategy: Institutions for Growth and Social Welfare (document GN-2587-2) in the areas of strengthening public sector management and tax administration, and consistent with the Fiscal Policy and Management Sector Framework Document (document GN-2831-8), which emphasizes the importance of institution-strengthening to improve public expenditure quality, as well as fiscal equity and social inclusion. It is also consistent with the Decentralization and Subnational Governments Sector Framework Document (document GN-2813-8), by supporting better coordination of intergovernmental arrangements. It is consistent with the Labor Sector Framework



- Document (document GN-2741-12), which highlights the need to increase worker protections; the Health Sector Framework Document (document GN-2735-12), particularly line of action 2 (addressing fiscal and financial sustainability of the health system); and the Skills Development Sector Framework Document (document GN-3012-3), contributing to challenge 2 (ensure that children and preadolescents develop the basic cognitive and socioemotional skills that will allow them to keep learning) and challenge 3 (ensure that all students graduate from secondary school with the intermediate cognitive, technical, and socioemotional skills that allow them to keep learning throughout life, access high-quality jobs, and be good citizens); the Gender and Diversity Sector Framework Document (document GN-2800-8), by supporting measures that promote gender equality and the empowerment of women and Afro-descendants; and the Climate Change Sector Framework Document (document GN-2835-8), by promoting tax instruments that disincentivize the use of fossil fuels.
- 1.32 The program is aligned with the IDB Group Country Strategy with Uruguay 2021-2025 (document GN-3056), contributing to these strategic objectives: (i) generate efficiencies and sustainability in public policies; (ii) expand productive financing; and (iii) improve education and job training. Lastly, it is included in the Update to Annex III of the 2021 Operational Program Report (document GN-3034-2).

**B. Objectives, components, and cost**

- 1.33 **Objective.** The general objective of the program is to strengthen the efficiency and effectiveness of public policy and fiscal management in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures. The specific objectives are: (i) to promote the availability and timely execution of public resources to respond to the health crisis caused by COVID-19; (ii) to strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis; (iii) to support the effective and continuous provision of essential goods and services through public policy and management measures; and (iv) to promote economic and fiscal recovery during the postpandemic period.
- 1.34 This operation is the second in a series of two programmatic policy-based loans that are contractually independent but technically linked. For this second operation in the programmatic series, the majority of the triggers identified at the start of the series will be strengthened.
- 1.35 **Component 1. Macroeconomic stability.** This component seeks to ensure that a macroeconomic context consistent with the program objectives as set forth in the Policy Matrix and the [Policy Letter](#) is maintained.
- 1.36 **Component 2. Strengthening public policy and fiscal management to respond to the health crisis caused by COVID-19.** This second operation retains and expands the indicative measures proposed in the first operation. This component supports the following: (2.1) Conduct an accountability processes for the activities of the COVID-19 Solidarity Fund; (2.2) Achieve the following: (i) create a special regime for the contracting of diagnostic test services for SARS-CoV-2 (COVID-19); (ii) define a financing mechanism for COVID-19 diagnostic

- testing for service providers registered in the National List of Authorized Providers; and (iii) establish the price of COVID-19 diagnostic testing services, their parametric formula, and adjustment period; (2.3) Add new pandemic management functionalities to the Coronavirus UY app, including: (i) contact tracing; (ii) vaccination scheduling; and (iii) vaccination certificates; and (2.4) Create a health technologies evaluation agency responsible for the evaluation, regulation, and control of medications, therapeutic devices, diagnostic procedures, and medical and surgical treatments utilized in human health care.
- 1.37 **Component 3. Strengthening public policy and fiscal management to respond to the economic crisis.** This operation retains four of the five indicative measures from the first operation, strengthening their language to reflect the progress achieved. It includes a reformulation of condition 3.2, reflecting the temporary nature of exceptional measures for assistance, and adds two conditions (3.5 and 3.6), reflecting progress on labor market reforms. This component supports the following: (3.1) Establish regulatory improvements for communication, water, and sanitation services, to improve efficiency and transparency in service delivery; (3.2) Adopt provisions to determine procedures for discontinuing the support measures financed through the COVID-19 Solidarity Fund; (3.3) Amend the tax framework to incorporate measures promoting microenterprises and small businesses; (3.4) Introduce temporary partial exemptions from social security contributions and corporate income taxes for businesses with revenues below the thresholds set in the support measures to mitigate the economic impact of COVID-19; (3.5) Create the Oportunidad Laboral [Job Opportunities] program, to promote job placement and workforce reintegration for workers not receiving any wage benefits or other personal compensation; (3.6) Create a special regime for unemployment benefits encompassing domestic workers; and (3.7) Prepare an evaluation of the guarantee lines opened to MSMEs due to the health emergency, looking at the need to keep these guarantee lines in place.
- 1.38 **Component 4. Institution-strengthening for the execution of public spending and delivery of essential services.** This operation retains the four indicative measures from the first operation (4.1, 4.3, and 4.5), strengthening their language to reflect the progress achieved. It adds three conditions (4.2, 4.4, and 4.6), reflecting progress on telework regulations, public procurement, and support for access to digital education platforms. This component supports the following: (4.1) Create the Public Policy Monitoring and Evaluation Agency; (4.2) Approve measures to promote and regulate telework that explicitly aspire to avoid gender-based discrimination and promote employment for persons with disabilities; (4.3) Create the Public Procurement Regulatory Agency (ARCE); (4.4) Approve the ARCE 2020-2024 Strategic Plan; (4.5) Approve reforms to public procurement procedures and methods; and (4.6) Approve fee waivers for access to online education platforms provided by the National Public Education Administration (ANEP).
- 1.39 **Component 5. Economic and fiscal strengthening for the postpandemic period.** This operation retains the six indicative measures from the first operation with minor changes in their language to make them more detailed and specific. An additional measure is included (5.7), to reflect progress in designing taxes aligned with the climate change challenge. This component supports the following: (5.1)

Establish measures to improve the corporate governance framework of the corporate autonomous entities and decentralized services of the industrial and commercial domain of the State, including: (i) definition of their statement of purpose; (ii) implementation of good corporate governance practices; (iii) appointment of directors; (iv) definition of the responsibilities of general managers; and (v) approval of corporate balance sheets; (5.2) Approve and put a fiscal rule into effect to control the structural fiscal balance and the real growth of central government's primary expenditure; (5.3) Create and implement an expert committee to help prepare calculations for the public sector structural balance; (5.4) Create and implement a fiscal advisory board to provide fiscal policy advice to the MEF; (5.5) Authorize the creation of a Stabilization Fund to finance fiscal policies during recessionary phases of the economic cycle; (5.6) Create and implement a commission of social security experts to analyze the different social security systems, prepare diagnostic assessments of these systems, and make reform recommendations; and (5.7) Authorize the implementation a tax on carbon dioxide emissions from gasoline use, to disincentivize gasoline consumption and mitigate greenhouse gas emissions.

- 1.40 For this second operation in the programmatic series, the majority of the triggers identified at the start of the series will be strengthened. The original measure 3.2 was reformulated, reflecting the temporary nature of exceptional measures for assistance (paragraph 1.37), and two conditions were added (3.5 and 3.6), reflecting progress in labor market reforms. The original indicative measures 4.1, 4.3, and 4.5 were retained, and their language strengthened to reflect the progress made by the government, since ARCE is now up and running. Three more conditions 4.2, 4.4, and 4.6 were added, solidifying the government's progress in regulating telework and promoting it for persons with disabilities, as well as in working to eliminate gender-based discrimination. The continuity of the government's efforts to promote access to online education services and narrowing the digital divide was also reflected (paragraph 1.38). The measures proposed for Component 5 (paragraph 1.39) have been retained with minor changes to make them more specific. Adjustments in tentatively defined policy conditions do not impact achievement of the objectives of this operation or this programmatic series. A detailed explanation of the changes to the original indicative policy measures is available in [optional link 1](#).

### **C. Key results indicators**

- 1.41 The Results Matrix (Annex III) identifies the expected outputs and outcomes of implementing the policy measures for the program as a whole and this second programmatic operation. The nature of the program—including the first operation in the programmatic series, focused on supporting the exceptional measures implemented during the health and economic emergency, and a second operation in the programmatic series, supporting structural reforms for economic recovery and institutionalization of multisector reforms during the next phases—made it

necessary to revise the Results Matrix.<sup>21</sup> The indicators to measure the general objective are: (i) coverage of COVID-19 tests; (ii) vaccination coverage of the total population; (iii) GDP gap; and (iv) government primary balance. The indicators to measure specific objectives are: (i) resources budgeted for the health sector's operating expenses; (ii) consumers using the digital app to track the spread of COVID-19; (iii) jobs created; (iv) guarantees issued by the SIGa; (v) taxpayers subject to the minimum VAT regime filing returns in electronic format; (vi) spread between the market interest rates for MSME financing and the caps set by the SIGa system; (vii) lost income of domestic workers due to unemployment covered by the special regime for unemployment benefits; (viii) use of electronic communications tools in government agencies; (ix) users significantly using the Plan "CEIBAL en Casa" plan CREA platform; and (x) fiscal expenditure on public investment.

- 1.42 **Economic analysis.** Based on the recommendations by the Office of Evaluation and Oversight (OVE) in its 2011 Evaluability Review of Bank Projects<sup>22 23 24</sup> and on the findings of the review of evaluation practices and standards for policy-based loans conducted by the Evaluation Cooperation Group (ECG, which comprises the independent evaluation offices of the multilateral development banks),<sup>25</sup> as provided for in paragraph 1.3 of document GN-2489-5 (Review of the Development Effectiveness Matrix for Sovereign Guaranteed and Non-Sovereign Guaranteed Operations), which indicates that an analysis of efficiency in the use of financial resources is unnecessary, it was determined that an economic analysis would not be performed for this type of loan, as reported to the Board of Executive Directors. Accordingly, this loan operation does not include an economic analysis, and no such analysis is considered for purposes of measuring the evaluability score in the program's Development Effectiveness Matrix.
- 1.43 **Beneficiaries.** The direct beneficiaries of the second operation in the programmatic series are the citizens of Uruguay, particularly those in the most vulnerable sectors. This is due to the positive social impacts identified for this program: (i) improvements in the delivery of public health and education services, through the implementation of policy measures to provide more resources to address the health emergency and institutionalize reforms in digital service delivery; (ii) mitigation of health crisis impact on the well-being of citizens,

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<sup>21</sup> Based on the country's progress in managing and controlling the pandemic, as well as with respect to vaccination (paragraph 1.2), the Results Matrix was adjusted as follows: (i) added vaccination coverage; (ii) deleted average tariffs for health care products; (iii) modified the indicators under specific objective 2 (except the one for SIGa guarantees); and (iv) under specific objective 3, added an indicator for lost income of domestic workers due to unemployment covered by the special regime for unemployment benefits, and deleted an indicator for households with expanded universal health care plan coverage. These changes do not affect fulfillment of commitments in the programmatic series and more strongly emphasize vaccination progress.

<sup>22</sup> Document RE-397-1: Currently, the Economic Analysis section is computed as the maximum between the cost-benefit analysis (CBA) and the cost-effectiveness analysis (CEA). Yet neither a CBA nor a CEA is applicable to policy-based loans.

<sup>23</sup> Working Group on Public Sector Evaluation, 2012.

<sup>24</sup> According to the ECG, policy-based loans should be evaluated for relevance, effectiveness, and sustainability. Efficiency was not included as a criterion, since the size of a policy-based loan is related to a country's financing gap, independent of the project's benefits.

<sup>25</sup> ECG, 2012.

particularly low-income populations, through policy measures that safeguard household incomes and business liquidity; and (iii) improvements in the fiscal management of the State, including expenditure quality and tax system design, to find savings that will be allocated to economic recovery priorities. More specifically, the Oportunidad Laboral [Job Opportunities] program will benefit 15,000 workers in their workforce integration, while the special regime for unemployment benefits for domestic workers will benefit 3,145 workers, 97% of whom are women with overrepresentation of Afro-descendants. The SIGa emergency guarantee line will benefit more than 15,000 small and medium-sized enterprises. Free online access to the educational platforms of the Plan CEIBAL will benefit more than 400,000 students. The development of multiple functionalities for the Coronavirus UY app will benefit more than 2,000,000 Uruguayan citizens and foreigners.

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing instruments

- 2.1 This policy-based loan operation is the second in a series of two programmatic policy-based loans that are contractually independent but technically linked, in line with document CS-3633-2, “Policy-Based Loans: Guidelines for Preparation and Implementation, Update.” The programmatic modality was chosen to: (i) provide medium-term support to the Uruguayan government’s reform program and promote ongoing policy dialogue with the authorities; and (ii) facilitate monitoring and generate feedback for reforms based on findings from execution of the first operation in the highly uncertain context of the pandemic. The instrument also offers the flexibility to adapt to new knowledge gained during execution of the agreed measures. This second operation will utilize the deferred drawdown option (DDO), which allows for a three-year drawdown period,<sup>26</sup> as long as the program’s policy conditions remain in place, including macroeconomic sustainability. The Bank’s experience with other public policy reform programs demonstrates the advantages of this lending instrument, since it enables countries to access and use the resources as they see fit during the drawdown period. The utilization of this instrument, which acts like insurance, is fully consistent with the Government of Uruguay’s debt management policy, characterized by the precautionary diversification of its sources of financing. This allows the government to secure financing at sustainable costs, principally in times of regional and international financial volatility.
- 2.2 **Dimensioning.** The amount of this operation will be US\$145 million, financed from the Bank’s Ordinary Capital resources. In accordance with document CS-3633-2 (paragraph 3.27(b)), the amount of this operation is justified by the public sector’s financing requirements and has no direct relationship to the cost associated with the program reforms. This operation represents 3.5% of the nonfinancial public sector’s financing needs for 2021. The operation represents approximately 38% of multilateral financing for Uruguay in 2021.

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<sup>26</sup> With the option to renew this period once for up to three additional years (document GN-2667-2).

**B. Environmental and social safeguard risks**

- 2.3 Based on guideline B.13 of the Environment and Safeguards Compliance Policy (Operational Policy OP-703), this program does not require ex ante classification of impacts. The operation supports the development of policies, standards, management tools, and other institutional strengthening actions, so no significant or direct adverse environmental and natural resources impacts are anticipated.

**C. Fiduciary risks**

- 2.4 No fiduciary risks associated with the operation have been identified. The operation's proceeds will go directly to the National Treasury in order to meet the Uruguayan government's financing needs. To that end, the executing agency has the necessary financial management tools and supervision systems. The resources will be disbursed once the policy measures set forth in the loan contract are fulfilled.

**D. Other key risks and issues**

- 2.5 Two risks rated as medium-high were identified. The first risk, associated with the economic/financial environment, is that economic growth expectations would be affected if the pandemic intensifies as a consequence of new vaccine-resistant variants. This would impact the achievement of results, job creation, and revenues reported by the MSMEs, and could jeopardize the Component 5 outcomes. To mitigate this risk, the Bank, along with other international agencies, will continue providing technical support to Uruguay, to develop and track the implementation of postpandemic economic and fiscal recovery plans to put public finances back on a sustainable path. Resources from technical cooperation operation ATN/OC-18137-UR are available for these purposes. The second risk, associated with the institutional environment, is that, if the pandemic intensifies and uncertainty continues regarding global economic conditions, the government may institute new countercyclical measures that again focus attention on the emergency. This would displace other functions, delay fulfillment of the requirements for discontinuing exceptional support measures, and affect the pace of fulfillment of the measures supported by the operation, jeopardizing the Components 3 and 5 outcomes. This risk cannot be managed within the project. It will be monitored through ongoing dialogue with the authorities on fiscal matters, to provide technical inputs. Resources from technical cooperation operation ATN/OC-18137-UR are available for this purpose.

### **III. IMPLEMENTATION AND MANAGEMENT PLAN**

**A. Summary of implementation arrangements**

- 3.1 **Borrower.** The borrower will be the Eastern Republic of Uruguay. The Ministry of Economy and Finance (MEF) will be responsible for program execution with support from the Ministry of Public Health (MSP), the Public Procurement Regulatory Agency (ARCE), the Ministry of Labor and Social Security (MTSS), and the Agency for e-Government and the Information and Knowledge Society (AGESIC).
- 3.2 **Executing agency.** The executing agency will be the MEF, which will have technical responsibility for program execution, including: (i) prepare and provide

- the Bank with reports and evidence of fulfillment of the operation's conditions, as well as any other report that the Bank requires, according to the agreed deadlines and terms; (ii) promote actions to achieve the policy objectives defined in the program; and (iii) collect, record, and submit to the Bank all data, indicators, and metrics that help the Government of Uruguay and the Bank monitor, measure, and evaluate the program's results.
- 3.3 **Coordination mechanism.** The MEF will be responsible for implementation of the program measures, coordinating with the MSP, the MTSS, the ARCE, and the National Guarantee System (SIGa). The MEF maintains a fluid dialogue with these agencies, contributing to coordination of the implementation of measures. In addition, the interagency workgroup (consisting of the MEF, the Planning and Budget Office (OPP), and the Central Bank of Uruguay) regularly monitors measures in execution and develops economic recovery proposals.
- 3.4 **Special contractual conditions for the disbursement of the loan proceeds.** **The disbursement of the loan proceeds will be contingent on fulfillment of the policy reform conditions as established in the Policy Matrix (Annex II) and other conditions of the loan contract.** Under the deferred drawdown option (DDO) proposed for this operation, resources may be accessed during a three-year drawdown period, as long as the program's policy conditions remain in place, including macroeconomic sustainability (paragraph 2.1).
- B. Summary of arrangements for monitoring results**
- 3.5 **Monitoring.** Program monitoring consists of verification of the agreed policy measures ([monitoring and evaluation plan](#)). The executing agency and the Bank will meet regularly to monitor the operation's results and anticipate and resolve technical difficulties related to the operation's execution. The executing agency will provide the Bank with all information required for measuring fulfillment of program targets and will provide timely information on progress toward those targets.
- 3.6 **Evaluation.** The program will be evaluated based on the annual outcome and output indicators presented in the Results Matrix, using before-and-after comparisons. The program also calls for an impact evaluation using the difference-in-differences method with propensity score matching, to assess the impact of the "SIGa Emergencia" program. Additionally, a final evaluation and a program completion report (PCR) will be prepared. Both the ex post evaluation and the PCR will be completed at the end of execution of the programmatic series. The evaluation's main questions will address whether the implemented policies contributed to achieve the program objectives ([monitoring and evaluation plan](#)).

#### IV. POLICY LETTER

- 4.1 The [Policy Letter](#) reiterates the commitment of the Government of Uruguay to the objectives and actions envisaged in the program. Additionally, the Bank and the Government of Uruguay agreed on a Policy Matrix (Annex II) describing the policy actions under this programmatic operation.

Development Effectiveness Matrix		
Summary		UR-L1175
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	-Social Inclusion and Equality -Gender Equality and Diversity -Climate Change -Institutional Capacity and the Rule of Law	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Beneficiaries receiving health services (#) -Beneficiaries of employment support initiatives (#) -Jobs supported (#) -Micro / small / medium enterprises financed (#) -Agencies with strengthened digital technology and managerial capacity (#)	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-3056	(i) generate efficiencies and sustainability in public policies; (ii) expand productive financing; y (iii) improve education and job training
Country Program Results Matrix	GN-3034-2	The intervention is included in the 2021 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		9.2
3.1 Program Diagnosis		1.9
3.2 Proposed Interventions or Solutions		3.5
3.3 Results Matrix Quality		3.8
4. Ex ante Economic Analysis		N/A
5. Monitoring and Evaluation		10.0
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		6.0
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium Low
Environmental & social risk classification		B.13
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting, External Control, Internal Audit.  Procurement: Information System, Price Comparison, Contracting Individual Consultant, National Public Bidding.
Non-Fiduciary	Yes	Monitoring and Evaluation National System.
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	Technical cooperation through several sources in areas of public financial management, state owned enterprises,sectoral regulatory issues and fiscal policies: UR-T1230, UR-T1248 y UR-T1259

*Evaluability Note UR-L1175. Program for Strengthening Public Policy and Fiscal Management for the Attention to the Sanitary and Economic Crisis caused by COVID-19 in Uruguay II.*

*The main development objective of the operation is to contribute to strengthening the efficiency and effectiveness of public policy and fiscal management to address the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures in Uruguay. The operation is the second in a programmatic series in Support of Policy Reforms (PPR).*

*To achieve this goal, the loan defines a focus on the following four specific areas in which the project intervenes. The focus of the first area is to promote the availability and timely execution of public resources to address the health crisis caused by COVID-19. The second area is to strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and to increase the liquidity of firms during the crisis. The third area is to support the effective and continuous provision of essential goods and services through policy and public management measures. The last area is to promote economic and fiscal recovery in the post-pandemic period.*

*The loan proposal presents a solid diagnosis of the problem, as well as a review of international evidence. The proposed solutions are appropriate to respond to the identified problems and their contributing factors. The results matrix (RM) is consistent with the vertical logic of the project, presenting adequate and updated indicators at the level of results and impacts. The outcome indicators are appropriately defined to measure the achievements of the program and the fulfillment of its specific development objectives. All impact indicators are aligned to the general development objective.*

*The project does not provide an economic analysis based on the exception foreseen for this type of projects in accordance with the recommendations of OVE, paragraph 1.3 of the DEM for projects with and without sovereign guarantee (GN-2489-5).*

*The monitoring and evaluation plan includes an impact evaluation that uses the Difference-in-Differences with Matching method to evaluate the effects of the "SIGa Emergency" program, offering key evidence on the financing mechanisms for MSMEs in the post-pandemic context. This strategy will allow the generation of robust attribution methods for some results of the RM. The rest of the results indicators will be measured by the before and after method. Monitoring and evaluation activities will be carried out by the Ministry of Economy and Finance in coordination with the Bank.*



## POLICY MATRIX

**Objective:** The general objective of the program is to strengthen the efficiency and effectiveness of public policy and fiscal management in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures. The specific objectives are: (i) to promote the availability and timely execution of public resources to respond to the health crisis caused by COVID-19; (ii) to strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis; (iii) to support the effective and continuous provision of essential goods and services through public policy and management measures; and (iv) to promote economic and fiscal recovery during the post pandemic period.

Components / Policy objectives	Programmatic loan I Policy conditions	Programmatic loan II Policy conditions	Fulfillment status of programmatic loan II conditions <sup>1</sup>
<b>Component 1: Macroeconomic stability</b>			
1. Maintain a macroeconomic context consistent with the program objectives as set forth in the Policy Matrix and the Sector Policy Letter.	1.1 Maintain an economic framework consistent with program objectives and the guidelines set forth in the Sector Policy Letter.	1.1 Maintain an economic framework consistent with program objectives and the guidelines set forth in the Sector Policy Letter.	Fulfilled
<b>Component 2: Strengthening public policy and fiscal management to respond to the health crisis caused by COVID-19</b>			
2. Promote the timely availability of public resources to respond to the health crisis caused by COVID-19.	2.1 Create and implement the “Fondo Solidario COVID-19” [COVID-19 Solidarity Fund] to assist with government activities to protect the population amid the national health emergency. The fund may include resources such as: (i) contributions and revenue from nonprofit organizations with public interest objectives and government-owned banks; (ii) specific funds from loans provided by international and multilateral lenders; (iii) cash grants; (iv) the revenue	2.1 Conduct accountability processes for COVID-19 Solidarity Fund activities.	Fulfilled (Q2 2021)

<sup>1</sup> This information is solely of an indicative nature as of the date this document was prepared. Pursuant to document CS-3633-2, Policy-based Loans: Guidelines for Preparation and Implementation, the Bank will verify fulfillment of any specified disbursement conditions, including maintaining a suitable macroeconomic policy framework, when the borrower submits the applicable disbursement request. This will be reflected in a timely manner in the disbursement eligibility memorandum.

Components / Policy objectives	Programmatic loan I Policy conditions	Programmatic loan II Policy conditions	Fulfillment status of programmatic loan II conditions <sup>1</sup>
	collected through the COVID-19 health emergency tax; and (v) the revenue collected from additions to the social security assistance tax (IASS).		
	2.2. Include the diagnostic procedure for the COVID-19 test, reverse-transcription polymerase chain reaction (RT-PCR), in the comprehensive health care programs and the list of benefits established by Ministry of Public Health (MSP).	2.2 Achieve the following: (i) Create a special regime for the contracting of diagnostic test services for SARS-CoV-2 (COVID-19); (ii) Define a financing mechanism for COVID-19 diagnostic testing for service providers registered in the National List of Authorized Providers; and (iii) Establish the price of COVID-19 diagnostic testing services, their parametric formula, and adjustment period.	Fulfilled (Q2 2021)
	2.3. Create the Coronavirus UY app to connect people who present potential COVID-19 symptoms with healthcare providers, aimed at decreasing wait times for appointments and care related to the COVID-19 health emergency.	2.3 Add new pandemic management functionalities to the Coronavirus UY app, including: (i) Contact tracing; (ii) Vaccination scheduling; and (iii) Vaccination certificates.	Fulfilled (Q1 2021)
	2.4. Approve the temporary or permanent import or export of specific goods, tax-free and with simplified customs processing, to address the healthcare needs associated with the health emergency declared in response to the COVID-19 outbreak (responsibility: MEF).	2.4 Create a health technologies evaluation agency responsible for the evaluation, regulation, and control of medications, therapeutic devices, diagnostic procedures, and medical and surgical treatments utilized in human health care.	Fulfilled (Q3 2021)

Components / Policy objectives	Programmatic loan I Policy conditions	Programmatic loan II Policy conditions	Fulfillment status of programmatic loan II conditions <sup>1</sup>
<b>Component 3: Strengthening public policy and fiscal management to respond to the economic crisis</b>			
3. Strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households during the health and economic crisis.	3.1 Declare mortgage loan payment moratoriums as part of household financial assistance measures for April and May 2020.	3.1 Establish regulatory improvements for communication, water, and sanitation services, to improve efficiency and transparency in service delivery.	Fulfilled (Q3 2021)
	3.2 Increase food assistance for low-income households in April and May by means of higher cash transfers to beneficiaries of the low-income household food card (Tarjeta Uruguay Social).	3.2 Adopt provisions to determine procedures for discontinuing the support measures financed through the COVID-19 Solidarity Fund.	Fulfilled (Q3 2021)
	3.3 Create a subsidy for sole proprietors paying simplified monthly taxes to the Ministry of Social Development (MIDES) during April and May 2020.		
	3.4 Create a special regime for unemployment benefits to protect workers in sectors impacted by the partial suspension of activities due to the health emergency, who are not included in the general unemployment benefit system (responsibility: MTSS).		
	3.5 Extend the deadline for vehicle registration fees (Congress of Mayors).		
	3.6 Extend the deadline for February and March value-added tax (VAT) payments for taxpayers covered pursuant to the 1996 Consolidated Law, Title IV, Article 52, Subparagraph E, with such tax obligations to be payable in six equal consecutive installments commencing in May 2020 (responsibility: DGI).	3.3 Amend the tax framework to incorporate measures promoting microenterprises and small businesses.	Fulfilled (Q4 2020)
	3.7 Implement a 40% exemption on employee and employer contributions for the industry and commerce sector from the sole-proprietor benefit and the sole-	3.4 Introduce temporary partial exemptions from social security contributions and corporate income taxes for businesses with revenues	Fulfilled (Q2 2021) Fulfilled (Q3 2021)

Components / Policy objectives	Programmatic loan I Policy conditions	Programmatic loan II Policy conditions	Fulfillment status of programmatic loan II conditions <sup>1</sup>
	proprietor social tax payable to MIDES, applicable to taxes accrued for March and April 2020, and establish a provisional payment plan system for the remaining 60%, payable in six equal consecutive installments commencing in June 2020.	below the thresholds set in the support measures to mitigate the economic impact of COVID-19. 3.5 Create the Oportunidad Laboral [Job Opportunities] program, to promote job placement and workforce reintegration for workers not receiving any wage benefits or other personal compensation. 3.6 Create a special regime for unemployment benefits encompassing domestic workers.	Fulfilled (Q3 2021)
	3.8 Establish the "SIGa Emergencia" line of credit, to serve the credit needs of MSMEs arising from the health emergency, in order to provide credit for working capital, investment capital, and restructuring of previous credit obligations (responsibility: SIGa).	3.7 Prepare an evaluation of the guarantee lines opened to MSMEs due to the health emergency, looking at the need to keep these guarantee lines in place.	Pending (Q1 2022)
<b>Component 4: Institution-strengthening for the execution of public spending and delivery of essential services</b>			
4. Support the effective and continuous provision of essential goods and services through public policy and management measures.	4.1 Develop recommendations to implement telework for government offices serving the public, as a temporary, exceptional, and preventive measure (responsibility: SINAIE).	4.1 Create the Public Policy Monitoring and Evaluation Agency. 4.2 Approve measures to promote and regulate telework that explicitly aspire to avoid gender-based discrimination and promote employment for persons with disabilities.	Fulfilled (Q4 2020) Fulfilled (Q3 2021)
	4.2 Implement the "CEIBAL en Casa" at-home education initiative, to mitigate the effects of classes being suspended due to the health crisis.	4.3 Create the Public Procurement Regulatory Agency (ARCE). 4.4 Approve the ARCE 2020-2024 Strategic Plan.	Fulfilled (Q4 2020) Fulfilled (Q3 2021)
	4.3 Begin implementation of measures to support Internet access for the population amid the COVID-19 health crisis (responsibility: ANTEL).	4.5 Approve reforms to public procurement procedures and methods.	Fulfilled (Q4 2020)

Components / Policy objectives	Programmatic loan I Policy conditions	Programmatic loan II Policy conditions	Fulfillment status of programmatic loan II conditions <sup>1</sup>
	4.6 Establish an alternative mechanism to facilitate the filing of individual income tax returns, enabling nonresidents to file their returns in electronic format (responsibility: DGI).	4.6 Approve fee waivers for access to online education platforms provided by the National Public Education Administration (ANEP).	Fulfilled (Q2 2021)
<b>Component 5: Economic and fiscal strengthening for the post-pandemic period</b>			
5. Promote economic and fiscal recovery in the post-pandemic period.	5.1 Form an interagency workgroup to address the ongoing assessment of the measures that have been and will be implemented, and to guide actions for economic and fiscal strengthening in the medium term.	5.1 Establish measures to improve the corporate governance framework of the corporate autonomous entities and decentralized services of the industrial and commercial domain of the State, including: (i) definition of their statement of purpose; (ii) implementation of good corporate governance practices; (iii) appointment of directors; (iv) definition of the responsibilities of general managers; and (v) approval of corporate balance sheets.	Fulfilled (Q4 2020)
	5.2 Prepare a technical document estimating the fiscal costs of the reform package to address the COVID-19 health crisis.	5.2 Approve and put a fiscal rule into effect to control the structural fiscal balance and the real growth of central government's primary expenditure. 5.3 Create and implement an expert committee to help prepare calculations for the public sector structural balance. 5.4 Create and implement a fiscal advisory board to provide fiscal policy advice to the MEF. 5.5 Authorize the creation of a Stabilization Fund to finance fiscal policies during recessionary phases of the economic cycle.	Fulfilled (Q4 2021)  Fulfilled (Q4 2021)  Fulfilled (Q4 2021)  Fulfilled (Q4 2020)

Components / Policy objectives	Programmatic loan I Policy conditions	Programmatic loan II Policy conditions	Fulfillment status of programmatic loan II conditions <sup>1</sup>
		5.6 Create and implement a commission of social security experts to analyze the different social security systems, prepare diagnostic assessments of these systems, and make reform recommendations.	Fulfilled (Q4 2020)
		5.7 Authorize the implementation of a tax on carbon dioxide emissions from gasoline use, to disincentivize gasoline consumption and mitigate greenhouse gas emissions.	Pending (Q4 2021)

## RESULTS MATRIX

<b>Program objectives:</b>	The specific objectives are: (i) to promote the availability and timely execution of public resources to respond to the health crisis caused by COVID-19; (ii) to strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis; (iii) to support the effective and continuous provision of essential goods and services through public policy and management measures; and (iv) to promote economic and fiscal recovery during the postpandemic period. Meeting these objectives will contribute to the general objective of the program, which is to strengthen the efficiency and effectiveness of public policy and fiscal management in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures.
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### GENERAL DEVELOPMENT OBJECTIVE

Indicators	Unit of measure	Baseline value	Baseline year	Expected year achieved	Target	Means of verification	Comments
General development objective: The general objective of the program is to strengthen the efficiency and effectiveness of public policy and fiscal management in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures.							
Coverage of COVID-19 tests	Number	13,600	2020 (23 April)	2022	3,800,000	SINAE reports	Number of tests conducted, at baseline and for final target
Vaccination coverage of the total population	Percentage	10	2021 (22 March)	2022	75%	MSP report.	Ratio of number of people vaccinated to the country's population
GDP gap	Percentage	-1.4	2019	2022	0	BCU and WEO	The indicator measures the difference between the economy's potential and observed GDP
Government primary balance	Percentage	-1.7	2019	2022	-0.8	BCU and MEF	Primary fiscal balance of the nonfinancial public sector as a percentage of GDP (excluding impacts of the pension reform known as "Ley de Cincuentones")

**SPECIFIC DEVELOPMENT OBJECTIVES**

Indicators	Unit of measure	Baseline value	Baseline year	End of operation (2022)	Means of verification	Comments
<b>Specific development objective 1: Promote the availability and timely execution of public resources to respond to the health crisis caused by COVID-19</b>						
Resources budgeted for the health sector's operating expenses	Percentage of health sector budget	27	2019	44	Budget in effect and additional resources allocated to the health sector through the COVID-19 Solidarity Fund	Percentage increase of resources for the health sector's operating expenses, because of allocations from the COVID-19 Solidarity Fund Baseline formula: [2019 budget for health sector operating expenses / 2019 health sector budget] x 100 Target formula: [2021 budget for health sector operating expenses + COVID-19 Solidarity Fund* allocation for health sector operating expenses / 2021 health sector budget] x 100 * (To be considered if the COVID-19 Solidarity Fund is still operating).
Consumers using the digital app to track the spread of COVID-19	Number	25,000	2020 (3 April)	2,500,000 (2021 target)	AGESIC report	Consumers who download the app
<b>Specific development objective 2: Strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis</b>						
Jobs created	Percentage	-2	2020	1.7	MTSS and MEF records	Formula: [Number of jobs created in a calendar year / Working age population as of 31 December of the same year] x 100
Guarantees issued by the SIGa	Number	1,901	2019	20,761	SIGa records	Total number of guarantees issued by the SIGa
Taxpayers subject to the minimum value-added tax (VAT) regime filing returns in electronic format	Percentage	0.0038	2020	15	DGI records	Formula: [Number of taxpayers in minimum VAT regime filing all their returns in electronic format / Total number of taxpayers in minimum VAT regime] x 100



Indicators	Unit of measure	Baseline value	Baseline year	End of operation (2022)	Means of verification	Comments
Spread between the market interest rates for MSME financing and the caps set by the SIGa system	Percentage	10	2020	0	BCU and MEF	Reduced spread between the types of market interest rates from BCU and the limits set for SIGa lines Formula: [Type of market interest rate for MSMEs - interest rate limit for new operations of SIGa Emergencia].
Lost income of domestic workers due to unemployment covered by the special regime for unemployment benefits	Percentage	0	2020	50	BPS and MEF	Percentage of the lost income of domestic workers benefitting from the special regime for unemployment benefits covered by these benefits. Among domestic workers, 97% are women, and this is the main employment sector for Afro-descendant women (20.6% of their jobs). Pro-gender and pro-diversity indicator.
<b>Specific development objective 3: Support the effective and continuous provision of essential goods and services through public policy and management measures</b>						
Use of electronic communications tools in government agencies	Percentage	12	2019	48	MEF technical report	MEF personnel using electronic communications tools for telework
Users significantly using the "CEIBAL en Casa" plan CREA platform	Number	600,788	2021	650,000	Source: Report "Apropiación-CREA" from <i>Business Intelligence</i> Responsibility: CEIBAL.	The users are faculty and students. "Significantly using" is defined as at least 10 days per year, which is the threshold to identify regular users of the tool, considering its different functionalities.
<b>Specific development objective 4: Promote economic and fiscal recovery in the postpandemic period</b>						
Fiscal expenditure on public investment	Percentage	2.3	2019	2.3	MEF	Maintain public investment expenditure level, including public-private partnership payments and State-owned enterprise investments, as a percentage of GDP

# OUTPUTS

Outputs	Unit of measure	Baseline	Baseline year	Final target (2022)	Means of verification	Responsibility
<b>Component 2: Strengthening public policy and fiscal management to respond to the health crisis caused by COVID-19</b>						
Conduct accountability processes for COVID-19 Solidarity Fund activities.	Law	0	2020	1	Accountability and budget execution balance sheet. Law 19874 for COVID-19 Solidarity Fund submitted to Congress.	MEF
A regulation that achieves the following: (i) Create a special regime for the contracting of diagnostic test services for SARS-CoV-2 (COVID-19); (ii) Define a financing mechanism for COVID-19 diagnostic testing for service providers registered in the National List of Authorized Providers; and (iii) Establish the price of COVID-19 diagnostic testing services, their parametric formula, and adjustment period.	Decree	0	2020	1	Published Decree 60/021 Published Decree 183/021	MEF
Add new pandemic management functionalities to the Coronavirus UY app, including: (i) Contact tracing; (ii) Vaccination scheduling; and (iii) Vaccination certificates.	Report	0	2020	1	Issued report from the medical director's office of the Salud.uy program from AGESIC, describing the app's new functionalities	AGESIC
Create a health technologies evaluation agency responsible for the evaluation, regulation, and control of medications, therapeutic devices, diagnostic procedures, and medical and surgical treatments utilized in human health care.	Law Decree	0	2020	1	Approved "Ley de Urgente Consideración" (LUC) (Article 407) Published Decree 241/021	MEF

Outputs	Unit of measure	Baseline	Baseline year	Final target (2022)	Means of verification	Responsibility
<b>Component 3: Strengthening public policy and fiscal management to respond to the economic crisis</b>						
Establish regulatory improvements for communication, water, and sanitation services, to improve efficiency and transparency in service delivery.	Law	0	2020	1	Approved LUC, including: (i) Creation of the Electricity and Water Services Regulatory Unit (Articles 238–255 of LUC). (ii) Creation of the Communication Services Regulatory Unit (Articles 256–275 of LUC).	MEF
Adopt provisions to determine procedures for discontinuing the support measures financed through the COVID-19 Solidarity Fund.	Law	0	2020	1	Approved Law 19874 to create the COVID-19 Solidarity Fund. Law 18621, Establishing the Public and Permanent National Emergency System (Article 19).	MEF
Amend the tax framework to incorporate measures promoting microenterprises and small businesses.	Law	0	2020	1	Approved LUC (Articles 228 and 229)	MEF
Introduce temporary partial exemptions from social security contributions and corporate income taxes for businesses with revenues below the thresholds set in the support measures to mitigate the economic impact of COVID-19.	Law	0	2020	1	Approved Law 19942 (Article 1)	MEF
Create the Oportunidad Laboral [Job Opportunities] program, to promote job placement and workforce reintegration for workers not receiving any wage benefits or other personal compensation.	Law	0	2020	1	Approved Law 19952	MTSS
Create a special regime for unemployment benefits encompassing domestic workers. <sup>1</sup>	Ministerial resolution	0	2020	1	Issued MTSS Resolution 135/21.	MTSS

<sup>1</sup> Women account for 97% of them; this is the main employment sector for Afro-descendant women. MTSS and BPS, 2018.

Outputs	Unit of measure	Baseline	Baseline year	Final target (2022)	Means of verification	Responsibility
Prepare an evaluation of the guarantee lines opened to MSMEs due to the health emergency, looking at the need to keep these guarantee lines in place.	Evaluation	0	2020	1	Completed SIGa Program evaluation	MEF
<b>Component 4: Institution-strengthening for the execution of public spending and delivery of essential services</b>						
Create the Public Policy Monitoring and Evaluation Agency.	Law	0	2020	1	Approved LUC (Articles 305-312)	MEF
Approve measures to promote and regulate telework that explicitly aspire to avoid gender-based discrimination and promote employment for persons with disabilities.	Law	0	2020	1	Approved Law 19978	MEF
Create the Public Procurement Regulatory Agency (ARCE).	Law	0	2020	1	Approved LUC (Articles 329-339)	ARCE
Approve the ARCE 2020-2024 Strategic Plan.	Record	0	2020	1	Approval record for Strategic Plan	ARCE
Approve reforms to public procurement procedures and methods.	Law	0	2020	1	Approved LUC (Articles 313-319)	ARCE
Agreement on fee waivers for access to online education platforms provided by ANEP.	Framework agreement	0	2020	1	Signed framework agreement between ANEP and ANTEL	ANEP
<b>Component 5: Economic and fiscal strengthening for the postpandemic period</b>						
Establish measures to improve the corporate governance framework of the corporate autonomous entities and decentralized services of the industrial and commercial domain of the State, including: (i) definition of their statement of purpose; (ii) implementation of good corporate governance practices; (iii) appointment of directors; (iv) definition of the responsibilities of general managers; and (v) approval of corporate balance sheets.	Law	0	2020	1	Approved LUC (Articles 276-285)	Office of Planning and Budget
Approve and put a fiscal rule into effect to control the structural fiscal balance and the real growth of central government's primary expenditure.	Law Decree	0	2020	1	Approved LUC (Articles 207-209) Published decree implementing fiscal rule	MEF

Outputs	Unit of measure	Baseline	Baseline year	Final target (2022)	Means of verification	Responsibility
Create and implement an expert committee to help prepare calculations for the public sector structural balance.	Law Decree Record	0	2020	1	Approved LUC (Article 210) Published decree implementing fiscal rule Expert committee meeting minutes	MEF
Create and implement a fiscal advisory board to provide fiscal policy advice to the MEF.	Law Decree Record	0	2020	1	Approved LUC (Article 210) Published decree implementing fiscal rule Meeting minutes from fiscal advisory board	MEF
Authorize the creation of a Stabilization Fund to finance fiscal policies during recessionary phases of the economic cycle.	Law	0	2020	1	Approved LUC (Article 212)	MEF
Create and implement a commission of social security experts to analyze the different social security systems, prepare diagnostic assessments of these systems, and make reform recommendations.	Law Diagnostic assessment report	0	2020	1	Approved LUC (Articles 393–398)  Published diagnostic assessment report	MEF
Authorize <sup>2</sup> the implementation of a tax on carbon dioxide emissions from gasoline use, to disincentivize gasoline consumption and mitigate greenhouse gas emissions.	Law	0	2020	1	Approved 2020 Accountability Act.	MEF

<sup>2</sup> Stipulates the establishment of the tax.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/21

Uruguay. Loan \_\_\_\_/OC-UR to the Eastern Republic of Uruguay  
Program to Strengthen Public Policy and Fiscal Management  
in Response to the Health and Economic Crisis Caused  
by COVID-19 In Uruguay II

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 Strengthen Public Policy and Fiscal Management in Response to the Health and Economic Crisis Caused by COVID-19 In Uruguay II. Such financing will be in the amount of up to US\$145,000,000 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 \_\_\_\_\_ 2021)

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