Report Number: ICRR0023394

1. Operation Information

Operation ID P172796	**Operation Name** UY - COVID-19 & Economic Recovery
Country Uruguay	**Practice Area (Lead)** Environment, Natural Resources & the Blue Economy

Non-Programmatic DPF

L/C/TF Number(s) IBRD-91400	**Closing Date (Original)** 30-Jun-2021	**Total Financing (USD)** 400,000,000.00
Bank Approval Date 25-Jun-2020	**Closing Date (Actual)** 31-Dec-2021	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	400,000,000.00	0.00
Revised Commitment	400,000,000.00	0.00
Actual	400,000,000.00	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
Nestor Ntungwanayo	Fernando Manibog	Avjeet Singh	IEGSD

2. Program Objectives and Pillars/Policy Areas

a. Objectives

As per the Program Document on page 22, "the Program Development Objective (PDO) of the COVID-19 Response and Economic Recovery Development Policy Loan (DPL) was to support the Government of Uruguay in (i) mitigating the economic and social impact of the COVID-19 outbreak and (ii) laying the foundations for a strong and resilient economic recovery." The PDO was unchanged throughout the period of implementation of the stand-alone Development Policy Loan (DPL) operation.

Toward assessing the performance of the DPL and in line with OPCS guidelines, this review will unpack the PDO as follows:

- PDO-1: To mitigate the economic and social impact of the COVID-19 outbreak; and
- PDO-2: To lay the foundations for a strong and resilient economic recovery.

b. Pillars/Policy Areas

The operation was underpinned by 9 Prior Actions (PAs) presented below, which were structured around the two pillars of the program and completed before disbursement.

Pillar 1 – Mitigating the Economic and Social Impact of the Covid-19 Outbreak

The 5 PAs described below were completed ahead of the operation's legal approval:

Prior Action #1: Adoption of measures of a countercyclical nature to contain the impact of COVID-19, including: (i) creating a COVID-19 fund to cover sanitary, economic, and social needs and other consequences of the pandemic; (ii) allowing the temporary entry or exit, free of all taxes, and subject to a simplified customs procedure, for assistance and rescue shipments of specific medical supplies needed for COVID-19 testing and treatment; (iii) providing tax relief by deferring VAT payments for small companies; and (iv) reducing the personal and employer contributions for micro-enterprises in retail and industry, as evidenced, respectively, by: (i) Law No. 19,874, promulgated on April 8, 2020, and published in the Official Gazette on April 16, 2020; (ii) MEF Resolution SN/020 promulgated on March 24, 2020 and published in the Official Gazette on March 27, 2020; (iii) DGI Resolution No. 550/2020 dated March 20, 2020 and published in the Official Gazette on March 23, 2020 ; and (iv) Law No. 19,872 promulgated on April 3, 2020 and published in the Official Gazette on April 16, 2020.

Prior Action #2: Three social assistance programs strengthened to alleviate the impacts of the COVID-19 pandemic on the most vulnerable population, including (i) the one-time doubling of monthly benefits paid through the “Tarjeta Uruguay Social” (TUS) program that supports vulnerable families to buy basic goods; (ii) the payment of an additional amount equivalent to fifty percent of the monthly benefit to participants of its “*Asignaciones Familiares-Plan de Equidad*” cash transfer program for children of socially vulnerable families; and (iii) the introduction of a program of distributions of food baskets among vulnerable households that do not receive other government transfers; as evidenced by: (i) Presidential Resolution No. DS/14 dated April 1, 2020; (ii) MEF Resolution No. 53/020 dated April 3, 2020; and (iii) Letter, dated May 11, 2020, from the Minister of the Economy and Finance.

Prior Action #3: Adoption of emergency measures to protect workers by: (i) putting in place a temporary unemployment scheme that complements its existing one by providing salary replacement in case of partial suspensions, and (ii) modifying the sickness benefits regulations to allow workers aged over sixty-five to maintain their income while staying quarantined for up to thirty days, as evidenced, respectively, by (i) MTSS Resolutions No. 524/020, 525/020, and 539/020, dated March 18, 2020, March 20, 2020, and April 3, 2020, respectively, published in the Official Gazette on May 19, 2020 (the first two), and on May 20, 2020 (the third one); and (ii) Decree No. 109/020, promulgated on March 25, 2020 and published in the Official Gazette on April 2, 2020.

Prior Action #4: Institutional response to violence against women and children, particularly domestic and intimate violence strengthened; as evidenced by Decree No. 339/019 promulgated on November 11, 2019, and issued in the Official Gazette on November 27, 2019.

Prior Action #5: Emergency measures to support access to finance for MSMEs in the face of economic shocks due to COVID-19 adopted, including: (a) enhancing risk coverage through a new enhanced credit guarantee program for affected small businesses, and (b) providing liquidity to firms by expanding the National Development Agency's (ANDE) directed credit program for MSMEs that have been financially affected by COVID-19; as evidenced, respectively, by: (i) Minutes of the Meetings between CND, MEF, and ANDE No. 01-2020 dated April 6, 2020, and No. 02-2020 dated April 8, 2020, resolving to create SIGA Emergencia and subsequently to modify it to increase the percentage of coverage to 80%; and (ii) Minutes of ANDE's Board of Directors Meeting No. 10/2020, dated March 25, 2020.

Pillar 2- Laying the Foundations for a Strong and Resilient Economic Recovery

The 4 PAs supporting the Pillar 2 are described below and were completed ahead of the operation's legal approval:

Prior Action #6: Measures to reduce tax expenditures by reducing the discount of the VAT in transactions related to gambling, gastronomic services, catering services and car rental services adopted; as evidenced by Decree No. 97/020, promulgated on March 11, 2020 and published in the Official Gazette on March 23, 2020; and by Law No. 19,820, promulgated on September 18, 2019 and published in the Official Gazette on September 27, 2019.

Prior Action #7: Measures to improve business environment by reducing the administrative complexity and costs of business registration adopted; as evidenced, respectively, by: (i) Decree 65/020 dated February 17, 2020 and published in the Official Gazette on March 4, 2020; and (ii) Decree 66/020 dated February 17, 2020, published in the Official Gazette on March 5, 2020.

Prior Action #8: Strengthened institutional capacity to prepare for and respond to emergency and disaster risk by: (i) issuing regulations for the functioning of the National Emergency System (SINAE), and (ii) adopting a new national policy for comprehensive management of emergency and disaster risks in Uruguay for the period 2019-2030; as evidenced by MGAP Resolution No. 1723, dated November 22, 2019.

Prior Action #9: The Borrower has adopted a national plan for adaptation to climate variability and climate change for the agriculture sector, as evidenced by MGAP Resolution No. 1723, dated November 22, 2019.

c. Comments on Program Cost, Financing and Dates

The Uruguay's COVID-19 response and economic recovery DPL was a one-off operation funded by a US$400 million International Bank for Reconstruction and Development (IBRD) loan disbursed in one tranche.
The operation was approved on June 25, 2020, became effective on January 27, 2021, and closed on December 31, 2021, six months after the original closing schedule.

3. Relevance of Design

a. Relevance of Objectives

The DPL objectives were consistent with the Government priorities. The new Government, which took office on March 1, 2020, identified fiscal consolidation as a top priority and swiftly introduced measures to reduce the fiscal deficit by 0.5 percent of GDP. The measures included imposing a ceiling on public spending, initiating structural reforms of state-owned enterprises (SOEs), and eliminating inefficient tax expenditures. However, the COVID-19 outbreak forced the Government to temporarily change priorities to respond to the health emergency and its economic impacts. On March 13, 2020, through Decree 93/020, the Government declared a “Health Emergency,” introducing a series of emergency measures to prevent the spread of the disease. A package of social and economic measures was quickly adopted to provide relief to workers and firms affected by the fallout. These actions are testimony to the Government's commitment to instituting a fiscal discipline that safeguards fiscal and debt sustainability while at the same time addressing a health emergency.

The DPL objectives were aligned with the WBG strategies. The proposed operation was fully aligned with the 2016-20 Country Partnership Framework (CPF) and the 2018 PLR, notably as it supports Uruguay in “Building Resilience to shocks.” The 2015 Systematic Country Diagnostic (SCD) had identified the need to “build resilience to face economic volatility and extreme weather events” as one of the three main challenges for Uruguay. Accordingly, the CPF’s first Focus Area was dedicated to “building resilience to shocks.” This operation responded to the immediate need to cushion the pandemic's impact on the most vulnerable workers and firms (Pillar 1) and lays the ground for a strong recovery (Pillar 2), through enhanced resilience to future shocks.

Both the Government and the WB completed the groundwork required to support the DPL implementation. Many of the prior actions completed before the operation approval were informed by recently completed analytical work, including: (i) the comprehensive analysis on Social Inclusion (P168042), looking at the persisting sources of exclusion and pockets of poverty, (ii) the analytical and technical work conducted under the comprehensive public expenditure review as well as (iii) the gender gap assessment. The operation was part of a package of coordinated financial assistance from international partners, including the IDB, CAF and FONPLATA, in response to the COVID-19 outbreak. The Government then worked with multilaterals to seek new financing from IFIs for the health emergency and its economic and social impacts. Given the focus on the immediate response to the COVID-19 outbreak, these parallel budget support operations from external donors were focusing on a similar set of policy measures in support of the most vulnerable households and the MSMEs, thereby reinforcing each other in supporting the DPL impact and the beneficiary Government.

b. Relevance of Prior Actions

Rationale

The discussion and assessment of the 9 Prior Actions draws from the material on pages 14-21 of the ICR.

PDO-1 – Mitigating the Economic and Social Impact of the Covid-19 Outbreak	Relevance Rating
PA#1: The Borrower has adopted the following measures of a countercyclical nature to contain the impact of COVID-19	**Satisfactory**
PA#2: The Borrower has strengthened three social assistance programs to alleviate the impacts of the COVID-19 pandemic on the most vulnerable population.	**Satisfactory**
PA#3: The Borrower has adopted emergency measures to protect workers.	**Satisfactory**
PA#4: The Borrower has strengthened its institutional response to violence against women and children, particularly domestic and intimate violence.	**Satisfactory**
PA#5: The Borrower has adopted emergency measures to support access to finance for MSMEs in the face of economic shocks due to COVID-19.	**Satisfactory**
PDO-2- Laying the Foundations for a Strong and Resilient Economic Recovery	
PA#6: The Borrower has adopted measures to reduce its tax expenditures by reducing the discount of the VAT in transactions related to gambling, gastronomic services, catering services and car rental services.	**Satisfactory**
PA#7: The Borrower has adopted measures to improve its business environment by reducing the administrative complexity and costs of business registration,	**Moderately Satisfactory**
PA#8: The Borrower has strengthened its institutional capacity to prepare for and respond to emergency and disaster risk.	**Moderately Satisfactory**
PA#9: The Borrower has adopted a national plan for adaptation to climate variability and climate change for the agriculture sector.	**Moderately Satisfactory**

- **Pillar 1 – Mitigating the Economic and Social Impact of the Covid-19 Outbreak**

Prior Action #1: **Adopting measures of a countercyclical nature to contain the impact of COVID-19**. The goal of the set of temporary measures was to provide countercyclical support by financing extraordinary health and social security outlays and reduce the number of vulnerable households falling into poverty. This category of spending was expected to moderate as the pandemic abates and containment measures are lifted. The results indicators intended to measure the counter-cyclical fiscal effect of these measures. Key measures implemented in support to the PA#1 aimed to: (i) create a COVID-19 fund to cover sanitary, economic, and social needs and other consequences of the pandemic; (ii) allow the temporary entry or exit, free of all taxes, of assistance and rescue shipments of specific medical supplies needed for COVID-19 testing and treatment; (iii) provide tax relief by deferring VAT payments for small companies; and (iv) reduce the personal and employer contributions for micro-enterprises in retail and industry. However, because this was an emergency operation, the ICR did not indicate that appropriate studies and lessons learned were fully brought to contribution. The above measures were credible and relevant and had a quick impact on both the Government expenses and the financial situation of vulnerable households. Overall, measures and actions completed under PA#1 were adequate and effective in the pursuit of the first PDO, and their relevance is rated **Satisfactory**.

Prior Action #2: Strengthening three social assistance programs to alleviate the impacts of the COVID-19 pandemic on the most vulnerable population. The goal was to limit the increase of extreme poverty incidence in the face of the COVID-19 pandemic. The swift deployment of emergency measures to contain the impact of the crisis on the most vulnerable groups was expected to flatten the curve of growth in extreme poverty and keep its levels low. Measures completed prior to the operation approval under the PA#2 were as follows: (i) the one-time doubling of monthly benefits paid through the program supporting vulnerable families to buy basic goods; (ii) the payment of an additional amount equivalent to fifty percent of the monthly benefit to participants of its cash transfer program for children of socially vulnerable families; and (iii) the introduction of a program of distributions of food baskets among vulnerable households that do not receive other government transfers. However, because this was an emergency operation, the ICR did not indicate that appropriate studies and lessons learned were fully brought to contribution. In sum, the measures supported by this operational under PA#2 were specific and targeting the poorest segment of the society and had the potential to mitigate the impact of the COVID-19 crisis on the poor category of population. Based on the above description of implementation measures, the relevance of the PA#2 in its capacity to contribute to the PDO-1 is rated as **Satisfactory**.

Prior Action #3: Adopting emergency measures to protect workers. Expected results were the strengthening and expansion of the unemployment insurance schemes which would contain possible impacts on the unemployment rate during the COVID-19 pandemic, and through the number of workers being temporarily protected by the unemployment insurance due to suspensions or partial suspensions. The beneficiaries were expected to rapidly rise in 2020, but then decline as the crisis abates. Measures implemented under PA#3 aimed to (i) put in place a temporary unemployment scheme that complements an existing one by providing salary replacement in case of partial suspensions, and (ii) modify the sickness benefits regulations to allow workers aged over sixty-five to maintain their income while staying quarantined for up to thirty days. These measures were specific (although limited), credible and relatively impactful in the short term, and effective in creating results supporting the PDO-1. The relevance of PA#3 is rated **Satisfactory.**

Prior Action #4: Strengthening the institutional response to violence against women and children, particularly domestic and intimate violence. Under this PA#4, the Government aimed to further protect the women from their perpetrators, in the context of the confinement applied in response to the COVID-19 outbreak and the associated risks of intensification of violence against women and girls (VAWG). VAWG was associated with a wide range of detrimental physical and psychological effects on the health of the survivor and their families, as well as indirect economic costs, with an annual average cost of VAWG across countries representing as much as 3.7 percent of GDP (PAD p. 27). The key planned action under PA#4 was the expansion of the use of electronic bracelets. The key action under PA#4 was selective and realistic, but limited, and had the potential to contribute to the achievement of the PDO in mitigating the risk of adverse effects of the Covid-19 Outbreak on the women and girls, and consequently, the relevance of the PA#4 is rated **Satisfactory**.

Prior Action #5: Supporting access to finance for MSMEs in the face of economic shocks due to COVID-19. The expected impact of measures and actions initiated in the context of the PA#5 was to support the continued operations of MSMEs and prevent a more dramatic contraction of economic output during the COVID-19 crisis. Key actions planned under this PA#5 were as follows: (i) to enhance the risk coverage through a new enhanced credit guarantee program for affected small businesses, and (b) to provide liquidity to firms by expanding the National Development Agency's (ANDE) directed credit program for MSMEs that have been financially affected by COVID-19. The two actions were specific and credible, and aimed to shield the categories of MSMEs against the adverse effects of the pandemic and had the potential to contribute to the achievement of the PDO-1. However, the effectiveness of this measure during a period of total lockdown was uncertain, and the relevance of the PA#5 is rated **Satisfactory.**

- **Pillar 2- Laying the Foundations for a Strong and Resilient Economic Recovery.**

Prior Action #6: Reducing the discount of the VAT in transactions related to gambling, gastronomic services, catering services and car rental services. A sizable increase in public debt reduced fiscal space and severely curtailed the use of countercyclical fiscal policy to tackle emergencies like COVID-19. Large deficits arose from a wide spectrum of special tax exemptions and tax treatment, mostly related to VAT. The immediate goal of the PA#6 was to eliminate exemptions or differential rates in the VAT and business tax exemptions, which together could deliver additional tax revenues of 2 percent of GDP. Actions planned under this PA#6 aimed to increase tax revenues while improving efficiency and equity in the tax system, as the lower rates benefited, disproportionally, households with above average income. The key measure consisted in reducing the discount of the VAT in transactions related to gambling, gastronomic and catering services and car rental services. This action was specific and aimed at improving equity in tax system and in creating the fiscal space to tackle the consequences of the pandemic shock, but the scope of its impact was limited. The envisioned action had the potential to affect positively the overall fiscal deficit and contribute to achieving the outcome expected from PDO-2 and is rated **Satisfactory.**

Prior Action #7: Adopting measures to improve the business environment by reducing the administrative complexity and costs of business registration. The goal of the PA#7 was to reform the business registration, by establishing a streamlined registration process and the option to incorporate electronically and use digital signatures. Such reform would facilitate the establishment of new firms and their growth, and this measure would be critical for a dynamic and lasting recovery after the crisis. The planned measures under PA#7 were specific, credible, and susceptible to contribute to the growth of the private business, which will key to achieving the outcome expected from PDO-2. However, business environment encompasses many facets and aspects, and this prior action, while useful, will have a limited impact. Its relevance is rated **Moderately Satisfactory.**

Prior Action #8: Strengthening institutional capacity to prepare for and respond to emergency and disaster risk. The goal of the PA#8 was for the Government to rebalance public investments towards resilient infrastructure across sectors through improved planning and enhanced norms and standards that would allow infrastructure and their associated services to withstand disaster risks. Key measures were: (a) issuing regulations for the functioning of the National Emergency System; and (b) adopting a new national policy for comprehensive management of emergency and disaster risks in Uruguay from 2019-2030. While these actions were relevant and had the potential to support the achievements expected from the PDO-2, their design was pitched very low. Regulations and a national policy cannot generate results in the short term, and a theory of change can hardly be established. The relevance of the PA#7 is rated **Moderately Satisfactory.**

Prior Action #9: Adopting a national plan for adaptation to climate variability and climate change for the agriculture sector. The goal was to have in place a national plan for adaptation to climate variability and climate change for the agriculture sector. While relevant, the PA#9 was pitched very low, and it was difficult to develop a result chain for this PA#9. A plan in itself cannot generate results in the short run. In conclusion, while the PA#9 was relevant, its efficacy and effectiveness were limited, and this review assesses its relevance as **Moderately Satisfactory.**

Rating

Satisfactory

4. Relevance of Results Indicators

Rationale

The table below is the matrix illustrating the results logic between the PDO, the PAs and the results framework. The discussion and rating of the relevance of the results indicators draw from the material presented on pages 22-28 and the Annex of the ICR.

Results Indicators (RI)	Associated Prior Action	RI Relevance Rating	Baseline/ (Revised)	Target (Revised)	Actual Value	Actual change in RI relative to targeted change	Achievement Rating
PDO-1: To mitigate the Economic and Social Impact of the Covid-19 Outbreak							
RI#1: Nominal growth of discretional public spending (% of GDP)	PA#1	S	11.3 percent (2019)	12 percent or higher (2020) <7 percent (2021	9 percent (2020) and 10.6 percent 2021)	75% of target (2020) 88% of target (2021)	Substantial
RI#2: Extreme poverty incidence	PA#2	MS	0.2 percent (2019)	< 1 percent (2020)	2020: 0.4 percent).	100 percent of target in 2020	Substantial
RI#3: Number of workers temporarily protected by unemployment insurance from the effects of lay-offs or partial suspensions.	PA#3	S	Zero (2019)	50,000 or higher (2020) Zero (2021)	2020: 52,777 and 2021: 17,687). July 2022: 169.	106 percent of target in 2021. Target missed in 2021	Substantial
RI#4: Number of women benefitting from enhanced protection from their perpetrators thanks to the use of electronic bracelets.	PA#4	S	1,050 (2019)	2,050 (2021)	2,088 (2021)	100 percent of the target	High
RI#5a: Increase in the volume of guarantees granted to MSMEs. **RI#5b**: Number of MSMEs accessing credit.	PA#5	S	(a) 0 (2019) (b) 1,901 (2019)	(a) US$156mn (2020) (b) 2,500 (202 0)	(a) US$514.5 million). (b) either 5,873 or 17,687	(a) 330 percent of the target.	High

						(b) More than 100 percent	High
PDO-2: To lay the Foundations for a Strong and Resilient Economic Recovery							
RI#6: Decrease in tax expenditure in VAT as a percentage of GDP.	PA#6	S	3.14 percent of GDP (2019)	3.1 percent of GDP (2021)	2.86 (2021)	109 percent of the target.	Substantial
RI#7: Number of days to register a new business.	PA#7	S	6.5 (2019)	4.5 (2021)	6 (2021)	67 percent of the target.	Modest
RI#8: Adoption of norms and standards for the resilience of infrastructure	PA#8	MS	No (2019)	Yes (2021)	Yes (2022)	100 percent of the target.	Substantial
RI#9: Number of hectares of natural grasslands managed under climate smart practices.	PA#9	MS	Zero ha (2019)	300,000 ha (2021)	More than 300,000 ha (2022)	More than 100 percent	Substantial

PDO-1: To mitigate the Economic and Social Impact of the Covid-19 Outbreak.

- **RI#1: The selected indicator for the PA#1 was to measure "the nominal growth of discretional public spending"**, which aimed to measure the increase in additional resources needed to revive economic activity, and then a decrease following economic revitalization. This indicator was a macroeconomic indicator reflecting countercyclical financing through increased discretional public spending to address negative effects of the pandemic, which was expected to diminish following the resumption of economic activity. The indicator was sound, as it aimed to measure budget resources available to prime the pump of economic activity, and then the effect of reverse measures when the pandemic is under control. While difficult to closely monitor in the short-term (it is an annual consolidated indicator), the indicator was adequate to measure the impact of the countercyclical measures undertaken under the PA#1 and its relevance is rated **Satisfactory.**

- **RI#2: The indicator for the PA#2 aimed to monitor the trend of extreme poverty incidence** and consisted in keeping low the population falling in extreme poverty because of the COVID-19 below 1 percent. The three measures envisioned under PA#2 were specific and credible and were initiated by the Government authorities in charge of managing the COVID-19 pandemic. The indicator was relevant but was difficult to monitor monthly for a one-year operation. While the indicator was appropriate, regular monitoring of the indicator was difficult, and the relevance of the result indicator is rated **Moderately Satisfactory.**

- **RI#3: The RI#3 to measure the performance of the PA#3 was the number of workers temporarily protected by unemployment insurance from the effects of lay-offs or partial suspensions.** There was a logical link between the measures initiated under the PA#3 and this indicator. Progress was to be assessed by the number of workers being temporarily protected by unemployment insurance due to full or partial suspensions, which were to increase rapidly at first and then decline as the crisis abated. The indicator was realistic, specific and credible. It was directly relevant to measure the impact of the PA#3 on achieving the expected outcomes of tPDO-1 and is rated **Satisfactory.**

- **RI#4. The indicator for the PA#4 was the number of women benefitting from an enhanced protection from their perpetrators thanks to the use of electronic bracelets**. PA#4 intended to curb the negative impact of COVID-19 on the female population resulting from the lockdown. There was a results chain between the PA#4, and the PDO-1, and the selected indicator aimed to measure the impact of the PA#4 on the specific category of women in the context of COVID-19 pandemic. The indicator was simple, credible, and had the potential to measure the social impact of the PA#4. The relevance of the indicator is rated **Highly Satisfactory.**

- **RI#5: The two indicators for the PA#5 were (a) an increase in the volume of guarantees granted to MSMEs, and (b) an increase in the number of MSMEs accessing credit.** PA#5 aimed to support access to finance for MSMEs in the face of economic shocks due to COVID-19. There is a results link between the PA#5 and the PD0-1, and the RI#5 aimed to measure the impact of the new enhanced credit guarantee program for affected small businesses, and the provision of liquidity to firms by expanding the National Development Agency's (ANDE) directed credit program for MSMEs. The above results indicators were credible yardsticks to measure the impact of the PA#5 on the PDO-1 and their relevance ratings are both **Satisfactory.**

PDO-2: To lay the Foundations for a Strong and Resilient Economic Recovery

- **RI#6: The indicator for the PA#6 was the decrease in tax expenditure in VAT as a percentage of GDP and** aimed to measure the impact of reducing the discount of the VAT in a specific category of transactions (gambling, gastronomic services, catering services and car rental services) toward creating the fiscal space needed to tackle the consequences of the pandemic shock. This indicator was fiscal and macroeconomic in nature. It aimed to measure the volume of additional fiscal resources that will be generated and used to cushion the negative effects of the pandemic and favor fiscal stability. The indicator was specific, credible, and had the potential to measure the performance of the PA#6. While the indicator reporting was annual in nature and could not be monitored during implementation, its relevance is rated **Satisfactory**.

- **RI#7: The indicator of the PA#7 was the number of days to register a new business and aimed to assess the impact of reducing the administrative complexity and costs of business registration on the improvement of the business environment**. The indicator was appropriate to measure the impact of the PA#7 on the expansion of the private business required for a strong and resilient economy. The indicator was specific, measurable and monitorable during project implementation, and its relevance is rated **Highly Satisfactory.**

- **RI#8: The indicator of the PA#8 was the adoption of norms and standards for the resilience of infrastructure** and aimed to measure the impact of the PA#8 on the PDO-2. The indicator was credible and appropriate, but it was pitched very low. The indicator was an activity, and it would take a lot of time for that activity to generate outputs and outcomes toward the PDO-2. While the indicator was appropriate, the logical link between the activity and the PDO was weak, and the relevance of the R#8 is rated **Moderately Satisfactory.**

- **RI#9: The indicator of the PA#9 was the number of hectares of natural grasslands managed under climate smart practices.** The definition of this indicator was ambiguous. According to the ICR for the Uruguay Sustainable Management of Natural Resources and Climate Change Project (Report No. ICR00005720), the land area under sustainable landscape management practices reached 2.7 million ha. While the definition of that indicator and its results do not relate exclusively to natural grasslands, it is known that: (a) 87 percent of Uruguay's 17.6 million hectares of land area are agricultural lands, and (b) 77 percent of all agricultural lands are natural grasslands. Because of the ambiguity of the indicator, its relevance is rated **Moderately Satisfactory.**

Rating

Satisfactory

5. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

PDO-1: To mitigate the Economic and Social Impact of the Covid-19 Outbreak.

Rationale

The assessment of achieved results toward the PDO-1 draws from the material presented in paragraphs 22-26 of the ICR. The five PAs completed to support the PDO-1 aimed to mitigate the economic and social impact of the Covid-19 outbreak. Below is the performance achieved toward the operation goal.

Theory of change:

Neither the Program Document nor the ICR developed a theory of change, presumably because of the short-term nature of the operation. The results chain of this DPL is determined based on the relevance of the PAs and the results indicators as well, as the performance achieved against the indicator baseline and target.

Efficacy

Below is the performance achieved toward the PDO-1.

RI#1: The performance indicator was the nominal growth of discretional public spending (total public spending minus pensions and interest payments), and at closure it was exceeded, as it reached 10.6 percent at end-2021 against a target of 12.0 percent or higher in 2020 and < 7 percent in 2021, and a revised baseline of 11.3 percent. Overall, the performance of the PA#1 toward the PDO-1 was partially achieved, because the nominal growth of discretional public spending increased. By the project closure, it was still high, indicating that the Government continued supporting vulnerable categories hit by the COVID-19 crisis. The DPL contributed to the alleviation of the negative impact of the pandemic, but the target was partially achieved. While considering that Government support was needed more than planned in the DPL operation, the performance of RI#1 is rated **Substantial.**

RI#2: The expected performance indicator was to mitigate the extreme poverty incidence of the pandemic. With the pandemic, there was an expectation that negative poverty incidence would occur, mainly because of the failure of most MSMEs and general layoffs. The target was to have a poverty incidence under 1 percent of the population. The result target was achieved as actual poverty incidence was 0.4 percent at end-2020, against a target of <1 percent and a baseline of 0.2 percent. However, several households could not benefit from the social assistance programs because the poverty incidence increased during DPL implementation. Overall, the indicator performance toward the PDO-1 is rated **Substantial.**

RI#3: The performance indicator was the number of workers temporarily protected by unemployment insurance from the effects of lay-offs or partial suspensions. At closure, the target was exceeded, as the total beneficiaries amounted to 70,604 during 2020-2021, against a target of 50,000 and a baseline of 0. However, while Uruguay's long-standing unemployment insurance provided benefits to workers in the formal sector in the event of contract termination or suspension, the emergency health measures put in place by the Government resulted in workers in specific industries being forced to reduce working hours and hence face income losses without the benefit of unemployment insurance. Overall, achievement toward the PDO-1 measured by this indicator is rated **Substantial.**

RI#4: The performance target was the number of women benefitting from enhanced protection from their perpetrators thanks to the use of electronic bracelets, which was exceeded, as it reached 2,088 at the end of end-2021 against a target of 2,050, and a baseline of 1,050. At closure, the performance of measures taken under the PA#4 was satisfactory because it raised the awareness that early reporting and sustained monitoring helped prevent femicides and reduced pandemic-related stressors such as job losses, reduced income, and food insecurity. Overall, the achievement toward the PDO-1 measured by this indicator is rated **High**.

RI#5: The COVID-19 crisis reduced revenues and threatened the economic viability of otherwise healthy firms, especially MSMEs. The RI#5 aimed to measure the DPL impact on the MSMEs access to credit. Based on the results framework, the performance target of the RI#5 was achieved, as the two performance indicators were exceeded as follows: (i) the target of increased volume of guarantees granted to MSMEs was exceeded reaching US$514.5 million in 2020, against a target of US$156 million and a baseline of 0, and (ii) the target for the number of MSMEs accessing credit reached 5,873, against a target of 2,500 in 2020, and a Baseline of 1,901. Achievement toward the PDO-1 measured by the RI#5 is rated **High.**

Rating

Satisfactory

OBJECTIVE 2

Objective
To lay the foundations for a strong and resilient economic recovery

Rationale
Theory of change

Neither the Program Document nor the ICR developed a theory of change, presumably because of the short-term nature of the operation. The results chain of this DPL is determined based on the relevance of the PAs and the results indicators as well, as the performance achieved against the indicator baseline and target.

The assessment of achieved results toward the PDO-2 draws from the material presented in paragraphs 26-28 of the ICR. The four PAs supporting the PDO-2 aimed to lay the foundations for a strong and resilient economic recovery.

Efficacy

RI#6: The goal was to achieve some fiscal consolidation and create fiscal space for the Government to curb debt dynamics, preserve its investment grade status, and lay the basis for more robust economic growth. The result targets were achieved as the tax expenditures in VAT decreased by 0.3 percent of GDP between 2019 and 2021, from 3.14 percent of GDP to 2.86 percent, respectively. Gambling-related tax expenditures fell by half in nominal terms between 2019 and 2021, and other categories that explained the fall in tax expenditures were those related to disposals of fuels derived from oil, real estate disposals, and VAT reduction on purchases with credit and debit cards. The result was partially compensated by an increase in VAT expenditures related to sales exemption of taxpayers included in the simplified tax regime and tax benefits for building housing. Achievement toward the PDO-2 is rated as **Substantial.**

RI#7: In the context of this DPL, the Government aimed to improve Uruguay's regulatory environment and strengthen its capacity to shelter its economy against climate variability. The indicator target was the number of days to register a new business which was partial, as it reached six days at closure against the target of 4.5 days and a baseline of 6.5 days. This results indicator is used as a baseline for the time to start a business indicator in the 2020 Doing Business Report. Achievement of the target was to be assessed with the 2022 Report. The discontinuation of the report in 2021 prevented the consistent data collection process that would allow for a rigorous comparison. Information provided upon request for this ICR by the Agency for E-Government and Information and Knowledge Society records 6 the number of days to register a new business in 2021. The indicator is assessed as partially achieved, and contribution to the PDO-2 is rated as **Modest**.

RI#8: The goal pursued under this PA#9 was to strengthen the institutional and policy framework to prepare for and respond to disasters and emergencies. The performance indicator was the adoption of norms and standards for the resilience of infrastructure and is assessed as achieved at closure because at least three detailed strategies and action plans were prepared as follows: (i) a Concrete Plan of Action for the Integrated Transformation of the Arroyo Pantanoso River Basin, Montevideo, aimed at supporting an integrated investment plan for the basin; (ii) an Application of a Conceptual Framework for Dividendo de Resiliencia to the Pantanoso Basin; and (iii) Resilient Durazno (city) Opportunities for Resilience (from river flooding) in Intermediate-sized Cities through Integrated Management of Flood Risks. While the target was achieved, the achievement was at the sub-output level. Overall, the contribution to the PDO is rated as **Substantial.**

RI#9: The goal was to adopt a national plan for adaptation to climate variability and climate change for the agriculture sector. The performance indicator was fully achieved as the sum of the hectares of natural grasslands managed under climate-smart practices exceeded the indicator target of 300,000 hectares. In particular, up to 220,000 ha of natural grasslands in the vulnerable Cuesta Basaltica and Sierra del Este eco-regions alone were put under more efficient water capture and use, protection and restoration of biodiversity, native tree plantation for animal shade/shelter, and forest-pastoral systems. Achievement toward the PDO-2 measured by RI#9 is rated as **Substantial.**

Rating

Moderately Satisfactory

Overall Achievement of Objectives (Efficacy)
Rationale

Toward mitigating the economic and social impact of the Covid-19 outbreak, key outcomes achieved by the measures completed in the context the prior actions are as follows: (i) increased discretional public spending was achieved, which cushioned the negative effects of the pandemic on the vulnerable categories hit by the COVID-19 crisis, (ii) extreme poverty incidence was contained, (iii) workers were temporarily protected by unemployment insurance from the effects of lay-offs or partial suspensions, (iv) women benefitted from an enhanced protection from their perpetrators by the use of electronic bracelets, and (v) there was a sharp increase in the volume of guarantees granted to MSMEs as well as that of the number of MSMEs accessing credit.

Toward laying the foundations for a strong and resilient economic recovery, achieved results were as follows: (i) there was some level of fiscal consolidation and creation of a fiscal space allowing the Government to curb the debt dynamics and to lay the basis for stronger economic growth, (ii) the adoption of norms and standards for the resilience of infrastructure, including three detailed strategies and action plans, (iii) the adoption of a national plan for adaptation to climate variability and climate change for the agriculture sector, which allowed the management of a large number of hectares of natural grasslands using climate-smart practices. On the contrary, measures aimed at improving business environment underperformed.

Overall, based on the achievements summarized above, and given that most RI targets were met, with few shortcomings, the efficacy of the reforms and policies supported by the DPL program is rated **Satisfactory.**

Overall Efficacy Rating
Satisfactory

6. Outcome

Rationale

Based on the assessments developed in previous sections (mainly Sections 3 and 5), the relevance of the PAs, the relevance of the RIs, and efficacy were all Satisfactory, resulting in an overall Satisfactory rating of the DPL outcome. The DPL operation was overall successful, although there were minor shortcomings.

Most prior actions were appropriate, as their relevance was rated between satisfactory and moderately satisfactory. Overall, PAs and program measures and actions toward mitigating the economic and social impact of the Covid-19 outbreak were effective in containing extreme poverty, protecting workers, and maintaining access to credit by MSMEs. They were also instrumental in generating some fiscal space allowing the Government to address the debt dynamics, lay the basis for more robust economic growth, and adapt to climate variability and climate change. However, measures aimed at improving the business environment were less effective.

a. Rating

Satisfactory

7. Risk to Development Outcome

The ICR found that the Risk to Sustainability of Development Outcomes is low (ICR page 31), and this review concurs with the ICR assessment for the following reasons: (i) Uruguay has a long-standing record of social inclusiveness and skills acquired in addressing the COVID-19 pandemic, which would serve the country in future emergencies or disasters, (ii) on the economic front, after a sharp economic downturn in 2020, Uruguay's economy grew by 4.1 percent in 2021, and the broad-based economic recovery continued into 2022. After reaching 10.7 percent in June 2020, the unemployment rate fell to 9.4 percent in June 2021 and 8.4 percent in June 2022. Moreover, the World Bank will continue to support Uruguay's disaster risk management and environmental sustainability efforts under the recently approved Uruguay Agro-Ecological and Climate Resilient Systems Project.

8. Assessment of Bank Performance

a. Bank Performance – Design

Rationale

Because of the emergency nature of the operation, the ICR did not report any reference to lessons learned or specific sector studies. The DPL operation was a response to a pandemic of unprecedented proportions, and at the time of preparation, the extent of the pandemic's impact was not known, and the operation went through a streamlined preparation procedure during a period when all World Bank travel had been suspended.

While prepared as an emergency operation, the DPL addressed the government's key priorities. The two PDOs addressed two Government priorities related to addressing a pandemic and laying the foundations for a robust economic recovery. The pandemic was expected to impact, to a large extent, the sectors where existing social protection systems did not cover workers. Furthermore, its fiscal situation severely limited the Government's ability to respond to the outbreak. Growth in Uruguay had fallen to the lowest level in almost two decades, and the country's fiscal deficit as a share of GDP had widened to its highest level during the same period, severely limiting the Government's fiscal space with which to respond to the pandemic. The DPL intended to create some fiscal space that would allow the Government to provide social support to social categories hit by the pandemic and jumpstart the economy.

While the selection of Prior Actions was adequate, the quality of results indicators could have been improved. As developed under Section 3, the rating of the relevance of the prior actions varied between Satisfactory and Moderately Satisfactory. However, several results indicators were pitched low and could not contribute significantly to the expected outcome of the DPL.

Rating

Satisfactory

b. Bank Performance – Implementation

Rationale

The ICR did not discuss the Bank team's role in supervising the DPL implementation. Upon request, the Bank team provided additional information summarized below.

Given COVID-19-related travel restrictions, the supervision of the project was largely conducted remotely. The project leader and technical teams supported the achievement of results indicators through continuous supervision conducted independently by the different technical teams contributing to the project based on their ongoing policy dialogues. For instance, a PER was conducted in 2020/2021, closely following the RIs' evolution related to fiscal outcomes and poverty incidence. In addition, the team had to verify the absence of policy reversals related to the operation upon each loan disbursement request from the Government of Uruguay. The team collaborated continuously with the local CMU, which worked closely with the Multilateral's Office at the Ministry of Finance to supervise the DPL reform agenda and avoid slippages.

Rating

Satisfactory

c. Overall Bank Performance

Rationale

Overall, the Bank performance is rated **Satisfactory**. At appraisal, despite an emergency context, the Bank team initiated a DPL supporting key priorities of the Government. During implementation, the operation leader and technical teams supported the achievement of results indicators through continuous supervision conducted independently by the different technical teams which verified the absence of policy reversals and had sustained collaboration with the local CMU and the Borrower.

Overall Bank Performance Rating

Satisfactory

9. Other Impacts

a. Social and Poverty

Most of the achievements under the PDO-1 fall under this heading, as they contributed to expanding social protection programs, providing unemployment coverage to informal workers and leave to the elderly, and supporting MSMEs financially to ensure their continued operation and sustain employment.

b. Environmental

As this operation was a DPL, no environmental or social safeguards were triggered. However, by strengthening the social protection systems, the policy program under the first pillar mitigated the impact of the COVID-19 shock on the most vulnerable by providing emergency relief as part of a time-bound countercyclical economic stimulus package.

Policies supported under the second pillar of the operation are aimed at strengthening the foundations for a robust economic recovery and are not expected to cause significant negative effects on poverty.

None of the policies supported the DPL's Pillar 1 generated significant adverse impacts on Uruguay's environment, natural resources and forests. The policies and activities supported under Pillar 2 were expected to have significant positive environmental effects. The strengthened Institutional capacity and a definition of responsibilities to respond to disasters are expected to reduce their impact on the environment, including the degradation of natural resources and the human urban environment from exposure to disease and the effects of infrastructure loss. By adopting the National Plan of Adaptation to Climate Variability and Climate Change, PA 9 promoted improved natural grassland management for areas otherwise threatened by erosion and other environmental damage.

c. Gender

Through the measures implemented in the context of PA#4, the Government enhanced the capacity of the hotline for gender-based violence complaints, including (i) additional support to women in situations of domestic violence; (ii) automatic extension of precautionary protective measures during the COVID-19 crisis; and (iii) expansion of the program of electronic monitoring of potential aggressor. At closure, the use of electronic bracelets to track perpetrators reached 2,088 at end-2021 against a target of 2,050 and a baseline of 1,050.

d. Other

The ICR did not report any other impacts.

10. Quality of ICR

Rationale

The ICR is comprehensive, evidence-based, and internally consistent. It provides a clear storyline of the operating context and the achieved results. The quality of evidence in the ICR is adequate, and the ratings are consistent with the guidelines. The ICR draws thoughtful lessons from the project, reflecting the implementation experience.

The ICR did not discuss the Bank's supervision of the project. Additional material was provided by the project team upon request.

Overall, the quality of the ICR is rated as Substantial.

a. Rating

Substantial

11. Ratings

Ratings	ICR	IEG	Reason for Disagreement/Comments
Outcome	Satisfactory	Satisfactory	
Bank Performance	Satisfactory	Satisfactory	
Relevance of Results Indicators	---	Satisfactory	

Quality of ICR	---	Substantial

12. Lessons

The ICR identified several lessons, two of which are summarized and rephrased below:

When the PDO aims to achieve concomitantly short-term and long-term goals, the design and implementation of such a DPL need to be crafted carefully and accordingly. This operation aimed to respond to an emergency while addressing medium-term sustainability objectives. The first PDO supported short-term emergency measures, while the second PDO directly supported medium- to longer-term measures aimed at returning to a sustainable growth path following the emergency. While it is possible to include both goals in one operation, the different time horizons of the PDOs will call for different natures of results frameworks and expected outcomes. Also, the supervision and reporting requirements vary, with the longer-term objectives requiring additional time for producing results, for implementation follow-up, monitoring, and technical support.

The results framework of a stand-alone DPL needs to be carefully thought through in emergency operations. Generally, standalone DPL lasts only twelve months. Therefore, the Results Indicators for DPF operations need precise definitions and reference to monitoring sources in the Program Document's Results Matrix and need to follow a PDO-Prior Action-Indicator results chain. Emergency operations, especially when prepared as a pandemic or disaster is playing out, present difficulties in estimating targets for results indicators that depend on the pace and intensity of, and consequently response to, the emergency. The target for PA1 was established based on the assumption that the COVID-19 pandemic would have the most significant impact in 2020. Still, the situation in Uruguay was relatively under control during that period. However, in 2021, the COVID-19 contagion became widespread, resulting in higher expenditures related to the pandemic than the previous year. While estimating the path of a crisis such as COVID-19 is difficult, perhaps defining indicator targets more flexibly could be explored.

13. Project Performance Assessment Report (PPAR) Recommended?

No