

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

URUGUAY

PROGRAM TO SUPPORT THE DIGITAL GOVERNMENT STRATEGY

(UR-L1159)

LOAN PROPOSAL

This document was prepared by the project team consisting of: Roberto Fernandez, Project Team Leader; Alejandro Pareja, Alternate Team Leader; Aitor Cubo and Mariana Cataño (IFD/ICS); Catherine Barzi (CSC/CUR); Harold Villalba (SPD/SDV); Emilie Chapuis and Abel Cuba (FMP/CUR); Krysia Avila (LEG/SGO); and Irene Berardo (consultant).

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ABBREVIATIONS

AGESIC	Agencia para el Desarrollo del Gobierno de Gestión Electrónica y la Sociedad de la Información y del Conocimiento [Agency for the Development of e-Government and the Information and Knowledge Society]
CGR	Contaduría General de la República [General Accounting Office]
AWP	Annual work plan
EGDI	e-Government Development Index
EUTIC	Encuesta de Usos de las Tecnologías de la Información y la Comunicación [Survey on Uses of Information and Communication Technologies]
INE	Instituto Nacional de Estadística [National Statistics Institute]
MEP	Multiyear execution plan
OECD	Organization for Economic Cooperation and Development
OSI	Online Services Index
PMR	Progress monitoring report
SIIF	Sistema Integrado de Información Financiera [Integrated Financial Information System]
SPI	Sistema de Proyectos Internacionales [International Projects System]
TCR	Tribunal de Cuentas de la República [National Audit Office]
TOCAF	Texto Ordenado de Contabilidad y Administración Financiera [Consolidated Code of Accounting and Financial Administration]
UNDP	United Nations Development Programme
UNOPS	United Nations Office for Project Services

PROJECT SUMMARY

URUGUAY PROGRAM TO SUPPORT THE DIGITAL GOVERNMENT STRATEGY (UR-L1159)

Financial Terms and Conditions				
Borrower:			Flexible Financing Facility ^(a)	
Eastern Republic of Uruguay			Amortization period:	25 years
Executing agency:			Disbursement period:	5 years
Eastern Republic of Uruguay, acting through the Agency for the Development of e-Government and the Information and Knowledge Society (AGESIC)			Grace period:	5.5 years ^(b)
Source	Amount (US\$)	%	Interest rate:	LIBOR-based
IDB (Ordinary Capital):	US\$25 million	83.33%	Credit fee:	(c)
			Inspection and supervision fee:	(c)
Local:	US\$5 million	16.67%	Weighted average life:	15.25 years
Total:	US\$30 million	100%	Currency of approval:	U.S. dollars
Project at a Glance				
Project objective/description: The program will help lower transaction costs for citizens and businesses accessing public services by simplifying procedures at the sector level and increasing the use of digital channels for doing business with the government.				
Special contractual conditions precedent to the first disbursement: The borrower, either directly or through the executing agency, has provided evidence to the Bank that the program general coordinator has been appointed (see paragraph 3.7).				
Exceptions to Bank policies: None.				
Strategic Alignment				
Challenges: ^(d)	SI	<input type="checkbox"/>	PI	<input checked="" type="checkbox"/>
			EI	<input type="checkbox"/>
Crosscutting themes: ^(e)	GD	<input checked="" type="checkbox"/>	CC	<input type="checkbox"/>
			IC	<input checked="" type="checkbox"/>

^(a) Under the terms of the Flexible Financing Facility (document FN-65-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, and commodity conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

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

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

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

^(e) 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 addressed, and rationale

- 1.1 **Context.** Uruguay is well positioned in terms of Internet availability and access. The Internet is used by 68.3% of the population, whereas the average is 62.3% for Latin America and the Caribbean, and 75.3% for the United States.¹ The country has also achieved a very high level of e-government development. A 2018 United Nations survey ranked Uruguay 34th out of 193 countries.² These advances have led to international recognition for the country, in particular its inclusion in the “Digital 7” group in 2018.³
- 1.2 The country has a Digital Uruguay Agenda⁴ and an e-Government Plan 2020, which guide the digital development plans of each of the different government agencies. The most relevant major focus areas of the plan for the problems addressed by the proposed operation are: (i) “next-door government,” which promotes universal communication between citizens and government through digital means, comprehensive and unified access by citizens to government portals, and the transformation of government services for citizens and businesses; (ii) “smart government,” which promotes intensive use of data and emerging technologies for the generation and analysis of structured information to be used in designing proactive services; (iii) “efficient government,” which calls for the development of shared assets and services and the digitization of public records; and (iv) “trustworthy e-government,” which promotes universal digital identification.
- 1.3 In Uruguay, 51% of citizens who used the Internet in 2016 visited the websites of public agencies, 39% obtained public information, 29% downloaded public files or forms, 20% sought government employment, 21% requested in-person appointments or certificates, and 11% paid online for government services or transactions.^{5,6}
- 1.4 In recent years, Uruguay has made significant gains in online access to services and interactions between citizens and public agencies. The government launched the crosscutting “100% Trámites en Línea” [Procedures 100% Online] program in 2015,

¹ Source: International Telecommunications Union.

² Source: [United Nations e-Government Development Index \(EGDI\)](#). Uruguay is the only Latin American country with EGDI scores regarded as very high by the United Nations, joining two other frontrunners of the Americas in that group—the United States and Canada (positions 11 and 23, respectively). Uruguay obtained a score of 0.7858 on the EGDI index, which is the weighted average of three subindexes: (i) the online services index (OSI); (ii) the telecommunication infrastructure index; and (iii) the human capital index.

³ The “D7” is a collaborative network of countries with high digital development and a clear emphasis on continued progress in that direction, consisting of Canada, South Korea, Estonia, Israel, New Zealand, the United Kingdom, and Uruguay. The group became “Digital 9” in November 2018, with the addition of Mexico and Portugal.

⁴ This agenda is a map of all initiatives related to the information and knowledge society aligned with the country’s development goals, carried out by different public and private institutions.

⁵ The percentages in this survey do not add up to 100%, since each individual may use more than one service. Source: National Statistics Institute (INE), Survey on Uses of Information and Communication Technologies (EUTIC), 2016.

⁶ Although these data should be taken with a grain of salt, as they date from 2016, they illustrate the varying relative adoption according to the different uses.

to bring the State and citizens closer together, reducing travel and waiting costs, and bridging gaps in equal access to services caused by mismatches between the distribution of the population and the locations of government offices that do business with the public. To meet its objective, the program aimed to offer the option of online access for 100% of central government transactions by 2020, thereby expanding the channels for citizens to interact with those public agencies. The Bank is supporting this program through loan 3625/OC-UR, now in execution, “Program for Improvement of Public Services and State-Citizen Interaction.”⁷

- 1.5 Under the program, as of December 2018, 96% of the 1,630 central government transactions and services could be started online, and 68% could be completed online from start to finish.⁸ This and other achievements have earned Uruguay 27th place worldwide, and third place in Latin America, on the United Nations e-Government Index (2018).⁹
- 1.6 Uruguay’s gains as described in the preceding paragraphs were made possible through a joint effort by the central government agencies under the leadership of the Agency for the Development of e-Government and the Information and Knowledge Society (AGESIC), which reports to the Office of the President with the key mandate to promote the adoption of information and communication technologies in the operations of public agencies and services.¹⁰ The institutional framework selected by Uruguay for e-government, with a lead agency close to the head of the executive branch, follows good international practices in this regard and is viewed as one of the key factors in the country’s steady progress in developing digital government.
- 1.7 Since AGESIC’s founding, the Bank has supported successive digital development agendas across a range of financial instruments: five investment loans, three regional public investment operations, one national technical cooperation operation, and supports for specific areas through components in regional technical cooperation projects.¹¹ These operations supported the development of: (i) a private fiber-optic network connecting the headquarters of government agencies; (ii) an interoperability platform; (iii) a document management tool (“electronic file”) available to the entire public administration; (iv) a public management innovation lab;

⁷ The program is executing as originally scheduled.

⁸ Refers to transactions with central government agencies and excludes decentralized institutions, state-run companies, and departmental and local governments. Source: AGESIC.

⁹ The online services subindex takes into account the features of national portals, as well as the policies and strategies instituted for the delivery of government services online, both at the level of the central government and in specific sectors. The index ranges from 0 to 1, where 1 corresponds to the score of the world’s most advanced country in this area. Uruguay received a score of 0.89, or 11% below Denmark (1.0), which was the world leading on this dimension in 2018. The OSI is part of the general e-government development index mentioned in paragraph 2.1. Source: United Nations, 2018 e-Government Development Survey.

¹⁰ AGESIC is a deconcentrated agency within the structure of the Office of the President of the Republic, established under Law 17930 of 19 December 2005 (Article 72). Its mandate was established by Decree 205/2006 of 26 June 2006, and the authority of its senior officers by Decree 307/2007 of 27 August 2007.

¹¹ Loans 1970/OC-UR, 2591/OC-UR, 3007/OC-UR, 3625/OC-UR, and 4300/OC-UR; regional public goods ATN/OC-14351-RG, ATN/OC-14357-RG, and ATN/OC-15822-RG; and national technical cooperation operation ATN/AA-15240-UR.

- (v) a national electronic clinical history program; and (vi) a national information security response center and a government security operations center.
- 1.8 Despite Uruguay's notable progress in making digital services available and successes achieved with the projects previously implemented with IDB support, the adoption and daily use of available digital media and services by citizens, businesses, and public officials is a medium- to long-term process, particularly given the cultural and behavioral changes involved. In this sense, the data presented in paragraph 1.3 show that there is still much room for continued progress in lowering transaction costs for citizens and businesses that interact with the government.
- 1.9 Consequently, the general problem to be addressed is the high transaction costs for citizens and businesses when they access public goods and services or comply with their legal or regulatory obligations. For the universe of 1,630 central government transactions, in 2018, 832,000 were conducted through the digital channel to process all or part of a transaction. Considering that fewer than 10% of citizens conducted their last transaction, even partially, through digital channels,¹² a broad margin clearly exists for increasing online transaction volumes, leading to substantial cost savings.¹³ For example, obtaining a copy of a birth certificate is a transaction performed 750,000 times a year at a cost of US\$11 each time.¹⁴ Various business transactions, such as the registration and modification of corporations and limited liability companies at the General Registry Office, which average 8,800 transactions a year, involve a large number of in-person visits by company representatives that could be abolished or reduced. The complexity of transactions frequently affects women in particular, whether on account of difficult access to services targeted specifically to them (e.g., services related to gender violence) or to services for children, the elderly, and the disabled (e.g., health, education, and other social services), who often depend on women for support and are therefore affected by the difficulties in access.
- 1.10 **The main challenge.** This general problem is caused by the following specific problems: (i) complexity of transactions; and (ii) low utilization of the transactions available online.¹⁵
- 1.11 **High complexity of transactions.** Despite the progress made, transactions continue to be relatively complex for citizens and businesses. This is caused by a number of factors that the program will attempt to address under Component 1. First of all, many external documents and unnecessary steps are required to complete transactions. The real estate registration procedure in Uruguay involves nine steps, which is almost double the 4.7 steps in the OECD countries and above the average

¹² Source: B. Roseth et al., *Wait No More: Citizens, Red Tape, and Digital Government*, IDB (2018), p. 26, Figure RE5.

¹³ No data are available on the universe of annual transactions via all existing avenues.

¹⁴ Preliminary estimate of the number of requests. Source: General Registry Office and Montevideo Municipal Government. The cost of US\$11 refers to a traditional in-person transaction and consists of a fee charged by the Registry for issuing the birth certificate (US\$3); the cost of transport for the person visiting the office (US\$2 for two bus tickets); and an opportunity cost of the citizen's time (US\$6 for productivity or wages lost during the visit to the office).

¹⁵ Online instead of in-person transactions reduce transaction costs for citizens due to time saved and lower travel costs to offices. Therefore, limited adoption of this method runs counter to a general reduction in transaction costs.

of 7.2 steps for Latin America.¹⁶ An indirect sign of this complexity is the high rate of transactions abandoned after beginning online in Uruguay: 78% of transactions begun online in the first half of 2019 were not completed, which is a reflection of obstacles or unexpected requirements in general.¹⁷

- 1.12 Second, even when performing online transactions, going through the different stages involved is neither easy nor satisfactory from the citizen's standpoint. One sign is that in Latin America 55% of individuals were only somewhat satisfied or dissatisfied with their most recent online experience.¹⁸ Furthermore, those engaging in transactions in Uruguay are more satisfied with transactions performed in person than online.¹⁹
- 1.13 A third cause of the high complexity of transactions lies in the relative backlog of public records, because many transactions by individuals and companies require documents issued by public registries of persons, property, and acts of law, such as certificates of birth, changes in marital status, incorporations and corporate modifications (businesses), and others. Problems of access, complexity, or high costs at registry offices cause dissatisfaction among users of many services and sectors. Public records offices are old institutions governed by rules that have generally been in force for a long time. Certain inherent characteristics of public records offices limit effective and efficient management: (i) they are highly protective of their information; (ii) they require multiple in-person interactions as a way of preventing identity theft; and (iii) their internal operating processes are very hands-on and complex. These limitations lead to several different problems: (i) they generate high transaction costs for citizens and businesses; (ii) they entail slow and cumbersome processes for managing documentary information; (iii) they limit the possibility of exchanging information electronically with public agencies that require affidavits or certificates from them for their transactions; and (iv) they are highly resistant to modernization.²⁰
- 1.14 A further cause has been identified in the dependence of transactions on paper filing systems, which is the source of considerable delays in locating citizen data, recording new information, and storing it in an orderly manner.²¹
- 1.15 A fifth cause of high complexity relates to the precautions to be taken by public agencies to ensure the identity of people requesting documents, services, or

¹⁶ Source: World Bank, Doing Business index, 2018.

¹⁷ This percentage is thought to be overstated owing to failure by some users and government employees to finalize an online transaction, even though it was completed successfully. Although no robust statistics are available on abandonment of online transactions that were initiated, some preliminary estimates suggest that the completion rate is just 22%, equivalent to an abandonment rate of 78%. Source: AGESIC. AGESIC is taking steps to improve its methodology for measuring these rates. The level of abandonment is considered a proxy indicator for the quality and user-friendliness of online transactions.

¹⁸ Refers to a survey of advanced Latin American users. Source: B. Roseth et al., *Wait No More: Citizens, Red Tape, and Digital Government*, IDB (2018), p. 140.

¹⁹ Source: *Simplificando Vidas [Simplifying Lives]*, A. Pareja et al., (2016), p. 56, Table 4.

²⁰ An estimated 880,000 birth certificates are issued each year, representing the equivalent of 25% of the population, while 45,000 births and 35,000 deaths are recorded in a year. Each year the General Property Register issues 127,000 documents related to real estate, 115,000 related to motor vehicles, and 19,300 related to commercial enterprises.

²¹ No reliable data are available on these microprocesses in Uruguay's core government functions.

- benefits. This means that citizens need to appear in person at the institutions' offices to confirm their identity through identification documents and facial confirmation.
- 1.16 A sixth cause relates to the technical capacity limitations of public agency employees to handle data and service processes quickly and effectively, making more streamlined and proactive transactions difficult to implement.
 - 1.17 Lastly, although a crosscutting gender equality strategy is active within the Uruguayan government, challenges remain in service delivery and the performance of specific transactions. Access to health and social assistance services in circumstances of gender-based violence, workplace harassment, and services related to the care system presents difficulties owing to the many different agencies providing such citizen services. These difficulties affect women in particular and create additional hurdles and high costs in accessing highly sensitive public services.
 - 1.18 **Low effective use of online access to government services by citizens.** Just 5% of Uruguayans performed their last government transaction online from start to finish in 2018, whereas 9.5% did so partially. The low adoption index is not restricted to Uruguay but is widespread in the region and even internationally. Uruguay's rate of adoption is somewhat above average for Latin America, where 3.7% performed their most recent transaction completely online, and 7.4% did so partially.²² Citizen behavior with regard to online transactions is attributed to many factors, such as citizen confidence both in the technology itself and in the agencies' ability to manage technology. The self-confidence of individuals in their ability to overcome any difficulties that arise during an online transaction also plays a role. The relative sluggishness of culture change in society, particularly among certain age groups, contrasts with the relative speed of technological change in information management and communication. Whereas just 9% of adult Internet users made an appointment or requested certificates or permits online in 2010, that figure was 21% in 2016;²³ in other words, the adoption of online government services is increasing gradually, albeit more slowly than online service offerings.
 - 1.19 The limited adoption of online transactions can be attributed to several factors: (i) although a catalogue of transactions and services (tramites.gub.uy) exists containing information about online access to all transactions and services offered by the central administration, from the viewpoint of the citizen it is still difficult to identify the chain of transactions necessary to meet a specific individual need; (ii) although Internet access is high in Uruguay, many people are unaware of the availability of online transactions or do not have confidence in themselves to complete those transactions online. In 2017, 67% were still unaware of the existence of the tramites.gub.uy portal, and 53% lacked the self-confidence to make purchases

²² Source: Wait No More: Citizens, Red Tape, and Digital Government, IDB (2018), based on 2017 Latinobarómetro survey data. For a sample of 10 transactions at six government ministries, digital use in 2018 accounted for 4.5% of a total of 405,000 transactions. Source: AGESIC. In Spain and the United Kingdom, about 33% of citizens performed at least one online transaction in 2017. Source: OECD, Government at a Glance (2017).

²³ Source: National Statistics, Information, and Communication Bureau (2016).

or perform transactions online;²⁴ (iii) public agencies lack the capacity to promote digital relationships with the users of their services and implement mechanisms for citizen participation; (iv) not enough is known about citizen attitudes and preferences relating to the different types of types of public transactions;²⁵ and (v) public agencies have limited capacity to store and process information, which stands in the way of more nimble and efficient service management both in internal processes and in direct service for the public.²⁶ Component 2 of the program will develop outputs and activities to address these five factors.

- 1.20 **Complementarity with other Bank operations.** The proposed program is complemented by an operation to strengthen cybersecurity in Uruguay, now in preparation, that will provide AGESIC with advanced tools to protect the country's digital environment, including public and private institutions. This is relevant since it will protect the agencies' cyberspace for digital transactions and information systems and databases, which will make users of digital channels for their personal or business transactions more confident, safeguarding them in particular from identity theft, which is one of the main worries of users and institutions. Sensors will be installed to detect malicious activity throughout the data network, in order to improve the early detection of cybersecurity incidents.²⁷ Technical and operational coordination is assured between these programs and loans 3625/OC-UR and 4300/OC-UR, now in execution, since the agency's executive director provides unified leadership for them, supported by the agency's management offices, which offer technical direction, as well as the Strategic Management Unit for joint monitoring of activities and outputs.
- 1.21 **Bank experience and lessons learned.** This project will draw on the Bank's experience in other operations to support modernization of transactions and public services, including the Programs to Support e-Government Management in Uruguay, phases I and II (1970/OC-UR and 2591/OC-UR), Program for Improvement of Public Services and State-Citizen Interaction (3625/OC-UR), and e-Government Management Project in the Health Sector I and II (3007/OC-UR and 4300/OC-UR). The Bank has also supported projects in Chile (3298/OC-CH), Ecuador (3073/OC-EC and 4364/OC-EC), Panama (3683/OC-PN), and Peru (4399/OC-PE). The proposed project will capitalize on the lessons learned from these experiences, such as the advisability of unified leadership of project strategy/policy and the need for strict monitoring of contracting processes. The

²⁴ Self-confidence in purchasing and performing transactions online has increased considerably, from 33% of citizens in 2013 to 47% in 2017. According to citizens themselves, 45% of adult Internet users made online payments in 2017 (compared to just 10% in 2014). Both indicators have evolved very positively. Source: Encuesta de Conocimientos, Actitudes y Prácticas de Ciudadanía Digital [Survey of Digital Citizenship Knowledge, Attitudes, and Practices], AGESIC, 2017.

²⁵ AGESIC conducts a survey on knowledge, attitudes, and practices that provides information about citizen behavior on the Internet and its use for online e-commerce, financial transactions, and public transactions. However, it does not get into a detailed examination of the factors standing in the way of greater use of online transactions.

²⁶ In its current configuration, neither the information system infrastructure nor the programs are capable of coping with the rapid adoption of online transactions.

²⁷ AGESIC is responsible for cybersecurity in Uruguay and has a Computer Emergency Response Team (CERT) and a Government Security Operation Center (GSOC). Both have human and technological resources capable of protecting the investment in technology to be made under the proposed operation.

project will also capitalize on the lessons learned from loans 1970/OC-UR²⁸ and 2591/OC-UR²⁹ related to the use of competitive funds as an instrument to promote reforms or innovations at different public agencies. The lessons learned from loan 3625/OC-UR will also be drawn upon in relation to contracting multiple consulting firms in a single bidding process to provide similar services in different sectors or institutions, with the consequent savings in processing times and administrative costs. Lastly, use will be made of the lessons learned from loan 3007/OC-UR relating to the relevance of coordinating interests and objectives with different players in academia, businesses, and others interested in the problem, through the establishment of consultative councils.

- 1.22 The project will benefit from the conclusions and findings of Bank studies on service delivery and administrative simplification for more efficient and effective public management. The analysis published in “Governments That Serve”³⁰ concludes that it is crucial to improve three drivers of organizational management: (i) integration, (ii) simplification, and (iii) management, since they bring about improvements in government effectiveness and citizen satisfaction. The quality of public services and citizen satisfaction was surveyed and analyzed in several countries of the region in the study “Simplifying Lives,”³¹ and evidence was found of the effectiveness of adopting information and communication technologies and citizen relationship management,³² since they lead to greater citizen satisfaction with public services and government institutions in general. Lastly, the publication “Wait No More”³³ presents the different types of benefits generated by digital transactions and analyzes the factors that help or hinder their adoption by citizens,³⁴ and has been used in the design of the proposed project.
- 1.23 **Strategic alignment.** The program is consistent with the Update to the Institutional Strategy 2010-2020 (document AB-3008) and aligned with the challenge of productivity and innovation, since it promotes government innovation through digital transformation and the implementation of projects based on emerging technologies. The program is also aligned with the crosscutting areas of: (i) gender equality and diversity, through the simplification and improvement of at least 10 transactions related to social, police, and health services to address gender problems, including violence and harassment (see paragraph 1.26); and (ii) institutional capacity and rule of law, through its crosscutting strengthening of the State for digital transformation and delivery of government services. In addition, the program will contribute to the Corporate Results Framework 2016-2019 (document GN-2727-6), since it will help to raise the number of “government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery.” The program is aligned with the Sector Strategy: Institutions for Growth

²⁸ See: [Program to Support e-Government in Uruguay](#).

²⁹ See: [Program to Support e-Government in Uruguay, Phase II](#).

³⁰ See: [Governments that Serve](#). P. Farias et al., IDB (2016).

³¹ See: [Simplifying lives: Quality and Satisfaction in Public Services](#). Alejandro Pareja et al., IDB (2016).

³² Through customer relationship management systems, for example.

³³ See: [Wait No More: Citizens, Red Tape and Digital Government](#), B. Roseth et al. IDB (2018).

³⁴ The main factors influencing citizen adoption are: (i) the availability of online transactions; (ii) individual ability in areas such as connectivity, familiarity with the Internet, etc.; (iii) the quality of user experience with online transactions; and (iv) preferences and other cultural factors.

and Social Welfare (document GN-2587-2), through its contribution to “institutions for innovation and technological development,” particularly the objectives to: (i) improve policies and governmental action in the ICT sector; (ii) develop advanced human capital; and (iii) strengthen institutions and networks. The program is aligned with the IDB country strategy with Uruguay 2016-2020 (document GN-2836) in the priority area of “greater efficiency in public institutions,” through the strategic objective of “strengthening public management systems.” Lastly, the operation has been included in the Update to Annex III of the 2019 Operational Program Report (document GN-2948-2).

- 1.24 **Strategic approach.** In the context described, the program’s general strategy is to maximize the adoption of electronic transactions and services by improving access channels and bringing about digital transformation through the use of existing or new shared assets already³⁵ with active change management in internal processes in the different public agencies.

B. Objectives, components, and cost

- 1.25 **Program objective.** The program will help lower transaction costs for citizens and businesses accessing public services by simplifying procedures at the sector level and increasing the use of digital channels for doing business with the government. It has three components.
- 1.26 **Component 1. Simplification of transactions at the sector level (IDB: US\$9,170,159; Local: US\$1,834,472).** The objective of this component is to make better quality and more user-friendly central government transactions available for citizens and businesses. To that end, the component will finance: (i) Simplification of selected transactions by eliminating requirements, through increased use of interoperability and incorporating proactive actions by institutions toward citizens.³⁶ The quality of 513 transactions will be improved, to be selected based on: (a) high use levels; (b) largest number of citizen complaints regarding their operation; (c) unsatisfactory software quality evaluations; and (d) the possibility of eliminating requirements through their interoperability with the databases of different agencies. (ii) Improvement in the quality of the online channel, including the incorporation of emerging technologies.^{37 38} (iii) Reengineering and digitization of registers of

³⁵ Some examples of shared assets are crosscutting tools such as e-notices, digital notifications, and proxy management, which AGESIC designs, contracts for development, and makes available to all government agencies free of charge.

³⁶ Through actions such as automatic renewals of official documents.

³⁷ Such as artificial intelligence, robotic process automation, blockchain, etc. [AGESIC](#) is responsible for “investigating new technologies, participating in pilot projects, and promoting the adoption of new information tools.” It plays a key role in advising and guiding the other government institutions in how to make the most of the new information and communication technologies efficiently and effectively, including the incorporation of emerging technologies.

³⁸ Outputs (i) and (ii) will be partially implemented through the competitive funds mechanism (see paragraph 3.8 and [optional link 2](#)).

property and persons.³⁹ (iv) Development and implementation of a paperless administrative management model. (v) Development and implementation of a new model for citizen identification and service. (vi) Training for public officials in the maintenance and sustainability of online transactions.⁴⁰ (vii) Simplification and improvement in transaction quality, with a gender focus, improving ease of access and quality of service in 10 social, police, and health services dealing with gender issues, including gender violence.

- 1.27 **Component 2. Tools to increase adoption of the digital channel (IDB: US\$8,641,462; Local: US\$1,728,707).** The objective of this component is to increase use and adoption of the digital channel by citizens. It will finance: (i) consolidation of the unified portal strategy (<https://www.gub.uy/>); (ii) design and introduction of a strategy for citizen awareness and training;⁴¹ (iii) development and implementation of tools for participation to be used by multiple public agencies;⁴² (iv) development and implementation of tools to analyze the use and performance of citizen service channels;⁴³ and (v) strengthening of cloud storage and computing capacity to support increases in data and traffic on account of heavier use of online transactions.
- 1.28 **Component 3. Crosscutting strengthening of the State for digital transformation (IDB: US\$6,426,420; Local: US\$1,285,593).** This is a support component to make the implementation and sustainability of the other program components feasible by providing the public administration in general with shared assets and capacity to manage digital government, and strengthening AGESIC's lead role.⁴⁴ The component will finance the following activities: (i) implementation of a model for organizational digital transformation;⁴⁵ (ii) development of a holistic data

³⁹ A wide variety of transactions by a host of government agencies demands that citizens and businesses present affidavits or certificates, which are issued by public registry offices, as a requisite for transactions or services. Therefore, registries are closely interrelated operationally with government transactions. Furthermore, registries maintain large volumes of data, both as stock and as flow, which require high levels of security. Therefore, rationalization and digitization of registers merits special attention under the program.

⁴⁰ AGESIC has a change-management team that provides support for agencies needing it on account of their internal capacity. Under AGESIC's leadership, a practice community is operating with participation of public institutions, consulting firms, and academia.

⁴¹ The strategy will include special emphasis on minimizing gaps in access to online transactions by groups that are relatively marginalized in the use of technology, such as persons with little education, older adults, and those living in remote areas. The actions already under way will be supported through the Plan Ibirapitá (laptops for retirees/older adults), activities of social organizations active around the country, and the Ministry of Social Development initiatives.

⁴² Refers to different avenues such as forums, chat groups, surveys, and others, through which citizens can express their viewpoints or initiatives on topics of public interest.

⁴³ These tools, which are potentially destined for all central government agencies and units, are designed to study citizen behavior in their interaction with digital transactions from the quantitative and qualitative standpoints. This output will be partially implemented through competitive funds (see paragraph 3.8 and [optional link 2](#)).

⁴⁴ As part of its lead role in digital government, AGESIC is responsible for preparing technical documents, conducting concept tests, holding technical seminars, and issuing technical guidelines and standards for application by the different government agencies.

⁴⁵ Includes the fine-tuning and modernization of different crosscutting tools such as e-notices, digital notifications, electronic files, digital files, electronic agendas, and proxy management. This output will be partly accomplished through the competitive funds mechanism (see paragraph 3.8 and [optional link 2](#)).

management model (Data 360); and (iii) support for a strategy for the country's international positioning and relations in the area of digital development.⁴⁶

- 1.29 **Project coordination and administration (IDB: US\$761,959; Local: US\$151,228).** An estimated US\$913,187, equivalent to 3% of the total cost of the program, has been identified for coordination, auditing, monitoring, and evaluation.
- 1.30 **Main beneficiaries.** The end beneficiaries will be citizens in general, who will spend less time conducting their business and save money on travel to visit government offices to request services or comply with their obligations. As users of transactions, companies will bear lower operating costs because the total number of steps in transactions will be reduced, there will be fewer requisites, and in-person interactions will be replaced by online interactions. Public employees will also benefit from more advanced technological tools to carry out their functions.

C. Key results indicators

- 1.31 **Expected outcomes.** The main expected outcomes are: (i) a reduction in the time invested by citizens and businesses in interacting with public services, measured by the expenses and time required to conduct their transactions; (ii) a reduction in the rate of abandonment of transactions begun online; and (iii) an increase in the use of the digital channel for transactions by citizens and businesses.
- 1.32 **Economic evaluation.** The project is expected to yield reasonable economic returns, with a net present value (NPV) of US\$7.3 million, an internal rate of return (IRR) of 24%, and a cost-benefit ratio of 1.29. The benefits were estimated based on the transaction costs saved by citizens and businesses through a reduction in in-person interactions to complete their transactions. That cost is composed of the value of the time required to travel to an office for a personal visit plus the cost of transportation and was valued at US\$7.95 per interaction avoided in the [project economic analysis](#). In an adverse scenario with low rates of online transaction use by citizens and businesses, the NPV would be US\$0.5 million, the IRR, 13%, and the cost-benefit ratio, 1.02. In a favorable scenario marked by high use rates, the NPV would be US\$20.9 million, the IRR, 41%, and the cost-benefit ratio, 1.85.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 The program has a total cost of US\$30 million. Of that amount, US\$25 million will be financed by the Bank through a specific investment loan from the Ordinary Capital, and US\$5 million will be financed with a local contribution. The expenditure categories to be covered by the project include procurement of goods, services, and consulting services. The project's financial costs and current expenditures will be covered by Uruguay's General Treasury Office. All inherent project costs will be

⁴⁶ The output is intended to link the country in different international environments in digital development, including relations with international agencies, government, and firms. It covers venues such as the D9 Group and support for the Ministry of External Affairs, which established a consulate in San Francisco, whose priority is to foster relations with leading institutions in the world technological revolution with a presence in that area.

eligible for financing from the loan proceeds, including taxes on procurements and contracts.

- 2.2 The projected execution and disbursement periods are five years, based on the planned programming of activities. The estimated costs per component and annual disbursements are shown below in Tables 1 and 2.

Table 1. Estimated Program Costs (US\$ million)

Component	IDB	Local	Total	%
Component 1. Simplification of transactions at the sector level	9.2	1.8	11.0	36.68
Improvement in transaction quality	3.7	0.7	4.4	14.76
Digital identification	1.2	0.2	1.4	4.64
Registries of persons, businesses, and property	1.8	0.4	2.2	7.44
Paperless administrative management	1.2	0.2	1.4	4.48
Citizen identification and service	1.0	0.2	1.2	4.08
Training	0.3	0.1	0.4	1.28
Component 2. Tools to increase adoption of the digital channel	8.7	1.7	10.4	34.57
Gub.uy portal	3.6	0.7	4.3	14.38
Citizen awareness and training	1.1	0.2	1.3	4.31
Citizen electronic participation	0.9	0.1	1.0	3.39
Analysis of service channels	0.3	0.1	0.4	1.33
Cloud storage and computing	2.8	0.6	3.4	11.16
Component 3. Crosscutting strengthening of the State for digital transformation	6.4	1.3	7.7	25.71
Portfolio for administrative management of documents	1.0	0.2	1.2	4.05
Organizational digital transformation model	4.5	0.9	5.4	18.13
Holistic data management model	0.3	0.1	0.4	1.37
International positioning strategy	0.6	0.1	0.7	2.16
Project administration and coordination	0.7	0.2	0.9	3.04
Total	25	5	30	100

Table 2. Annual Disbursements (US\$)

Source	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
IDB	2,500,000	6,000,000	6,000,000	6,000,000	4,500,000	25,000,000
Local	206,875	1,204,193	1,156,219	1,278,740	1,153,973	5,000,000
%	9.02	24.02	23.85	24.26	18.85	100

B. Environmental and social safeguard risks

- 2.3 The operation has been classified at category “C” under the Bank’s Environment and Safeguards Compliance Policy (document GN-2208-20, Operational Policy OP-703). The program will not finance any physical infrastructure component, so no environmental or associated social risks are anticipated.

C. Other key risks and issues

- 2.4 The following risks were identified:

- a. **Public management and governance.** Three moderate risks have been identified. (i) Potential change in project priority if the authorities change after the 2020 elections. To mitigate this risk, a dialogue will be maintained with future authorities as part of the 2019-2020 government transition. (ii) Lack of cooperation in simplification and digitization by the heads of government institutions. To mitigate this risk, AGESIC’s authorities will conduct awareness activities through direct dialogue with the senior managers of the government institutions involved. This will be supplemented as necessary by guidelines from the Office of the President of the Republic, to which AGESIC reports directly. (iii) The amount of funding authorized by the government for execution of the program may be reduced in the event of future general budget constraints. To mitigate this risk, AGESIC’s senior authorities will conduct awareness activities through direct dialogue with key political actors, to raise awareness of the positive impact of investing in AGESIC on the efficiency of information technology expenditures in particular and public expenditures in general.
 - b. **Development.** Two moderate risks have been identified. (i) Limited supply of personnel specializing in the development and sustainability of the program’s outputs. This risk will be mitigated through internal training for selected staff and in-service training.⁴⁷ (ii) Potential lack of support by employees of government agencies. This risk will be mitigated through dissemination and awareness activities.⁴⁸
- 2.5 **Sustainability.** The investments in technology will be kept operational through actions and financing shared by AGESIC and central government institutions—an approach that has worked smoothly since AGESIC was established. For technical sustainability, AGESIC has its own data center and systems development team, which are both capable of keeping the services and technological investments to be

⁴⁷ This training forms part of AGESIC’s permanent activities which are funded from sources outside the proposed program.

⁴⁸ Activities planned and budgeted as part of Output (vi) of Component 1: Training for public officials in the maintenance and sustainability of online transactions.

implemented under the project operational. For financial sustainability, the five-year budget will include the funds necessary to ensure ongoing operation of the services and infrastructure.⁴⁹ In addition, the sustainability of the competitive funds projects will be promoted through two instruments: (i) AGESIC will appoint a project chief to support the beneficiaries of the competitive funds in the use and maintenance of the services and systems implemented; and (ii) the consulting contracts with the winning firms will include actions for change management and implementation.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Execution mechanism.** The program will be executed by the Eastern Republic of Uruguay, acting through the Agency for the Development of e-Government and the Information and Knowledge Society (AGESIC), the institution responsible for e-government and the information society in the country. Experience with AGESIC as executing agency of Bank programs has been positive, and it possesses sufficient technical and administrative capacity.
- 3.2 **Internal coordination mechanism.** The program will have a coordinator to produce, supervise, and/or approve: (i) preparation of the annual work plans and procurement plans, and supervision of their implementation; (ii) regular activity monitoring reports; (iii) accounting and disbursement requests to the Bank; and (iv) evaluations. The coordinator will be appointed by AGESIC's executive director and financed by AGESIC. To ensure effective coordination between the program and AGESIC's general activities, the coordinator will work in close coordination with AGESIC's executive director and Strategic Management Division.
- 3.3 Regarding management of the operational and fiduciary aspects of the program, the coordinator will receive support from the following AGESIC units: (i) the Strategic Management Division for annual and multiyear physical and financial planning, monitoring outputs and activities, and preparing status reports; (ii) the Procurement Division for managing the procurement of goods and nonconsulting and consulting services provided by firms; (iii) the Human Management Division for contracting and managing the contracts of individual consultants; (iv) the Accounting and Finance Division for accounting records, preparation of financial statements, management of payments to suppliers, and preparing expenditure justifications to be submitted to the Bank; and (v) the Office of the Secretary-General and Legal Division to support bid management and advise on the language of contracts and bidding documents.
- 3.4 For technical management of outputs and activities, the coordinator will receive support from AGESIC's technical areas for: (i) technical planning of activities; (ii) preparation of terms of reference, supervision of firms that supply consulting services, goods, and nonconsulting services, and individual consultants; and (iii) progress reporting on outputs and activities financed by the program. Planning and supervision of the outputs and activities of Component 2 will be supported by the Digital Citizenry technical area, and Components 1 and 3 will be supported by the following technical areas: (a) Digital Services; (b) Organizational Change;

⁴⁹ The project cost is secondary in relation to AGESIC's total budget, which favors sustainability of the investments.

- (c) Information Security; (d) Infrastructure and Operations; and (e) Information Technologies.
- 3.5 To take the interests and plans of public institutions and private businesses into account during program planning and implementation, the coordinator will be supported, as necessary, by two honorary advisory councils already existing at AGESIC, one consisting of technical experts and managers of public institutions, and the second of companies in the information and communication technology sector. Meetings of these councils with public and private sector delegates and representatives offer an avenue for dialogue and consultation on different aspects of digital development that allow for the exchange of information and the unification of criteria for development objectives and plans.
- 3.6 For interagency coordination, AGESIC will sign agreements and work plans with the institutions where initiatives financed by the program will be implemented.⁵⁰
- 3.7 **Special contractual conditions precedent to the first disbursement: The borrower, either directly or through the executing agency, has provided evidence to the Bank that the program general coordinator has been appointed.** This is a key role for programming and implementation of the operation.⁵¹
- 3.8 **Competitive funds.** The program plans to use the competitive funds mechanism instituted in operations 1970/OC-UR and 2591/OC-UR to promote the involvement and commitment of public institutions and the rise of new digital development initiatives. The mechanism, which operates with an interagency selection committee,⁵² will be applicable in the following lines of action: (i) simplification of transactions (Component 1); (ii) projects to incorporate emerging technologies (Component 1); (iii) tools to manage the quality of, and evaluate, citizen interactions with the digital channel (Component 2); (iv) development and implementation of digital transformation processes that promote innovations in government (Component 3); and (v) data analysis to support the design and delivery of services for citizens (Component 1).⁵³
- 3.9 **Direct contracting.** Seven single-source contracts with consulting firms are planned for a total of US\$1,865,000. Under section 3.10(a) of the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-9) (continuation of services), the four following services will be contracted: (i) simplification and digitization of the registry of real estate and personal property; (ii) implementation of online transactions; (iii) development of the communication module; and (iv) consulting services on the contact center, to be provided,

⁵⁰ AGESIC and central government institutions have experience in the effective use of tools of this kind. The agreements assure institutional commitment and establish the human and technological resources that each institution will contribute toward implementing and using the systems developed with technical and financial support from AGESIC. The loan will have no coexecuting agencies.

⁵¹ As described in paragraphs 3.2 to 3.5.

⁵² The committee is composed of representatives from the Ministry of Economic Affairs and Finance, the Planning and Budget Office, and AGESIC.

⁵³ The project selection criteria include: (i) the expected impact of implementing the initiative; (ii) the commitment and institutional capacity of the beneficiary institution; and (iii) the capacity of that institution's human and technological resources to implement and operate it (see [optional link 2](#)).

respectively, by the firms CPA-Genexus, Concreta, Tractora, and Solventa. The following three services will be contracted under section 3.10(d) of document GN-2350-9 (sole supplier or experience of exceptional worth): (i) development of the electronic file; (ii) development of the electronic notifications system; and (iii) portfolio of administrative records management outputs, to be provided by the firms Porto Varese ST and Integradoc.⁵⁴

- 3.10 Owing to the need to maintain a continuous technical focus during the project, the procurement plan calls for recontracting 61 individual consultants who had been engaged previously with funds from loan 3625/OC-UR and have specialized knowledge. The project will use those human resources for a total of US\$9,409,333 for the entire execution period. The consultants were selected through a competitive process, and their contract renewals are reviewed annually by AGESIC on the basis of performance and results. The terms of reference and contractual conditions governing these consultants will remain similar, so the request meets the requirements of Section V, paragraph 5.4(a), of document GN-2350-9, which allows direct contracting for tasks that are the continuation of previous work.
- 3.11 Consulting and nonconsulting services will be contracted through the United Nations Office for Project Services (UNOPS), the United Nations Development Programme (UNDP), or the Julio Ricaldoni Foundation, under agreements that AGESIC maintains with local counterpart funding, which will be submitted to the Bank prior to solicitation of any contract under the agreements in question. The agreements will indicate that the contracts will be executed in accordance with Bank policies and procedures.
- 3.12 **Disbursements.** The main disbursement method will be advances based on actual liquidity requirements. Preferably, these advances will be made semiannually, after supporting documentation has been provided for at least 70% of the previous advance.⁵⁵ Forms justifying expenditures and the financial planning sheets will be submitted as documentation. Documentation will be subject to ex post review.
- 3.13 **Audits.** During execution, the executing agency will deliver the program's audited annual financial statements to the Bank, in accordance with the Financial Management Policy for IDB Projects (OP-273-12), by 30 April of each year. The final audited financial statements will be delivered within 120 days after the end of the original disbursement period or extensions thereof. The statements may be audited by the National Audit Office (TCR) or an accounting firm acceptable to the Bank.

B. Summary of arrangements for monitoring results

- 3.14 **Monitoring by the executing agency.** The executing agency will be responsible for updating the [multiyear execution plan \(MEP\)](#), the [annual work plan \(AWP\)](#), and the [procurement plan](#), and for preparing and submitting the six-monthly status reports to the Bank. The Bank will be responsible for preparing and publishing the

⁵⁴ The consulting and nonconsulting services financed using this mechanism must be eligible for Bank financing under its expenditure eligibility policies (Operational Policy OP-311, Eligible Expenditures in Investment Loans).

⁵⁵ Under the Financial Management Policy for IDB Projects (OP-273-12), this percentage is justified because central government institutions, of which AGESIC is one, must have financing available in accounts in the Banco Central to undertake new commitments. The preventive intervention of the National Audit Office (TCR) and the General Accounting Office (CGR) is required to process payments.

progress monitoring reports (PMRs) and the project completion report (PCR). Any changes in the Results Matrix or the risk matrix will be discussed and agreed upon by the Bank and the executing agency prior to formally updating the matrixes, to be reflected in both the PMRs and the PCR. For program monitoring and evaluation, the executing agency will have an analyst specializing in monitoring and management control, other consultants, and AGESIC staff assigned part-time to the program.

- 3.15 **Evaluation.** The executing agency will submit a midterm evaluation to the Bank. The report will present progress in implementing the outputs, outcomes, a risk review, and identification of lessons learned to be incorporated to improve execution.
- 3.16 The Bank will carry out supervisory missions or inspection visits, depending on the importance and complexity of execution, following the timetable established in the MEP and will hold a monitoring meeting at least once a year jointly with the executing agency to discuss the following, among other matters: (i) progress on the activities identified in the AWP; (ii) the level of compliance with the Results Matrix indicators; (iii) the AWP for the following year; and (iv) the procurement plan for the next 18 months and possible changes in budget allocations per component.
- 3.17 The project will include a midterm and a final evaluation covering technical, administrative, and financial aspects, as well as an outcome and impact evaluation. The midterm evaluation will be conducted once 40% of the loan proceeds have been committed, or two years after the start of project execution, whichever occurs first. The evaluation will look at progress on the activities planned for the period under study and potential deviations from the execution plans and their causes, and propose any corrective measures required. The midterm evaluation will also identify the outputs generated to that time, whether any of the risks identified in the risk matrix materialized, and the corresponding mitigation measures applied. The final evaluation will begin when at least 90% of the loan proceeds have been committed. The main objective will be to verify progress against the Results Matrix, in addition to other factors ([monitoring and evaluation plan](#)).
- 3.18 **Impact evaluation.** An experimental impact evaluation will be conducted to measure the program's contribution to the rate at which online transactions are adopted. A controlled experiment will be conducted with four treatment groups and one control group, to assess different measures to promote citizen acceptance of digital services. The impact evaluation will be conducted in coordination with AGESIC ([monitoring and evaluation plan](#)).

Development Effectiveness Matrix		
Summary		
I. Corporate and Country Priorities		
1. IDB Development Objectives		
Development Challenges & Cross-cutting Themes	-Productivity and Innovation -Gender Equality and Diversity -Institutional Capacity and the Rule of Law	
Country Development Results Indicators	-Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)*	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2836	To strengthen public management systems
Country Program Results Matrix	GN-2948-2	The intervention is included in the 2019 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		9.1
3.1 Program Diagnosis		2.4
3.2 Proposed Interventions or Solutions		4.0
3.3 Results Matrix Quality		2.7
4. Ex ante Economic Analysis		8.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		3.0
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		0.0
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		0.0
5. Monitoring and Evaluation		8.9
5.1 Monitoring Mechanisms		2.5
5.2 Evaluation Plan		6.4
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		C
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting. Procurement: Information System, Price Comparison.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		

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

The main goal of the operation is to reduce the transactional costs of Uruguayan citizens and firms to access public services. To achieve this, the proposal defines three specific areas of intervention. The first area proposes an improvement of quality of digital transactions with the government through a simplification of processes, elimination of procedures, and requirements. The second area is focused on increasing the adoption of digital channel for public transactions; the third area aims a transversal institutional strengthening for expanding the supply of digital services.

The project proposal diagnosis describes that Uruguay has a high digital government development almost all government transactions are available online; however, only a part of them could be completed entirely online, and the digital channel has a low adoption. For this reason, Uruguay aims to simplify, digitalize, and encourage the use of E-government services. In the same way, diagnosis identifies a gender gap in terms of low digitalization of transactions used by women. In this order, solutions are aligned to problems, but there is no evidence on effectiveness for some proposed solutions in the country. Some outputs indicators are not SMART.

The economic analysis provides a quantification of some economic benefits. It quantifies benefits associated with the reduction of transactional costs. The assumptions on the magnitude of the expected benefits are based on past local experiences and expected savings in transportation costs. The analysis concludes the Project has a net present value of US\$7.3 million.

The Project presents a robust monitoring and evaluation plan; it considers, the implementation of a traceability system for monitoring the uptake, duration, and dropout for all digital transactions. The evaluation plan includes an impact evaluation; it aims to measure the effectiveness of digital training and a simplification of services on the uptake of digital channel for public services.

RESULTS MATRIX

Project objective:	The program will help lower transaction costs for citizens and businesses accessing public services by simplifying procedures at the sector level and increasing the use of digital channels for doing business with the government.
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EXPECTED IMPACT

Indicator	Unit of measure	Baseline		Goal		Source/Mean of verification	Comments
		Value	Year	Value	Year		
EXPECTED IMPACT: Lower transaction costs for citizens and businesses							
Annual savings in transaction costs for citizens and businesses in accessing public services	US\$ million (current)	6.6	2018	26.2	2024	Number of transactions. Source: Online transaction traceability system, AGESIC	<p>The unit value of savings in transaction costs is US\$7.95 per transaction, composed of the value of an average of 90 minutes of time for citizens to travel to the office where they conduct the transaction (US\$5.95) and transportation costs (US\$2.00).</p> <p>Total expected savings of US\$26.2 million to be generated in 2024 for 3.3 million interactions.</p>

EXPECTED OUTCOMES

Indicator	Unit of measure	Baseline value/year	Year 1	Year 2	Year 3	Year 4	End target year 5	Means of verification	Comments
Outcome 1: Transactions simplified and improved in quality									
Rate of abandonment of transactions begun online	Percent	78/ 2019	55	50	40	30	25	Online transaction traceability system. AGESIC	Baseline calculated for the first half of 2019 for a sample of 110 transactions whose completion can be traced. The abandonment percentage is calculated as a percentage of transactions whose completion has been traced. Steps are being taken to reduce omissions in completion records, which could be causing the rate to be overestimated.
Outcome 2: More citizens and businesses use online transactions									
Number of transactions conducted fully or partially online	Millions of annual transactions	0.8 2018	1.4	1.7	2.1	2.6	3.3	Online transaction traceability system. AGESIC	The value is computed as the total number conducted online each year. Not cumulative. Partially online means at least one of the steps was conducted online.
Birth certificates applied for online	Percent of all birth certificates	10.9%/ 2018	-	-	25%	-	50%	Civil Registry Administration and Montevideo Municipal Government	Certificates processed annually through all channels by the Civil Registry Administration and the Montevideo Municipal Government.
Incorporations and corporate modifications (businesses) performed online through the consolidated digital channel	Enterprises	3,030/ 2017-2018	-	-	3,333	-	3,788	Records Administration, Ministry of Education and Culture	Refers to limited liability companies and corporations which involve the most complex and costly transactions. The percentage is calculated on the total number of companies and corporations established and modified.

OUTPUTS

Output	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End target	Means of verification	Comments
Component 1: Simplification of transactions at the sector level											
Transactions simplified and whose quality has been improved	Transactions	0	2019	85	90	100	113	125	513	AGESIC, progress reports	
New digital identification processes implemented	Technologies	0	2019	0	0	0	0	1	1	AGESIC, progress reports	
Registers of businesses, persons, and property simplified and digitized	Registries	0	2019	1	2	1	0	0	4	Public Registry and Civil Registry Administrations	
Paperless administrative management model developed and implemented	Institutions	0	2019	0	1	0	1	1	3	AGESIC, progress reports	
New model for citizen identification and service developed and implemented	Institutions	0	2019	0	2	3	3	2	10	AGESIC, progress reports	
Employees trained in maintenance of online transactions	Workshops	0	2019	5	10	15	15	15	60	AGESIC, progress reports	
Transactions with a gender focus simplified and whose quality has been improved	Transactions	0	2019	2	2	2	2	2	10	AGESIC, progress reports	Refers to social welfare, police, and health services related to gender problems.

Component 2: Tools to increase adoption of the digital channel											
Gub.uy portal implemented	Institutions	0	2019	5	10	5	5	5	30	AGESIC, progress reports	
Strategy for citizen awareness and training designed and implemented	Events	10	2019	10	20	40	50	60	180	AGESIC, progress reports	
Programs and applications for participation developed	Programs	1	2019	1	2	2	2	1	8	AGESIC, progress reports	
Institutions with service-channel analytical tools developed and implemented	Institutions	0	2019	0	4	3	3	2	12	AGESIC, progress reports	
Cloud storage and computing capacity increased	Terabytes	0	2018	100	100	100	100	100	500	AGESIC, progress reports	Although the output covers storage and computing capacity, it is measured as additional terabytes of storage capacity installed.
Component 3: Crosscutting strengthening of the State for digital transformation											
Records management developed	Sistema	0	2019	0	1	1	1	1	4	AGESIC, progress reports	
Model for organizational digital transformation designed and implemented	Institutions	0	2019	0	3	4	4	4	15	AGESIC, progress reports	

Holistic data management model designed and implemented	Institutions	0	2019	1	1	1	1	1	5	AGESIC, progress reports	
Knowledge products for a strategy for the country's international digital positioning	Output	0	2018	1	1	1	1	1	5	AGESIC, progress reports. Knowledge documents	

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country: Uruguay
Project number: UR-L1159
Project name: Program to Support the Digital Government Strategy
Executing agency: The Eastern Republic of Uruguay, acting through the Agency for the Development of e-Government and the Information and Knowledge Society (AGESIC)
Prepared by: Abel Cuba and Emilie Chapuis (FMP/CUR)

I. EXECUTIVE SUMMARY

- 1.1 The operation will have financing of US\$30 million, with US\$25 million from the Bank and US\$5 million from the local counterpart. The objective is to support the digital government strategy, particularly by lowering transaction costs for citizens and businesses accessing public services by simplifying and automating procedures and increasing their use of the digital channel.
- 1.2 The borrower is the Eastern Republic of Uruguay and the executing agency will be the borrower, acting through the Agency for the Development of e-Government and the Information and Knowledge Society (AGESIC). This agency has an organizational and administrative structure that will take charge of executing the loan proceeds resources and arranging for timely local counterpart financing. AGESIC reports to the Office of the President, and its key mandates are to promote the incorporation of information and communication technologies into public institutions and services.
- 1.3 The fiduciary agreements and requirements for this program are based on experience with AGESIC as executing agency of loan 1970/OC-UR, its continuation through loan 2591/OC-UR, and loans 3007/OC-UR, 3625/OC-UR, and 4300/OC-UR.

II. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

- 2.1 AGESIC is a model institution in the public administration. In earlier projects that it executed, it demonstrated adequate capacity in all managerial aspects. AGESIC has consolidated its earlier experience in procurement and contracting in accordance with IDB policies. Overall, its processes and general internal control environment are adequate.
- 2.2 The following country systems or equivalents will be used during this operation:
 - (i) **Budget.** The country budgeting system will be used.
 - (ii) **Cash management.** To administer program resources, a special account will be opened at the Central Bank of Uruguay, forming part of the centralized cash account, in AGESIC's name, also specifying the name of the program.

- (iii) **Accounting and financial reports.** The executing agency will use the International Projects System (SPI)¹ in coordination with the General Accounting Office (CGR), which administers the Integrated Financial Information System (SIIF).
- (iv) **Internal control.** AGESIC maintains an internal control system to manage its operations, the effectiveness of which is evaluated when the National Audit Office (TCR) audits its expenditures and payments and the assigned accountants perform reviews of the legality of its controls.
- (v) **External control.** In recent years, the TCR has been performing the annual audits of Bank-financed programs, in accordance with the international standards issued by the International Organization of Supreme Audit Institutions (INTOSAI).

III. FIDUCIARY RISK EVALUATION AND MITIGATION MEASURES

- 3.1 Based on the executing agency's experience, which demonstrated adequate capacity to manage fiduciary aspects in accordance with Bank policies, and the results of the risk workshop held with AGESIC personnel, the fiduciary risk for this loan was determined to be low.

IV. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE CONTRACT

- 4.1 **Exchange rate.** For accounting in U.S. dollars, the exchange rate in effect on the date AGESIC pays its contractors will be used, specifying the conversion method described in Article 4.10(b)(ii) of the General Conditions of the loan contract.
- 4.2 **Audited financial statements.** To be delivered by the executing agency within 120 days after the close of each fiscal year. The terms of reference will be agreed upon with the Bank and specify the delivery deadline stated in Article 7.03 of the General Conditions. The auditors' final report will be delivered within 120 days after the date of the last disbursement. The audits may be performed by the TCR or a firm of auditors acceptable to the Bank.

V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

- 5.1 The Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank (document GN-2349-9) and Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-9) will be applicable to all procurements envisaged in this operation. They will be included in the procurement plan, which will cover an initial period of at least 18 months and be updated annually afterwards. The plan will be registered, approved, and published in the SEPA electronic procurement plan system (www.iniciativasepa.org) before the start of procurements. Once registered,

¹ The Integrated Financial Management System (SIIF) will incorporate the SPI as one of its operating modules.

it will be updated annually, or as necessary in the case of substantial changes in the original planning.

- 5.2 The project sector specialist will determine the relevance of expenditures (terms of reference, technical specifications, and budgets), and expenditures will always require prior no objection, as determined by the Project Team Leader.

A. Procurement execution

- 5.3 Since effective country rules exist on procedures for approving the eligibility of offerors and the possibility of giving them access to the bidding documents, and since this practice is regulated (Consolidated Code of Accounting and Financial Administration (TOCAF), Articles 65 and 67, and Law 18381), AGESIC may use those rules in this operation, adapting them as necessary in the bidding documents to be used, which must obtain the Bank's prior no objection.²
- 5.4 Prior to conducting any bidding process, the executing agency will present the procurement plan to the Bank for approval, containing the following information: (i) the contracts for goods and services required for the program; (ii) the proposed methods for contracting goods and selecting consultants; and (iii) the procedures applied by the Bank for supervising contracts. The borrower will update the procurement plan at least every 12 months, and as warranted by program needs. All proposals to revise the procurement plan will be submitted to the Bank for approval.
- 5.5 No exceptions to the Bank's procurement policies are requested. The applicable thresholds are described below, unless they are changed during execution.

Table 1. Thresholds for ICB and International Short List (US\$000s)

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

- 5.6 **Procurement of works, goods, and nonconsulting services.**³ Contracts subject to international competitive bidding (ICB) will be executed using the standard bidding documents (SBDs) issued by the Bank. Contracts subject to national competitive bidding (NCB) will be executed using bidding documents satisfactory to the Bank.

5.7 Direct contracting

- (i) In the cases identified in the procurement plan for which a framework agreement exists, and in cases where the selection method is compatible with Bank policy, the executing agency may use the simplified method agreed upon with the Bank, in line with the principles and concepts established in the procurement policies (documents

² The procedure described forms part of a country practice that favors transparency in procurements and is not contrary to Bank policies. To ensure that the procedure is carried out within the boundaries of those policies, the bidding documents must obtain the Bank's no objection.

³ See document [GN-2349-9](#), paragraph 1.1. Nonconsulting services are treated as goods.

GN-2349-9 and GN-2350-9). In the cases identified in the procurement plan, the executing agency may issue a request for proposals for a short list of suppliers previously identified in the list of suppliers selected under the process provided for in the framework agreement. The request for proposals will be based on a document agreed upon in advance with the Bank, the objective of which will be to: (i) verify the availability of the consulting firm to perform the requested work; (ii) verify the economy and efficiency of the expenditure; and (iii) identify an order of preference that will culminate in a recommended award, in line with the requirements of the procurement policies for competitive selection methods that permit a short list to be identified, and an award to be recommended, based on the offer evaluated as the most economical.

- (ii) Seven single-source contracts are anticipated for a total of US\$1,865,000. These contracts are justified in the procurement plan attached to the present document, and include the following:
- Consulting services to simplify and digitize the registry of real estate and personal property, for continuity of services with the consortium CPA-Genexus, for US\$640,000 as provided in section 3.10(a) of the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-9), since the same consortium was selected under a competitive process to provide similar services and has performed satisfactorily.
 - The firm Concreta to implement online transactions for US\$400,000 as provided in in section 3.10(a) of the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-9), since the firm was selected under a competitive process to provide similar services and has performed satisfactorily.
 - Two consulting firms to produce an administrative records management portfolio, which will deliver the following outputs at a cost of US\$250,000 each: (i) development of the electronic file, for which Porto Varese-ST will be contracted under section 3.10(d) of the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-9), which allows for direct contracting when only one firm is qualified or has experience of exceptional worth for the assignment; in this case, Porto Varese owns the technology to be contracted; and (ii) development of e-notifications, for which Integradoc will be contracted under section 3.10(d) of the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-9), which allows for direct contracting when one firm is qualified or has experience of exceptional worth for the assignment; in this case, Integradoc owns the technology to be contracted.

- The remaining single-source contracts are: Integradoc, to develop a communications model for US\$45,000 under section 3.10(a) of document GN-2350-9; Tractoral S.A. and Solventa SRL, to develop and operate the contact center for US\$120,000 under section 3.10(a) of document GN-2350-9; and an administrative records management portfolio for US\$160,000 under section 3.10(d) of document GN-2350-9.⁴ The services mentioned, which qualify under section 3.10(a) of document GN-2350-9, were selected in 2019 under competitive processes.

(iii) **Selection of individual consultants.** Owing to the need to maintain a continuous technical focus during the project, the procurement plan calls for recontracting 61 individual consultants engaged previously with funds from loan 3625/OC-UR, who will continue to provide services under this operation for a total of US\$9,409,333 for the entire execution period. From the technical standpoint, these human resources have high technical qualifications and specialized knowledge and it is advisable for the project to use them. The consultants were selected through a competitive process, and their contract renewals are reviewed annually by AGESIC on the basis of performance and results. The terms of reference and contractual conditions governing these consultants will remain similar, so the request meets the requirements of Section V, paragraph 5.4(a), of document GN-2350-9, which allows direct contracting for tasks that are the continuation of previous work. Additionally, consulting and nonconsulting services will be contracted through the United Nations Office for Project Services (UNOPS), the United Nations Development Programme (UNDP), or the Julio Ricaldoni Foundation, under agreements that AGESIC maintains with local counterpart funding, which will be submitted to the Bank prior to solicitation of any contracts under the agreement in question. The agreements will indicate that the contracts will be executed in accordance with Bank policies and procedures.

- 5.8 **Main procurements.** The procurements envisaged under this operation have been included in the initial procurement plan, which covers 18 months and appears in the list of annexes to this loan proposal.
- 5.9 **Procurement supervision.** In principle, procurements will be subject to ex post supervision, except: (i) single-source contracts; (ii) contracts estimated to exceed the ICB threshold, as indicated in paragraph 5.5 above; and (iii) activities that the executing agency and the Bank mutually agree should be subject to ex ante review. The initial review will also be ex post, subject to the conditions mentioned and to modification, by agreement, to be reflected in the procurement plan. ICB processes and consulting services over US\$200,000 will be subject to ex ante review.
- 5.10 **Records and files.** Formats and procedures agreed upon with the Bank will be used to prepare and file reports, in keeping with the applicable policy requirements.

⁴ The firm will be decided upon when the competition for developing the administrative records management application is awarded.

VI. FINANCIAL MANAGEMENT

A. Programming and budget

- 6.1 AGESIC, which forms part of the Office of the President, submits its proposed budget to the Ministry of Economic Affairs and Finance for inclusion in the consolidated national budget submitted to the President for consideration, who sends it to the legislative branch for study and legal approval.
- 6.2 AGESIC conducts its budget programming and formulation based on its annual work plan which reflects the program's execution plan.

B. Accounting and information systems

- 6.3 The project will use the SPI accounting module, which is linked to the SIIF. Budget credits are assigned and executed through the SIIF of the CGR. Commitments and payments related to the project will be made in accordance with the CGR's procedures.
- 6.4 The project's financial statements will be issued periodically in accordance with accepted accounting standards and will be audited each year by the TCR or a firm of auditors acceptable to the Bank. The following financial statements will be presented: (i) cash flow statement; and (ii) statement of cumulative investments. Both will be accompanied by explanatory notes.

C. Disbursements and cash flow

- 6.5 To execute project resources, a special account will be opened at the Central Bank of Uruguay (BCU), through the General Treasury Office, as a purely nominal account. An operational bank account will be opened at Banco de la República Oriental de Uruguay (BROU), to mobilize project resources.
- 6.6 Disbursements will take the form of advances based on actual liquidity requirements, justified by financial projections. Preferably, these advances will be made semiannually, after supporting documentation has been provided for at least 70% of the previous advance.⁵ Disbursement requests will be accompanied by financial planning and funds reconciliation sheets. Disbursements will be processed through the e-Disbursement program. The exchange rate for converting local or other currencies to the currency of the loan contract will be the rate in effect on the date of payment to the beneficiary.

D. Internal control and internal audit

- 6.7 In accordance with the Consolidated Code of Accounting and Financial Administration (TOCAF), the TCR will undertake preventive audits of expenditures related to project execution. Additionally, and under the legislation in force, AGESIC comes under the control of the Office of the National Internal Auditor (AIN). Reviews of the project will be coordinated with the AIN in the event the project is subject to revision.

⁵ Under the Financial Management Policy for IDB Projects (OP-273-12), this percentage is justified because central government institutions, of which AGESIC is one, must have financing available in accounts in the Banco Central to undertake new commitments. The preventive intervention of the National Audit Office (TCR) and the General Accounting Office (CGR) is required to process payments.

E. External control and reports

- 6.8 To comply with the Bank's contractual requirement, the program's annual audits may be performed by the TCR or an independent firm of auditors acceptable to the Bank. If the audits are performed by the TCR, its relationship with AGESIC will be set out in a service agreement letter which will include the terms of reference agreed upon with the Bank.
- 6.9 The financial audit reports will be delivered annually during the disbursement period on by 30 April each year, and the final report will be delivered 120 days after the final disbursement, in accordance with international auditing standards.

F. Financial supervision

- 6.10 The financial supervision plan will cover the following:
- (i) Participation in a project launch workshop conducted by the project team, including a presentation of the most relevant fiduciary considerations.
 - (ii) Review of the AWP and the initial financial plan prepared by the executing agency as justification for the first advance to be requested when the program becomes eligible.
 - (iii) Based on an evaluation of portfolio risks, onsite financial visits may be made during the project, to evaluate the main financial and control aspects and management of the program files. Disbursements will be subject to ex post review.

G. Execution mechanism

- 6.11 The borrower will be the Eastern Republic of Uruguay. The program executing agency will be the borrower, acting through AGESIC. In that capacity, AGESIC will coordinate with the other project stakeholders and will have basic responsibility for the project and for direct dealings with the Bank.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/19

Uruguay. Loan ____/OC-UR to the Eastern Republic of Uruguay
Program to Support the Digital Government Strategy

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 Support the Digital Government Strategy. Such financing will be in the amount of up to US\$25,000,000 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 ____ 2019)