

THE ORIENTAL REPUBLIC OF URUGUAY:**DROUGHT EVENTS' IMPACT MITIGATING INVESTMENT PROJECT FINANCING****Chair Summary*****Meeting of the Board of Executive Directors****December 2, 2014**

Executive Directors approved a loan in the amount of US\$ 200 million to the National Development Corporation of the Oriental Republic of Uruguay for the Drought Events' Impact Mitigation Investment Project Financing, on the payment terms set out in the President's Memorandum. Directors also approved the request for a waiver to modify the pricing terms of the Operational Policy 3.10.

Directors noted Uruguay's strong track record in macroeconomic performance and economic growth, and were pleased to see that the operation is aligned with the 2010-2015 Uruguay CPS which aims at reducing poverty and boosting shared prosperity. They recognized, however, that these remarkable gains are vulnerable to external shocks, including climate-related shocks. In this regard, they welcomed the operation which will help mitigate the impact of droughts on public sector balances. Directors commended the Government's prudent, comprehensive and integrated risk management strategy and welcomed the World Bank Group's engagement through an innovative solution to enhance the client's risk management strategy.

Directors commended the innovation of using a 100 percent contingent component in an Investment Project Financing as a risk retention tool in line with the World Bank's approach to Disaster Risk Management Strategy. Directors took note of the integrated nature of this program, providing a comprehensive risk mitigation tool which draws on a number of expertise areas of the World Bank Group. In addition, Directors appreciated the focus on the interests of the poorest and most vulnerable by attenuating the volatility of electricity tariffs and protecting the Government's priority social expenditures. Finally, Directors emphasized the importance of generating and sharing the lessons learned from this operation for the benefit of other Bank Group members.

* This summary is not an approved record.