

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

URUGUAY

PROGRAM TO SUPPORT AGRICULTURAL PUBLIC MANAGEMENT

(UR-L1016)

LOAN PROPOSAL

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Electronic Links	
REQUIRED	
Annual work plan (AWP)	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1921982
Monitoring and evaluation system	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1921981
Complete procurement plan	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1921980
Environmental and social management report (ESMR)	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1921977
Environmental classification and safeguards	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1961561
OPTIONAL	
Technical options and design	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1856367
Analysis of project cost and economic viability	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1921978

ABBREVIATIONS

AWP	Annual work plan
DGS	General Secretariat]
DGSA	Office of Agricultural Services
DGSG	Office of Livestock Services
ESMR	Environmental and social management report
GDP	Gross domestic product
FMD	Foot-and-mouth disease
ICAS	Institutional capacity assessment system
ICT	Information and communication technologies
IICA	Inter-American Institute for Cooperation on Agriculture
IICA-PVS	IICA Performance, Vision and Strategy
MEF	Ministry of Economy and Finance
MERCOSUR	Southern Cone Common Market
MGAP	Ministry of Livestock, Agriculture, and Fisheries
NPV	Net present value
OIE	World Organization for Animal Health
OIE-PVS	OIE Tool for the Evaluation of the Performance of Veterinary Services

PROJECT SUMMARY

URUGUAY PROGRAM TO SUPPORT AGRICULTURAL PUBLIC MANAGEMENT (UR-L1016)

Financial Terms and Conditions ¹				
Borrower: Oriental Republic of Uruguay Executing agency: Ministry of Livestock, Agriculture, and Fisheries (MGAP)			Amortization period:	25 years
			Grace period:	5 years
			Disbursement period:	5 years
Source	Amount (US\$ millions)		Interest rate:	Libor
	Program	%	Inspection and supervision fee:	*
IDB (Ordinary Capital)	10.5	95	Credit fee:	*
Local	0.5	5	Currency:	United States dollar from the Single Currency Facility of the Bank's Ordinary Capital. Option for conversion to Uruguayan pesos: Local Currency Facility.
Total	11.0	100		
Project at a glance				
Project objective/description: The objective of the proposed program is to strengthen the management of the Ministry of Livestock, Agriculture, and Fisheries (MGAP), with an emphasis on the strengthening of institutional management and agricultural health and food safety services, in order to facilitate access to efficient, high quality services for users throughout the country. To achieve this objective, the program will include two components: (i) strengthening of the Ministry's institutional management; and (ii) support for the technical management of agricultural health and food safety services.				
Special contractual clauses: None.				
Exceptions to Bank policies: None.				
Project qualifies as: SEQ [] PTI [] Sector [] Geographic [] Headcount []				
Procurement: All works, goods and services for the program will be procured in accordance with Bank policies and procedures, as set out in documents GN-2349-7 and GN-2350-7. There are no expected exceptions to Bank policies (paragraph 3.5).				

* The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable provisions of the Bank's policy on lending rate methodology for Ordinary Capital loans. In no case will the credit fee exceed 0.75% or the inspection and supervision fee exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

I. DESCRIPTION AND MONITORING OF OUTCOMES

A. Background

1. The agricultural sector in Uruguay

- 1.1 The agricultural sector in Uruguay and related sectors (agrifood and agroindustry) are mainstays of the country's economy, due to their contribution to gross domestic product (GDP) and employment, and in particular to their role in generating foreign exchange. Following a period of recession between 1996 and 2002 stemming from the appreciation of the peso, adverse climate factors, and the closure of markets due to the appearance of foot-and-mouth-disease, the Uruguayan agricultural sector demonstrated its ability to rapidly respond to the 2002 currency devaluation, the recovery of its health status as a foot-and-mouth-disease-free country with vaccination, and more recently, the cyclical upturn in international agricultural prices. Between 2002 and 2008, the sector grew at an average annual real rate of 8%, which is higher than the annual average of 2.3% reported between 1990 and 2003. With this rapid recovery, the sector accounted for 10.5% of GDP by 2008, well above the 8% average achieved between 1995 and 2005. If agroindustrial production and services directly related to this sector are included, the agricultural sector's share of GDP would be more than 25%. The sector's contribution to GDP is reflected in its demand for labor: 13% of the economically active population is engaged in agriculture.
- 1.2 In addition to its significant contribution to GDP and employment, the agricultural sector is the country's principal foreign exchange earner. In 1993 agrifood exports amounted to US\$1.24 billion; in 2008 the figure was estimated at US\$3.8 billion, or 60% of total exports. Nearly 40% of export earnings are derived from the sales of meat (22%), rice (12%), and soy (6%). In addition to these products, fruits and vegetables, while accounting for only 1.5% of total export value, have been rapidly rising. The value of citrus and noncitrus exports grew at an annual average rate of 19.8% and 15%, respectively, between 2000 and 2007. This variety of agricultural exports has made it possible to penetrate new markets, leading to diversification and ultimately reducing risks due to external factor variability. Thus, the share of Uruguayan exports going to countries in the region declined from 55% in 1998 (Brazil: 33%; Argentina: 19%) to 26% by 2008, as Uruguay consolidated its position in other markets, including the European Union and the United States.
- 1.3 The current international situation has forced Uruguay to lower its growth projections, although demand for the country's principal exports will continue to increase. A March 2009 technical report entitled Informe Técnico Análisis Estratégico de Inserción Externa de Uruguay para la Carne Bovina ["Strategic Analysis of Uruguay's Entry into the International Beef Market"] points out that despite the global financial crisis and downturn in principal markets, beef continues to be one of the products with the most promising prospects for medium and long-term growth and development, and emphasizes agricultural health as essential for maintaining a presence in world markets. According to Uruguayan Ministry of

Economy and Finance (MEF) data, frozen meat exports have remained stable, and wheat and rice exports have risen from 15% to 35%, when figures from the last quarter (December 2008-February 2009) are compared to the same periods in 2006 and 2007. Commodity prices have stopped falling following the August-December 2008 decline, and the forward world commerce indicator is beginning to show a slight uptick (Baltic Exchange Dry Index, an index that tracks the shipping rates of dry bulk cargoes). Uruguay's development continues to surpass the Latin American average. According to Economic Commission for Latin America (ECLAC) data for 2004-2008, the improvement in GDP was 7.8% for Uruguay compared to 4.7% for Latin America as a whole. According to the Consensus Forecast, the improvement for 2009 will be 1.8% compared to 0.3% for Latin America as a whole.

2. Agricultural health and food safety services: progress and challenges

- 1.4 Agricultural health and food safety services can be characterized as social goods, and are among the most important due to their contribution to agricultural competitiveness. In the case of Uruguay, these services are essential for meeting the agricultural health and food safety requirements of international markets, and for maintaining the upward trend in the volume of the country's agrifood exports. Moreover, these services are essential to reduce the likelihood of pests and diseases that may have negative impacts on agricultural activity, biodiversity and public health.
- 1.5 As an agricultural exporting country, Uruguay has always given high priority to agricultural health and food safety services. The [Agricultural Programming and Policy Office of the Ministry of Livestock, Agriculture, and Fisheries \(MGAP\)](#) estimated that in 2003, spending on agricultural health accounted for 40% of the MGAP's expenditure and 27% of the country's rural public expenditure, and may be one of the highest in South America. In addition, the country has made significant progress towards compliance with health regulations and guidelines applicable to international trade, especially those established by the World Organization for Animal Health (OIE), the International Plant Protection Convention (IPPC), and Codex Alimentarius, the organizations responsible for the World Trade Organization (WTO) Agreement on the Application of Sanitary and Phytosanitary Measures. The MGAP, through the Office of Livestock Services (DGSG) and the Office of Agricultural Services (DGSA), are the national authorities responsible for ensuring the hygienic and sanitary condition of animal and plant-based foods, respectively, as well as for enforcement of the aforementioned regulations and guidelines.
 - a. **Animal health and safety**
- 1.6 As evidence of its importance to the economy, nearly 75% of public expenditure on health is concentrated in the livestock subsector. Public investment in animal health has been supported by the Bank. With a loan of US\$11.52 million, between 1989 and 1997 the Bank supported the Animal Health Program (UR-0016) to eradicate foot-and-mouth-disease (FMD), an operation that contributed to Uruguay's

achievement in 1996 of the status of FMD-free country without vaccination granted by the OIE. With a more comprehensive treatment of the health issue, the Animal Health and Food Protection Subprogram (1131/OC-UR) made it possible, through a US\$5.6 million loan between 1999 and 2007, for the DGSG to implement a modernization process that included improving border control, laboratory services, and epidemiological surveillance, and kept the country free of the OIE's former List A diseases. A portion of this loan was redirected to address outbreaks of foot-and-mouth-disease in 2000 and 2001. These outbreaks caused loss of access to Uruguay's principal markets (the European Union, Israel, the United States, Canada, Chile and Russia), and the impacts sustained were quantified at US\$730 million. The country recovered all of these markets, and OIE declared it to be currently free of foot-and-mouth-disease with vaccination. The Bank used the proceeds of a technical-cooperation project in support of the MERCOSUR Foot-and-Mouth-Disease-Free Action Program (ATN/SF-10036-RG) to facilitate the implementation of a regional program to eradicate foot-and-mouth-disease. The program is being financed by the Structural Convergence Fund (FOCEM) comprising the MERCOSUR countries. Since 2005, the program to support productivity and the development of new livestock products (1643/OC-UR) has been supporting actions that target the bovine traceability system and the accreditation of private professionals to execute health campaigns.

- 1.7 The project completion report for the operation 1131/OC-UR identified institutional development as a key element for ensuring the sustainability of the outcomes achieved in disease control. The main issues to be considered in future actions include: (i) turnover of technical staff; (ii) the addition of more new information and communications technologies (ICTs); (iii) ongoing technical modernization; and (iv) greater integration with the private sector. These issues have been considered in the design of the program and were incorporated into the human resources management activities, master information plan, training, strategic technical management, and strengthening of local management capacity. The reappearance of foot-and-mouth-disease and its subsequent control clearly illustrated the relevance of preparing and modernizing permanent agricultural health and food safety services on a continuous basis in order to protect public health and retain markets.
- 1.8 In October 2007, the quality of DGSG services was evaluated by the OIE using its [new tool for the evaluation of performance of veterinary sciences \(PVS\)](#). This tool is designed to determine the efficiency of the DGSG, identify gaps and weaknesses, set priorities, and implement strategic initiatives in 40 critical competencies grouped in four areas: (i) institutional and economic stability as evidenced by the level of professional, technical, and financial resources; (ii) technical capacity to formulate and implement health measures and support them with scientific procedures; (iii) ability to work with stakeholders and make them participants in their programs; and (iv) ability to support access to markets and contribute to their expansion and maintenance. Each critical competency is evaluated based on a level of advancement from 1 to 5, with 5 being the highest, and recommendations are

made for improvement. The [OIE-PVS Evaluation for Uruguay](#) found that its veterinary services are highly developed in the four areas mentioned, with a maximum advancement level of 5 in 23 critical competencies and a linear average of 4.6. The following table shows some of the results of the PVS evaluation with recommendations on critical competencies, which will be addressed by the program:

Critical Competency	Level of Advancement	Recommendation
Scientific and technical staffing of veterinary services	4	Create a system to document effective management procedures for evaluating the services of veterinarians and other professionals
Competencies of veterinary para-professionals	3	Define and standardize competencies for para-professionals
Physical resources	4	Improve local offices
Quality control in laboratories	4	Ensure that the ISO 17025 certification process is implemented in laboratory activities
Communication	4	Develop communication plans for veterinary services
Participation of producers and other stakeholders in common programs	4	Investigate the level of participation of producers and other stakeholders in program organization and execution

b. Plant health and safety

- 1.9 Considering that the country's agricultural economy is based on processed products or products that will be processed, which have a low risk of spreading pests and diseases, there have been fewer efforts to improve plant health in the country than in the livestock sector. The rapid growth of the agricultural sector, including the export of fresh produce, of grains and oil-seeds through the application of technology packages with significant use of agrochemicals, poses new challenges for plant health services. Accordingly, in 2006 Uruguay evaluated the quality of DGSA services using the Performance, Vision, and Strategy (PVS) methodology for National Plant Protection Organizations of the Inter-American Institute for Cooperation on Agriculture (IICA). Like the OIE tool, the IICA-PVS methodology assesses the performance of the service and makes recommendations on the basis of an evaluation of 27 critical competencies in the same four areas as the OIE tool.
- 1.10 The results of the assessment show that the DGSA's performance is average, with values of around 50%, which indicates that there is much room for institutional improvement in all action areas of the plant health and plant-based food safety services. The following table illustrates some of the results of the IICA-PVS evaluation that will be addressed by the program:

Critical Competency	Level of Advancement	Recommendation
Establish and implement plant health measures and scientifically applied procedures	<50%	Improve the ability to identify in advance any plant health problems and situations that could jeopardize or benefit the country's phytosanitary status.
Human talent	75%	More commitment on the part of staff at sanitary barrier border stations.
Refresher training for human resources	25%	Organize training plans
Effective and timely communication regarding plant health programs and maintenance of smooth channels of communication	<50%	Organize communication with users under an information and communication program.
Certify services or processes according to national and international standards.	<50%	Have a certification system with quality control for processes and compliance with regulations and standards.

c. The impact of institutional management on health services

- 1.11 Despite the efficiency levels of plant health services in Uruguay, the provision of these services to users is affected by the quality of the institutional management of the MGAP as a whole. The MGAP's institutional challenges which affect health services and how they are addressed by program activities are listed in the following table.

Challenge	Program Activity
(i) inadequate integration of MGAP actions into a common strategy	Functional Strategic Plan and strategic plan for health services
(ii) slow, disparate routine formalities (little use of new information technologies and lack of uniformity of procedures)	Master information system plan. Strengthening of management capacity at the local level (single window)
(iii) high percentage of staff in the age range close to retirement, and lack of a medium- and long-term human resources management strategy	Human resources management strategy
(iv) lack of integrated planning for all available physical resources	Functional strategic plan
(v) concentration of services in Montevideo	Strengthening of management capacity at the local level
(vi) insufficient coordination between national, departmental, and local policies	Functional strategic plan and strategic health services plan

- 1.12 The MGAP has initiated a reform of the agricultural public institutional framework that includes the decentralization of its services to the departments, and coordination between the sector institutional framework and local agricultural

society.¹ This reform must go hand in hand with the modernization of planning systems, information management, communication, and administration of its human and financial resources, to enhance resource use efficiency, prevent duplication of efforts, and maximize the synergies of actions coordinated with the departments, other public institutions, and the private sector. This improvement in management is fundamental for providing more efficient health services that are accessible to producers and all stakeholders in the agrifood chains.

3. Program design and strategy

- 1.13 The proposed program is consistent with the country strategy for 2005-2009, and fits in with two of its three strategic thrusts: the improvement of public management and strengthening of fiscal sustainability, and increased competitiveness and the deepening of international integration to achieve sustained growth. The program strategy is based on improving and modernizing the institutional and technical management of agricultural health and food safety services as part of the process of strengthening public management of the MGAP. These services are strategic for maintaining the continued growth of agrifood exports, which are Uruguay's principal source of foreign exchange, and for preserving the country's natural resources and protecting national health.
- 1.14 The program takes into account the lessons learned from the agricultural health operations financed by the Bank, particularly: (i) institutional strength is the basis for ensuring the sustainability of the results achieved through pest and disease control programs; (ii) a communication strategy is essential for engaging producers, specialists, and the community in agricultural health actions, which require the active participation of the private sector; (iii) ongoing technical modernization is fundamental for adapting the services to new market demands.
- 1.15 In this context, the program will support the strengthening of the MGAP's capacities in the areas of organizational and administrative management, integration of its information systems, greater incorporation of information technologies into its processes, and updating of its human resources strategy, all of which are a prerequisite for further progress in modernizing agricultural health and food safety services under more solid institutional management. As identified in the OIE-PVS and IICA-PVS evaluations for both services, these are fundamental aspects for ensuring that the services have the physical and financial resources required to improve the quality of the services offered. The program will support an improved communications strategy with users and the population, and the strengthening of local offices will facilitate efforts to work more closely with stakeholders, better coordination of plans and programs with producers, and improved service delivery in the country. These actions were identified by the DGSG and the DGSA and were

¹ In May of 2007, Law No. 18,126 "Decentralization and Coordination of Department-Based Agricultural Policies" was passed, which creates the National Agricultural Council, the Departmental Agricultural Councils, and the Rural Development Committees. The MGAP created the Decentralization Unit and appointed 19 Departmental Directors to coordinate and facilitate the MGAP's services in each department.

recommended in the OIE-PVS and IICA-PVS evaluations to coordinate public actions with those of the private sector, which is essential for achieving health results and market access.

- 1.16 The program will support the strengthening of the technical management of agricultural health and food safety services, with priority given to planning, sanitary barriers, and laboratories. These areas were targeted because of the common objectives shared by veterinary and agricultural services, and because they were identified in the evaluations of both services as key technical competencies. Their strengthening as a whole will help make the services offered more efficient, based on the trends of other health agencies across the world, and may serve as an initial step in integrating the two services, as part of the MGAP's medium- and long-term strategy.

B. Objective, components and costs

- 1.17 The **objective of the proposed program** is to strengthen the management of the Ministry of Livestock, Agriculture and Fisheries (MGAP), with emphasis on agricultural health and food safety services, to facilitate access to efficient, high quality services for users throughout the country. To achieve this objective, the program will include two components: (i) strengthening of the institutional management of the MGAP; and (ii) support for the technical management of agricultural health and food safety services.
- 1.18 **Strengthening of institutional management component (US\$5.4 million).** This component will enable MGAP to deliver more efficient and more effective public services to the agricultural sector. The activities to be financed are:
- a. Functional strategic plan, which includes: (i) a review of the functional management and administration of the MGAP's physical and financial resources and an assessment of inter-institutional coordination procedures; (ii) support for the design of a management strategy focused on objectives and results-based evaluations; (iii) a review of the budget formulation mechanism to improve budget management and incorporate a decentralized structure; and (iv) support for formulating the organizational design of the decentralization process, including procedures and competencies of the departmental offices.
 - b. Master plan for an information, information technology, and telecommunications system, which includes: (i) design of a master plan for the MGAP's information, information technology, and telecommunications system to implement a uniform management model for the institution and facilitate compatibility between the different existing systems and databases, and (ii) definition of technology and database standards, security standards, communication standards, and corporate network (intranet and Internet).
 - c. Human resources management strategy, which includes: (i) the design of a human resources management strategy for the MGAP with an analysis of regulatory frameworks and sources of financial resources, based on a detailed

assessment of capacities; (ii) organizational design of the MGAP's human resources department, with job description manuals and profiles; (iii) development of a computerized human resources management module; and (iv) the design and implementation of a human resources training plan in response to the MGAP's functional strategic plan.

- d. Communication, dissemination and educational strategy, which includes: (i) the design of MGAP communications and dissemination guidelines for the different media and target audiences; (ii) a review and adaptation of communications and dissemination policies to contribute to more efficient and transparent public management; and (iii) the design and implementation of educational campaigns in agricultural worker health and safety, and generation of skills among citizens for more computerized management.
- e. Strengthening of management capacity at the local level, including: (i) design and implementation of the single window user service system, based on an analysis of routine procedures and processing times; (ii) education and training of the MGAP's human resources in user service; and (iii) building adaptation and equipment for 19 departmental offices.

1.19 **Technical management of agricultural health and food safety services support component (US\$4.6 million).** This component seeks to continue supporting advances in veterinary and agricultural services, through the following activities:

- a. Strategic technical management, including: (i) formulation of a strategic plan for agricultural health and food safety services, which includes environmental and biosafety management, with the establishment of monitoring and evaluation mechanisms; (ii) design and implementation of a quality control system for the processes carried out by the services, with emphasis on certification and inspection; and (iii) development of a comprehensive information system as part of the MGAP's master information plan, to streamline the management and analysis of information generated by service activities, including training for professionals, officials, individuals, and producers.
- b. Sanitary barriers, which includes: (i) formulation of an integrated management system for sanitary barriers (animal and plant), including a definition of their structure, organization, and procedures manuals; (ii) technical equipment (detection and disinfection), information and communications; (iii) two mobile barriers; and (iv) staff training.
- c. Laboratories, which includes: (i) formulation of a master plan for the national laboratory system; (ii) restructuring of building infrastructure into three laboratories (including effluent treatment and solid waste management); (iii) development and implementation of the process quality control system for ISO 17025 certification; (iv) support for management of the phytosanitary laboratory; and (v) training of staff in the new systems.

- 1.20 **Cost and financing.** The program is designed as a specific investment loan, with a disbursement period of five years. The cost will be US\$11 million, of which the Bank will contribute US\$10.5 million from the Ordinary Capital. The local counterpart funding of US\$500,000 will be contributed by the Government of Uruguay. The financing will cover all program-related taxes and fees.

Table I-1. Cost and financing of the program (in millions of US\$)

<i>Investment Component</i>	<i>IDB</i>	<i>Local counterpart</i>	<i>Total</i>	<i>%</i>
I. Administration of the program	0.4	0.5	0.9	8
II. Direct costs	10.0		10.0	91
2.1 Strengthening of institutional management	5.4		5.4	49
2.2 Technical management of agricultural health and food safety services	4.6		4.6	42
III. Monitoring, evaluation and audits	0.1		0.1	1
IV. Financing costs*	0.0		0.0	0.0
Total	10.5	0.5	11.0	100
Percentage	95	5	100	100

*Financing costs, interest, and credit fee will be paid by the borrower outside the program.

C. Results framework with key indicators

- 1.21 The program outcomes are related to more efficient MGAP service delivery to users at the local level, and to the improved management of animal and plant health services, in order to maintain and improve the country's sanitary heritage, and therefore access to markets and public health. The following table lists the program's key indicators. The results framework (Annex II) describes in detail all of the program outcome and output indicators, with midterm and final targets.

Table I-2. Indicators

Key indicators	When assessed	Grounds for selection
Improved performance of health services, assessed using OIE-PVS and IICA-PVS methodology (critical competencies: laboratory quality, border control, communications and stakeholder participation)	At the end of the program	This measures the improvement in health services management, as evaluated by international reference agencies. This improvement has an impact on the country's sanitary status, a key issue for accessing export markets.
Reduced response time to user queries and requests in departmental offices	At the end of the program	This is a measurement that reflects better service delivery at the local level, and closer interaction between the institution and users and all stakeholders.
Public management of the MGAP based on strategic planning	At the end of the program	This is a measurement of the improvement in management capacity that contributes to greater efficiency and transparency in public resource use and better services delivery.

II. FINANCIAL STRUCTURE AND PRINCIPAL RISKS

A. Financing instruments

- 2.1 The program will finance specific investments. It will be implemented over a period of five (5) years, and the program resources are projected to be disbursed according to the following timetable:

Table II-1. Disbursement Timetable (in millions of US\$)

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Total	%
IDB	0.95	1.58	2.62	3.15	2.2	10.50	95
Local	0.05	0.07	0.13	0.15	0.1	0.50	5
Total	1.0	1.65	2.75	3.30	2.30	11.0	100
%	9	15	25	30	21	100	100

B. Social and environmental safeguard risks

- 2.2 In accordance with the guidelines of the Bank's Environment and Safeguards Compliance Policy (OP-703 and OP-765), the team classified the operation through the Safeguards Filter as a category "B". According to this classification, an environmental and social assessment was conducted, the results of which appear in the Environmental and Social Management Report (ESMR).
- 2.3 The proposed program will have primarily positive environmental and social impacts, since its activities will help improve the country's ability to protect agricultural health and food safety, as part of service delivery more attuned to producer and consumer requirements. The program will have a favorable impact since it will help improve management of laboratories for chemical reagent storage, waste handling, and effluent treatment, and will include the design and implementation of a comprehensive plan for managing hazardous products and wastes, worker health and safety, as well as environmental and social management for each laboratory.
- 2.4 The possible negative impacts of the program will be easily mitigated, since they are localized and limited in scope. This risks are related to the possible increase of laboratory activities in the handling of toxic substances, waste and effluent treatment and disposal, and worker safety, as well as possible impacts on zones for construction (primarily remodeling) of laboratories, offices, and border control posts.
- 2.5 The Environmental and Social Management Plan includes specifications for the design and execution of building infrastructure projects; criteria to be considered in the design and construction of new works and/or remodeling of laboratories; and recommendations regarding the operation of laboratories and control posts. If the program complies with the Environmental and Social Management Plan, it will also comply with the Bank's environmental and social policies (B.5 Environmental Impact Assessment; B.6 Public Consultations; B.7 Supervision and Compliance;

B.8 Transboundary Impacts; B.9 Natural Habitats and Cultural Sites; B.10 Hazardous Materials; B.11 Pollution Prevention and Abatement), as well as the applicable national, departmental, and municipal regulations, and will result in improvements in the institution's environmental and social management.

C. Fiduciary risks

- 2.6 The MGAP's institutional capacity to execute the program was evaluated during the preparation stage, using the Institutional Capacity Assessment System (ICAS) methodology, which covers: (i) planning and organization capacity (planning of activities and institutional management); (ii) execution capacity (staff, goods and services, and financial administration); and (iii) control capacity (internal and external). The assessment concluded that the MGAP's institutional capacity level for the execution of projects with external financing is "satisfactory", and that the associated institutional risk is "low", with the same ratings for each of the seven systems considered in the evaluation. The MGAP has satisfactorily executed several projects financed by the Bank, and is familiar with the Bank's policies and procedures. The principal areas to be strengthened, as identified in the assessment, are related to planning and management capacity, which will be addressed by the activities in institutional management strengthening component, as well as to the administration and finance areas, which, considering the small number of professionals who are working in those areas and the additional burden the new operation would create, will be supported by the addition of three administration and finance professionals, to be financed by the program.

D. Economic viability

- 2.7 During program preparation, a cost-benefit analysis was performed on the total investment in health envisaged by MGAP, including the program investments, at market prices over a period of five years, in order to assess the profitability per dollar invested by the public sector in this service (see electronic links). The incremental benefits² were estimated on the basis of the economic damage prevented due to a loss of export markets, cost reductions, and production losses resulting from a lower prevalence of diseases. Incremental cost projections were based on DGSG and DGSA budget execution in 2007. The net flow of benefits was discounted at 12% over an analysis period of 25 years to calculate a net present value (NPV). The result for these investments was US\$402.9 million, with a return on investment costs expressed in present value of 1.68.
- 2.8 For purposes of determining the program's economic viability, the present value of its economic benefits was calculated in proportion to the present value of the

² The prices used for beef were the average prices of Uruguayan countries per destination country in 2006 and 2007, reported by the Instituto Nacional de Carnes [National Meat Institute] (INAC). A comparison of the annual average price of meat in 2006 and 2007 (US\$2,012 and US\$2,136 per ton, respectively) with the average price for January 2009 (US\$2,236/ton) shows that the figures used in the evaluation were conservative and express values similar to current figures, and differ from the 2008 average which was US\$3,040 /ton.

investments in the support for technical management of health and safety services component, using a return on public investment in agricultural health of 1.68 (i.e. US\$7.59 million). Based on this estimate, the program as a whole was found to be economically viable with an NPV of US\$1.06 million. This result is conservative, since it does not consider other economic benefits derived from the institutional management strengthening component activities in agricultural health or reduced response time to queries and requests (certification of exports, applications, filling out of forms, etc.) by users of MGAP services. The number of routine procedures, the time required and their cost are indicators of the burden of the regulation and information requirements that affect producers.³

E. Other issues and risks

- 2.9 During the preparation phase, the technical, institutional, environmental, legal, and project management risks were identified and analyzed. The principal risk to achieving the project's expected impact has to do with the turnover of MGAP staff, since the generational transition affects several key areas of the MGAP, particularly its health services. The average age of DGSG employees is 53, and more than half of DGSA employees are over 50. With the program's support, the MGAP will formulate a human resources management strategy that will help identify the actions needed to bolster staff in the 2010-2015 five-year budget.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Program execution and administration

- 3.1 The borrower will be the Oriental Republic of Uruguay, and the executing agency will be the Ministry of Livestock, Agriculture, and Fisheries (MGAP).
- 3.2 The general program coordination and management will fall to the MGAP General Secretariat (DGS), with the support of specialists in planning, monitoring and evaluation, administration and finance, and procurement. The DGS's main duties will include: (i) coordinating program activities under a multi-institutional focus, with public institutions carrying out initiatives linked to program activities (such as OPP, AGESIC, DNA, and ANP); (ii) opening separate bank accounts and keeping accounting records that identify the sources and uses of program resources by component; (iii) preparing disbursement requests, justification of eligible expenses, and the program audited financial statements and submitting them to the Bank; (iv) preparing public competitive bidding and calls for proposals, subject to the approval of the pertinent technical departments, proceeding with the procurement of goods and services, and making the pertinent payments; (v) preparing monitoring and evaluation reports and submitting them to the Bank and competent government agencies, and making them available to the public; (vi) ensuring compliance with

³ Similar indicators are used by the administrative and budget offices of various governments (i.e. the United States) to gauge the regulatory burden of the different federal government agencies. For program purposes, these indicators will be estimated in year one and will serve as the baseline for program evaluations.

- environmental regulations under the program; and (vii) ensuring fulfillment of the contractual clauses of the loan agreement.
- 3.3 The agencies of the MGAP—the DGSA, DGSG and the Decentralization Unit—will each appoint representatives to provide technical assistance to the DGS with program planning, monitoring, and evaluation activities. These activities include: (i) procurement and contracting processes and the review of final results; and (ii) the preparation of the following reports: preliminary program report, the annual work plans (AWP), the semiannual monitoring reports, the evaluation reports, and the project completion report, prior to submitting them to the Bank. The operational implementation of the program in the field and the technical supervision and environmental monitoring of program activities, including periodic inspections of the works, program monitoring and maintenance, will in turn be carried out with the support of the DGSG and DGSA, according to their sphere of activity.
- 3.4 **Revolving fund.** The proceeds of the Bank financing will be disbursed to the executing agency in the form of a revolving fund for up to 5% of the loan amount.
- 3.5 **Procurement.** The procurement of goods and related services and works will be carried out in accordance with the Policies for the Procurement of Works and Goods Financed by the Bank (GN-2349-7), and consulting services will be selected and contracted in accordance with the Policies for the Selection and Contracting of Consultants Financed by the Bank (GN-2350-7), in accordance with the loan agreement and the procurement plan. The procurement plan for the first 18 months is attached as an annex. The plan will be updated annually or whenever substantial changes occur. The Bank will review all procurement ex post.
- 3.6 **Audits.** The executing agency will submit annual reports on the financial and accounting audit of the program, performed by the Tribunal de Cuentas de la Republica [Office of the Auditor General]. During the execution period, these statements will be presented within 120 days after the close of the government's budget year.
- B. Monitoring and evaluation plan**
- 3.7 **Monitoring.** By 30 May and 30 November of each year for the duration of the program, the executing agency will submit to the Bank for approval monitoring reports on program activities. To this end, the MGAP will have a monitoring system that includes financial-accounting information and the extent to which outputs have been attained. These reports will focus on the extent to which the output and outcome indicators in the Results Framework (Annex II) have been attained. They will also analyze any problems encountered, and indicate the steps taken to remedy the situation. Reports due on 30 November will also include the annual work plan (AWP) for the following year, together with projected disbursements and an updated procurement plan. The Bank and the executing agency will meet every six months to review these reports.

- 3.8 **Evaluation.** The executing agency will submit an evaluation report to the Bank 18 months into the project, reckoned from the date on which the loan is declared eligible for disbursements. A midterm report will be submitted 60 days after the date on which 50% of the financing has been disbursed, with a final evaluation report 60 days after the date on which 90% of the financing has been disbursed. The terms of reference for these reports will require the Bank's no objection. These reports will include: (i) progress made towards the targets set out in the Results Framework; (ii) the extent to which contractual obligations have been fulfilled; (iii) effectiveness of the monitoring and evaluation system; (iv) effectiveness of the strategic planning process and its implementation; (v) degree of participation by the private sector and civil society; and (vi) environmental monitoring. In addition, the final report will indicate the lessons learned, the extent to which the activities are sustainable, level of public expenditure on health and safety services by the end of the program, and remaining challenges in services to users, particularly agricultural health and food safety services. The evaluations will be carried out independently. Once approved by the executing agency and the Bank, the evaluation reports will be made available to the public on the MGAP's web site. The reports will remain available for the ex post evaluation if considered necessary by the MGAP or the Bank after completion of the program.

C. Design activities during execution

- 3.9 During program preparation, workshops and working meetings were held with the DGS, DGSA, DGSG technical teams and the Decentralization Unit, in order to identify the targets, budget, and execution timeline. The work plan and execution timeline and the consultants' terms of reference must be updated on the basis of the outcomes of the activities to support the program's strategic plans. In addition, during program execution, the final project designs will be prepared, information on some of the baseline indicators will be completed, and the program monitoring and evaluation system will be implemented.

URUGUAY

PROGRAM TO SUPPORT AGRICULTURAL PUBLIC MANAGEMENT (UR-L1016)

RESULTS FRAMEWORK

Program Objective	Strengthen the management of the Ministry of Livestock, Agriculture and Fisheries (MGAP), with an emphasis on strengthening of institutional management and on agricultural health and food safety services, to facilitate access to efficient, high quality services for users throughout the country.							
Results/Indicators	Baseline (2008)			Target				Comments
Management of agricultural health services improved to prevent the entry of diseases and support entry into markets	Performance of agricultural health services evaluated using IICA-PVS or OIE-PVS methodology or similar tool (DGSG evaluated in 2008 and DGSA in 2006) with an emphasis on critical competencies: DGSG: Competency of paraprofessionals (3), Physical Resources (4), Laboratory Quality (4) and Communications (4) – DGSA: Agricultural health measures and procedures scientifically applied (<50%), Refresher training for human resources (25%)., Effective and timely communication regarding health programs (<50%) and Certification of services or processes pursuant to standards (<50%)			Performance of health services evaluated using IICA-PVS or OIE-PVS methodology or similar tool : DGSG: Competency of para-professionals (4), Physical Resources (5), Laboratory Quality (5) and Communication (5) -- DGSA: Agricultural health measures and procedures scientifically applied (60%), Refresher training for human resources (50%), Effective and timely communication regarding health programs (60%) and Certification of services or processes pursuant to standards (75%)				OIE and IICA reports
Public management of the MGAP, especially its agricultural health services, based on a functional strategic plan and evaluation of outcomes	Management system based on the execution of activities in the different units of the MGAP			Comprehensive management of the MGAP based on strategic planning and evaluation of outcomes				MGAP annual report
Shorter processing times for user queries and requests in departmental offices	Response time to process user queries and requests to be defined (baseline)			Response time to process user queries and requests reduced with respect to the baseline				Study to define baseline and assess response times
I. STRENGTHENING OF THE INSTITUTIONAL MANAGEMENT OF THE MGAP								
Outputs								
Outputs/Indicators	Baseline (2008)	Year 1	Year 2	Year 3	Year 4	Year 5	Target	Comments
MGAP's Functional Strategic Plan implemented	0 (not available)	0 (designed)	30%	60%	100%	100%	100%	MGAP annual report
MGAP's master information, information technology, and telecommunications plan implemented	0 (not available)	0 (designed)	40%	80%	100%	100%	100%	MGAP annual report
Human resources management strategy designed and implemented, including profiles and operations manuals for duties	0 (not available)		30%	60%	100%	100%	100%	MGAP annual report
Human Resources Management Department strengthened, with computerized HR management module implemented	0		50%	100%	100%	100%	100%	MGAP annual report
1600 government workers trained in the new management model	0		20%	40%	60%	100%	100%	MGAP annual report

URUGUAY

PROGRAM TO SUPPORT AGRICULTURAL PUBLIC MANAGEMENT (UR-L1016)

RESULTS FRAMEWORK

MGAP's communication and dissemination strategy implemented	0 (not available)	30%	50%	100%	100%	100%	100%	MGAP annual report
Education and dissemination campaigns implemented in accordance with the new strategy	0 (not available)		30%	50%	100%	100%	100%	MGAP annual report
User Service System with Single Window implemented with processes carried out using ICTs	0 (not available)	20%	50%	100%	100%	100%	100%	MGAP annual report
300 government workers educated and trained in user service	0 (not available)	20%	50%	100%	100%	100%	100%	Program reports
19 departmental offices with adapted facilities and equipment according to the Functional Strategic Plan	0 (not available)	0 (designed)	20%	50%	80%	100%	100%	Program reports
II. SUPPORT FOR THE MANAGEMENT OF AGRICULTURAL HEALTH AND FOOD SAFETY SERVICES								
Outputs								
Strategic plan for agricultural health and safety services, including environmental and biosafety management, with monitoring and evaluation system implemented	0 (not available)	40%	80%	100%	100%	100%	100%	MGAP annual report
Procedures quality control system implemented	0 (not available)	0 (designed)	30%	60%	100%	100%	100%	MGAP annual report
Comprehensive information system included in the MGAP's master information technology plan implemented	0 (not available)	0 (designed)	30%	60%	100%	100%	100%	MGAP annual report
Management system for sanitary barriers designed and implemented (and evaluated for any adjustments)	0 (not available)	20%	50%	80% (evaluated and adjusted)	100%	100%	100%	SBS reports
Building renovation and equipment plan for sanitary barrier posts implemented	0 (not available)	50%	100%	100%	100%	100%	100%	SBS reports

URUGUAY

PROGRAM TO SUPPORT AGRICULTURAL PUBLIC MANAGEMENT (UR-L1016)

RESULTS FRAMEWORK

Training plan in sanitary barrier management (200 government workers trained)	0 (not available)	50%	100%	100%	100%	100%	100%	SBS reports
Phase one of master plan for laboratories system designed and implemented	0 (not available)	0 (designed)	30%	60%	80%	100%	100%	MGAP annual report
6 processes with quality management system implemented, with ISO 17025 certification	0 (3 procedures in process of being certified)	3	4	4	6	6	6	Laboratory audit reports
6000 phytosanitary laboratory assessments conducted each year	3000 assessments/year	3500	5000	6000	6000	6000	6000	Laboratory audit reports
Building infrastructure plan for laboratories adapted to comply with environmental and biosafety management policies	0 (not available)			50%	80%	100%	100%	Laboratory audit reports
Training plan in laboratory system management (200 government workers trained)	0 (not available)			50%	80%	100%	100%	Laboratory audit reports

URUGUAY
PROGRAM TO SUPPORT AGRICULTURAL PUBLIC MANAGEMENT
(UR-L1016)

SUMMARY PROCUREMENT PLAN

PROCUREMENT ACTION PLAN (PAA)
Period covered in procurement plan: July 2009 to June 2014

Ref. No.	Description of contract and estimated competitive bidding cost	Estimated procurement cost (U\$S)	Procurement method	Review (ex ante or ex post)	Financing source and percentage		Pre-qualification (Yes/No)	Estimated dates		Status (pending, in process, awarded, cancelled)	Comments
					IDB (%)	Local / Other (%)		Publication procurement notice	Completion of contract		
A	PROCUREMENT OF WORKS	-									
A.1	Building infrastructure improvement plan Component 1	2,800,000	NCB	Ex post	100%			1st half / Year 2	2nd half / Year 4	Pending	
A.2	Building renovation in sanitary barrier posts	300,000	NCB	Ex post	100%			2nd half / Year 1	2nd half / Year 2	Pending	
A.3	Construction and remodeling of laboratories	1,500,000	NCB	Ex post	100%			2nd half / Year 2	2nd half / Year 4	Pending	
B	PROCUREMENT OF GOODS	-									
B.1	Information technology and telecommunications equipment network, and information technology and communications equipment for MGAP headquarters and	1,800,000	ICB	Ex post	100%			1st half / Year 2	2nd half / Year 2	Pending	

Ref. No.	Description of contract and estimated competitive bidding cost	Estimated procurement cost (U\$S)	Procurement method	Review (ex ante or ex post)	Financing source and percentage		Pre-qualification (Yes/No)	Estimated dates		Status (pending, in process, awarded, cancelled)	Comments
					IDB (%)	Local / Other (%)		Publication procurement notice	Completion of contract		
	departmental offices										
B.2	Office furniture for central offices and 19 departmental offices	200,000	NCB	Ex post	100%			1st half / Year 2	2nd half / Year 2	Pending	
B.3	Office supplies	40,000	PC	Ex post	100%			1st half / Year 2	2nd half / Year 5	Pending	
B.4	Equipment for sanitary barriers	400,000	ICB	Ex post	100%			2nd half / Year 1	2nd half / Year 2	Pending	
B.5	Equipment for central and regional laboratories	500,000	ICB	Ex post	100%			1st half / Year 3	2nd half / Year 4	Pending	
B.6	Mobile sanitary barriers	40,000	NCB	Ex post	100%			2nd half / Year 1	2nd half / Year 2	Pending	
C	CONSULTING SERVICES	-									
C1	CONSULTING FIRM	-									
C1.1	Formulation and support of implementation of the MGAP's Functional Strategic Plan	180,000	QCBS	Ex post	100%		No	1st half / Year 1	1st half / Year 2	Pending	National consulting firm 12 months
C1.2	Consulting services to formulate and support the implementation of the MGAP's master information, information technology, and telecommunications system	150,000	QCBS	Ex post	100%		No	2nd half / Year 1	2nd half / Year 1	Pending	National consulting firm 12 months

Ref. No.	Description of contract and estimated competitive bidding cost	Estimated procurement cost (US\$)	Procurement method	Review (ex ante or ex post)	Financing source and percentage		Pre-qualification (Yes/No)	Estimated dates		Status (pending, in process, awarded, cancelled)	Comments
					IDB (%)	Local / Other (%)		Publication procurement notice	Completion of contract		
C1.3	Survey of the MGAP's building infrastructure in the departments, and formulation of the infrastructure improvement plan, including the final design of works	80,000	QCBS	Ex post	100%		No	1st half / Year 1	1st half / Year 2	Pending	National consulting firm 6 months
C1.4	Design and implementation of the Single Window system, including identification of baseline, priority processes, and redesign of routine procedures, incorporating ICTs.	150,000	QCBS	Ex post	100%		No	2nd half / Year 1	2nd half / Year 2	Pending	National consulting firm
C1.5	Consulting services to design a user service training and education plan	40,000	QCBS	Ex post	100%		No	1st half / Year 2	2nd half / Year 2	Pending	National consulting firm 4 months
C1.6	Formulation of a human resources management strategy, with review of duties, definition of profiles, and development of operating manuals	120,000	QCBS	Ex post	100%		No	2nd half / Year 1	1st half / Year 2	Pending	National consulting firm 8 months
C1.7	Design of the MGAP's communications, dissemination, and education plan	30,000	QCBS	Ex post	100%		No	1st half / Year 2	1st half / Year 2	Pending	National consulting firm 3 months

Ref. No.	Description of contract and estimated competitive bidding cost	Estimated procurement cost (U\$S)	Procurement method	Review (ex ante or ex post)	Financing source and percentage		Pre-qualification (Yes/No)	Estimated dates		Status (pending, in process, awarded, cancelled)	Comments
					IDB (%)	Local / Other (%)		Publication procurement notice	Completion of contract		
C1.8	Consulting services to formulate a strategic health and safety plan, including environmental and biosafety management	100,000	QCBS	Ex post	100%		No	2nd half / Year 1	1st half / Year 2	Pending	National consulting firm 4 months
C2	INDIVIDUAL CONSULTANTS	-									
C2.1	Consultant to formulate legal and regulatory policies (decrees and resolutions) required to implement the Strategic Plan	10,000	CQ	Ex post	100%		No	1st half / Year 2	1st half / Year 2	Pending	One national consultant
C2.2	Design of the plan to strengthen the 19 departmental offices	20,000	CQ	Ex post	100%		No	1st half / Year 2	1st half / Year 2	Pending	One national consultant
C2.3	Consultant for quality control of agricultural health processes, with emphasis on certification and inspection	60,000	CQ	Ex post	100%		No	1st half / Year 2	2nd half / Year 2	Pending	2 International consultants
C2.4	Consultant for health services information system	50,000	CQ	Ex post	100%		No	2nd half / Year 1	1st half / Year 2	Pending	2 National consultants
C2.5	Proposal for a comprehensive plan for sanitary barriers	35,000	CQ	Ex post	100%		No	1st half / Year 1	1st half / Year 2	Pending	International consultant
C2.6	Implementation of a comprehensive barrier plan and procedures manuals	15,000	CQ	Ex post	100%		No	1st half / Year 1	1st half / Year 2	Pending	National consultant

Ref. No.	Description of contract and estimated competitive bidding cost	Estimated procurement cost (U\$S)	Procurement method	Review (ex ante or ex post)	Financing source and percentage		Pre-qualification (Yes/No)	Estimated dates		Status (pending, in process, awarded, cancelled)	Comments
					IDB (%)	Local / Other (%)		Publication procurement notice	Completion of contract		
C2.7	Evaluation of the operation of the new barrier system and recommended adjustments	10,000	CQ	Ex post	100%		No	1st half / Year 3	1st half / Year 3	Pending	International consultant
C2.8	Design of laboratory master plan	35,000	CQ	Ex post	100%		No	2nd half / Year 1	1st half / Year 2	Pending	International consultant
C2.9	Implementation of quality control in laboratory procedures for ISO 17025 certification, including training	30,000	CQ	Ex post	100%		No	1st half / Year 3	1st half / Year 4	Pending	National consultant
C2.10	Consultant for management and support in laboratories and phytosanitary registration	250,000	CQ	Ex post	100%		No	1st half / Year 1	2nd half / Year 2	Pending	10 National consultants
C2.11	General deputy coordinator for the program	180,000	SSS	Ex post	100%		No	1st half / Year 1	2nd half / Year 5	Pending	National consultant
C2.11	Specialist in planning, monitoring, and evaluation of the program	120,000	CQ	Ex post	100%		No	1st half / Year 1	2nd half / Year 5	Pending	National consultant
C2.12	Specialist in program administration and finance	120,000	CQ	Ex post	100%		No	1st half / Year 1	2nd half / Year 5	Pending	National consultant
C2.13	Accountant	120,000	CQ	Ex post	100%		No	1st half / Year 1	2nd half / Year 5	Pending	National consultant
C2.14	Program procurement specialist	120,000	CQ	Ex post	100%		No	1st half / Year 1	2nd half / Year 5	Pending	National consultant

Ref. No.	Description of contract and estimated competitive bidding cost	Estimated procurement cost (U\$S)	Procurement method	Review (ex ante or ex post)	Financing source and percentage		Pre-qualification (Yes/No)	Estimated dates		Status (pending, in process, awarded, cancelled)	Comments
					IDB (%)	Local / Other (%)		Publication procurement notice	Completion of contract		
C2.15	Specialist to support phase one of program implementation	8,000	CQ	Ex post	100%		No	1st half / Year 1	2nd half / Year 1	Pending	National consultant
C2.16	Evaluation of the program in month 18	10,000	CQ	Ex post	100%		No	1st half / Year 2	2nd half / Year 2	Pending	International consultant
C2.17	Final evaluation of the program	20,000	CQ	Ex post	100%		No	1st half / Year 5	2nd half / Year 5	Pending	International consultant
D	PROCUREMENT OF SERVICES	-									
D.1	Printing services	30,000	PC	Ex post	100%		No	1st half / Year 1	2nd half / Year 5	Pending	
D.2	Publicity and dissemination services	100,000	PC	Ex post	100%		No	2nd half / Year 2	1st half / Year 3	Pending	
D.3	Telecommunications services	100,000	PC	Ex post	100%		No	1st half / Year 2	2nd half / Year 5	Pending	
D.4	Training services	50,000	PC	Ex post	100%		No	1st half / Year 2	2nd half / Year 5	Pending	
D.5	Administrative services	40,000	PC	Ex post	100%		No	1st half / Year 1	2nd half / Year 5	Pending	
	TOTAL ESTIMATED PROCUREMENT COST	9,963,000									

LEGEND

FA - Force Account
DC - Direct Contracting
PC - Price Comparison

QCBS - Quality and Cost-Based Selection
ICB - International Competitive Bidding
NCB - National Competitive Bidding

CQ - Comparison of Qualifications
SSS -Single Source Selection