

Public Disclosure Authorized

LOAN NUMBER 9615-UY

Loan Agreement

(Institutional Strengthening for Greater Competitiveness in Uruguay Project)

between

THE ORIENTAL REPUBLIC OF URUGUAY

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Public Disclosure Authorized

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between THE ORIENTAL REPUBLIC OF URUGUAY (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or the Appendix to this Agreement.

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower the amount of sixteen million Dollars (US\$16,000,000) (“Loan”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee is one-quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge is one-quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion, subject to Section 3.02(e) of the General Conditions.
- 2.06. The Payment Dates are January 15th and July 15th in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower, through the MEF, shall carry out the Project in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS

- 4.01. The Additional Condition of Effectiveness consists of the following, namely, that the Borrower has adopted the Operational Manual in a manner acceptable to the Bank.

4.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Borrower's Representative is its Ministry of Economy and Finance.

5.02. For purposes of Section 10.01 of the General Conditions:

Ministerio de Economía y Finanzas
Colonia No. 1089, Piso 3
CP: 11100
Montevideo, Uruguay; and

(b) the Borrower's Electronic Address is:

E-mail:
organismos.multilaterales@mef.gub.uy

5.03. For purposes of Section 10.01 of the General Conditions:

(a) the Bank's address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and

(b) the Bank's Electronic Address is:

Telex:	Facsimile:	E-mail:
248423(MCI) or 64145(MCI)	1-202-477-6391	mfay@worldbank.org

AGREED as of the Signature Date.

**THE ORIENTAL REPUBLIC OF
URUGUAY**

By Minister Azucena Arbeleche

Authorized Representative

Name: Minister Azucena Arbeleche

Title: Minister

Date: 19-Jan-2024

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By Marianne Fay

Authorized Representative

Name: Marianne Fay

Title: Country Director

Date: 19-Jan-2024

SCHEDULE 1

Project Description

The objective of the Project is to strengthen the MEF's institutional capacity in areas related to data analytics, climate change governance, and market institutions.

The Project consists of the following parts:

Part 1: Public financial management and climate change governance

1. *Consolidation and interoperability of the public financial management capacity*

Supporting the ongoing modernization of the public financial management ecosystem to ensure the interoperability and the exchange of information across the MEF systems, including, *inter alia*: (a) designing, testing, and deploying new functionalities in the budget and treasury offices (including the systematization of the budget formulation process, budget credit projections module, payroll system management); (b) developing new “easy budget” dashboard and mobile application; (c) designing and implementing modules to embed climate change risk, mitigation, and adaptation measures in the public financing management processes; (d) renewing and expanding information technology infrastructure to deliver services better and update the performance of systems in place in the MEF; and (e) providing training and capacity building to support the implementation of new information systems, among others.

2. *Data analytics and artificial intelligence tools for economic management*

Supporting the development and implementation of data analytics and artificial intelligence tools, as well as the expansion of the MEF's e-government service catalog, including, *inter alia*: (a) developing models and data analytics tools for the production, processing, analysis, and dissemination of information for macro-economic, fiscal, and trade policy analysis (including the incorporation of climate change considerations into models); (b) developing analytical reports to provide disaggregated fiscal and financial information related to budget allocations, public employment, and public sector compensation policies to develop gender-informed policies (including the carrying out of a gender assessment of the public financial management ecosystem to enhance gender-responsiveness); (c) designing, piloting and deploying machine learning tools using the MEF's databases to enhance evidence-based decision-making and support fiscal policy and tax and customs administration; and (d) deploying, parameterizing, configuring, and testing of online services for citizens and firms provided by the MEF including registries for auditors, foreign firms, investment incentives, and rental real-estate.

3. *Support for climate change management information systems*

Facilitating the integration of climate change mitigation and adaptation measures into the MEF's planning and financial management systems, including, *inter alia*: (a) assessing the MEF's climate governance arrangements; (b) evaluating the alignment of fiscal policy with climate change commitments and the effectiveness of policy instruments; (c)

developing the methodologies and regulatory instruments to support the integration of climate change considerations into the MEF's long-term development strategies, fiscal risk assessments, budget estimates, and public investment management practices; and (d) integrating climate change information in SIIF and public investment management information systems.

Part 2. Strengthening market institutions

1. *Promotion of competition*

Supporting the establishment of more effective competition policies to strengthen market contestability and enable private sector investment, including, *inter alia*: (a) developing and implementing the mergers and acquisitions regulatory regime to limit the negative impact of market consolidation on consumers; (b) strengthening the investigative capabilities of the CDPC with a focus on the anti-cartel policy (including the identification of collusion risks in public procurement through innovative machine learning data analytics in cooperation with the ARCE); (c) setting up an economic analysis team/chief economist in the Competition Commission with a focus on market analysis a pro-competition reform; and (d) implementing pro-competitive reforms that increase competition and consumer protection in the financial sector.

2. *Consumer protection*

Strengthening the UDECO's efforts to update its regulatory framework and strengthen compliance, including, *inter alia*: (a) strengthening the regulatory framework for consumer protection to bring it up to date (including gender-neutral considerations in writing, addressing greenwashing, and online consumer protection provisions); (b) reforming the complaints processing system to facilitate mediation as a faster way to solve disputes in a less resource intensive manner through alternative dispute resolution; (c) assessing consumer protection litigation process following expedited processes, to evaluate claim objectives and rate processes' successes or failures, and results, to identify improvement areas; and (d) developing the UDECO's management information systems to support registries and client services.

Part 3. Project management and change management

Supporting: (a) the Project coordination and management, including the strengthening of the PCU with adequate fiduciary capacity and implementation capacity; and (b) carrying out: (i) training, capacity building, and public awareness campaigns to improve communication and ensure transparency and access to information for the general public; (ii) institutional strengthening activities to support the MEF's priority areas and other entities responsible for Project implementation in those priority areas; (iii) knowledge sharing and dissemination lessons related to Project activities; (iv) change management strategies related to the areas covered by the Project; and (v) activities related to, or sustainability of, green policies and related actions.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Borrower, through the MEF, shall operate and maintain, during Project implementation, the PCU with functions, staffing, and responsibilities satisfactory to the Bank, including, *inter alia*: (a) a Project coordinator; (b) a monitoring and evaluation specialist; (c) a procurement specialist; (d) a financial management specialist; and (e) technical and administrative support personnel.
2. The Borrower shall carry out the Project in accordance with the Operational Manual; such manual to include, *inter alia*: (a) the procedures for carrying out procurement, financial management, monitoring, and evaluation activities under the Project; (b) the coordination mechanisms and arrangements between the PCU and government entities benefitting from and participating in the Project; (c) the final format of the Project financial state, chart of accounts, and the interim unaudited financial reports for the Project; and (d) the performance indicators to be used for monitoring and evaluating the implementation of the Project. In the case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

B. Environmental and Social Standards.

1. The Borrower shall ensure that the Project is carried out in accordance with the Environmental and Social Standards in a manner acceptable to the Bank.
2. Without limitation upon paragraph 1 above, the Borrower shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan (“ESCP”) in a manner acceptable to the Bank. To this end, the Borrower shall ensure that:
 - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;
 - (b) sufficient funds are available to cover the costs of implementing the ESCP;
 - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP, and
 - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended, or waived, except as the Bank shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.

4. The Borrower shall ensure that:
 - (a) all measures necessary are taken to collect, compile, and furnish to the Bank through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Bank, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Bank, setting out, inter alia: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
 - (b) the Bank is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public, or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
5. The Borrower shall establish, publicize, maintain, and operate an accessible grievance mechanism to receive and facilitate the resolution of concerns and grievances of Project-affected people and take all measures necessary and appropriate to resolve or facilitate the resolution of such concerns and grievances in a manner acceptable to the Bank.

Section II. Project Monitoring Reporting and Evaluation

The Borrower shall furnish to the Bank each Project Report not later than forty-five (45) days after the end of each calendar semester covering the calendar semester.

Section III. Withdrawal of Loan Proceeds

A. General.

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to (a) finance Eligible Expenditures; and (b) pay the Front-end Fee; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, non-consulting services, consulting services, Operating Costs, and Training Costs for the Project	15,960,000	100%

(2) Front-end Fee	40,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
TOTAL AMOUNT	16,000,000	

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date, except those withdrawals up to an aggregate amount not to exceed US\$3,200,000 may be made for payments made twelve (12) months prior to the Signature Date, for Eligible Expenditures.
2. The Closing Date is March 30, 2029.

SCHEDULE 3

Commitment-Linked Amortization Repayment Schedule

The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”).

Level Principal Repayments

Principal Payment Date	Installment Share
On each January 15 and July 15 Beginning January 15, 2030 through July 15, 2033	12.50%

APPENDIX

Definitions

1. “Anti-Corruption Guidelines” means, for purposes of paragraph 6 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants” dated October 15, 2006, and revised in January 2011 and as of July 1, 2016.
2. “ARCE” means the Borrower’s *Agencia Reguladora de Compras Estatales*, the Regulatory Agency for State Purchase, or any successor thereto.
3. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
4. “CPDC” means the Borrower’s *Comisión de Promoción y Defensa de la Competencia*, the Commission for the Promotion and Protection of Competition, or any successor thereto.
5. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated October 26, 2023, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Borrower shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring, and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
6. “Environmental and Social Standards” or “ESSs” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Bank.
7. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing”, dated December 14, 2018 (last revised on July 15, 2023).
8. “MEF” means the Borrower’s Ministry of Economy and Finance.

9. “Operating Costs” means reasonable recurrent expenses (other than consulting services) directly related to the execution of the Project activities incurred by the Borrower, through the MEF, which would not have been incurred absent the Project, all as approved by the Bank, including, *inter alia*: rental and maintenance of equipment, vehicles and facilities, rental of office facilities, office utilities, and transportation costs and *per diem* of the Borrower’s staff assigned to Project supervision.
10. “Operational Manual” means the Borrower’s manual, acceptable to the Bank, referred to in Section I.A.2 (a) of Schedule 2 to this Agreement, as said manual may be amended from time to time with the Bank’s prior approval.
11. “PCU” means the Project Coordinating Unit referred to in paragraph 1 of Section I.A.1 of Schedule 2 to this Agreement.
12. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated September 2023.
13. “Signature Date” means the later of the two dates on which the Borrower and the Bank signed this Agreement, and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.
14. “SIIF” means *Sistema Integrado de Información Financiera*, the Borrower’s Integrated Financial Information System.
15. “Training Costs” means the reasonable expenditures (other than those for consulting services) incurred by the Borrower, through the MEF, in connection with the carrying out of training activities (including workshops, conferences, and seminars) under the Project, including travel costs, *per diem* of trainers and trainees, facilitators and stakeholders, and training materials.
16. “UDECO” means the Borrower’s *Unidad de Defensa del Consumidor*, the Consumer Protection Unit, or any successor thereto.