

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

URUGUAY

**INCREASE IN THE CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP)
FOR THE MONTEVIDEO URBAN SANITATION PROGRAM**

(UR-X1001)

(AMENDMENT OF RESOLUTION DE-156/06)

URBAN SANITATION PROGRAM (PSU) STAGE VI

(UR-L1183)

LOAN PROPOSAL

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LINKS
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OPTIONAL <ol style="list-style-type: none">1. Project cost-benefit analysis2. Financial analysis3. Environmental and social analysis and environmental and social management plan4. Technical feasibility5. Social inclusion strategy6. Urban Sanitation Program Stage VI - Analysis of compliance with the Public Utilities Policy7. Terms of reference for gender studies8. Climate change9. Program Operating Regulations10. Midterm evaluation, Urban Sanitation Program Stage V11. Report on the water, sanitation, and waste sector in Uruguay12. Baseline studies for the solid waste management component13. Bibliography

ABBREVIATIONS

CCLIP	Conditional Credit Line for Investment Projects
DDA	Departamento de Desarrollo Ambiental [Environmental Development Department]
IADL	Informe anual de limpieza [Annual Street Cleaning Report]
IADS	Informe anual de saneamiento [Annual Sanitation Report]
ICB	International competitive bidding
IdM	Intendencia de Montevideo [Municipal Government of Montevideo]
MEF	Ministry of Economy and Finance
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
SDGs	Sustainable development goals
SEFI	Sistema Económico Financiero [Financial / Economic System]
SUDS	Sustainable urban drainage systems
UES	Unidad Ejecutora de Saneamiento [Sanitation Execution Unit]
UI	Unidad indexada [indexed unit]

PROJECT SUMMARY

URUGUAY INCREASE IN THE CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP) FOR THE MONTEVIDEO URBAN SANITATION PROGRAM (UR-X1001) (AMENDMENT OF RESOLUTION DE-156/06) AND URBAN SANITATION PROGRAM (PSU) STAGE VI (UR-L1183)

Financial Terms and Conditions				
Borrower:			Flexible Financing Facility ^(a)	
Eastern Republic of Uruguay			Amortization period:	23.5 years
Executing agency:			Disbursement period:	6 years
Municipal Government of Montevideo			Grace period:	7 years ^(b)
Source	Amount (US\$ millions)	%	Interest rate:	LIBOR-based ^(c)
IDB (Ordinary Capital):	70.00	85	Credit fee:	^(d)
			Inspection and supervision fee:	^(d)
Local:	12.35	15	Weighted average life:	15.25 years
Total:	82.35	100	Approval currency:	U.S. dollar
CCLIP:				
Original:	220.00			
Increase:	28.6			
Total: ^(e)	248.6			
Project at a glance				
Project objective/description: The general objective of the third individual operation under this conditional credit line for investment projects (CCLIP) will be to support the Municipal Government of Montevideo (IdM) in its efforts to improve living conditions in the department of Montevideo. The specific objectives of the operation will be 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.				
Special contractual conditions precedent to the first disbursement of the loan proceeds: (1) In accordance with the terms previously agreed upon with the Bank, the following will have entered into force: (i) 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 (ii) the program Operating Regulations . (2) The key personnel specified in the program Operating Regulations will have been brought on to the Sanitation Execution Unit (UES), the Street Cleaning Division, and the Sanitation Division (paragraph 3.4).				
Special contractual conditions for execution: (1) Prior to awarding contracts for Component I goods, works, and services associated with "extended responsibility" as envisaged in the country's regulatory framework, the Borrower, through the executing agency: (i) will submit the signed agreement between the executing agency and the private sector or other approved binding instrument(s) under the terms previously agreed upon with the Bank, to ensure financial sustainability; and (ii) will have finalized a socioeconomic analysis on waste pickers, which will be included in the social inclusion plan (paragraph 3.5). (2) Within 18 months of the entry into effect of the loan contract, the borrower, through the executing agency, will submit to the Bank for its no objection an Integrated Urban Solid Waste Management Services Improvement Plan, which will be prepared using funds from Component III and will address, at a minimum: maintenance, operations, the data management center, social inclusion, and outreach (paragraph 2.8).				
Special environmental and social contractual conditions: See Annex B of the environmental and social management report (required link 3).				
Amendment of the CCLIP: In view of the original amounts of the CCLIP and the local contribution and the cumulative amounts used, the amount from the Bank's Ordinary Capital for this CCLIP and the local contribution under the CCLIP have been increased by US\$28.6 million and by US\$3.05 million, respectively, to complete the financing required for this operation. A total of US\$248.6 million under the CCLIP will come from the Bank's Ordinary Capital resources (paragraph 1.27).				
Exceptions to Bank policies: None.				

Strategic Alignment				
Challenges: ^(f)	SI	<input checked="" type="checkbox"/>	PI	<input checked="" type="checkbox"/>
Crosscutting themes: ^(g)	GE	<input checked="" type="checkbox"/>	and	DI

^(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, commodity, and catastrophe protection 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) In keeping with document FN-729 (Strategy and Operational Readiness for the Execution of the LIBOR Transition for the IDB Balance Sheet) and document CF-257-1 (Base Rate Replacement for Sovereign Guaranteed LIBOR-based Loans), this loan will be subject to the SOFR-based interest rate, either upon notification to the borrower by the Bank or upon request by the borrower, pursuant to the provisions of the loan contract.

^(d) 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.

^(e) Pursuant to Resolution DE-156/06, the original amount of the line is US\$220 million. The Board of Executive Directors is being asked to increase this to up to a total of US\$248.6 million, as set forth in the Proposed Resolution attached to the loan proposal.

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

^(g) 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 Montevideo, the capital of Uruguay, is home to 1.4 million people (41% of the country's population). To address the sanitation crisis experienced by its residents, in 1972 the Municipal Government of Montevideo (IdM) used Bank financing to conduct a study on the final disposal of wastewater, which laid the foundation for the first stage of the Urban Sanitation Program (PSU). Four stages of the PSU were completed since then, and a fifth stage is currently in execution. On 13 December 2006, the Bank approved conditional credit line for investment projects (CCLIP) UR-X1001, with a term of 16 years, a total of US\$220 million in Bank resources, and a local counterpart contribution of US\$40 million.
- 1.2 Under that CCLIP, Stage IV of the PSU (loan 1819/OC-UR) was approved in 2006 for a total of US\$118.6 million (operation completed), and Stage V of the PSU (loan 3805/OC-UR) was approved in 2016 for a total of US\$60 million (US\$30.3 million of which has been disbursed). To date, US\$178.6 million of the CCLIP has been committed, leaving a balance of US\$41.4 million.¹ These operations have helped the IdM expand the coverage of its sanitation and storm drainage services, improve management and the environmental quality of bodies of water, enhance industrial monitoring, make its beaches once again safe for swimming, and improve sanitation service management. Thanks to the PSU operations that have already been executed, 9 out of 10 Montevideo residents have access to an adequate sanitation system [1]. The pending challenge is to deliver adequate sanitation services to the remaining 10% of the population, who live in the city's vulnerable areas, while also minimizing the risk of flooding in the remaining areas. Closing this gap is of vital importance, as evidenced by the positive links [2] between environmental quality [3], health [4, 5], and access to water and sanitation.² Investments in sanitation translate into positive environmental and health impacts [6], with integrated sanitation and drainage interventions producing significantly greater benefits than piecemeal interventions [7].
- 1.3 In the area of solid waste management, Montevideo prepared its first master solid waste management plan in 2005 as part of Stage III of the PSU (loan 948/OC-UR). However, solid waste management projects have not been included in previous operations under the CCLIP. In 2017, the Bank approved technical cooperation operation ATN/OC-16468-UR, which performed studies to reappraise the situation. Unlike previous PSU operations, Stage VI includes actions to improve solid waste management.
- 1.4 **Sector institutional framework.** The IdM is responsible for the operation and funding of storm drainage services, sanitation services, residential solid waste management, and street sweeping services in Montevideo. At the national level, two entities are responsible for policy-making in the sector: the National Water

¹ In accordance with the provisions of the operational guidelines for CCLIPs (document OP-1622-3), on 30 June 2021 the borrower submitted to the Bank a request for a US\$28.6-million increase in the CCLIP balance to complete the amount of Bank financing required for this operation. That request also includes a commitment from the Uruguayan government to increase the local counterpart contribution.

² 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.

Department (DINAGUA), for sanitation and storm drainage services, and the National Environmental Quality and Evaluation Department (DINACEA), for solid waste management ([optional link 11](#)).

- 1.5 **Country context.** Uruguay has made significant strides toward achieving the Sustainable Development Goals (SDGs) and is ranked 41st out of 165 countries worldwide in terms of the progress made. That said, the country is contending with a set of challenges that have been exacerbated by the onset of the COVID-19 pandemic. In 2020, Uruguay's GDP contracted 5.9%. Government projections forecast growth of 3.5% in 2021 and 2.9% in 2022. The pandemic created additional strain on the public finances, as debt increased by eight percentage points (68.4% of GDP in March 2021). The fiscal deficit stood at 4.4% of GDP for the rolling year as of June 2021, which includes pandemic-related extraordinary expenditures equivalent to 1.6% of GDP. The poverty rate, which stood at 8.8% of the population in 2019, rose 2.8 percentage points in 2020. In June 2021, the unemployment rate stood at 9.4%, which is 1.3 percentage points lower than the rate recorded one year prior and similar to prepandemic levels.
- 1.6 **Despite high levels of coverage of storm drainage and sanitation services, some areas still lack access.** Though Montevideo reports high levels of sanitation access (91%), 200,000 of its residents are unserved [\[8\]](#) and exposed to the associated health risks [\[9\]](#). Under Stage IV of the PSU, Montevideo updated its master urban drainage and sanitation plan (PDSDUM) in 2019. The PDSDUM is a road map to achieving universal access to storm drainage and sanitation services by 2030 and mitigating water risk in flood-prone areas, and the plan addresses equity and inclusion considerations for delivery of these services, planning, digitalization,³ asset management, and financial sustainability. The PDSDUM stresses the need for universal access to adequate sanitation, in keeping with the country's SDG targets [\[10\]](#), and it maps out a portfolio of projects. Works to mitigate water risk in the Mataperros basin and modernize Montevideo's oldest sanitation networks (the Arteaga network, built more than 100 years ago) are designated as priorities.
- 1.7 **In Montevideo, solid waste management shows room for improvement, especially with regard to street cleaning and recycling rates.** Studies performed under technical cooperation operation ATN/OC-16468-UR found that solid waste valorization⁴ is still very limited in terms of volume: of the 346 tons of recyclable waste generated by households each day, only four tons are recycled, while the vast majority of solid waste is discarded at the Felipe Cardoso sanitary landfill ([optional link 12](#)). The landfill site is the only place in the department where final waste disposal is permitted, and there are space constraints on its growth, with estimates indicating that it has a remaining useful life of six years.

³ According to [Development in the Americas 2020](#), digitalization of infrastructure services can boost economic growth while favoring the poor with lower service costs, since the poor spend a greater share of their income on services (14,1%) than the wealthy (less than 11%).

⁴ Law 19,829 defines valorization as any and all actions intended to recover either a piece of trash or one or more of its component materials.

- 1.8 **The new Integrated Solid Waste Management Act (Law 19,829),⁵ recently signed into law in 2019, establishes a framework for the circular economy, social inclusion, and recycling targets.** The law provides for “extended responsibility,” under which the responsibility and cost of waste management is transferred away from the consumer to other actors, and it designates the social inclusion of waste pickers as a pillar of the country’s solid waste management policy.
- 1.9 **There is room for improvement in urban cleanliness.** Trash cans on sidewalks are used for waste collection. Residents have expressed concern about littering and about the presence of waste pickers, who spill trash around the cans. Furthermore, existing studies ([optional link 4](#)) have identified shortcomings in cleanliness around public trash cans. There is also room for improvement in the collection of data and information for decision-making. Changes in public behavior are also needed, especially in the areas of separating recyclable waste and managing bulk trash.
- 1.10 **Social inclusion considerations for solid waste management.** In Montevideo many waste pickers operate outside the formal economy in precarious working conditions, where they are highly exposed to health and environmental risks [11]. The IdM, with private-sector involvement, built four manual sorting plants in 2014 to formalize this work. Despite those efforts, informality and precarious working conditions prevail [12], and waste pickers still have limited access to and involvement in the social and employment policies that could improve their living and working conditions. On top of this, the COVID-19 pandemic’s impacts on the labor market [13] and on household incomes have taken a toll on informal workers, who account for 25% of employed Uruguayans [14]: their wages have plummeted, and they do not have unemployment insurance [15]. The national government is preparing a registry of waste pickers, which is the first step toward designing new policies at the national level.
- 1.11 **Gender.** As of 2019, the economic activity rate among Uruguayan women was 15 percentage points [16] lower than the rate for men, which was one of the smallest gaps in the region. However, the pandemic has dealt a blow to women’s labor force participation in the country. A survey conducted by UN Women and the United Nations Children’s Fund (UNICEF) in 2020 [17] found that 61% of women respondents had been working prior to the pandemic, but that rate fell to 38% after the pandemic began. Within the IdM, the Environmental Development Department (DDA) is the office with the largest gap in positions held by women (18%). Lastly, informal waste pickers are predominantly men, and recycling tasks are highly segregated by gender.
- 1.12 **Climate change.** According to the models used by Uruguay to determine its climate vulnerability, which are based on the RCP 4.5⁶ and RCP 8.5 scenarios, rainfall is expected to increase, on average, 0.1 to 0.3 millimeters per day by 2030. In December 2019, the country presented its National Infrastructure and Urban Adaptation Plan, which includes solid waste treatment and storm drainage as priorities ([optional link 8](#)). Changes in the physical manifestations of climate change are addressed under Component II, which includes infrastructure measures that address changes driven by climate change, in line with the key points made in

⁵ <https://www.impo.com.uy/bases/leyes/19829-2019>.

⁶ RCP: Representative concentration pathway.

Section 4 of the environmental and social management report ([required link 3](#)) and that will help strengthen sanitation network monitoring during extreme weather events.

- 1.13 **The IdM's strategy.** The planned interventions dovetail with: (i) the PDSDUM, to ensure universal access to sanitation services as well as effective, safe, and affordable management of storm drainage services, thereby protecting the urban population from the impacts of moderate frequency floods (10 year return period) and reducing the impact of low frequency floods (up to 100 year return period), by adapting infrastructure to the changes in rainfall driven by climate change, optimizing operation of sanitation and drainage systems, and implementing tools for planning, executing, and supervising the results of the plan; and (ii) the Integrated Solid Waste Management Act, which aims to promote a sustainable development model through the prevention and reduction of the negative impacts of solid waste management, maximizing waste valorization and creating quality jobs while taking into account considerations relating to the social inclusion of informal waste pickers in an extended responsibility context.
- 1.14 **Program strategy and design.** This program seeks to improve urban cleanliness and increase the amount of waste that is valorized through waste collection and valorization infrastructure and social inclusion, outreach, and institutional strengthening activities. It aims to achieve the best possible evidence- and innovation-based management of waste by rolling out a smart waste management center. These activities will create new occupational profiles and quality jobs that are more modern, digital, and green, which is an opportunity to support social inclusion. In the area of sanitation and storm drainage, the project will carry out three of the PDSDUM's priority works: (i) storm drainage for the Mataperros system; (ii) modernization of segments of the Arteaga network; and (iii) an integrated sanitation and drainage system for Casabó Norte-Rincón del Cerro. In addition, the program will pilot sustainable urban drainage systems (SUDS) to explore the potential of sustainable green infrastructure measures. System monitoring will also be strengthened to improve decision-making and fine-tune the hydrodynamic model of the sanitation sewer network.
- 1.15 **Gender actions.** The program will promote women's participation in the sector workforce through three activities: (i) the mainstreaming of gender in social inclusion programs for waste pickers to promote women's participation in the jobs created in the sector ([optional link 7](#)); (ii) 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 (paragraph 1.11).
- 1.16 **Climate change actions.** Climate scenarios forecast an uptrend in precipitation peaks, which will increase the strain on existing installed capacity in Uruguay (paragraph 1.12). The works planned for Component II will help: (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) through improvements to hydrodynamic models to inform decision-making; and (iii) through capacity-building at the IdM for real-time network

status monitoring, thereby creating greater capacity for adapting to extreme weather events.

- 1.17 **Innovation and digital transformation.** The program will encourage the use of data and platforms to facilitate decision-making. It will finance the development of a smart waste management center that will make it possible to get real-time data on the location and condition of public trash cans and how full they are. This will help cut collection costs by improving garbage truck routing and preventive maintenance and increasing fleet availability through controls on the weight of waste on the trucks (preventing overloads), thereby making collection systems more effective and more efficient.
- 1.18 **Social inclusion activities.** In keeping with the IDB's strategy for reducing poverty and inequality, efforts are underway to prepare a social inclusion plan ([optional link 5](#)) that features the following activities: (i) identification of opportunities to create quality jobs for women and men who work as informal waste pickers; and (ii) coordination and development of learning and career pathways with mentoring and other associated services that are necessary for social and labor inclusion. These activities will be the foundation of a definitive social inclusion plan that will be developed once the national waste picker registry is completed in December 2021 (paragraph 1.10).
- 1.19 **The Bank's experience in the country.** This program is part of the Bank's comprehensive strategy for supporting the country's efforts to increase sanitation coverage in the Montevideo metropolitan area since 1981. The program proposed here would be the sixth stage of a series of operations under which sanitation coverage has progressively expanded as pollution has decreased and sanitation service management has improved (see Table I-1). The Bank has promoted sanitation in the metropolitan area through a three-stage sanitation intervention in Ciudad de la Costa (loans 2095/OC-UR and 2785/OC-UR; 2790/OC-UR; and 3258/OC-UR and 3259/CH-UR), two of which have been finalized, as well as through the first stage of a sanitation intervention in Ciudad del Plata (loan 4642/OC-UR). This program's solid waste management activities are aligned with the National Solid Waste Plan, supported by technical cooperation operations ATN/OC-18298-UR and ATN/OC-16468-UR.

Table I-1. Urban Sanitation Projects in Montevideo

Stage	Loan number	Year	Loan amount (US\$ millions)
I	76/OC-UR	1981	65.0
II	575/OC-UR	1990	26.1
III	948/OC-UR	1996	153.3
IV	1819/OC-UR	2006	118.6
	2605/OC-UR	2011	42.8
V	3805/OC-UR	2016	60

- 1.20 **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 smart solid waste management center and a hydrodynamic computer model for sanitation and drainage; (ii) in response to the recommendation to strengthen social teams to ensure fulfillment of program objectives, Component I includes a social inclusion plan and an outreach plan; (iii) in response to the recommendation to promote mechanisms to incentivize sanitation connectivity, the program includes a plan for sanitation connections in Casabó-Rincón del Cerro; and (iv) the proposed execution arrangements seek to improve coordination between the execution unit and other administrative agencies to streamline processes and improve execution. In the area of solid waste management, the program factors in lessons learned from other programs in the region ([Water and Sanitation Sector Framework Document](#)), namely: (i) project design factors in considerations related to the sustainability of effective service operations (technical cooperation operation ATN/OC-1868-AR); (ii) Component I projects offer integrated solutions that address all dimensions of solid waste management (technical cooperation operation ATN/OC-2322-VE); (iii) the social inclusion of informal waste pickers and gender mainstreaming are included as crosscutting issues in this program, which will take into account cultural aspects of the population and the role of women in the family and in the workplace (technical cooperation operation ATN/SF-1730-GY); and (iv) an outreach and education program will be implemented to ensure community participation and awareness (technical cooperation operation ATN/OC-15894-RG).

- 1.21 **The Bank's strategy with the country:** This operation is aligned with the IDB Group's Country Strategy with Uruguay 2021-2025 (document GN-3056), through the priority areas of (1) sustainable productive development, which is tied to the strategic objective of "improving productive and resilient infrastructure;" and (2) equity and social inclusion, which is tied to the strategic objective of "facilitating urban services and housing." It is also aligned with the Country Strategy's crosscutting areas of: (i) gender equality, in that it includes activities to increase opportunities for women to participate in the workforce; and (ii) climate change, as it includes measures to make infrastructure more climate resilient. The program is included in the Update of the 2021 Operational Program Report (document GN-3034-2).
- 1.22 **Strategic alignment.** The operation is consistent with the second Update to the Institutional Strategy 2020-2023 (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 services in Montevideo with an emphasis on unserved vulnerable groups; and (ii) productivity and innovation, since the combination of the sorting centers, the smart solid waste management center, and the new collection systems will help improve the effective valorization rate of recyclable waste and reduce the per-ton cost of nonrecyclable waste collection, as well as the cost of effectively valorized recyclable waste. It is also aligned with the crosscutting themes of: (i) gender, by promoting and expanding opportunities for women to participate in the labor force through the social inclusion plan and an in-house gender strategy for the DDA; (ii) institutional capacity and rule of law, since the operation will support the strengthening of the IdM with staff trainings and implementation of the smart solid waste management center, which together will make a significant contribution to improving solid waste management to make the services delivered to the public more efficient and higher quality; and (iii) climate

change and environmental sustainability, and with the IDB Group's Climate Change Action Plan 2021-2025 (document GN-2848-8) in particular, 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 change finance [18], an estimated 23% of the Bank's resources will be invested in support for making storm drainage and wastewater collection infrastructure more resilient. These resources contribute to the IDB's target for climate-related financing (30% of approvals by volume each year).

- 1.23 The operation is consistent with the institutional priorities set out in Vision 2025: Reinvest in the Americas, in particular with the Tier 1 priorities of: (i) reactivating the productive sector, by fostering better quality investments and digital connectivity; (ii) promoting social progress, by ensuring access to and the quality of public services, coverage of basic needs, and investment in human capital; (iii) strengthening good governance and institutions; and (iv) reinforcing gender equality, diversity, and climate change. It is also consistent with the Tier 2 priority of strengthening the IDB Group's value proposition. In addition, the operation will contribute to the Corporate Results Framework 2020-2023 (document GN-2727-12) through the "households with improved access to water and sanitation," "beneficiaries of enhanced disaster and climate change resilience," and "agencies with strengthened digital technology and managerial capacity" indicators. 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 consistent with the Water and Sanitation Sector Framework Document (document GN-2781-8), which indicates that projects and programs should be environmentally and socially sustainable and incorporate climate change and environmental and cultural sustainability considerations and seeks to "achieve universal access to water and sanitation services," improving equity "for the low-income and most vulnerable population, and increasing the quality of the services" and to "promote comprehensive solutions, where in addition to providing infrastructure, institutional strengthening actions are implemented for the utilities and 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 lines of action relating to the reduction and prevention of gender-based violence and the strengthening of women's capabilities and opportunities to access non-traditional jobs.
- 1.24 **Public utilities.** The 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 11](#)).
- 1.25 **Alignment with the CCLIP.** The program is aligned with the objectives of CCLIP UR-X1001, which is to support the IdM in its efforts to improve living conditions in the department of Montevideo. The proposed works are tied to the

priorities identified in the PDSUM as well as the strategies for improving solid waste management identified under technical cooperation operation ATN/OC-16468-UR.

- 1.26 **Fulfillment of eligibility criteria for the third operation under the CCLIP.** 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 the CCLIP, in that it: (i) falls under the sectors defined under the CCLIP; (ii) is included in the 2021 operational program; (iii) will be executed by the IdM, which is the same agency responsible for execution of the previous operations, whose level of performance has been satisfactory; (iv) 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; (v) according to the midterm evaluation of the previous operation ([optional link 10](#)), execution performance has been satisfactory and the development objectives are likely to be achieved; and (vi) the IdM has complied with the contractual conditions of the loan contract for the previous operation and with the Bank's fiduciary policies, including the submission of audited financial statements.
- 1.27 **Amendment of the CCLIP:** In view of the original amounts of the CCLIP and the associated local counterpart contribution, as well as the amounts approved for the two previous operations under CCLIP UR-X1001 (paragraphs 1.1 and 1.2), on 30 June 2021 the borrower asked the Bank to increase the amount of resources from the Bank's Ordinary Capital for the CCLIP by US\$28.6 million and make the necessary increase to the local counterpart contribution. Accordingly, the Board of Executive Directors is being asked to amend Resolution DE-156/06, which established the CCLIP, to bring the total amount of resources from the Bank's Ordinary Capital for the CCLIP to US\$248.6 million. This would make it possible to increase the balance currently available under CCLIP UR-X1001 (US\$41.4 million in Bank resources) to complete the Bank financing required for this program (paragraph 2.2).

B. Objectives, components, and cost

- 1.28 **Objectives:** The general objective of the third individual operation under this conditional credit line for investment projects (CCLIP) will be to support the Municipal Government of Montevideo (IdM) in its efforts to improve living conditions in the department of Montevideo. The specific objectives of the operation will be 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.
- 1.29 **Scope of the operation:** The program objectives will be achieved through investments under the following components:

- 1.30 **Component I (US\$41.72 million). Improved solid waste management.** The measures financed under this component will include: (a) expansion of coverage and improvement of the system for collecting nonrecyclable⁷ and recyclable solid waste: (i) acquisition of garbage trucks and trash cans; and (ii) acquisition of assets for and the development and launch of a smart solid waste management center that facilitates the collection and real-time analysis of collection system data (paragraph 1.17); and (b) the following activities: (i) optimization of manual sorting processes; (ii) design and construction of a semiautomatic sorting plant; and (iii) construction of repair centers and eco-centers,⁸ which will help increase the amount of bulk waste that is valorized. This component also includes 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.
- 1.31 **Component II (US\$22.49 million). Sanitation and storm drainage.** The measures financed under this component will include: (i) expansion of coverage of sanitation and storm drainage service delivery in Casabó 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 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.
- 1.32 **Component III (US\$9.22 million). Support for management improvements.** This component includes 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 will finance strengthening plans for such areas as maintenance, reorganization of the operational structure, and staff training to ensure the sustainability of the investments.
- 1.33 **Support costs (US\$1.05 million).** This includes costs associated with audits, monitoring and evaluation, supplemental studies, resettlements, and easements under Component II, as well as the strengthening of connections to the sanitation network.
- 1.34 **Engineering and administration (US\$7.87 million).** This includes the cost of operating the UES as well as the cost of setting up the PSU Stage VI accounting system.

C. Key results indicators

- 1.35 The results matrix (Annex II) includes the program impact, outcome, and output indicators. Table I-2 sets out the key results indicators.
- 1.36 **Beneficiaries and benefits.** Improvements to the cleanliness of streets and sidewalks will benefit 100% of Montevideo's population. Improvements in the selective collection of recyclable waste will benefit 85% of the population. The program should also benefit the informal waste pickers whose jobs will be formalized. However, the exact number of waste pickers who will benefit is not yet known, since that figure depends on the national waste picker registry, currently in

⁷ Waste that cannot be recycled and is sent for final disposal.

⁸ Centers that accept bulk waste, such as pruning waste, rubble from small residential works, and furniture.

preparation. The rate of recyclable waste that is effectively valorized at recycling plants should increase from 35% to 70%, which will benefit private sector actors with idle capacity for processing recyclable waste. The program will directly benefit 640 households (2,048 people) in Casabó-Rincón del Cerro. The program will also remediate a site that could potentially house up to 2,500 people in the basin that will be cleaned up. It will also directly benefit 298 occupational units (950 people) in the Mataperros basin that are currently exposed to floods with a 10-year return period. The modernization of the Arteaga network will indirectly benefit approximately 450,000 people by preventing collector sewer failures that cause traffic in downtown Montevideo. The Street Cleaning Division of the IdM's DDA will also benefit from the strengthening of its institutional capacity to improve service management.

Table I-2. Key outcome indicators

Outcome indicator	Unit of measure	Baseline (year)	Target (year)
1.1 Effective rate of recyclable waste valorized by plants	%	35 (2021)	70 (2027)
2.1 Households newly connected to the sanitation system network whose wastewater is treated	#	0 (2021)	384 (2027)
3.1 Occupational units in the Mataperros basin protected from risk of floods with a return period equal to or less than 10 years ⁹	#	0 (2021)	298 (2027)
3.3 Annual rolling five-year average of the number of collector sewer failures in the Arteaga network area reported to the Consolidated Complaint System	#	54 (2020)	35 (2027)
4.2 A trash can collection rate of 90% of planned collections or better (daily average for one year)	#	0 (2021)	50 (2027)

- 1.37 **Technical feasibility.** The proposals are technically feasible, 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 detailed design stage prior to launch of the corresponding works, in accordance with applicable national and international regulations ([optional link 4](#)).
- 1.38 **Economic analysis.** The project team performed an analysis of the costs and the benefits of intervention and nonintervention. The benefits of the sanitation interventions were quantified using the willingness to pay for wastewater treatment and collection, updated to 2021 prices, through the income elasticity calculated in the PDSUM. For the storm drainage interventions, willingness to pay for drainage access, updated to 2021 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 benefits of the solid waste management interventions were quantified using the willingness to pay for improvements to urban cleanliness, the savings in operations

⁹ As explained in the environmental and social management report and the program Operating Regulations, this indicator can be used to evaluate the resilience of the investments to extreme weather events.

and maintenance cost, the net income from newly created formal jobs, and the economic value of the recyclable materials recovered. The analysis factored in incremental investment and operation and maintenance costs, calculated at social prices. 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 concessionaire's rates and the reduced rate for vulnerable groups ([optional link 1](#)).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 The program will be financed through a specific investment loan with a six-year disbursement period, which reflects the execution challenges, the project cycle, and experience with previous operations and is consistent with the [multiyear execution plan](#). The six-year disbursement period is driven by the need to provide an initial period to strengthen structural facets of solid waste management to ensure that the investments will be sustainable and by the need to be consistent with the results of the multiyear execution plan developed with the executing agency when preparing this operation.
- 2.2 **Cost and financing.** The total cost of the 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. Table II.1 gives a breakdown by component and other costs, while Table II.2 sets out the disbursement schedule.

Table II.1 Estimated program costs (US\$)

Component	IDB	Local	Total	%
Component I: Improved solid waste management	41,720,181	0	41,720,181	50.7
Recyclable waste collection system (excluding glass)	9,987,238	0	9,987,238	
Glass collection system	1,177,724	0	1,177,724	
Nonrecyclable waste collection system	12,519,237	0	12,519,237	
Data management center	4,400,000	0	4,400,000	
Infrastructure (Semiautomatic and manual sorting plants, eco-centers, and repair centers)	12,135,982	0	12,135,982	
Outreach	1,500,000	0	1,500,000	
Component II: Sanitation and storm drainage	22,490,000	0	22,490,000	27.3
Construction of the Casabó Norte-Rincón del Cerro sanitation system	6,490,000	0	6,490,000	
Construction of a supplemental collector sewer for the Mataperros basin	7,750,000	0	7,750,000	
Modernization of the Arteaga system	6,200,000	0	6,200,000	
SUDS, sensors, and computer model	2,050,000	0	2,050,000	
Component III: Support for management improvements	5,026,619	4,189,000	9,215,619	11.2
Support costs	703,200	346,800	1,050,000	1.3
Engineering and administration	60,000	7,814,200	7,874,200	9.5
TOTAL	70,000,000	12,350,000	82,350,000	100

Table II-2. Projected disbursement schedule (US\$)

Source/Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	TOTAL
IDB	3,839,252	32,899,379	19,613,470	11,079,264	1,696,715	871,919	70,000,000
Local contribution	700,730	863,754	2,674,779	2,718,129	2,674,779	2,717,829	12,350,000
Total	4,539,981	33,763,134	22,288,249	13,797,393	4,371,494	3,589,748	82,350,000
%	5.51	41.00	27.07	16.75	5.31	4.36	100

B. Environmental and social risks

2.3 Environmental safeguards. Pursuant to the Environment and Safeguards Compliance Policy (Operational Policy OP-703) and the socioenvironmental assessment of the works to be executed, the program has been classified as a Category “B” operation because its socioenvironmental risks and adverse impacts will be local, temporary, and short term. The potential impacts 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 improper solid waste management during the works; (iv) risk of occupational and traffic accidents associated with construction activities; (v) impacts on residential and commercial uses caused by the works to build and modernize collector sewers in urban areas; and (vi) the risk that program-related activities will adversely affect the livelihoods of informal waste pickers. The sanitation works are expected to involve the involuntary resettlement of one family.

2.4 During the operation stage, the impacts and risks under Component I are associated with the economic displacement of the affected group of informal waste pickers, so a social inclusion plan for waste pickers affected by the program has been prepared. In the case of Component II, a failure to implement the recommended measures could result in environmental contamination from the discharge of untreated wastewater. 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 and related to the risk of floods. The program has a disaster risk management and contingency plan. Since this is a specific works operation, the following documents have been prepared: an environmental and social analysis, an environmental and social management plan ([optional link 3](#)), a resettlement plan, a meaningful public consultation plan, and a social inclusion plan, which is included as part of the social and environmental management plan. The social inclusion plan was designed to mitigate the adverse impact on informal waste pickers; in essence, it is a livelihood restoration plan. Furthermore, the social inclusion plan includes risk mitigation measures to address various manifestations of gender-based violence that could be exacerbated by the operation. Along those lines, the bidding specifications developed by the IdM already call for the contracted firm to implement a workplace sexual harassment protocol, so efforts will be made to collaborate closely with the firm on implementation of that plan.

2.5 The environmental and social management plan 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. Annex B of the

environmental and social management report ([required link 3](#)) discusses the program's environmental and social contractual conditions, their rationale, and the requirements to be included in the [program Operating Regulations](#) in this area.

- 2.6 The environmental and social analysis/environmental and social management plan were published on the Bank website before the analysis mission. In September 2021 three public consultation events were held with affected individuals and other stakeholders identified in the consultation plan included in the environmental and social management plan. Meaningful consultations were satisfactory since the parties involved showed interest in and acceptance of the benefits expected from the program, primarily the implementation of water and sanitation works and the social inclusion of the waste pickers in Montevideo, who will improve their incomes and technical skills through formalization and training. According to the consultation report, the most significant concerns revolved around the recognition of waste pickers as environmental workers, which were included in the social inclusion plan for waste pickers in Montevideo was prepared. The plan strives for the recognition, empowerment, and inclusion of waste pickers, and the IdM is currently working with the waste picker union and nonunionized waste pickers to that end.
- 2.7 The environmental and social analysis/environmental and social management plan includes the final report from the consultations containing additional information on this point.
- 2.8 Pursuant to directive B14 and given that this is the third operation under CCLIP UR-X1001, the project team performed an evaluation of operation ATN/OC-3805-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

- 2.9 **Institutional viability.** The project team used the Institutional Capacity Assessment Platform to analyze the institutional capacity of the IdM's DDA. The results of that analysis found that the IdM has satisfactory conditions for executing the sanitation component. However, it identified areas in which capacity should be strengthened, particularly in relation to street cleaning and the execution unit's structure. To that end, the Component III activities aim to strengthen these areas for the purposes of executing this operation and fostering the sustainability and continuity of the results achieved.
- 2.10 The table below discusses the high and medium-high risks associated with the program.

Table II-3 Risks (high and medium-high) and mitigation measures

Risk	Mitigation measure
A shortage of human resources could result in delays to bidding processes	Calls for applicants through the UES (or in-house)
Insufficient operational capacity for collecting waste from trash cans could undermine management improvements	(i) Management system and/or (ii) Outsourcing of operations and maintenance services
Insufficient capacity for collection vehicle maintenance could undermine management improvements	(i) Implementation of a management system and/or (ii) Outsourcing of operations and maintenance services
Resistance to outsourcing could jeopardize management improvements	Ongoing dialogue and outreach efforts
Vandalism and/or theft of trash cans	(i) Enforcement through fines (ii) Continuous monitoring of system operations (iii) Public outreach and communications
A lack of public commitment to the recycling system could adversely affect the quantity and quality of materials valorized	(i) Public enforcement (ii) Public outreach and communications
Social resistance to infrastructure installation	Dialogue sessions with the public
Conflicts with waste pickers	(i) Social inclusion plan (ii) Monitoring of program investments in social inclusion
Lack of consensus with the private sector regarding investments in the recycling system	Binding legal agreement
Failure to use the data from data management	Design and review of internal processes to incorporate data into decision-making
Lack of local providers with installed capacity to operate and maintain the assets	Inclusion of conditions in calls for bids to promote a market of specialized firms

- 2.11 **Financial sustainability.** A financial analysis of the IdM was prepared for Component I. Overall, the net financial impact of the project on the IdM's finances is manageable. The cost savings generated by the management center and the revenue from the sale of recyclable materials help mitigate the rise in cost that a change in the waste collection method entails. During the projection period, the ratio of the operational cost of solid waste management over total departmental and national revenue remains at its historical level (approximately 13%). A financial analysis of the IdM's Sanitation Division was prepared for Component II. The analysis of its historical financial information indicates that over the past three 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 PSU operations), with the department posting a cost coverage ratio of approximately 120%. Financial projections for the next 10 years indicate that the Sanitation Service should remain financially sound ([optional link 2](#)).

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and 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 Sanitation Execution Unit (UES) within the Environmental Development Department (DDA), as in loans 1819/OC-UR, 2605/OC-UR, 2647/OC-UR, and 3805/OC-UR.
- 3.2 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 UES 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.
- 3.3 To perform its duties, the UES 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](#)).
- 3.4 **Special contractual conditions precedent to the first disbursement of the loan proceeds:** The following conditions have been established: **(1) in accordance with the terms previously agreed upon with the Bank, the following will have entered into force: (i) 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 (ii) the program Operating Regulations; and (2) the key personnel specified in the program Operating Regulations will have been brought on to the UES, the Street Cleaning Division, and the Sanitation Division.** 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 3.6. The last condition will ensure that the executing agency has the essential staff for program execution.
- 3.5 **Special contractual conditions for execution:** The following conditions are anticipated: (1) prior to awarding contracts for Component I goods, works, and services associated with "extended responsibility" as envisaged in the country's regulatory framework, the Borrower, through the executing agency: (i) will submit the signed agreement between the executing agency and the private sector or other

- approved binding instrument(s) under the terms previously agreed upon with the Bank, to ensure financial sustainability; and (ii) will have finalized a socioeconomic analysis on waste pickers, which will be included in the social inclusion plan; and (2) within 18 months of the entry into effect of the loan contract, the borrower, through the executing agency, will submit to the Bank for its no objection an Integrated Urban Solid Waste Management Services Improvement Plan, which will be prepared using funds from Component III and will address, at a minimum: maintenance, operations, the data management center, social inclusion, and outreach. Condition (1) is justified because there is a risk that the private sector could develop its own system for managing recoverable waste, which would compete with and adversely impact the system planned under this operation, including the social inclusion component. Condition (2) relates to ongoing challenges in service delivery in connection with operation and maintenance of the solid waste management system.
- 3.6 **Program Operating Regulations.** 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: the manual on the UES's structure, responsibilities, and organization; the key personnel for the execution of the program (a specialist for Component I in the UES, a coordinator for Components I and III in the Street Cleaning Division, and a coordinator for Component II in the Sanitation Division); the organization, responsibilities, structure, and staff of the social unit within the executing agency's DDA; 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.¹⁰
- 3.7 **Financial sustainability.** The IdM will take all necessary measures to ensure that the cost of the public services financed by the program will have budgetary allocations to be approved by the executing agency (for Component I) or revenue generated from the collection of fees, tariffs, or income generated by those services (for Component II). In both cases, there must be enough resources to cover operating and maintenance costs, debt service, and the local counterpart investment (if applicable) required under loan contracts 1819/OC-UR, 2605/OC-UR, 2647/OC-UR, and 3805/OC-AR, and the contract for this program.
- 3.8 **Procurement of works, goods, and consulting and nonconsulting services.** Procurement processes financed in whole or in part with Bank 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). The executing agency may opt to use the country procurement system for the procurements identified in

¹⁰ The program Operating Regulations will stipulate that the executing agency will submit the following documents to the Bank: (1) as attachments to the request for the Bank's no objection to the call for bids for each bidding process under Component I: (i) supporting documentation, (ii) the final designs, whose scope will be a singular project or broader, as applicable; (iii) a strategy for operational and financial sustainability; and (iv) a preventive and corrective maintenance plan; (2) as an attachment to the request for the Bank's no objection to the call for bids for the Casabó - Rincón del Cerro works (Component II): the plan for connecting households to sanitation services; and (3) Prior to the launch of the Mataperros works (Component II): documentation demonstrating that the supplemental works under the Central Railroad project have begun.

the procurement plan, provided that: (i) the provider is listed among the agencies mentioned in Article 2 of the Consolidated Code of Accounting and Financial Administration (TOCAF); and (ii) the identified processes fall within the scope of the use of the country system. The procurement plan includes a detailed description of all the procurements to be implemented during execution, as well as the procedures applied by the Bank for their review.

- 3.9 **Audits.** Throughout the loan disbursement period, the executing agency, acting through the UES, will submit to the Bank the program's annual audited financial statements within 120 days after the close of the fiscal year. Audits will be performed by the National Audit Office or a Bank-eligible independent audit firm. The scope of the audits and related considerations will be governed by document OP-273-12 and the guidelines for financial statements and audits. The program's final audited financial statements will be submitted within 120 days after the date of the last disbursement.
- 3.10 **Disbursements.** The disbursement modality will be advances of funds based on real liquidity needs. Preferably, advances will be made on a semiannual basis once supporting documentation has been provided for 80% of the amount advanced. Expenditure justification forms and financial planning spreadsheets will have to be submitted as required documentation. Review of that documentation will be ex post.
- 3.11 **Operation 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 second semiannual report of each calendar year will include a report on operation and maintenance of goods under Component I of the program. The operations and maintenance report will be submitted within three years after execution has ended.
- 3.12 **Advance procurement, retroactive financing, and recognition of expenditures.** The Bank may 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 have been met in both cases. Those expenditures will have been incurred on or after 20 July 2021 (date of approval of the project profile) but may not in any case include expenditures incurred more than 18 months prior to the loan approval.

B. Summary of arrangements for monitoring results

- 3.13 **Monitoring.** 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. Once a year, the IdM will report on fulfillment of the management indicators. Annual work plans for the second year of execution onward will report on the level of completion of implementation of the Integrated Urban Solid Waste Management Services Improvement Plan and any updates thereto.

- 3.14 Monitoring 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 30 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 Bank.

C. Post-approval design activities

- 3.15 In the first half of 2022, two consulting engagements will be underway: one for performing a gender diagnostic assessment and designing a gender action plan^{11, 12} for the DDA (to be implemented by the program) and the other for mainstreaming gender in the social inclusion program ([optional link 7](#)).
- 3.16 The social inclusion plan that will be implemented under the operation should be finalized in November ([optional link 7](#)).

¹¹ Funds for these activities are from technical cooperation operation ATN/WS-18119-RG.

¹² The gender diagnostic assessment will analyze relevant data on gender gaps in schedules, workforce participation at the decision-making and management level, wage gaps, and internal rules and regulations regarding work-life balance, among other issues. The plan will include actions to promote greater participation by women in leadership positions; issues such as appropriate infrastructure for women, including bathrooms and changing rooms; career advancement of women in technical positions; and the importance of equal work for equal pay, among other possible activities.

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	Improve productive and resilient infrastructure and Facilitate urban services and housing.
Country Program Results Matrix	GN-3034-2	The intervention is included in the 2021 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		9.2
3.1 Program Diagnosis		2.5
3.2 Proposed Interventions or Solutions		3.2
3.3 Results Matrix Quality		3.5
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.</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	Yes	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 Pantanoso basin.

Evaluability Note: This is the third individual operation under the Conditional Credit Line for Investment Projects (CCLIP), UR-X1001. The general objective of this operation is to support the IdM in its efforts to improve the living conditions of the population of the Department of Montevideo. The specific objectives are: (i) increase the coverage and quality of solid waste management services considering social inclusion; (ii) increase the coverage and quality of the sanitation service; (iii) reduce the risk of flooding; and (iv) strengthen the institutional capacity of the Intendencia of Montevideo to improve Solid Waste (SW) management and improve efficiency.

The operation presents a solid diagnosis: the remaining sanitation gaps are identified (9%); as well as the need to mitigate the water risk in the Mataperros basin and to rehabilitate the first sanitation networks built in Montevideo more than 100 years ago; low levels of recovery of urban waste are identified, as well as deficiencies in cleanliness around the containers; and the need to strengthen the IdM to improve SW management is identified.

To mitigate these challenges, the program will implement three components: I) SW management improvement; II) Sanitation and storm drainage; and III) Support for the improvement of management. The results matrix (RM) reflects the General and Specific Objectives of the program and shows a solid vertical logic. The RM includes output, outcome, and impact indicators with their respective baseline values, targets, and means to collect the information. For the most part, the indicators in the RM are SMART.

Seven economic analyzes were carried out: one for Component I; five for the main interventions of Component II, including a comprehensive analysis; and a seventh that analyzes the PSU VI Program, globally. The main benefits and costs are appropriately identified and quantified in each analysis. The assumptions made are reasonable and are supported by economic theory, literature, and administrative data. The results show that the operation is viable with Internal Rates of Economic Return (IRER) higher than 12% for all projects individually and globally. Sensitivity analyzes are performed for individual projects and for the global analysis under alternative scenarios that modify variables that can affect costs and benefits. These modifications do not present significant alterations in the IRER.

The monitoring and evaluation plan proposes a reflexive evaluation, which is complemented by an ex post cost-benefit analysis. Given the inclusion of innovative elements in the operation, such as the Smart Center for Solid Waste Management, it seems worth considering the inclusion of a prospective impact evaluation.

The risks identified in the risk matrix seem reasonable and are classified as Low (2), Medium-Low (1), Medium-High (7), and High (4) risks. All risks classified as Medium-High or High include a risk management strategy, activity, responsible party, and date or trigger.

RESULTS MATRIX												
Project objective:		The specific objectives of the operation will be 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 Municipal Government of Montevideo's (IdM's) institutional capacity for improving solid waste management and enhancing its efficiency. The achievement of these objectives will contribute to the general objective, which is to support the IdM in its efforts to improve living conditions in the department of Montevideo.										
RESULTS												
Indicator	Unit of measure	Baseline	Baseline year		Expected year achieved				Target	Means of verification		Comments
General development objective: Support the IdM in its efforts to improve living conditions in the department of Montevideo												
I.1 Coverage of selective solid waste collection services	%	24.5	2020		2027				85	Annual Street Cleaning Report (IADL)		
Specific development objectives												
Specific development objective 1: Increase the coverage and quality of street cleaning services, taking social inclusion considerations into account												
Expected outcome 1: Increase and improve collection and recovery of non-bulk recyclable waste												
Indicator	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Project end	Means of verification	Comments
1.1 Effective rate of recyclable waste valorized by plants	%	35	2021	-	-	-	-	-	70	70	IADL	
1.2 Glass waste collected	tons/year	27	2021	-	-	-	-	-	2,670	2,670	IADL	
Expected outcome 2: Increase bulk waste collection												
1.3 Users of the network of reception centers	# of users / year	0	2021	-	-	-	-	-	50,000	50,000	IADL	
Expected outcome 3: Foster gender equity and social inclusion in the solid waste management sector												
1.4 Newly created formal positions filled by informal waste pickers	#	0	2021	-	-	-	-	-	350	350	IADL	
Breakdown 1: Women placed in newly created formal positions for informal waste pickers	#	0	2021	-	-	-	-	-	105	105		

Indicator	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Project end	Means of verification	Comments
1.5 Gender plan actions implemented by the IdM	#	0	2021	-	-	-	-	-	2	2	IADL	Preparation of the gender plan is included under Component III. Full implementation of the plan is beyond the scope of this operation. At least two actions from that plan should be implemented before program end. Pro-gender tag.
Specific development objective 2: Increase the coverage and quality of sanitation services												
<i>Expected outcome 4: Increase the coverage and quality of sanitation services in Casabó-Rincón del Cerro</i>												
2.1 Households newly connected to the sanitation system network whose wastewater is treated	# of households	0	2021	-	-	-	-	-	384	384	Annual Sanitation Report (IADS)	
Specific development objective 3: Reduce the risk of flooding												
<i>Expected outcome 5: Better protect households and occupational units against potential floods¹</i>												
3.1 Occupational units in the Mataperros basin protected from risk of floods with a return period equal to or less than 10 years	# of units	0	2021	-	-	-	-	-	298	298	IADS	
3.2 Households with new, working access to adequate drainage systems	# of households	0	2021	-	-	-	-	-	640	640	IADS	
<i>Expected outcome 6: Improve the reliability of Montevideo's urban sanitation system</i>												
3.3 Annual rolling five-year average of the number of collector sewer failures in the Arteaga network area reported to the Consolidated Complaint System	# of failures	54	2020	-	-	-	-	35	35	35	IADS	

¹ These indicators help measure the increase in the population's resilience to extreme hydrological events caused by climate change.

Indicator	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Project end	Means of verification	Comments
Specific development objective 4: Strengthen the IdM's institutional capacity for improving solid waste management and enhancing its efficiency												
Expected outcome 7: Improve solid waste management												
4.1 Solid waste collection vehicles arriving at the final disposal site with loads within the optimal range (75%-100% of the maximum collected waste weight)	%	29	2020	-	-	-	-	-	60	60	IADL	
4.2 A trash can collection rate of 90% of planned collections or better (daily average for one year)	%	0	2019	-	-	-	-	-	50	50	IADL	
Expected outcome 8: Reduce collection and valorization costs												
4.3 Cost of nonrecyclable waste collection	UI/ton	679	2018	-	-	-	-	-	161	161	IADL	UI = unidad indexada [indexed unit] published by the Uruguayan National Statistics Institute.
4.4 Cost of effectively valorized recyclable waste	UI/ton	41,692	2018/2019	-	-	-	-	-	4,293	4,293	IADL	
Breakdown 1: Cost of collection	UI/ton	27,157	2018	-	-	-	-	-	793	793		
Breakdown 2: Cost of sorting		14,535	2019	-	-	-	-	-	3,500	3,500		

OUTPUT INDICATORS ²													
Indicator		Associated outcome(s)	Unit of measure	Baseline value	Baseline year	2022	2023	2024	2025	2026	2027	Project end	Means of verification
Component I: Improved solid waste management													
1.1	Recyclable waste collection system (excluding glass), acquired and installed	1.1, 4.4	Unit	0	2021	0	0	0	1	0	0	1	Acceptance certificates
1.2	Glass collection system, acquired and installed	1.2	Unit	0	2021	0	0	0	1	0	0	1	Acceptance certificates
1.3	Nonrecyclable waste collection system, acquired and installed	4,1, 4.2, 4.3	Unit	0	2021	0	0	0	0	1	0	1	Acceptance certificates
1.4	Data management center, acquired and installed	4.1-4.4	Unit	0	2021	0	0	0	1	0	0	1	Acceptance certificate
1.5	Solid waste sorting plants, modernized	1.1, 4.4	Unit	0	2021	0	0	4	0	0	0	4	Acceptance certificate
1.6	Semiautomatic solid waste sorting plant, built	1.1, 4.4	Unit	0	2021	0	0	1	0	0	0	1	Acceptance certificate
1.7	Permanent eco-centers, installed	1.3	Unit	0	2021	0	1	0	1	0	0	2	Acceptance certificate
1.8	Satellite eco-centers, installed	1.43	Unit	0	2021	0	3	1	0	0	0	4	Acceptance certificate

² Milestones indicated in cursive. The monitoring and evaluation plan includes a results matrix with all milestones and formulas.

Indicator		Associated outcome(s)	Unit of measure	Baseline value	Baseline year	2022	2023	2024	2025	2026	2027	Project end	Means of verification
1.9	Traveling eco-centers, acquired and operational	1.3	Unit	0	2021	0	3	0	0	0	0	3	Acceptance certificate
1.10	Appliance and furniture repair and training centers, installed	1.3	Unit	0	2021	0	1	0	1	0	0	2	Acceptance certificate
1.11	Outreach plan, developed and implemented	1.1, 1.2, 1.3, 4.4	Unit	0	2021	0	0	1	0	0	0	1	Bidding process award resolution
	Component II: Sanitation and storm drainage	-	-	-	-	-	-	-	-	-	-	-	
2.1	Casabó Norte-Rincón del Cerro sanitation system, built	2.1, 3.2	Unit	0	2021	0	0	0	1	0	0	1	Progress certificates
2.2	Supplemental collector sewer for the Mataperros basin, built	3.1	m	0	2021	200	400	0	0	0	0	600	Progress certificates
2.3	Arteaga system, modernized	3.3	Unit	0	2021	0	0	1	0	0	0	1	Progress certificates
2.4	Sustainable drainage units, built	3.1	Unit	0	2021	0	25	30	0	0	0	55	Progress certificates
2.5	Sanitation network sensors, installed	3.1	Unit	0	2021	0	60	70	0	0	0	130	Progress certificates
2.6	Hydrodynamic computer model for the Montevideo sanitation and drainage system, fine-tuned	3.1, .3	Unit	0	2021	0	0	0	1	0	0	1	Progress certificates
	Component III: Support for management improvements	1.1, 1.2, 1.3, 4.4	Unit	0	2021	1	-	-	-	-	-	1	

Indicator		Associated outcome(s)	Unit of measure	Baseline value	Baseline year	2022	2023	2024	2025	2026	2027	Project end	Means of verification
3.1	Consulting engagements to strengthen execution of Component I, contracted and implemented	1.1, 1.2, 1.3, 4.4	Unit	0	2021	2	-	-	-	-	1	3	Bidding process award resolution
	<i>Initial consulting engagement to support execution of the Urban Sanitation Program (PSU) Stage VI activities in the solid waste management and street cleaning sector</i>	-	Unit	0	2021	1	-	-	-	-	-	1	Bidding process award resolution
	<i>Consulting engagement 1 to support execution of the PSU Stage VI activities in the solid waste management and street cleaning sector</i>	-	Unit	0	2021	1	-	-	-	-	-	1	Bidding process award resolution
	<i>Consulting engagement 2 to support execution of the PSU Stage VI activities in the solid waste management and street cleaning sector</i>	-	Unit	0	2021	-	-	-	-	-	1	1	Bidding process award resolution

Indicator		Associated outcome(s)	Unit of measure	Baseline value	Baseline year	2022	2023	2024	2025	2026	2027	Project end	Means of verification
3.2	Package of institutional strengthening measures for the solid waste management and street cleaning sector, prepared	1.1-1.3, 1.5, 4.1-4.4	Unit	0	2021	-	-	-	-	-	1	1	Consulting engagement reports
	Gender action plan, prepared	-	Unit	0	2021	0	0	0	0	1	0	1	
3.3	Social inclusion plan, developed and implemented	1.4, 1.5	Unit	0	2021	-	-	-	-	-	1	1	Reports on implementation of the social inclusion plan
	SUPPORT COSTS	-	-	-	-	-	-	-	-	-	-	-	
4.1	Sanitation and connections plan, developed and implemented	2.1	Unit	0	2021	0	0	0	0	0	1	1	Reports on implementation of the connections plan
	ENGINEERING AND ADMINISTRATION	-	-	-	-	-	-	-	-	-	-	-	
5.1	Cost accounting system, designed and operational	4.3, 4.4	Unit	0	2021	1	0	0	0	0	0	1	Progress certificates

Country: Uruguay

Division: WSA

Operation number: UR-L1183

Year: 2021

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 Sanitation Execution Unit (UES) within the Environmental Development Department (DDA), as in loans 1819/OC-UR and 2605/OC-UR.

Operation name: Increase in the CCLIP for the Montevideo Urban Sanitation Program (UR-X1001) Urban Sanitation Program (PSU) Stage VI

I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY¹

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

1. Fiduciary capacity

Fiduciary capacity of the executing agency	An evaluation of the executing agency's fiduciary capacity found a low level of fiduciary risk. The UES that managed loans 1819/OC-UR and 2605/OC-UR will be responsible for management of this operation as well. 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 UES 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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2. 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	The UES should bring on one additional staff member with experience in waste management and street cleaning and designate a resource person at the Street Cleaning Division for this role.

- 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.
- Exceptions to policies and guidelines: No exceptions to Bank policies are anticipated.

¹ Use of country systems in the operation (any system or subsystem subsequently approved can be used for this operation in accordance with the terms of the Bank's validation).

II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

Exchange rate. The exchange rate to be used for justifying expenditures in the borrower's local currency is as established in Article 4.10(b)(ii) of the General Conditions of the Loan Contract.

Audits. During program execution, the borrower, through the executing agency, will submit an audited financial report within 120 days after the close of each fiscal year. It will also submit a final audit report within 120 days after the date of the last disbursement. The terms of reference and audit arrangements will follow the guidelines established in document OP-273-12. Program audits will be performed by the National Audit Office, both of which are Bank-eligible.

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 responsible for reviewing the technical specifications and terms of reference for procurements during the preparation of selection processes. This technical review can be 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 / Retroactive financing	Advance procurement, retroactive financing, and recognition of expenditures. The Bank may 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 have been met in both cases. Those expenditures will have been incurred on or after 20 July 2021 (date of approval of the project profile) but may not in any case include expenditures incurred more than 18 months prior to the loan approval date. (See documents GN-2349-15 and GN-2350-15 and the policies on recognition of expenditures, retroactive financing, and advance procurement in document GN-2259-1).

☒	Procurement supervision	<p>The supervision method will be ex post, except in cases where ex ante supervision is warranted. 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" data-bbox="566 542 1445 712"> <tr> <th data-bbox="566 542 858 593">Works</th><th data-bbox="858 542 1150 593">Goods/services</th><th data-bbox="1150 542 1445 593">Consulting services</th></tr> <tr> <td data-bbox="566 593 858 712">ICB > US\$5,000,000</td><td data-bbox="858 593 1150 712">ICB > US\$500,000</td><td data-bbox="1150 593 1445 712">International shortlist > US\$200,000</td></tr> </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						
☒	Records and files	Project reports will be prepared and filed using the formats or 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

Description	Selection method	New procedures / tools	Estimated date	Estimated amount (US\$)
Goods				
Purchase of rear loader garbage trucks (for yard and building collections) (CT-22)	ICB		05/05/2022	9,109
Purchase of site loader garbage trucks (CL-24)	ICB		11/07/2022	2,369
Works				
Upgrade of the main collector sewer for the Mataperros basin	ICB		07/01/2022	7,750
Sanitation and drainage networks for Casabó Norte-Rincón del Cerro	ICB		06/12/2023	6,355
Consulting firms				
Arteaga network asset management plan - Initial inspection	Quality and cost-based selection (QBCS)		11/07/2022	2,200
Institutional strengthening of the solid waste management and street cleaning sector	QBCS		04/02/2022	2,200

To access the 18-month procurement plan, [click here](#).

IV. AGREEMENTS AND REQUIREMENTS FOR FINANCIAL MANAGEMENT

☒	Programming and budget	<p>The UES's budget, as part of the municipal budget, is managed through the Financial / Economic System (SEFI). It is considered as part of the IdM's budget and approved by Montevideo's Departmental Board for each five-year government period.</p> <p>The UES 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.</p> <p>The national government will transfer the funds disbursed by the IDB into a program-specific bank account that the IdM will open at Banco de la República Oriental del Uruguay to make program-related payments.</p> <p>The disbursement modality will be advances of funds based on real liquidity needs backed by financial and disbursement projections. Preferably, advances will be made on a semiannual basis once supporting documentation has been provided for at least 80% of the amount advanced. Expenditure justification forms and financial planning spreadsheets will have to be submitted as required documentation. Online Disbursements will be used to process disbursement requests.</p> <p>The exchange rate for converting payments made in local currency into the loan currency will be the rate in effect on the date of payment.</p>
☒	Accounting, information systems, and reporting	<p>The execution unit's accounting department will manage the program's budget accounts in the SEFI following the guidelines of the IdM's Financial Resource Department. The program will also have an accounting software package (Massari) for keeping records on program transactions. Accounting will adhere to International Financial Reporting Standards. The financial statements to be issued on a regular basis will be the statement of receipts and disbursements and the statement of cumulative investments, as well as those financial statements' respective memos.</p>
☒	Internal control and internal auditing	<p>The IdM has an Internal Audit Office that will ultimately conduct reviews of program execution falling within its mandate. Under prevailing legislation, the National Audit Office conducts preventive interventions for expenditures (procurements conducted with program resources) and payments made to vendors/contractors/consultants selected for the program.</p>

<input checked="" type="checkbox"/>	<p>External control and financial reports</p>	<p>The executing agency will select and contract external audit services in accordance with the terms of reference previously agreed upon with the Bank. The terms of reference will require annual financial audits in accordance with the International Standards on Auditing, to be submitted no later than 30 April of the year after the review. The final audit report will be submitted within 120 days after the date of the last disbursement. Audit arrangements will adhere to the guidelines established in the financial management guidelines (document OP-273-12).</p> <p>Audit costs will be financed with resources from the local counterpart contribution. Audits may be performed by the National Audit Office or an independent audit firm.</p>
<input checked="" type="checkbox"/>	<p>Financial supervision</p>	<p>Annual site visits will be made to verify compliance with the fiduciary agreements. The Bank will also participate in the launch workshops and the annual planning monitoring workshops, to be coordinated with the Project Team Leader.</p>

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/21

Uruguay. Increase in the Conditional Credit Line for Investment Projects (CCLIP)
for the Montevideo Urban Sanitation Program (UR-X1001)
(Amendment of Resolution DE-156/06)

The Board of Executive Directors

RESOLVES:

To amend paragraph 1 of Resolution DE-156/06, approved on 13 December 2006, to read as follows:

“1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such agreement or agreements as may be necessary with the Eastern Republic of Uruguay, to establish the Conditional Credit Line for Investment Projects (CCLIP) for the Montevideo Urban Sanitation Program (UR-X1001), hereinafter referred to as the “Credit Line”, of up to the sum of up to US\$248,600,000, chargeable to the resources of the Bank’s Ordinary Capital”.

(Adopted on _____ 2021)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/21

Uruguay. Loan ____/OC-UR to the Eastern Republic of Uruguay
Urban Sanitation Program (PSU) Stage VI. Third Individual
Operation under the Conditional Credit Line for
Investment Projects (CCLIP) (UR-X1001)

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Eastern Republic of Uruguay, as borrower, for the purpose of granting it a financing aimed at cooperating in the execution of the Urban Sanitation Program (PSU) Stage VI, which constitutes the third individual operation under the Conditional Credit Line for Investment Projects (CCLIP) (UR-X1001) approved by Resolution DE-156/06 on October 13, 2006, modified by Resolution DE-___/21 on _____, 2021. Such financing will be for the amount of up to US\$70,000,000, from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on _____ 2021)