PUBLIC
SIMULTANEOUS DISCLOSURE

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

URUGUAY

CONTINGENT LOAN FOR NATURAL DISASTER AND PUBLIC HEALTH EMERGENCIES (UR-O1166)

(MODIFICATION OF RESOLUTION DE-165/20 AND LOAN CONTRACT UR-O1157)

MODIFICATION PROPOSAL

This document was prepared by the project team consisting of: Juan José Durante (IFD/CMF), Project Team Leader; Hongrui Zhang, Alternate Project Team Leader; Annabella Gaggero, Cristina Villalba, Andrea Terán, Celeste Izquierdo, and Adriana Lozano (IFD/CMF); Claudio Osorio (CSD/RND); Sofia Polcaro (CCS/CUR); Alexandre Bagolle (SCL/SPH); Hugo Us (SCL/GDI); Álvaro Sanmartín (LEG/SGO); Allizon Milicich and Willy Bendix (VPC/FMP); and Gastón Rodríguez (CSC/CUR).

CONTENTS

Annexes	
Annex I	Development Effectiveness Matrix (DEM) – Summary
Annex II	Results Matrix
Annex III	Fiduciary Agreements and Requirements

Required Links	
Required link 1	Monitoring and evaluation plan

Optional Links	
Optional link 1	Economic analysis of the project
Optional link 2	Program Operating Regulations
Optional link 3	Automatic redirection list
Optional link 4	Technical paper. Contribution to climate change adaptation
Optional link 5	Technical paper. Alignment with the crosscutting theme of gender equality
Optional link 6	Bibliography
Optional link 7	Integrated Disaster Risk Management Plan
Optional link 8	Definitions, formulas, and sources of indicators for the Results Matrix
Optional link 9	Experience and results of the Contingent Credit Facility for Natural Disaster and Public Health Emergencies (CCF) in responding to disasters and crises in Latin America and the Caribbean

ABBREVIATIONS	
ARL	Automatic redirection list
CCF	Contingent Credit Facility for Natural Disaster and Public Health Emergencies
CGN	Contaduría General de la Nación (National Accounting Office)
DNE	Dirección Nacional de Emergencias (National Emergency Office)
DRM	Disaster risk management
ECH	Encuesta Continua de Hogares (Ongoing Household Survey)
FAE	Fondo Agropecuario de Emergencia (Agricultural Emergency Fund)
JNERR	Junta Nacional de Emergencias y Reducción de Riesgos y Desastres (National Emergency and Risk Reduction Board)
IDRMP	Integrated Disaster Risk Management Plan
iGOPP	Index of Governance and Public Policy in Disaster Risk Management
IHR	International Health Regulations
MEF	Ministry of Economy and Finance
MSP	Ministry of Public Health
NPV	Net present value
PAHO	Pan American Health Organization
PCU	Project coordination unit
RTFPs	Risk transfer and financing programs
SIIF	Sistema Integrado de Información Financiera (Integrated Financial Information System)
SINAE	Sistema Nacional de Emergencia (National Emergency Network)
SNIS	Sistema Nacional Integrado de Salud (Integrated National Health System)
SPI	Sistema de Préstamos Internacionales (International Loans System)
TCR	Tribunal de Cuentas de la República Oriental del Uruguay (Court of Auditors of the Eastern Republic of Uruguay)
TGN	Tesorería General de la Nación (National General Treasury)
UTE	Administración Nacional de Usinas y Trasmisiones Eléctricas (National Administration of Electric Power Generation and Transmission)
WHO	World Health Organization

PROJECT SUMMARY

URUGUAY
CONTINGENT LOAN FOR NATURAL DISASTER AND PUBLIC HEALTH EMERGENCIES
(UR-O1166)
PROPOSAL FOR MODIFICATION OF RESOLUTION DE-165/20 AND LOAN CONTRACT UR-O1157

<table>
<tr><th colspan="8">Financial Terms and Conditions[a]</th></tr>
<tr><th colspan="6">Borrower:</th><th colspan="2">Flexible Financing Facility[b]</th></tr>
<tr><td colspan="6">Eastern Republic of Uruguay</td><td>Amortization period:</td><td>25 years[c]</td></tr>
<tr><th colspan="6">Executing agency:</th><td>Grace period:</td><td>5.5 years[c]</td></tr>
<tr><td colspan="6">The borrower, acting through the Ministry of Economy and Finance (MEF)</td><td>Original weighted average life:</td><td>15.25 years[c]</td></tr>
<tr><th rowspan="2">Source</th><th colspan="2" rowspan="2">Original amount[d] (US$ million)</th><th colspan="2" rowspan="2">Modified amount (US$ million)</th><th rowspan="2">%</th><td>Coverage period:</td><td>5 years[e] [f]</td></tr>
<tr><td>Interest rate:</td><td>SOFR-based</td></tr>
<tr><td rowspan="3">IDB Ordinary Capital (OC):</td><td rowspan="2">Modality II</td><td rowspan="2">100</td><td>Modality I</td><td>100</td><td>50</td><td>Inspection and supervision fee:</td><td>[g]</td></tr>
<tr><td>Modality II</td><td>100</td><td>50</td><td>Drawdown fee:</td><td>[h]</td></tr>
<tr><td>Total</td><td>100</td><td>Total</td><td>200</td><td>100</td><td>Currency of approval:</td><td>U.S. dollar</td></tr>
<tr><th colspan="8">Project at a Glance</th></tr>
</table>

Modified project objective: The general development objective of the operation is to help buffer the impact that a severe or catastrophic natural disaster or public health event could have on the country's public finances. The specific development objective is to improve the financial management of natural disaster and public health risks by increasing stable, cost-efficient, and rapidly accessible contingent financing to cover extraordinary public expenditures made in support of the population affected by natural disaster and public health emergencies.

Special contractual conditions of general eligibility to request disbursements (coverage trigger): The approval and entry into force of the program Operating Regulations on the terms previously agreed upon with the Bank (paragraph 3.4).

Special contractual conditions precedent to the first disbursement for each eligible event:

(a) Disbursements under Modality I (natural disasters): (i) the Bank has verified the occurrence of an eligible event according to the parameters defined in the program Operating Regulations; and (ii) the Integrated Disaster Risk Management Plan (IDRMP), previously agreed upon with the Bank, is progressing satisfactorily for the Bank (paragraphs 2.7, 2.8, and 3.5);

(b) Disbursements under Modality II (natural disasters): (i) the Bank has verified the declaration of a national emergency due to an eligible natural disaster as defined in the program Operating Regulations; (ii) the IDRMP, previously agreed upon with the Bank, is progressing satisfactorily for the Bank; and (iii) the Bank has verified the borrower's compliance with the agreed complementary risk retention financing measures and conditions (paragraph 3.5); and

(c) Disbursements under Modality II (public health events): (i) the Bank has verified the declaration of a national public health emergency due to an eligible public health event as defined in the program Operating Regulations; (ii) the borrower has submitted evidence that it is up to date with its progress reporting to the World Health Organization (WHO) on compliance with International Health Regulations; (iii) the borrower has submitted evidence, to the Bank's satisfaction, that it has a national preparedness and response plan for the specific event, in line with WHO/Pan American Health Organization recommendations, to address the event for which it has declared a national public health emergency; and (iv) the Bank has verified the borrower's compliance with the agreed complementary risk retention financing measures and conditions (paragraph 3.5).

In addition to the aforementioned contractual conditions, the borrower will have submitted, within 90 calendar days after the occurrence of an eligible event, one or more disbursement requests specifying the amount(s) of such disbursement(s), and, for disbursements under Modality I for natural disasters and Modality II for public health events, the requests will indicate whether such disbursement(s) will be drawn from the Bank's regular lending program with Uruguay, from undisbursed balances from the automatic redirection list (ARL), or from a combination of these two sources. In the case of loans from the ARL, the request should identify the loans in question and the respective amount to be used. Disbursements under Modality II for natural disasters shall not be drawn from the ARL (paragraph 3.6). For special contractual conditions of a fiduciary nature, see Annex III.

Exceptions to Bank policy: None.

Strategic Alignment							
Objectives:[i]	O1 ☐		O2 ☒		O3 ☐		
Operational focus areas:[j]	OF1 ☒	OF2-G ☒ OF2-D ☐	OF3 ☒	OF4 ☐	OF5 ☐	OF6 ☐	OF7 ☐

[a] Financial terms and conditions of the contingent loan under the Contingent Credit Facility for Natural Disaster and Public Health Emergencies (CCF) (GN-2999-4, approved by the Board of Executive Directors pursuant to Resolution DE-40/20 of 12 May 2020).

[b] Under the terms of the Flexible Financing Facility (FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

[c] Amortization periods, weighted average life, and grace periods run from the date of the first disbursement for each eligible event.

[d] Amount approved under Resolution DE-165/20 of 16 December 2020 (UR-O1157).

[e] The coverage period or disbursement period (equivalent terms) runs from the entry into force of the modified loan contract. It may be extended for up to five additional years at the Bank's discretion and upon the borrower's request.

[f] Loan disbursements will be contingent upon the Bank's having sufficient resources available from the ARL or the Bank's regular lending program with Uruguay, as applicable, at the time of the disbursement request (paragraph 2.5).

[g] The inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges in accordance with the applicable policies.

[h] The fee is not charged if the loan is not used. The Bank will only charge a one-time fee of 50 basis points at the time of disbursement, applicable solely to the amount disbursed against resources from the regular lending program. This fee is applicable to each disbursement. The drawdown fee will be subject to periodic review by the Board of Executive Directors, as with all lending charges. The fee does not apply to amounts disbursed from loans included in the ARL.

[i] O1 (Reduce poverty and inequality); O2 (Address climate change); and O3 (Bolster sustainable regional growth).

[j] OF1 (Biodiversity, natural capital, and climate action); OF2-G (Gender equality); OF2-D (Inclusion of diverse population groups); OF3 (Institutional capacity, rule of law, and citizen security); OF4 (Social protection and human capital development); OF5 (Productive development and innovation through the private sector); OF6 (Sustainable, resilient, and inclusive infrastructure); and OF7 (Regional integration).

I. DESCRIPTION AND RESULTS MONITORING

A. The country's modification request

1.1 **Context.** In consideration of the magnitude of Uruguay's exposure to disaster and public health risks, in December 2020 the Bank approved the Contingent Loan for Natural Disaster and Public Health Emergencies (UR-O1157) for US$100 million under the Contingent Credit Facility for Natural Disaster and Public Health Emergencies (CCF) (GN-2999-4). This loan contract entered into effect on 19 March 2021 and provides coverage for droughts and public health events under Modality II of the CCF.

1.2 **Rationale for the modification.** In view of: (i) the growing threat of flooding and wildfires and the increased frequency and severity of such events in the country (paragraphs 1.3 to 1.7) and (ii) the Bank's support for strengthening integrated disaster risk management (paragraphs 1.8, 1.14, 1.26, and 2.7), on 7 March 2024 Uruguay requested that the Bank expand the coverage of the contingent loan to include these risks. Responding to that request, this proposal for modification of the original loan UR-O1157 includes parametric coverage under Modality I of the CCF for up to US$100 million to cover flooding and wildfires. The total amount of the modified loan will be US$200 million.

B. Background, problem addressed, and rationale

1. The country's vulnerability to natural disasters and climate change

1.3 Uruguay is exposed to multiple hydrometeorological and climatological hazards [1, 2].[1] Although these hazards have had relatively less impact in Uruguay than in other Latin American and Caribbean countries [3], their impacts in recent decades indicate that they are increasing in severity and frequency. Between 1967 and 2023 Uruguay experienced 39 severe events, 30 of which have occurred since 2000 [4].

1.4 The event causing the most damage is drought, significantly impacting both the exposed population and farming activities, which are a mainstay of the Uruguayan economy, accounting for around 13% of the country's GDP and 78% of exports [5].[2] Among the most severe drought events were: (i) the 2022-2023 drought caused by the El Niño-Southern Oscillation phenomenon, which resulted in a water emergency for the Montevideo metropolitan area [6] and direct losses estimated at US$1.809 billion (2.9% of GDP) [7]; (ii) the 2017-2018 drought, which caused losses of US$500 million (equivalent to 0.8% of GDP); and (ii) the 1998-1999 drought, which caused estimated losses of US$250 million (1% of GDP) [4].

1.5 Floods are recurrent phenomena in Uruguay due to the geomorphological features of its watersheds. For example, in the River Plate region, river levels rise and cause

---

1 Optional link 6.

2 Drought has been responsible for more than 80% of the total damage and losses in the agriculture sector, especially in the animal and crop production subsectors.

flooding in neighboring areas [1]. Historically, floods have become relatively more frequent and less severe with the exception of the flooding in 1959, which had record impacts for Uruguay. However, in the past decade, Uruguay has experienced large-scale events such as: (i) the flooding in December 2015 and April 2016, which were the country's second-worst floods on record with 35,000 people displaced and a response cost of US$100 million [8, 9, 10]; (ii) the 2017 flood, which displaced nearly 7,000 people due to near-1959 flood levels in the Uruguay River [11]; and (iii) the flooding in March 2024, which displaced more than 6,000 people [12, 13].

1.6 Wildfires are also a significant hazard for the country, intensified by rising temperatures, expanded forest operations, the location of coastal forests, and populated areas located amid pine and eucalyptus plantations, as well as urban forest areas. The hazard worsens in the summer, exacerbated by high temperatures, low humidity, dry combustible vegetation, and people traveling to coastal areas. In the 2021-2022 season there were 1,687 events, affecting 38,057 hectares; in the 2022-2023 season there were 3,604 fires, affecting 26,621 hectares [14].

1.7 **Climate change and extreme events.**[3] Climate change influences many extreme meteorological and climate phenomena [15]. In Uruguay the effects of climate change will continue and expand, such as rising temperature and mean precipitation, as well as higher precipitation and minimum temperatures. Projections indicate that the mean temperature will continue to rise in a range of 1.5°C to 5.5°C by the end of the twenty-first century, and heat waves are expected to increase. The impact of droughts in Uruguay is expected to worsen with more frequent and intense droughts, and losses rising by 150% [2]. Extreme precipitation events will also increase, as the number of days with light rain decreases, resulting in more consecutive dry days separated by intense precipitation events [16].

1.8 **Gender and natural disasters.**[4] Disasters tend to have a greater impact on the most vulnerable population groups, particularly women, girls, and persons with disabilities [17]. This unequal impact results in higher mortality rates [18, 19], greater likelihood of being unemployed, and, particularly, greater risk of facing gender-based violence in displacement and shelter situations [20, 21, 22]. In Uruguay, during the 2009-2010 flooding caused by the El Niño-Southern Oscillation, no specific measures were implemented to address differentiated gender-based needs, revealing significant gaps. For example, shelters were not organized to adequately consider gender-specific needs [23]. To address this need, the National Emergency Network (SINAE), with IDB technical support under loan UR-O1157, developed the Guide for Intersectional Gender Mainstreaming in Departmental Response Protocols in Uruguay [24].

2. The country's vulnerability to public health events

1.9 Uruguay is also exposed to public health events. This was made clear by the arrival of COVID-19, which the World Health Organization (WHO) declared a pandemic on

[3] Optional link 4.

[4] Optional link 5.

11 March 2020. Uruguay's response was such that excess mortality for the period 2020-2021 was 0.49 per 1,000 inhabitants, versus 1.99 regionally and 1.04 globally [25] (paragraph 1.18). The cost to address the COVID-19 pandemic was approximately US$600 million (1% of 2021 GDP) for the period 2020-2021 [26]. Nevertheless, the country is still exposed to new infectious disease outbreaks. The Pan American Health Organization (PAHO) estimated that 2024 will be the year with the highest incidence of dengue in the region [27]. As of May 2024, 1,112 cases of dengue had been detected in Uruguay (702 indigenous and 410 imported cases), the highest level on record.[5]

1.10 These risks represent significant contingent liabilities for the public finances. If they materialize, not only would a robust public health system be required, sufficient ex ante financial coverage would also be necessary to defray extraordinary public expenditures for an immediate response.

3. Financial vulnerability to natural disasters and public health events

1.11 The Uruguayan economy's recovery has taken hold after the recession in 2020, when the GDP declined 7.4% amid the pandemic. GDP rose 5.6% in 2021 and 4.7% in 2022, driven by growing external demand and private investment. This momentum was interrupted in 2023, mainly because of a major drought that hurt economic activity with annual growth of 0.4%. The Ministry of Economy and Finance (MEF) projects a rebound to 3.0% in 2024 [28]. The public finances began improving in 2021 with a reduction in the fiscal deficit of the central government and the Social Security Bank from 5.8% of GDP in 2020 to 3.3% of GDP in 2023 (excluding income from the Social Security Trust Fund). Gross public debt also declined from 61.3% of GDP in 2020 to 58.3% of GDP in 2023.

1.12 That being so, the risk of a severe or catastrophic event represents a significant contingent fiscal liability for Uruguay, jeopardizing both economic activity and the government's fiscal consolidation process. According to an IDB analysis [2], a once-in-100-year intensity drought would generate losses of US$1.085 billion (equivalent to 1.4% of 2023 GDP).

4. Natural disaster risk management in Uruguay

1.13 The country's general governance framework for disaster risk management (DRM) is Law 18,621 of 2009, which created the National Emergency Network (SINAE) and its by-laws, approved in 2020. The National Policy for Integrated Disaster and Emergency Risk Management for 2019-2030 was also approved in 2020. According to the Index of Governance and Public Policy in Disaster Risk Management (iGOPP),[6] Uruguay has made "good" progress (53.8%), which reflects the adoption of these laws and regulations [29].

1.14 Since the approval of loan UR-O1157, the country has made considerable progress in DRM, including: (i) the preparation and approval of the National Plan for Integrated Disaster and Emergency Risk Management, which implements the

[5] Ministry of Public Health (MSP), 2024.

[6] The iGOPP measures, on a scale from 0% (minimum) to 100% (maximum), whether a country satisfies the conditions to implement a public policy for disaster risk management.

National Policy for Integrated Disaster and Emergency Risk Management and sets targets for 2022-2027; (ii) the 2022 launch of the "Plan Avanzar" plan to eliminate informal settlements in hazardous areas, supported by the Bank under loan 5896/OC-UR; (iii) the 2023 approval of the Early Warning Protocol for Floods and the Response Protocol for Drought Events; (iv) the start in 2024 of preparation of a Policy for Integrated Risk Management and the Financial Protection Strategy for the agriculture sector by the Ministry of Agriculture, Livestock, and Fisheries (MGAP); and (v) the progress made by the MEF in developing a roadmap for creating expenditure tagging for climate change and DRM. Below is a summary of the diagnostic assessment of several major strategic areas of DRM.[7]

1.15 **Risk identification.** Uruguay has prepared several different assessments of hazards, vulnerability, and risk, including a country disaster risk profile in 2019 [2] and a set of risk maps for wildfire, flooding, strong wind, and drought [1]. The country also has a comprehensive risk and impact monitoring system, developed and run by SINAE, which optimizes data collection on events and enables real-time hazard monitoring. SINAE trains public employees in DRM, offering courses through its Virtual Educational Platform. In terms of sector risks, with support from the World Bank, Uruguay is working on a risk assessment system that links agroclimatic variables with agricultural production records. In terms of challenges, the iGOPP found that no institutions or other essential sectors for DRM have prepared risk analyses.

1.16 **Preparedness and response.** The country has made significant progress in emergency preparedness. In 2023, SINAE's National Emergency Office (DNE) supported departmental governments in updating their respective response protocols and conducted five regional simulation exercises to test the protocols. In terms of challenges, while there are a few early warning system initiatives for flooding,[8] (paragraph 1.26), they do not cover all exposed areas.

1.17 **Financial protection.** Uruguay has made progress in the management of contingent fiscal liabilities associated with disasters. The Agricultural Emergency Fund (FAE) was established in 2008 to support farmers impacted by climate emergencies. The Energy Stabilization Fund was set up to reduce the impact of water deficits on the financial position of the National Administration of Electric Power Generation and Transmission (UTE).[9] Another significant advance is the adoption of loan UR-O1157, which provides US$100 million in ex ante financial coverage for droughts, epidemics, and pandemics. Uruguay has also used policy-based loans with a deferred drawdown option extensively as a liquidity management instrument. This instrument was especially effective in early stages of the COVID-19 pandemic.[10] The country also has the option of redirecting resources from a World Bank loan in execution through the Contingency

---

7 Integrated Disaster Risk Management Plan (IDRMP).

8 For example, in Artigas in the binational watershed of the Cuareim River, and in Durazno in the Yí River watershed.

9 According to UTE figures, around 80% of Uruguay's power generation is hydroelectric. In the event of a severe rainfall deficit, the UTE resorts to thermal power generation. This results in higher production costs, a contingent liability for the public finances.

10 Office of Evaluation and Oversight (OVE) (2020). Country Program Evaluation: Uruguay 2016-2020.

Emergency Response Component.[11] Despite this progress, Uruguay still faces challenges in: (i) implementation of the National Disaster Prevention and Response Fund created by Law 18,621; and (ii) development and implementation of a national disaster risk financial management strategy. This operation is expected to increase the country's ex ante financial coverage for disasters (paragraph 1.2) and continue strengthening its DRM through the IDRMP.

5. Public health risk management in Uruguay

1.18 When the COVID-19 pandemic reached the country, the Ministry of Public Health (MSP) launched the National Contingency Plan for COVID-19 infection, updating measures for surveillance, diagnosis, infection control, health care, communication of risks, and coordination between government agencies and with the private sector. The results show that these measures were effective. The most recent assessments of Uruguay's compliance with the International Health Regulations (IHR) and the Global Health Security Index [30, 31] concluded that the areas for improvement are detection capacity and the legal and regulatory framework for preparedness and response to health emergencies.

1.19 **Epidemiological surveillance system.** Health centers located throughout the country are involved in conducting sentinel surveillance of severe acute respiratory infection and influenza-type illness in Uruguay. These centers gather information from patients, notify cases through the MSP surveillance computer system, and send samples to the Public Health Laboratories Department, where the virological diagnosis is performed.

1.20 **Health service delivery.** In all, 99.1% of Uruguay's population has health coverage from a service provider in the Integrated National Health System (SNIS),[12] making Uruguay one of the Latin American and Caribbean countries with the fullest health insurance coverage. Uruguay is also among the countries with the highest hospital capacity per 100,000 inhabitants in the region. National Health Insurance (SNS) is one of the key instruments of the SNIS. In 2023 it covered more than 2.6 million people (75.9% of the population) [32].

6. Risk transfer and financing programs for natural disaster and public health emergencies

1.21 The Bank developed an integrated financial approach to disaster risk management, to help countries improve their financial planning (GN-2354-7). The purpose of this approach is to support borrowing member countries in the design and implementation of natural disaster risk transfer and financing programs (RTFPs).

1.22 Under this strategic framework, the Bank created the CCF (GN-2502-2, GN-2999-9), to provide significant liquidity to countries in the immediate wake of a natural disaster. In 2020, faced with the challenge of the COVID-19 pandemic, the facility's scope was expanded to include public health risks (GN-2999-4).

[11] Currently, the operation, which expires in November 2026, has an available balance of US$22 million.

[12] Ongoing Household Survey (ECH), 2023.

1.23 RTFPs recognize the existence of budgetary and financial constraints, such that no single instrument can efficiently cover all risk layers on its own [33]. The recommendation for the design of an RTFP is thus to have a menu of complementary risk retention and transfer instruments for each layer of risk, including the utilization of reserve funds to cover the risks of recurring events, the use of contingent credit lines, and the adoption of risk transfer instruments like catastrophe insurance and/or bonds for severe or catastrophic events [34].[13]

1.24 **Potential benefits.** The benefits of RTFPs for the emergency phase demonstrably outweigh the potential costs. RTFPs allow countries to obtain financial coverage benefiting the population regardless of whether the risks materialize. They are also more efficient in terms of both direct costs and the savings generated, since they enable governments to narrow the liquidity gap resulting from the combination of higher expenditures, lower revenues [35], and incremental restrictions on access to finance and the cost of lending.

1.25 The availability of ex ante financial coverage for the emergency phase reduces the event's impact on the public accounts and vulnerable populations by fast-tracking resources to meet the costs of the emergency response. This has been confirmed in studies by the Bank [36] and the International Monetary Fund [37].

7. The operation in the Bank's sector and country strategy

1.26 **The Bank's support in Uruguay's natural disaster sector and lessons learned.** The Bank has supported Uruguay in DRM through: (i) a diagnostic assessment of disaster risk governance in 2014 applying the iGOPP and advisory support on the implementing regulations of Law 18,621 (ATN/MD-13090-RG, approved in 2011 for research and dissemination, US$1 million, executed); (ii) emergency financial assistance to support emergency response activities after the floods in 2015 (ATN/OC-15516-UR, approved in 2016 for client support, US$200,000, executed) and 2016 (ATN/OC-15555-UR for client support, US$200,000, executed); (iii) improvement of the quality and usefulness of information on the occurrence and impacts of droughts through the project for the design and implementation of a drought information system for southern South America (SISSA) (ATN/OC-17023-RG, approved in 2018 for client support, US$550,000, executed); (iv) preparation of the country disaster risk profile to quantify the likely losses due to drought (ATN/MD-15800-RG, approved in 2016 for research and dissemination, US$1 million, executed); (v) updating of the iGOPP, demonstrating progress in the national governance framework for DRM (ATN/MD-17897-RG and ATN/OC-18007-RG, approved in 2020 for research and dissemination, total of US$1 million, executed); (vi) Program to Support Policy Reform in Water Resources and Solid Waste (5829/OC-UR, approved in 2023, US$200 million, executed), with the objective of contributing to Uruguay's water security with an approach based on circularity and climate change adaptation and mitigation; (vii) Social and Urban Integration Program in Uruguay (5896/OC-UR, approved in June 2024, US$60 million, pending eligibility), through which the Bank will support the "Plan Avanzar" plan (paragraph 1.14); and (viii) ongoing strengthening of DRM governance and improvement of the early

[13] For further discussion of IDB product complementarity, see "Innovative Climate and Disaster Risk Finance Solutions."

warning system in Uruguay through technical cooperation operation ATN/OC-20838-UR (approved in June 2024 for client support, US$250,000). This technical cooperation operation will support technical capacity-building for the early warning system, contributing to Uruguay's progress in disaster preparedness and response, as well as the fulfillment of IDRMP indicators for this loan. The lessons learned from these interventions, particularly in financial assistance to address emergencies, highlight the importance of effective procedures for the use of loan proceeds (paragraphs 1.28 and 3.3).

1.27 **The Bank's support in Uruguay's public health sector and lessons learned.** The Bank has been supporting the process of strengthening telehealth in Uruguay, particularly through: (i) e-Government Management Project in the Health Sector under CCLIP UR-X1009 (3007/OC-UR approved in 2013 and 4300/OC-UR approved in 2017, each for US$6 million, executed) for the development of national electronic medical records (HCEN); (ii) technical cooperation operations ATN/JF-18265-UR, ATN/JF-18609-UR, and ATN/JF-19508-UR (approved in 2020, US$500,000, 36.28% disbursed) for the implementation of telehealth for mental health care with the Government Health Services Administration (ASSE); (iii) technical cooperation operation ATN/OC-18908-UR (approved in 2021, US$200,000, 66.51% disbursed), to support the supervision of health care providers; and (iv) technical cooperation operation ATN/JF-20533-UR (approved in 2023, US$500,000, 1.64% disbursed) to support the digital transformation and financial sustainability of health care providers. A lesson learned during the COVID-19 pandemic is the importance of digital tools in the response to health emergencies, to avoid overloading in-person health care services, reduce the risks of contact with health care personnel, and manage case treatment resources, etc. These digital mechanisms are also essential for the resilience of health care systems to climate change and disasters, especially to ensure continuity of care when facing shocks that increase demand for health care services. This factor will be considered for the simulations to be done during this operation's monitoring and execution, to expedite the execution of the health care response, if an eligible event occurs (mitigation measures, paragraph 2.12).

1.28 **Good practices and lessons learned under the CCF.** The Bank has 13 active CCF loans in the region for approximately US$3.4 billion. Of that amount, a total of US$518.2 million[14] has been disbursed so far, to respond to disaster emergencies or the COVID-19 pandemic on ten occasions. The relevance and effectiveness of this instrument have been verified and endorsed by the Office of Evaluation and Oversight (OVE) [48] through the project completion reports of the CCF operations, rating them as successful or highly successful. This includes the responses to the 2016 Manabí earthquake in Ecuador (5136/OC-EC), Hurricane María in 2017 in the Dominican Republic (4331/OC-DR), Hurricanes Eta and Iota in 2020 in Nicaragua (5195/BL-NI), and the COVID-19 pandemic (5136/OC-EC, 5243/OC-DR, and 5186/BL-GY). The most significant results include : (i) rapid access to resources for a timely response to disaster emergencies, reflecting the effectiveness of the parametric triggers; (ii) complementarity with other Bank actions; (iii) strengthening of DRM in countries through the IDRMP; and (iv) strengthening of the immediate public health response to the pandemic. Based on these experiences and the lessons learned during the coverage period for the

---

14 Optional link 9.

original loan, UR-O1157, the following improvements have been incorporated into this operation: (i) reflecting the country's current disaster risk profile and the effects of climate change in the parametric triggers (paragraphs 1.3 to 1.7 and 2.3); (ii) updating the program Operating Regulations to add operational guidelines and procedures, including a coordination mechanism for streamlined execution for the possible use of the contingent loan proceeds; (iii) strengthening cross-sector coordination between entities involved in DRM to make the emergency response more nimble (paragraph 3.2); (iv) including terms of reference in the Operating Regulations for the contracting of a reasonable assurance audit for the eligibility of expenditures in the case of disbursements (paragraph 3.10); and (v) other key entities like DNE-SINAE and MGAP participating actively throughout the preparation process of this operation, including the pre-identification of indicative lists of expenditures by event to be included in the Operating Regulations.

1.29 **Strategic alignment.** This proposal is consistent with the IDB Group Institutional Strategy: Transforming for Scale and Impact (CA-631) and is aligned with the objective to address climate change, by strengthening climate resilience and the adaptive capacity of countries, particularly DRM, through an increase in ex ante financial coverage for natural disaster and public health emergencies. According to the joint methodology of the multilateral development banks for tracking climate finance,[15] 100% of this operation's resources are considered to be climate adaptation finance, since it will finance and make resources available to the country for strengthening its resilience and mitigating the impacts of natural disasters of climate and meteorological origin (50%[16] of the modified operation). The proposal is also aligned with the following operational focus areas: (i) biodiversity, natural capital, and climate action; (ii) gender equality (paragraph 1.32); and (iii) institutional capacity, rule of law, and citizen security (paragraphs 1.11 and 1.12).

1.30 The proposal is also consistent with the Bank's Disaster Risk Management Policy (GN-2354-5), Climate Change Sector Framework Document (GN-2835-13), Health and Nutrition Sector Framework Document (GN-2735-12), and Gender and Diversity Sector Framework Document (GN-2800-13), by contributing to improve the financial management of climate, disaster, and public health risks in the country with a gender lens. This operation is also aligned with the IDB Group Country Strategy with Uruguay 2021-2025 (GN-3056), by contributing to: (i) the strategic objective of generating efficiencies and sustainability in public policies, strengthening fiscal stability by increasing the availability of contingent resources to address natural disaster and public health emergencies;[17] and (ii) the crosscutting areas of climate change and gender and diversity by improving the integrated management of natural disaster and public health risks, while mainstreaming gender and climate change. Lastly, the operation is included in the Update to Annex III of the 2024 Operational Program Report (GN-3207-3).

---

15 Optional link 4.

16 Only the new resources additional to the loan will be booked under Modality I (US$100 million), which covers climate risks: floods and wildfires. The proceeds of loan UR-O1157 (US$100 million) were already booked the year they were approved.

17 IDB Group Country Strategy with Uruguay 2021-2025 (GN-3056), paragraph 3.9.

1.31 **Paris alignment.** CCF contingent loans are not included under the Paris Alignment Implementation Approach, as established in document GN-3142-1. Accordingly, this proposal contains no information for an assessment of its alignment with the mitigation and adaptation objectives of the Paris Agreement.[18]

1.32 **Gender and vulnerable group considerations.** Through the IDRMP, the project will promote actions conducive to mainstreaming gender equality in the country's DRM. Activities in the first year, included in the IDRMP matrix of indicators, will focus on: (i) under the governance pillar, the assessment of the National Plan for Integrated Disaster and Emergency Risk Management (paragraph 1.14), emphasizing progress in ensuring gender equality and inclusion of vulnerable groups; and (ii) under the disaster preparedness and response pillar, publishing the Guide for Intersectional Gender Mainstreaming in Departmental Response Protocols (paragraph 1.8). Furthermore, given the identified gender gap (paragraph 1.8) and the need to continue building institutional capacity for a more effective, inclusive response, the operation includes, as an additional output, a dissemination and training program for implementation of the Guide for Intersectional Gender Mainstreaming in Departmental Response Protocols (paragraph 1.38). This guide was prepared with technical assistance from the Bank as part of the original loan, UR-O1157. This will help strengthen the institutional response capacities of the departments by mainstreaming an intersectional gender approach that considers the needs of vulnerable groups, including women and girls. This technical support will follow the guidelines of the strategic framework for gender mainstreaming in contingent loans[19] under the monitoring and supervision framework of the IDRMP (paragraph 3.13).

C. Objectives, components, and cost

1.33 **Modified project objective.** The general development objective of the operation is to help buffer the impact that a severe or catastrophic natural disaster or public health event could have on the country's public finances. The specific development objective is to improve the financial management of natural disaster and public health risks by increasing stable, cost-efficient, and rapidly accessible contingent financing to cover extraordinary public expenditures made in support of the population affected by natural disaster and public health emergencies.

1.34 As additionality, the operation contributes to improving the country's DRM through the IDRMP progress indicators (paragraphs 2.7 and 2.8), including the establishment of Uruguay's National Integrated Disaster and Emergency Risk Management Policy and the guidelines for mainstreaming DRM in sector planning. The mainstreaming of gender equality in the country's DRM will be promoted through the implementation of the Guide for Intersectional Gender Mainstreaming in Departmental Response Protocols (paragraph 1.32).

1.35 **Sole component.** The modified operation has a sole component for US$200 million that will structure stable, efficient, and rapidly accessible ex ante

18 The Paris Alignment Implementation Approach, consistent with the practices of other multilateral development banks, does not apply to credit facilities for natural disaster and public health emergencies (GN-3142-1, paragraph 2.11).

19 Optional link 5 , section II.

financial coverage to provide timely funding for the extraordinary expenditures likely to be incurred during severe natural disaster and public health emergencies.

1.36 **Subcomponent 1.1. Coverage under Modality I (US$100 million).** This subcomponent will provide timely funding for extraordinary public expenditures that could be incurred during severe or catastrophic natural disaster emergencies (parametric coverage) (paragraph 2.3). The events to be covered are flooding due to torrential rainfall and wildfires.

1.37 **Subcomponent 1.2. Coverage under Modality II (US$100 million).** This subcomponent will provide timely funding for extraordinary public expenditures that could be incurred during severe or catastrophic public health or natural disaster emergencies (nonparametric coverage) (paragraph 2.4). The events to be covered are droughts and future epidemics and pandemics.

1.38 The modified operation also includes, as a specific output, the development of a dissemination and training program for implementation of the Guide for Intersectional Gender Mainstreaming in Departmental Response Protocols in Uruguay,[20] to continue strengthening the country's efforts (paragraph 1.32).

1.39 To dimension the country's financial needs for responding to severe or catastrophic natural disasters or public health events, the Bank analyzed exposure and vulnerability to such events and their historical financial impact (paragraphs 1.3 to 1.12). Based on that analysis, the loan amount was set at US$200 million, comprised of US$100 million under Modality I and US$100 million under Modality II. These amounts are within the limits per modality established for CCF operations (GN-2999-9, paragraphs 4.4 to 4.7).[21]

1.40 **Beneficiaries.** The beneficiaries are, generally, the entire population of Uruguay because the MEF's financial resilience for responding to emergencies will increase. The direct beneficiaries are the affected population, including vulnerable groups (paragraph 1.8), who receive emergency assistance under the proposed coverage, if an eligible event occurs. Importantly, this coverage contributes to making more resources available for addressing emergencies, whether or not the funds are disbursed. Using average expenditure per person, estimates are that coverage for natural disasters would benefit 125,000 people, whereas the coverage for public health would benefit 47,000 people.[22]

D. Key results indicators

1.41 To show the expected contribution to the modified project's general objective (paragraph 1.33), the following indicators will be monitored: (i) ex ante financial coverage relative to the maximum probable expenditure during emergencies caused by catastrophic natural disasters covered by the project; and (ii) ex ante financial coverage relative to the maximum probable expenditure during nationwide public health emergencies covered by the project.

[20] This output will be financed with resources from technical cooperation operation ATN/OC-18888-RG.

[21] The coverage limit under Modality I is US$300 million or 2% of the country's GDP, whichever is less. The coverage limit under Modality II is up to US$100 million or 1% of GDP, whichever is less.

[22] Results Matrix and optional link 8.

1.42 To determine whether the modified operation's specific objective has been achieved (paragraph 1.35), the following indicators will be monitored: (i) the amount of ex ante financial coverage available to the country for emergency response to natural disaster or public health emergencies; (ii) the beneficiaries of the ex ante financial coverage available for natural disaster emergencies; (iii) the beneficiaries of the ex ante financial coverage available for public health emergencies; (iv) the spread between the financial cost of the IDB loan and the cost of Uruguay's long-term commercial external sovereign debt; (v) the financial savings ratio should an eligible event occur: cost of funds disbursed by the IDB relative to the cost of issuing sovereign debt, expressed in net present value (NPV) terms; and (vi) the speed of access to the funds following the occurrence of an eligible event: number of days between the eligibility verification request and the availability of the funds.

1.43 **Economic analysis.** The economic analysis uses a cost-effectiveness methodology to evaluate a scenario where the full financial coverage of US$200 million would be used following the occurrence of a catastrophic natural disaster and a public health event.[23] The NPV of the financing cost of the IDB loan was compared to the cost of issuing bonds under the following assumptions: (i) the interest rate set for the IDB loan; and (ii) a maturity of approximately 10 years for the issued bonds, based on the country's current risk premium in the international market. Both NPVs were calculated using a discount rate of 12%. The results show that the contingent loan is equivalent to 87.4% of the cost of issuing debt, with a financial savings ratio of 12.6%, making it a much more efficient option (optional link 1).

II. Financing Structure and Main Risks

A. Financing instrument

2.1 This proposal is the modification of the loan to include Modality I for coverage of nonparameterizable disaster risks (paragraphs 1.1 to 1.3), implemented through a Bank investment loan of up to US$200 million, to be issued under the Contingent Credit Facility for Natural Disaster and Public Health Emergencies (CCF) (GN-2999-9). Of that amount, up to US$100 million will be used under Modality I for disasters caused by natural phenomena (parametric coverage), and up to US$100 million under Modality II for natural disasters and public health events (nonparametric coverage). The funds will be drawn from either the regular lending program or the available undisbursed balances of investment loans now in execution and identified in the automatic redirection list (ARL),[24] or a combination

[23] Two other scenarios were evaluated, and the results indicate that the contingent loan would still be the most efficient option (optional link 1).

[24] The ARL includes the Bank's investment loans in effect with the country that have balances available for disbursement, whose undisbursed balances can be automatically redirected, if an event occurs (GN-2999-9, paragraph 4.12). The ARL was agreed upon between the borrower and the Bank based on the following criteria: (i) the government's priorities in the context of a potential emergency; and (ii) the status of project execution and performance. In consultation with the borrower, the ARL will be updated periodically to include new loans. If the Bank declares an event eligible and the disbursed resources are drawn in whole or part from ARL resources, the Bank will update the project management systems to reflect the corresponding changes in the selected loans.

of these two options. For coverage of natural disasters under Modality II, funds may not come from the ARL (GN-2999-9, paragraph 4.12).

2.2 Contingent loans under the CCF contain specific financial terms and conditions (described in the project summary) to effectively support the country at the time of an emergency caused by severe events, when public finances are impaired. The specific terms and conditions include the following: (i) the amortization periods, weighted average life, and grace periods run from the date of the first disbursement for each eligible event; (ii) the Bank will only charge a one-time drawdown fee of 50 basis points (reviewed periodically) at the time of each disbursement, applicable solely to the amount disbursed against resources from the regular lending program (i.e., resources other than those of the ARL); and (iii) the resource availability period (coverage period) is five years from the date on which the modified loan contract enters into force, and may be extended for up to five additional years at the Bank's discretion and upon the borrower's request, provided that the Integrated Disaster Risk Management Plan (IDRMP) is still in force and progressing satisfactorily for the Bank, and/or the country is up to date with its progress reporting to the World Health Organization (WHO) on compliance with International Health Regulations (IHR) is up to date.

2.3 **Eligible events under Modality I.** The loan will provide coverage under Modality I for flooding due to torrential rainfall and wildfires, according to the parameters contractually established between the country and the Bank regarding intensity and affected population, which are defined in the terms and conditions of coverage under Modality I (Annex I to the program Operating Regulations). Event eligibility will be verified using the agreed parameters. Annex I specifically details how the parametric triggers work to determine event eligibility, as well as the methodology for calculating the maximum coverage amount available.

2.4 **Eligible events under Modality II.** The loan will provide coverage under Modality II for droughts that result in the declaration of a national emergency, as well as future epidemics and pandemics that result in the declaration of a national public health emergency. The legal framework, scope, and procedures for declaring emergencies are described in the program Operating Regulations.

2.5 Disbursements of the financing will be contingent on the availability of sufficient resources from the ARL or the Bank's regular lending program with Uruguay, as applicable, at the time of a disbursement request. Disbursements under Modality II for natural disasters shall not be drawn from the ARL. If sufficient resources are not available at the time of the request, the Bank may disburse up to the maximum amount of available resources. In the event that no funds are available, the Bank will not be obligated to make any disbursements for as long as and to the extent that no resources are available. Once this situation has ended as determined by the Bank, it will notify the borrower.

2.6 **Disbursement limits per event.** The maximum amount that may be disbursed for each eligible event is subject to the lower of the following limits: (i) the available undisbursed balance of coverage under the corresponding modality; and (ii) the limit for each disbursement method established in the program Operating Regulations. In the case of Modality I, the limit will also be subject to the maximum amount resulting from applying the terms and conditions of parametric coverage to the declared eligible event.

2.7 **Integrated Disaster Risk Management Plan (IDRMP).** To be eligible for financing through the CCF, member countries must have a public policy in place for integrated disaster risk management and promote its effective development (GN-2999-9, paragraph 4.3(a)). Uruguay has demonstrated significant progress in disaster risk management (DRM) (paragraphs 1.13 to 1.17), as described in the IDRMP that was prepared under the original loan, UR-O1157, and which the Bank has been monitoring annually. The latest annual review on 21 December 2023 was satisfactory to the Bank, so the country meets this eligibility requirement. For the purposes of this modification, the country's IDRMP document was updated, and the country progress indicators were agreed upon with the government for the main components of DRM. The IDRMP agreed upon by the government and the Bank has been documented in Annex III to the program Operating Regulations and is satisfactory to the Bank.

2.8 To maintain the natural disaster coverage, the progress of the country's IDRMP must be satisfactory to the Bank. For monitoring, annual progress indicators are established for each of the strategic pillars of the IDRMP, with progress monitored annually. Table 1 of Annex II to the program Operating Regulations specifies the agreed indicators for the next monitoring exercise. Satisfactory execution of the plan will be determined by verifying that significant progress has been made on all of the agreed indicators. For subsequent verification periods, new annual progress indicators will be identified in coordination with the government, including gender-based indicators.

2.9 **International Health Regulations (IHR).** The CCF states that, to receive financing through public health coverage, countries must be up to date with their reporting of progress against IHR compliance to the WHO. As reported by the Ministry of Public Health (MSP), Uruguay meets this requirement.[25] During the coverage period of the modified loan, the Bank will monitor the country's annual compliance with IHR progress reporting to the WHO.

B. Environmental and social safeguard risks

2.10 Operations under the CCF are exempt from the Bank's Environmental and Social Policy Framework (GN-2965-23). No negative environmental or social impacts are anticipated because the loan resources may only be used to finance expenditures to address emergencies, and the Ministry of Economy and Finance (MEF), as executing agency, must comply with the country's environmental and social legislation. Additionally, the loan contract includes a list of the types of ineligible expenditures (negative list).

C. Fiduciary risks

2.11 The operation will be consistent with the specific fiduciary control requirements and procedures established for the CCF policy document (GN-2999-9) and Annex III,

[25] As reported on the WHO States Parties Self-Assessment Annual Report (SPAR) platform, Uruguay is up to date on this IHR obligation, based on its latest annual assessment for 2023 (updated in May 2024).

"Fiduciary Agreements and Requirements," supplemented by the Financial Management Guidelines for IDB-financed Projects (OP-273-12).

D. Other key issues and risks

2.12 **Institutional environment risk.** There is a medium-high risk that, due to possible delays in interagency coordination on prioritization, planning, procurement, payment execution, and accountability reporting among the public sector entities involved in budget execution during natural disaster or public health emergencies (MEF, DNE-SINAE, MSP, Court of Auditors (TCR), General Accounting Office (CGN), and others), resources disbursed for an eligible event may not be used within the period stipulated in the loan or justified in a timely manner (paragraph 3.9), thus impacting the effectiveness of the emergency response and the operation. As a mitigation measure, the Bank will: (i) provide fiduciary guidance and technical support to the MEF and the parties involved, including training workshops and simulation exercises, as part of the project supervision and execution monitoring process; and (ii) establish a coordination and execution mechanism in the program Operating Regulations to streamline communication and fiduciary processes (paragraph 3.4), and to ensure the effective execution of resources within the planned time frames. In the event of a disbursement, the Bank will monitor the functioning of this mechanism among the institutions mentioned above.

2.13 **Sustainability.** The country is expected to continue strengthening the financial management of disasters, consistent with the lines of action proposed in the IDB Group Country Strategy with Uruguay 2021-2025 (GN-3056, paragraph 1.30) for public resource management and strengthening of fiscal stability, including the adoption of efficient risk retention and transfer instruments to increase the country's financial resilience. The country is also expected to make progress with the implementation of the National Plan for Integrated Disaster and Emergency Risk Management for 2019-2030 (paragraphs 1.14 and 1.34), including institutional capacity building of the entities that are part of SINAE.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

3.1 The borrower will continue to be the Eastern Republic of Uruguay. The executing agency will continue to be the borrower, acting through the Ministry of Economy and Finance (MEF). The contingent loan proceeds will be disbursed to the MEF. Under the MEF's coordination, the contingent loan proceeds will be used by the public sector institutions responsible for budget execution during natural disaster or public health emergencies (implementing entities). The executing agency, acting through the project coordination unit (PCU), will be responsible for: (i) ensuring overall project coordination; (ii) ensuring that the project's objectives and terms and conditions are met; (iii) processing and handling disbursement requests with the Bank; (iv) allocating disbursed resources to the implementing entities; (v) coordinating follow-up of the monitoring and evaluation requirements for the execution of loan proceeds; and (vi) submitting documentation to the Bank within the established time frame, justifying the use of the disbursed resources (paragraph 3.11).

3.2 **Policy framework for interagency coordination in natural disaster and public health emergencies.** In the event of natural disaster emergencies, the MEF, acting through the National Emergency Network (SINAE), will coordinate with other institutions responsible for disaster emergency response. The executive branch is responsible for top-level management of SINAE and convenes and chairs the National Emergency and Risk Reduction Board (JNERR). SINAE's National Emergency Office (DNE) is responsible for coordinating and guiding response actions. At the operational level, the SINAE General Coordination Protocol governs the responsibilities, actions, and procedures to be implemented by the government in response to an emergency, according to its expected level of impact. In the event of epidemic or pandemic emergencies, the MEF, with SINAE and MSP support, will coordinate with other relevant actors, such as departmental emergency committees, departmental health departments, and the Government Health Services Administration. At the operational level, the coordination procedures follow the same SINAE protocol, which includes coordination and cooperation mechanisms that were used for the COVID-19 pandemic response.

3.3 **Coordination and execution mechanism for use of the loan proceeds.** The coordination and execution mechanism, led by the MEF, will facilitate the flow of funds to the implementing entities in the event of natural disasters or public health events (see the program Operating Regulations). The Bank will monitor its implementation by the MEF immediately following a contingent loan disbursement. This mechanism will be integrated within the country's current institutional framework for managing emergencies caused by natural disasters and public health events (paragraph 3.2), encompassing at least the following processes: (i) prioritization and planning of the response; (ii) budget management; (iii) execution and monitoring; and (iv) accountability and closing.

3.4 **The special contractual condition of general eligibility to request disbursements (coverage trigger) will be the approval and entry into force of the program Operating Regulations on the terms previously agreed upon with the Bank.** The Operating Regulations will include: (i) the reference framework, including the interagency coordination and execution mechanism; (ii) the operational provisions; (iii) the terms and conditions for coverage under each modality; (iv) the Integrated Disaster Risk Management Plan (IDRMP); (v) the automatic redirection list (ARL); (vi) the terms of reference for contracting the audit firm or agreement with the Court of Auditors of the Eastern Republic of Uruguay (TCR) to perform the independent verification of the use of the disbursed resources, if an eligible event occurs; (vii) the request templates for advances and reimbursements; (viii) an example of an indicative list of potential eligible expenditures for future pandemics; and (ix) the list of excluded expenditures (negative list).

3.5 **The special contractual conditions precedent to the first disbursement for each eligible event will be:**

a. **Disbursements under Modality I (natural disasters): (i) the Bank has verified the occurrence of an eligible event according to the parameters**

defined in the program Operating Regulations; and (ii) the IDRMP, previously agreed upon with the Bank, is progressing satisfactorily for the Bank (paragraphs 2.7 and 2.8);

b. **Disbursements under Modality II (natural disasters): (i) the Bank has verified the declaration of a national emergency due to an eligible natural disaster as defined in the program Operating Regulations; (ii) the IDRMP, previously agreed upon with the Bank, is progressing satisfactorily for the Bank; and (iii) the Bank has verified the borrower's compliance with the agreed complementary risk retention financing measures and conditions; and**

c. **Disbursements under Modality II (public health events): (i) the Bank has verified the declaration of a national public health emergency due to an eligible public health event as defined in the program Operating Regulations; (ii) the borrower has submitted evidence that it is up to date with its progress reporting to the World Health Organization (WHO) on compliance with International Health Regulations; (iii) the borrower has submitted evidence, to the Bank's satisfaction, that it has a national preparedness and response plan for the specific event, in line with WHO/Pan American Health Organization recommendations, to address the event for which it has declared a national public health emergency; and (iv) the Bank has verified the borrower's compliance with the agreed complementary risk retention financing measures and conditions.**

3.6 **In addition to the aforementioned contractual conditions, the borrower will have submitted, within 90 calendar days after the occurrence of an eligible event, one or more disbursement requests specifying the amount(s) of such disbursement(s), and, for disbursements under Modality I for natural disasters and Modality II for public health events, the requests will indicate whether such disbursement(s) will be drawn from the regular lending program, from undisbursed balances from the ARL, or from a combination of these two sources. In the case of loans from the ARL, the request should identify the loans in question and the respective amount to be used. Disbursements under Modality II for natural disasters shall not be drawn from the ARL.** These contractual conditions were established as standard conditions for the execution of contingent loans in the CCF policy document (GN-2999-9).

3.7 Each disbursement of the loan will be made in accordance with the financial terms and conditions established in document GN-2999-9 and included in the project summary of this proposal, regardless of whether the resources are drawn in whole or part from the regular lending program, loans included in the ARL, or a combination of the two sources, as applicable.

3.8 **Eligible expenditures.** The loan proceeds may be used to finance extraordinary public expenditures that occur during emergencies resulting from eligible events and that satisfy the following requirements, pursuant to document GN-2999-9, paragraph 4.20(c), namely that they: (i) are not explicitly excluded in the loan contract (negative list); (ii) are legal under the laws of Uruguay; (iii) are directly or indirectly related to the emergency caused by the natural disaster or public health event for which the financing has been provided; (iv) have verifiable and clearly documented and recorded procurement and payments, demonstrating that the goods and services have been used; and (v) have been adequately dimensioned and priced. Examples of types of expenditures that may be eligible are in Annex VI to the program Operating Regulations.

3.9 **Fiduciary agreements and requirements.** The Bank may recognize up to 100% of the cost of eligible expenditures effectively incurred and paid by the borrower from the day on which the eligible event began and for the immediately following 180 calendar days. This period can be extended for an additional 90 days upon request from the borrower and at the Bank's discretion (GN-2999-9, paragraph 4.20(f)). In all procurement-related matters, this operation will be governed by the rules established in the CCF policy document (GN-2999-9). The borrower will utilize its national legislation on procurement of goods and contracting of works or services applicable to extraordinary fiscal expenditures in emergencies. Disbursements will be made under the modalities established in the Financial Management Guidelines for IDB-financed Projects (OP-273-12) and Annex III.

3.10 **Reasonable assurance audits.** The Bank will require an independent verification of the expenditures financed by the loan, performed by the TCR or by a Bank-eligible independent audit firm, to assess compliance with the eligibility criteria established in the loan contract and in the program Operating Regulations. This independent verification will be performed concurrently pursuant to the terms agreed upon with the Bank. The MEF will be responsible for engagement of the audit and will initially bear the costs (GN-2999-9, paragraph 4.20(b)). This audit engagement will occur within 45 days after the first disbursement and may use the corresponding Bank policy. The costs are eligible for financing under the loan.

3.11 **Justification of the use of resources.** The borrower, acting through the MEF, will produce a consolidated report on adequate use of resources, to justify the use of the disbursed funds. This report will be submitted to the Bank within 365 calendar days after the occurrence of the eligible event for which the Bank has disbursed the resources in question. It will also be accompanied by the final reasonable assurance audit report commissioned by the borrower for the concurrent expenditure review (paragraph 3.10). Once the consolidated report on adequate use of resources has been submitted, the Bank will determine the total amount of expenditures eligible for financing. If there are unjustified or ineligible expenditures, the Bank may require the borrower to reimburse the unjustified amount.

3.12 If necessary, as established in document GN-2999-9, and no later than two years after each disbursement, the Bank, at its sole discretion and without cost for the borrower, may conduct subsequent additional audits to verify the adequacy of the declared eligible expenditures, the findings of which may support a request for reimbursement of amounts deemed ineligible for financing.

B. Summary of arrangements for monitoring results

3.13 **Monitoring.** During the coverage period of the modified loan, the Bank will periodically monitor progress of the IDRMP and gender activities, as well as perform annual evaluations of them (see monitoring and evaluation plan). If, as a result of these evaluations, the Bank finds that the IDRMP is not progressing satisfactorily, based on the indicators established for such purpose, including those related to the gender mainstreaming, the borrower will be notified of the specific actions it must take within 90 days after the issue date of the notification, in order to maintain eligibility for natural disaster coverage. Only if, after that time has passed, the Bank finds that the recommended remedial actions have not been taken adequately and in full, it may, upon formal notification to the borrower, suspend the borrower's eligibility corresponding to coverage for natural disaster events until the insufficiencies in question have been remedied. Notwithstanding the above, once the coverage has been activated, it will remain active for the duration of the period established in the contract, unless the Bank formally notifies the borrower that coverage has been suspended (GN-2999-9, paragraph 4.25).

3.14 **Evaluation.** As indicated in the monitoring and evaluation plan, after the occurrence of an eligible event that results in a disbursement, the loan is evaluated through a project completion report. The evaluation methodologies consist of a reflexive approach and an ex post cost-effectiveness analysis. In the former, the evaluation focuses on the efficiency of the loan throughout the coverage period and whether the country had fast enough access to the loan proceeds. In the latter, the evaluation focuses on comparing the cost of the disbursed resources, in terms of net present value (NPV), with the cost of other sources of financing, to estimate the financial savings ratio for the country.

IV. RECOMMENDATION

4.1 Based on the analysis and information provided in this document, Bank Management recommends that, pursuant to paragraph 3.29(c) of the Regulations of the Board of Executive Directors of the Inter-American Development Bank (DR-398-20) and paragraph 6 of the List of Matters to be Considered by the Board via Short Procedure (CS-3953-4), the Board of Executive Directors approve the proposed modifications contained in this document via short procedure by adopting the attached proposed resolution.

Development Effectiveness Matrix		
Summary	**UR-O1166**	
I. Corporate and Country Priorities		
Section 1. IDB Group Institutional Strategy Alignment		
Operational Focus Areas	**-Biodiversity, natural capital, and climate action -Gender equality and inclusion of diverse population groups -Institutional capacity, rule of law, citizen security**	
[Space-Holder: Impact framework indicators]		
2. Country Development Objectives		
Country Strategy Results Matrix	**GN-3056**	**The operation is aligned with the strategic objective of generating efficiencies and sustainability of public policies, as well as with the cross-cutting areas of climate change and gender and diversity.**
Country Program Results Matrix	**GN-3207-3**	**The intervention is included in the 2024 Operational Program.**
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		**Evaluable**
3. Evidence-based Assessment & Solution	**9.7**	
3.1 Program Diagnosis	**2.5**	
3.2 Proposed Interventions or Solutions	**3.2**	
3.3 Results Matrix Quality	**4.0**	
4. Ex ante Economic Analysis	**10.0**	
4.1 Program has an ERR/NPV, or key outcomes identified for CEA	**2.0**	
4.2 Identified and Quantified Benefits and Costs	**3.0**	
4.3 Reasonable Assumptions	**2.0**	
4.4 Sensitivity Analysis	**2.0**	
4.5 Consistency with results matrix	**1.0**	
5. Monitoring and Evaluation	**9.5**	
5.1 Monitoring Mechanisms	**4.0**	
5.2 Evaluation Plan	**5.5**	
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood	**Medium Low**	
Environmental & social risk classification	**N.A.**	
IV. IDB´s Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	**Yes**	**Budget, Treasury, Accounting and Reporting, External Control, Internal Audit. Procurement: Information System, Price Comparison.**
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	**Yes**	**ATN/OC-18888-RG. "Promoting Institutional Capacity Building for the Mainstreaming of the Gender Perspective in Climate and Disaster Risk Management within the Framework of the CCF"**

The project UR-L1166 is a Contingent Loan for Natural Disaster and Public Health Emergencies in Uruguay. The loan consists of the reformulation of the Bank's current contingent credit line with the country (UR-O1157) for the inclusion of the parametric Modality I. The loan will now allow for the country to rely on: (i) US$100 MM under Modality 1 for severe or catastrophic natural disasters due to flooding given torrential precipitations or forest fires; and (ii) and US$100 MM under Modality 2 for public health emergencies or non-parametric severe or catastrophic natural disasters such as droughts. What ties the events under both modalities is their unpredictability and their low probability of occurrence; that they are not tied to economic factors; that they tend to cause a great impact on the most vulnerable population; and that they are a major source of contingent fiscal liability.

The general objective of the project is to contribute to alleviating the impact that a severe or catastrophic natural disaster or public health event could have on the country's public finances. The specific objective is to improve financial management of risks for both natural disasters and public health crises by increasing stable, cost-efficient, and rapidly accessible contingent financing to cover extraordinary public expenses aimed at the attention of the population affected by emergencies due to natural disasters and in public health.

The project diagnostic is solid and clearly identifies, based on empirical evidence, the main problem and the factors that determine it. The intervention proposal is clearly linked to the problems and factors identified. The Results Matrix reflects the objective of the program and captures a good vertical logic in accordance to the instrument of the contingent credit line.

An ex-ante cost-effectiveness analysis is carried out which clearly demonstrates the benefits of the contingent financing vis-à-vis alternative means of financing the country would have to rely upon in the face of an emergency. Furthermore, the proposed monitoring and evaluation (M&E) plan is in accordance with the DEM guidelines and the characteristics of contingent loans. The proposed evaluation seeks to assess the efficiency of the operation with an ex- post cost-effectiveness analysis in the event of the occurrence of an eligible natural disaster or public health emergency. Additionally, the M&E plan proposes a reflexive evaluation.

RESULTS MATRIX

Modified project objective:	The specific development objective is to improve the financial management of natural disaster and public health risks by increasing stable, cost-efficient, and rapidly accessible contingent financing to cover extraordinary public expenditures made in support of the population affected by natural disaster and public health emergencies. The general development objective of the operation is to help buffer the impact that a severe or catastrophic natural disaster or public health event could have on the country's public finances.

GENERAL DEVELOPMENT OBJECTIVE

Indicators	Unit of measure	Baseline value	Baseline year	Expected year achieved	Target	Means of verification	Comments
General development objective: To help buffer the impact that a severe or catastrophic natural disaster or public health event could have on the country's public finances.							
Indicator 1.[1] Ex ante financial coverage relative to the maximum probable expenditure during emergencies caused by catastrophic natural disasters covered by the project.	%	1.3[2]	2020	5	38.2[3]	Ministry of Economy and Finance (MEF)	Optional link 8
Indicator 2.[1] Ex ante financial coverage relative to the maximum probable expenditure during nationwide public health emergencies covered by the project.	%	0[4]	2020	5	14.6[5]	MEF	Optional link 8

1 The impact indicator aggregates all sources of contingent coverage vis-à-vis the maximum expenditure.
2 Includes the resources allocated to the Agricultural Emergency Fund (FAE) and the maximum probable expenditure based on a catastrophic event (once in 100 years).
3 Assumes the nonoccurrence of an eligible event during the loan coverage period and a total amount of US$200 million in CCF coverage for disasters.
4 The maximum probable expenditure in a national public health emergency includes the extraordinary public expenditures for the COVID-19 health response.
5 The target includes US$100 million in CCF coverage for public health events and assumes the nonoccurrence of an eligible event.

SPECIFIC DEVELOPMENT OBJECTIVE

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
Specific development objective: To improve the financial management of natural disaster and public health risks by increasing stable, cost-efficient, and rapidly accessible contingent financing to cover extraordinary public expenditures made in support of the population affected by natural disaster and public health emergencies.											
Category: Availability and stability. Increase in the country's ex ante financial coverage for extraordinary expenses during emergencies caused by natural disasters or public health events.											
1. Amount of ex ante financial coverage available to the country for emergency response to natural disaster or public health emergencies.	US$ million	107[6]	2024	207[7]	207	207	207	207	207	MEF	Optional link 8
Category: Vulnerable people who become more resilient to natural disasters, epidemics, and pandemics as a result of the ex ante financial coverage provided by the contingent loan.											
2. Potential beneficiaries of ex ante financial coverage available for natural disaster emergencies.	Thousands of people	4[8]	2020	125[6]	125	125	125	125	125	MEF	Optional link 8
3. Potential beneficiaries of ex ante financial coverage available for public health emergencies.	Thousands of people	0	2020	47[9]	47	47	47	47	47	MEF	Optional link 8

[6] Includes FAE resources (US$7 million) and, consistent with output indicator 1, the current CCF financial coverage (US$100 million).

[7] Reflects an additional US$100 million from the proposed modification (Modality I), which is a conservative estimate of the project's contribution since the total coverage of the contingent loan under the CCF is US$200 million.

[8] Reflects a scenario without the project for the baseline, and assumes coverage per person of US$1,645, consistent with Modality I (Annex I of the program Operating Regulations).

[9] Includes the current financial coverage of US$100 million under the CCF for public health events and an average financial coverage per person of US$2,107 (estimated direct cost of care per hospitalized dengue case). Assumes that the financial coverage remains constant.

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
Category: Financial cost. Contingent financial coverage is cost-efficient.											
4. Spread between the financial cost of the IDB loan and the cost of Uruguay's long-term commercial external sovereign debt.	Basis points	2[10]	2024	Cost diff.	Cost diff.	Cost diff.	Cost diff.	Cost diff.	Greater than or equal to 0	IDB Finance Department (FIN) Refinitiv Eikon MEF	Optional link 8
5. Financial savings ratio, if an eligible event occurs: cost of funds disbursed by the IDB relative to the cost of issuing sovereign debt, expressed in NPV terms.[11]	%	12.6[12]	2024	0	0	0	0	0	Greater than or equal to 0	FIN Refinitiv Eikon MEF	Optional link 8
Category: Speed of access. Contingent financial coverage is efficient in terms of how rapidly the country can access the loan proceeds to cover the potential emergency expenditures.											
6. Speed of access to the funds following the occurrence of an eligible event: number of days between the eligibility verification request and the availability of the funds.	Days	90[13]	2024	30	30	30	30	30	30	FIN MEF	Optional link 8

10 Optional link 1.

11 The following formula was used to calculate the indicator: NPV [1 - Σ (financial cashflow of IDB loan) / Σ (financial cashflow of sovereign debt)] and a discount rate of 12%.

12 A cost-effectiveness analysis methodology was used to compare the NPV of the financing cost of the IDB loan with the cost of issuing bonds. Optional link 1.

13 Average time taken to authorize and process a sovereign bond issue on the international market for a country that performs this type of operation intermittently (subject to revision based on future bond issues).

OUTPUTS

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification
1. **Sole component:** Stable, efficient, and rapidly accessible ex ante financial coverage to provide timely funding for the extraordinary expenditures likely to be incurred during severe natural disaster and public health emergencies.										
Subcomponent 1.1: Coverage under Modality I. Severe or catastrophic natural disasters (parametric coverage).	US$ million	0	2024	100	100	100	100	100	100	MEF
Subcomponent 1.2: Coverage under Modality II. Severe or catastrophic public health or natural disaster emergencies (nonparametric coverage).	US$ million	100	2024	100	100	100	100	100	100	MEF
2. Dissemination and training program for implementation of the Guide for Intersectional Gender Mainstreaming in Departmental Response Protocols.[14]	Number	0	2024	0	1	0	0	0	1	**Pro-gender indicator.** National Emergency Network (SINAE). Monitoring and evaluation plan.

[14] Output financed with resources from technical cooperation operation ATN/OC-18888-RG.

Country: Uruguay **Division:** IFD/CMF **Operation number:** UR-O1166 **Year:** 2024

Fiduciary Agreements and Requirements

Executing agency: Ministry of Economy and Finance (MEF)

Operation name: Contingent Loan for Natural Disaster and Public Health Emergencies (UR-O1166). Modification of Resolution DE-165/20 and Loan Contract UR-O1157.

I. Fiduciary Context of the Executing Agency

1. Use of country system in the operation[1]

☒ Budget	☒ Reports	☒ Information system	☐ National competitive bidding (NCB)
☒ Treasury	☐ Internal audit	☒ Shopping	
☒ Accounting	☒ External control	☐ Individual consultants	

2. Fiduciary execution mechanism

☒	Special features of fiduciary execution	Bank investment loan under the Contingent Credit Facility for Natural Disaster and Public Health Emergencies (CCF) (GN-2999-4). Under the CCF, the borrower and the implementing entities apply their own rules and regulations on procurement of goods and services for natural disaster and public health emergencies, as dictated by applicable local regulations and administrative law. The MEF, acting through the project coordination unit (PCU), will be responsible for coordinating actions related to disbursement management, accountability reporting, and report submission on the use of the funds provided by the Bank.

3. Fiduciary capacity

Fiduciary capacity of the executing agency	The operation's fiduciary agreements and requirements consider the PCU's record as executing agency for loans 3161/OC-UR, 3398/OC-UR, 4705/OC-UR, 5105/OC-UR, and 5783/OC-UR; as well as the institutional capacity assessment for loan 5783/OC-UR, which determined that its institutional capacity is satisfactory. A medium-high level of risk has been identified. The program Operating Regulations will describe the roles and responsibilities of the entities involved in the loan's execution, as well as the guidelines for their coordination reflecting the required measures and specific features for execution of the program.

[1] Any system or subsystem that is subsequently approved may be applicable to the operation, in accordance with the terms of the Bank's validation.

4. Fiduciary risks and risk response

Risk category	Risk	Risk level	Risk response
Institutional environment	Due to possible delays in interagency coordination on prioritization, planning, procurement, payment execution, and accountability reporting among the public sector entities involved in budget execution during natural disaster or public health emergencies (MEF, DNE-SINAE, MSP, Court of Auditors (TCR), General Accounting Office (CGN), and others), resources disbursed for an eligible event may not be used within the period stipulated in the loan or justified in a timely manner, thus impacting the effectiveness of the emergency response and the operation.	Medium-high	The Bank will: (i) provide fiduciary guidance and technical support to the MEF and the parties involved, including training workshops and simulation exercises, as part of the project supervision and execution monitoring process; and (ii) establish a coordination and execution mechanism in the program Operating Regulations to streamline communication and fiduciary processes (paragraph 3.4), and to ensure the effective execution of resources within the planned time frames. In the event of a disbursement, the Bank will monitor the functioning of this mechanism among the institutions mentioned above.

5. Policies and guidelines applicable to the operation: Policy document of the Contingent Credit Facility for Natural Disaster and Public Health Emergencies (CCF) (GN-2999). Financial Management Guidelines for IDB-financed Projects (OP-273-12).

6. Exceptions to policies and guidelines: Consistent with the provisions established in document GN-2999-9, the procurement of goods, works, and services financed by CCF operations will be subject to the borrower's own rules and regulations on procurement of goods, works, and services for emergencies, as dictated by applicable local laws and regulations.

II. Considerations for the Special Provisions of the Loan Contract

Special contractual condition of general eligibility: The Bank has stated its no objection to the terms of reference for contracting an independent audit firm or agreement with the TCR to perform an independent verification of the use of the disbursed resources. **Special contractual condition precedent to the first disbursement:** The borrower has indicated the specific special bank account or accounting subaccount agreed upon with the Bank, where the contingent loan proceeds are to be deposited, on the terms described in the program Operating Regulations. **Special contractual condition of execution:** For each eligible event, the borrower has submitted, within 45 calendar days after the date of the first disbursement for such event, evidence that an independent audit firm has been engaged, or an agreement has been signed with the TCR, for the independent verification of the use of the disbursed resources. This period may be extended up to 15 additional days with the Bank's prior no objection.
Exchange rate: For the purposes of Article 4.10 of the General Conditions, the parties agree that the exchange rate to be used will be the rate stipulated in Article 4.10(b)(ii). For such purposes, the agreed exchange rate will be the rate on the effective date the borrower, the executing agency, or any other person or corporation with delegated authority to incur expenditures makes the respective payments to the contractor, vendor, or beneficiary.
Type of audit: The borrower, acting through the executing agency, will submit a consolidated report on adequate use of the loan proceeds to the Bank within 365 calendar days after the declaration of the emergency caused by an eligible event, accompanied by a final reasonable assurance report issued by the external audit firm or the TCR, in accordance with the terms of reference and time frames previously agreed upon with the Bank. Notwithstanding the above, the Bank may request partial audited reports on progress of the execution of expenditures.

III. Procurement Execution Agreements and Requirements

☒	Use of country systems	Under the CCF, the borrower applies its own rules and regulations on procurement of goods and services for natural disaster and public health emergencies, as dictated by applicable local regulations and administrative law.
☒	Records and files	The executing agency will keep its records independently, in digital or physical files for the minimum time established in the loan contract, and will have procedures and handbooks for maintaining them properly. The Bank may verify the standards of organization, control, and security of the records at any time.

IV. Financial Management Agreements and Requirements

☒	Programming and budget	The budget will be managed through the Integrated Financial Information System (SIIF) as part of the national budget. The PCU will consider the timeframes of the MEF as approving entity in the process of incorporating and/or amending the budget allocated to the project. The MEF, as executing agency, is responsible for managing the necessary allocations and procedures relating to the budget and financial quotas in coordination with the various relevant institutions. The MEF budgetary treatment guidelines defining the creation of a budgetary code associated with the loan will be followed for the various items involved in the execution of the loan. This code will be used to identify payments made to address the emergency by funding source. The program Operating Regulations will cover coordination and interactions between the executing agency and the entities implementing the emergency response activities.
☒	Treasury and disbursement management	Once the eligibility criteria for the disbursement have been met, the borrower will submit disbursement requests to the Bank within 90 calendar days after the onset of the eligible event. The National Single Account will be used, for which the National General Treasury (TGN) will, at the PCU's request, open a special account at the Central Bank of Uruguay to receive the resources from the Bank. If so authorized by the TGN, project-specific bank accounts will be opened at Banco de la República Oriental del Uruguay in the name of the various entities involved in the emergency response. These entities will send the MEF detailed reports on the use of the resources, which will serve as the basis for submitting expenditure justifications to the Bank. Disbursements will be made in U.S. dollars under the modalities in the guidelines document OP-273-12, against formal requests submitted by the PCU and according to the limits established in the program Operating Regulations. If disbursements are made under the advance of funds modality, the operation will require justification of at least 50% of total accumulated balances pending justification, owing to: (i) the complexity of compiling documents and the potential dispersal of expenditures; (ii) applicable local laws on budget execution; and (iii) procurement and payment processes that require the prior involvement of the TCR and the CGN, which have their own response times (OP-273-12, Annex 1, paragraph 3.3, criteria (a), (c), and (d)). Prior to each request for an advance of funds, the borrower will submit to the Bank a projection of financial needs and prioritized eligible expenditures consistent with the amount of the requested advance, based on the cash flow template that will be timely provided by the Bank. The Bank will perform a preliminary review of the information provided, in accordance with the applicability criteria in relation to the prioritized expenditure list, and the proportionality criteria in relation to the allocation of the

		requested resources. If necessary, the Bank will propose modifications to the borrower. For reimbursement of expenditures, the MEF will submit a statement of eligible expenditures incurred based on detailed reports from the implementing entities, financed exclusively with own resources. Eligible expenditures will be those effectively meeting the eligibility criteria established in the loan contract and the program Operating Regulations of this operation.
☒	Accounting, information systems, and reporting	The PCU of the MEF utilizes country systems (the SIIF, which is used to allocate and execute the approved budget appropriations for the program; and the International Loans System (SPI), which is integrated with the SIIF) and the Memory accounting system for accrual-based accounting based on the chart of accounts agreed upon for the project and for issuing the financial reports/formats in U.S. dollars required for submission to the Bank. The policies and guidelines applicable to the operation will be supplemented by the program Operating Regulations with the documented definition of workflows and internal controls.
☒	Internal control and internal audit	The country system will be used as a foundation pursuant to the laws and regulations in force. The PCU of the MEF has reported that it does not have an internal audit unit. Considering the MEF's experience as an executing agency, the program Operating Regulations will set out the applicable framework for financial management following the Bank's guidelines and handbooks, supplemented with the financial processes governing the MEF under applicable local regulations.
☒	External control and financial reports	External control is expected to be performed by the TCR, which is Bank-eligible, as it does in operations where the MEF is the executing agency. However, an independent audit firm may also perform the reasonable assurance audit for the project. The borrower, acting through the executing agency, will submit a consolidated report on adequate use of the loan proceeds to the Bank, accompanied by a final reasonable assurance report. The borrower will confirm, among other points, that the expenditures submitted to the Bank do not have financing from other sources. The cutoff dates, deadlines, and time frame for audit engagement/ agreement and submission are identified in section II. The audit will be financed with loan proceeds. The Bank may request partial audit reports on the progress of expenditure execution, which may accompany the partial accountability reports. In addition, the Bank, at its sole discretion and without cost for the borrower, may verify the adequacy of the declared eligible expenditures by means of independent external audits. Such audits will be performed no later than two years after the end of the disbursement period of the corresponding facility contingent loan.

		If, as a result of any of the loan audits, the Bank determines that loan funds have been used to finance ineligible or improper expenditures, the Bank may require the borrower to remedy the situation immediately or reimburse the disputed amounts.
☒	Financial supervision of the operation	The financial specialist will be responsible for onsite visits and support and desk reviews with the frequency deemed appropriate.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-__/24

Uruguay. Contingent Loan for Natural Disaster and Public Health Emergencies for the Eastern Republic of Uruguay (UR-O1166) (Amendment of Resolution DE-165/20 and Loan Contract No. UR-O1157)

The Board of Executive Directors

RESOLVES:

1. To approve the modifications to Contingent Loan for Natural Disaster Emergencies (Loan Contract No. UR-O1157), approved pursuant to Resolution DE-165/20, in accordance with the terms and conditions established in document PR-____.

2. To amend Resolution DE-165/20, as follows:

"That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank to enter into such contract or contracts as may be necessary with the Eastern Republic of Uruguay, as borrower, for the purpose of granting it a Contingent Loan for Natural Disaster and Public Health Emergencies. Such contingent loan will be for the amount of up to US$200,000,000 from the resources of the Bank's Ordinary Capital, subject to the availability of resources from the regular loan program with the Eastern Republic of Uruguay or from the Automatic Redirection List, as the case may be, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Modification Proposal contained in document PR-____."

(Adopted on ___ ____________ 2024)

LEG/SGO/CSC/EZIDB0000366-1028536987-13211
UR-O1166