

PUBLIC

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

URUGUAY

**FRAY BENTOS - PUERTO UNZUE INTERNATIONAL BRIDGE
AND ITS ACCESS TO THE URUGUAYAN HIGHWAY SYSTEM**

(UR0011 y UR0017)

LOAN PROPOSAL

NOVEMBER 1970

LOAN TO THE REPUBLIC OF URUGUAY
FRAY BENTOS-PUERTO UNZUE INTERNATIONAL BRIDGE
AND ITS ACCESS ROUTE TO THE
URUGUAYAN HIGHWAY SYSTEM

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URUGUAY 1/

LOAN TO THE REPUBLIC OF URUGUAY

CONSTRUCTION OF THE INTERNATIONAL BRIDGE BETWEEN URUGUAY AND ARGENTINA (FRAY BENTOS-PUERTO UNZUE) AND ITS ACCESS ROUTE TO THE URUGUAYAN HIGHWAY SYSTEM

SUMMARY

1. Borrower: The Republic of Uruguay.
2. Executing Agencies: In the construction of the Fray Bentos-Puerto Unzué Bridge, the executing agency would be the Joint Technical Commission for the Bridge between Argentina and Uruguay (COMPAU), an agency set up by an exchange of notes signed by the Governments of Uruguay and Argentina on November 23, 1960. Responsibility for construction of the 8-kilometer stretch of road to provide access to the bridge would lie with the Highway Department of the Ministry of Public Works of Uruguay.
3. Amount and Currencies: (a) The equivalent of US\$3,600,000 from the ordinary capital of the Bank, of which up to US\$2,950,000 would be disbursed in dollars and the equivalent of US\$650,000 in Uruguayan pesos; and (b) the equivalent of US\$1,200,000 in Argentine pesos from the Argentine Government resources administered by the Bank, this allotment to be counted as part of the national contribution and used to cover local costs.
4. Sources of Funds: The ordinary capital resources and the Argentine Government resources administered by the Bank.
5. Interest, Commissions, Term, Disbursement, and Currencies of Payment:
 - (a) Interest: For both loans, 8% per annum payable semiannually on principal amounts outstanding, with the first payment due 6 months from the date of the contract. 2/

1/ Exchange rate: US\$1 = UR\$250, except where another rate of exchange is specified.

2/ 40% of the foreign exchange component of the loan from the ordinary capital resources (US\$2.95 million) would be composed of currencies of non-member countries expressly provided for in the loan contract, on which, in addition to the basic interest of 8% per annum, a service charge of 1/2 of 1% per annum would be applied; in the case of these currencies, the commitment fee would be 2% per annum. The remaining 60% of the loan from the ordinary capital would be composed of dollars and/or other currencies of member countries and would be subject to the basic interest of 8% per annum and a commitment fee of 1-1/4% per annum. Of the loan from the Argentine Government resources (US\$1.2 million) only interest at 8% would be charged.

- (b) Commitment Fee: 1-1/4% per annum on the undisbursed amounts of the ordinary capital loan, payable semiannually and commencing to accrue 60 days after the date of the contract. ^{1/} No commitment fee would be charged on the amount loaned from the Argentine resources administered by the Bank.
 - (c) Term of Amortization: Both loans would be repayable over a period of 20 years by means of 33 equal and consecutive semiannual installments, the first of which would fall due four years after the date of the contract.
 - (d) Period for Disbursement: 3-1/2 years for both loans. Pari passu disbursements would be observed as far as possible in both loans.
 - (e) Currencies of Payment: For the portion of the loan to be made from the ordinary capital, payments of principal and interest would be made in the currencies disbursed, and the commitment fee would be paid proportionately in the currencies provided for in the loan contracts. For the loan from the Argentine Government resources, payments of principal and interest would be made in Argentine pesos.
6. Guarantee: The general responsibility of the Republic of Uruguay.
7. Description of Project: The investments contemplated in the project are: (a) Uruguay's part of the cost of building a bridge and its approaches, 5.4 kilometers long, over the Uruguay River, at a point 97 kilometers from the mouth of the River, between Fray Bentos, Department of Río Negro, Uruguay, and Puerto Unzué, Province of Entre Ríos, Argentina; and (b) construction of 8 kilometers of asphalt-concrete highway to connect the bridge with the Uruguayan primary road network through National Route 2.

^{1/} See footnote ^{2/} on page 1.

8. Cost of Project: The cost of the project is itemized below:

(In thousands of US\$ or equivalent units)

I T E M S	Foreign Currency Costs			Local Currency Costs		
	Direct	Indirect	Total	Costs	Total	%
<u>Fray Bentos-Puerto Unzué Bridge 1/</u>	<u>1,937</u>	<u>808</u>	<u>2,745</u>	<u>2,835</u>	<u>5,580</u>	<u>84.2</u>
a. Construction of bridge 2/	545	674	1,219	2,218	3,437	51.4
b. Feasibility study and engineering (50% of US\$680,000)	340	-	340	-	340	5.2
c. Consultants for supervision of bridge construction 2/	170	-	170	-	170	3.2
d. COMPAU administration expenses during construction 2/	-	-	-	853/	853/	1.3
e. Contingencies 2/	94	134	228	432	660	9.9
-Construction	39	67	106	209	315	4.7
-Increase in costs	55	67	122	223	345	5.2
f. Other expenses	788	-	788	100	888	13.2
-Interest (OC Loan)	463	-	463	84	547	8.1
-Commitment fee (OC Loan)	87	-	87	16	103	1.5
-IDB inspection and supervision	36	-	36	-	36	0.6
-Interest (Loan from Argentine resources)	202	-	202	-	202	3.0
<u>Road to connect bridge with trunk highway (8 Km.)</u>	<u>90</u>	<u>107</u>	<u>197</u>	<u>923</u>	<u>1,120</u>	<u>15.8</u>
a. Construction of road	-	89	89	724	813	12.1
b. Feasibility studies and engineering	-	-	-	10	10	-
c. Consultants for supervision of road construction	-	-	-	40	40	-
d. Contingencies	-	18	18	149	167	2.4
-Construction	-	9	9	72	81	1.2
-Increase in costs	-	9	9	77	86	1.2
e. Interest (Loan from Argentine resources)	90	-	90	-	90	1.3
TOTAL	<u>2,027</u>	<u>915</u>	<u>2,942</u>	<u>3,758</u>	<u>6,700</u>	<u>100.0</u>

1/ This reflects the Uruguayan portion of the cost of the bridge project. A table showing the total cost of the bridge appears in Appendix C.

2/ These amounts represent 28.3% of the total cost of the corresponding item in each case.

3/ Includes US\$30,000 in fees of consulting firm to improve COMPAU'S accounting system.

The total cost of the bridge is estimated at the equivalent of US\$18,680,000. An agreement has been reached that Argentina will cover 71.7% and Uruguay 28.3% of certain specified costs of the bridge. These percentages apply to: (i) physical construction of the facility, (ii) hiring of consultants to supervise construction of the bridge, (iii) COMPAU's administrative expenses during the period of construction, and (iv) contingencies. For Uruguay, these items amount to the equivalent of US\$4,352,000. The feasibility and engineering studies were financed in equal parts by both countries, with Uruguay contributing US\$340,000 for these purposes. 1/ All the items mentioned above add up to the equivalent of US\$4,692,000. The other costs of the bridge (Uruguayan part), amounting to US\$888,000, refer to the financial charges on the IDB loans and the allotment for the IDB Inspection and Supervision Fund. The sum of the above amounts is US\$5,580,000, which represents Uruguay's portion of the cost of the bridge. Adding to this amount the US\$13,100,000 2/ which is Argentina's share in the cost of the bridge, a sum of US\$18,680,000 is obtained as the total cost of the bridge (see Appendix C)

9. Source and Use of Funds: The following table shows the source and use of funds in the project:

1/ The cost of these studies would be counted by the two governments as part of the local contribution to the project. The table of costs in this loan document includes an item of US\$340,000 representing Uruguay's financing for these studies. (See Conclusions and Recommendations chapter.)

2/ This sum would be financed in part with an US\$8.0 million IDB loan, the balance being covered by local contribution.

TOTAL COST AND FINANCING PLAN FOR THE PROJECT
(In US\$ thousands equivalent)

	I D B L O A N S						URUGUAYAN GOVERNMENT			ARGENTINE RESOURCES	
	CURRENCIES OF USE					IN LOCAL CURRENCY	TOTAL	LOCAL CURRENCY COST	FOREIGN EXCHANG COST		TOTAL
	IN FOREIGN EXCHANGE										
	FOR FOREIGN EXCHANGE COST			FOR LOCAL CURRENCY COSTS	TOTAL						
	DIRECT	INDIRECT	TOTAL		TOTAL						
s-Puerto Unzué Bridge 1/	845	808	1,653	1,297	2,950	650	3,600	125	1,092	1,217	763
uction of bridge 2/	545	674	1,219	1,096	2,315	549	2,864	-	-	-	573
ility study and engineering f U\$680,000)	-	-	-	-	-	-	-	-	340	340	-
tants for supervision of construction 2/	170	-	170	-	170	-	170	-	-	-	-
administration expenses construction 2/	-	-	-	-	-	-	-	-	-	-	85
gencies	94	134	228	201	429	101	530	25	-	25	105
truction	39	67	106	93	199	47	246	13	-	13	56
ease in costs	55	67	122	108	230	54	284	12	-	12	49
expenses	36	-	36	-	36	-	36	100	752	852	-
rest (OC Loan)	-	-	-	-	-	-	-	84	463	547	-
itment fee (OC Loan)	-	-	-	-	-	-	-	16	87	103	-
inspection and supervision	36	-	36	-	36	-	36	-	-	-	-
rest (Loan from Argentine urces)	-	-	-	-	-	-	-	-	202	202	-
connect bridge with trunk km.)	-	-	-	-	-	-	-	486	197	683	437
uction of road	-	-	-	-	-	-	-	287	89	376	437
ility studies and engineering	-	-	-	-	-	-	-	10	-	10	-
tants for supervision of onstruction	-	-	-	-	-	-	-	40	-	40	-
gencies	-	-	-	-	-	-	-	149	18	167	-
truction	-	-	-	-	-	-	-	72	9	81	-
ease in costs	-	-	-	-	-	-	-	77	9	86	-
st (Loan from Argentine ces)	-	-	-	-	-	-	-	-	90	90	-
	845	808	1,653	1,297	2,950	650	3,600	611	1,289	1,900	1,200
	12.6	12.1	24.7	19.3	44.0	9.7	53.7	9.1	19.3	28.4	17.9

reflects the Uruguayan portion of the bridge project.

amounts represent 28.3% of the total cost of the corresponding item in each case.

investments were already made and it is recommended that they be counted as part of the local contribution.

es US\$30,000 in fees of consulting firm to improve COMPAU's accounting system.

10. Currencies of Origin and Use: The currencies of origin and use would be as follows:

(In thousands of US\$ or equivalent units)

	<u>Currency of Origin</u>		<u>Currency of Use</u>		<u>Total</u>	<u>%</u>
	<u>Foreign</u>	<u>Local</u>	<u>Foreign</u>	<u>Local</u>		
IDB Loan (OC)	2,950	650	1,653	1,947	3,600	53.8
Local Contribution	<u>1,200</u>	<u>1,900</u>	<u>1,289</u>	<u>1,811</u>	<u>3,100</u>	<u>46.2</u>
Uruguayan Government	-	1,900	1,289	611	1,900 ^{1/}	28.3
IDB Loan (Argentine Resources)	<u>1,200</u>	-	-	<u>1,200</u>	<u>1,200</u>	<u>17.9</u>
Total	<u>4,150</u>	<u>2,550</u>	<u>2,942</u>	<u>3,758</u>	<u>6,700</u>	<u>100.0</u>

The loan from the Bank would be composed of US\$2,950,000 in foreign currency and US\$650,000 in local currency. The foreign currency represents the following amounts: US\$845,000 direct foreign expenses (construction material, consultants for supervision, contingencies and IDB inspection), US\$808,000 indirect foreign expenses (depreciation of imported machinery and contingencies) and US\$1,297,000 in foreign currency for local expenses. This last amount is approximately equal to the amount in direct foreign expenses (US\$1,298,000) which the debtor should pay for financial charges in foreign currency during the construction period and to the amount in foreign currency paid for the feasibility study.

11. Justification: The Government of Uruguay has assigned this project high priority because of its economic impact and its essential role in the integration of the economies of Argentina and Uruguay, especially in view of its location in the part of the Uruguay River basin having the greatest economic and social potential. The bridge would foster increased economic and tourist exchange with Argentina by linking the highway networks of the two countries. The profitability study of the project investments indicated an internal rate of return of 11.1% based on both the direct and indirect economic benefits, that is, the benefits that would result from: (a) savings in time and in vehicle operation costs in the transportation of passengers and traffic over the bridge, and (b) the net benefits to the Uruguayan economy resulting from tourist spending induced by the bridge, less the costs of the services needed to accommodate those tourists.
12. Recommendation: On the basis of the studies by the Project Committee, the Operations Department transmits this loan document to the President of the Bank so that, should he deem it advisable, he may submit the relevant proposed resolutions to the Board of Executive Directors for approval.

^{1/} US\$340,000 of this amount has already been invested. (See note 3/ to table on page 5.)

ANALYSIS OF THE PROJECT

I. INTRODUCTION

Background

- 1.01 On November 23, 1960, the Governments of Uruguay and Argentina effected an exchange of notes on the desirability of building a bridge over the Uruguay River to connect the two countries, a facility which they regarded as of far-reaching economic, social and political importance and as a means of strengthening the ties of friendship between their people. Under the terms of these notes, the two governments established an agency, known as the Joint Technical Commission for the Bridge between Argentina and Uruguay (COMPAU), to perform the technical and feasibility studies for the bridge.
- 1.02 In May 1967 the Governments of Uruguay and Argentina signed an agreement, subsequently ratified by both countries, reaffirming their intention of proceeding with the construction of the bridge, approving the work done to that time by COMPAU, and making COMPAU responsible for its construction.
- 1.03 In mid-1969, COMPAU, through international competitive bidding, selected the consulting firms of Tudor Engineering Company and Hidrosud Argentina to prepare the final project and the conditions and technical specifications for the bidding on construction. This work was completed by the consultants in January 1970.

The Application

- 1.04 On February 6, 1968, the Government of the Republic of Uruguay, through the Ministry of Public Works, applied to the Bank for a loan to finance part of Uruguay's share of the cost of constructing the bridge. The project includes the construction of the road to connect the bridge with the national highway network.

Priority

- 1.05 The Governments of Uruguay and Argentina have attached high priority to the project and, in order to provide for its implementation, have signed the exchange of notes and agreement mentioned above. This high priority was confirmed by the Government of Uruguay in a letter dated September 15, 1970, signed by the Ministers of Economy and Finance and of Public works and by the Director of the Planning and Budget Office (see Appendix D).

Negotiating Mission

- 1.06 In March 1970, a mission from the Bank visited Uruguay to examine the project and discuss a possible IDB participation in its financing. As a result of discussions with officials of the Government of Uruguay and the members of COMPAU, it was agreed that the borrower for the prospective loan would be the Republic of Uruguay and that COMPAU would serve as executing agency for construction of the bridge. It was also established at the time that the Highway Department of the Ministry of Public Works would serve as executing agency for construction of the connecting road included in the project. 1/

1/ This mission also examined the basic provisions for a possible IDB loan to Argentina to cover part of that country's share in the cost of building the bridge.

II. THE BORROWER AND THE EXECUTING AGENCIES

Borrower

- 2.01 The borrower would be the Republic of Uruguay.

Legal Capacity of the Borrower

- 2.02 Since the Republic of Uruguay would be the borrower, no legal problems are anticipated in formalizing the loan. Uruguay's Constitution requires that contracts for borrowings by the Republic be ratified by the General Legislative Assembly.

Executing Agencies

- 2.03 The executing agency for construction of the Fray Bentos-Puerto Unzué Bridge would be the Joint Technical Commission for the Bridge between Argentina and Uruguay (COMPAU), already mentioned. The Highway Department of the Ministry of Public Works would be responsible for construction of an eight-kilometer section of roadway providing access to the bridge.

The Joint Technical Commission for the Bridge between Argentina and Uruguay (COMPAU)

a. General Background

- 2.04 In the agreement signed on May 30, 1967, the two countries commissioned the COMPAU to take the measures required for construction of the bridge. Operation and maintenance of the bridge will be a responsibility of COMPAU under the terms of the agreement.

b. Legal Authority

- 2.05 COMPAU is an international organization having the necessary legal authority to accomplish the specific purposes set forth in the agreement and its regulations. It is empowered to acquire rights, assume obligations, and perform such acts and enter into such contracts as are required for the accomplishment of its purposes.
- 2.06 COMPAU has its headquarters in the city of Montevideo, and in all aspects of organization and operation it is governed by the agreement and regulations.
- 2.07 The relations of COMPAU with the Governments of Argentina and Uruguay are conducted through the respective Ministries of Foreign Affairs, which must be kept informed of COMPAU's activities.

c. Powers of COMPAU

- 2.08 The principal authorized activities of COMPAU for construction of the Fray Bentos-Puerto Unzué Bridge and its future operation are as follows:
- a. To formulate the basic budgets comprising construction of the main structure and its complementary facilities.
 - b. To propose expropriation of such properties as may be necessary.
 - c. To issue international public announcements with a view to selecting firms and awarding construction contracts.
 - d. To call for international public bids for construction jobs.
 - e. To inform the governments concerned on the examination and study of competitive bids requested and received, recommending their approval and/or the award of contracts.
 - f. To supervise compliance with all contracts entered into.
 - g. To make provisional or final acceptance of all or part of the works or facilities constructed under contract.
 - h. To issue certifications of completed work and make appropriate payments.
 - i. To propose such standards and/or provisions as must be in effect in each country during construction and/or operation of the bridge.
 - j. To propose the bridge tolls.
 - k. To appoint and remove the personnel required for the accomplishment of its purposes.
 - l. To acquire such goods as may be necessary for its activities.
 - m. To make arrangements directly with the appropriate customs authorities for the free passage of such vehicles, vessels, instruments and other items, in keeping with its purposes, as it may be necessary to transfer temporarily from one national jurisdiction to another. Such items shall be exempt from all types of levies.
 - n. To formulate its operating budget.
 - o. To submit accounts to the Governments of Uruguay and Argentina of all expenses and investments allocable to COMPAU.

d. Organization

i. Structure

- 2.09 Up to now the activity of COMPAU has consisted of preparing and planning the project. Therefore its organizational structure is quite simple. According to its constituent instruments, COMPAU is formed by an Argentine delegation and a Uruguayan delegation. Each delegation consists of eight members selected from professional persons of recognized competence in different fields, principally engineering. Each delegation has a chairman and a secretary.
- 2.10 The management of COMPAU includes a President, a Secretary, a Treasurer and a Deputy Treasurer. The Presidency of COMPAU is held successively for periods of six months by the chairman of each delegation. The same procedures apply to the position of Secretary, Treasurer and Deputy Treasurer; so that whenever the Presidency is held by one delegation, the Office of the Treasurer is held by the same side, whereas the offices of Secretary and Deputy Treasurer are held by members from the other delegation. Although this procedure entails a change of administration every six months, it does not seem to affect the continuity of administration.
- 2.11 The President of COMPAU presides over the meetings of the Governing Board, of which he is a member. The Secretary, also a member of the Governing Board, assists the President in preparing all documents and is responsible for keeping the minutes of COMPAU. The Treasurer is responsible for the accounting control of COMPAU funds. The Deputy Treasurer cooperates with the Treasurer in performing such duties. The Governing Board consists of the President and Secretary of COMPAU and is required to carry into effect the resolutions of the Commission; it has no power of decision. The President is the authorized representative of COMPAU.
- 2.12 With the approval of the proposed loan and award of the construction contracts COMPAU would enter into a new organizational phase involving a considerable increase in activities to be accomplished by means of:
- (a) Organization of an Executing Unit within COMPAU;
 - (b) An increase in administrative and financial staff;
 - (c) The hiring of a consulting firm for technical supervision of construction, and
 - (d) The hiring of one or more firms of independent public accountants to develop, install and set in operation a supervisory and audit activity for the accounting system. ^{1/}

^{1/} With reference to subparagraphs (c) and (d), see Conclusions and Recommendations chapter.

- 2.13 In order to give effect to subparagraph (a) of the preceding paragraph, the Executing Unit would be organized in three departments: Accounting, Treasury, and Administration. The Accounting Section would be responsible for verifying, recording and allocating all operations during the construction period and, subsequently, during the operation and maintenance of the bridge.^{1/} The Treasury Section would be the custodian of all funds and securities held by COMPAU. The Administrative Section would be responsible for general administrative matters, personnel administration and such other functions as may be assigned to it. The Executing Unit would be headed by the Project Executive Director, who must be a highly-qualified professional person holding a degree in civil engineering and, preferably, a specialist in bridges. This unit would also include at least three high-level professionals in addition to support personnel. Appendix B shows the proposed organization chart of COMPAU for the bridge construction period as well as for the subsequent stage of operations. This organization is considered adequate.

ii. Personnel

- 2.14 During the period of bridge construction COMPAU will have the following personnel:

Executive Staff

Project Executive Director (Engineer)	1
---------------------------------------	---

Technical and Administrative Personnel

Chief of Accounting (Accountant)	1
Engineer	1
Engineering assistants	2
Typists	3
Draftsman	1
Secretaries	2
Accounting clerk	1
Office clerk	1
Other	<u>3</u>
Total	<u>16</u>

- 2.15 The Project Executive Director would be the office manager and chief executive officer of COMPAU during the construction period. This centralization of functions, which would require a broad delegation of authority to the Project Director by COMPAU, is essential if the project is to proceed smoothly and rapidly, without delays or problems. This position would be vacated upon completion of construction.

^{1/} The prescribed procedure for bridge maintenance is described in Chapter III, paragraph 3.29.

- 2.16 As soon as the bridge is open to traffic, the following additional administrative personnel will be required:

Treasurer - Cashier	1
Chief of Administration	1
Accounting clerks	2
Assistant cashiers - Clerks	<u>4</u>
Total	<u>8</u>

It should be pointed out that management of the bridge during actual operation is quite uncomplicated, and no problems are anticipated in this respect. ^{1/}

- 2.17 In actual fact, COMPAU has not until now had a proper accounting system of its own, for the following reasons:

- a. The executives of COMPAU, who are officials employed by their respective governments, have served without cost to COMPAU, the only outlays for COMPAU being salaries for a secretary and a messenger;
- b. Outlays for services other than personnel and for procurement of furniture and equipment have been insignificant;
- c. Expenses of the delegation members have been borne by the respective governments, and
- d. The only significant investments made up to the time of the IDB mission in March 1970 were expenses for feasibility studies, which were financed in equal shares by the Governments of Uruguay and Argentina. Such outlays have been accounted for in a suitable fashion.

iii. Financial Resources

- 2.18 The resources available to COMPAU up to now have been provided by the Governments of Uruguay and Argentina in equal shares. Such allotments will continue to be made to the extent that income from tolls is less than the operating expenses of COMPAU and project maintenance expenses. When income from tolls becomes sufficient to meet these needs and there is a reserve providing not less than the cost equivalent to three months of bridge operations, COMPAU will transfer any surpluses to the respective governments, in the proportion to which both countries shall have contributed to the installation of the project.
- 2.19 Total COMPAU operating expenses to December 31, 1969, were equivalent to US\$5,485, which were used to pay personnel salaries and general

^{1/} The prescribed procedure for bridge maintenance is described in Chapter III, paragraph 3.29.

services. In addition to these expenses, the Governments of Argentina and Uruguay have used their own resources to finance the preliminary technical studies and the feasibility and engineering studies for the bridge. The cost of all such studies amounted to US\$680,000. The table of project costs shows a US\$340,000 item which represents the amount of Uruguayan financing for these studies.

- 2.20 Owing to a possible increase of COMPAU activities this year, the operating budget for 1970 is estimated at US\$13,000. This figure is almost 2-1/2 times the actual budget in 1969, and is considered reasonable under the present circumstances of COMPAU.
- 2.21 It is estimated that COMPAU's operating budget will increase to US\$60,000 per year during the project construction period and to US\$55,000 per year after the bridge is open to traffic.

. iv. Audit

- 2.22 Internal audit operations have been perfunctory. COMPAU has made provision for organization of their accounting system by a firm of consultants, which would put forward recommendations to improve audit procedures. External audit operations would be carried out by a firm of outside consultants acceptable to the IDB.

The Ministry of Public Works (MOP)

Authorized Activities

- 2.23 Pursuant to the decree which sets forth the area of competence and authorized activities of the National Ministries, the MOP is responsible for all matters pertaining to roads and highways throughout the national territory. Among the powers within this area of competence, the MOP is authorized:
 - a. To establish the administrative system and to undertake the study, direction, installation, regulation and maintenance of all public works.
 - b. To regulate the use of the national highway network, including fiscal supervision and collection of toll charges.
 - c. To maintain relations with international organizations in matters within its competence.

Organization and Administration of the MOP

- 2.24 The Ministry of Public Works carries out its authorized activities through six departments:
 - a. Highway Department, which is responsible for maintenance and upkeep of all roads and bridges in the national highway system, as well as for construction of such roads and bridges;

- b. Department of Economic Development Works (DODE);
 - c. Department of Architecture;
 - d. Traffic Department;
 - e. Department of Hydrographic Affairs, and
 - f. Department of Topographic Affairs.
- 2.25 The Highway Department of the Ministry of Public Works would be executing agency for construction of the access road to the bridge. ^{1/}
- 2.26 To accomplish its mission, the Highway Department has an Office of the Director General, two deputy Technical Directorships (projects and construction) and eight District Offices.
- 2.27 The Office of the Director General directs the planning, construction and maintenance of the national highway system, and administers the roadway funds and all property and facilities.
- 2.28 The Office of the Deputy Technical Director for Projects directs studies and projects for roadways and roadway structures. It maintains a statistics and costs section, undertakes traffic and signaling surveys, maintains an inventory of highway facilities, and carries out surveys on soils and construction materials.
- 2.29 The Office of the Deputy Technical Director for Construction manages the letting of construction bids, certifies completed construction, and supervises construction until facilities are ready for public use. This office carries out the preservation and maintenance of the national system of roads and bridges, and undertakes construction of facilities built directly by the Ministry. ^{2/} It is responsible for procurement and repair of the equipment of the Highway Department.
- 2.30 The field activities of the Highway Department are carried out through eight regional offices, each headed by a Chief Engineer, which enables this agency to exercise adequate supervision over construction work for which it is responsible.

^{1/} The Ministry of Public Works, by Resolution dated November 8, 1962, directed the Highway Department to make the studies and project plans for the access road to the bridge.

^{2/} The bridge would be built by a private firm to be selected through public international bidding.

Personnel

- 2.31 The Highway Department, as of March 31, 1970, had a staff of 3,272 employees, classified as follows:

Professionals	67
Technicians	115
Administrative employees	184
Laborers	2,890
Personal services	16
Total	<u>3,272</u>

Technical and Administrative Capability of the Highway Department

- 2.32 The technical and administrative capability of the Highway Department is adequate for the performance of regular activities and of the functions involved in the construction of the access road to the bridge. However, in order to build the road it is advisable to engage a firm of qualified consulting engineers to prepare final plans and designs, specifications and bidding documents and to perform technical supervision of construction.

Management Accounting

- 2.33 The MOP's accounting system is governed by the provisions of the General Accounting and Financial Administration Act and employs program budgeting through a number of decentralized accounting activities which perform the financial accounting functions for each department.^{1/} Management accounting at the Highway Department is effected, as in all the bureaus of the MOP, by the appropriate accounting unit of the General Accounting Office of the Ministry. The principal functions of the accounting unit are as follows: to make charges to accounts, compute and settle accounts, examine all payment vouchers and accounts submitted to the Accounting Office of the Ministry; all such activities are coordinated and supervised by the Ministry.
- 2.34 The MOP entered into a contract in November 1966 with the French consulting firm Société Civile Ingeroute to conduct planning studies for the national highway system. This firm made a number of specific recommendations, including some aimed at improving the institutional organization of the Highway Department, and at reorganizing maintenance activities. In keeping with these recommendations, the MOP has adopted a number of measures, including: (a) adoption of a new and more appropriate organization chart for the Highway Department; (b) regrouping

^{1/} This decentralization of accounting activity has been carried out in cooperation with the Tribunal de Cuentas of the Contaduría General de la Nación and the Finance Ministry.

of the Ministry's maintenance districts into 8 geographic areas; (c) hiring of specialized personnel; and (d) introduction of cost accounting for maintenance activities in all areas of the country, on the basis of a plan conceived by an expert engaged for this purpose.

- 2.35 The accounting system for the Highway Department is adequate and consists of disposal and allocation of appropriated funds in the MOP budget. For the most part the accounting operations are machine-processed.
- 2.36 With respect to accounting on IDB loans, the MOP keeps separate accounts for projects financed with such funds, thereby providing a suitable control.
- 2.37 The quality of accounting personnel recently brought into the MOP has helped to improve the overall effort, for which reason no administrative difficulties are foreseen that would prevent the MOP from accomplishing (through the Bureau of Roads) its duties as executing agency for the access road to the bridge.

Audit

- 2.38 External audit operations at the MOP are the responsibility of the Tribunal de Cuentas de la Nacion and the General Accounting Office. Both organizations receive monthly financial data from the MOP. The Tribunal de Cuentas has seven officers permanently detailed at the Ministry.
- 2.39 As to MOP internal audit, there is no systematic procedure for its accomplishment as an activity, although effective internal control measures have been incorporated in the accounting system.

MOP Resources

- 2.40 MOP current expenses are financed through the National Budget. Expenses are paid out of resources from the National Investment Fund (FNI). The FNI consists of three accounts: (a) Investments by the MOP; (b) Government Investments by the Finance Ministry; and (c) Investments by Departmental Governments. The MOP investments account is managed by the Ministry of Public Works, which may authorize payments from it. The Banco de la República is empowered to advance to the MOP, from this account, up to two twelfths of the total amount in the national budget for the fiscal year.
- 2.41 The National Investment Fund is composed of proceeds from the following sources:

A. Tax Revenues

- i - Tax on fuels and lubricants;

- ii - Withholdings on exports of certain products;
- iii - All or part of the proceeds from other tax sources, such as taxes on truck tires and inner tubes, bus company revenues, agricultural exports, etc.

B. Non-tax Sources

- i - Proceeds from tolls on national roads and bridges;
- ii - 20% of the gross revenues accruing to the National Ports Administration for services rendered in ports under its jurisdiction, except Montevideo;
- iii - External loans acquired to finance MOP public works programs.

C. Treasury Bonds

An additional source of funds to replenish the National Investment Fund during the period from 1968 to 1972 was created on January 30, 1968, by authorization of an issue of Treasury bonds for an amount not greater than US\$100 million in dollars or the equivalent in other foreign currencies. The present interest rate on these bonds is 11% per annum, payable semiannually, and they mature in five years.

The Uruguayan Government may enter into an agreement with the Banco de la República whereby the latter, taking the bonds as security, will make advances to the MOP in Uruguayan currency, the limit being two twelfths of the national budget for the fiscal year, to enable the Ministry to meet expenses for the year.

The present mechanism governing the sale and purpose of the bonds excludes any possibility of using the proceeds to finance current expenses in the MOP budget.

Experience acquired with this bond issue through March of 1970 may be summarized as follows:

1. There are two types of bonds: (a) ordinary and (b) special. Ordinary bonds are delivered to contractors and other agencies in payment for services rendered under the National Public Works Program. Special bonds are either sold in the market or taken by private banks as a substitute for coverage. In either case the special issue is sold through the Montevideo Security Exchange.
2. Until the end of 1969 management of these bonds was in the hands of Crédito Público, an agency then responsible for management of the external and internal public debt of Uruguay. But early in 1970 Crédito Público was annexed to the Central Bank of Uruguay (BCU) as a department; although staffed by the same people, it was supervised by BCU.

3. During this period of transition the BCU is endeavoring to:
 - (a) Establish a system for selling by sectors in order to achieve a broader market for the bonds, and
 - (b) Make periodically determinations of the location of bond-holdings through the bank inspection service of the BCU.
4. The latest certified data available show that as of March 31, 1970, the bonds sold amounted to US\$33,414,708, or 33.4% of the total authorized by law, as follows:

	U. S. Dollars		
	Ordinary	Special	Total
Issued and sold	18,525,650	14,889,058	33,414,708 ^{1/}
Less amortization	<u>1,926,050</u>	<u>-</u>	<u>1,926,050</u>
<u>In circulation:</u>	<u>16,599,600</u>	<u>14,889,058</u>	<u>31,488,658</u>

Investments with MOP Funds from 1968-1970

- 2.42 The following table shows the receipts and investment outlays of the MOP for 1968 and 1969:

(In US\$ thousands or equivalent units)

	1968		1969	
	Estimate	Actual	Estimate	Actual
<u>Receipts</u>				
P.L. 480	3,600	3,604	3,480	3,320
Taxes	11,600	10,840	19,600	17,368
IDB and IBRD	3,400	3,340	3,284	3,012
Treasury bonds	-	-	-	664
Total receipts	<u>18,600</u>	<u>17,784</u>	<u>26,364</u>	<u>24,364</u>
<u>Expenditures</u>				
Routes 5 and 26	7,720	7,647	9,800	9,020
Road maintenance	5,600	5,235	7,200	6,816
Road construction	400	363	1,000	536
Works-Architecture-Hydrog-	2,240	2,200	3,400	2,876
raphy	480	412	1,120	624
Project study and supervision	760	723	1,000	1,012
Others	<u>1,240</u>	<u>1,120</u>	<u>2,400</u>	<u>2,204</u>
Total expenditures	<u>18,440</u>	<u>17,700</u>	<u>25,920</u>	<u>23,088</u>
Surplus	160	84	444	1,276

^{1/} Of this sum, US\$25.7 million was sold in 1969 and the balance in 1970.

It will be seen in the above table that estimates were comfortably above the actual figures for both budget years and that receipts were also greater than expenditures in both years, the surplus being larger in 1969 than in 1968. Moreover, budgetary performance, as measured by the ratio of estimates to actual levels, was satisfactory in both 1968 and 1969.

Highway and Bridge Projects Financed by the IDB

2.44 The Bank has financed the following highway and bridge projects in Uruguay:

- a. In 1963 the IDB made Loan 57/OC to the Republic of Uruguay in the amount of US\$4.1 million to assist in financing the reconstruction and improvement of Route 26 between the cities of Paysandú and Tacuarembó. In the same year, the International Bank for Reconstruction and Development made a loan to Uruguay in the amount of US\$18.5 million for realignment of Route 5 between the cities of Progreso and Rivera and for purchase of maintenance equipment. Both projects are now being installed by the MOP through the Department of Economic Development (DODE). Both loans have in the past been affected by serious difficulties due in part to (i) delays in the issuance of import permits to contractors for machinery and construction equipment; (ii) differences of opinion between contractors and the supervisory firm as to technical criteria; and (iii) the onset of economic and financial problems at the time construction was begun, which precluded the timely provision of national allotments for the projects.

The difficulties pointed out in numbers (i) and (ii) above were overcome in the middle of 1968 by making the necessary internal arrangements. The difficulty pointed out in number (iii) was surmounted by means of the issue of treasury bonds already mentioned, which were accepted by contractors in payment for work performed. (Detailed information is given in paragraph 2.28 et seq. of loan document PR-344 of December 2, 1968.) Since mid-1968, as a result of solutions to the existing problems, the pace of construction on the projects for Routes 5 and 26 has accelerated considerably, and it is expected that the projects will be completed by the end of 1970. (As of June 30, 1970 project advance was 85%, and it is estimated that both routes will be finished entirely by the end of this year.) ^{1/} Loan disbursements amounted to the equivalent of US\$3,500,000 (77.4% of total) on October 12, 1970.

- b. In June 1969 the IDB made Loan 201/SF-UR to Uruguay in the amount of US\$14.8 million to assist in financing construction, expansion and improvement of Route 9 and the section of Route 26 not covered

^{1/} At the end of 1968 it was estimated (loan document PR-344, paragraph 2.31) that the project could be completed in March 1970.

by Loan 57/OC-UR. The executing agency for this project is also the MOP, through the DODE. The loan contract, although already approved by the Chamber of Deputies of Uruguay, is still under consideration by the Uruguayan Senate, for which reason it has been impossible to begin work on the project.^{1/} Some of the conditions precedent to the first disbursement under the loan have already been satisfied, or are in the process of being satisfied, by the Republic of Uruguay, particularly the condition with respect to selection of the consultants.^{2/} But most of the other conditions, by reason of their nature, cannot be met until after approval of the loan by the Uruguayan Parliament. For these reasons, and considering that construction comprised in the projects under Loan 57/OC-UR would be completed this year, and that the conditions precedent to disbursements under Loan 201/SF-UR would also be met this year, it is expected that work on the project corresponding to this last-named loan will begin during the first part of 1971.

^{1/} It is estimated that the contract will be ratified during the final quarter of 1970.

^{2/} The Bank has already received the list of firms that would be invited to submit bids.

III. THE PROJECT

Background

- 3.01 There is now no direct highway communication between Uruguay and Argentina, since no bridge has yet been built over the Uruguay River - which forms the border between the two countries - to link their highway systems.
- 3.02 Construction of the bridge proposed herein would therefore have great impact on regional physical integration, particularly because of the favorable location of the work in the Uruguay River's area of greatest economic and social potential, which would facilitate expansion of Uruguay's economic and tourist exchange with Argentina and Brazil.
- 3.03 The area in Argentina to be directly benefited by the construction of the bridge includes the provinces of Entre Ríos, Santa Fe and Buenos Aires. Other, more distant areas that to a certain extent would derive economic advantages, include the provinces of the Argentine interfluvial region (Corrientes and Misiones) and the vast bordering Brazilian territory.
- 3.04 In Uruguayan territory the bridge would provide communication with Routes 2, 21, 1, and 9, thus expediting traffic to Montevideo and the tourist highways in the East. ^{1/} In Argentine territory, connection would be made with Routes 131, 19, 12 and 14; the latter two would be financed under a highway program for the interfluvial region that the Bank now has under study. ^{2/}

^{1/} The construction and improvement of Route 9 is being financed in part with an IDB loan (see paragraph 2.44).

^{2/} The Argentine highway plan which includes the program to be financed with the IDB's cooperation is a general scheme for the entire interfluvial region that includes the construction of approximately 2,400 Km. of arterial highways at a total cost of US\$200 million, the construction of approximately 1,125 Km. of secondary roads, at a total cost of US\$50 million and construction of various bridges over the region's watercourses. The purpose of the plan would be to complete the highway infrastructure of the southern portion of the interfluvial region, in order to permit connection of the Argentine metropolitan region by means of the Zárate-Brazo Largo bridge with the provinces of Entre Ríos, Corrientes and Misiones and by means of the Fray Bentos-Puerto Unzué Bridge with Uruguay. With the construction of the arterial highways planned, their feeder roads and the international bridge to Uruguay, the isolation of this interfluvial region from the rest of Argentina would be corrected, and a link of physical integration with Uruguay would be established that would result in better utilization and development of the regional resources.

Description

- 3.05 The investments to be financed with the resources of the operation dealt with herein consist of: (a) the Uruguayan share of the total construction cost of a bridge and its reinforced concrete two-lane approaches, 5.4 Km. long, to be located on the Uruguay River 97 Km. from its mouth, between the areas of Fray Bentos, Río Negro Department (Uruguay), and Puerto Unzué, Entre Ríos Province (Argentina); and (b) the construction of 8 Km. of asphalt concrete highway to connect the bridge with Uruguay's primary system through National Route 2.
- 3.06 According to the agreement mentioned in paragraph 1.02 the cost of these bridge works would be borne by the Governments of Uruguay and Argentina in shares proportionate to the cost of the portions of that bridge located within their respective jurisdictions. The agreement provides that the bridge would be the common and indivisible property of Uruguay and Argentina throughout its entire length and would be maintained and operated on a basis of equal rights and obligations through the toll system. For the purposes of jurisdiction over the bridge, the participant governments have agreed that it shall be considered divided according to the jurisdiction over the subjacent waters.

Uruguay's and Argentina's Participation in the Financing of the Bridge

- 3.07 The total cost of the bridge is estimated at the equivalent of US\$18,702,000. Shares of 71.7% for Argentina and 28.3% for Uruguay have been agreed upon in the distribution of certain specified costs of the bridge. These ratios are applicable to: (i) physical construction of the work; (ii) the contracting of consultants to supervise construction of the bridge; (iii) COMPAU's administrative expenses during the construction period, and (iv) contingencies. For Uruguay, these items total the equivalent of US\$4,352,000. The feasibility and engineering studies were financed in equal shares by both countries; Uruguay contributed the sum of US\$340,000 for these purposes ^{1/}. The foregoing items total the equivalent of US\$4,692,000. The other bridge expenses (Uruguayan portion), totaling US\$888,000, refer to the financial charges on the Bank's loans and the establishment of the IDB's Inspection and Supervision Fund. The foregoing items total US\$5,580,000, representing the portion of the cost of the bridge to be covered by Uruguay. By adding to this amount the US\$13,100,000 ^{2/} representing the share of the bridge's cost to be paid by Argentina, a total of US\$18,680,000, i.e., the total cost of the work, is obtained (see Appendix C).

^{1/} The cost of these studies would be counted as part of the governments' local contribution to the projects.

^{2/} This amount would be partially financed with an IDB loan of US\$8 million, and the remainder with the local contribution.

Project Cost

3.08 The cost of the project is itemized below:

(In thousands of US\$ or equivalent units)

	<u>FOREIGN CURRENCY COSTS</u>			<u>Local Currency Costs</u>		<u>%</u>
	<u>Direct</u>	<u>Indirect</u>	<u>Total</u>	<u>Costs</u>	<u>Total</u>	
<u>Fray Bentos-Puerto Unzué</u>						
<u>Bridge 1/</u>	1,937	808	2,745	2,835	5,580	84.2
a. <u>Bridge construction 2/</u>	545	674	1,219	2,218	3,437	51.4
b. Feasibility and engineering study (50% of US\$680,000)	340	-	340	-	340	5.2
c. Consultants to supervise bridge construction 2/	170	-	170	-	170	3.2
d. COMPAU's administrative costs during construction 2/	-	-	-	85	85	1.3
e. Contingencies 2/	94	134	228	432	660	9.9
- Construction	39	67	106	209	315	4.7
- Cost increases	55	67	122	223	345	5.2
f. Other costs	788	-	788	100	888	13.2
- Interest (OC Loan)	463	-	463	84	547	8.1
- Commitment fee (OC loan)	87	-	87	16	103	1.5
- IDB inspection and supervision	30	-	36	-	36	0.6
- Interest (Loan from Argentine resources)	202	-	202	-	202	3.0
<u>Road connecting bridge with arterial highway (8 Km.)</u>	90	107	197	923	1,120	15.8
a. Road construction	-	89	89	724	813	12.1
b. Feasibility and engineering studies	-	-	-	10	10	-
c. Consultants to supervise road construction	-	-	-	40	40	-
d. Contingencies	-	18	18	149	167	2.4
- Construction	-	9	9	72	81	1.2
- Cost increases	-	9	9	77	86	1.2
e. Interest (Loan from Argentine resources)	90	-	90	-	90	1.3
<u>Total</u>	<u>2,027</u>	<u>915</u>	<u>2,942</u>	<u>3,758</u>	<u>6,700</u>	<u>100.0</u>

Sources and Uses of Funds

3.09 The following table shows the sources and uses of financial resources:

1/ Uruguay's portion of the bridge project. A table showing the total cost of the bridge is given in Appendix C.

2/ Items figured at 28.3% of the total cost of the respective item.

TOTAL COST AND FINANCING PLAN FOR THE PROJECT
(In US\$ thousands equivalent)

	I D B L O A N S							URUGUAYAN GOVERNMENT			ARGENTINE RESOURCES
	CURRENCIES OF USE					IN LOCAL CURRENCY	TOTAL	LOCAL CURRENCY COST	FOREIGN EXCHANG COST	TOTAL	
	IN FOREIGN EXCHANGE										
	FOR FOREIGN EXCHANGE COST			FOR LOCAL CURRENCY COSTS	TOTAL						
	DIRECT	INDIRECT	TOTAL								
s-Puerto Unzué Bridge 1/	845	808	1,653	1,297	2,950	650	3,600	125	1,092	1,217	763
uction of bridge 2/	545	674	1,219	1,096	2,315	549	2,864	-	-	-	573
ility study and engineering f U\$680,000)	-	-	-	-	-	-	-	-	340	340	-
tants for supervision of construction 2/	170	-	170	-	170	-	170	-	-	-	-
administration expenses construction 2/	-	-	-	-	-	-	-	-	-	-	85
gencies	94	134	228	201	429	101	530	25	-	25	105
truction	39	67	106	93	199	47	246	13	-	13	56
ease in costs	55	67	122	108	230	54	284	12	-	12	49
expenses	36	-	36	-	36	-	36	100	752	852	-
rest (OC Loan)	-	-	-	-	-	-	-	84	463	547	-
itment fee (OC Loan)	-	-	-	-	-	-	-	16	87	103	-
inspection and supervision	36	-	36	-	36	-	36	-	-	-	-
rest (Loan from Argentine urces)	-	-	-	-	-	-	-	-	202	202	-
nnect bridge with trunk km.)	-	-	-	-	-	-	-	486	197	683	437
uction of road	-	-	-	-	-	-	-	287	89	376	437
ility studies and engineering	-	-	-	-	-	-	-	10	-	10	-
tants for supervision of	-	-	-	-	-	-	-	-	-	-	-
onstruction	-	-	-	-	-	-	-	40	-	40	-
gencies	-	-	-	-	-	-	-	149	18	167	-
truction	-	-	-	-	-	-	-	72	9	81	-
ease in costs	-	-	-	-	-	-	-	77	9	86	-
st (Loan from Argentine ces)	-	-	-	-	-	-	-	-	90	90	-
	845	808	1,653	1,297	2,950	650	3,600	611	1,289	1,900	1,200
	12.6	12.1	24.7	19.3	44.0	9.7	53.7	9.1	19.3	28.4	17.9

reflects the Uruguayan portion of the bridge project.
amounts represent 28.3% of the total cost of the corresponding item in each case.
investments were already made and it is recommended that they be counted as part of the local contribution.
es US\$30,000 in fees of consulting firm to improve COMPAU's accounting system.

Origin and Use of Currencies

3.10 The origin and use of currencies would be as follows:

(In thousands of US\$ or equivalent units)

	<u>Currency of origin</u>		<u>Currency of use</u>		<u>Total</u>	<u>%</u>
	<u>Foreign</u>	<u>Local</u>	<u>Foreign</u>	<u>Local</u>		
IDB loan (OC)	2,950	650	1,653	1,947	3,600	53.7
Local contribution	<u>1,200</u>	<u>1,900</u>	<u>1,289</u>	<u>1,811</u>	<u>3,100</u>	<u>46.3</u>
Uruguayan Government	-	1,900	1,289	611	1,900	28.4
IDB loan (Argentine resources)	<u>1,200</u>	-	-	1,200	1,200	17.9
Total	<u>4,150</u>	<u>2,550</u>	<u>2,942</u>	<u>3,758</u>	<u>6,700</u>	<u>100.0</u>
Percentages	<u>61.9</u>	<u>38.1</u>	<u>43.9</u>	<u>56.1</u>	<u>100.0</u>	

Bank Loan

- 3.11 The loan from the Bank would be composed of US\$2,950,000 in foreign currency and US\$650,000 in local currency. The foreign currency represents the following amounts: US\$845,000 direct foreign expenses (construction material, consultants for supervision, contingencies and IDB inspection), US\$808,000 indirect foreign expenses (depreciation of imported machinery and contingencies) and US\$1,297,000 in foreign currency for local expenses. This last amount is approximately equal to the amount in direct foreign expenses (US\$1,298,000) which the debtor should pay for financial charges in foreign currency during the construction period and to the amount in foreign currency paid for the feasibility study.
- 3.12 As indicated in the table in paragraph 3.09, the portion of the loan from the ordinary capital resources would be used to finance a part of all the costs of the bridge project except the engineering and feasibility studies, COMPAU's administrative costs during construction, and the interest and commitment fee on the proposed IDB loan. The IDB resources would also be used to cover the respective contribution to the IDB's Inspection and Supervision Fund.
- 3.13 The part of the loan from the Argentine resources would partially finance the contracts for the construction of the bridge and the access route, contingency expenses on the bridge, and COMPAU's administrative expenses.

Local Contribution

- 3.14 The principal items to be financed out of the local contribution are: the bridge feasibility study, part of the access road construction contract, and interest on the IDB loans from the ordinary capital resources and Argentine resources. Since the equivalent of US\$340,000 for the bridge feasibility study has already been paid out (see paragraph 3.18) the actual future local contribution to be financed with Uruguayan resources would be equivalent to US\$1,560,000, to be paid out over a period of 3-1/2 years.

Measures Taken

- 3.15 The Ministers of Economy and Finance and of Public Works and the Director of the Planning and Budget Office have given the necessary assurances that the resources for the local contribution will be available at the proper time. In a joint communication dated September 15, 1970, these officials expressed their intention of taking the necessary measures so that allotments equivalent to US\$64,000, US\$164,000, US\$630,000 and US\$696,000 would be included in the budgets for 1971, 1972, 1973 and 1974, respectively. These allotments, added to the US\$340,000 already invested by the government (see paragraph 3.07), would cover the Uruguayan counterpart contribution to the project estimated at US\$1,900,000.
- 3.16 The local resources for the project will be furnished through the Fondo Nacional de Inversiones. Given below is a table showing the projected receipts and expenditures for the subaccount "Investments of the Ministry of Public Works" of the aforesaid Fund for the 1970-1974 period, including the allocations for the project:

(In thousands of US\$ or equivalent units)

<u>Receipts</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>19</u>	<u>Total</u>
<u>Domestic</u>							
Tax revenues	17,700	19,000	19,000	19,000	19,000		93,700
Treasury bonds ^{1/}	5,500	5,000	5,500	5,500 ^{2/}	5,000 ^{2/}		26,500
<u>Foreign</u>							
P. L. 480	1,200	-	-	-	-		1,200
IDB and IBRD (Rtes. 5 and 26)	3,100	-	-	-	-		3,100
IDB (Routes 9 and 26)	640	4,100	6,100	3,960	-		14,800
IDB (UTU)	1,058	1,511	1,216	715	-		4,500
IDB and Argentine Fund (Fray Bentos-Puerto Unzué Bridge)	-	52	1,426	2,157	1,165		4,800
Total receipts	<u>29,198</u>	<u>29,663</u>	<u>32,242</u>	<u>31,332</u>	<u>25,165</u>		<u>148,600</u>
<u>Expenditures</u>							
Routes 5 and 26	8,100	-	-	-	-		8,100
Routes 9 and 26	900	5,800	8,600	7,060	-		22,360
Paysandú-Colón Bridge	250	1,000	1,000	-	-		2,250
Fray Bentos-Puerto Unzué Bridge	-	456	1,590	2,787	1,861		6,694
UTU project	1,845	2,321	1,924	1,210	-		7,300
Highway maintenance	9,200	9,460	10,320	10,750	11,180		50,910
Road works	1,500	1,540	1,680	1,750	1,820		8,290
Works architecture	2,500	5,000	5,500	5,500	6,500		25,000
-Hydrography	300	500	700	700	700		2,900
Study and direction of works	1,000	1,100	1,100	1,200	1,200		5,600
Others	<u>3,000</u>	<u>1,200</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>		<u>7,200</u>
Total expenditures	<u>28,595</u>	<u>28,377</u>	<u>33,414</u>	<u>31,957</u>	<u>24,261</u>		<u>146,604</u>
Surplus (Deficit)	603	1,286	(172)	(625)	904		1,996

^{1/} See description in paragraph 2.41 of the machinery established in January 1968 for the sale of these bonds and other relevant data.

^{2/} Estimates based on the assumption that the Uruguayan Government will continue to issue and sell Treasury Bonds after 1972.

- 3.17 The table above shows small deficits in 1972 and 1973 which will be covered with the surpluses appearing in the table for the immediately preceding years.

Previous Investments

- 3.18 The Governments of Uruguay and Argentina, as noted in paragraph 2.16, financed the preliminary technical studies and the bridge engineering and feasibility studies from their own resources. The cost of these studies came to US\$680,000 which will be credited to these governments as part of the local contribution to the project. In the costs table (see paragraph 3.07) is an item of US\$340,000 for the Uruguayan financing of these studies.
- 3.19 To strengthen COMPAU's administrative and accounting structure, it is proposed to contract for the services of a firm of independent public accountants for the formulation, implementation, start-up and supervision of an accounting system permitting it to fully meet its responsibilities as agency responsible for construction and eventual operation of the bridge. The cost of these services is estimated at the equivalent of US\$30,000, and it is recommended that this cost be acknowledged as part of the local contribution to the project if these expenses are incurred, as is probable, before the date of the loan contract.
- 3.20 It is deemed advisable to acknowledge these expenses up to the sum of US\$370,000. (See Conclusions and Recommendations chapter)

Project Execution

a. Present status of project

- 3.21 The technical and economic feasibility study for the bridge was done in 1969 by the firms of Tudor Engineering Company - Hidrosud Argentina, contracted for the purpose by COMPAU. The scope of the study included preparation of the final engineering plans for the construction of the bridge, and preparation of the respective bidding specifications.
- 3.22 The access road to the bridge has been studied by the Highway Department of Uruguay. A preliminary project of the route and profile of the natural terrain on which a grade line has been tentatively projected is available. A budget has been prepared on the basis of these factors, which would be adjusted when final designs are done; these are expected to be completed by the Highway Department by the end of this year with the advisory assistance of the consultants mentioned in paragraph 3.28.

b. Investment schedule

- 3.23 The disbursement schedule, according to the sources of funds, is estimated as follows:

(In thousands of US\$ or equivalent units 1/)

	<u>1st year</u>		<u>2nd year</u>		<u>3rd year</u>		<u>4th year</u>		<u>Total</u>		<u>General Total</u>
	<u>IDB</u>	<u>Local</u>	<u>IDB</u>	<u>Local</u>	<u>IDB</u>	<u>Local</u>	<u>IDB</u>	<u>Local</u>	<u>IDB</u>	<u>Local</u>	
Fray Bentos- Puerto Unzué Bridge	52	394 ^{2/}	1426	164	1939	301	946	358	4363	1217	5580
Bridge connec- tion road	-	10	-	-	218	329	219	344	437	683	1120
Total	52	404	1426	164	2157	630	1165	702	4800	1900	6700
Annual totals:	<u>456</u>		<u>1590</u>		<u>2787</u>		<u>1867</u>		<u>6700</u>		
	6.8%		23.7%		41.6%		27.9%		100%		

c. Procedure for construction of the bridge

- 3.24 In constructing the bridge, COMPAU would contract, through the international public bidding system, the services of a single firm specialized in and well known for its experience in similar engineering works. The bidding procedures will conform to both the applicable laws of Uruguay and Argentina and the Bank's standards and procedures.

d. Procedures for access road construction

- 3.25 For construction of the access road, the Ministry of Public Works, through the Highway Department, would contract, through the international public bidding system, the services of a specialized construction firm. The bidding procedures will conform to the applicable loans of Uruguay and the Bank's standards and procedures.

e. Supervision

- 3.26 To ensure proper construction of the bridge and conformity to the contractual plans, specifications and documents, COMPAU would contract, prior to the first disbursement, the services of a firm of consulting engineers to supervise construction. (See Conclusions and Recommendations chapter.)
- 3.27 Construction of the bridge access route would be supervised through the contracting of specialized consulting engineers by the Highway Department to ensure that the work is executed in conformity with the best engineering techniques. (See Conclusions and Recommendations chapter.)

1/ First half of year only.

2/ Includes the sum of US\$370,000 referred to in paragraph 3.20.

f. Inspection and supervision by the Bank

- 3.28 The Bank's inspection and supervision of the project would be handled through a project specialist to serve throughout the project's execution, and be responsible for the construction of both the bridge and its access road. This project specialist should be a civil engineer with broad knowledge of structural engineering and experience in bridge construction. An allotment of US\$36,000 has been included under the Bank's ordinary capital loan as the contribution to the Inspection and Supervision Fund.

Maintenance

- 3.29 Maintenance and operation of the bridge would be the responsibility of COMPAU, which would make contractual arrangements with the Ministry of Public Works of Uruguay and/or the Dirección Nacional de Vialidad of Argentina, for the maintenance work. COMPAU would also assure that receipts from the toll fees would be allotted first of all to cover the administration and maintenance costs of the bridge and its accessory works.
- 3.30 Maintenance of the access road would be the responsibility of the Highway Department of Uruguay. This road would be maintained in accordance with the standards approved by the Bank for this purpose.

Strengthening of COMPAU

- 3.31 Besides contracting the firm mentioned in paragraph 3.24, COMPAU proposes to establish an Executing Unit, headed by a Project Executive Director. To handle the work pertaining to execution of the bridge construction project, this unit would have technical and administrative personnel of outstanding capacity, on a full-time basis, whose total number would be kept at the lowest possible figure.
- 3.32 The Project Executive Director would be a highly qualified professional with a degree in civil engineering and, if possible, specialized in bridge construction.
- 3.33 The Project Executive Director would be recruited and appointed by the Board of Directors of COMPAU. The rest of the personnel would be appointed also by the Board of Directors of COMPAU, at the suggestion of the Project Executive Director.
- 3.34 The Project Executive Director would head the Executive Unit and direct its personnel. It is considered appropriate that he hold office so long as necessary for final completion of the work.
- 3.35 The Project Executive Director would attend the meetings of the Board of Directors of COMPAU for the purpose of ensuring optimum performance of his duties and exercise of the powers vested in him.

3.36 The Executive Unit to be established would:

- a. provide liaison between COMPAU and (i) the IDB; (ii) the consultants, and (iii) the contractors.
- b. issue instructions to the consultants and contractors.
- c. approve work vouchers and their modifications.
- d. process payment orders and monitor their fulfillment.
- e. prepare the disbursement applications for submission to the IDB and the respective governments and execute the necessary procedures.
- f. provide the necessary information and facilities to the independent public accountants to be hired to study COMPAU's accounting system and to formulate recommendations for its improvement, and supervise execution of the work entrusted to them and the auditors.
- g. Prepare the bidding specifications, issue the calls for bids, examine the bids received, make preselections and recommend the appropriate awards to COMPAU's Board of Directors.
- h. Perform any other function entrusted to it by the Board of Directors of COMPAU.

3.37 The description of the Project Executive Director's duties shall appear in the service contract to be signed for this purpose with COMPAU. (See Chapter V, Conclusions and Recommendations.) The basic duties to be performed by other members of the Executing Unit would also be included in the respective service contracts.

External Audit

3.38 With respect to the external audit, the Dirección de Vialidad shall present to the IDB, within 120 days of the close of each fiscal year, the financial statements of the access route project, audited by the Tribunal de Cuentas. For COMPAU, it has been established that it shall present to the IDB within 120 days of the close of each fiscal year, its financial statements audited by a firm of independent public accountants (See Conclusions and Recommendations).

IV. JUSTIFICATION

A. Technical and Financial Feasibility

- 4.01 The project is deemed technically feasible and its financial plan adequate. The bridge cost estimates worked out by the consultants have been carefully reviewed and found satisfactory, as were those done by the Highway Department for the access road. Twenty per cent of the construction costs has also been included to cover contingencies and leaves a safety margin for cost increases as a result of the foreseeable domestic and foreign inflation during the project construction period.
- 4.02 As indicated earlier, in view of the magnitude of the work to be done, it is considered necessary to strengthen COMPAU's technical and administrative capacity through the establishment of an Executive Unit headed by a Project Executive Director with suitable professional capacity and prestige. This Executing Unit would be COMPAU's liaison body with the Bank, consultants and contractors, to insure satisfactory execution of the project within the prescribed term. To this end, COMPAU's technical, administrative and financial personnel would be expanded without creating superfluous posts and always aiming at the Agency's efficient and flexible performance. It is also planned to engage the services of a consulting firm to provide supervision and technical direction of the work and review the final designs and bidding specifications. A firm of independent public accountants would also be contracted for the preparation, execution, start-up and supervision of the accounting system of COMPAU as the project executing agency.
- 4.03 With respect to the administrative capacity of the Ministry of Public Works, it is believed that the experience acquired in the administration of foreign resources for the execution of projects in the transportation sector has equipped the Ministry for proper administration of the proposed loan resources. The Ministry's Highway Department has adequate technical and administrative capacity for conducting its normal activities and performing the duties assigned it during construction of the bridge access road. It was deemed advisable, however, to hire qualified consulting engineers to prepare the final plans and designs, specifications and bidding documents and to exercise technical direction and supervision over the construction of the access road.
- 4.04 In the light of the Uruguayan Government's commitment to make annual allocations of the budgetary resources necessary for execution of the project (see paragraph 3.15) and the projections of the receipts and expenditures of the National Investment Fund (Ministry of Public Works Investment Sub-Account) for the 1970-1974 period, set forth in

paragraph 3.16 it is estimated that sufficient local resources will be available to assure timely execution of the project, to which the Uruguayan Government attaches high priority.

- 4.05 From the tax standpoint, an analysis of the present situation and outlook for Uruguay in the light of the stabilization measures the government has been taking since 1968 warrants the assumption that the borrower has sufficient capacity to generate the small local contribution necessary for execution of the project. The national cash contribution represents only 28.3% of the total project cost. The Argentine resources which form part of the IDB loan account for 17.9% of the project cost and, under the conditions prescribed for the purpose, these have been counted as a local contribution, thus raising the total amount of the national contribution credited to 46.2%.

B. Economic Justification of Project

1. Area of influence

- 4.06 The zone to be benefited directly by the construction of the Fray Bentos-Puerto Unzué bridge includes the Brazilian states of Paraná, Santa Catarina and Rio Grande do Sul, the Republic of Uruguay, and, in Argentina, the province of Entre Ríos, the southeastern portion of Santa Fe, and the northeastern part of the province of Buenos Aires.

2. Return on the investments

- 4.07 The proposed bridge represents a facility for the regional integration of Argentina, Uruguay and Brazil. The greatest economic benefits from the bridge are those resulting from the savings in transport costs. The operating cost of most of the vessels now used for transporting passengers and freight between Uruguay and Argentina, and Argentina and Brazil are too high. The study done by the consultants shows that the ships handling the sea and river traffic between Argentina and Uruguay and a certain number of those participating in the Argentine-Brazilian traffic are operating at a heavy deficit. The freight rates are in many cases lower than the transport costs. These services continue nevertheless, because they are subsidized. The bridge would be the most practical and economical solution to this problem.
- 4.08 The direct and indirect economic benefits of the bridge have been estimated to include: savings in time and operating costs of the vehicles as a result of the transportation of freight and passengers by means of the bridge (direct benefits); and net benefits to Uruguay's economy resulting from the expenditures of the tourist flow induced by the bridge (indirect benefits).^{1/} The internal rate of

^{1/} In figuring these net indirect benefits, account was taken of the additional investments required for hotels and other facilities to accommodate the flow of tourists induced by the project.

return was estimated at 11.1%. It should be noted that in computing the economic benefits from the Fray Bentos-Puerto Unzué bridge, the earnings that would be generated by the Argentine-Brazilian traffic were not included; these were allocated to the Paysandú-Colón Bridge.

- 4.09 The Fray Bentos-Puerto Unzué International Bridge would permit integration of the highway transportation systems of Argentina, Uruguay and Brazil and would also entail, besides the direct and indirect economic benefits already estimated, a series of other benefits inherent to multinational integration projects such as political, social and cultural benefits.

3. CIAP Country Review

- 4.10 The CIAP Country Review held in June 1970 concluded with a favorable impression of the economic progress achieved by Uruguay during 1969 and the first quarter of 1970.
- 4.11 CIAP recognized that the consolidation of recent progress in price stabilization was on highest priority and that it should be complemented with higher levels of investment as well as policies to stimulate growth in the productive sectors.
- 4.12 The Uruguayan Delegation presented CIAP a new five year development plan which gives highest priority to the promotion of exports. The plan projections state that GDP will grow at an annual rate of 5.0%, investment will increase 11.3% yearly and exports will grow 10.0% per year. To achieve these goals, the plan gives priority to the development of the following sectors: agro-livestock, manufacturing for export, energy, transportation and tourism.
- 4.13 CIAP was informed of the main investment projects that may be financed by the international financial institutions including the Bridge project under consideration but the CIAP country review made no specific mention of its relative priority.

V. CONCLUSIONS AND RECOMMENDATIONS

5.01 The analysis made in the preceeding chapters leads to the conclusion that the project is feasible from the technical, economic, financial, and legal points of view. It is therefore recommended that two loans be granted to the Republic of Uruguay for up to a total equivalent to US\$4,800,000, as follows: one for the equivalent of US\$3,600,000 from the ordinary capital resources of the Bank and the other for US\$1,200,000 from the Argentine resources administered by the Bank, subject to the provisions contained in the respective resolutions and to the following conditions to be included in the loan contracts and fulfilled to the satisfaction of the Bank.

- A. Prior to the first disbursement for the works relating to the Fray Bentos-Puerto Unzué International Bridge, CCMPAU shall demonstrate to the Bank:
 - 1. That the appropriate amounts for the national contributions for the construction of the International Bridge have been included in the budgets of the debtor and of the Argentine Nation for 1971 and that these amounts shall be available for disbursement in due time.
 - 2. That it has contracted, on terms and conditions satisfactory to the Bank, for the services of (i) an official to serve as Executive Director of the project, with adequate professional capacity, organizational standing, and functions; (ii) a firm or firms of independent public accountants to prepare, establish, place in operation, and supervise its accounting system; (iii) a firm of qualified consulting engineers to supervise construction under the project, in accordance with procedures to be set forth in the loan contract.
 - 3. That it has acquired the land necessary for the execution of the project within Uruguayan territory or has received authorization to expropriate such land, including the possibility of taking immediate possession thereof.
- B. Prior to the first disbursement for works relating to the access road to the International Bridge, the debtor shall submit:
 - 1. A statement of the budgetary allotments to be assigned to the Dirección de Vialidad for the payment, during 1971, of the appropriate part of the national contribution for the construction of the access road to the International Bridge.
 - 2. Evidence that the Dirección de Vialidad has contracted, in accordance with procedures acceptable to the Bank, for the services of qualified consulting engineers to prepare the

final plans and designs, specifications, and bidding documents, and to exercise technical direction and supervision over construction.

3. Evidence that it has acquired the lands necessary for the construction of the highway, or has received authorization to expropriate them, including the possibility of taking immediate possession thereof.

C. Other obligations

1. With respect to the works of the Fray Bentos-Puerto Unzué International Bridge:

- (a) Prior to calling for bids for construction of the International Bridge, COMPAU shall submit the final engineering plans and corresponding set of bidding documents to the Bank for approval.
- (b) Starting in 1972, and continuing throughout the execution of the project, COMPAU shall submit to the Bank, each year, within 30 days after the approval of the national budget, evidence that (i) the amounts to be provided by the debtor for the execution of the project during the respective year have been assigned to COMPAU; (ii) the Argentine Nation has fulfilled a similar condition with respect to its participation in the construction of the International Bridge.
- (c) Within 18 months from the date of the loan contract, COMPAU shall submit to the Bank the plans, technical specifications, and bidding documents for the construction of the ancillary facilities for the migration, public health, customs and toll collection services.
- (d) COMPAU shall undertake to maintain the works financed with resources of the loan, during the entire life of the loan contract, in accordance with standards acceptable to the Bank and the provisions of Appendix A hereto.
- (e) The Bank may recognize as part of the local contribution the expenses incurred by the debtor in the execution of the project, up to the equivalent of US\$370,000, before the date of the loan contract but after January 1, 1969, provided that requirements substantially similar to those set forth in the loan contracts have been complied with.

2. With respect to the construction of the access road to the International Bridge:

- (a) The Dirección de Vialidad, prior to calling for bids for the construction of the access road to the International Bridge, shall submit for the Bank's approval the final engineering plan and the corresponding bidding documents.
 - (b) The debtor shall undertake to maintain the access road through the Dirección de Vialidad, during a period of at least 10 years from the completion of the works financed with the resources of the loan, in accordance with standards acceptable to the Bank and the provisions set forth in Appendix A.
- 5.02 The manner in which the financial statements relating to COMPAU and to the Dirección de Vialidad shall be audited shall be established in the loan contracts, taking into account the provisions of paragraph 3.38 of this document.
- 5.03 The contents of Appendix A of this document shall be incorporated in substance in an annex of the loan contracts.
- 5.04 The amount of US\$36,000 of the resources of the loan shall be allocated to the respective Inspection and Supervision Fund.
- 5.05 In the loan from the ordinary capital resources of the Bank monies of nonmember countries to which Resolution DE-49/62 as amended is applicable, shall be used in the equivalent of US\$1,180,000.

DESCRIPTION OF PROGRAM

(Annex B of the Loan Contract)

A. THE PROGRAM

The program is divided into two Projects

1. Fray Bentos-Puerto Unzué International Bridge Project

This project consists in the construction of a bridge over the Uruguay River and of its approachways, between the localities of Fray Bentos, Río Negro Department (Uruguay) and Puerto Unzué, Entre Ríos Province (Argentina) with a length of approximately 5.4 kilometers. The terminal points of the work are those identified at the site by reference marks A₁ (Argentine side, Km. 0.4555) and U₁ (Uruguayan side, Km. 5.821) which are separated by a distance of 5.36688 kilometers. The width of the roadbed is 8.50 meters, to permit the passage of vehicles on the two lanes and also to accommodate two 1.50 meter sidewalks for pedestrians.

The work is divided into the following sections:

- a. A main span over the waterway of the Uruguay River with a distance of 220 meters between pilings and a clearance of 36 meters referred to the zero point at Fray Bentos;
- b. Two spans contiguous to the main span with a distance of 145 meters between pilings;
- c. Twenty-four secondary spans, with 70 meters between pilings, 17 on the Argentine side and 7 on the Uruguayan side;
- d. Two transitional spans, one at each side, with 55 meters between pilings;
- e. The ramp on the Argentine side, consisting of 26 spans with 41.05 meters between pilings and a final span with 40.52 meters between the pier and the abutment;
- f. Approachway (level grades) between A₁ 0.455 Km. and 2.07765 Km. on the Argentine side and U₁ 5.486 Km. and 5.82188 Km. on the Uruguayan side.

2. Road to connect the bridge with the main highway

This project includes the construction of 8 kilometers of asphalt-concrete road to connect the Fray Bentos-Puerto Unzué Bridge with the Uruguayan primary road network through National Route 2.

B. COST AND FINANCING OF PROGRAM

The total cost of the program on Uruguayan territory is estimated at the equivalent of US\$6,700,000, which would be divided as follows:

TOTAL COST AND FINANCING PLAN FOR THE PROJECT
(In US\$ thousands equivalent)

	I D B L O A N S						URUGUAYAN GOVERNMENT			ARGENTINE RESOURCES	
	CURRENCIES OF USE					TOTAL	LOCAL CURRENCY COST	FOREIGN EXCHANGE COST	TOTAL		
	IN FOREIGN EXCHANGE			IN LOCAL CURRENCY							
	FOR FOREIGN EXCHANGE COST	FOR LOCAL CURRENCY COSTS	TOTAL								
	DIRECT	INDIRECT	TOTAL								
tos-Puerto Unzué Bridge 1/	<u>845</u>	<u>808</u>	<u>1,653</u>	<u>1,297</u>	<u>2,950</u>	<u>650</u>	<u>3,600</u>	<u>125</u>	<u>1,092</u>	<u>1,217</u>	<u>763</u>
truction of bridge 2/	545	674	1,219	1,096	2,315	549	2,864	-	-	-	573
ibility study and engineering of U\$680,000)	-	-	-	-	-	-	-	-	340	340	-
ultants for supervision of ge construction 2/	170	-	170	-	170	-	170	-	-	-	-
AU administration expenses ng construction 2/	-	-	-	-	-	-	-	-	-	-	85
ingencies	<u>94</u>	<u>134</u>	<u>228</u>	<u>201</u>	<u>429</u>	<u>101</u>	<u>530</u>	<u>25</u>	<u>-</u>	<u>25</u>	<u>105</u>
nstruction	<u>39</u>	<u>67</u>	<u>106</u>	<u>93</u>	<u>199</u>	<u>47</u>	<u>246</u>	<u>13</u>	<u>-</u>	<u>13</u>	<u>56</u>
crease in costs	<u>55</u>	<u>67</u>	<u>122</u>	<u>108</u>	<u>230</u>	<u>54</u>	<u>284</u>	<u>12</u>	<u>-</u>	<u>12</u>	<u>49</u>
r expenses	<u>36</u>	<u>-</u>	<u>36</u>	<u>-</u>	<u>36</u>	<u>-</u>	<u>36</u>	<u>100</u>	<u>752</u>	<u>852</u>	<u>-</u>
terest (OC Loan)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84</u>	<u>463</u>	<u>547</u>	<u>-</u>
mmitment fee (OC Loan)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16</u>	<u>87</u>	<u>103</u>	<u>-</u>
B inspection and supervision	<u>36</u>	<u>-</u>	<u>36</u>	<u>-</u>	<u>36</u>	<u>-</u>	<u>36</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
terest (Loan from Argentine sources)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>202</u>	<u>202</u>	<u>-</u>
connect bridge with trunk (8 km.)	-	-	-	-	-	-	-	<u>486</u>	<u>197</u>	<u>683</u>	<u>437</u>
truction of road	-	-	-	-	-	-	-	<u>287</u>	<u>89</u>	<u>376</u>	<u>437</u>
ibility studies and engineering	-	-	-	-	-	-	-	<u>10</u>	<u>-</u>	<u>10</u>	<u>-</u>
ultants for supervision of construction	-	-	-	-	-	-	-	<u>40</u>	<u>-</u>	<u>40</u>	<u>-</u>
ingencies	-	-	-	-	-	-	-	<u>149</u>	<u>18</u>	<u>167</u>	<u>-</u>
nstruction	-	-	-	-	-	-	-	<u>72</u>	<u>9</u>	<u>81</u>	<u>-</u>
crease in costs	-	-	-	-	-	-	-	<u>77</u>	<u>9</u>	<u>86</u>	<u>-</u>
rest (Loan from Argentine urces)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90</u>	<u>90</u>	<u>-</u>
	<u>845</u>	<u>808</u>	<u>1,653</u>	<u>1,297</u>	<u>2,950</u>	<u>650</u>	<u>3,600</u>	<u>611</u>	<u>1,289</u>	<u>1,900</u>	<u>1,200</u>
ge	12.6	12.1	24.7	19.3	44.0	9.7	53.7	9.1	19.3	28.4	17.9

reflects the Uruguayan portion of the bridge project.
 e amounts represent 28.3% of the total cost of the corresponding item in each case.
 e investments were already made and it is recommended that they be counted as part of the local contribution.
 udes US\$30,000 in fees of consulting firm to improve COMPAU's accounting system.

The financing of the program would be carried out approximately according to the following scheme:

	<u>Currency of Origin</u>		<u>Currency of Use</u>		<u>Total</u>	<u>%</u>
	<u>Foreign</u>	<u>Local</u>	<u>Foreign</u>	<u>Local</u>		
IDB loan (OC)	2,950	650	1,653	1,947	3,600	53.7
Local contribution	1,200	1,900	1,289	1,811	3,100	46.3
Uruguayan Government	-	1,900	1,289	611	1,900	28.4
IDB loan (Argentina resources)	1,200	-	-	1,200	1,200	17.9
Total	4,150	2,550	2,942	3,758	6,700	100.0
Percentage	61.9	38.1	43.9	56.1	100.0	

C. MAINTENANCE

In order to ensure adequate maintenance of the highway and the bridge that would be financed with the IDB resources, the following rules shall be observed;

1. The basic purpose of the maintenance work will be to keep the highway and the structure, in all its component parts, substantially in the same condition as those in which they will be when first constructed.
2. The annual maintenance plan shall be submitted to the approval of the Bank at least three months before the beginning of each fiscal year; it shall include, as a minimum, detailed information on the organization responsible for maintenance; on the personnel in charge of maintenance, on the number, type and condition of the equipment used for maintenance, on the location, size and conditions of the repair shops, storehouses and maintenance yards, etc., on the type of control that will be used to limit the size and weight of the vehicles using each road, on the number of kilometers of road of each type to be maintained, and on the location of these roads, etc. The text of the proposed contract to be signed with the organization responsible for maintenance shall also be submitted to the Bank.
3. The maintenance plan shall state the amount of funds available in the maintenance budget (excluding repair operations) for the current year and the amount to be assigned in the budget for the year for which the plan is submitted.

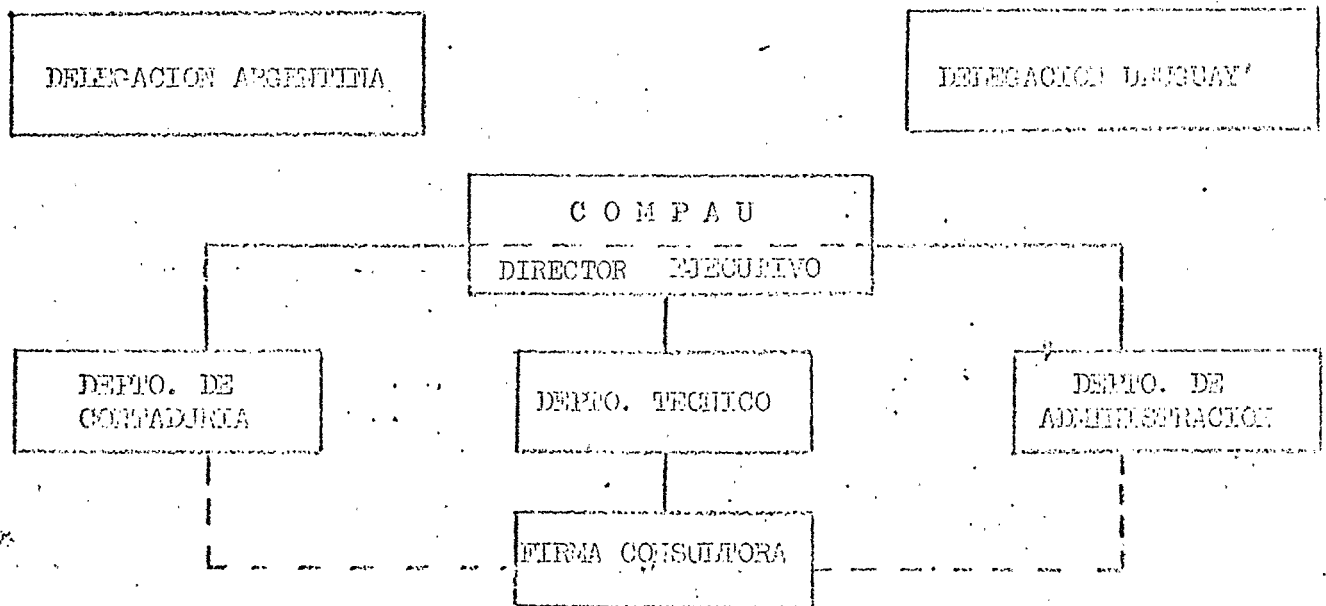
4. The plan shall also include a report on the maintenance conditions, based on a system of evaluation of adequacy which shall have been previously submitted and approved by the Bank. This system shall be so structured as to provide an over-all assessment of the maintenance conditions of the highway, such assessment to be based on a numerical evaluation of the various components such as pavements, walkways, culverts, drainage structure, bridges, etc.
5. The Bank shall have the right to inspect the bridge and its access route periodically. Should the inspection or the reports lead to the conclusion that the maintenance work being performed is below the agreed-upon standards, the debtor shall take whatever action is necessary to correct the deficiencies in their entirety.

COMISION TECNICA MIXTA DEL PUENTE ENTRE
ARGENTINA Y URUGUAY (COMPAU)

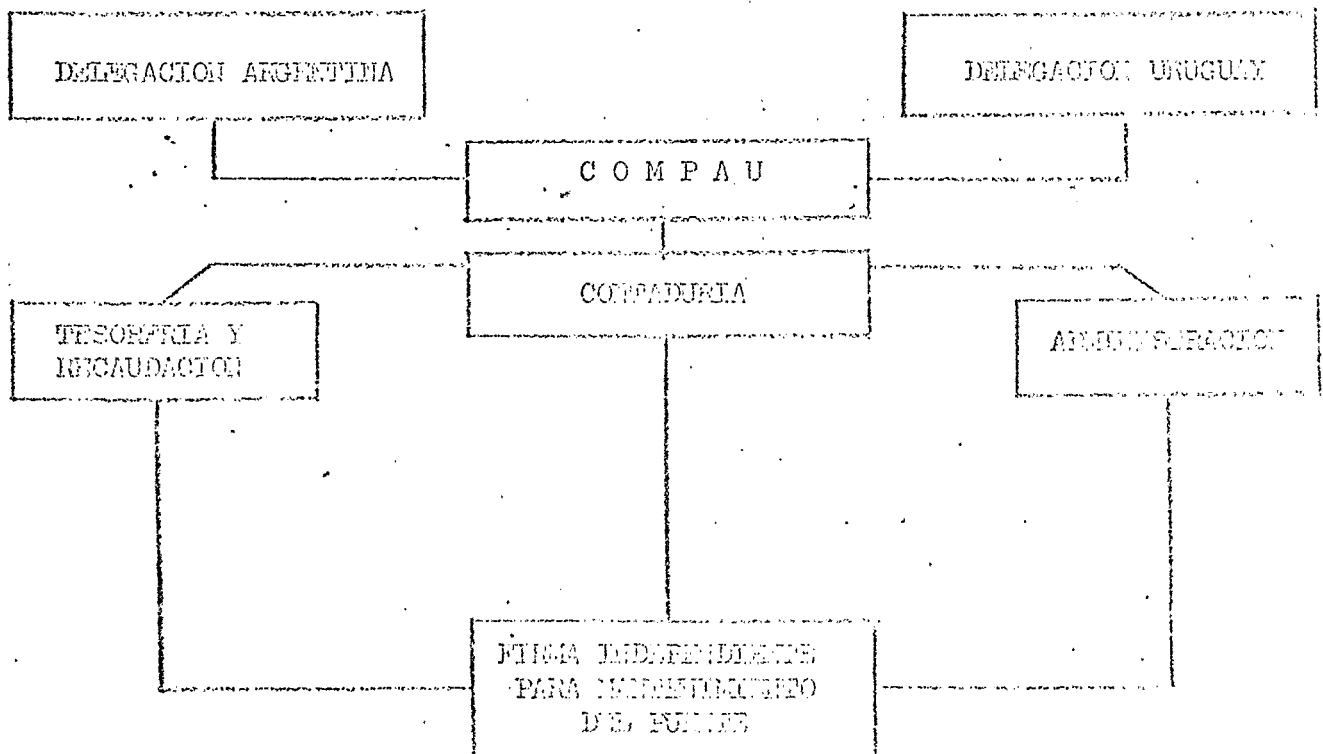
ANEXO "B"

ORGANIGRAMA PROYECTADO

(A) PERIODO DE CONSTRUCCION



(B) PERIODO OPERATIVO



APENDICE "C"

COSTO TOTAL DEL PUENTE FRAY BENTOS-PUERTO UNZUE

ENTRE ARGENTINA Y URUGUAY

(En miles de US\$ o su equivalente)

R U B R O S	COSTOS EN DIVISAS			Costos Moneda		%
	Direc- tos	Indi- rectos	Total	Local	TOTAL	
a) Construcción puente	2.017	2.643	4.660	7.485	12.145	64,9
b) Estudio de factibilidad e ingeniería	680	-	680	-	680	3,6
c) Consultores para supervisión construcción puente	600	-	600	-	600	3,2
d) Gastos de administración de COMPAU durante construcción	-	-	-	300	300	1,6
e) Imprevistos	350	529	879	1.424	2.303	12,3
- De construcción	148	265	413	697	1.110	5,9
- Por elevación de costos	202	264	466	727	1.193	6,4
f) Otros gastos	2.268	-	2.268	384	2.652	14,4
Intereses (Préstamo CO)	1.667	-	1.667	328	1.995	10,6
Comisión de Compromiso (Préstamo CO)	283	-	283	56	339	1,8
Inspección y Vigilancia del BID	116	-	116	-	116	1,0
Intereses (Préstamo Recursos Argentina)	202	-	202	-	202	1,0
T O T A L	5.915	3.172	9.087	9.593	18.680	100,0
PORCENTAJE	31,6	17,0	48,6	51,4	100,0	

COMISION TECNICA MIXTA DEL PUENTE ENTRE ARGENTINA Y URUGUAY
DELEGACION DEL URUGUAY

Montevideo, 15 de setiembre de 1970

7023944 SEP 21

Señor Gerente de Operaciones del
Banco Interamericano de Desarrollo
Don Joao Oliveira Santos
Washington, D.C.

De nuestra consideración:

Tenemos el agrado de dirigirnos a usted para referirnos a la solicitud de nuestro Gobierno para la obtención de un préstamo destinado a cooperar en el financiamiento de la parte correspondiente a Uruguay del proyecto relativo a la construcción del Puente Internacional sobre el Río Uruguay, entre las zonas de Fray Bentos (Uruguay) y Puerto Unzué (Argentina).

El proyecto incluye la construcción de una ruta de enlace, de ocho kilómetros, del Puente con la red nacional de carreteras. La ejecución de las obras del Puente estará a cargo de la Comisión Técnica Mixta del Puente / entre Argentina y Uruguay, C.O.M.P.A.U., y la construcción de la ruta de enlace la llevaría a cabo la Dirección de Vialidad.

Sobre el particular, cumpíenlos mani-

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COMISION TECNICA MIXTA DEL PUENTE ENTRE ARGENTINA Y URUGUAY
DELEGACION DEL URUGUAY

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festarle que el Gobierno, reiterando la asignación de la más alta prioridad a la ejecución de estas obras, ha tomado las medidas necesarias incluyendo los recursos de la contrapartida local, estimados en el equivalente de U\$S 1:894.000.==, en la Ley N° 13835, (Capítulo XXII - Fondo Nacional de Inversiones - Artículo N° 286), que fué promulgada por el Poder Ejecutivo con fecha 7 de enero de 1970.

X
LLS.
Este monto incluye la suma de U\$S 340.000.== (fondo de pre inversión cuyo pago está efectuando directamente a los Consultores el Gobierno Uruguayo, como parte que le corresponde del costo del estudio de factibilidad del puente), por lo que el monto a prever en los presupuestos preventivos anuales es el equivalente a U\$S 1:554.000.== que se integra con la suma de / U\$S 942.000.== (gastos financieros del costo del proyecto) y / U\$S 612.000.== (parte del costo de construcción, imprevistos, etc.).

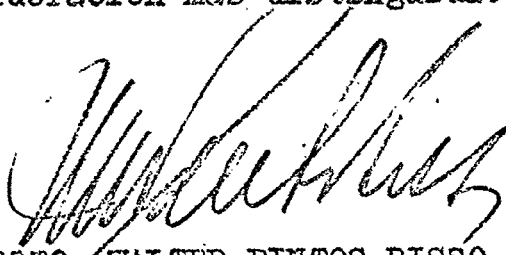
De acuerdo con el calendario de inversiones del proyecto, en el presupuesto preventivo de 1971, se asegurará el monto / por el equivalente de U\$S 64.000.==

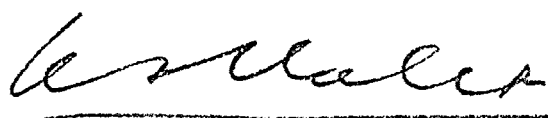
Asimismo y hasta la completa ejecución del proyecto, en // el momento oportuno se darán los pasos necesarios para incluir en los presupuestos preventivos de los años siguientes las partidas correspondientes, las cuales se estima que no serían

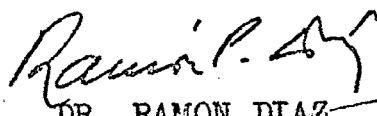
COMISION TECNICA MIXTA DEL PUENTE ENTRE ARGENTINA Y URUGUAY
DELEGACION DEL URUGUAY


inferiores a los montos que se indican a continuación: 1972: U\$S 164.000.= ; 1973 : U\$S 630.000.= y 1974 : U\$S 696.000.=, valores que se refieren a la contrapartida local, ya que el préstamo gozará de cuatro años de gracia en las amortizaciones.


Saludamos al Sr. Gerente de Operaciones, con nuestra consideración más distinguida.


ARQTO. WALTER PINTOS RISSO
Ministro de Obras Públicas


DR. ARMANDO R. MALET
Ministro de Economía y Finanzas


DR. RAMON DIAZ
Director de la Oficina de
Planeamiento y Presupuesto


ING. JAIME GARCIA CAPURRO
Delegación del Uruguay
Secretario


ING. JOSE LUIS BUZZETTI
Delegación del Uruguay
Presidente

70/4472

URUGUAY

Transmitted herewith is a summary of the Bank's operations
in Uruguay as of August 31, 1970.

November 5, 1970

URUGUAY

1. As of August 31, 1970, the Bank had granted 20 loans to the Republic of Uruguay for a total of US\$84,683,000, including eight loans from the ordinary capital resources, ten from the Fund for Special Operations, and two from the Social Progress Trust Fund. Four of the loans had been partially canceled, the total amount of the cancellations being US\$2,498,014.

The status of the loans on that date is summarized below.

(In thousand of dollars)

	<u>OC</u> <u>Total</u> <u>loaned</u>	<u>FSO</u> <u>Total</u> <u>loaned</u>	<u>SPTF</u> <u>Total</u> <u>loaned</u>	<u>TOTAL</u> <u>Total</u> <u>loaned</u>
Amount loaned				
1/	38,838	32,847	10,500	82,185
Less undis- bursed amount	<u>20,853</u>	<u>30,174</u>	<u>275</u>	<u>51,302</u>
Disbursed	17,985	2,673	10,225	30,883
Less repay- ments by borrowers	<u>6,845</u>	<u>320</u>	<u>472</u>	<u>7,637</u>
Outstanding	<u>11,140</u>	<u>2,353</u>	<u>9,753</u>	<u>23,246</u>

1/ Net of cancellations and reductions.

2.

URUGUAY

(In thousands of dollars - Net)

<u>Date of resolu- tion and contract</u>	<u>Loan No.</u>	<u>Borrower</u>	<u>Purpose</u>	<u>Amount</u>	<u>Disbursed Amount</u>	<u>%</u>	<u>Amount undis- bursed</u>
ORDINARY CAPITAL							
8/ 3/61	15	Rep. of Uruguay	Water supply <u>1/</u>	5,701	5,701	100	--
10/ 9/61							
6/14/62	47	ANCAP	Petroleum refinery				
8/23/62			and cement plant	4,587	4,587	100	--
11/15/62	57	Rep. of Uruguay	Highways				
3/ 5/63			(Route 26)	4,100	3,559	87	541
12/19/63	83	Banco de la Re-	Overall-				
4/ 1/64		pública	industry <u>1/</u>	3,000	2,450	82	550
6/10/65	117	Rep. of Uruguay	Water supply	2,600	569	22	2,031
8/19/65							
11/16/67	155	ANCAP	Cement plant	5,000	1,107	22	3,893
2/ 2/68							
11/29/68	170	Administración	Port expansion				
12/20/68		Nacional de Puertos		9,350	12	--	9,338
3/ 5/70	195	Banco de la	Overall-				
4/17/70		República	industry	4,500	--	--	4,500
				<u>38,838</u>	<u>17,985</u>	<u>--</u>	<u>20,853</u>
				100%	46%		54%
FUND FOR SPECIAL OPERATIONS							
8/ 3/61	10	Frigoríficos El	Packing plant <u>1/</u>				
11/30/61		Cerro		197	197	100	--
11/ 5/64	47	CONAPROLE	Dairy plant	3,600	1,155	32	2,445
9/31/65							
6/10/64	57	Rep. of Uruguay	Water supply	1,000	522	52	478
8/19/65							

1/ Net of cancellations.

2. (Cont.)

- 3 -

(In thousands of dollars - Net)

Date of resolu- tion and contract	Loan No.	Borrower	Purpose	Amount	Disbursed Amount	%	Amount undis- bursed
FUND FOR SPECIAL OPERATIONS							
9/ 1/66 2/28/67	108	Banco de la República	Preinvestment	1,500	89	6	1,411
8/31/67 2/ 1/68	156	Rep. of Uruguay	Water supply	4,400	541	12	3,859
11/16/67 2/21/68	157	ANCAP	Technical assistance	1,000	154	15	846
11/29/68 12/20/68	199	Administración Nacional de Puertos	Technical assistance	350	15	4	335
12/13/68 7/ 4/69	201	Rep. of Uruguay	Highways	14,800	--	--	14,800
3/ 5/70 4/17/70	250	Banco de la República	Global- Industry	1,500	--	--	1,500
7/23/70	265	Rep. of Uruguay	Education	4,500	--	--	4,500
				<u>32,847</u>	<u>2,673</u>		<u>30,174</u>
				<u>100.0%</u>	<u>8%</u>		<u>92%</u>

SOCIAL PROGRESS TRUST FUND

12/ 7/61 5/21/63	15	Department of Montevideo	Sewerage system	2,500	2,500	100	--
9/20/62 5/21/63	43	Republic of Uruguay	Housing	8,000	7,725	96	275
				<u>10,500</u>	<u>10,225</u>	<u>--</u>	<u>275</u>
				<u>100%</u>	<u>97%</u>	<u>--</u>	<u>3%</u>

3. A brief comment is made below on each loan to the public sector which is moving slowly or has encountered difficulties.

Republic of Uruguay (117/OC-UR and 57/SF-UR). Administración de Obras Sanitarias del Estado - water supply for Punta del Este and adjacent areas. A two-year extension has been approved in the period for total disbursement of both loans, bringing the deadline to August 19, 1972. This was considered necessary because the start of construction was delayed considerably, mainly because ratification of the contracts took 14 months and there were problems in the bidding and awards. To these problems were added such adverse factors as labor conflicts and difficulties with the contractors. Although progress is still rather slow, the project has recently shown some improvement in its development, and it is believed that it could be finished within the new contractual term.

Republic of Uruguay (156/SF-UR). Administración de Obras Sanitarias del Estado. Water supply for localities in the interior. This project also has moved somewhat slowly, because of delays in letting construction contracts and administrative problems in the OSE. Differences have also arisen in the application of the existing margin of preference provisions to the purchase of the asbestos-cement pipe needed for the project. An agreement in principle has been reached with OSE whereby this pipe would be bought on the domestic market entirely with local funds over and above the contractually specified contribution; an equivalent part of the contribution allotted for the purchase of this pipe would thus be released and used for the financing of new construction.

The borrower has sent the Bank a new list of goods and services and a request for an extension in the period for total disbursement. This material is now being studied.

Banco de la República Oriental del Uruguay (108/SF-UR). Preinvestment. This project continues to move slowly although recently an improvement can be noted in the signing of contracts for feasibility studies. Certain changes and transfers of BROU officials who had been administering the project are responsible for the standstill in the approval of new subloans.

Administración Nacional de Puertos (170/OC-UR and 199/SF-UR). Expansion and improvement of the Port of Montevideo and technical assistance for administrative reorganization. After lengthy processing which necessitated a one-year extension in the period for the first disbursement (new deadline June 15, 1970), the conditions precedent were finally fulfilled. The project is now at the stage of bidding on construction contracts.

Republic of Uruguay (201/SF-UR). Ministry of Public Works. Highway expansion and improvement. The Uruguayan Congress has yet to ratify the loan contract. The Minister of Public Works advised the Bank on July 16, 1970, that it had been approved by the Senate and was then going before the Chamber of Deputies. Fulfillment of the conditions precedent to disbursement has begun but is proceeding very slowly.

Private Sector:

Cooperativa Nacional de Productores de Leche (47/SF-UR). CONAPROLE. Expansion of the dairy industry. Financial and administrative problems continue to delay this program. Among the financial problems are the large government debts and the deficit in revenues as compared to production costs, as a result of provisions that prevent CONAPROLE from adjusting its sales price. The attendant losses will vanish only when the government allows this adjustment or absorbs the deficits.

With the approval of the Coordination Committee, an independent consultant, who is a specialist in the dairy industry, has been hired to perform a general evaluation of the project, in order to determine whether the borrower will have the financial and technical resources needed to bring the program to completion or whether it would be necessary to cancel the balance of the loan or to adapt and realign the program on the basis of CONAPROLE's actual possibilities.