

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

URUGUAY

**CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP) FOR THE
MONTEVIDEO URBAN SANITATION PROGRAM
(UR-X1001)**

**THIRD INDIVIDUAL OPERATION: URBAN SANITATION PROGRAM (PSU)
STAGE VI
(UR-L1183)**

**REFORMULATION PROPOSAL
(5410/OC-UR)**

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<p>REQUIRED</p> <ol style="list-style-type: none"> 1. Multiyear execution plan / Annual work plan 2. Monitoring and evaluation plan 3. Environmental and social management report 4. Procurement plan <p>OPTIONAL</p> <ol style="list-style-type: none"> 1. Economic analysis 2. Financial analysis 3. Environmental and social management framework 4. Environmental and social impact assessment 5. Technical feasibility 6. Urban Sanitation Program Stage VI - Analysis of compliance with the Public Utilities Policy 7. Terms of reference for gender studies 8. Climate change considerations 9. Program Operating Regulations 10. Midterm evaluation, Urban Sanitation Program Stage V 11. Report on the water, sanitation, and waste sector in Uruguay 12. Request to reformulate the operation 13. Bibliography 14. Operation monitoring tool 15. Original approved loan proposal 16. Progress monitoring report 17. Comparative results matrix 18. Resettlement plan

ABBREVIATIONS

CCLIP	Conditional Credit Line for Investment Projects
DDA	Departamento de Desarrollo Ambiental [Environmental Development Department]
ESMF	Environmental and social management framework
ESMP	Environmental and social management plan
ICB	International competitive bidding
IdM	Intendencia de Montevideo [Municipal Government of Montevideo]
NCB	National competitive bidding
p.p.	Percentage points
PDSDUM	Plan Director de Saneamiento y Drenaje Urbano de Montevideo [Master urban drainage and sanitation plan for Montevideo]
PSU	Urban Sanitation Program
QBCS	Quality and cost-based selection
RCP	Representative concentration pathway
SDG	Sustainable Development Goal
SUDS	Sustainable urban drainage systems
TOCAF	Texto Ordenado de Contabilidad y Administración Financiera [Consolidated Code of Accounting and Financial Administration]

PROJECT SUMMARY

URUGUAY

THIRD INDIVIDUAL OPERATION: URBAN SANITATION PROGRAM (PSU) STAGE VI (UR-L1183) PROPOSED REFORMULATION OF LOAN 5410/OC-UR

Financial Terms and Conditions						
Borrower:				Flexible Financing Facility ^(a)		
Eastern Republic of Uruguay				Amortization period:		23.5 years
Executing agency:				Disbursement period:		5 years
Municipal Government of Montevideo				Grace period:		7 years ^(b)
Loan modality:				Interest rate:		SOFR-based
Multiple works				Credit fee:		^(c)
Source:		Amount (US\$)	%	Inspection and supervision fee:		^(c)
IDB (Ordinary Capital):		70,000,000	85	Weighted average life:		15.25 years
Local:		12,350,000	15	Approval currency:		U.S. dollar
Total:		82,350,000	100			
Project at a Glance						
Project objective: The general objective of this reformulated third individual operation under the conditional credit line for investment projects (CCLIP) will be to help improve living conditions for the residents of the department of Montevideo through improvements in access to and the quality of sanitation, storm drainage, and water risk protection services. The specific objectives are to: (i) increase the coverage and quality of sanitation services; (ii) reduce the risk of flooding in the program intervention area; and (iii) strengthen the Municipal Government of Montevideo's institutional capacity for improving integrated sanitation management.						
Special contractual conditions precedent to the first disbursement of the loan proceeds: (i) In accordance with the terms previously agreed upon with the Bank, the following will have entered into force: (a) the subsidiary agreement for the transfer of the loan proceeds between the borrower and the executing agency, which will establish the executing agency's commitment to execute the program as provided for in the loan contract; and (b) the program Operating Regulations , which will include the environmental and social management framework . (ii) The Sanitation Division will have appointed a coordinator to facilitate and coordinate with the Sanitation Execution Unit (paragraph 3.4).						
Special contractual conditions for execution: (i) Prior to issuing the call for bids for each bidding process related to Category B works under Component I, the executing agency will have obtained the Bank's no objection to: (a) a statement justifying the works; (b) an advanced preliminary design; (c) for works involving house connections, the connections plan; (d) the cost-benefit evaluation; (e) the environmental and social analysis; and (f) the environmental and social management plan. (ii) Prior to the physical start of any activity at any specific site for the sanitation and storm drainage works, the executing agency will submit to the Bank evidence for any resettlements, expropriations, and/or easements carried out in accordance with the Involuntary Resettlement Framework agreed upon with the Bank. (iii) Within 30 months of the entry into force of the loan contract, the borrower, acting through the executing agency, will submit to the Bank for its no objection an assets management plan for the Sanitation Division, which will be prepared using program funds (paragraph 3.5).						
Special environmental and social contractual conditions: See Annex B of the environmental and social management report (required link 3).						
Exceptions to Bank policy: None.						
Strategic Alignment						
Challenges: ^(d)		SI <input checked="" type="checkbox"/>		PI <input checked="" type="checkbox"/>		EI <input type="checkbox"/>
Crosscutting themes: ^(e)		GE <input checked="" type="checkbox"/> and DI <input type="checkbox"/>		CC <input checked="" type="checkbox"/> and ES <input checked="" type="checkbox"/>		IC <input checked="" type="checkbox"/>

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

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

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

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

^(e) GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

- 1.1 **Background.** The purpose of this document is to ask the Board of Executive Directors to approve modifications that the borrower has requested be made to the original loan proposal ([optional link 15](#)) for the “Urban Sanitation Program (PSU), Stage VI” (operation UR-L1183; loan 5410/OC-UR), which is the third individual operation under conditional credit line for investment projects (CCLIP) UR-X1001. The original loan proposal was approved on 17 November 2021 by means of Resolution DE-105/21.
- 1.2 The contract for loan 5410/OC-UR was not signed in April 2022 because the majority needed for the Montevideo Department Board to approve a subsidiary agreement between the Ministry of Economy and Finance and the Municipal Government of Montevideo (IdM) for the transfer of loan proceeds and execution of the original loan proposal was not reached by that date. As a result, in June 2022 the borrower requested a reformulation of the original operation and asked that the deadline for the signing of the loan contract be extended until December 2022 ([optional link 12](#)).
- 1.3 **Objective and components under the original loan proposal.** The general objective of the original loan proposal was to support the IdM in its efforts to improve living conditions in the department of Montevideo. Its specific objectives were to: (i) increase the coverage and quality of street cleaning services, taking social inclusion considerations into account; (ii) increase the coverage and quality of sanitation services; (iii) reduce the risk of flooding; and (iv) strengthen the IdM’s institutional capacity for improving solid waste management and enhancing its efficiency. That objective was to be achieved through investments under the components described below.
- 1.4 **Component I of the original loan proposal. Improved solid waste management (US\$41.72 million).** The measures to be financed included: (i) expansion of coverage and improvement of the system for collecting nonrecyclable¹ and recyclable solid waste: (a) acquisition of garbage trucks and trash cans; and (b) acquisition of assets for and the development and launch of a smart solid waste management center that would facilitate the collection and real-time analysis of collection system data; and (ii) the following activities: (a) optimization of manual sorting processes; (b) design and construction of a semiautomatic sorting plant; and (c) construction of repair centers and eco-centers,² which would help increase the amount of bulk waste that was valorized. This component also included outreach campaigns to encourage the public to change behaviors related to source separation and improve management of bulk waste, as well as fleet maintenance services.
- 1.5 **Component II of the original loan proposal. Sanitation and storm drainage (US\$22.49 million).** The measures to be financed included: (i) expansion of coverage of sanitation and storm drainage service delivery in Casabó

¹ Waste that cannot be recycled and is sent for final disposal.

² Centers that accept bulk waste, such as pruning waste, rubble from small residential works, and furniture.

- Norte-Rincón del Cerro; (ii) construction of a sewer system for Mataperros to mitigate water risk; (iii) inspection and modernization of the Arteaga network; (iv) implementation of the sustainable urban drainage system (SUDS) pilot; (v) implementation of functional monitoring of the sanitation system; and (vi) the fine-tuning of the hydrological and hydraulic model for the Montevideo sanitation system.
- 1.6 **Component III of the original loan proposal. Support for management improvements (US\$9.22 million).** This component included institutional strengthening activities for the solid waste management and street cleaning sector for operation execution, improvement of management at the departmental level, social inclusion measures, and acquisition of goods for the environmental observatory. It would have financed strengthening plans for such areas as maintenance, reorganization of the operational structure, and staff training to ensure the sustainability of the investments.
- 1.7 **Support costs under the original loan proposal (US\$1.05 million).** The original loan proposal covered costs associated with audits, monitoring and evaluation, supplemental studies, resettlements, and easements under Component II, as well as strengthening of connections to the sanitation network. It also covered **engineering and administration costs (US\$7.87 million)**, including the cost of operating the Sanitation Execution Unit as well as the cost of setting up the PSU Stage VI accounting system.
- 1.8 The original loan proposal was designed as a specific investment loan with a six-year disbursement period, which was driven by the need to provide an initial period to strengthen structural facets of solid waste management to ensure that the investments would be sustainable and by the need to be consistent with the results of the multiyear execution plan developed with the executing agency when preparing the operation.
- 1.9 The total cost of the original loan proposal was US\$82.35 million, with US\$70 million financed from the Bank's Ordinary Capital resources and the remaining US\$12.35 million financed by the local contribution from the IdM. Table I.1 gives a breakdown of the components and other costs envisaged in the original program proposal, while Table I.2 sets out the disbursement schedule:

Table I-1. Estimated costs from the original loan proposal (in U.S. dollars)

Component	IDB	Local	Total	%
Component I. Improved solid waste management	41.72	0	41.72	50.7
Recyclable waste collection system (excluding glass)	9.99	0	9.99	
Glass collection system	1.17	0	1.17	
Nonrecyclable waste collection system	12.52	0	12.52	
Data management center	4.40	0	4.40	
Infrastructure (Semiautomatic and manual sorting plants, eco-centers, and repair centers)	12.14	0	12.14	
Outreach	1.50	0	1.50	
Component II. Sanitation and storm drainage	22.49	0	22.49	27.3
Construction of the Casabó Norte-Rincón del Cerro sanitation system	6.49	0	6.49	
Construction of a supplemental collector sewer for the Mataperros basin	7.75	0	7.75	
Modernization of the Arteaga system	6.20	0	6.20	
SUDS, sensors, and computer model	2.05	0	2.05	
Component III: Support for management improvements	5.03	4.19	9.22	11.2
Support costs	0.70	0.35	1.05	1.3
Engineering and administration	0.06	7.81	7.87	9.5
Total	70.00	12.35	82.35	100

Table I-2. Disbursement schedule from the original loan proposal (in U.S. dollars)

Source/Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
IDB	3.84	32.90	19.61	11.08	1.70	0.87	70.0
Local contribution	0.70	0.86	2.68	2.72	2.68	2.72	12.35
Total	4.54	33.76	22.29	13.80	4.37	3.59	82.35
%	5.51	41.00	27.07	16.75	5.31	4.36	100

1.10 **Scope of the reformulation.** The borrower requested that the reformulated project's activities focus on: (i) increasing the coverage and quality of sanitation services; (ii) reducing the risk of flooding; and (iii) institutional strengthening. To that end, actions tied to the objective of increasing the coverage and quality of street cleaning services have been removed, and Component I, "Improved solid waste management" (US\$41.72 million), has been replaced with additional sanitation, drainage, and water risk works. The IdM will carry out interventions to improve solid waste management in Montevideo under its "Montevideo más verde" ["A Greener Montevideo"] initiative, and the Bank will support several lines of action through technical cooperation operations³ (operations [ATN/OC-19031-UR](#) and [UR-T1288](#)).

1.11 The amount of the operation remains unchanged at US\$82.35 million, with US\$70 million financed with a loan from the Bank's Ordinary Capital and a local counterpart contribution of US\$12.35 million. The execution period will be five years, and the IdM will still act as the executing agency. The reformulated operation is aligned with the objectives of the CCLIP (paragraph 1.23) and is still classified as an environmental category "B" operation (paragraph 2.3). Unlike the original proposal, which was a specific investment loan, the reformulated program will be structured as a multiple works program (paragraph 2.1). The program will

³ These technical cooperation operations support several of the IdM's efforts to improve waste management, with a focus on such areas as: improvements to the efficiency and effectiveness of waste collection and valorization, digitalization of collection, behavioral changes, social inclusion of waste pickers, and the public outreach strategy.

still be double-booked by the Water and Sanitation Division (INE/WSA) and the Climate Change Division (CSD/CCS).

- 1.12 The proposed reformulation also keeps the original general objective as well as the following original specific objectives (paragraph 1.3): (ii) increase the coverage and quality of sanitation services; and (iii) reduce the risk of flooding. However, it no longer includes specific objective (i), increase the coverage and quality of street cleaning services, taking social inclusion considerations into account, and specific objective (iv) has been modified to shift focus to the institutional strengthening of the IdM's integrated sanitation division (paragraph 1.3; paragraph 1.28). In the reformulated operation, the improved solid waste management component and all activities related to strengthening that sector have been removed. See [optional link 17](#) for a comparative results matrix discussing both the original loan proposal and the reformulated operation.
- 1.13 **Rationale for the reformulation.** Seeing as the borrower has requested changes that entail the modification of the specific objectives set out in the original loan proposal and the type of investment lending instrument, the changes are considered substantial and fundamental and thus require the approval of the Board of Executive Directors (Operations Administration Manual, Section OA-430, paragraphs B.3 and B.4). Based on the foregoing, the context and the proposed reformulation of the program are discussed below.
- 1.14 **Current country context.** Uruguay has made significant strides toward achieving the Sustainable Development Goals (SDGs) and is ranked 31st out of 163 countries worldwide in terms of the progress made. After the recession in 2020, when GDP contracted 6.1% due to the pandemic, the economy grew 4.4% in 2021 as tourism partially recovered and external demand and investment grew. The International Monetary Fund forecasts growth of 3.9% in 2022 and average annual growth of 2.6% over the 2023-2026 period (World Economic Outlook, April 2022). Public debt stood at 66.1% of GDP in March 2022, 2.5 percentage points (p.p.) below the year-end 2020 level, while the fiscal deficit fell from 5.4% of GDP at year-end 2020 to 2.2% of GDP for the rolling year as of June 2022, with pandemic-related extraordinary expenditures equivalent to 1% of GDP. Inflation began trending upward in the middle of 2021 and stood at 9.6% annual in July 2022. The uptrend can be attributed, in part, to the increase in prices worldwide due to pandemic-related supply disruptions and the conflict in Ukraine. The poverty rate, which had risen to 11.6% of the population in 2020, decreased by 1 p.p. in 2021. That said, the poverty rate for children and adolescents exceeds 18%. In the first half of 2022, unemployment averaged 7.8%, 2.4 p.p. below the rate reported in the first half of 2021 and even lower than prepandemic levels.
- 1.15 **Despite high levels of coverage of storm drainage and sanitation services, some areas still lack access.** Thanks to the previously executed PSU operations and the IdM's own activities, approximately 9 out of 10 residents of Montevideo's urbanized area (99% of its total population is urban) have access to an adequate sanitation system [1].⁴ Though Montevideo reports high levels of sanitation access (91%), 200,000 of its residents are unserved [2] and exposed to the associated

⁴ See [optional link 13](#). Bibliography

health risks [3]. The pending challenge is to deliver adequate sanitation services to residents who still lack access, most of whom live in the city's vulnerable areas (including informal settlements), while minimizing risk in flood-prone urban areas and preparing existing and new infrastructure for the expected changes in rainfall stemming from climate change. Those residents who still lack adequate sanitation struggle with challenges that affect public health and environmental sustainability of the areas where they live. This is important because there is a positive link [2] between environmental quality [3], health [4, 5], and access to water and sanitation.⁵ Investments in sanitation translate into positive environmental and health impacts [6], with integrated sanitation and drainage interventions and access to water and sanitation producing significantly greater benefits than piecemeal interventions [7].⁶ Investments in sanitation translate into positive environmental and health impacts [8], with integrated sanitation and drainage interventions producing significantly greater benefits than piecemeal interventions [9].

- 1.16 **There is room for improvement in management of sanitation and storm drainage services.** Under Stage IV of the PSU (loan 1819/OC-UR), Montevideo updated its master urban drainage and sanitation plan (PDSDUM) in 2019. The PDSDUM establishes a road map to achieve universal access to sanitation and storm drainage services by 2030, in keeping with the country's voluntary SDG targets [10], and mitigate water risk in flood-prone areas, addressing issues related to equity and inclusion in the delivery of such services, five-year planning, digitalization,⁷ asset management, and financial sustainability. The PDSDUM indicates that there are opportunities related to: (i) the need to increase sanitation coverage and flood protection for residents; (ii) the need to improve strategies for managing sanitation and drainage systems as vital urban assets; (iii) the need to improve monitoring of Montevideo's sanitation and drainage system, as a way to gain a fuller understanding of how the system operates in real time and in different operating conditions; and (iv) the need to identify studies to develop innovative actions to enable more effective, more efficient service management.
- 1.17 **Vulnerabilities of the population that lacks access to sanitation services.** Generally speaking, socioeconomic indicators for those who lack access to sanitation services or reside in flood-prone areas are typically below average for Montevideo.⁸ In the areas analyzed, 6.6%-10% of households had unmet basic

⁵ The main drivers that shaped the development of the PDSDUM are: (i) the need to bring continuity to planning; (ii) drift from the scenarios formulated in the previous plan; (iii) the tendency to always push off measures to address drainage issues; (iv) persistent declines in water quality; and (v) the need to codify watercourse management.

⁶ According to [Development in the Americas 2020](#), in addition to infrastructure investments, authorities need to ensure that the services offered are quality services and that users use infrastructure correctly in order to close gaps in access.

⁷ According to [Development in the Americas 2020](#), digitalization of infrastructure services can boost economic growth (increasing GDP by approximately 5.7% on average in Latin America and the Caribbean) while favoring the poor with lower household utility costs (water, sanitation, electricity, solid waste management, etc.), since the poor spend a greater share of their income on these services (14,1%) than the wealthy (less than 11%).

⁸ The census and the National Statistic Institute's continuous household survey report data at the municipio level (subdivisions of the IdM).

- needs⁹ in sanitation (Montevideo average: 5.8%). Furthermore, 10%-18% of families live in substandard housing (Montevideo average: 7.8%), and 10.2%-27.4% of the economically active population depends on income from informal employment (Montevideo average: 17.7%). All told, 10%-44.6% of the population reports that their highest degree of educational attainment is completion of primary education (Montevideo average: 26.6%).
- 1.18 **The IdM's strategy.** The planned interventions dovetail with the PDSDUM through its strategies for ensuring universal access to sanitation services as well as effective, safe, and affordable management of storm drainage services to protect the urban population of Montevideo from the impacts of moderate frequency floods (10 year return period) and reduce the impact of low frequency floods (up to 100 year return period); optimizing operation of sanitation and drainage systems; promoting the use of green infrastructure as a part of integrated urban water management; and implementing necessary tools for planning, executing, and monitoring the results of the PDSDUM. The interventions also dovetail with the "Montevideo Más Verde" ["A Greener Montevideo"] strategy, whose lines of action include promotion of the use of green infrastructure (including SUDS) to improve environmental quality and quality of life for residents. The interventions will take into account changes provoked by climate change, which will result in more effective monitoring of the sanitation and storm drainage system during extreme weather events.
- 1.19 **Gender concerns and actions under the reformulated program.** Compared to other countries in the region, Uruguay is in a relatively better position in terms of women's work force participation, yet significant gender gaps persist. Only 49.7% of women are employed, versus 62% of men [11]. Women are underrepresented in the water, energy, and gas sector, accounting for just 19% of all employees in the sector [12]. Within the IdM, the Environmental Development Department (DDA) is the office with the largest gap in positions held by women (just 18%), a pattern that is repeated in the Sanitation Division, where women account for 19% of employees. The original loan proposal called for three gender actions: (i) the mainstreaming of gender in social inclusion programs for waste pickers to promote women's participation in the jobs created in the sector; (ii) the creation of new formal jobs for women who work as informal waste pickers; and (iii) the strengthening of gender mainstreaming at the DDA through the development and implementation of a diagnostic assessment and gender action plan that uses a participatory method to design actions to reduce gaps in women's workforce participation at the decision-making and operational levels. Support for actions (i) and (ii), discussed above, will be provided through the ongoing technical cooperation operations (paragraph 1.10). The reformulated program will promote gender actions in the sector through two activities: (i) design and implementation of at least one action to encourage women to work in the sanitation sector, including actions to promote joint efforts with key actors in the sector (the government, the chamber of construction, unions, etc.); and (ii) the reformulation

⁹ Unmet basic needs measure the lack of access to certain goods and services deemed crucial for human development, such as access to decent housing, electricity, safe drinking water, sanitation services, comfort items, and education ([link](#)).

maintains the actions to strengthen gender mainstreaming at the DDA's Sanitation Division as envisaged in the original loan proposal.

- 1.20 **Diagnostic assessment of climate change and related actions under the reformulated program.** Climate scenarios forecast an uptrend in precipitation peaks, which will increase the strain on existing installed capacity in Uruguay. The works envisaged under Component II of the original loan proposal would have helped: (i) address excess rainfall that climate change is expected to cause under scenarios RCP 4.5 and RCP 8.5 through the construction of drainage infrastructure and the piloting of SUDS; (ii) inform decision-making through improvements to hydrodynamic models; and (iii) build capacity at the IdM for real-time network status monitoring, thereby creating greater capacity for adapting to extreme weather events. The reformulated program maintains these actions and strengthens them by allocating more resources for sanitation and storm drainage works.
- 1.21 **Innovation and digital transformation actions under the reformulated program.** Investments in digitalization, automatization, and innovation improve the efficiency of service delivery ([Development in the Americas 2020](#))¹⁰ and enable real-time data collection to inform decision-making. In the area of innovation and digital transformation, the original loan proposal provided financing for the development of a smart waste management center to make collection systems more effective and more efficient. Under the ongoing technical cooperation operations (paragraph 1.10), support will be provided for solid waste collection digitalization actions. There are constraints on the IdM's ability to efficiently operate sanitation and drainage systems because it lacks real-time data on water infrastructure conditions and operations, which means that the agency is not able to identify key issues facing drainage systems and urban watercourses. The reformulated program will promote the use of data and platforms to facilitate decision-making through implementation of a Sanitation Monitoring Center. With that center in place, the IdM will be able to gain real-time information on system operations, which will facilitate effective, efficient decision-making.
- 1.22 **Lessons learned.** This program incorporates the following lessons learned from the first and second operations under the CCLIP: (i) in response to the recommendation to develop innovative monitoring systems that facilitate systems management and oversight, thereby cutting costs, this program includes the creation of a sanitation monitoring center and a hydrodynamic computer model for sanitation and drainage; (ii) in response to the recommendation to promote mechanisms to incentivize sanitation connectivity, the program calls for development of a plan to promote connections to the sanitation network; and (iii) the proposed execution arrangements seek to improve coordination between the sanitation execution unit and other administrative agencies to streamline processes and improve execution.
- 1.23 **Alignment with the CCLIP.** The reformulated program is aligned with the objectives of CCLIP [UR-X1001](#), which aims to support the IdM in its efforts to

¹⁰ According to [Development in the Americas 2020](#), digitalization of infrastructure services can boost economic growth (increasing GDP by 5.7% on average in Latin America and the Caribbean) while favoring the poor with lower service costs.

improve living conditions in the department of Montevideo. The proposed works are tied to the priorities identified in the PSDUM. This operation has been prepared in accordance with the eligibility criteria established in the proposal for a new lending instrument, the Conditional Credit Line for Investment Projects (CCLIP) (document GN-2246-1) and the terms set out in the Agreement Between the Eastern Republic of Uruguay and the Bank to Establish a CCLIP signed on 28 December 2006. The program fulfills the requirements that apply to individual operations under that CCLIP, in that it: (i) falls under the sectors defined under the CCLIP; (ii) will be executed by the IdM, which is the same agency responsible for execution of the previous operations and whose level of performance has been satisfactory; (iii) the updated institutional analysis of the executing agency and the agency's performance support the opinion that performance will continue to be satisfactory under the new proposed operation; (iv) according to the midterm evaluation of the previous operation ([loan 3805/OC-UR](#)) ([optional link 10](#)), execution performance has been satisfactory and the development objectives are likely to be achieved; and (v) the IdM has complied with the contractual conditions of the previous loan and with the Bank's fiduciary policies, including the submission of audited financial statements. Pursuant to Resolution DE-106/21, the Board of Executive Directors approved an increase in the amount of CCLIP UR-X1001 and an extension of its term, which remains in effect and leaves room for the financing of this reformulated operation.

- 1.24 **Alignment with the Bank's strategy with the country:** The reformulated operation is directly aligned with the IDB Group's Country Strategy with Uruguay 2021-2025 (document GN-3056) through the priority areas of (i) sustainable productive development and its strategic objective of "improving productive and resilient infrastructure," inasmuch as it will finance interventions that seek to reduce the risk of floods that affect not only dwellings but also transportation infrastructure; and (ii) equity and social inclusion and its strategic objective of "facilitating urban services and housing," inasmuch as it will finance interventions that seek to increase access to sanitation services. In particular, the program contributes to the priority area of "equity and social inclusion," by developing better urban infrastructure, including expanded coverage and more effective management of sanitation services. It is also aligned with the priority area of public sector management by supporting greater efficiency at public institutions and stronger urban and departmental management. The operation is aligned with the crosscutting areas of: (i) gender equality, in that it includes activities to increase opportunities for women to participate in the work force; and (ii) climate change, as it includes measures to make infrastructure more climate resilient.
- 1.25 **Public utilities.** For the original loan proposal, the public utilities analysis covered the solid waste sector, sanitation, and storm drainage. The team has verified (through an analysis that does not include the solid waste sector) that the reformulated program is consistent with the principles of the Public Utilities Policy (document GN-2716-6) and meets the financial sustainability and economic evaluation conditions ([optional link 6](#)). The financial analysis indicates that the IdM can maintain the financial solvency that has allowed the agency to comfortably cover its costs and the local counterpart contribution while meeting its financial commitments. In addition, it should be noted that the IdM offers reduced rates for vulnerable groups ([optional link 6](#)).

- 1.26 **Strategic alignment.** The reformulated operation is consistent with the second Update to the Institutional Strategy 2020-2024 (document AB-3190-2) and is directly aligned with the following development challenges: (i) social inclusion and equality, because the interventions aim to expand and improve sanitation and storm drainage services in Montevideo with an emphasis on vulnerable groups; (ii) productivity and innovation, since the program will provide financing for SUDS, the Sanitation Monitoring Center, and an asset management plan on the SAP platform. It is also aligned with the crosscutting areas of: (i) gender, by promoting and expanding opportunities for women to participate in the labor force; (ii) institutional capacity and rule of law, by implementing an asset management system for the sanitation system; and (iii) climate change and environmental sustainability, by including measures to make infrastructure more climate resilient and promote the use of green infrastructure (SUDS). According to the joint methodology of the multilateral development banks for tracking climate finance [13], approximately 93% of the Bank's resources under the reformulated operation are invested in supporting the resilience of storm drainage and wastewater collection infrastructure (in the original loan proposal, this figure was 23%) ([optional link 8](#)). These resources contribute to the IDB's target for climate-related financing (30% of approvals by volume each year).
- 1.27 The reformulated operation will contribute to the Corporate Results Framework 2020-2023 (document GN-2727-12) through the "households with improved access to sanitation," "beneficiaries of enhanced disaster and climate change resilience," and "agencies with strengthened digital technology and managerial capacity" indicators. In addition, the program is aligned with the IDB Infrastructure Strategy on Sustainable Infrastructure for Competitiveness and Inclusive Growth (document GN-2710-5) through the "promote access to infrastructure services" and "support the construction and maintenance of socially and environmentally sustainable infrastructure, thus enhancing quality of life" priority areas. It is aligned with the Water and Sanitation Sector Framework Document (document GN-2781-8), because the program: (i) is environmentally and socially sustainable and incorporates climate change and environmental and cultural sustainability considerations; (ii) contributes to achieving universal access to services, improving equity for low-income and more vulnerable groups, and increasing the quality of services; and (iii) promotes comprehensive solutions, where in addition to providing infrastructure, institutional strengthening actions for the service provider are implemented under a sector governance framework. The operation is aligned with the Update to the Gender Action Plan for Operations 2020-2021 (document GN-2531-19), through the action line relating to the strengthening of women's capabilities and opportunities to access jobs. The measures for infrastructure adaptation and building adaptation capacity supported by this operation ensure its direct alignment with the IDB Group's Climate Change Action Plan 2021-2025 (document GN-2848-8).

B. Objectives, components, and cost of the reformulated program

- 1.28 **Objectives of the reformulated program.** The general objective of the reformulated operation will be to help improve living conditions for the residents of the department of Montevideo through improvements to access to and quality of sanitation, storm drainage, and water risk protection services. The specific objectives are to: (i) increase the coverage and quality of sanitation services;

- (ii) increase the coverage of storm drainage services and reduce the risk of flooding in the program intervention area; and (iii) strengthen the IdM's institutional capacity for improving integrated sanitation management.
- 1.29 **Scope of the reformulated operation.** The reformulated program objectives will be achieved through actions and investments under the following components:
- 1.30 **Component I. Sanitation, storm drainage, and water risk works (US\$67.3 million).** This component seeks to achieve two specific objectives: (i) increase the coverage and quality of sanitation services; and (ii) increase the coverage of storm drainage services and reduce the risk of flooding in the program intervention area. The measures to be financed include: expansion of the coverage of sanitation and storm drainage services and mitigation of water risk in priority sectors in Montevideo. Financing will also be provided for the modernization of collector sewers and implementation of SUDS pilots. This component also includes costs related to the involuntary resettlement plan and the plan to promote house connections to the sanitation network.
- 1.31 **Component II. Asset management and institutional strengthening (US\$3.58 million).** This component will strengthen the IdM's institutional capacity for improving integrated sanitation management. This component will implement institutional strengthening actions related to improving technical, management, and monitoring capacity with an emphasis on digital transformation and innovation. This includes implementation of a sanitation management center with an operational monitoring network, fine-tuning of the hydrological and hydraulic model used in the PDSDUM, and implementation of an asset management plan.
- 1.32 **Supplementary costs (US\$11.47 million).** This component includes costs related to program monitoring and evaluation, engineering, and administration (program execution costs, supplemental studies, gender actions, etc.). Financing will also be provided for the design and implementation of at least one action to encourage women to participate in the sanitation sector's labor force. As regards the strengthening of gender mainstreaming at the DDA's Sanitation Division, a gender diagnostic assessment and action plan for that office will be developed and implemented.
- 1.33 Table I-3 illustrates the initial breakdown of IDB and local counterpart funds under the reformulated operation. The information provided in the table is indicative. The costs of the original loan proposal were set out in Table I-1 (paragraph 1.9). The reformulated program no longer includes the following components from the original loan proposal: Components I (US\$41.72 million) and III (US\$9.22 million) on solid waste management and the "support costs" component (US\$1 million). The OLP column of Table I-3 indicates the cost of the original loan proposal's interventions in sanitation, drainage, water risk, and SUDS works. The engineering and administration costs under the original loan proposal are included in the reformulated program under the "supplementary costs" heading.

Table I-3 Financing of the reformulated program (in millions of U.S. dollars)

Component		IDB	Local counterpart	Total	OLP
I – Sanitation, drainage, and water risk works*		67.30	0	67.30	20.94
	Integrated sanitation and drainage system	49.72	0	49.72	6.49
	Water risk mitigation	4.68	0	4.68	7.75
	Collector sewer modernization	11.90	0	11.90	6.20
	SUDS	1.00	0	1.00	0.5
II. – Asset management and institutional strengthening		2.70	0.88	3.58	N/A
Supplementary costs		0	11.47	11.47	N/A
	Program evaluation and monitoring	0	0.21	0.21	
	Engineering and administration – Program execution	0	7.80	7.80	
	Engineering and administration – Supplemental studies	0	3.46	3.46	
Total		70	12.35	82.35	

1.34 Table I-4 sets out the key outcome indicators.

Table I-4 Key outcome indicators under the reformulated program

Outcome indicator		Unit of measure	Baseline (2022)	Target (2028)
R.1.1	Households in the program intervention area that are newly connected to the sanitation system network and whose wastewater is treated	#	0	3,080
R.1.2	Number of collector sewer failures reported in the program intervention area (Arteaga network)	#	54	41
R.3.1	Households in the program intervention area in the Mataperros basin protected from risk of floods with a return period equal to or less than 10 years	#	0	298

C. Key results indicators under the reformulated program

1.35 Indicators from the original loan proposal relating to solid waste management interventions have been removed from the reformulated program to adjust the interventions to the operation's new scope. The Results Matrix ([Annex II](#)) includes the outcome and output indicators for the reformulated operation.

1.36 **Beneficiaries and benefits of the reformulated program.** The beneficiaries and benefits envisaged in the original loan proposal relating to improvement of solid waste management have been removed from the proposed reformulation. Since the amount for the sanitation, drainage, and water risk works has increased, the proposed reformulation will directly benefit approximately 4,400 households in Montevideo (compared to 640 in the original loan proposal), which will gain access to integrated sanitation and storm drainage services (collection and treatment). By the end of the program, an estimated 3,080 of those households will benefit from effective connections to an adequate sanitation system that enables

household wastewater collection and treatment. Those households also include the 640 households in Casabó-Rincón del Cerro that were to benefit from integrated sanitation and storm drainage services under the original loan proposal. The reformulated program will keep the benefits envisaged in the original loan proposal that relate to the water risk mitigation works in benefit of 298 households in the Mataperros basin currently affected by floods with a return period of two years. It will also keep the benefits and beneficiaries set out in the original loan proposal that relate to the interventions in the Arteaga network. Another program beneficiary will be the IdM's DDA, which will benefit from improvements to the Sanitation Division's capacity for managing sanitation and storm drainage services in Montevideo.

- 1.37 **Representative sample for the reformulated program.** To determine the program's viability, the program team analyzed a representative sample of projects that are designated as priorities in PDSDUM and meet the analyzed eligibility and prioritization criteria (paragraph 3.3). The sample includes projects envisaged in the original loan proposal: (i) the sanitation and storm drainage works project, which includes resettlement and the plan to strengthen house connections in Casabó-Rincón del Cerro; (ii) the project involving works to mitigate water risk along an approximately 600-meter-long stretch of the Mataperros basin; and (iii) the project to modernize the Arteaga network (a stretch of approximately 2 kilometers as well as 185 spot repairs) ([optional link 5](#)). These projects amount to 30.5% of the total program cost. Advanced analyses have been prepared for the works proposed by the executing agency that meet the eligibility and prioritization criteria (for example, the sanitation and storm drainage projects in the Paso de la Arena and Bola de Nieve neighborhoods); those works will be subject to the corresponding economic/technical viability analyses.
- 1.38 **Technical viability of the reformulated program.** The actions envisaged in the reformulated program are technically viable, are tailored to the identified needs and the established quality and capacity objectives, fall within the framework of the master plans and strategies that preceded them, and are the lowest cost solutions. The projects will be developed through the advanced preliminary design stage prior to launch of the corresponding works, in accordance with applicable national and international regulations ([optional link 5](#)).
- 1.39 **Economic viability of the reformulated program.** The project team performed a comparative analysis of the costs and benefits of intervention versus nonintervention for a representative sample of the projects to be financed by the reformulated program (paragraph 1.37). The benefits of the sanitation interventions were quantified using the willingness to pay for wastewater treatment and collection, updated to 2022 prices, through the income elasticity calculated in the PDSDUM. For the storm drainage interventions, willingness to pay for drainage access, updated to 2022 prices, and the damage prevented were used, while the savings in the cost of sinkhole repairs and the savings in drivers' time and operating costs were used in the case of the modernization of the Arteaga network. The results demonstrate that the operation is viable, with internal rates of return over 12% for all projects individually and as a whole. The analysis was supplemented with a sensitivity analysis ([optional link 1](#)). The analysis also verified the target population's ability to pay for sanitation services, taking into account the applied rates and the reduced rate for vulnerable groups ([optional link 1](#)). For the

projects not included in the sample, a socioeconomic evaluation will be prepared using methods acceptable to the Bank. Projects will only be eligible if they are socioeconomically viable.

- 1.40 **Institutional viability of the reformulated program.** Under the framework of the reformulated program, the project team analyzed the institutional capacity of the IdM's DDA using the [Institutional Capacity Assessment Platform](#) methodology and found that the IdM has satisfactory conditions for executing the sanitation component. When using that tool, the team also identified the need for the Sanitation Division to appoint a coordinator to facilitate and coordinate with the sanitation execution unit to ensure successful program execution.
- 1.41 **Financial viability of the reformulated program.** The project team updated the financial analysis specifically for the IdM's Sanitation Division. The analysis of its historical financial information indicates that over the past four years, sanitation sector revenues were enough to cover operating expenses, debt service, and investment using its own resources (including the cost of the local counterpart contribution under previous stages of the PSU), with the department posting cost coverage ratios higher than 100% every year. Financial projections for the next 10 years indicate that the Sanitation Division should remain financially sound.

II. FINANCING STRUCTURE AND MAIN RISKS OF THE REFORMULATED PROGRAM

A. Financing instruments under the reformulated program

- 2.1 As opposed to the original loan proposal, which was a specific investment loan with a six-year duration, the reformulated program will be financed through a multiple works operation with a disbursement period of five years, which takes into account the execution challenges, project cycle, and experience with previous operations and is consistent with the multiyear execution plan ([required link 1](#)). According to the operational guidelines for this type of program (Operations Administration Manual, Section PR-202), the multiple works modality is suitable because: (i) the projects to be financed are similar but independent; and (ii) the feasibility of each project does not depend on execution of any other project. For the purposes of execution of a multiple works program, the following are in place: (i) a sample of projects (paragraph 1.37); (ii) program Operating Regulations ([optional link 9](#)); and (iii) eligibility and prioritization criteria for the works.
- 2.2 **Cost and financing.** The total cost of the **reformulated** third operation under the CCLIP will be US\$82.35 million, with US\$70 million financed from the Bank's Ordinary Capital resources and the remaining US\$12.35 million financed by the local contribution from the IdM, as was the case with the original loan proposal. The disbursement schedule for the reformulated operation is set out in Table II-1.

Table II-1. Projected disbursement schedule (in millions of U.S. dollars)

Source/Year	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IDB	2.89	18.91	24.52	16.76	6.91	70.00
% IDB	4.13	27.02	35.03	23.95	9.87	100.00
Local counterpart	1.35	2.01	3.19	3.24	2.55	12.35
% Local	10.91	16.30	25.85	26.27	20.68	100.00
Total	4.24	20.93	27.71	20.01	9.47	82.35
% Total	5.14	25.41	33.65	24.30	11.50	100.00

B. Environmental and social risks of the reformulated operation

2.3 Environmental safeguards. Because this operation is a reformulation of a program prepared under the Environment and Safeguards Compliance Policy (Operational Policy OP-703), it was prepared using the same policies. In light of the foregoing and pursuant to those guidelines, the program has been classified as a Category “B” operation (same classification as the original loan proposal). All works included in the sample were evaluated through socioenvironmental studies performed when preparing the previous proposal. Since this reformulation eliminated the solid waste component set out in the original loan proposal, the socioenvironmental risks associated with that component no longer apply. None of the works envisaged in the original loan proposal have been executed. No environmental or social liabilities have been identified. The main environmental and social impacts of the sample works identified include: (i) air pollution caused by emissions from construction activities, vehicles, and machinery; (ii) noise and vibrations; (iii) risk of soil pollution due to accidental spills or poor solid waste management during the works; (iv) risk of occupational and traffic accidents associated with construction activities; (v) impacts on established residential and commercial uses caused by the works to build and modernize collector sewers in urban areas; and (vi) based on the studies performed, involuntary resettlement of one family in the construction stage for the sample works and potential resettlements for works not included in the sample. The team has not identified any impacts on ethnic groups or indigenous peoples or on protected or critical natural habitats. Natural disaster risk is moderate because the threat of floods is moderate. However, the exposed infrastructure is not very vulnerable. No additional risk management analyses were needed. Since the operation is a multiple works operation, the project team prepared an environmental and social analysis, an environmental and social management plan ([ESMP](#)), a resettlement plan for the sample works, and an environmental and social management framework ([ESMF](#)) and an involuntary resettlement framework for works not included in the sample. A meaningful public consultation plan has also been prepared. The ESMP includes programs designed to prevent the spread of COVID-19. The socioenvironmental evaluation process confirmed that the planned interventions and potential impacts can be mitigated with standard measures and good socioenvironmental practices.

2.4 Prior to the analysis mission conducted during the reformulation, the environmental and social analysis/[ESMP](#), involuntary resettlement plan, and [ESMF](#) (including an

involuntary resettlement framework) were posted on the Bank website. In September 2021 as part of preparation of the original proposal, three public consultation events were held with affected individuals in the intervention areas and other stakeholders identified in the consultation plan included in the ESMP. Since April 2022, the IdM has conducted several public outreach forums to inform residents of the changes related to the removal of the solid waste management component from the original loan proposal. The results of these consultations were incorporated into the final versions of the environmental and social analysis/[ESMP](#), involuntary resettlement plan, [ESMF](#), involuntary resettlement framework, and supplemental public consultation report. These documents will be posted prior to submission to the Operations Policy Committee. Pursuant to directive B14 and given that this is the third operation under CCLIP UR-X1001, the project team performed an evaluation of loan [3805/OC-UR](#) (PSU Stage V) and did not find any significant social or environmental liabilities. Therefore, no corrective action plan is required.

C. Other key issues and risks of the reformulated program

- 2.5 **Fiduciary risks of the reformulated program.** The DDA's sanitation execution unit has sound fiduciary performance based on its experience with loans [1819/OC-UR](#) and [3805/OC-UR](#). The overall fiduciary risk is low considering that the DDA has a suitable administrative and organizational structure with adequate fiduciary systems in place for operation execution. The fiduciary team will continue to identify and manage risks during program execution.
- 2.6 Table II-2 discusses the high and medium-high risks associated with the reformulated program.

Table II-2. Risks (high and medium-high) and mitigation measures under the reformulated program

Risk	Mitigation measure
If the sanitation sector's capacity is not strengthened, achievement of program targets may be delayed.	Support for the sanitation sector is built into the program under Component II and the Support Costs Component.
Given the uncertainty stemming from the lack of an up-to-date diagnostic assessment of the Arteaga network, the cost of modernizing the network could be higher if its conditions are worse than expected.	The Arteaga Network asset management plan developed under this operation will facilitate the preparation of a roadmap for modernization of the network.
If the Sanitation Connections Plan lacks effective and efficient incentives, households will not connect to the system.	Development of the connections plan will be informed by studies performed in the country that provide insight into key considerations that should be taken into account. After a plan monitoring and evaluation strategy has been prepared, the effectiveness of the plan can be evaluated and adjustments made as needed.
If the advanced preliminary designs are not finished by the expected date, the launch of works could be delayed, which could increase the cost of those works.	Selection processes for the consulting engagements to prepare the advanced preliminary designs will be started in advance.

III. IMPLEMENTATION AND MANAGEMENT PLAN FOR THE REFORMULATED PROGRAM

A. Summary of implementation arrangements for the reformulated program

- 3.1 Execution arrangements for the reformulated program.** At the institutional level, the execution arrangements are similar to those from the original loan proposal and previous operations under the CCLIP. The borrower will be the Eastern Republic of Uruguay, and the executing agency will be the Municipal Government of Montevideo (IdM), acting through the sanitation execution unit within the Environmental Development Department (DDA). The executing agency will be responsible for executing all administrative, technical, and operational aspects of program planning, coordination, execution, oversight, and evaluation of its components. The execution unit will be responsible for program coordination and administration, performing the following key tasks: (i) coordinating overall execution of the program and its components; (ii) preparing the multiyear execution plan, the annual work plan, the procurement plan, and the semiannual progress reports; (iii) submitting to the Bank evidence of fulfillment of the contractual conditions; (iv) administering program resources, preparing financial statements, and submitting disbursement requests, expense justifications, and other reports in accordance with Bank requirements; (v) verifying compliance with the criteria established in program documents for execution of the various activities and issuing reports and/or submitting requests to the Bank for preapproval; (vi) preparing and monitoring procurement processes; (vii) monitoring and evaluating all program activities and contracting the external midterm and final evaluations; and (viii) proposing potential modifications to the program Operating Regulations. To perform its duties, the execution unit will maintain adequate systems for contract management, accounting/financial management, and internal control, and it will maintain separate, exclusive bank accounts for the loan proceeds and for the national counterpart funds. Execution arrangements are discussed in detail in the program Operating Regulations ([optional link 9](#)).
- 3.2 Operating Regulations for the reformulated program.** The program will be governed by the loan contract and by the provisions of the program Operating Regulations ([optional link 9](#)), which will include, at a minimum: (i) detailed eligibility and prioritization criteria for the program works; (ii) the project cycle for projects financed by the program, including a breakdown of the steps and institutions involved in each case; (iii) a manual for the execution unit that addresses its organization, duties, and structure, as well as its relationships with other executing agency offices; (iv) the organization, responsibilities, structure, and staff of the socioenvironmental unit within the executing agency's DDA; (v) key staff from the executing agency's Sanitation Division, in accordance with the terms and conditions agreed upon with the Bank; (vi) regulations for the Sanitation Connections Plan; and (vii) the environmental and social requirements discussed in Annex B of the environmental and social management report ([required link 3](#)); and other requirements for information to be submitted to the Bank and other technical documentation for bidding processes and works.
- 3.3 Eligibility and prioritization criteria for the reformulated program.** The program works will be subject to the following **eligibility** criteria, at a minimum: (i) works will be located in Montevideo and in contiguous areas that already have sanitation infrastructure in place; (ii) works will have an economic viability analysis

prepared and will meet the program's socioenvironmental requirements, including those set out in the [Environmental and Social Management Manual](#); and (iii) works will be related to sanitation and storm drainage, collector sewer modernization, infrastructure to protect against water risk, and SUDS. In addition, the technology that will be implemented by each work should have an adequate track record with satisfactory results, should be appropriate to local conditions, and should be consistent with the technical capacity of the service provider that will operate the system. Projects that would be classified as Category "A" under the Bank's environmental policies will not be eligible. Priority will be given to those projects that meet the following **prioritization** criteria, which will be discussed in the program Operating Regulations: (i) projects with better cost-benefit ratios (lower cost per resident); (ii) projects that require fewer easements, expropriations, and resettlements, to simplify and streamline processes; (iii) projects that involve large-scale sanitation and storm drainage network expansion; (iv) projects that support an expansion of the urban area that follows the logic of territorial continuity; and (v) projects that make other urban developments, plans, and projects viable.

- 3.4 **Special contractual conditions precedent to the first disbursement of the loan proceeds under the reformulated program:** (i) In accordance with the terms previously agreed upon with the Bank, the following will have entered into force: (a) the subsidiary agreement for the transfer of the loan proceeds between the borrower and the executing agency, which will establish the executing agency's commitment to execute the program as provided for in the loan contract; and (b) the program Operating Regulations, including the [ESMF](#). (ii) The executing agency's Sanitation Division will have appointed a program coordinator who will facilitate and coordinate with the Sanitation Execution Unit. Rationale: The subsidiary agreement must be in place for the executing agency to be able to use the loan proceeds. The program Operating Regulations are necessary because they will contain the information indicated in paragraph 3.2. The last condition will ensure that the executing agency has the essential staff for program execution. The special contractual conditions precedent to the first disbursement are similar to those set out in the original loan proposal, with the exception that the original loan proposal had listed the Street Cleaning Division among the key personnel discussed in the program Operating Regulations.
- 3.5 **Special contractual conditions for execution of the reformulated program:** (i) Prior to issuing each call for bids for Category "B" works under Component I, the executing agency will obtain the Bank's no objection to: (a) a statement justifying the works; (b) an advanced preliminary design; (c) for works involving house connections, the connections plan; (d) the cost-benefit evaluation; (e) the environmental and social analysis; and (f) the environmental and social management plan. (ii) Prior to the physical start of construction at any specific site for the sanitation and storm drainage works, the executing agency will submit to the Bank evidence for any resettlements, expropriations, and/or easements carried out in accordance with the Involuntary Resettlement Framework agreed upon with the Bank. (iii) Within 30 months of the entry into force of the loan contract, the borrower, acting through the executing agency, will submit to the Bank for its no objection an assets management plan for the Sanitation Division, which will be prepared using program funds. Rationale: Condition (i) is warranted because the works not included in the sample have to comply with the technical, environmental,

- social, and socioeconomic requirements established by the program. Condition (ii) stems from the need to address resettlement issues early in the process pursuant to the provisions of the involuntary resettlement framework. Condition (iii) is warranted because the program will carry out modernization works, so it is imperative that an asset management program be in place to ensure the sustainability of those interventions. The special contractual conditions for execution set out in the original loan proposal focused on the solid waste component, which is no longer included in the reformulated operation.
- 3.6 **Launch of works under the reformulated program.** For all works contracts under the program, the physical start of the works has to take place within the first two years of execution.
- 3.7 **Performance contract.** The borrower, acting through the executing agency, agrees to draw up, within 18 months of the entry into force of the loan contract, the performance contract that will be upheld throughout the program execution period. It will also take the necessary measures to ensure that the coverage ratio (sanitation and drainage services costs covered by revenue generated from the collection of fees, tariffs, or income generated by those services) does not fall below the percentage established in the performance contract previously agreed upon with the Bank. That percentage will be set at a level that ensures enough revenue to cover the cost of operations and maintenance, debt servicing, and the local counterpart investment contribution required under the contracts for loans [1819/OC-UR](#), [2605/OC-UR](#), [2647/OC-UR](#), and [3805/OC-UR](#) and under the loan contract for this operation.
- 3.8 **Fiduciary agreements and requirements for the reformulated program.** [Annex III](#) discusses the financial management and procurement execution guidelines that will apply to the reformulated program. Procurement processes financed in whole or in part with loan resources will be conducted in accordance with the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15). Use of the country procurement system was approved by a resolution adopted by the Bank's Board of Executive Directors on 26 February 2020, and the country system can be used in accordance with the scope set out in that approval and the provisions of [Annex III](#) of this document and the operation procurement plan. Disbursements will primarily take the form of the advance of funds modality, or any other modality established in document OP-273-12. Funds will be advanced based on a financial plan covering the project's real liquidity needs for a period of up to 12 months under the framework of document OP-273-12. Except in the case of the first advance of funds, subsequent advances will be processed when supporting documentation has been provided for at least 80% of the total balance pending justification. The executing agency will use the National Single Account to manage program resources. The executing agency will submit audited financial statements each year and at the end of the operation, following the terms and deadlines established by the Bank in its policies. The financial statements can be audited by an independent audit firm or by the National Audit Office.

- 3.9 **Operations and maintenance.** The executing agency will institute the necessary measures to ensure that Program works and goods are operated and maintained properly, in accordance with generally accepted technical standards. If the inspections performed by the Bank or the reports that are submitted reveal that the level of maintenance is below the agreed upon levels, the executing agency will institute measures to fully correct the deficiencies. After completion of the respective works or goods procurements, the executing agency will submit an operations and maintenance report including, at a minimum, the items specified in the program Operating Regulations, alongside each semiannual progress report. The operations and maintenance report will be submitted within three years after execution has ended.
- 3.10 **Retroactive financing and recognition of expenditures under the reformulated program.** In light of the fact that there were no eligible program expenditures prior to approval of the original loan proposal,¹¹ no retroactive financing or advance procurement is expected. Under the terms of the loan contract to be signed, expenditures incurred after approval of the original operation will be eligible.
- B. Summary of arrangements for monitoring results under the reformulated program**
- 3.11 **Monitoring and evaluation under the reformulated program.** Monitoring will be carried out using the Bank's supervision tools, which include: the multiyear execution plan, the annual work plan ([required link 1](#)), the Results Matrix agreed upon with the IdM ([Annex II](#)), and the project monitoring report. The IdM will submit semiannual reports on progress achieved as established in the annual work plans, the results achieved during execution of activities, and an action plan for the following six-month period. After approval of the performance contract, the IdM will submit annual reports on compliance, including fulfillment of the service sustainability target. Likewise, after approval of the asset management plan, the IdM will submit annual reports on implementation of that plan. This report will be included in the semiannual progress report for the second half of the year.
- 3.12 Monitoring and evaluation arrangements, including a data collection plan and a budget, have been agreed to with the IdM. The IdM will be responsible for monitoring and evaluation of projects and can hire independent consultants agreed upon with the Bank for that purpose. During program execution, an independent midterm evaluation will be commissioned at 36 months or when 50%-60% of the funds have been disbursed and will include environmental and social considerations. The final evaluation will be delivered within 90 days following program completion and will include an ex post socioeconomic evaluation of a series of projects under the CCLIP, to be agreed upon between the IdM and the

¹¹ The original loan proposal had stated that the Bank could retroactively finance, as a charge against the loan proceeds, up to US\$7 million (10% of the proposed loan amount) and recognize up to US\$1.2 million (10% of the estimated local contribution) as a charge against the local contribution, in eligible expenditures incurred by the borrower prior to the loan approval date for program-related works and consulting services, provided requirements substantially similar to those established in the loan contract had been met in both cases. Those expenditures had to have been incurred on or after 20 July 2021 (date of approval of the project profile) but could not in any case include expenditures incurred more than 18 months prior to the loan approval.

Bank. The project effectiveness analysis will be based on a retrospective analysis of the outcome indicators using a before-and-after methodology. There are also plans to conduct supplemental studies to build evidence on SUDS performance and the effectiveness of the Sanitation Connections Plan.

C. Design activities after approval of the reformulated program.

- 3.13 There are plans to support preparation of the advanced preliminary engineering designs for the sanitation and storm drainage projects in the first half of 2022.

IV. RECOMMENDATION

- 4.1 **Recommendation.** In light of the documentation and request submitted by the borrower ([optional link 12](#)) and the analysis performed by the project team and discussed above, and pursuant to: (i) the provisions of subsection B, paragraphs 3 and 4, of Operations Administration Manual Section OA-430, "Substantial and Fundamental Changes to Operations;" (ii) the provisions of paragraph 3.29(c) of the Regulations of the Board of Executive Directors of the Inter-American Development Bank (document DR-398-19); and (iii) paragraph 6 of the List of Matters That Can Be Considered by the Board Via Short Procedure (document CS-3953-4), Management recommends that the Board of Executive Directors approve the modifications proposed in this reformulation proposal via short procedure. The modifications will be reflected in the contract for loan 5410/OC-UR to be signed by the Bank and the borrower and in other documents related to program implementation, as appropriate.

Development Effectiveness Matrix		
Summary		UR-L1183
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	<div>-Social Inclusion and Equality</div> <div>-Productivity and Innovation</div> <div>-Gender Equality and Diversity</div> <div>-Climate Change</div> <div>-Institutional Capacity and the Rule of Law</div>	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	<div>-Households with improved access to water and sanitation (#)</div> <div>-Beneficiaries of enhanced disaster and climate change resilience (#)</div> <div>-Agencies with strengthened digital technology and managerial capacity (#)</div>	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-3056	To reduce the deficit of quality housing and as a result increase sanitation coverage in the metropolitan area of Montevideo
Country Program Results Matrix		The intervention is not included in the 2022 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		10.0
3.1 Program Diagnosis		2.5
3.2 Proposed Interventions or Solutions		3.5
3.3 Results Matrix Quality		4.0
4. Ex ante Economic Analysis		10.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		1.5
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		2.5
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		9.5
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		5.5
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood	Medium Low	
Environmental & social risk classification	B	
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	<div>Financial Management: Budget, Treasury, External Control, Internal Audit.</div> <div>Procurement: Information System, Price Comparison, Contracting Individual Consultant, National Public Bidding.</div>
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		UR-T1173 that supports the Municipality of Montevideo in improving the management of urban solid waste. In particular, this TC focuses on the final disposal of Montevideo's waste, on improving the commercial management and human resources of the Cleaning Division as well as on the integral intervention of waste management in the Pantanos basin.

Evaluability Assessment Note:

This is the reformulated third individual operation under the Conditional Credit Line for Investment Projects (CCLIP), UR-X1001. The general objective of the operation is to contribute to improving the living conditions of the population of the Department of Montevideo through improvements in access to and quality of sanitation services, drainage, and water risk protection. The specific objectives are: (i) to increase the coverage and quality of the sanitation service; (ii) increase the coverage of the drainage service and reduce the risk of flooding in the program's intervention area; (iii) strengthen the institutional capacity of the IdM to improve comprehensive sanitation management.

The operation presents a solid diagnosis in which remaining gaps in sanitation are identified (9%); as well as the needs to mitigate the water risk in the Mataperros basin and to rehabilitate the first sanitation networks built in Montevideo more than 100 years ago. In addition, the proposal identifies the need to strengthen IdM to improve comprehensive sanitation management.

To address these problems, the project will implement two components: I) Sanitation, drainage and water risk works; and II) asset management and institutional strengthening. The results matrix (RM) is consistent with the specific objectives and adequately reflects the vertical logic of the project. The output and result indicators present their respective baseline values, targets, and corresponding means of verification.

For the economic analysis, a cost-benefit analysis was carried out for 4 representative projects, which represent 32.9% of the amount of the program. Additionally, a global evaluation was included that considers the total costs of the program. The main benefits and costs are appropriately identified and quantified in each analysis and the values are consistent with the targets for key results indicators. The assumptions used are adequately identified and supported by economic theory and evidence. The results show that the operation is viable with IRR greater than 12% for all projects individually and globally. Sensitivity analyzes considered alternative scenarios that modify variables that may affect costs and benefits. These modifications do not significantly affect the IRR.

The monitoring and evaluation plan proposes a retrospective evaluation based on a "before and after" analysis of the RM result indicators, as well as an ex-post cost-benefit analysis. Additionally, the project proposes an evaluation with attribution to measure the effectiveness of sewerage connectivity plans, as well as an evaluation of the operation of the Sustainable Urban Drainage Systems (SUDS). The M&E plan has been adequately budgeted.

RESULTS MATRIX

Project objective:	The general objective of the reformulated operation will be to help improve living conditions for the residents of the department of Montevideo through improvements to access to and quality of sanitation, storm drainage, and water risk protection services. The specific objectives are to: (i) increase the coverage and quality of sanitation services; (ii) reduce the risk of flooding in the program intervention area; and (iii) strengthen the IdM's institutional capacity for improving integrated sanitation management.
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SPECIFIC DEVELOPMENT OBJECTIVES

Indicator	Unit of measure	Baseline value	Baseline year	2023	2024	2025	2026	2027	2028	End of project	Means of verification	Comments
Specific development objective 1: Increase the coverage and quality of sanitation services												
1.1 Households in the program intervention areas that are newly connected to the sanitation system network and whose wastewater is treated	# of households	0	2022	0	45	320	536	1,352	3,080	3,080	Semiannual report prepared by the Sanitation Division	Milestones: Casabó - Rincón del Cerro, Paso de la Arena, and Bola de Nieve systems
1.2 Number of collector sewer failures reported in the program intervention area	# of failures	54	2022	54	54	52	48	45	41	41	Report from the IdM's Consolidated Complaint System, Sanitation Division	Annual rolling five-year average of the number of reported failures of the southern collector sewer in the Arteaga area
Specific development objective 2: Reduce the risk of flooding in the program intervention area												
2.1 Households in the program intervention areas with new connections to storm drainage services ¹	# of households	0	2022	0	0	640	640	4,400	4,400	4,400	Semiannual report prepared by the Sanitation Division	Milestones: Casabó - Rincón del Cerro, Paso de la Arena, and Bola de Nieve systems

¹ This indicator is used as a proxy to measure climate resilience

Indicator	Unit of measure	Baseline value	Baseline year	2023	2024	2025	2026	2027	2028	End of project	Means of verification	Comments
2.2 Households in the program intervention area protected against the risk of floods	# of households	0	2022	0	298	298	298	298	298	298	Semiannual report prepared by the Sanitation Division	Occupational units in the Mataperros basin protected from the risk of floods with a return period equal to or less than 10 years (assuming that one occupational unit equals one household)
Specific development objective 3: Strengthen the IdM's institutional capacity for improving integrated sanitation management												
3.1 Actions from the Sanitation Division Gender Plan implemented	# of actions	0	2022	0	0	0	0	1	1	1	Semiannual report prepared by the socioenvironmental unit	Full implementation of the plan is beyond the scope of this operation. The expectation is that at least one action will be implemented before program end.
3.2 Asset management office, established and operational	#	0	2022	0	0	1	1	1	1	1	Sanitation Division semiannual report	The operations unit responsible for the asset management plan will be housed within one of the service operations and maintenance offices.
3.3 Sanitation monitoring center, operational	#	0	2022	0	0	0	1	1	1	1	Sanitation Division semiannual report	Sensors installed, operational, and reporting to the Sanitation Division's Final Disposal Office and to the Environmental Observatory

OUTPUTS

Indicator	Unit of measure	Baseline value	Baseline year	2023	2024	2025	2026	2027	2028	End of project	Means of verification	Comments
Component I. Sanitation, drainage, and water risk works												
1.1 Integrated sanitation and drainage system, built	# of systems	0	2022	0	0	0	0	0	3	3	<ul style="list-style-type: none"> Sanitation Division semiannual reports Report on resettlements, expropriations, and easements Works progress certificates issued by the execution unit 	
<i>Milestones:</i>												
<i>Casabó - Rincón del Cerro system</i>												
▪ <i>Expropriations, easements, and resettlements</i>	#	0	2022	0	0	1	0	0	0	1		
▪ <i>Sanitation networks</i>	meters (m)	0	2022	0	4,500	6,300	0	0	0	10,800		
▪ <i>Connections Plan - Casabó - Rincón del Cerro sanitation connections plan</i>	plan	0	2022	0	0	0	0	0	1	1		
<i>Paso de la Arena system</i>												
▪ <i>Final design</i>	#	0	2022	0	0	1	0	0	0	1		
▪ <i>Expropriations, easements, and resettlements</i>	#	0	2022	0	0	0	0	1	0	1		
▪ <i>Networks</i>	m	0	2022	0	0	12,000	17,500	12,600	0	42,100		
▪ <i>Pumping station</i>	#	0	2022	0	0	0	0	1	0	1		
▪ <i>Connections plan - Paso de la Arena sanitation connections plan</i>	plan	0	2022	0	0	0	0	0	1	1		
<i>Bola de Nieve system</i>												
▪ <i>Final design</i>	#	0	2022			1						
▪ <i>Expropriations, easements, and resettlements</i>	#	0	2022	0	0	1	0	0	0	1		
▪ <i>Networks</i>	m	0	2022	0	0	9,000	11,100	1,900	0	22,000		
▪ <i>Pumping station</i>	#	0	2022	0	0	0	0	1	0	1		

Indicator	Unit of measure	Baseline value	Baseline year	2023	2024	2025	2026	2027	2028	End of project	Means of verification	Comments
▪ <i>Connections plan - Bola de Nieve sanitation connections plan</i>	plan	0	2022	0	0	0	1	0	0	1		
1.2 Supplemental collector sewer for the Mataperros basin, built	m	0	2022	0	600	0	0	0	0	600	Monthly works progress certificates issued by the execution unit	
1.3 Arteaga system, modernized	# of systems	0	2022	0	0	0	1	0	0	1	Monthly works progress certificates issued by the execution unit	
<i>Milestones:</i>												
<i>Spot repairs</i>	#	0	2022	0	40	90	55	0	0	185		
<i>Liner</i>	m	0	2022	0	0	1,700	300	0	0	2,000		
1.4 Sustainable drainage units, built	# of units	0	2022	0	25	30	0	0	0	55	Monthly works progress certificates issued by the execution unit	
Component II. Institutional strengthening and asset management												
2.1 Five-year operations and operations and maintenance capacity-building plan, designed and approved	# of plans	0	2022	0	0	1	0	0	0	1	Sanitation Division semiannual report	Operations and maintenance manual
2.2 Study for the proposed modernization of the Punta Brava sewage outlet pipe	# of studies	0	2022	0	0	0	1	0	0	1	Sanitation Division semiannual report	
2.3 Sanitation network sensors installed	# of sensors	0	2022	0	20	100	30	0	0	150	Sanitation Division semiannual report	
2.4 Asset management plan, developed	# of plans	0	2022	0	0	1	0	0	0	1	Sanitation Division semiannual report	
2.5 Hydrodynamic computer model for sanitation and drainage in Montevideo, fine-tuned	# of models	0	2022	0	0	0	0	1	0	1	Sanitation Division semiannual report	

Country: Uruguay

Division: WSA

Operation no.: UR-L1183

Year: 2022

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing agency: The borrower will be the Eastern Republic of Uruguay. The executing agency will be the Municipal Government of Montevideo (IdM), acting through the execution unit within the Environmental Development Department (DDA), as in loans 1819/OC-UR and 3805/OC-UR.

Operation name: Montevideo Urban Sanitation Program (PSU) Stage VI - Third Individual Operation under CCLIP UR-X1001

I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

1. Use of country systems in program

<input checked="" type="checkbox"/> Budget	<input type="checkbox"/> Reports	<input checked="" type="checkbox"/> Information system	<input checked="" type="checkbox"/> National competitive bidding (NCB)
<input checked="" type="checkbox"/> Treasury	<input checked="" type="checkbox"/> Internal audit	<input checked="" type="checkbox"/> Shopping	<input type="checkbox"/> Other
<input type="checkbox"/> Accounting	<input checked="" type="checkbox"/> External control	<input checked="" type="checkbox"/> Individual consultants	<input type="checkbox"/> Other

2. Fiduciary capacity

Fiduciary capacity of the executing agency	An evaluation of the executing agency's fiduciary capacity found a low level of fiduciary risk given its experience with execution of loans 1819/OC-UR and 3805/OC-UR. The Institutional Capacity Assessment Platform analysis shows that the executing agency has ample experience and expertise in managing Bank-financed projects. With the proposed execution arrangements, the executing agency will be able to manage the new program successfully. Using the Institutional Capacity Assessment Platform, the project team identified a need to strengthen the procurement management team with an additional staff member who has experience in waste management and street cleaning.
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3. Fiduciary risks and risk response

Area	Risk	Risk level	Risk response
Procurement management	The agency has enough qualified employees on staff to take on project procurement management tasks.	Low	

Internal procedures	The IdM has been asked to update the accounting package used to record financial transactions for Stage V of the PSU (Massari Front Royal). If that update is not implemented by the end of 2022, one of the conditions precedent to the first disbursement under the general conditions of the loan contract for Stage VI of the PSU will not be met, which will delay the eligibility process.	Low	The necessary coordination and arrangements will be made to obtain authorization from the IdM to update the accounting package.
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4. Policies and Guidelines applicable to the operation: Documents GN-2349-15 and GN-2350-15, as well as use of the country procurement system for eligible processes, pursuant to the use agreement approved on 26 February 2020. For financial management, document OP-273-12 or the version thereof otherwise in effect.
5. Exceptions to policies and guidelines: No exceptions to Bank policies are anticipated.

II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

<p>Exchange rate. For purposes of Article 4.10 of the General Conditions, the parties agree that the applicable exchange rate will be the one indicated in Article 4.10(b)(ii). For such purposes, the agreed upon exchange rate will be the rate in effect on the day when the borrower, executing agency, or any other individual or legal entity delegated the authority to incur expenses makes the respective payments to a contractor, supplier, or beneficiary.</p>
<p>Audit. The program's audited financial statements will be submitted within 120 days after the close of the program's fiscal year if audited by a Bank-acceptable independent audit firm or within 180 days after the close of the program's fiscal year if audited by the National Audit Office of the Eastern Republic of Uruguay. The final audited financial statements will be submitted within 120 days after the date of the last disbursement or any extension thereof if audited by a Bank-acceptable independent audit firm or within 180 days after the date of the last disbursement or any extension thereof if audited by the National Audit Office of the Eastern Republic of Uruguay.</p>

III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

<input checked="" type="checkbox"/>	Bidding documents	The Bank's standard bidding documents or the documents agreed upon between the executing agency and the Bank for the procurement in question will be used for procurements of works, goods, and nonconsulting services executed in accordance with Bank policies (document GN-2349-15) and subject to international competitive bidding (ICB). The selection and contracting of consulting services will be in accordance with Bank policies (document GN-2350-15) using the Bank-issued standard request for proposals or the request form agreed upon between the executing agency and the Bank for the selection process in question. The project sector specialist will be
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		responsible for reviewing the technical specifications and terms of reference for procurements during the preparation of selection processes. This technical review can be performed ex ante and is independent from the procurement review method.						
<input checked="" type="checkbox"/>	Use of country systems	The Consolidated Code of Accounting and Financial Administration (TOCAF), the country regulation that applies to procurement matters, can be used in accordance with the approval issued by the Bank's Board of Executive Directors. The operation's procurement plan will indicate which procurements will be executed by the country system under the approved scope. Should the Board expand the scope of its approval of the use of the country system, the expanded use will apply for this operation. Currently, the procurement plan has identified three processes that will use the country system, but these processes will be financed from the local counterpart contribution.						
<input checked="" type="checkbox"/>	Advance procurement and retroactive financing	In light of the fact that there were no eligible program expenditures prior to approval of the original operation, no retroactive financing or advance procurement is expected. Under the terms of the loan contract to be signed, expenditures incurred after approval of the original operation will be eligible.						
<input checked="" type="checkbox"/>	Procurement supervision	<p>The supervision method will be ex post, except in cases where ex ante supervision is warranted or in the cases identified in the operation procurement plan. For procurements executed using the country system, supervision will be conducted using the country supervision system. The supervision method (whether (i) ex ante, (ii) ex post, or (iii) country system) will be determined for each procurement process. Ex post reviews will be conducted every 12 months in accordance with the project supervision plan, subject to change during execution. Ex post review reports will include at least one visit. The thresholds for ex post review are as follows:</p> <table border="1"> <thead> <tr> <th>Works</th><th>Goods/services</th><th>Consulting services</th></tr> </thead> <tbody> <tr> <td>ICB > US\$5,000,000</td><td>ICB > US\$500,000</td><td>International shortlist > US\$200,000</td></tr> </tbody> </table>	Works	Goods/services	Consulting services	ICB > US\$5,000,000	ICB > US\$500,000	International shortlist > US\$200,000
Works	Goods/services	Consulting services						
ICB > US\$5,000,000	ICB > US\$500,000	International shortlist > US\$200,000						
<input checked="" type="checkbox"/>	Records and files	Project reports will be prepared and filed using the formats and procedures agreed upon and set out in the project Operating Regulations and will adhere to the requirements set out in the applicable policies.						

Major procurements

Procurement description	Selection method	New procedures / Tools	Estimated date	Estimated amount (US\$ '000)
Goods				
Materials for the connections strengthening plan	NCB		Several procurements	2,837
Works				
Casabó - Rincón del Cerro networks/ Arteaga network spot repairs/ Arteaga network liner modernization (3 lots)	ICB		28/05/2023	16,337
Paso de la Arena networks – Bola de Nieve networks – Paso de la Arena and Bola de Nieve pumping stations	ICB		25/09/2023	35,044
Consulting firms				
Arteaga network modernization – Inspections and Database Update	Quality- and cost-based selection (QCBS)		13/01/2023	2,933
Adjustment and fine-tuning of the hydrodynamic model for the Montevideo sanitation and drainage system, including climate variability	QCBS		27/04/2025	500

The procurement of materials for the connection strengthening plan will be carried out in accordance with the provisions of paragraph 3.4 of document GN-2349-15, which states: "National Competitive Bidding (NCB) is the competitive bidding procedure normally used for public procurement in the country of the Borrower and may be the most appropriate way of procuring goods or works which, by their nature or scope, are unlikely to attract foreign competition. NCB may be the most appropriate method of procurement where foreign bidders are not expected to be interested because (a) the contract values are small; (b) works are scattered geographically or spread over time; or (d) the goods or works are available locally at prices below the international market." The materials to be procured are available locally, and several purchases will be made from local suppliers. This procurement strategy is in line with the requirements set out in the Bank's procurement policies.

To access the 18-month procurement plan, see [required link 4](#).

IV. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

☒	Programming and budget	<p>The executing agency's budget, as part of the municipal budget, is managed through the SAP platform. It is considered part of the IdM's budget and approved by Montevideo's Department Board for each five-year government period.</p> <p>The executing agency will manage budget programming and formulation guided by the agreed upon annual work plan established in the program execution plan.</p>
☒	Treasury and disbursement management	<p>Program resources will be managed through a special account at the Central Bank of Uruguay, which will be requested by the Ministry of Economy and Finance (MEF). The MEF will inform the IdM of the name and number of that account, into which the Bank will disburse the funds. The national government will transfer the funds disbursed by the IDB into two program-specific bank accounts (one in pesos and one in U.S. dollars) that the IdM will open at Banco de la República Oriental del Uruguay to make program-related payments.</p> <p>Disbursement requests will be processed using the Online Disbursement system (or the system that supersedes it). Disbursements will preferably use the advance of funds modality. In general, the operation will work with a financial plan of up to 12 months under the framework of document OP-273-12 or the version thereof otherwise in effect. Supporting documentation will be provided for at least 80% of the cumulative balance pending justification.</p> <p>The currency for program administration will be the U.S. dollar, and the exchange rate identified in Section II will be used.</p>

☒	Accounting, information systems, and reporting	The executing agency's accounting department will manage the program's budget accounts in SAP (in effect as of early 2022) following the guidelines of the IdM's Financial Resource Department. The program will also have a compatible accounting package (possibly Massari Front Royal) for keeping records on program transactions. Accounting will adhere to International Financial Reporting Standards. The executing agency will follow the procedures established by the General Accounting Office and the National Audit Office to that end. The program Operating Regulations with documented workflows and internal controls will be used as a supplement to the policies and guidelines applicable to the operation.
☒	Internal control and internal audit	The IdM has an Internal Audit Office that will ultimately conduct reviews of program execution within its mandate. In light of the executing agency's experience with loan contract 3805/OC-UR, the program Operating Regulations will address the financial management framework that will apply in accordance with the Bank's instructions and guidelines, which will be supplemented with the financial processes that the executing agency is subject to under local regulations.
☒	External control and financial reports	The National Audit Office (which is Bank-eligible) is expected to perform external control, as it has done for loan 3805/OC-UR, currently in execution. However, an independent audit firm also may perform the program audits. Project audits will be performed in accordance with the terms of reference previously agreed upon with the Bank. Deadlines and cut-off dates are discussed in Section II. The extended deadlines for the National Audit Office reflect the National Audit Office's internal procedures for approval of audited financial statements prior to submission to the Bank, the executing agency, and the General Assembly. Pursuant to the provisions of the TOCAF, the Internal Audit Office must verify all expenditures related to project execution.
☒	Financial supervision	Supervision can be adjusted based on program execution and the external audit reports. Supervision activities are expected to include monitoring of program progress and instruments, review of disbursement requests, and visits (on-site or virtual) with the executing agency.