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Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 25-Oct-2023 | Report No: PIDA0280



BASIC INFORMATION

A. Basic Project Data

Project Beneficiary(ies)	Region	Operation ID	Operation Name
Uruguay	LATIN AMERICA AND CARIBBEAN	P180638	Institutional Strengthening for Greater Competitiveness in Uruguay
Financing Instrument	Estimated Appraisal Date	Estimated Approval Date	Practice Area (Lead)
Investment Project Financing (IPF)	23-Oct-2023	21-Nov-2023	Governance
Borrower(s)	Implementing Agency		
Oriental Republic of Uruguay	Ministry of Economy and Finance		

Proposed Development Objective(s)

To strengthen the Ministry of Economy and Finance's institutional capacity in areas related to data analytics, climate change governance, and market institutions.

Components

- Public financial management and climate change governance
- Strengthening market institutions
- Project Management and Change Management
- Preparation advance

PROJECT FINANCING DATA (US\$, Millions)

Maximizing Finance for Development

Is this an MFD-Enabling Project (MFD-EP)?	Yes
Is this project Private Capital Enabling (PCE)?	Yes

SUMMARY

Total Operation Cost	16.00
Total Financing	16.00
of which IBRD/IDA	16.00



Financing Gap	0.00
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DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	16.00
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Environmental And Social Risk Classification

Low

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

- Uruguay experienced a prolonged period of economic growth which began to slow down before the global recession in 2020.** From 2002 to 2019, Uruguay’s gross domestic product (GDP) per capita increased by 153 percent (adjusted for real purchasing power parity - PPP), placing it behind only Panama and Peru in the region. This robust performance was supported by reforms implemented after the 2002 crisis, which aimed to enhance the macroeconomic policy framework, manage debt effectively, and reduce dependence on neighboring economies. These measures contributed to increased resilience. However, towards the end of this period, economic growth slowed, dropping from an average of 5.3 percent between 2003 and 2014 to 0.9 percent between 2015 and 2019. Factors contributing to this deceleration included lower commodity prices, adverse climate events, recessions in Argentina and Brazil, and limited progress in creating a more competitive, integrated, and resilient economy.
- The COVID pandemic had a significant impact on the people and the economy, adding to the challenges that Uruguay was already facing.** Tourism and other service sectors sensitive to social distancing were impacted significantly, while unfavorable weather conditions affected agricultural exports. The combined impacts led to a 6.3 percent fall of GDP in 2020. The country’s pre-existing wide social safety net was reinforced with emergency measures to target the poor and vulnerable, as well as to help firms survive the shock. However, poverty incidence increased from 8.8 in 2019 to 9.9 percent in 2022, meaning around 100,000 people fell below the poverty line. The country implemented a rapid and comprehensive vaccination campaign early in 2021, one of the most successful in the world, contributing to a rebound in economic activity. GDP expanded 5.3 percent in 2021, and the recovery continued into 2022.
- Structural reforms aimed at addressing underlying growth constraints supported Uruguay’s COVID recovery.** Despite the immediate demands posed by the COVID response, the Government of Uruguay has actively pursued a reform agenda aimed at enhancing global economic integration, improving the competition framework, promoting domestic



currency usage and reducing reliance on the dollar, implementing specific programs for women to access credit, and ensuring energy security. Simultaneously, Uruguay has promoted initiatives to contribute to global public goods, including commitments to reduce methane emissions from livestock beyond its NDCs, and safeguard its natural resources, which are crucial for the country's development. However, with potential GDP growth at approximately 2 percent, more profound structural reforms are necessary to achieve significant and widespread welfare improvements.

4. **Reforms to strengthen competition and core public sector institutions will help Uruguay return to a more robust and inclusive long-term growth path.** The experience of countries that have successfully achieved high-income status suggests that a range of institutional reforms are instrumental to contributing to long-term growth and productivity. The 2022 Uruguay Systematic Country Diagnostic identifies the weak competitive environment and weak institutions among the most pressing binding constraints to economic growth and development. Uruguay lags structural peers in trade integration: exports stagnated heading into the pandemic, with greater concentration of products and markets, and limited participation into global value chains. Domestic competition is also limited, characterized by a fragmented competition framework. Weak competition is largely a consequence of institutional failures. The 2021 Uruguay Institutional Assessment, prepared to inform the Systematic Country Diagnostic (SCD), compared Uruguay's performance with that of high-income countries across clusters of publicly available institutional indicators. Uruguay's political, social, and labor market institutions are assessed as "advanced". Accountability, financial, and legal institutions are assessed as "emerging" with relatively small institutional gaps. In contrast, center-of government and public sector management institutions, business and trade institutions, and corporate governance of state-owned enterprises (SOEs) are assessed as "weak". In these categories, Uruguay performs in the bottom 25th percentile relative to the comparator countries.

5. **Uruguay is highly vulnerable to climate change and climate variability, with climate hazards such as drought, flooding, increasing temperatures and heatwaves increasing both in frequency and intensity.** Rising temperatures and precipitation variability are expected to worsen in the years ahead, leading to more frequent and intense weather events, such as droughts, floods, and heatwaves, impacting ecosystems, water resources, biodiversity, hydroelectric energy production, and people's health. With annual average precipitation projected to increase by about 100 millimeters by 2050, annual losses from floods are expected to grow from US\$64.2 million currently to US\$352.8 million by 2030.¹ Uruguay's high climate dependence for agricultural production makes it vulnerable to climate change and climate variability and poses threats to food security. For example, concurrent with the pandemic, the recurrent La Niña weather events have been affecting Uruguay's agricultural production due to drought. The recent drought ranks amongst the worst in past decades, with direct agricultural, livestock and dairy losses estimated at around 2.5 percent of GDP. Climate impacts not only food production but the whole food system and its supply chains, affecting food price and availability, which in turn increases risks of food insecurity especially for the most vulnerable population. In addition, energy production from the key hydroelectric dam diminished over the last two years by some 57 percent according to some estimates.² Without proper fiscal planning and alignment with climate objectives, allocating resources effectively to account for these risks could result in increased economic vulnerability, potentially leading to higher economic and social costs in the long run. Therefore, integrating climate considerations into budgeting and investment decisions is crucial to safeguarding Uruguay's resilience in the face of climate change.

Sectoral and Institutional Context

6. **The Government of Uruguay's program, laid out in the "Commitment for the Country" (*Compromiso por el País*), and the Law of Urgent Consideration (*Ley de Urgente Consideración*, LUC) focuses on strengthening institutions for more efficient public services, fostering the "green" agenda, and promoting market competition.** The LUC, which was approved by Congress at the start of the Government's 2020 mandate, introduced numerous measures for institutional reform, covering economic, social, and environmental agencies and regulations. Key areas of the LUC's focus include

¹ Uruguay: Systematic Country Diagnostic Update. World Bank Group, 2022.

² <https://www.elpais.com.uy/negocios/noticias/generacion-electrica-uruguay-sequia.html>



establishing a new Ministry of Environment from a previously scattered group of agencies, reforming the public sector education system, strengthening the water and energy regulatory agency (URSEA), and reinforcing the supervision of market competition through the Commission for the Promotion of Competition (CPDC) under the Ministry of Economy and Finance (MEF).

7. **The MEF is committed to continue to advance public sector modernization reforms with a focus on fiscal and financial management and market institutions.** Building on significant progress achieved through public services digitalization efforts as well as continued strengthening of fiscal and financial management institutions, the MEF has put together a comprehensive program with a set of new generation reforms aiming at consolidating a modern and effective public sector as well as advancing in the use of disruptive technologies to further improve critical functions in the public administration. The focus on concurrently enhancing market institutions and building a business-friendly environment to support private investment is also a novel feature of such comprehensive approach to public sector modernization. To do this, the MEF has sought assistance from multilateral development organizations such as the InterAmerican Development Bank (IADB), the Latin American Development Bank (CAF) and the World Bank. Based on a government led division of labor, assistance from the World Bank was requested to be focused on supporting the MEF's efforts to implement institutional reforms in the areas of (a) public financial management, aiming at consolidating the existing information systems and promoting the use of information and evidence-based decision-making practices as well as proactively support climate-change related policies, and (b) the promotion of competition and consumer protection services. The specific areas for World Bank support are addressed below.

Public Financial Management and climate change governance in MEF

8. **Uruguay has a robust public financial management (PFM) system.** According to the 2012 Public Expenditure and Financial Accountability Review Report (PEFA),³ PFM systems in Uruguay are well designed and are supported by an adequate legal framework, currently performing well on aspects related to expenditure planning, transparency, predictability, and control of budget execution. The PEFA findings were found to be still valid and relevant through the review of several more recent reports and diagnostics⁴.

9. **While the major strengths of the PFM systems include the adherence to the fiscal rule and a medium-term expenditure framework, there are still some significant challenges to face in the areas of accounting and recording of the Central Government financial transactions.** The Government prepares a five-year budget that coincides with the government term, operating as a medium-term fiscal framework that can be modified through annual budget execution reports prepared by the executive. These are submitted to Congress for approval and made publicly available. The reports, however, do not fully align with the international public sector accounting and reporting standards, and some of the subsystems and transactions are not fully integrated and interoperable with the core functions of the Integrated Financial Management Information System (IFMIS). The government started the modernization of its Integrated Public Financial System (*Sistema Integrado de Información Financiera*, SIIF) in 2015, with support of the IADB⁵, which, when fully operational, will allow the government to prepare financial statements consistent with international standards.

10. **Insufficient systematization, integration and interoperability across all PFM functions and sub-systems is also**

³ Uruguay Public Expenditure and Financial Accountability Review Report (PEFA) published on December 18, 2012 (Report No. ACS4022).

⁴ The following reports and documentation were considered: Uruguay Budget's Law (<https://www.impo.com.uy/bases/leyes/19924-2020>) and *Rendición de Cuentas y Balance de Ejecución Presupuestal* (https://www.gub.uy/ministerio-economia-finanzas/comunicacion/publicaciones?field_tipo_de_publicacion_target_id=1345&year=all&month=all&field_tematica_target_id=All&field_public_o_target_id=All); Uruguay's Open Budget Portal (<https://transparenciapresupuestaria.opp.gub.uy/>); IADB report on the status of IPSAS adoption in <https://www.focal.red/system/files/2018-01/Uruguay.pdf>; and Uruguay (and Supreme Audit Institutions Independence Index: 2021 Global Synthesis Report (<https://openknowledge.worldbank.org/handle/10986/36001>)).

⁵ The recently approved IADB Operation, UR-L1193, will support developments in the PFM ecosystem of the country. The IADB project will finance the development of new SIIF functionalities, integration of the SIIF with selected systems, and digital services that complement SIIF. The WB project will provide complementary support to achieve full interoperability of SIIF with MEF's systems.



an important challenge. At present, the budget is prepared offline by line agencies using spreadsheets. This lack of systematization hinders timely budget preparation, tracking of budget adjustments during preparation and the use of relevant performance information from other sources. Revenue and cash flow projections and scenarios are also prepared offline and prone to delay and error. Information on budget implementation is available to the public through the *Easy Budget* portal (*Presupuesto fácil*) but the dashboard could be improved to be more user friendly and to offer more standardized reports and query functions. Since 2015, the General Tax Directorate (*Dirección General de Impuestos*, DGI) issues electronic tax receipts (*Comprobantes Fiscales Electrónicos*, CFE) for all financial transactions and the General Accounting Office of the Nation (*Contaduría General de la Nación*, CGN) manages an electronic invoice and receipt system (*Sistema Informático de Recepción de Factura Electrónica*, SIRFE). SIRFE is used in transactional mode for the entire government but has yet to be integrated to the budget preparation, budget execution and accounting functions, thus missing the benefits of having real time information to inform resource allocation decisions. Similarly, MEF's National Cadaster Directorate (*Dirección Nacional de Catastro*, DNC) launched a Unified Property Registry (*Registro Unico de Inmuebles*, RUI) in 2021 to gather information from local governments on real estate taxes, but further work is needed to improve the quality of property and tax information shared by local governments. This information is not structured systematically, is not timely updated, and applies differing valuation methodologies. Furthermore, as functionalities of the information systems expand, the authorities will need to also expand the storage and processing capacity of the CGN Data Center to be able to fully support and stabilize key systems such as SIIF and SIRFE. In this context, MEF has requested World Bank support for complementary investments that will help integrate functions and systems with SIIF, that are expected not to be fully covered through the IADB support.

11. Progress on digitalization of services and implementation of information systems has put Uruguay among the top performers in Digital Government, but effective use of the collected data for evidence-based decision-making purposes is still incipient. In the Free Trade Zone and Customs units, for example, improvements in digitalization have not been followed by a parallel adoption of business intelligence tools to analyze newly available information and thus increase the government's ability to implement risk-based solutions for custom's management. Moreover, the limited use of the electronic signature precludes MEF from taking advantage of the big masses of information available from existing digital platforms and electronic services to further the implementation of the e-filing system. Statistical models for macroeconomic, fiscal and trade policy analysis currently available for MEF units are outdated and the equipment and software not fitted to support carrying out these analyses. Proper estimation of the economic and commercial impacts of potential trade agreements, both at the macroeconomic, sectoral, and environmental levels, for example, proves very difficult. In addition, technical staff has limited knowledge and training on the new data technologies, statistical models, use of big data analytics, machine learning or artificial intelligence. Therefore, MEF is particularly interested in developing these capabilities with a focus on exploiting the SIIF and SIRFE data. SIRFE, for example, generates huge amount of detailed transactional information from retailers and across the supply chain that could be used for economic monitoring, to inform trade, fiscal and economic policy, tax and customs risk assessments and operational support.

12. Analysis and mainstreaming of gender equality policies and actions in areas related to public expenditures, public employment and public procurement are absent due to the limited use of available information. The Government lacks proper gender disaggregation and tagging of expenditure programs and budget allocations, which does not allow for evidence to inform policy decisions on gender issues. Additionally, there is limited use of available sex-disaggregated and gender relevant information in public employment and in public procurement. Proper disaggregation and tagging of expenditure programs and budgets through a gender lens could help use the budget as an instrument to identify opportunities to further encourage the adoption of gender inclusive policies and programs. Analysis of existing public employment and compensation practices in the public sector could help identify gender-based disparities and unbalances that could then be corrected. More proactive use and analysis of existing data could also allow for the use of public procurement systems to introduce incentives for the adoption of gender-related standards and practices among public sector vendors and providers.



13. **MEF has played an active role in the development of Uruguay's climate policy.** MEF participated in the preparation of Uruguay's Long-Term Climate Strategy (*Estrategia Climática de Largo Plazo*) published in December 2021 and Second Nationally Determined Contribution (NDC) under the Paris Agreement submitted in December 2022, notably through the preparation of a model to support analysis of economic impacts of policy choices. In 2021, Uruguay launched a carbon tax at \$120 per ton. In February 2022, the Commission for the Application of the Investment Law (*Comisión de Aplicación de la Ley de Inversiones*, COMAP) included green hydrogen in the eligible investments for tax exemptions. Subsequently, MEF issued an innovative performance-based Sovereign Sustainability-Linked Bond (SSLB) which provides for a reduced coupon rate if Uruguay achieves GHG emission reduction targets and increases native forest coverage.

14. **However, MEF has the opportunity to enhance its progress on the broader climate change governance agenda and to implement more sustainable practices within its internal operations.** There is little progress despite the commitments under the National Budget 2020-2024, published at the start of the Government's mandate, "to generate the tools and adopt the necessary criteria so that the income and expenditure policy contemplates the national objectives of mitigation of greenhouse gas emissions and adaptation to climate change".⁶ MEF does not consider climate-related fiscal risks systematically in its budget, nor does it assess climate policy alignment and screen for physical and transition risks in public investment or assess the alignment of public spending and tax expenditures with its climate policy objectives. There are also no specific requirements for the executive to submit climate change policies and progress reports to Uruguay's General Assembly. These are important areas of opportunity for improvement that MEF intends to address and develop.

Market institutions

15. **Uruguay's Law for the Promotion and Protection of Competition establishes the regulatory framework for competition policy, but its institutional arrangements lack crucial elements needed to promote competitive and open markets.** The law, originally approved in 2007 with subsequent amendments in 2019 and 2021, covers both private and public operators, prohibits cartels and abuse of dominance, establishes a pre-merger notification obligation, and grants a semi-independent status to the Commission for the Promotion of Protection of Competition (*Comisión de Promoción y Defensa de la Competencia*, CPDC), as a decentralized body from the MEF, with ample powers to ensure competition enforcement and advocacy. The Competition Commission's mandate, however, is limited because it only oversees markets that are outside the scope of other regulators. Instead, sector regulators, notably Uruguay's Central Bank (BCU), the telecommunications regulator (URSEC), and the energy and water regulator (URSEA), oversee embedding competition principles in key sectors where vertically integrated SOEs maintain prominent market positions and even legal monopolies. The creation of a Network of Regulators with competition mandates in 2022 has been critical to reinforce interinstitutional cooperation. This initiative, recognized in the Uruguay Green and Resilient Growth Development Policy Loan (DPL) (P179367) needs to be operationalized effectively.

16. **Limitations in the competition regulatory and institutional framework call for innovative tools to access evidence of cartels and streamline merger review.** Most CPDC's activities are initiated by complaints ex-post, and rarely performed ex-officio. The Commission lacks adequate tools to enforce its anticartel policy. Notable omissions are leniency guidelines that enable the operationalization of its leniency program and the authority to carry surprise inspections by themselves. These elements are critical to uncover and collect direct evidence of cartels. Thus, leveraging new tools to analyze available data can help overcoming this limitation. The use of cutting-edge machine learning tools to identify red flags for bid rigging is at the frontier of current data analytics. The competition authority can take advantage of these tools and become one of the world leaders in analytics for reducing bid rigging, with great potential for further replicability in the region and beyond. Similarly, broad merger control powers to review operations with limited market impact also require innovative tools to streamline the obligations of the private sector.

⁶ Uruguay National Budget 2020-2024: <https://www.gub.uy/ministerio-economia-finanzas/presupuesto2020-2024>.



17. **Connecting consumer protection and competition interventions will be key to enable new business models and shape better market outcomes, especially in financial and digital markets.** Uruguay has put in place the essential framework for consumer protection, but further work is needed to strengthen implementation and address the challenges of a modern, digital economy. The 1985 "Consumer Protection Law", Law No. 15.854, established the basic rights of consumers and the obligations of suppliers, the control and sanction mechanisms in case of non-compliance, and set up the Consumer Protection Unit (*Unidad de Defensa del Consumidor*, UDECO) within MEF. Law No. 17.250 of 2000 expanded consumer rights, strengthened the obligations of suppliers, and established more efficient mechanisms for dispute resolution. However, the regulatory framework needs to be updated to address market changes, brought by the expansion of the digital economy, notably the increases in consumers' online transactions. UDECO will need to strengthen international cooperation on consumer protection to address the growing share of consumer online transactions with suppliers based outside of Uruguay. UDECO will need to invest in educational programs and awareness-raising campaigns to inform consumers about their rights and how to enforce them. It will need to improve access to relevant information by ensuring that companies provide clear and complete information on prices, features, guarantees and conditions of sale, and by developing online platforms to compare products and services. UDECO can promote citizen participation by providing spaces for dialogue and undertaking public consultations. It can strengthen complaints mechanisms by establishing simple and transparent processes, including mediation and alternative dispute resolution options. Regular inspections and effective sanctions are needed to ensure companies' compliance with the law. Successful implementation of these actions will require the collaboration of government, business, consumers, and civil society actors. Since most of these interventions have significant impact on market conditions, stronger cooperation to promote competition and consumer protection together will be necessary to increase impact for the benefit of consumers.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The Project Development Objective (PDO) is to strengthen the MEF's institutional capacity in areas related to data analytics, climate change governance and support to market institutions.

Key Results

18. PDO Level Indicators:

- a) **Data analytics models used for policy analysis and management.** This indicator will measure the implementation of data analytics and business intelligence tools for macro-economic and fiscal policy, management of property taxation, tax administration and customs administration, and gender inclusion.
- b) **Adoption of climate change considerations into fiscal and financial management processes.** This indicator will monitor the adoption of climate change related inputs into relevant PFM processes related to budgeting, public investment management and financial reporting.
- c) **Strengthening of market institutions.** This indicator will measure institutional improvements in market institutions covered under the project, such as the consumer protection unit and the competition commission as a result of better procedures and additional resources.

D. Project Description

19. **The proposed project has three components to be implemented in five years.**

Component 1: Public financial management and climate change governance



20. **This component seeks to strengthen MEF’s fiscal and financial management capacity.** It will focus on supporting the consolidation, integration and interoperability across all modules and subsystems in the public financial management ecosystem. It will also support MEF to upgrade its data analytics capacity as well as on the adoption of climate governance related practices. The component comprises of three sub-components.

21. **Subcomponent 1.1: Consolidation and interoperability of the public financial management ecosystem.** This subcomponent will complement the ongoing modernization of the PFM management ecosystem to ensure interoperability and the exchange of information across MEF systems. Activities include: a) design, testing, and deployment of new functionalities in the Budget and Treasury offices, including systematization of the budget formulation process, budget credit projections module, payroll system management, and the development of a new “Easy Budget” dashboard and mobile application, to complement ongoing reforms to the SIIF supported through an IADB funded project; b) design and implementation of modules to embed climate change risk, mitigation, and adaptation measures in the public financial management processes; c) renewal or expansion of IT infrastructure to better deliver services and update the performance of systems in place in MEF, notably SIRFE and the National Cadaster Directorate’s RUI; and d) training and capacity building to support implementation of the new information systems, among others.

22. **Subcomponent 1.2: Data analytics and artificial intelligence tools for economic management.** This subcomponent will support the development and implementation of data analytics and artificial intelligence tools, as well as the expansion of MEF’s e-Government service catalog. Activities include: 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 the models; b) developing analytical reports to provide disaggregated fiscal and financial information related to budget allocations, public employment and public sector compensation policies aiming at the development of gender-informed policies, including a specific gender assessment of the PFM ecosystem; c) designing, piloting and deploying machine learning tools using MEF’s databases to enhance evidence-based decision making and support fiscal policy and tax and customs administration; and c) developing, parameterizing, configuring, and testing online services for citizens and firms provided by MEF including registries for auditors, foreign firms, investment incentives, and rental real-estate.

23. **Subcomponent 1.3: Adoption of climate-informed PFM practices.** The subcomponent aims to facilitate the incorporation of climate change mitigation and adaptation measures into MEF’s planning and financial management systems, aligned with the Uruguay Green and Resilient Growth DPL (P179367) operation. Activities include: a) assessing MEF’s climate governance arrangements; b) evaluating the alignment of fiscal policy with climate change commitments and the effectiveness of policy instruments; c) developing methodologies and regulatory instruments to support the integration of climate change considerations into MEF’s long-term development strategies, fiscal risk assessments, budget estimates, and public investment management practices; and c) integrating climate change information in SIIF and public investment management information systems.

Component 2: Strengthening market institutions

24. **This component will support MEF in developing a strong institutional ecosystem for market institutions to foster more competitive and efficient markets by, among others** (1) implementing a more effective competition policy, and (2) updating, strengthening, and facilitating compliance of the consumer protection regulatory framework. Two sub-components are highlighted under this component, that will also support other market institutions prioritized by MEF.

25. **Subcomponent 2.1 Promotion of Competition.** This subcomponent will support MEF’s efforts to establish more effective competition policies. Activities include: a) developing and implementing 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, include identifying collusion risks in public procurement through innovative machine learning data analytics in cooperation with the Regulatory Agency for State Purchases (ARCE); c)



setting up an economic analysis team/chief economist in the Competition Commission with a focus on market analysis and pro-competition reform ; and d) supporting the implementation of pro-competitive reforms that increase competition and consumer protection in the financial sector.

26. **Subcomponent 2.2 Consumer Protection.** This subcomponent will support the Consumer Protection Unit’s (*Unidad de Defensa del Consumidor*, UDECO) efforts to update the regulatory framework and strengthen compliance. Activities include: a) strengthening the regulatory framework for consumer protection to bring it up to date, including gender neutral considerations in the writing, addressing greenwashing⁷, and online consumer protection provisions that clarify, for instance, the rights of consumers and the obligations of sellers and platforms, and how to pursue an investigation or complaint on matters related to e-commerce; b) reforming the complaints processing system to facilitate mediation and collaboration with the private sector, 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 ("Small Claims"), to evaluate claim objectives, rate of process’s success, and results, in order to identify areas for improvement; and d) developing UDECO’s management information systems to support registries and client services.

Component 3. Project Management and Change Management

27. **This component will support day-to-day project coordination and change management.** Activities include: a) project coordination and management, including strengthening the Project Coordinating Unit (PCU) with adequate fiduciary capacity and implementation capacity; b) training, capacity building, and public awareness campaigns to improve communication and ensure transparency and access of information for the general public; c) institutional strengthening activities to support MEF’s priority areas and other entities responsible for the implementation of activities related to such priority areas; d) knowledge sharing and dissemination of lessons learned related to project activities; e) change management strategies related to the areas covered by the project; and f) support to implementation of activities or sustainability of policies identified in the Uruguay Green and Resilient Growth DPL (P179367).

Preparation Advance (PA)

28. The Project Advance will finance activities to facilitate project preparation and enhance implementation readiness. Activities financed by the PA include consulting services for preparatory assessments, analyses, and diagnostics related to technical features of the proposed Project activities and support to ongoing activities financed by the PROMESeG project to support sustainability.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Area OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

The Environmental risk and impact screening have been determined as Low. The scope and activities financed by the project focus on institutional strengthening of governmental institutions under the MEF, including capacity building of

⁷ Greenwashing is the act or practice of making a product, policy, activity, etc. appear to be more environmentally friendly or less environmentally damaging than it really is.



current staff. The project will not carry out or finance civil works. The project will finance the upgrade of software and hardware infrastructure. Based on the information available, it is expected that the upgrades will generate electronic waste due to obsolescence, replacement or retirement of equipment during or after project implementation. The amount of e-waste is expected to be low. The electronic equipment to be acquired is expected to meet energy efficiency standards. Regarding OHS, the risks for project workers are low since the activities focus on improving technical capacities and are limited to hiring individual consultants or firms to do analytical work. The Project will incorporate the analysis of climate change adaptation and mitigations by incorporating climate consideration in budgeting and in the public investment cycle.

Social Risk Rating for this project has been also determined as Low. All expected social impacts associated to the proposed Project are expected to be positive and it will not finance activities that are expected to pose any negative social risk or impact. Activities to be financed include improvements in consumer defense and competition policies, including the promotion of enhanced active participation of the public in the enforcement of such policies. In addition, some Project activities will support public awareness campaigns to improve communication and ensure transparency and access of information for the citizens.

E. Implementation

Institutional and Implementation Arrangements

29. **MEF will be the technical and fiduciary lead of the project, responsible for project implementation.** The PCU in MEF will coordinate activities across all three components. The PCU has staff with experience in administering World Bank funded operations and is currently the unit responsible for the Improving Service Delivery to Citizens and Businesses through E-Government Project (P161989) which is expected to close in December 2023. The project will continue using the financial and procurement arrangements put in place under P161989. Project activities will be carried out by the following entities of and subordinate to the MEF: the General Accounting Office; National Cadaster Directorate; Public-Private Partnerships Unit; Commission for the Promotion and Protection of Competition; Consumer Protection Unit; Free Trade Zone Unit; the Commission for the Implementation of the Investment Law, Trade Policy; General Secretariat, Customs, and Financial Policy Directorates.

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APPROVAL

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