

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

URUGUAY

PROGRAM TO SUPPORT THE NATIONAL INTEGRATED CARE SYSTEM (UR-L1110)

SECOND OPERATION UNDER THE CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP) FOR THE NATIONAL STRATEGY FOR CHILDREN AND ADOLESCENTS SUPPORT PROGRAM (UR-X1005)

LOAN PROPOSAL

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ABBREVIATIONS

ANEP	Administración Nacional de Educación Pública [National Public Education Administration]
ASQ-3	Ages and Stages Questionnaire
CAIF	Centro de Atención Integral a la Infancia y la Familia [Child and Family Care Center]
CCLIP	Conditional Credit Line for Investment Projects
CEIP	Consejo de Educación Inicial y Primaria [Council for Early and Primary Education]
CND	Corporación Nacional para el Desarrollo [National Development Corporation]
DINEM	Dirección Nacional de Evaluación y Monitoreo [National Evaluation and Monitoring Division]
ECH	Encuesta Continua de Hogares [Continuous Household Survey]
ENDIS	Encuesta Nacional de Salud, Nutrición y Desarrollo Infantil [National Survey of Health, Nutrition, and Child Development]
ENIA	Estrategia Nacional de Infancia y Adolescencia [National Strategy for Children and Adolescents]
ESA	Environmental and Social Analysis
ESMF	Environmental and Social Management Framework
ESMR	Environmental and Social Management Report
GFI	División de Gestión de Finanzas Internacional [International Finance Management Division]
IMPO	Dirección Nacional de Impresiones y Publicaciones Oficiales [National Printing and Official Publications Division]
INAU	Instituto del Niño y Adolescente del Uruguay [Child and Adolescent Institute of Uruguay]
INE	Instituto Nacional de Estadísticas [National Institute of Statistics]
INEFOP	Instituto Nacional de Empleo y Formación Profesional [National Institute of Employment and Occupational Training]
INMUJERES	Instituto Nacional de las Mujeres [National Institute of Women]
MEC	Ministry of Education and Culture
MIDES	Ministry of Social Development
OECD	Organization for Economic Co-operation and Development
PEU	Program execution unit
PNC	Plan Nacional de Cuidados [National Care Plan]
PRM	Project Risk Management
SNC	Secretaría Nacional de Cuidados [National Care Department]
SNIC	Sistema Nacional Integrado de Cuidados [National Integrated Care System]
UCC	Uruguay Crece Contigo [Uruguay Grows With You]
UDELAR	Universidad de la República [University of the Republic]

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Financial Terms and Conditions				
Borrower: Eastern Republic of Uruguay			Flexible Financing Facility ^(a)	
			Amortization period:	25 years
Executing agencies: Ministry of Social Development (MIDES) and the Child and Adolescent Institute of Uruguay (INAU)			Original WAL:	15.25 years
			Disbursement period:	5 years
Source	Amount (US\$)	%	Grace period:	5.5 years
IDB (OC):	50 million	77	Inspection and supervision fee:	^(b)
			Interest rate:	LIBOR-based
Local:	15 million	23	Credit fee:	^(b)
			Approved currency:	U.S. dollars from the Ordinary Capital
Total:	65 million	100		
Project Overview				
Project objective/description. The program's objective is to help improve access to, and the quality of, the care of dependent people through the National Integrated Care System (SNIC). Specifically, it will support the institutional strengthening of the SNIC and the expansion of quality care services for children under the age of 3.				
Special contractual conditions precedent to the first disbursement of the loan: The first disbursement of the loan proceeds is subject to the following conditions being met to the Bank's satisfaction: (i) that MIDES has appointed the program's general coordinator; (ii) that MIDES and INAU have contracted and/or appointed the three technical coordinators who are to make up the program execution unit (PEU), in accordance with the profile previously agreed upon with the Bank; (iii) that MIDES has submitted Program Operating Regulations satisfactory to the Bank, including as an annex the Environmental and Social Management Framework, in accordance with section VI of the Environmental and Social Management Report; (iv) that an interagency agreement between MIDES and INAU is in force, establishing the roles and responsibilities of each in executing the program, as well as the mechanism for transferring loan proceeds between the two entities; and (v) that MIDES has designated the International Finance Management Division to assume responsibility for providing support for the program's fiduciary management (financial and procurement). Prior to the first disbursement of loan proceeds for the activities under subcomponent 2.2 of the program (works), INAU and the National Development Corporation (CND) will have formalized a mechanism for managing resources and for executing the works envisaged in that subcomponent, pursuant to the loan contract (paragraph 3.10).				
Special contractual conditions of execution: (i) prior to the start of the first bidding process for CAIF (Child and Family Care Center) construction works, the PEU will submit the plan for program-financed works to the Bank; and (ii) prior to tendering each of the program's works, it will submit evidence to the Bank that INAU has legal ownership of the land on which the corresponding work is to be executed as well as any other necessary rights (paragraph 3.11).				
Exceptions to Bank policies: None				
Strategic Alignment				
Challenges ^(c) :	SI	<input checked="" type="checkbox"/>	PI	<input type="checkbox"/>
			EI	<input type="checkbox"/>
Cross-cutting themes ^(d)	GD	<input checked="" type="checkbox"/>	CC	<input type="checkbox"/>
			IC	<input type="checkbox"/>

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

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

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

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

I. PROJECT DESCRIPTION AND RESULTS MONITORING

A. Background, problem, and rationale

- 1.1 **Growth and poverty.** Uruguay is recognized in the region for its socioeconomic conditions. According to the International Monetary Fund (IMF), the country led the 2015 rankings for per capita gross domestic product (GDP) in Latin America, at US\$16,332, followed by Chile with US\$14,911, and Argentina with US\$12,778. The economy grew by 4,8% on average between 2010 and 2014, while inequality fell significantly (the GINI index declined from 0.425 to 0.381). Moreover, within the region, Uruguay is the country with the highest poverty reduction elasticity with respect to economic growth (2.41 between 2004 and 2014, as compared with a regional average of 1.55). Between 2010 and 2014, the percentage of people living in poverty fell from 18.5% to 9.7%, while the indigence rate dropped from 1.1% to 0.3%.
- 1.2 **Progress and challenges in social protection policy.** The progress achieved in the social sector has been due both to the macroeconomic stability and growth climate and to the implementation of social policies aimed at gradually securing a basic level of social protection for the population. This process has involved structural reforms implemented beginning in 2005, including health, tax, and social reforms. Among these, the 2008 Equity Plan brought up the need to overhaul the welfare and social assistance system, recognizing the particular needs of distinct social segments. In this context, the 2010-2030 National Strategy for Children and Adolescents (ENIA) was agreed upon. It established as a priority the need to strengthen programs and actions directed at families with pregnant women, as well as children under the age of 4, and set out specific lines of action for the first five years in ENIA's 2010-2015 Action Plan.
- 1.3 These measures have been establishing a new social protection matrix that now faces a dual challenge: first, that of gaining sufficient institutional capacity to move effectively toward universal rights, while addressing increased demand for services; second, that of generating differentiated instruments that will address the specific needs of each stage in the population's life cycle.
- 1.4 These challenges are particularly pressing in the country's current sociodemographic scenario: very low population growth (0.19% between 2004 and 2011), a birth rate of 13.18 in 2014 (compared with 17.64 30 years ago), and an increase in life expectancy to 77 years at present (74 for men and 80 for women). This combination of factors is producing an aging population: for every 100 people below the age of 15 there are 68.3 people age 60 and above.¹ As has been shown in societies that have experienced these demographic changes, and given Uruguay's epidemiological profile, care needs are increasing with the aging of the population (Organization for Economic Co-operation and Development (OECD), 2013).
- 1.5 At the same time, women's participation in the labor force has increased: according to data from the Continuous Household Survey (ECH), the employment

¹ According to data from the 2011 Population and Housing Census, people age 65 and up represent 14% of the total population. A majority (60%) are women and 27% are over the age of 80.

rate for women age 18 to 65 rose from 54.6% in 2004 to 65.9% in 2014);² this in turn is increasing the demand for care services, particularly for children under age 3. However, a major gap in the participation of women in the labor force, as compared with that of men, remains (65.9% versus 85.9%). This is attributable in part to the large disparity in the unpaid work load related to care borne by women, who spend an average of 37.5 hours per week on unpaid work, compared with 19.5 hours per week for men.³ In addition, women in households with limited means have an even lower labor force participation rate, particularly if they have children under the age of 3 (the employment rate among women in the first quintile in households with children under the age of 3 is 36.1%, compared with an 80.6% employment rate for the highest-income quintile, according to the 2014 ECH). This is attributable in part to limited access to childcare services.⁴

- 1.6 **Priorities established by the country to meet its care needs.** The current administration has assigned priority to creating a National Integrated Care System (SNIC),⁵ guided by the principles of solidarity, universality, autonomy, and co-responsibility.⁶ In November 2015, Law 19,353 was enacted, creating the SNIC and establishing the regulatory framework that recognizes the universal right to care for all children up to the age of 12 (with priority given to children age 3 and younger), as well as for dependent people—those with disabilities and people over 65 who are unable to perform life's daily activities by themselves. The law defines the SNIC as the set of public and private actions providing direct assistance for the activities and basic needs of dependent people, and covers interagency coordination arrangements, service consolidation and expansion, as well as the creation of new benefits and the regulation of service providers ([National Care Plan, or PNCI](#)).
- 1.7 The law, and the system created by that law, establish the need to adopt a progressive approach in implementing and providing access to services and benefits for all dependent people. They define as the SNIC's main task that of promoting a model of comprehensive care benefits that makes it possible to coordinate policies, develop programs, and carry out actions to promote and protect people's autonomy and provide interventions to enhance it (Article 9). Under this progressive approach, there are three central priorities. The first is to remedy inequalities in child development, providing equal basic opportunities for

² Figures are based on the databases harmonized by the Program for the Improvement of Surveys and the Measurement of Living Conditions in Latin America and the Caribbean.

³ Unpaid work includes caring for children, the elderly, and people with disabilities, as well as domestic tasks. (Time Use Survey 2013, people over 14 years of age.) In the specific case of care, the rate of participation by women is higher than that of men (35.1% versus 24.3%), and the average number of hours spent by those providing care is also higher (22.4 hours per week for women, 16.8 hours per week for men).

⁴ In the fifth quintile, the employment rate for women is almost the same for those with and without children under 3 (76.7% without children, 80.6% with children). In the first quintile, however, there is a notable difference (52.5% without children, 36.1% with children). The effect of the difference between having or not having children on women's employment rate in the first quintile, contrasted with the difference between having or not having children in the higher quintile, suggests that access to childcare services is a limiting factor in the former case, but not in the higher quintile.

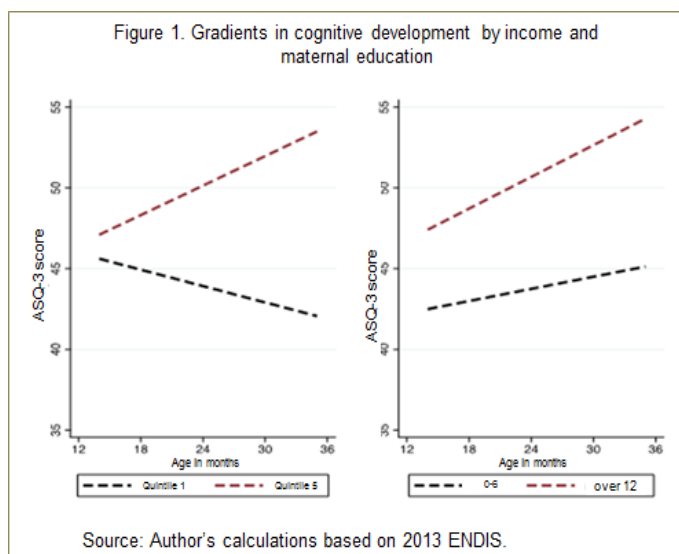
⁵ Ministry of Social Development (MIDES) (2014).

⁶ Co-responsibility in the state-family-market dimension and, importantly, in the division of care work between men and women.

access to quality services.⁷ The second priority is to reverse deficits in the care of the elderly population and dependent people and those with disabilities. The third is to reduce inequity in access to care services due to the lack of institutional regulatory and management mechanisms to ensure that standards for accessibility and quality are in place.

- 1.8 **Remedying inequalities in child development.** International evidence has demonstrated the importance of investing in early childhood, not only for the benefits in developing human capital and boosting productivity, but also because it is one of the most cost-effective investments for reducing risk behavior among adolescents, youth, and adults. In the case of Uruguay, while poverty among children under age 6 declined from 53.4% to 20.4% between 2006 and 2014, the ratio of child poverty to overall poverty increased from 1.64 to 2.1. Moreover, the most vulnerable children are exhibiting major delays in cognitive development at early ages.

- 1.9 According to the 2013 National Survey of Health, Nutrition, and Child Development (ENDIS), among children between the ages of 6 months and 47 months, values within the monitoring range (i.e., between one and two standard deviations below the average) in the five areas measured by ASQ-3⁸ (communication, fine motor skills, gross motor skills, social and emotional level, and



problem solving) were lower than what would be expected in a normal distribution (11.8% versus 13.6%). However, within the risk range, the proportions were more than twice as high as expected (5.5% versus 2%). The differential by quintile was more pronounced in the area of communication: nearly 20% of children below the poverty line were in the risk or monitoring range, compared with 12.4% of children above the poverty line, while 15.9% was the expected figure (*Uruguay Crece Contigo* (UCC)- National Institute of Statistics (INE)-University of the Republic (UDELAR), 2015). Similarly, comparing children according to their mothers' level of education, and by income quintile, major gaps were found in cognitive

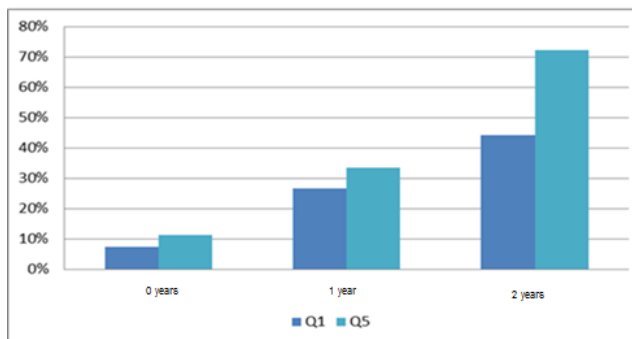
⁷ At present there are 414 CAIFs, serving 28,192 children ages 0 to 3, or 40% of the total. This rate decreases dramatically as age decreases, and is significantly lower for the poorest quintiles (see Figure 2). These centers are located in 118 out of a total of 547 localities throughout the country, but the greatest gaps in coverage are in the poor neighborhoods on the outskirts of Montevideo and in Canelones (ECH, 2014).

⁸ ASQ-3 is a tool for the early detection of delays in child development.

development (see Figure 1).⁹ The differences are significant in the ASQ-3 values for communication, fine motor skills, and problem solving. Moreover, these gaps appear to increase with the age of the children.

- 1.10 Evidence from Uruguay suggests that these gaps are due to: (i) lack of knowledge among some mothers, fathers, and caregivers regarding best practices in childrearing and early stimulation; (ii) low use of existing services, particularly among the poorest population (see Figure 2); and (iii) poor service quality standards (SNIC, 2014). At the same time, one third of the mothers feel that childcare center schedules are incompatible with their own work schedules, though there is greater scheduling alignment in the case of mothers with higher levels of education (UCC-INE-UDELAR, 2015).

Figure 2: Assistance to educational establishment by age, by income quintile



Source: Author's calculations based on 2014 ECH.

- 1.11 In order to correct these situations, the 2016-2020 PNC establishes as a priority increasing the coverage and raising the quality of early childhood care services, focused on ensuring, monitoring, and supervising process quality—key to expanding the supply of services for this age group. The goal is to improve children's development, while at the same time considering the needs of families—particularly those of mothers—thus providing a co-responsible alternative for care.¹⁰
- 1.12 The country is proposing to strengthen the quality of all of the services, while increasing access for children ages 0 to 36 months. To this end, priority has been given to creating new centers and raising the quality standards for services provided by the Child and Family Care Centers (CAIFs) of the Child and Adolescent Institute of Uruguay (INAU), which are responsible for the care of

⁹ In ENDIS, child development was measured through the third edition of the Ages and Stages Questionnaire (ASQ-3). The ASQ-3 is an instrument designed to detect developmental delays in children ages 1 month to 66 months, and is used extensively in Latin America. For this figure, the ability to resolve problems—a proxy normally used for cognitive development—was selected. Quintiles were calculated based on per capita household income. See [El desarrollo de los niños uruguayos en sus primeros años](#) [Development of Uruguayan children in their first years of life] for further details on these gaps and on the methodology.

¹⁰ A number of rigorous studies in developed countries show that the impact of childcare centers on children's development depends, above all, on the quality of the centers, particularly their processes (López-Boo et al., 2016; Berlinski and Schady, 2015; Araujo et al., 2016). Process variables that characterize interactions between children and the adults responsible for them, along with care routines, take on even greater importance for children under age 3, who are developing attachments to a significant adult (Bowlby, 1969) and who need more individualized attention than older children do.

children under 3.¹¹ These centers offer two main types of services: “Timely Experiences,” aimed at children one year and under, and Early Education, for children ages 2 and 3. In both cases the direct work with the children is accompanied by actions directed at improving the knowledge and skills of mothers, fathers, and caregivers in childcare and childrearing. Interventions of this type are effective in strengthening the bonds between parents and children and promising in terms of improving cognitive development and in preventing children’s exposure to violence from their parents and the intergenerational transmission of such violence.¹² There is also solid evidence regarding the positive and lasting effects that fathers’ active involvement in childrearing has on their children’s development, as well as on the increased likelihood that they will establish more equitable and nonviolent relationships.¹³ Moreover, working together with fathers and mothers produces more consistent and lasting results in terms of the fathers’ participation in childrearing, while improving the relationship between the parents and reducing problem behavior in the children.¹⁴

- 1.13 **Reversing the deficits in care for dependent elderly or disabled people.** Care needs involve not only boys and girls, but also dependent people, whether due to disability or advanced age. Based on the 2013 Dependency Survey, there are an estimated 16,000 dependent people above the age of 3, of which 7,400 are severely dependent. At the same time, 11.5% of the over-65 population are in a state of dependency, while 3.2% of these are severely dependent (for those above age 75, the rates of dependency and severe dependency are 17% and 4.6%, respectively). The PNC indicates that the coverage and extent of care services for these population groups are limited: for the elderly: there are only a limited number of permanent-care centers, with a similar lack of public care centers for people with disabilities. In both cases, however, these are alternatives with limited coverage. Approximately 2.5% of the over-65 population live in permanent-care centers, and the rest receive home care provided by their relatives or contracted for in the market, thus producing sharp inequities between those who can and those who cannot afford to pay for services consistent with their needs. Overall, the Ministry of Social Development (MIDES) estimates that 36% of the severely to moderately dependent population do not receive help of any type.
- 1.14 In addition to the existing constraints regarding coverage and the lack of regulatory mechanisms with standards that guarantee acceptable levels of quality, independent from the legal nature of the providers—in fact, private services have not been registered and are not subject to regulation—the services offered do not cover all of the care needs: most of the services are directed primarily at people who are self-sufficient; rarely is assistance provided for high-complexity socioeconomic situations or highly dependent individuals. Most of the alternatives involve residential or institutional options, while experience with community

¹¹ The Child and Adolescent Institute of Uruguay (INAU) is the institution responsible for policies on the protection and restoration of the rights of children and adolescents. In this framework, it finances the network of CAIFs, which are managed by civil society organizations through agreements. Although the coverage is lower than in the CAIF Plan, the supply of early childhood services is supplemented by early childhood daycare centers and classrooms in public schools throughout the country, run by the Council for Early and Primary Education (CEIP), under ANEP, with centers managed directly by INAU.

¹² Heise, L. (2011). Ellsberg, M. et al. (2015).

¹³ Sarkadi, A. et al. (2008). Flouri, E. and Buchanan (2003).

¹⁴ Cowan, P. (2009).

services in the care of older adults is still scarce. This situation is not unique to Uruguay. According to the Economic Commission for Latin America and the Caribbean, care service supply is low in 23 of the region's countries and tends to operate within a weak institutional framework,¹⁵ with low budgets (none exceeds 1% of GDP, while the OECD countries allocate an average of 1.6% of their GDP to public spending on long-term care services). Moreover, programs in the region are based in centers, while programs providing home care are still only a secondary option, and their supply is not very diverse.

- 1.15 **Building institutional capacity to guarantee the provision of quality, sufficient care services.** The OECD indicates that three elements are necessary to have effective policies on providing quality care: first, a regulatory framework that establishes minimum standards on inputs, infrastructure, human resource training and performance, and mechanisms for verifying compliance; second, standards for regulating and supervising the quality of care practices; and third, incentives for providers and users of the services, including economic incentives and ranking of providers based on their performance.¹⁶ The importance of regulatory frameworks and their impact on ensuring the quality of the care services emphasize the importance of standards-based quality models. The OECD's experience shows that this requires the development of accreditation agencies and the definition of minimum standards of operation and service delivery (OECD, 2013).
- 1.16 In light of these factors, the PNC has prioritized two main areas: (i) formulation of a model to ensure the quality of care services, with standards, evaluation mechanisms, instruments for measurement, and a system of accountability that, based on communicating results to the citizenry, puts into operation the principle of transparency that contributes significantly to ensuring quality; and (ii) development of services, by expanding the modalities of existing ones (e.g., expanding the Personal Assistants Program serving severely dependent people), and testing new care alternatives with modalities that meet the needs of the dependent population, with stronger roots in the community.
- 1.17 For the PNC's two strategic pillars to be realized (increasing the coverage of quality care services for early childhood, and improving care for the elderly and people with disabilities with dependency needs), a legal framework is required that recognizes the right to provide care and to be cared for under quality conditions. The regulatory framework of the law that created the SNIC needs to be deepened as does a functional organizational arrangement that makes it possible to coordinate the different sector actions within a framework of joint actions. As a result of the deployment of the SNIC, two agencies were recently created—the National Care Department (SNC) within MIDES and the National Care Board—with authority to coordinate and develop the system's policies and programs on an interagency basis. In addition, the Consultative Committee on Care was established, charged with advising on best practices. Together, these measures constitute the emergence of an institutional framework that should help strengthen the system's capacity to meet the population's care needs. In future, the institutional capacity to conduct, implement, and monitor critical processes to

¹⁵ Gascón, S. and N. Redondo. (2014); Rico, M. N. (coord.) (2011).

¹⁶ Source: OECD-European Commission (2013).

expand the coverage of childcare services, with strong quality standards, will need to be developed and consolidated.

- 1.18 At the same time, the PNC also identifies other functions necessary to the system's management model: training, information and knowledge management, and communication. With regard to training, the plan proposes developing a system for training caregivers¹⁷ that will make it possible to expand coverage and raise the quality of services for the dependent population. In the case of information and knowledge management, the plan envisages establishing specific mechanisms for the production and timely handling of information on service providers, entities involved in training caregivers, and service users, all integrated in a platform that makes it possible to rationalize resources by properly channeling demand to the available services. Lastly, with a view to creating a cultural awareness among the population of care as a right, along with the willingness to assume co-responsibility for care, a broad communication policy needs to be implemented to educate and inform, and to promote a commitment to the management of care.
- 1.19 **Lessons learned and relationship to other Bank operations.** Over the last decade, the Bank has been a key partner with Uruguay in innovating and implementing social policies, through a succession of loan and technical cooperation operations. The National Strategy for Children and Adolescents (ENIA) Support Program (2414/OC-UR), the first operation under CCLIP UR-X1005, helped to reduce major gaps in areas where it was implemented: between 2009 and 2014, the percentage of children and adolescents in vulnerable and poor households fell from 20.1% to 10.3%, and from 56.3% to 38.3%, respectively. In addition, an estimated 15.9% of vulnerable households in these same areas gained access to a basic package of social benefits, as a result of family assistance strategies being implemented in the affected areas. Moreover, the complex institutional framework in which the program was carried out, with the participation and involvement of various institutions and sectors in executing the program's lines of action, provides lessons that have informed the preparation of the current project, namely: (i) coordination agencies and interagency agreements are needed, based on formal management instruments, not only to promote and sustain the planned actions, but also to provide for accountability and results monitoring; (ii) programs with multiple innovative interventions, including pilots and experimentation with models and methodologies for working with groups and population segments, require planning, monitoring, evaluation, and rigorous systematization, in order to generate knowledge for decision making and enable outcomes to be communicated.
- 1.20 In this context, the Government of Uruguay requested the Bank's support in implementing the National Integrated Care System (SNIC), with an emphasis on developing actions for early childhood, as set forth in the 2016-2020 PNC. This operation will support the development and consolidation of quality standards, care protocols, and supervision tools to strengthen the State's capacity to provide and regulate quality care services. Knowledge generation and management will be

¹⁷ At present, caregiver training in the country is insufficient and fragmented. With support from the loan, the government plans to use the SNIC to regulate requirements on caregiver access, development, and certification by designing a Training Plan directed at improving the quality of care, with support from the loan. The plan will be implemented by the corresponding training entities (CENFORES, CFE, INEFOP, etc.), with resources from the national budget.

supported for ongoing improvements in implementing the SNIC, the development of information and communication systems to improve the alignment of supply and demand, and actions to enhance the quality and coverage of early childhood care services, consistent with an agenda that promotes greater gender equity. This operation's investments in the areas of regulation, quality standards, and infrastructure for early childhood complement the government's investments that will finance benefits, as outlined in the PNC. The direct provision of services and infrastructure for the elderly and for people with disabilities will be funded with resources from the national budget.

- 1.21 **Strategic alignment.** The program is consistent with the Update to the Institutional Strategy 2010-2020 (document AB-3008), and is aligned with the challenge of developing social inclusion and equality. The program incorporates crosscutting actions for promoting gender equality, and will contribute to the strategic goal of improving the system of care for dependent people while reducing the overall burden of unpaid care work provided by women (Gender Equality Policy Implementation Guidelines). In addition, the program will contribute to the 2016-2019 Corporate Results Framework (document GN-2727-4), through the auxiliary indicator "children who receive early childhood development services targeting the poor." The program is also aligned with the Strategy on Social Policy for Equity and Productivity (document GN-2588-4), with regard to its priority of investing effectively in early childhood development. In addition, it is consistent with the Social Protection and Poverty Sector Framework (document GN-2784-3) in relation to its lines of action directed at expanding access to quality childcare and parental support services, particularly for the poorest and most vulnerable population strata. At the same time, the program will support one of the lines of action of the Gender and Diversity Sector Framework (document GN-2800-3) related to increasing women's job participation by expanding access to childcare services. The program is consistent with the Bank's Country Strategy with Uruguay 2016-2020 (document GN-2836), and will contribute to its strategic objective of improving access to, and the quality of, social services and benefits for the most vulnerable children and youth (quintiles 1 and 2). Lastly, the operation is included in the 2016 Operational Program Report (document GN-2849).

B. Objectives, components, and cost

- 1.22 The program's objective is to help improve access to, and the quality of, the care of dependent people through the SNIC. Specifically, it will support the institutional strengthening of the SNIC and the expansion of quality care services for children under the age of 3.
- 1.23 **Component 1. Support for the implementation and operation of the National Integrated Care System (IDB: US\$14.3 million; local contribution: US\$3.1 million).** The purpose of this component is to help institutionalize the care policy, providing support for the establishment and operation of the SNIC. This component is organized in two subcomponents:
- 1.24 **Subcomponent 1.1 Development of crosscutting SNIC components.** This subcomponent will finance essential activities to develop the new SNIC institutional framework, including: (i) creation of a Care Portal—a platform for managing benefits supply and demand, based on the National Care Registry consisting of an exhaustive catalogue of services that will define the system's benefits—that will provide information on access and participation requirements, and will assign

benefits according to the eligibility qualifications of the users. It will also organize caregiver training service providers and will deliver services to guide the public on care-related needs and demands; (ii) creation of a communication strategy for the SNIC that includes mass dissemination efforts to promote care-related rights and obligations, building awareness of the importance of achieving a more equitable distribution of care-related tasks between men and women, and promoting greater involvement regarding social responsibility for care; (iii) generation and management of information and knowledge, including technical teams specialized in statistical and prospective analysis, managing information on care supply and demand, and conducting studies to support the SNIC's decision making at the managerial level; (iv) development of the SNIC's regulatory framework, including the compilation of national standards to identify gaps, overlaps, and needed adjustments to guarantee people's rights, the analysis of alternatives for implementing an oversight system for the various services, and a detailed analysis of the institutional capacity of regulatory agencies to carry out their functions; and (v) development of the SNIC's Quality Model, including the formation of teams of specialists to formulate proposals on standards for services and supervision options.

- 1.25 **Subcomponent 1.2. Improvement of the quality of care in early childhood care services.** This subcomponent covers actions designed to help improve the quality of care provided by early childhood care services at all institutions involved (public and private), with a scope that covers technical agreements and regulations. To this end, it will finance: (i) the design, validation, and implementation of instruments to improve the measurement of the quality of early childhood care in childcare centers, with an emphasis on measurement and supervision of the quality of processes; (ii) a pilot of instruments to measure child development in 20 childcare centers; (iii) design of a gender-based¹⁸ human resources training and qualification program for childcare center workers, and support for its implementation; (iv) the design, validation, and implementation of a system for supervising the quality of care at childcare centers, based on the new standards; and (v) the development of innovative care services to address specific situations, in particular, the design, implementation, and evaluation of pilot programs for school transportation support service to include children in isolated areas, community care homes, performance testing of after-hours comprehensive childcare centers, and a socio-educational assistants service to provide care at centers for children with disabilities.
- 1.26 **Component 2. CAIF expansion and quality improvement (IDB: US\$31.1 million; local contribution: US\$8.2 million).** This component will support consolidation of the institutional framework required to promote the strategy of expanding quality services for children under the age of 3 at INAU centers, and will finance expanded coverage by the CAIFs, which will implement the care modalities designed with the new quality standards. This investment is organized in two subcomponents.
- 1.27 **Subcomponent 2.1. Support for improving the quality of INAU early childhood actions.** This subcomponent will finance consulting services needed to

¹⁸ The program will include a gender focus in the knowledge and skills related to care during early childhood, specifically the role of gender in child development, the promotion of equitable relationships, equal opportunities for learning, and preventing the reproduction of stereotypes, through childrearing patterns, games, and teaching materials, and in interactions with fathers and mothers.

strengthen the service design, planning, management, monitoring, and supervision functions,¹⁹ through a management unit specifically designed to steer and develop the line of support services for child development in INAU centers. In addition, it will finance the design and support the implementation of the Positive Parenting Program, an educational proposal that aims to work with fathers, mothers, and/or relatives acting as caregivers, to help them develop and strengthen caregiving skills. Given that few interventions of this type include fathers, and that the few promising programs in the region have not even been evaluated rigorously, this program has a high potential for innovation, and for generating evidence in this field. The program will promote critical thinking on childrearing attitudes and behaviors, childcare, and gender socialization. The sessions will also impart information, and communication, conflict resolution, and equitable, non-violent relationship skills will be practiced.

- 1.28 **Subcomponent 2.2. Support for the expansion of CAIFs.** The objective is to support expanded coverage of early childhood care and education, consistent with the PNC strategy. It will finance the construction of 50 new CAIFs²⁰ throughout the country, prioritizing neighborhoods in Montevideo and Canelones, where there is a large number of children under age 3 in vulnerable households, and where services are currently lacking. Each of these 50 CAIFs to be built will serve 108 children (36 of these with the “Timely Experiences” modality), accommodating 5,400 children.
- 1.29 **Component 3. Administration, evaluation, and auditing (IDB: US\$4.6 million; local contribution: US\$3.7 million).** This component will support the SNC in executing the program efficiently and in monitoring its results, financing the execution unit and administration. This component will finance: the contracting of technical staff, specialized consultants, and audits, as well as the impact evaluation of the program’s Subcomponent 2.2: “Support for the expansion of CAIFs.
- 1.30 **Cost and financing.** The total cost of the project will be US\$65 million, of which US\$50 million (77%) will be financed by the IDB from Ordinary Capital resources, while US\$15 million (23%) will be the local counterpart, as shown in Table I.1.

Table I.1. Cost of the operation

Components	IDB (US\$)	Local (US\$)	Total (US\$)
Component 1—Support for the SNIC	14,270,297	3,139,465	17,409,762
Component 2—CAIF expansion and quality improvement	31,123,250	8,197,115	39,320,365
Component 3—Administration, evaluation, and auditing	4,606,453	3,663,420	8,269,873
TOTAL	50,000,000	15,000,000	65,000,000

¹⁹ This model of monitoring and supervision will help to develop and identify instruments to capture both the structural quality and process quality variables in a cost-effective manner.

²⁰ INAU will be responsible for purchasing land, when necessary, with its own budget.

C. Key results indicators

- 1.31 **Expected results.** This project will help develop the SNIC's pillars, i.e. the Care Portal, the National Care Registry, the Knowledge Management Platform, the Communication Strategy, and the Regulatory Framework (see [Annex II](#)). These crosscutting elements, together with the targeted investments in early childhood (development of quality standards, supervision tools, and training of personnel), will make it possible to measure the SNIC's performance through a portal linking dependent people with care services; a National Care Registry with broad coverage; increased public knowledge of the SNIC and awareness of care as a right; and an increased supply of care services for children age 0 to 36 months, with comprehensive standards of quality in the new CAIFs. The program's impact indicators include measurement of child development, quality of the centers, as well as reductions in the care burden of women and more equitable distribution of care-related tasks between men and women.
- 1.32 **Economic analysis.** In line with the priorities set out in the 2016-2020 PNC regarding the weight given to expanding care services for children under the age of 3, with an emphasis on the quality of care, the economic analysis of this operation is based on investments in early childhood (which accounts for 67.08% of the resources). Based on evidence of the effectiveness of investments in early childhood, there are expected benefits in terms of increased future earnings for children attending a quality CAIF, along with increased earnings for the mothers as a result of their greater participation in the labor market. These benefits are based on evidence concerning the impacts of child development centers on these dimensions. In addition to the investments in building the centers, there are operating costs (equipment, variable costs, and supervision and measurement costs). As can be seen in the [Economic Analysis of the Project](#), using a discount rate of 5% (the link includes an extensive discussion of the literature showing the appropriateness of using that discount rate for social projects), the benefit-cost ratio of these investments is 3.17. The above link provides a sensitivity analysis, with variations in the discount rate and considering higher costs and lower benefits. Under most of the scenarios, the benefit-cost ratio is greater than one.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financial instruments

- 2.1 This operation is the second under the Conditional Credit Line for Investment Projects (CCLIP) to support ENIA in Uruguay (UR-X1005), approved by the Bank on 29 October 2008, in the amount of US\$200 million, with a disbursement period of five years.²¹
- 2.2 This second operation is eligible for financing under the above-mentioned CCLIP and complies with the provisions contained in paragraph 1.17 of document GN-2246-4: (i) the program is provided for in the CCLIP's sector and components, and will continue supporting actions to consolidate and maintain the role of MIDES as the agency that develops and coordinates intersector social policy efforts in Uruguay, in this case through the SNIC, and finances components to support early childhood; (ii) the operation is included in the country program and is consistent with the Bank's Country Strategy with Uruguay 2016-2020 (document GN-2836)

²¹ The two operations together represent a commitment of 45% of the CCLIP line.

and with the 2016 Country Programming Document (document GN-2849); (iii) as with the previous operation, the executing agency responsible for overall project management is MIDES, as described in section III, which includes a team within its Financial Management Unit, with a level of performance that has remained unchanged; and (iv) the previous project performed satisfactorily in terms of execution and attainment of its development objective. Moreover, more than 98% of the resources have been committed and 100% of disbursements have been completed. The borrower and the executing agency have met the contractual conditions of the previous loan contract, and have complied with the Bank's policies on disbursements and procurement of goods and services; and the financial and operational management reports were submitted in a timely fashion and were of a quality acceptable to the Bank.

B. Environmental and social risks

- 2.3 According to the Environment and Safeguards Compliance Policy (OP-703)—Directive B.03, Pre-evaluation and classification—this program is classified as a “B” operation, considering that the potential negative impacts and socio-environmental risks are localized and short-term, and that the mitigation measures are known and can be easily implemented. The most prominent socio-environmental risks relate to the construction stage, which will generate noise and dust, as well as construction debris, along with a risk of work accidents. The corresponding Environmental and Social Analysis (ESA) has been presented and the results can be found in the Environmental and Social Management Report (ESMR). The loan contract will include as a condition precedent to the first disbursement that the executing agency has prepared the Environmental and Social Management Framework (ESMF) to be implemented for this operation, including the environmental and social obligations described in section VI of the ESMR. The operation is categorized as low-risk in terms of the possibility of disasters. In addition, the operation does not envisage or anticipate a need for the resettlement of people or economic displacement as a result of the construction of the program's works. However, in the event that such a situation occurs, the corresponding Involuntary Resettlement and Compensation Plan will be implemented, pursuant to the Bank's Involuntary Resettlement Policy (OP-710).

C. Fiduciary risks

- 2.4 For the analysis of program risks, the Bank's Project Risk Management (PRM) methodology was employed, which identified and profiled the fiduciary risks. A high-impact risk associated with potential problems in obtaining the land for construction of the CAIFs was identified; given its importance, actions were outlined for a quarterly follow-up to quickly identify any potential need for replanning. Two medium-level risks were also identified, one associated with possible delays in securing the advance of funds, the other related to the availability of a lower financial allotment than was anticipated in program planning. The following mitigation measures were determined: procedures and responsibilities allocated among the entities participating in execution; and monthly monitoring of MIDES and INAU administration and financing, along with Ministry of Economy and Finance participation in program administration missions and in portfolio reviews.

D. Other project risks

- 2.5 Based on the PRM methodology and consultants' institutional analysis, the following risks were identified. In terms of governance risk, there could be problems with interagency coordination in the program's operational management. To address this, an agreement is envisaged between the SNC and INAU, establishing the responsibilities and mechanisms planned for co-execution of the program, along with specific actions such as joint coordination of Subcomponent 1.2 and Component 2. At the same time, the National Care Board's Interagency Early Childhood Commission will be charged with conducting periodic monitoring of the program's implementation.
- 2.6 As to development risks, there are challenges in terms of the institutional capacity of the SNC and INAU to deal with the program's deadlines and complexities, as well as the possibility that there will not be enough educators and technical staff to manage the services and/or centers. To mitigate these risks, activities to strengthen SNC and INAU human resources have been identified, and staff from the International Finance Management Division (GFI) will be assigned specifically to coordinate the operational aspects of the program's actions and help to implement the human resources training plan.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of the implementation arrangements

- 3.1 **Execution arrangements.** The program's executing agency will be MIDES, operating through the SNC, with INAU as the co-executing agency for early childhood-related matters. MIDES and INAU will sign an interagency agreement detailing their respective roles and responsibilities in executing the program and the mechanism for transferring loan proceeds between the two entities.
- 3.2 The Interagency Commission for Children, made up of the National Public Education Administration (ANEP), INAU, the Ministry of Education and Culture (MEC), the Ministry of Labor and Social Security, the Ministry of Economy and Finance, the Office of Planning and Budget, MIDES, the UCC, the National Institute of Women (INMUJERES), and the SNC, established pursuant to Law 19,353 creating the SNIC, will carry out strategic monitoring of the program and oversee interagency coordination between the entities involved in execution.
- 3.3 MIDES, through the SNC, will be responsible for overall program management. To this end, it will set up a program execution unit (PEU) that will deal with the technical, administrative, and operational aspects of the program and will serve as the liaison with the Bank. The PEU will be headed by an executive coordinator to be appointed by the SNC and by two technical coordination units, one to develop the SNIC's crosscutting components (Subcomponent 1.1), the other to oversee actions related to early childhood (Subcomponents 1.2, 2.1, and 2.2). The latter will be composed of the SNC's Coordinator on Early Childhood and the Executive Secretary of INAU's Early Childhood Department.
- 3.4 In addition, the PEU is expected to receive support from technical staff from the SNC (Subcomponent 1.1), as well as from INAU and from MIDES's GFI; it will develop activities with other MIDES divisions, such as the National Evaluation and Monitoring Division (DINEM) and INMUJERES, as well as with the National Development Corporation (CND). When necessary for carrying out the program's

activities, the PEU will coordinate with other agencies involved in early childhood policy, and with public institutions that train staff for the SNIC (MEC, ANEP/CEIP, INEFOP, INAU's Center for Training and Studies, etc.).

- 3.5 The functions of the PEU will include: (i) preparation and presentation to the Bank of operational plans (Financial Plan, Procurement Plan, Annual Work Plan, Multiyear Execution Plan, Environmental and Social Management Plan, etc.), and reports (audit, progress, evaluations) and other program documents; (ii) coordination and consolidation of program information and documentation, for activities overseen by both MIDES and INAU; (iii) preparation of terms of reference; (iv) assistance in procedures for the procurement of works, goods, and services; (v) assistance with supervision and inspection of works and service contracts; (vi) coordination and supervision of social and environmental issues; (vii) control of accounting and files, submission of disbursement requests, and accounting; (viii) physical and financial control, and preparation of reports on physical and financial progress; (ix) monitoring and evaluation of results, targets, and indicators in the program's Results Matrix; and (x) contracting of external audits.
- 3.6 INAU, as co-executing agency, will be responsible for contracting and procurement under Component 2 and Subcomponent 1.2, when applicable. Specifically, in executing the works planned under Subcomponent 2.2, INAU is expected to sign an agreement with the CND, specifying that the CND is to carry out construction of the CAIFs envisaged by the program.²² The [CAIF Technical Designs and Specifications](#) will serve as standards for these centers.
- 3.7 INAU will be responsible for maintenance of the CAIFs, and will have a budget allocated for this purpose.²³
- 3.8 For the financial management of loan proceeds and for procurement under Component 1, MIDES will designate the GFI, which will act under the PEU's coordination. The GFI will also oversee accounting and files and the consolidation of fiduciary documentation and information for the entire program (including information that INAU will provide on contracting and procurement under Component 2 and Subcomponent 1.2, when applicable, so that it can provide an accounting to the Bank). For activities for which INAU will be responsible, the GFI is expected to coordinate with INAU's financial, accounting, and procurement sections.
- 3.9 Details on the coordination and responsibilities of all of the entities involved in executing the program will be described in the program's Operating Regulations.
- 3.10 **The first disbursement of the loan proceeds is subject to fulfillment of the following special contractual conditions, to the Bank's satisfaction: (i) that MIDES has appointed the program's general coordinator; (ii) that MIDES and INAU have contracted and/or appointed the three technical coordinators who are to make up the PEU, in accordance with the profile previously agreed upon with the Bank; (iii) that MIDES has submitted Program Operating**

²² Law 18,719 of 2010 designates the CND to administer INAU budget items whose object is to finance the growth, improvement, and rehabilitation of CAIFs and daycare centers, including the procurement of land.

²³ Verification of the conditions of the CAIFs' buildings is one of the elements monitored as part of the supervision routine.

- Regulations satisfactory to the Bank, including the Environmental and Social Management Framework as an annex, in accordance with section VI of the Environmental and Social Management Report; (iv) that an interagency agreement between MIDES and INAU is in force, establishing the roles and responsibilities of each in executing the program, as well as the mechanism for transferring loan proceeds between the two entities; and (v) that MIDES has designated the GFI to assume responsibility for providing support for the program's fiduciary management (financial and procurement). Prior to the first disbursement of loan proceeds for the activities under Subcomponent 2.2 of the program (works), INAU and the CND will have formalized a mechanism for managing the resources and for executing the works envisaged in that subcomponent, pursuant to the loan contract.
- 3.11 **Special contractual conditions of execution:** (i) prior to the start of the first bidding process for CAIF construction works, the PEU will submit the plan for program-financed works to the Bank; and (ii) prior to tendering each of the program's works, it will submit evidence to the Bank that INAU has legal ownership of the land on which the corresponding work is to be executed as well as any other necessary rights.
- 3.12 **Procurement.** Procurement will be carried out through the PEU. Works, goods, and nonconsulting services will be procured according to the Policies for the Procurement of Goods and Works Financed by the IDB (document GN-2349-9), while consultants will be selected and contracted according to the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-9). The Bank's review of procurement processes will be conducted according to the provisions in the Procurement Plan.
- 3.13 Consultants previously selected for loan 2414/OC-UR are expected to be recontracted and will continue providing their services for the present operation. For dissemination services under Component 1, the National Printing and Official Publications Division (IMPO) is expected to be contracted directly. The direct contracting referred to will be conducted for the benefit of the program, so as to take advantage of the knowledge and experience gained by the consultants and, in the case of IMPO, for purposes of continuity and consistency of the required services. This procedure is consistent with the applicable procurement policies, as set forth in paragraph 5.4(a) of document GN-2350-9²⁴ and subparagraphs (a) and (c) of paragraph 3.6 of document GN-2349-9.²⁵
- 3.14 **Retroactive financing and recognition of expenditures.** The Bank may provide retroactive financing from the loan proceeds of up to US\$2.8 million (5.6% of the loan), and may recognize as chargeable to the local counterpart up to US\$1.2 million (8% of the estimated local contribution) for eligible expenditures incurred by the borrower prior to the loan approval date, for the contracting of specialized technical personnel and for software development for the Care Portal, provided that requirements substantially analogous to the provisions of the loan

²⁴ Services that are a continuation of a previous task that the consultant carried out, and for which the consultant was competitively selected.

²⁵ The provisions of these policies also apply to services tendered and contracted based on the execution of a measurable physical work. With regard to direct contracting, the policy establishes a method as appropriate when: (a) no advantage can be gained through a new competitive process, and the prices of the expanded contract are reasonable; and (b) the equipment (or service) required can be obtained from only one source.

contract have been met. Such expenditures are to have been made on or after 11 December 2015 (project profile approval date), and in no case are to include expenditures made more than 18 months prior to the loan approval date.

B. Summary of arrangements for monitoring and evaluation

- 3.15 Implementation of the program will be monitored by the PEU, for which purpose it will submit semiannual progress reports to the Bank. In terms of evaluation, the SNIC and DINEM determined that an impact assessment²⁶ on the expansion of services and improvement in the quality of the CAIFs is to be included; the impacts on the development and health of the children will be measured along with the following dimensions: work, domestic tasks, co-responsibility in care and childrearing tasks, and participation of the caregiving family members. For more detailed information, see the [Monitoring and Evaluation Plan](#).

²⁶ The impact assessment is of an experimental design, and is the first that will measure impact in terms of both child development and the labor participation of women, using a rigorous design.

Development Effectiveness Matrix				
Summary				
I. Strategic Alignment				
1. IDB Strategic Development Objectives		Aligned		
Development Challenges & Cross-cutting Themes		-Social Inclusion and Equality -Gender Equality and Diversity		
Regional Context Indicators				
Country Development Results Indicators				
2. Country Strategy Development Objectives		Aligned		
Country Strategy Results Matrix		GN-2836	To improve access to and quality of social benefits and services for the most vulnerable children and youth.	
Country Program Results Matrix		GN-2849	The intervention is included in the 2015 Operational Program.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)				
II. Development Outcomes - Evaluability		Highly Evaluable	Weight	Maximum Score
		9.3		10
3. Evidence-based Assessment & Solution		9.0	33.33%	10
3.1 Program Diagnosis		2.4		
3.2 Proposed Interventions or Solutions		4.0		
3.3 Results Matrix Quality		2.6		
4. Ex ante Economic Analysis		10.0	33.33%	10
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis		4.0		
4.2 Identified and Quantified Benefits		1.5		
4.3 Identified and Quantified Costs		1.5		
4.4 Reasonable Assumptions		1.5		
4.5 Sensitivity Analysis		1.5		
5. Monitoring and Evaluation		9.0	33.33%	10
5.1 Monitoring Mechanisms		1.5		
5.2 Evaluation Plan		7.5		
III. Risks & Mitigation Monitoring Matrix				
Overall risks rate = magnitude of risks*likelihood		Medium		
Identified risks have been rated for magnitude and likelihood		Yes		
Mitigation measures have been identified for major risks		Yes		
Mitigation measures have indicators for tracking their implementation		Yes		
Environmental & social risk classification		B		
IV. IDB's Role - Additionality				
The project relies on the use of country systems				
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, External control, Internal Audit. Procurement: Information System, Shopping Method, Contracting individual consultant.		
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:				
Gender Equality				
Labor				
Environment				
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	The following studies to support the SNC were financed: i) Models for monitoring early childhood services in Uruguay, ii) Support for the development of the SNIC Results Matrix, iii) Methodology design for identifying informal child care services.	
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan		Yes	The evaluation will measure the impact of CAIF in child development and health, as well as in aspects related to labor participation of women and the distribution of domestic responsibilities between men and women.	

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

The loan proposal identifies the problems caused by insufficient care services for children under three years old and the elderly. Based on evidence, it documents the magnitude of this failure and its consequences in terms of child development, labor force participation of mothers and failure to attend the elderly. It also demonstrates that these impacts are mainly concentrated in the lowest income quintiles, accentuating and perpetuating existing inequities between populations with different socio-economic level.

To address the problems identified, the document proposes interventions in two main areas: the institutional strengthening of the care system and the expansion of quality services for children under three years old. The proposal justifies these interventions based on recommendations of the OECD in relation to the institutional arrangements of the care system, and based on evidence of the effectiveness of the early childhood development models in relation to the child care services.

The results matrix of the project is adequate. The impact indicators assess child development, quality of care facilities and gender gaps in labor participation and unpaid work. SMART impact, outcome and output indicators are included. However, the information source is not clear for some of the indicators.

The economic analysis annex presents a cost-benefit analysis for the interventions in early childhood. The analysis quantifies the increase in future income for benefited children and their mothers, and compares it with the project's investment costs and associated operating costs. The annex uses clear assumptions and includes sensitivity analyses for key variables.

The project's monitoring plan is adequate. The evaluation plan proposes an experimental design to measure the impact of the intervention in child care services, both in the beneficiary children and their mothers.

The risk matrix identifies a medium risk level for the project. Risks are classified according to their magnitude and likelihood, and appropriate mitigation measures are included with indicators to monitor their implementation.

RESULTS MATRIX

Project Objective:	To help improve access to, and the quality of, the care of dependent people through the National Integrated Care System (SNIC). Specifically, the institutional strengthening of the SNIC and the expansion of quality care services for children under the age of 3 will be supported.
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EXPECTED IMPACT

Indicators	Unit of measure	Baseline 2016	Targets 2020	Means of verification/ Observations ¹
<u>EXPECTED IMPACT</u>²				
% of children in new Child and Family Care Centers (CAIFs) with ASQ-3 scores below a critical threshold	%	14	<10	ASQ-3 is a tool for the early detection of delays in child development. See Monitoring and Evaluation Plan .
% de new CAIFs with ITERS-R scores between 5 of 7	%	(under construction) ³	80	ITERS-R is an instrument for measuring the quality of childcare centers. See Monitoring and Evaluation Plan .
Gap in overall work burden between women and men in Q1	Hours of work per week	9	7	Baseline using EUT 2013 and the subsequent EUT 2019.
Burden of unpaid childcare work	Hours of childcare per week	Women: 21.2 Men: 14.8	W: ≤20 M: ≥16	EUT 2013, 2019.

¹ The relevant indicators, if their databases allow, will provide information broken down by gender.

² The instruments to measure child development and the quality of the centers could vary according to the expected progress in the lines of action under Component 1.

³ There is no baseline datum as yet, pending the delivery of information from INAU.

EXPECTED OUTCOMES

Expected Outcomes	Unit of measure	Baseline 2016	Midterm 2018	Targets 2020	Means of verification/ Observations
% of caregivers registered in the RNC	%	0	25	50	Compared with the estimated SNC universe
% of service providing institutions registered in the RNC	%	0	75	100	
% of users registered in the RNC	%	0	50	100	
% of human resources training institutions registered in the RNC	%	0	50	100	
Number of applications for services	Applications	0	3500	5000	Benefits to be considered are: Personal Assistant, Telephone Assistance, Daycare Center, and Community Home
% of people with knowledge of rights and benefits within the SNIC framework	%	0	25	50	Report produced based on the survey to be conducted by the SNC
% of workers in new CAIFs trained in the new curricula	%	0	50	80	Semiannual progress reports and specific report on the quality of the centers Measured at new CAIFs in operation at the time of measurement
% of users satisfied with the relevance of the new early childhood innovations	%	60	80	90	Semiannual reports on the program's progress Measurement is part of the SNIC's knowledge agenda
% of children in CAIFs from households eligible for the AFAM Equity Plan (based on socioeconomic vulnerability)	%	64	68	72	INAU administrative records and on-site inspection visit
Enrollment rate in new CAIFs (children/spaces)		0	85%	95%	INAU administrative records

OUTPUTS

Outputs	Unit of measure	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification
Component 1:									
Care Portal design approved by the SNIC	design	0	1					1	Approval of the design by the SNIC. For information on the Portal, see minimum required functionalities in the Monitoring and Evaluation Plan .
Number of new functionalities of the Care Portal made operational with data on real cases loaded	#	0	1	1	1	1	1	5	Gradual implementation for use of the functionalities will be verified through on-site inspections at the SNC. See expected functionalities in the Monitoring and Evaluation Plan .
Design of National Care Registry approved by the SNIC	design	0	1					1	The design should include, at a minimum, the structure, technical requirements, costs, and implementation plan.
Number of RNC modules in operation	#	0	0	1	2	2		5	Gradual implementation for use of the functionalities will be verified through on-site inspections at the SNC. The planned modules: users, caregivers, training entities, service-providing institutions, and trained caregivers. “In operation” means that information is being loaded in the RNC and that the system is connected to the Portal.
Number of people evaluated in regard to their dependency status	#	0		2500	5000	5000	5000	17500	The dependency scale is used for evaluation.
Number of communication campaigns implemented	#	0	1	1	1	1		4	The campaigns are expected to cover: rights, implementation of the care system, co-responsibility, valuation of care, and accountability.
Number of opinion surveys conducted	#	0	1	1	1	1	1	5	This involves omnibus public opinion survey modules.

Outputs	Unit of measure	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification
Number of territorial communication initiatives financed and implemented	#	0	0	30	30	30	30	120	The program will finance local communication initiatives dealing with SNIC rules for public tenders. Fulfillment will be verified in the reports prepared by the SNC and in operational audits.
Number of lines of work that have communication products	#	0	3	3	3	3	3	15	Semiannual progress reports compared against Annual Work Plans.
Number of knowledge agenda studies published on the MIDES website	#	0	6	3	2	2	2	16	Final publications (on the MIDES website) of the Studies Agenda .
Number of reports on progress and outcomes of the SNIC knowledge agenda prepared and approved by the SNC and DINEM/MIDES	#	0	1		1		1	3	Semiannual progress reports on the studies, according to the planned execution schedule.
Number of benefits regulated ⁴	#	0	3	7	8	9	9	9	Regulations concerning benefits attached to the semiannual progress reports. Regulated means that they have specific approved regulations that set forth the conditions for providing the benefits.
Number of early childhood development instruments piloted	pilots	0	1	2				3	Each pilot will be carried out in at least 20 centers.
Design of a standard childhood development instrument for care centers, validated by the Interagency Commission for Children (CII)	design	0	0	1				1	Instrument validated, and Proceedings of the Commission.

⁴ Benefits refer to: personal assistants, education inclusion grant, telephone assistance, community care homes, centers in labor unions and enterprises, vouchers for extended stay centers, day care centers (for people with moderate dependency needs), and new CAIFs.

Outputs	Unit of measure	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification
Human resources early childhood training course curricula approved by the SNIC Training Commission	curricula	0	1					1	Document on curricula approved, and Proceedings of the Commission. The proposal will incorporate the gender and care perspectives.
Model for supervision of childcare centers approved by INAU and MEC	model	0	1					1	Supervision proposal document validated by INAU and MEC using the instrument.
Number of care centers supervised under the new model	centers	0	0	130	580	640	980	980	Specific reports on implementing the new model for supervision of centers, and program progress reports.
Design of an instrument for measuring the quality of childcare centers, approved by INAU and MEC	instrument	0	0	1				1	Document presenting the instrument for measuring quality validated.
Number of childcare centers evaluated with the quality measurement instrument	centers	0	0	130	580	640	980	980	Reports on measuring the quality of childcare centers, compared against a validated proposal, and program progress reports.
Component 2									
Number of new CAIFs that are adequately staffed by technical and management personnel .	centers	0	30	30	40	40	140	140	Semiannual progress reports and auditing reports on CAIF projects.
Number of pilots for early childhood innovations implemented	pilots	0	0	0	2	5	5	5	Specific INAU and SNC technical reports.
New CAIFs constructed and operating ⁵	centers	0	0	0	10	20	20	50	Semiannual progress reports, supervision visits, and auditing reports.

⁵ Operating means that centers are up and running, with children attending Timely Experiences classes and/or workshops.

Outputs	Unit of measure	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification
Number of INAU (CAIF and CAPI) childcare centers evaluated with the validated instrument for measuring the quality of the centers	centers	0	0	30	480	540	600	600	Specific reports on measuring the quality of INAU centers, compared against validated instrument proposal.
Component 3									
Number of measurements for evaluating the impact of CAIF carried out	measurement	0			1	1	1	3	Measurements refer to measures of children's development (treatment and control). See design of the CAIF impact assessment in the Monitoring and Evaluation Plans .

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country: Uruguay

Project number: UR-L1110

Name: Program to Support the National Integrated Care System of Uruguay

Executing agency: Ministry of Social Development (MIDES)

Co-executing agency: Child and Adolescent Institute of Uruguay (INAU)

Prepared by: Nadia Rauschert and David Salazar

I. EXECUTIVE SUMMARY

- 1.1 This operation is an investment program in the amount of US\$65 million, of which US\$50 million will consist of proceeds from the loan. The borrower will be the Eastern Republic of Uruguay, the executing agency will be MIDES, with INAU as co-executing agency. MIDES has an organizational and administrative structure that will be responsible for executing the operation's resources, including those executed by INAU, as well as for managing the timely financing of local counterpart contributions from both institutions.
- 1.2 The Fiduciary Agreements and Requirements established for this program are based on MIDES's background as the executing unit for loans 1434/OC-UR (now closed) and 2414/OC-UR, currently in the final execution phase. The risk analysis and the Institutional Capacity Assessment of MIDES and of INAU were also used as inputs.

II. FIDUCIARY CONTEXT OF THE EXECUTING AND CO-EXECUTING AGENCIES

- 2.1 MIDES has experience in executing projects with the Bank, and has a team trained in fiduciary matters. Its procedures and overall internal control environment are considered reasonable as a whole. Although INAU has no previous experience with the Bank, it does have a significant record in constructing Child and Family Care Centers (CAIFs), through a trust it is part of with the National Development Corporation (CND), which administers the corresponding resources. MIDES will be responsible for compiling the information provided by INAU and for providing the relevant accounting.
- 2.2 The country systems, or their equivalents, that will be used for this operation are as follows:
 - a. Budget: Budgetary resources for this operation have been taken into account in the new Five-year Budget Law, for both MIDES and INAU.

- b. Treasury: In order to manage program resources, a special account will be opened at the Central Bank of Uruguay (BCU); that account will be part of the Unified National Account in the name of MIDES. The latter will be responsible for requesting that the Ministry of Economy and Finance transfer the amount required by INAU to an operating account that it specifies (specifically for the program), consistent with the financial planning that INAU submits. INAU will transfer resources to the CND on an annual basis, based on the financial needs of the trust, adjusted according to the monthly flow of funds.
- c. Accounting and financial reporting. MIDES will centralize the loan's accounting records; to this end, it will evaluate use of the National Accounting System, known as the International Projects System, a module within the country's Integrated Financial Information System. INAU has an internal system that was custom developed, in which it will create a new plan for recording the operation's expenditures. The trust will present an accounting of expenditures, certified by a CND accountant.
- d. Internal control. While MIDES does not have an independent internal audit unit, INAU does. This unit is made up of some 10 employees, and answers to the Institute's Board of Directors. It carries out annual planning and management activities. Though it does not have such a unit, MIDES operates within a satisfactory system of internal controls, as part of the functions of the delegated accountants (legal issues) and with involvement of the Court of Accounts of the Republic (TCR).
- e. External control. This function will be carried out by the TCR, an agency with level one eligibility in the Uruguay Country Office's list of eligible accountants.

III. FIDUCIARY RISK EVALUATION AND MITIGATION MEASURES

- 3.1 During the risk workshop, held in April 2016 under the Program Risk Management methodology, fiduciary risks were identified: one, related to problems of obtaining land, was rated as high; two were rated medium and related to: (i) the possibility that a lower financial allotment will be available than was anticipated in program planning, due to general constraints that could affect the Ministry of Economy and Finance; and (ii) delays in securing the advance of funds, due to the complexity of executing the operation. Mitigation measures were agreed upon as part of this document.

IV. CONSIDERATIONS FOR THE SPECIAL CONDITIONS

- 4.1 For accounting in U.S. dollars, the exchange rate in force on the effective date of payment will be used. This method will also apply to accounting for expenditures attributable to the counterpart contribution, as well as the recognition of expenditures, if applicable.

- 4.2 The execution of this operation is complex. It involves transferring resources to MIDES, which will transfer them to INAU, and lastly to the CND. Each of these institutions has their own procedures and accounting schedules. Moreover, the country's budget regulations link the Bank's resources to the commitments of the Integrated Financial Information System (code SIR). Given the volume of CAIF construction works by INAU through the trust, in order to minimize the risk of slowdowns in executing some of the components and to ensure that the execution unit has no liquidity problems, it was agreed that justification of 60% of the advances would be included.
- 4.3 Annual statements are to be submitted within 120 days following the close of each fiscal period, as well as a final statement at the end, to be submitted no later than 120 days after the date of the final disbursement.
- 4.4 The executing agency will submit the trust agreement between INAU and the CND to the Bank for its consent, stipulating that the loan contract be observed and that the Bank's procurement policies apply to all processes executed via this mechanism.

V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

- 5.1 The procurement policies applicable to this loan are the Policies for the Procurement of Works and Goods Financed by the IDB (document GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-9).
- 5.2 Procurement execution
 - a. For Component 2.1, procurement processes are expected to be executed through the trust agreed upon by INAU and the CND. The costs of this trust will be financed with the local contribution. Provided that there are effective national regulations on procedures for the bidders to view the bidding files, as well as the possibility for bidders to access the documents containing the bids, and given that this practice is regulated (TOCAF Articles 65 and 67, and Law 18,381) and has been evaluated by the Bank for operations in execution, the executing agency may, for this operation, make use of such regulations, adapting relevant portions of the bidding documents that are to be used, subject to the Bank's no objection.¹
 - b. Before carrying out any procurement, the executing agency will present the Procurement Plan to the Bank for approval, with details indicating: (i) the contracts for goods and services required to carry out the program; (ii) the proposed methods for the contracting of goods and for the selection of consultants; and (iii) the Bank's procedures for the supervision of contracting. The borrower will update the Procurement Plan at least once every

¹ The procedure described is part of a national practice that promotes transparency in procurement, and it does not conflict with the application the Bank's Policies. In order to ensure that, in practice, the procedure is executed within what the Bank's Policies allow, the bidding documents will require the Bank's no objection.

12 months, based on the program's needs. Any proposed change to the Procurement Plan must be presented to the Bank for its approval.

- c. The agreed Procurement Plan provides for the recontracting of individual consultants previously selected for loan 2414/OC-UR, who will continue to provide services for this operation. This procedure is considered appropriate, due to the need for continuity and based on the satisfactory performance of said consultants.

5.3 The following are the provisions applicable to the execution of procurement:

- a. **Procurement of works, goods, and nonconsulting services:**² Contracts generated and subject to international competitive bidding (ICB) will be executed using Standard Bidding Documents issued by the Bank, with the possibility of incorporating the provisions set forth in paragraph 5.2.a. Bidding subject to national competitive bidding (NCB) will be executed using bidding documents satisfactory to the Bank. Within this category, it has been agreed that the National Printing and Official Publications Division (IMPO)³ will be contracted, pursuant to the attached Procurement Plan. The planned method is appropriate, based on the natural continuity of the services and the need to ensure uniqueness, uniformity, and consistency in official communications.
- b. **Consulting firms:** These will be selected and contracted according to IDB policies. Calls for bids involving international publicity (for amounts above US\$200,000) will be made using an ex-ante review process.
- c. **Selection of individual consultants:** Pursuant to Section V of the Bank's Policies (document GN-2350-9), the use of a short list or the Standard Request for Proposals is not required. The executing agency will follow national procedures, which are complementary to those required by the Bank's policy and do not conflict with the provisions contained in that policy. However, the executing agency must ensure that procedures and timeframes are complied with and that publicity for the calls for bids is valid.

5.4 **Advance procurement/Retroactive financing.** The Bank may provide retroactive financing charged to the loan proceeds for amounts of up to US\$2.8 million (5.6% of the loan amount), and may recognize eligible expenditures, charged to the local contribution, for amounts of up to US\$1.2 million (8% of the estimated amount of the local contribution), incurred by the borrower prior to the date on which the loan is approved, for the contracting of specialized technical staff and for the development of software for the Care

² Policies for the Procurement of Goods and Works Financed by the IDB (document [GN-2349-9](#)), paragraph 1.1: Nonconsulting services are treated as goods.

³ IMPO is the State's official information center, and has legal authority to contract in a manner similar to that of a semipublic business (Law 16,736). IMPO is financially autonomous.

Portal, provided that requirements substantially analogous to those set forth in the loan contract have been met. Such expenditures must have been made no earlier than 11 December 2015 (the date on which the Project Profile was approved), and may in no case include expenditures incurred more than 18 months prior to the date on which the loan is approved. Details of these contracts can be found in the Procurement Plan.

Table of Threshold Amounts for Uruguay (US\$000)

Works			Goods ⁴			Consulting services	
ICB	NCB	Shopping	ICB	NCB	Shopping	International publicity	Short list 100% national
≥ 3,000	250-3,000	≤ 250	≥ 250	50-250	≤ 50 ⁵	> 200	≤ 200

- 5.5 **Main procurement processes:** See the [Procurement Plan](#).
- 5.6 **Procurement supervision.** The ex post review method, subject to modification by agreement to be reflected in the Procurement Plan, will be used initially. ICB and contracting of consulting services for amounts above US\$200,000 will be reviewed on an ex ante basis.
- 5.7 The ex post review reports will be based on physical inspection visits,⁶ given the considerable volume and nature of the works.

VI. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

- 6.1 The correctness of budget allocation in the 2015-2019 Five-year Budget will be verified, and there will be follow-up on its execution.
- 6.2 The project's financial statements are to be issued according to International Financial Reporting Standards. MIDES will evaluate use of the National Accounting System for maintaining accounting records, including transactions of INAU, which will also carry out an independent accounting of program expenditures.
- 6.3 For use of the funds, MIDES will open a special account in the name of the program at the Central Bank of Uruguay, while INAU and the CND will maintain an operating account exclusively for the program. Disbursements will be made using an advance of funds method, based on cash programming for a maximum of six-month periods, in line with the financial needs of MIDES and of the trust, for the CAIFs being financed with program resources.
- 6.4 The program's external auditing reports and the review of procedures and disbursement requests are to be presented for each fiscal year during the disbursement stage, within 120 days following the end of that period. International Auditing Standards and the guidelines issued by the Bank for those purposes are to be taken into consideration.

⁴ Includes nonconsulting services.

⁵ In the case of technically simple goods, shopping may be used for amounts up to the NCB threshold.

⁶ The inspection verifies the existence of the items procured, leaving verification of quality and compliance with specifications to the sector specialist.

VII. FINANCIAL SUPERVISION PLAN

7.1 The following factors will be taken into account:

- a. For the first year of execution, a financial visit is expected to take place, during which emphasis will be placed on the strengthening and training of INAU in regard to the Bank's information procedures and requirements.
- b. The review of disbursement requests will be made on an ex post basis, and verification will be through external auditor, together with the presentation of the program's annual reports.