

PROGRAM TO REDUCE STATE COSTS ON PRIVATE ACTIVITY

(TC-01-03-00-0-UR)

EXECUTIVE SUMMARY

Beneficiaries:	The Eastern Republic of Uruguay		
Requesting and Executing Agency:	Planning and Budget Office (OPP)		
Financing: (In thousands of US\$)	Modality: Non-reimbursable technical cooperation		
	MIF Facility I		
	Local counterpart:	US\$1,300	(55%)
	Total:	US\$1,078	(45%)
		US\$2,378	
Execution timetable:	Execution period:	36 months	
	Disbursement period:	42 months	
Objectives:	<p>The general objective of this project is to reduce the impact of the central government (CG) on private sector costs, in terms of savings of time and economic resources. The specific objectives are the following: (i) to improve access to CG services and processes by rationalizing key processes and implementing a single window for businesses; (ii) reviewing and changing regulations not based on an appropriate cost/effectiveness ratio; (iii) adapting public prices and rates to their costs; (iv) consolidating the regulatory and institutional framework in terms of regulations, prices and rates; (v) simplifying the processes and requirements to facilitate equal access by the entire private sector to State purchases; (vi) implementing a State procurement information and distribution system that includes private sector participation in its management; and (vii) implementing a pilot electronic commerce system for State purchases.</p>		
Prior conditions:	<p>In addition to fulfilling the standard contractual conditions prior to the first disbursement, the initial program report must be submitted to the Bank's satisfaction. Disbursement of the remainder of the funds under this technical cooperation shall be subject to prior fulfillment of the conditions set forth in paragraph 4.12.</p>		

**Environmental
and social
review:**

The abstract was reviewed and approved by the CESI at its session of June 26, 2001.

**Exceptions to
Bank policy:**

None.

I. COUNTRY AND PROJECT ELIGIBILITY

- 1.1 On October 6, 1993, the Donor Committee declared Uruguay eligible for all types of financing offered by the MIF. The project is considered eligible for MIF financing within the framework of Technical Cooperation Facility I, in promoting the rationalization and simplification of the private sector regulatory regime, facilitating the creation of companies and consolidating their access to various public agencies through the single window mechanism. The project also supports measures affording the private sector access to better information, and simplifying and standardizing procedures, processes and regulatory standards. In the specific terms of the MIF strategy, the project promotes “strengthening the business environment and competitiveness.”

II. REFERENCE FRAMEWORK

A. Project context

- 2.1 The Uruguayan government has begun working in areas relating to the relationship between the central government (CG) and the private sector, consistent with its view that this relationship does not always result in value added to the latter, and that it implies costs (explicit and transaction) that affect its competitiveness. In this sense, three work areas have been identified and prioritized: the rationalization of processes and procedures, reducing the cost of regulations, prices and rates, and modernizing and improving competitive conditions in State procurement.
- 2.2 Regarding the various *procedures* that must be carried out, the private sector faces the following challenges¹: (i) there is no single channel through which it may obtain information on the various procedures to be carried out for a specific productive activity; (ii) the various procedures generally have a high cost; (iii) there is no permanent channel of communication that allows the business perception of the services and procedures provided by the CG to be captured.
- 2.3 Between 1995-2000, an inventory of regulations was implemented and their convenience and relevance was evaluated, classifying them into ones to be eliminated, amended and retained. The process of rationalizing them was also begun by eliminating or amending 45 regulations by decree, and sending to the legislative branch, along with the 2000-2004 Budget Bill, a package of 18 additional regulations at the level of law, to be eliminated or amended. Within the framework of this project, the primary challenge is to complement the actions described above; analyze their impact on business costs and perform a

¹ See the Internet page <http://www.infonegocio.com.uy/menuinterno/macrocat.asp?idcat=38> which identifies the procedures a company must complete to become established in Uruguay.

cost-effectiveness analysis of the regulations; and amend those that lead to the occurrence of “Government failures.”

- 2.4 The primary challenges in modernizing the procurement system² include the following: (i) the need for greater system transparency; (ii) the need to provide access to small and medium-sized suppliers; (iii) the high costs to the private sector of “obtaining information;” (iv) technological backwardness; (v) inflexible processes; and (vi) a lack of coordination between procurement management and financial management, to provide for more timely payments to suppliers. It is hoped that the project will facilitate the establishment of a flexible and timely contracting mechanism, saving time for the private sector and limiting discretionary activities, and promoting participation by the business sector in the operational management of the government purchasing process.

B. Complementary nature with other Bank programs

- 2.5 This program complements other programs financed by the Bank and the MIF. The Bank is currently supporting public management reform through the preparation of a Sectoral Public Management Modernization Program (UR-0130), which is in the final stage of approval and which includes sectoral adjustment measures for the reform of public management, including improving the State’s relationship with the private sector. This program contains policy reform goals. The sectoral loan is accompanied by a Technical Cooperation loan (UR-0145) that supports the rationalization of processes that affect citizens and improves tax administration.
- 2.6 This MIF project supports and encourages the inclusion of private sector interests in the public management reform process. It specifically contributes to furthering the technical measures needed to reduce central government costs to businesses. Direct participation by the private sector will be supported through operational management of the computerized procurement system, and an opportunity will be created for active participation by the private sector in reviewing regulations, prices and rates.
- 2.7 This project is also complementary with: (i) the Software Industry Business Development Program (MIF/AT-409) which includes strengthening the Uruguayan software industry, particularly its regulatory framework, ensuring that a review of the regulatory framework is carried out by incorporating what has already been achieved within the context of the aforementioned project; (ii) the Small and Medium-Sized Enterprise Competitiveness Program, through ISO Standards (ATN/MH-7254), executed by the Uruguayan Technical Standards Institute and the Uruguayan Exporters Union, which seeks to rationalize processes, particularly those relating to foreign trade, to ensure their consistency with the corresponding ISO standards; and (iii) the Micro- and Small Enterprise Strengthening Program

² It is estimated that State acquisitions may represent up to 10% of GDP.

(TC-0005012) currently in preparation, which will be executed by the National Office for Small and Medium-Sized Enterprises, to ensure that DINAPYME participates in rationalizing processes affecting small and medium-sized enterprises and that the coverage of the activities is complementary.

III. PROJECT OBJECTIVES, COMPONENTS AND ACTIVITIES

A. Objectives

- 3.1 The project's general objective is to reduce the central government's impact on private sector costs, in terms of saving time and economic resources. The specific objectives are the following: (i) improving access to central government services by rationalizing key processes and implementing a single window for businesses; (ii) reviewing and amending regulations not based on an appropriate cost/effectiveness ratio; (iii) making prices and public rates consistent with their costs; (iv) consolidating the regulatory and institutional framework in terms of regulations, prices and rates; (v) simplifying procedures and requirements to facilitate equal access by the private sector to State purchases; (vi) implementing a state procurement information and distribution system that includes private sector participation in its management; and (vii) implementing a pilot electronic commerce system for State purchases.

B. Program components

- 3.2 The program components are the following: (i) reducing procedural costs; (ii) reducing the cost of regulations, prices and rates; and (iii) modernizing the procurement system.

1. Reducing procedural costs (MIF US\$702,200, counterpart funds US\$140,985)

- 3.3 This component will contribute to the reengineering of three high-impact private sector macro-processes: foreign trade, the creation of companies, and investment; it will also contribute to the design and implementation of a single window for businesses in two of the three aforementioned "macro-processes."
- 3.4 For each process, the roles and responsibilities of a minimum of two key actors will be identified and analyzed: the "process head" and the "client or user," both internal and external. A detailed improvement plan for each process agreed to with the various agencies involved will be institutionalized and implemented within the context of Management Improvement Agreements signed between each agency and the OPP, within the framework of the directives of the Executive Committee for State Reform (CEPRE).

- 3.5 Activities relating to the review of each process will be carried out in three stages: (i) surveying the process, holding interviews, proposing models to be evaluated, recommending a model, and proposing a work plan; (ii) evaluating the preliminary plans jointly with the public entities and users involved, adapting them, and initiating implementation; and (iii) completing the quality improvement plan, including training, evaluation and distribution of the results.
- 3.6 The project will also finance the design and implementation of a “single business window,” in an effort to reduce transaction costs, open up the consulting process to users, and allow a means of electronic or in-person access for completing procedures related to business activities. It is estimated that the single window will be designed and implemented in two of the three “macro-processes” that have been identified.
- 3.7 There are various types of single window, each of which will be analyzed within the framework of a feasibility analysis: (i) a single window for procedures relating to a single process located in the same physical location; (ii) a single window for procedures not directly related, but in the same physical location; (iii) a single window involving using the locations of various institutions linked to the same process, where all procedures related to that macro-process may be carried out without distinction (for example, complete the procedure for creating companies, in either the Ministry of Labor and Social Security, at the General Tax Office or at the Social Security Bank); and (iv) a single window involving the electronic completion of a set of procedures, whether or not they are related to each other.
- 3.8 The activities will be carried out in three stages: (i) submission of alternatives to the single window, recommendation of types of single window for each process, and sizing and definition of the proposed single window for each process, with the Bank’s participation; (ii) evaluation of the proposals for each macro-process, and initiation of implementation; and (iii) implementation, evaluation and dissemination of results.
- 3.9 The OPP Team responsible for this project must ensure that the rationalization efforts for processes affecting micro- and small enterprises are adequately coordinated with the National Office for Small and Medium-Sized Enterprises (DINAPYME).
- 3.10 These activities will be carried out with the support of individual consultants and consulting firms specializing in process reengineering and firms specializing in process consolidation.

2. Reduction in the cost of regulations, prices and public rates (MIF US\$331,600, counterpart funds US\$281,970)

- 3.11 This component will support the performance of a review and rationalization of the regulations, prices and rates that the central government imposes on the Uruguayan private sector. Under this component, not only will the existing “stock” of regulations, prices and rates be controlled, but technical and consulting mechanisms will be established with the private sector to ensure that new regulations issued by the CG have undergone an appropriate analysis of their financial and economic impact.
- 3.12 The following activities will be carried out in the regulation review area: (i) review and classification of the list of current regulations in the CG, evaluating their relevance; (ii) conversion proposal; (iii) identification of the regulatory changes needed for each regulation; (iv) design of the strategy, work plan and institutional alternatives for implementing changes in the regulatory frameworks; (v) design and implementation of the methodological guidelines for evaluating the expected impact of a regulatory change, depending upon the type of regulation; (vi) design of the mechanisms for private sector participation and advising; (vii) analysis of the impacts of the regulatory changes on market operations; (viii) proposal for the regulatory frameworks, establishing the procedures to be followed when implementing new regulations and the institutional mechanisms for their management and evaluation; and (ix) development and implementation of a strategy for distributing and updating the CG regulatory frameworks that affect company competitiveness and costs.
- 3.13 In the area of prices and public rates, the following activities will be carried out: (i) complete the existing inventory of central government prices and rates and create a permanent update mechanism; (ii) define the prices and rates to be adapted in accordance with their impact on company competitiveness and costs; (iii) analyze and quantify the impact of adapting the CG’s prices and rates in terms of savings for the private sector; (iv) propose regulatory frameworks that ensure transparent criteria and administrative discretionality in the setting of public prices and rates; and (v) develop and implement a strategy for disseminating the prices and rates charged by the central government.
- 3.14 These activities will be carried out with the support of individual consultants and include the procurement of equipment.

3. Modernization of the public procurement system (MIF US\$211,120, counterpart funds US\$560,565)

- 3.15 This third component of the program will develop activities in three areas: review of the institutional and legal framework, development and implementation of new information systems, and development of a system to monitor acquisition costs.

- 3.16 A new institutional and legal framework: (i) will promote the search for mechanisms for direct participation by the private sector in operating the system; (ii) will allow the search for lower prices and the planning of purchases and acquisitions, by introducing framework agreements; and (iii) will facilitate the creation of standard specification sheets to ensure the consistency of requests from the State to suppliers. The institutional and legal framework will be reviewed in three stages: consultation with the principal State entities involved in the task, the holding of focus groups with government entities and the private sector, and preparation of the final single document model and framework agreements.
- 3.17 The new State Purchasing and Contracting Information System (SICE) will have four subsystems: (i) a publication subsystem available via the Internet, available in at least 50% of the central government ministries; (ii) a *catalog subsystem* that ensures consistent classification of the various articles and/or services the State acquires, contributing information to promote greater transparency; (iii) a *statistics subsystem* that allows queries to be submitted and procurement statistics to be prepared; and (iv) an online *transactions subsystem* to manage requests from the State and private offerings (price table).
- 3.18 Finally, indicators will be developed of the impact of applying the system, which will allow measurement of the effects and monitoring of the implementation of the procurement system. In order to have a basis for comparing the impact of the prices at which the central government is making its purchases, a reference basket of goods and services will be developed.
- 3.19 These activities will be carried out with the support of individual consultants and a consulting firm specializing in the design and maintenance of electronic commerce software.

IV. PROGRAM EXECUTION

A. Executing agency and execution mechanism

- 4.1 The executing agency is the Planning and Budget Office (OPP), given its legal and administrative capacity to carry out the activities included in the program. These *execution responsibilities* will be assumed by the OPP's Technical Advisory Unit (AT) The AT will engage and oversee consultants, procure equipment, and in general ensure that resources are used as provided for in this document. The AT will be headed by a coordinator, who in turn will act as CEPRE secretary. The AT shall have the personnel needed for adequate execution of the activities included in the project.

- 4.2 *Strategic management duties* will be concentrated within the Executive Committee for State Reform (CEPRE). The CEPRE was created in 1996 and consists of the Director of the Planning and Budget Office (OPP), the Minister of Economics and Finance, and the Director of the National Civil Service Office (ONSC). The CEPRE's principal task is to supervise implementation and lend continuity to the state modernization process, ensuring fulfillment of the corresponding goals, including those set forth in the Management Improvement Agreements (MIAs). Within the context of the program, the CEPRE will act as its "board of directors." The CEPRE has performed this duty quite effectively over the past six years.
- 4.3 In order to ensure coordination between the CEPRE, the OPP and the participating agencies, *Management Improvement Agreements (MIAs)* will be entered into between the CEPRE and the participating government entities, such as the General Tax Office, the National Customs Administration, the Ministry of Industry, the Ministry of Ranching, Agriculture and Fisheries, the Ministry of Labor and the Social Security Bank. The content and results of these agreements will be distributed to the public. The content of these MIAs may be found in the technical files.
- 4.4 In order to ensure adequate *participation by the private sector in executing these activities*, the OPP will be advised by the Sectoral Commission for State Reform, created in 1995, in which the private sector participates. This Commission is responsible for: (i) *advising* the Executive Branch on the State reform process; and (ii) *developing proposals* for reform. The private sector's participation in this commission will ensure that the program's actions match its priorities, promoting private sector participation in the project's various activities.
- 4.5 The borrower will submit *annual operating plans* to the Bank, through the executing agency and prior to November 30 of each year, which must include: (i) the objectives, goals and results to be attained; (ii) details and schedules of these activities; (iii) the plan for the procurement and contracting of advisory services; and (iv) the disbursement budget and schedule.

B. Beneficiaries

- 4.6 The primary project beneficiaries are the private sector, individual users and the State itself. The *Uruguayan private sector* will benefit from the project in four ways: (i) reduced transaction costs as a result of the rationalization of regulations, prices and rates; (ii) reduced delays for the principal processes and procedures; (iii) simplification of the principal procedures that the private sector must complete in Uruguay, by introducing a single window for these processes (foreign trade, creation of companies and investment); and (iv) the introduction of a more transparent and competitive framework in the administration of public bids, incorporating the private sector's direct participation in operating the new system. *Individual users* of the CG services will also see their cost reduced as a

consequence of the project, and will have greater access to information on bids and public procurement. Finally, the *State itself* will reduce the administrative and financial costs of its principal processes, purchases and procurement.

C. Procurement of goods and contracting of consulting services

- 4.7 Technical assistance funding will be aimed at financing the inputs required to develop these products, particularly the procurement of equipment (hardware and software), engaging specialized consultants, and foreign currency expenses such as those resulting from seminars, courses and other events. The local contribution will be used to finance semi-technical and administrative personnel, domestic consultants for support, and expenses relating to equipment, materials, supplies, publications, furniture and domestic training or distribution activities.
- 4.8 Based on an *ex post* review, the Bank will verify fulfillment of the standards and procedures for the procurement and contracting of the goods and services necessary for implementation, in amounts less than US\$100,000 for goods and consulting firms, and US\$50,000 for individual consultants.

D. Schedule and disbursements

- 4.9 An execution period of 36 months and a disbursement period of 42 months are anticipated. A revolving fund of 10% of the MIF contribution will be created, based on a budget properly justified at the beginning of the program.
- 4.10 The OPP will request disbursements from the IDB in accordance with Bank procedures. To this end, the OPP will open a special bank account at Banco de la República Oriental del Uruguay to deposit the foreign currency funds disbursed by the IDB. The local counterpart funds contributed by the national government will be deposited in a second, peso-denominated account.
- 4.11 The OPP will be responsible for the following: (i) maintaining the accounts and financial records to allow for identification of sources and uses of funds; (ii) submitting the revolving fund report to the Bank, within sixty days after the close of each semi-annual period; (iii) submitting to the Bank requests for disbursement and supporting documentation for eligible expenses; and (iv) submitting other financial reports that the Bank may request.
- 4.12 The OPP may authorize payments to third parties (suppliers, consultants) provided that: (a) an MIA has been entered into between the CEPRE and the service beneficiary entity; (b) progress on activities and the partial delivery of products is appropriate for the work plan included in the MIA; and (c) the supporting documentation is satisfactory. At the time that requests for expense reimbursement are submitted, the Bank will not acknowledge expenditures corresponding to activities performed by executing units without a current MIA with the CEPRE/OPP.

E. Project preparation status

- 4.13 During project preparation, meetings were held with the OPP authorities and representatives of the private sector, which resulted in the definition of the project's components and priorities. The executing agency already has an AT legally established and operating, with sufficient staff for the activities provided for in the plan. Both the CEPRE and the sectoral committee have also been established, with the participation of the private sector.

V. COST AND FINANCING

A. Costs

- 5.1 Total project cost is US\$2,378,000. MIF financing totals US\$1,300,000 (equivalent to 55% of the total) and the local contribution from the Uruguayan government is US\$1,078,000 (equivalent to 45% of the total). Following is the project cost table.

Item	MIF	Local Contribution	Total	%
Component 1: Reducing procedural costs	702,200	140,985	843,185	35%
- Consulting	424,400	140,985	565,385	24%
- Equipment	277,800	-	277,800	11%
Component 2: Reducing regulatory costs	331,600	281,970	613,570	26%
- Consulting	331,600	281,970	613,570	26%
- Equipment	-	-	-	-
Component 3: Modernization of public procurement	211,120	560,565	771,685	32%
- Consulting	211,120	560,565	771,685	32%
- Equipment	-	-	-	-
Program evaluation and auditing	50,000	-	50,000	2%
Contingencies	5,080	94,480	99,560	4%
Total	1,300,000	1,078,000	2,378,000	100%
Percentage share	55%	45%	100%	100%

B. Sustainability

- 5.2 The Uruguayan government technical team that has been managing project preparation is basically the same as was responsible for the process of improving public management over the past five years. The OPP in general has the human, technical, material and financial resources needed for proper execution of the project. The OPP has broad experience in project execution, and has an organizational and functional structure consistent with project needs. Specifically,

the AT has operated within the OPP environment during the entire project preparation process.

- 5.3 An execution structure has also been designed to encourage participation by the private sector. The existence of the Sectoral Commission since 1995, which includes participation by the private sector, ensures that the designs for the new processes and procurement system address criteria not only of transparency, but of the priorities of the principal users.

VI. PROGRAM JUSTIFICATION AND RISKS

A. Justification

- 6.1 As noted above, the primary benefits are the following: (i) achieving savings for the private sector as the result of rationalizing processes, regulations and prices and rates; (ii) achieving a better and more transparent administration of processes, regulatory framework, and prices and public rates; (iii) establishing controls to improve the quality of the central government's regulatory administration; and (iv) incorporating the private sector within the operational administration of the procurement system.
- 6.2 Within the context of the criteria set in the MIF strategy, the project is **innovative** because: (i) it introduces to Uruguay the modernization and simplification of procedures and processes that the private sector must follow in the normal course of its business, incorporating concepts such as process consolidation, the single window and online procedures; (ii) it rationalizes the regulatory framework; and (iii) it outsources to the private sector technical administration of the information technology system for public procurement. The project will have a **demonstration effect** in that it selects a limited subset of procedures and processes for modernization, seeking the future implementation of the principal successes within all procedures and processes. The project is **sustainable** since, first of all, it catalyzes and supports a process of simplification of procedures that has a high level of support at all levels, within both the State and the private sector; second, it ensures that the technology solutions that are adopted for computerizing the procurement system are appropriate for the market; and third, by reducing transaction costs to private companies operating in Uruguay, it establishes better foundations for long-term competitiveness.

B. Risks

- 6.3 Within the processing component, the principal risk is achieving the coordinated and active participation of all entities participating in each process, particularly for the single window. In order to counteract this risk, the project will be executed within the framework of Management Improvement Agreements that encourage the

parties to coordinate work plans. It will also have the highest level of strategic management within the executive branch and the support of the Sectoral Commission, which includes participation by the private sector. In the deregulation component, the primary risk is a negative effect on sectors benefiting from existing restrictions. To counteract this risk, there will be an effort to promote participation by the private sector in the process of deregulation and elimination of prices and rates. In the procurement component, the primary risk involves the introduction of new technologies within entities resistant to change. To mitigate this risk, the design of the system will be participative and its operations outsourced to the private sector to minimize the risk of rapid technological obsolescence.

VII. MONITORING, EVALUATION AND AUDITING

7.1 The operation will be monitored through the following reports:

- a. **Advance.** Before May 31 and November 30 of each year, the executing agency will submit to the Bank advance reports on project execution. The first will be semi-annual in scope, and the second will be annual, and will be included within the Annual Operating Plan (AOP). Each progress report will include a minimum of the following: (i) the plans and results realized and the goals achieved and remaining to be achieved; (ii) the contribution of these results to the project objective; (iii) problems, and the solutions adopted or proposed for overcoming them; and (iv) budget execution status.
- b. **Financial and auditing.** The OPP must submit financial statements to the Bank within 120 days of the close of the fiscal year, which must be audited by the Federal Comptroller of the Currency in accordance with Bank requirements.
- c. **Medium-term report.** A medium-term evaluation of the project will be contracted, and charged to the finance budget. The Bank team will participate in selecting and monitoring the consulting firm.
- d. **Final report and evaluation.** This report will be due sixty (60) days after completion of the project execution period, and will contain an analysis and evaluation of the results achieved, from the perspective of both the executing agency and the final beneficiaries. An external evaluation of the project will be incorporated into the report, which will be prepared by independent consultants.

VIII. CONDITIONS PRIOR TO THE FIRST DISBURSEMENT

- 8.1 *Conditions prior to the first disbursement of the Technical Cooperation.* The first disbursement of the Technical Cooperation will be made when evidence is submitted to the Bank of the initial program report's having been submitted to and approved by the Bank, which contains the operating plan for the first year.

IX. SOCIAL AND ENVIRONMENTAL ASPECTS

- 9.1 The project was reviewed and approved by the CESI at its session of 26 June 2001, with the recommendation that the methodology for the cost benefit analysis of the review of regulations be not only financial, but also economic, taking into consideration positive or negative externalities, particularly environmental.

X. EXCEPTIONS TO POLICIES AND PROCEDURES

- 10.1 No exceptions to the Bank's policies and procedures are anticipated.

LOGICAL FRAMEWORK MATRIX

Objectives	Indicators	Verification Methods	Assumptions
OBJECTIVES OF THE PROGRAM			
• The main objective of the project is to reduce the government's impact on private costs, in terms of time and economic resources	• Reduction in the aggregate cost of the central government to the private sector (lower cost of processes and regulations, and procurement made at a lower cost)	• Consulting reports including survey of user companies	
• To rationalize processes, regulations, prices and rates and to modernize the state purchasing and contracting process to reduce its cost on the private sector	Completing the Program: • Rationalized processes, regulations, prices and rates, and procurement process	• Reports on the program's evaluation results	• Participation by entities in the process
RESULTS			
Reduced processing costs • The project will include: • Activities involving the reengineering of processes affecting private sector competitiveness, including foreign trade, investment and business registration macro-processes; and • Development and implementation of the Single Window for two of the aforementioned macro-processes.	<ul style="list-style-type: none"> • Processes identified, development of the base line and initiation of activities involving their reengineering at the end of year 1 • MIA agreements signed with the participating entities in each of the 12 processes • Reduction in average processing time (10%) by the end of years 2 and 3 • Study of alternatives and design of the Single Window by the end of Year 1 • Installation of the Single Window in two processes at the end of year 3: private investment and companies registry 	<ul style="list-style-type: none"> • Reports on processes identified • MIAs signed • Program evaluation reports • Program evaluation reports • Program evaluation reports 	<ul style="list-style-type: none"> • Active participation by the private sector and public officials involved • Active participation by users (Business Chambers) in redesigning the processes in a single window
Reduction in the cost of regulations, prices and rates • The project will include: • Review and rationalization of approximately 300 current central government regulations that directly affect private sector competitiveness; • Review and rationalization of approximately 300 current central government prices and rates; • Preparation and public distribution of regulatory impact methodologies (MIR) for regulations, and cost benefit for prices and rates	<ul style="list-style-type: none"> • All publicly available central government regulations • All publicly available central government prices and rates • Review and rationalization of approximately 300 regulations upon completion of the program, with accumulated goals of 25% the first year, 50% the second and 100% the third • Review and rationalization of prices and rates with accumulated goals of 25% the first year, 50% the second and 100% the third 	<ul style="list-style-type: none"> • Evaluation reports • Information on regulations, prices and rates available on the Internet site 	<ul style="list-style-type: none"> • Participation by the entities involved • Resistance to change by entities not benefiting from existing regulations

LOGICAL FRAMEWORK MATRIX

Objectives	Indicators	Verification Methods	Assumptions
	<ul style="list-style-type: none"> Development and distribution of regulatory impact methodologies (MIR), including participation by the private sector in their design Development and public distribution of the prices and rates guide for businesses 	<ul style="list-style-type: none"> Report incorporating MIR Distribution report Guide available on the Internet 	
Modernization of the Public Purchasing System activities for developing a new institutional framework that includes participation by the private management and modernization of the	<ul style="list-style-type: none"> Development and implementation of the standard specification sheet to be used in 100% of the bids by the end of year 2 of the Program Implementation of the SICE in at least 50% of central government entities, upon completion of project execution Direct participation by the private sector in the operation and operational management (hosting) of the computer system described above, by the end of the second year Pilot implementation of an "electronic table" of quotes for goods and services acquired by the State, which will allow the State's requests and its receipt of competitive offers to be placed online Development and implementation of a management indicator system (costs and prices) for State procurement and purchases, including the introduction of reference baskets, upon completion of the first year of execution. 	<ul style="list-style-type: none"> Annual report corresponding to the second year Evaluation report Evaluation report and Sectoral Commission report Agreement signed with the hosting company Report on the operating system and site available on the network for public access Evaluation report 	<ul style="list-style-type: none"> Availability of public use to consolidate specification SICE software appropriate to needs detected Private supply of hosting Appropriate technology Availability of detailed information from a reference sample

COMPONENT 1: REDUCTION IN PROCESSING COSTS

Summary	Indicators	Verification Methods	Assumptions
ACTIVITIES			
Technical assistance in process reengineering	<ul style="list-style-type: none"> Three technical assistance processes completed, for process identified by multidisciplinary teams comprising employees, users, individual consultants and consulting firm 	<ul style="list-style-type: none"> Consulting reports 	<ul style="list-style-type: none"> Fulfillment of time targets by the consulting firms
Technical assistance in designing and implementing the single window	<ul style="list-style-type: none"> Two (2) technical assistance processes completed, for the design and installation of the two single windows identified, with the participation of multidisciplinary teams comprising employees, users, individual consultants and consulting firm (1 for each window) 	<ul style="list-style-type: none"> Consulting reports 	<ul style="list-style-type: none"> Fulfillment of time targets by the consulting firms
Installation of computer equipment and logical support (software) required for reengineering and online consultation for the selected processes, including the <i>single electronic window</i> option	<ul style="list-style-type: none"> Purchase and installation of equipment Purchase and installation of the necessary software 	<ul style="list-style-type: none"> Evaluation reports 	<ul style="list-style-type: none"> Fulfillment of time targets by the consulting firms

COMPONENT 2: REDUCTION IN THE COST OF REGULATIONS, PRICES AND RATES

ACTIVITIES			
Technical assistance activities for the review and rationalization of regulations	<ul style="list-style-type: none"> 294 regulations reviewed and publicly available by the end of the project 	<ul style="list-style-type: none"> Online (Internet) evaluation reports and information 	<ul style="list-style-type: none">
Technical assistance activities for the review and rationalization of current prices and rates in central government;	<ul style="list-style-type: none"> 1,000 public prices and rates reviewed and publicly available upon project completion 	<ul style="list-style-type: none"> Online (Internet) evaluation reports and information 	<ul style="list-style-type: none">
Technical assistance activities in preparing the regulatory impact methodologies (MIR) for regulations and the cost benefit for prices and rates	<ul style="list-style-type: none"> one regulatory impact methodology and one cost benefit methodology developed for the analysis of new regulations 100% of new regulations (by year 3) reviewed with MIR 	<ul style="list-style-type: none"> Methodology report Evaluation report 	<ul style="list-style-type: none"> Acceptance of new users
Activities involving dissemination of the new regulatory framework	<ul style="list-style-type: none"> Holding of distribution seminars (3) 	<ul style="list-style-type: none"> Seminar reports 	<ul style="list-style-type: none">

COMPONENT 3: MODERNIZATION OF THE PROCUREMENT SYSTEM

Summary	Indicators	Verification Methods	Assumptions
ACTIVITIES			
Technical assistance and distribution activities for the implementation of a single specification sheet	<ul style="list-style-type: none"> Single specification sheet agreed to within the central government 	<ul style="list-style-type: none"> Evaluation report File document 	<ul style="list-style-type: none"> The participants involved will complete their activities appropriately
Activities involving technical assistance, training and software development for SICE implementation	<ul style="list-style-type: none"> A computer program developed Training seminars and workshops carried out 	<ul style="list-style-type: none"> Software documentation (manuals) 	
Procurement of equipment for operation of the SICE	<ul style="list-style-type: none"> Equipment operating 	<ul style="list-style-type: none"> Evaluation report 	
Development of "electronic table" software	<ul style="list-style-type: none"> A computer program developed for the "electronic table," operating on a private sector host by the third year 	<ul style="list-style-type: none"> Internet site with "table" implemented upon completion 	
Technical assistance activities for the development of management indicators	<ul style="list-style-type: none"> Development of a reference basket of procurement costs 	<ul style="list-style-type: none"> Evaluation report 	

PROPOSED RESOLUTION

**URUGUAY. NONREIMBURSABLE TECHNICAL COOPERATION FOR A
PROGRAM TO REDUCE STATE COSTS FOR PRIVATE SECTOR ACTIVITIES**

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank or such representative as he shall designate is authorized, in the name and on behalf of the Bank, as Administrator of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the República Oriental del Uruguay, and to take such additional measures as may be pertinent for the execution of the project proposal contained in Document MIF/AT-____ with respect to a technical cooperation for a Program to Reduce State Costs for Private Sector Activities.
2. That up to the amount of US\$1.300.000, or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to resources of the Technical Cooperation Facility of the Multilateral Investment Fund.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.