



# Appraisal Environmental and Social Review Summary

## Appraisal Stage

### **(ESRS Appraisal Stage)**

Date Prepared/Updated: 10/24/2023 | Report No: ESRSA03083



I. BASIC INFORMATION

A. Basic Operation Data

Operation ID	Product	Operation Acronym	Approval Fiscal Year
P180638	Investment Project Financing (IPF)	Institutional Strengthening in Uruguay	2024
Operation Name	Institutional Strengthening for Greater Competitiveness in Uruguay		
Country/Region Code	Beneficiary country/countries (borrower, recipient)	Region	Practice Area (Lead)
Uruguay	Uruguay	LATIN AMERICA AND CARIBBEAN	Governance
Borrower(s)	Implementing Agency(ies)	Estimated Appraisal Date	Estimated Board Date
Oriental Republic of Uruguay	Ministry of Economy and Finance	23-Oct-2023	21-Nov-2023
Estimated Decision Review Date	Total Project Cost		
	16,000,000.00		

Proposed Development Objective

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

B. Is the operation being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project Activities

[Description imported from the PAD Data Sheet in the Portal providing information about the key aspects and components/sub-components of the project]

The project will support strategic development of institutional capacity and analytic tools to improve Ministry of Finance's systems, including strengthening climate change governance mechanisms, promoting the use of data for evidence-based decision making, and improving business climate and competitiveness, strengthening market institutions.



## D. Environmental and Social Overview

### D.1 Overview of Environmental and Social Project Settings

*[Description of key features relevant to the operation's environmental and social risks and opportunities (e.g., whether the project is nationwide or regional in scope, urban/rural, in an FCV context, presence of Indigenous Peoples or other minorities, involves associated facilities, high-biodiversity settings, etc.) – Max. character limit 10,000]*

The project will be implemented at the national level. The Project seeks to improve the institutional capacity of the government to provide public services and information. Project activities do not include civil works, infrastructure development or any other kind of physical intervention. The project will include intervention in IT infrastructure focusing mostly on software upgrades. This will require upgrading of hardware infrastructure in a small proportion. As a result, there is a possibility of generating electronic waste during or after Project implementation.

The project will benefit institutional units of the MEF like the General Accounting Office of the Nation, Budget and treasury units, customs, trade, fiscal and macro units. Also, the Project will support the Commission for the Promotion and Defense of Competition, which is a decentralized unit under MEF. The project will not support units under the MEF that are responsible for gambling regulations like lottery and casinos.

The Project interventions focuses on improving the functionalities of the MEF's systems, generating better information through statistical big data analytics models, and support for the improvement in competitiveness and consumer protection. Those interventions will improve the institutional capacity and efficiency of the public services provided by the GoU and are expected to increase citizen satisfaction from improvements in customer protection and increase firm satisfaction from improvements in business environment and competitiveness.

The Project supports climate change management by incorporating climate consideration in budgeting and in the public investment cycle, including mitigation and adaptation considerations. The project also supports gender analysis and consultations to identify gaps between males and females regarding consumer protection policy implementation and define actions to reduce these gaps and the development of PFM 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 in these areas.

### D.2 Overview of Borrower's Institutional Capacity for Managing Environmental and Social Risks and Impacts

*[Description of Borrower's capacity (i.e., prior performance under the Safeguard Policies or ESF, experience applying E&S policies of IFIs, Environmental and social unit/staff already in place) and willingness to manage risks and impacts and of provisions planned or required to have capabilities in place, along with the needs for enhanced support to the Borrower – Max. character limit 10,000]*

The Project Coordination Unit (Unidad Coordinadora del Proyecto – UCP) of the MEF will be responsible for the overall coordination of the project and will act as the project implementation unit. The UCP has management staff with experience in World Bank financial operations including implementation and reporting of the PROMESeG project (P161989).

The PROMESeG is implemented under the World Banks' safeguards policy as Category C, without triggering any specific social or environmental policies due to the characteristics of the interventions focusing on institutional capacity development initiatives.



The MEF is currently working with IADB’s Environmental and Social Policy Framework and also has experience in the past working with other international financial institutions different to the World Bank. In this context, the team has basic information on environmental and social requirements set out in financial agreements or instruments.

The UCP does not have experience implementing the World Banks’s Environmental and Social Framework. Capacity building on the ESF was provided to the MEF during project preparation by E&S Specialists of the World Bank. The MEF identified one Environmental Focal Point and one Social Focal Point that will coordinate all actions related to environmental and social risk management of the Project, respectively. In addition, Human Resources and Resource Management Specialists will support the focal points on managing issues related to Labor and Working conditions.

The ESCP includes capacity strengthening needs and specific actions that will take place during project implementation to address the few and negligible ES risks of the Project.

## II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

### A. Environmental and Social Risk Classification (ESRC)

Low

#### A.1 Environmental Risk Rating

Low

*[Summary of key factors contributing to risk rating, in accordance with the ES Directive and the Technical Note on Screening and Risk Classification under the ESF – Max. character limit 4,000]*

The results of the environmental risk and impact screening determined that the environmental risk rating as Low. The scope and activities financed by the project focus on institutional strengthening of governmental institutions under the MEF, including capacity building of current staff. The project will not carry out or finance civil works. The project will finance the upgrade of software and some related hardware infrastructure. It is expected that the upgrades will generate limited amounts of 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. Currently, MEF has in place its own institutional waste management procedures to safely reuse, recycle and dispose e-waste. The electronic equipment to be acquired is expected to meet energy efficiency standards. Regarding Occupational, Health and Safety (OHS), the risks for project workers are likely to be very low since the activities focus on improving technical capacities and are limited to hiring individual consultants or firms to do analytical work and the Borrower’s labor framework sets out requires to manage OHS risks in a manner materially consistent with ESS2. A positive environmental impact associated with this project is that it has been designed to incorporate climate change considerations in budgeting and in the public investment cycle through climate change governance initiatives.

#### A.2 Social Risk Rating

Low

*[Summary of key factors contributing to risk rating, in accordance with the ES Directive and the Technical Note on Screening and Risk Classification under the ESF – Max. character limit 4,000]*

Social Risk Rating for this project has been also determined as Low. All expected social risks and 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 risks or impacts. 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

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transparency and access of information for the citizens. The project supports actions to promote gender equality through, inter alia, analysis and consultations to identify gaps between males and females regarding consumer protection policy implementation and define actions to reduce these gaps. It will also support the development of PFM 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 in these areas. In addition, the Project will also support the promotion of equality of opportunities in access and conditions of work under the Project, with focus on vulnerable groups including people with disabilities, afrodescendants and LGBTI+ workers. The ESCP includes actions to make sure that public entities and State enterprises that employ Project workers shall promote positive actions geared toward building capacity to improve accessibility to employment for them. In addition it also requires contractors, subcontractors, and other Project employers to adopt and implement, as appropriate, protocols and procedures to prevent and respond to sexual harassment, and sexual exploitation and abuse, which may involve their staff, including at work sites.

*[Summary of key factors contributing to risk rating. This attribute is only for the internal version of the download document and not a part of the disclosable version – Max. character limit 8,000]*

## **B. Environment and Social Standards (ESS) that Apply to the Activities Being Considered**

### **B.1 Relevance of Environmental and Social Standards**

#### **ESS1 - Assessment and Management of Environmental and Social Risks and Impacts**

Relevant

*[Explanation - Max. character limit 10,000]*

The MEF has scoped the potential environmental and social (E&S) risks and impacts of the Project and, based on the results, adopted measures to mitigate the identified risk and adverse impacts, and set out actions to enhance positive Project impacts in the E&S Commitment Plan (ESCP). Particular focus is on the potential adverse negligible environmental impact associated with the production of e-waste resulting from the upgrade of IT hardware (this is the main environmental impact identified and assessed as low given the expected e-waste amounts). In addition, it will also continue to engage with stakeholders during project implementation (including groups that may be disproportionately impacted by technological innovations). The project will generate a positive environmental impact by incorporating climate change considerations in budgeting and in the public investment cycle through climate change governance initiatives.

#### **ESS10 - Stakeholder Engagement and Information Disclosure**

Relevant

*[Explanation - Max. character limit 10,000]*

The National Constitution recognizes the right to participation and public consultation in public decision-making, including environment and territorial planning. Uruguay has also laws and regulations that address public consultation in specific contexts and processes, such as environmental impact assessments, land use planning and administrative procedures. Public hearings are often used as a method for stakeholder engagement. Uruguay also has several tools to disclose environmental information, and laws promoting transparency and access to public information. The main legislation in Uruguay related to access to information is the Law on Access to Public Information (Law No. 18.381),



which was enacted in 2008. This law establishes the right of individuals to access information held by public entities, ensuring transparency and accountability in the government's actions. It also sets out the procedures for requesting and obtaining information from public entities. In addition, Uruguay's Transparency and Ethics Law (Law No. 19.484) aims to prevent conflicts of interest and promote integrity within the government. These laws together form the legal framework for open government practices. In terms of Open Government, the Country joined the Open Government Partnership in 2011 and is currently implementing its 5th National Action Plan 2021-2024, thus ratifying the commitment undertaken by the country to promote the values of open government as cross-cutting principles in public management. In line with the active citizen engagement culture mentioned above, the Project is expected to have a positive impact in terms of stakeholder engagement. As a result of project activities, citizens and businesses will experience improved efficiency and effectiveness in their interactions with the government through the introduction of new digital services in MEF and enhanced consumer protection policies. Businesses will benefit from updated regulatory frameworks and enhanced platforms that will facilitate the effective implementation of competition and consumer protection policies. The project will develop and implement a stakeholder engagement strategy targeting the beneficiary population, especially firms, consumers, and users of MEF electronic services. Project components 1 (Public financial management and climate change governance) and 2 (Strengthening market institutions) include activities that will engage stakeholders in the assessment of new administrative services, increase awareness and motivation of consumers to claim for their rights, and strengthen firms' capacity to take advantage of competition policies and broaden the chances of more firms joining the market. Given the nature and scope of the project and considering that Uruguay's legal and institutional framework is materially consistent and addresses the key objectives of ESS10 the ESCP will flesh out how stakeholder engagement will be conducted for the Project in line with the applicable national framework. During project preparation, the Government carried out engagement with key stakeholders through a series of hybrid meetings with different institutions in March and August 2023. These include meetings with, inter alia, MEF's Human Resources Team, the General Accounting Office of the Nation (Contaduría General de la Nación, CGN), the National Cadaster Directorate (Dirección Nacional de Catastro, DNC), the Easy Budget Portal (Presupuesto fácil), the National Treasury Office (Tesorería General de la Nación), the Commission for the Application of the Investment Law (Comisión de Aplicación de la Ley de Inversiones, COMAP), The Electronic Invoice and Receipt System (Sistema Informático de Recepción de Factura Electrónica, SIRFE), the Consumer Protection Unit (Unidad de Defensa del Consumidor, UDECO), the Regulatory Agency for State Purchases (Agencia Regulatoria de Compras del Estado, ARCE), and the Commission for the Promotion of Protection of Competition (Comisión de Promoción y Defensa de la Competencia, CPDC). Throughout these stakeholder engagement activities for the Project, stakeholders were provided information and the Borrower sought to understand the needs and priorities of the different stakeholders that will be benefited through the different Project activities. None of the stakeholders expressed specific views until the present date on the Use of Borrower ES Framework to address the ES risks and impacts of the Project.

**ESS2 - Labor and Working Conditions**

Relevant

*[Explanation - Max. character limit 10,000]*

The Project will be implemented mainly by public servants. It is also expected to have direct and contracted workers (it may require consultants to be hired to support project activities implemented by the UCP and hiring consulting firms to provide specific technical or administrative services). Uruguay's policy, legal and institutional framework on labor and working conditions is materially consistent with this standard, addresses key objectives of ESS2, has characteristics that reflect good international practice and goes beyond the requirements of ESS2 on issues like



equality and nondiscrimination. In addition, Uruguay’s legislation enables workers’ organizations in line with ESS2, promotes safety and health through protective OHS rules, prevents all forms of forced labor and child labor, and considers several avenues for workers to file complaints. As such, the labor risks of the Project will be managed in line with applicable Borrower framework and as further set out in the ESCP. In Uruguay written contracts are not mandatory but they are common practice and workers are, regardless, well informed of the terms and conditions of their employment under national laws and often provided with information and written documentation that is clear and understandable regarding their terms and conditions of employment. This information and documentation regularly sets out their rights under national labor and employment law (which include any applicable collective agreements), including their rights related to hours of work, wages, overtime, compensation, and benefits, as well as those arising from the requirements of ESS2. To ensure that Project Workers are provided with information on the terms and conditions of their employment, the ESCP will include an action requiring that all Project workers receive, through written agreements or other documents provided in conjunction with induction sessions, information and documentation in a clear and understandable manner regarding its terms and conditions, working conditions, under the Borrower’s employment framework, including, among other aspects, rights related to hours of work, wages, overtime, compensation and benefits, written notice of termination of employment and details about severance pay, as applicable.

**ESS3 - Resource Efficiency and Pollution Prevention and Management**

Relevant

*[Explanation - Max. character limit 10,000]*

Project activities during implementation will not result in an increase in the use of natural resources such as water or energy. Additionally, an increase in the production of non-hazardous waste is not expected. The upgrade of the IT infrastructure may require hardware upgrades, which may generate limited amounts of electronic waste due to obsolescence, replacement, or retirement of equipment during project implementation. However, the amount of e-waste is expected to be low, and procedures for the safe disposal, reuse, or recycling of such waste is outlined in the ESCP (Environmental and Social Commitment Plan) and the Project Operational Manual (POM), in line with the Integrated Waste Management Legislation of Uruguay and as further explained below. The electronic equipment to be acquired is expected to meet energy efficiency standards. Currently, e-waste is regulated under the Integrated Waste Management legislation of the country, following the principle of extended producer responsibility. MEF (Ministry of Economy and Finance) follows two approaches for the disposal of electronic equipment. First, equipment that has reached the end of its lifecycle (broken or obsolete) is disposed of through nationally certified firms dedicated to the final disposal of electronic equipment. Second, electronic equipment that can be reused is locally donated to organizations that recondition and donate them under social programs. The Project aligns with Uruguay's Nationally Determined Contribution (NDC) and climate commitments. It aims to address climate-related extreme weather risks by incorporating climate risk planning into system design and capacity building to develop standards for climate resilient digital infrastructure. The project also supports the increased involvement and leadership of the MEF in the national climate agenda.

**ESS4 - Community Health and Safety**

Not Currently Relevant

*[Explanation - Max. character limit 10,000]*

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This standard is not currently relevant. The scoping of E&S risks and impacts conducted by the Borrower did not identify any potential risks and/or impacts relevant to ESS4. The project will be implemented at the central level of the MEF without physical intervention or civil works.

**ESS5 - Land Acquisition, Restrictions on Land Use and Involuntary Resettlement** Not Currently Relevant

*[Explanation - Max. character limit 10,000]*

This standard is not currently relevant. The Project will neither require land acquisition, nor restrictions on land or involuntary resettlement as defined under this Standard.

**ESS6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources** Not Currently Relevant

*[Explanation - Max. character limit 10,000]*

This standard is not currently relevant. The project will be implemented at the central level of the MEF without physical intervention or civil works and none of the Project activities entail any risks or impacts covered under ESS6.

**ESS7 - Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities** Not Currently Relevant

*[Explanation - Max. character limit 10,000]*

The standard is not relevant. There are no groups or communities in Uruguay that meet the four cumulative criteria defining indigenous peoples/Sub-Saharan African Historically Underserved Traditional Local Communities set out in ESS7.

**ESS8 - Cultural Heritage** Not Currently Relevant

*[Explanation - Max. character limit 10,000]*

This standard is not currently relevant. The Project activities do not entail any potential risks and/or impacts relevant to ESS8.

**ESS9 - Financial Intermediaries** Not Currently Relevant

*[Explanation - Max. character limit 10,000]*

This standard is not currently relevant. There are no Financial Intermediaries in the project.

**B.2 Legal Operational Policies that Apply**

**OP 7.50 Operations on International Waterways** No

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**OP 7.60 Operations in Disputed Areas**

No

**B.3 Other Salient Features**

**Use of Borrower Framework**

In Whole

*[Explanation including areas where “Use of Borrower Framework” is being considered - Max. character limit 10,000]*

The project will rely on the Borrower’s Environmental and Social Framework; therefore, the potential environmental and/or social risk and impact generated by the project, if any, will be assessed and managed through national requirements, laws, regulations, and sectoral measures, strategies and procedures, as applicable. As indicated above, the Environmental and Social Commitment Plan (ESCP) includes additional actions that are needed to meet the relevant Bank’s Environmental and Social Standards (ESS 1, 2, 3 and 10).

**Use of Common Approach**

No

*[Explanation including list of possible financing partners – Max. character limit 4,000]*

None.

**B.4 Summary of Assessment of Environmental and Social Risks and Impacts**

*[Description provided will not be disclosed but will flow as a one time flow to the Appraisal Stage PID and PAD – Max. character limit 10,000]*

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 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.

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### **C. Overview of Required Environmental and Social Risk Management Activities**

#### **C.1 What Borrower environmental and social analyses, instruments, plans and/or frameworks are planned or required by implementation?**

*[Description of expectations in terms of documents to be prepared to assess and manage the project’s environmental and social risks and by when (i.e., prior to Effectiveness, or during implementation), highlighted features of ESA documents, other project documents where environmental and social measures are to be included, and the related due diligence process planned to be carried out by the World Bank, including sources of information for the due diligence - Max. character limit 10,000]*

The following action is expected to be completed prior to Bank Board Approval: Draft ESCP was prepared and disclosed by appraisal and a negotiated version will be disclosed after negotiations.

The following actions are going to be addressed in the Borrower's Environmental and Social Commitment Plan (ESCP):

In terms of stakeholder engagement, the ESCP includes specific actions to ensure a stakeholder mapping, a communication and disclosure of information strategy, and a strategy for engaging with all relevant stakeholders during Project implementation. Main stakeholders would be beneficiary population, especially firms, consumers, and users of MEF electronic services. Project components 1 and 2 includes activities that will engage stakeholders in the assessment of new administrative services, that increase awareness and motivation of consumers to claim for their rights, and capacity building activities to strengthen firms to take advantage of competition policies. The ESCP also includes a commitment to ensure that a Grievance Mechanism (GM) is in place to address concerns and grievances during project preparation and implementation. Based on the MEF’s current system, the Project’s GM will establish the mechanisms to submit grievances and receive responses, the number of days to receive a response, and will identify different levels of conflict resolution. To achieve that, the commitment will include an assessment of the existing GM to identify any necessary adjustments to strengthen the system considering specific elements of this Project. In addition, the PCU shall maintain an environmental and social specialist responsible for monitoring and reporting of project activities throughout Project implementation.

In addition, as stated above, related to labor and working conditions, a specific action is included in the ESCP to make sure that all Project workers receive, through written agreements or other written documents provided in conjunction with induction sessions, information and documentation in a clear and understandable manner regarding its terms and conditions, working conditions, under the Borrower's employment framework, including, among other aspects, rights related to hours of work, wages, overtime, compensation and benefits, written notice of termination of employment and details about severance pay, as applicable.

Finally, the ESCP includes an action to follow existing procedures for e-waste management generated by the project aligned with the national and local legal requirements and the producers’ extended responsibility approach.

### **III. CONTACT POINT**

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**V. APPROVAL**

Task Team Leader(s): Silvana Kostenbaum, Elena Gasol Ramos

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ADM Social Specialist: Santiago Scialabba

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