Office of Evaluation and Oversight

# Approach Paper

# Uruguay
## 2010-2015

Country Program Evaluation

Inter-American Development Bank
April 2015

Office of Evaluation and Oversight
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## ABBREVIATIONS

| | |
|---|---|
| CAF | Andean Development Corporation |
| CCLIP | Conditional credit line for investment projects |
| CPD | Country program document |
| CPE | Country program evaluation |
| DDO | Deferred drawdown option |
| FDI | Foreign direct investment |
| GDP | Gross domestic product |
| IDB | Inter-American Development Bank |
| IIC | Inter-American Investment Corporation |
| IMF | International Monetary Fund |
| INE | National Institute of Statistics |
| MEF | Ministry of Economy and Finance |
| MIF | Multilateral Investment Fund |
| NSG | Non-sovereign guaranteed |
| OECD | Organization for Economic Cooperation and Development |
| OMJ | Opportunities for the Majority Sector |
| OVE | Office of Oversight and Evaluation |
| PBL | Policy-based loan |
| PCR | Project completion report |
| PDL | Performance-driven loan |
| PMR | Project monitoring report |
| PPP | Public-private partnership |
| SCF | Structured and Corporate Financing Department |
| SG | Sovereign guaranteed |
| TC | Technical cooperation |
| TFFP | Trade Finance Facilitation Program |
| UNDP | United Nations Development Programme |

## I. INTRODUCTION

1.1 As part of its 2015 annual work plan, the Office of Evaluation and Oversight (OVE) is preparing a country program evaluation (CPE) with Uruguay for the period 2010-2015. This approach paper defines the scope of the evaluation. This CPE is the third occasion on which OVE has evaluated the Bank's country program with Uruguay. The previous evaluations covered the periods 1991-2004 (document RE-312) and 2005-2009 (document RE-389).

1.2 According to the Protocol for Country Program Evaluation (document RE-348-3), the main goal of a CPE is "to provide information on Bank performance at the country level that is credible and useful, and that enables the incorporation of lessons and recommendations that can be used to improve the development effectiveness of the Bank's overall strategy and program of country assistance."

1.3 This CPE seeks to analyze the Bank's relationship with the country, taking an independent view and assessing in particular the program's relevance and effectiveness, including both financial and nonfinancial products offered by the Bank during the period under analysis. The evaluation will place special emphasis on analyzing the Bank's business model and its implications in an upper-middle-income country like Uruguay, in a context of higher economic growth and greater access to international markets. This evaluation is intended as an input for the new country strategy document that the Bank is preparing.

1.4 In 2009, Management developed a new country strategy document model for the purpose of equipping the Bank with an effective tool to sharpen the country focus and guarantee the flexibility envisaged during the realignment process. In this framework, new guidelines were drawn up that "reformulate country strategies, emphasizing the need for programming to be based on results and potential risks, adopting a programmatic and flexible approach that better responds to the country's priorities." Apart from these general principles, the most significant practical effects of the new model were: (i) decoupling of the country strategy, which is prepared every four years, and actual programming, which is annual; (ii) a new emphasis on sector notes; and (iii) strengthening of the results matrix with specific indicators.

1.5 The Bank's current country strategy with Uruguay (document GN-2626) was approved in August 2011, following these new guidelines.

## II. OVERALL COUNTRY CONTEXT

2.1 **Uruguay has a small economy with one of the highest per capita income levels in the region.** It is among South America's smallest countries in terms of population (3.3 million) and area (176,000 square kilometers). Its population is overwhelmingly urban (95%), with approximately 53% living in metropolitan Montevideo. In terms of GDP, Uruguay's economy ranks tenth in Latin America and the Caribbean, and its service sector is responsible for nearly 60% of that output. The country has a high level of human development,[1] and a per capita GDP of US$20,497 in 2014 placed it fifth in terms of income among the Bank's 26 borrowing member countries (Figure 1, Annex).

2.2 **Uruguay has an open, export-oriented economy with strong economic ties to Argentina and Brazil.**[2] Exports have averaged 30% of GDP over the past decade (Figure 2, Annex). Specifically, the agriculture sector remains the largest foreign currency generator (70% of exports in 2014) and continues to exert the greatest multiplier effect on the economy (Ministry of Economy and Finance). As a small, open economy, the country is highly exposed to external shocks, such as fluctuations in commodity prices and in the economic performance of its main trading partners, chiefly Argentina, and to a lesser degree Brazil.[3] The creation of the Southern Common Market (Mercosur) in 1991 created new economic and integration opportunities for the country but also made it more dependent on its partners, as evidenced by the 2002 financial crisis that hit the country—one of the worst in recent memory—on the heels of a recession that had begun five years earlier in 1997. As a result of this crisis, from 1998 to 2002, GDP fell 15%, external debt surpassed 100% of GDP, and the poverty rate doubled.

2.3 **Over the past decade, Uruguay has experienced one of the highest economic growth rates in Latin America and the Caribbean.** Following the 2002 crisis, the country entered a high growth phase (Figure 1). Between 2004 and 2014, real GDP grew at an average annual rate of 5.4%, while per capita GDP doubled. Meanwhile, unemployment has dropped to historic lows (between 6% and 7% in 2009-2014). This economic performance can be explained by a stable macroeconomic policy framework, favorable external conditions in terms of demand for exports of goods and services,[4] and a solid institutional and governance framework that has created an attractive environment for private investment. In particular, recent economic growth has been driven largely by foreign direct investment (FDI) (Figure 4, Annex),[5] which has expanded at an average rate of 16% of GDP over the past decade. Construction (associated

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1 In 2013, Uruguay's inequality-adjusted human development index (0.662) was similar to Chile's (0.661) and second only to Argentina's (0.68) among the countries of Latin America and the Caribbean. Uruguay's human development index increased from 0.755 to 0.790 between 2005 and 2013.

2 Although Uruguay has lessened its exposure to Argentina and Brazil, these countries remain important in terms of financial and trade flows. In 2013, Argentina and Brazil accounted for 35% of total FDI and 80% of total tourism revenue in Uruguay.

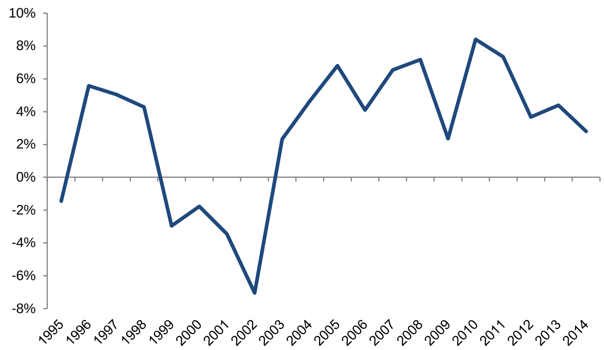
3 According to a 2012 study by the International Monetary Fund (IMF), "Intra-Regional Spillovers in South America: Is Brazil Systemic after All?," Uruguay has the second-highest GDP sensitivity to external shocks in South America (excluding Guyana, Suriname, and French Guyana). About 36% of GDP variability can be attributed to external shocks—25% to direct shocks from Argentina, 3% to shocks from Brazil, and the remaining 8% to global shocks.

4 Exports have expanded by over 200%, and tourism revenue by over 300% (Figure 3, Annex).

5 Over the past decade, private investment grew at an average rate of 11% in real terms, accounting for roughly 30% of cumulative GDP growth.

mainly with the tourism sector) and agriculture have been the main recipients of FDI during this period.

**Figure 1: Real GDP growth (1995-2014)**




Source: International Monetary Fund (IMF).

2.4 **Major reforms to macroeconomic policy management were made following the 2002 crisis, allowing for better management of the most recent international financial crisis.** The 2002 crisis prompted adjustments in the institutional framework for the financial system, as well as in macroeconomic policy management, through the accumulation of foreign reserves and the adoption of macroprudential measures aimed at reducing liquidity and exchange rate risks. Thanks to these measures, the economy was largely able to neutralize the impacts of the 2009 international financial crisis. In addition, significant efforts were made to reduce the vulnerability of public finances, specifically in the area of debt management. Total public debt fell from 102% of GDP in 2004 to 60% in 2014 (Figure 5, Annex), and the debt profile has improved in terms of currency composition and maturity structure (Figure 6, Annexes).[6] In this context, Uruguay recovered its investment-grade rating in 2012, which has given it greater access to international financial markets. The country has also adopted a precautionary financing strategy to guard against a potential loss in access to financial markets. As of December 2014, the government had reserves equivalent to 3.8% of GDP, enough to cover approximately two years of debt amortizations. These reserves have been supplemented with nearly US$2 billion in contingent credit lines with multilateral institutions (World Bank, CAF, Latin American Reserve Fund, and more recently, the IDB), equivalent to 3.5% of GDP (December 2014).[7]

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6 The proportion of debt denominated in local currency increased from 11% in 2004 to 52% in 2014. Meanwhile, the average maturity increased from 7.4 years to 14 years over the same period. (Debt Management Unit, MEF).

7 Source: Debt Management Unit (MEF).

2.5 **This economic growth, however, has been accompanied by persistently high inflation and ongoing current account deficits.** Over the last decade, inflation averaged 7.4% in Uruguay, the third highest rate in South America (Figure 7, Annexes). In addition to strong internal demand,[8] according to the IMF (2014), this is the result of a monetary policy that, despite a tighter stance in recent years, has remained cautious in the face of possible external shocks to the exchange rate, as well as a widespread practice of indexing wages to the country's inflation rate. Also, rising external income flows have affected the current account balance, which averaged -3% between 2006 and 2013. More recently (2012-2014), the fiscal deficit has increased (Figure 8, Annexes).[9]

2.6 **As economic growth puts more pressure on the country's social and productive infrastructure, reforms and significant investments are needed in key sectors.** The infrastructure investment gap for the next five years is estimated at over US$16 billion, nearly 30% of GDP (Table 1, Annex).[10] In 2011, a new regulatory framework for public-private partnerships (PPPs) was approved in a bid to increase private-sector participation in the provision of infrastructure. In transportation, overland shipping has grown exponentially in the past decade, to the detriment of road quality.[11] In energy, a matrix that is heavily dependent on water resources and imports (from Brazil and Argentina), combined with the high cost of electricity generation, which increased nearly seven-fold between 2004 and 2012, has led to a strong policy of investment in renewable energy. Investment gaps in the social sector are estimated at US$3.6 billion over the next five years, mainly for low-cost housing projects.

2.7 **The introduction of social reforms and the expansion of social programs, combined with good economic performance, have led to a significant decline in poverty and inequality levels.** A sustained increase in public social spending between 2005 and 2012 reflects the important role that social reforms have played since the economic crisis ended. Between 2005 and 2012, public social spending climbed from 19% to 25% of GDP, and from 61% to 75% of total public spending. Against this backdrop, between 2006 and 2013, poverty fell from 32.5% to 11.5%, and indigence decreased from 2.5% to 0.5% (Figure 2).

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8 Over the last decade, private consumption grew at an average rate of 6%.

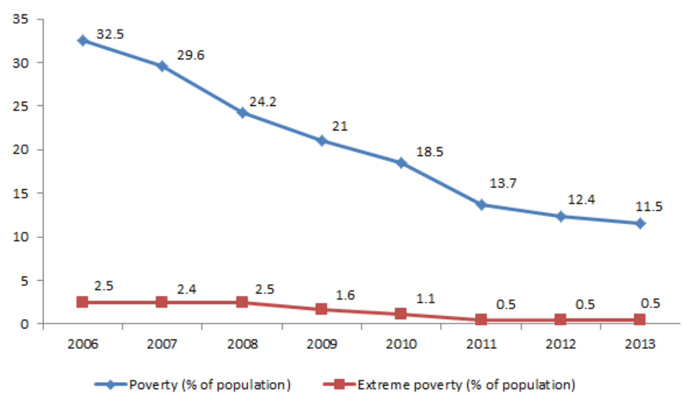
9 In 2012, the deficit climbed to 2.8% of GDP (from 0.9% in 2011) due to the impact of the drought on the National Power Generation and Transmission Administration and payments made to liquidate Banco Comercial. In 2013, the deficit fell slightly as revenue rose, but in 2014 revenue from the value-added tax shrank on more moderate growth, which combined with higher current spending, resulted in further deterioration of the fiscal accounts.

10 Office of Planning and Budget of the Office of the President of Uruguay, IV Seminar of the Network of National Public Investment Systems in Latin America and the Caribbean (June 2014).

11 Between 2000 and 2010, the percentage of the road system in "fair or poor" condition increased from 16% to 46% of the total, a situation that is contributing to an investment gap in road infrastructure on the order of US$1.8 billion.

However, the poverty rate among children and youth remains high.[12] In terms of income inequality, the Gini coefficient has improved, falling from 0.45 in 2006 to 0.38 in 2013 (Ministry of Social Development, 2014), while the ratio between income in the highest decile and in the lowest decile has narrowed from 17.9 to 12 (Figure 9, Annex). However, significant inequalities persist in access to quality basic services. For example, in the area of education, Uruguay has made significant progress with coverage but faces ongoing challenges in terms of quality. Although it compares favorably with other countries in the region, it trails the OECD member countries and has fallen further behind in recent years, as demonstrated by its results on international standardized tests. Furthermore, completion rates for basic secondary education among 17- and 18-year-olds and for higher secondary education among 21- and 22-year-olds, while improving, remain low (65.1% and 37.7%). Meanwhile, the percentage of adolescents (14- to 17-year-olds) who neither work nor study was 12.5% in 2013.

**Figure 2: Poverty and extreme poverty rates (% of population)**




Source: National Institute of Statistics (INE).

## III. Overview of the Bank's Program (2010-2015)

### A. Country Strategy with Uruguay

3.1 **In March 2010, the administration of President José Mujica took office, the second consecutive administration of the Frente Amplio party.** In a more favorable economic context than the one encountered in 2005 by the previous administration, led by President Tabaré Vasquez, the new government's main priority was to maintain macroeconomic stability and deepen social reforms. In December 2010, the **2010-2014 National Budget Act** was approved, a five-year budget that reflected the government's priorities and major lines of action in terms

[12] In 2013, 22.6% of children under the age of 6 were living in poverty. Among 6- to 12-year-olds, the rate was 21.2%, and among 13- to 17-year-olds, it was 19.9%. Source: National Institute of Statistics (INE).

of social and economic policies for the period.[13] The budget identified five priority areas and their corresponding objectives (housing, education, public security, infrastructure, and social protection), as well as another 10 programmatic areas.[14]

3.2 **The Bank's current Country Strategy with Uruguay, approved in 2011, seeks to support the government's efforts through actions aimed at "sustaining high economic growth rates with equity and inclusion."** During 2010, the Bank's work was guided primarily by the update to the strategy document approved for the period 2005-2009 (document GN-2379-1), a document that was updated in March 2010.[15] Preparation of the current country strategy (document GN-2626) began in early 2010, and the strategy was approved in August 2011, with an effective period from December 2010 to December 2015, which does not synchronize exactly with the country's political cycle (March 2010 to February 2015). The strategy defined the Bank's work in 10 areas of cooperation: (a) transport; (b) energy; (c) water, sanitation, and solid waste; (d) science and technology; (e) social protection; (f) education and job training; (g) agroindustrial sector; (h) services exports; (i) public management and finances; and (j) urban development and security. Regarding **NSG operations**, the strategy identified possible opportunities for participation in the areas of transport, energy, agroindustry, and services exports (tourism).[16] In terms of **technical cooperation and knowledge generation**, the strategy called for this programming to be formulated alongside the lending program, to ensure consistency with the country's priorities and the Bank's cycle of operations. The **strategic objectives** for each area of the Bank's cooperation are described below (Table 1).

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[13] On the fiscal front, the main goals were to reduce the consolidated public sector deficit to 0.8% of GDP in 2014 (from 1.7% in 2009) and gradually reduce public sector debt from 69% of GDP in 2009 to 40% in 2015.

[14] Health, national defense, work and employment, productive development, culture and sports, administration of justice, legislative affairs, science and innovation, control and transparency, and environment and natural resources.

[15] Country Strategy Updates (document GN-2570).

[16] The prior strategy also calls for the Bank to provide support for the country to develop a regulatory framework and strengthen the institutional framework for PPPs, in line with the government's objective of promoting investments through this mechanism.

**Table 1: Bank's strategic objectives by area of cooperation (document GN-2626)**

| Area of Cooperation | Strategic Objectives |
|---|---|
| Transport | To improve maintenance of the road network |
| | To improve infrastructure and port management |
| Energy | To increase electricity and natural gas supply capacity |
| Water, sanitation, and solid waste | To expand sanitation and drainage coverage |
| | To reduce solid waste disposed of in open-air dumps |
| Science and technology | To increase private sector contribution to investment in research and development |
| Social protection | To improve living conditions for vulnerable groups, with an emphasis on children and adolescents |
| Education and job training | To increase school access and retention and improve human capital formation with an emphasis on vulnerable groups |
| Agroindustrial sector | To ensure sustainable development of the agroindustrial sector |
| Services exports | To increase services exports |
| Public management and finances | To improve public administration |
| Urban development and security | To improve living conditions for the urban population |

3.3 **The strategy called for a larger SG financial envelope than in the previous strategy and envisaged a scenario of positive net capital flows with the country.** The estimated SG financial envelope included in the country strategy for the period 2011-2015 was US$1.797 billion, an increase of nearly 50% over the previous period (US$1.2 billion). Together with effective approvals in 2010 (US$88 million), this established a **benchmark SG financial envelope totaling US$1.885 billion for the 2010-2015 evaluation period.** Meanwhile, the country strategy estimated (SG) disbursements for 2011-2015 at US$1.129 billion with positive net capital flows of US$409 million (Table 2, Annex). The Bank's Management also prepared six country program documents (CPDs) between 2010 and 2015 as part of the program of operations.[17]

3.4 **The country strategy also identified three main implementation risks.[18]** First, there was a ***macroeconomic and fiscal*** risk, given the possibility of external shocks that could slow growth, causing tax revenue to fall and the fiscal deficit to rise. Another risk was related to the ***private sector response***, specifically the possibility that the new regulatory framework for PPPs, still in development at that time, might fail to attract the desired level of private sector participation, forcing the government to postpone investments or allocate additional public resources that were not provided in the five-year budget. Lastly, the strategy identified the risk of ***reduced demand for Bank resources***, which could

[17] Documents GN-2576, GN-2617, GN-2661-4, GN-2696, GN-2756, and GN-2805, respectively.

[18] The country strategy also identified risks for each area of cooperation.

materialize if the country were to obtain greater access to international financial markets on competitive terms, as well as in response to the strategy to de-dollarize the public debt, which would increase demand for local currency resources.

## B. Program implemented

3.5 **Between 2010 and February 2015, 38 loans (SG and NSG) were approved for a total of US$2.197 billion.** Although loans were approved in all areas set out in the current strategy, the amounts were mostly concentrated in the areas of services exports (26%),[19] energy (25%), and the agroindustrial sector (14%) (Table 3, Annex).[20] These approvals corresponding to the period 2010-2015, combined with the undisbursed portfolio at the start of 2010 (US$494 million, 33 loans),[21] comprise a **portfolio of 71 loans totaling US$2.603 billion during the evaluation period.**

3.6 **An important factor associated with this level of approvals is the increased participation by the Bank's private sector window in the country (Figure 3).** Between 2010 and February 2015, the Bank approved six NSG investment loans totaling US$615 million, equivalent to 28% of total loan approvals.[22] This is well above the 2005-2009 approval level (two TFFP operations for US$28 million) and, in general, above historic approval levels in the country. NSG approvals were mainly concentrated in the areas of renewable energy (56.6%, six loans totaling US$343 million) and agroindustry (43%, two loans totaling US$265 million). The 2015 pipeline "A" (as of end of February) included seven NSG loans for an estimated total amount of US$421 million.

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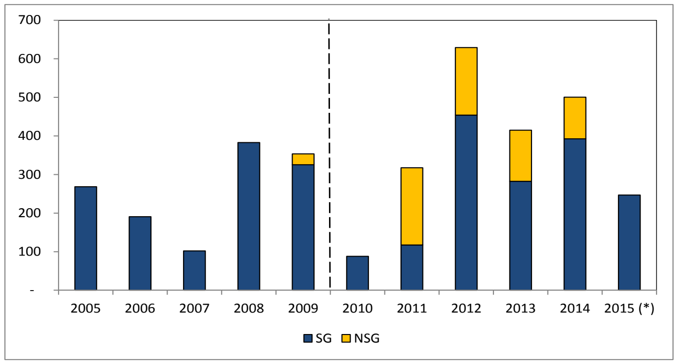
[19] Following the strategy guidelines, approvals in trade and tourism are counted in this area.

[20] In terms of number of operations approved, the main sectors were energy (16.8%), public management and finances (16.8%), and services exports (13.2%).

[21] The active SG portfolio was made up of 31 loans distributed in 14 sectors, with an undisbursed balance of US$466 million, primarily in transportation (29.3%) and water and sanitation (23.2%). There were also two active NSG operations (TFFPs) for a total of US$28 million.

[22] SCF has approved seven loans totaling US$613.3 million, and OMJ approved its first loan for US$2.5 million. The total includes US$41.3 million from the China Co-financing Fund and US$25 million from the Canadian Climate Fund.

**Figure 3: Loan approvals (SG and NSG), 2005-2015**




Note: (*) Considers amounts originally approved as of February 2015.
Source: OVEDA, using the Bank's data warehouse.

3.7 **SG approval levels have been higher than in the previous period, but to date these approvals have fallen short of the benchmark SG financial envelope for the evaluation period.**[23] Between 2010 and February 2015, the Bank approved US$1.581 billion (29 loans), of which US$50 million came from the China Co-financing Fund and US$366 million came from the reallocation program (see paragraph 3.9). The 2015 pipeline "A" (as of the end of February) included one SG loan for an estimated US$24 million. In terms of **lending instruments**, the amounts approved during 2010-2015 have primarily taken the form of investment loans, especially specific investment loans (43.8%), CCLIPs (17%), and supplemental loans (4.4%).[24] In addition, Uruguay has been among the first at the Bank to use policy-based loans (PBLs) under the new deferred drawdown option (DDO)[25] approved in 2012. Specifically, 34.8% of SG resources during 2010-2015 were approved under this modality in the area of services exports, which is consistent with the financing strategy adopted by the country.

3.8 **During the evaluation period, Uruguay made prepayments on its debt with the Bank in 2010 (US$300.4 million) and more recently in 2013 (US$518.9 million).** In the framework of the new reallocation program approved by the Bank in 2012,[26] Uruguay used part of the prepayment (US$367 million) in

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[23] This includes the estimated SG financial envelope included in the country strategy for the 2011-2015 period (US$1.797 billion) and the effective approvals in 2010 (US$88 million). See paragraph 3.3.

[24] During the previous evaluation period (2005-2009), the country employed a greater variety of instruments, including some that are no longer in use at the Bank, such as the performance-driven loan (PDL) and the sector facility (see Table 4, Annexes).

[25] In general, this modality allows for the drawdown of proceeds from PBLs for a set period of time (three years from the date of eligibility for disbursements, with an option for a one-time renewal of another three years) provided that the conditions for approval of the loan have been maintained. Proposal to Establish Contingent Lending Instruments of the IDB. Revised version (document GN-2667-2).

[26] Proposal for the Establishment of a Reallocation Program. Revised version (document FN-672-1).

2013 to partially finance DDO policy-based loans, which enabled it to increase the amount of these contingent loans from US$183 million to US$550 million.

3.9 **Between 2010 and February 2015, 43 nonreimbursable technical-cooperation (TC) operations were also approved for a total amount of US$17.6 million.** The approvals were mostly concentrated in social protection (28.2%) and public management and finances (15.5%) (Table 5, Annex). During the period, one investment grant (US$6.8 million) was also approved, in the area of water, sanitation, and solid waste.

## IV. EVALUATION SCOPE AND QUESTIONS

4.1 This CPE will evaluate the Bank's program during the period 2010-2015. The evaluation will analyze active operations during this period, that is, operations approved between 2010 and June 2015, as well as previously approved operations for which significant funds had yet to be disbursed as of the beginning of 2010.[27] The types of operations to be evaluated include: SG loans, NSG loans (SCF and OMJ),[28] TC operations, and investment grants.

4.2 This CPE will analyze questions relating to the ***relevance***, ***implementation and effectiveness***, and ***sustainability*** of the Bank's program with Uruguay. The evaluation will place special emphasis on analyzing the Bank's business model and its implications in an upper-middle-income country like Uruguay, in a context of higher economic growth and greater access to international markets.

### C. Relevance

4.3 *Relevance* refers to the degree of consistency between (i) the formulation and objectives of the Bank's strategy and program of assistance, and (ii) the country's needs and the government's development plans and priorities. On this dimension, the CPE sets out to answer the following questions:

- To what extent did country programming (country strategy and programming documents) provide an adequate and flexible framework for the Bank's program in Uruguay?
- To what extent were the Bank's strategic objectives consistent with Uruguay's main development challenges and the government's priorities?
- To what extent was the program implemented in 2010-2015 consistent with the strategic objectives set by the Bank?

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27 Operations with undisbursed balances of at least 30% at the start of the evaluation period. Depending on each sector, operations with smaller balances could potentially be considered, such as in the case of projects in programmatic series.

28 This CPE will not consider MIF or IIC operations.

- How appropriate was the mix of instruments used (SG and NSG loans and technical cooperation) by the Bank to achieve the strategic objectives in the various areas of cooperation with Uruguay?
- To what extent did the Bank's lending instruments meet the country's needs and complement instruments already in place in the country? How did they compare with the instruments used by other multilaterals with a strong presence in the country (World Bank and CAF)?
- To what extent did the Bank's program take into account and coordinate with the assistance provided by other development agencies working in the country?

## D. Implementation and effectiveness

4.4 *Effectiveness* refers to the extent to which the support instruments achieved the proposed objectives. As part of the effectiveness analysis, the CPE will examine factors that affected program *implementation* and efficiency-related issues, for example, in preparation and execution. On this dimension, the CPE aims to answer the following questions:

- What factors account for the difference between the SG lending framework envisaged in the country strategy and actual approvals as of 2015?
- What factors account for the significant increase in participation by the Bank's private sector window in Uruguay during the evaluation period? And to what extent was this coordinated with the assistance provided by the Bank's public sector window in Uruguay?
- What are the main determinants of success and problems affecting implementation of the Bank's program?
- What is the level of progress towards achieving the Bank's *strategic objectives* (Table 1 – Strategic Objectives) and their specific contribution? For example:
  - How effective has the Bank's program been in helping the country "to increase services exports"?
  - How effective has the Bank's program been in helping the country "to increase electricity and natural gas supply capacity"?
  - How effective has the Bank's program been in helping the country "to ensure sustainable development of the agroindustrial sector"?
- In general, to what extent was the technical cooperation provided by the Bank effective in providing operational support for the Bank's loan portfolio, as well as in generating capacities, outputs, and knowledge to meet the country's requests and needs?

- What lessons have emerged on the Bank's role in Uruguay in the future?

### E. Sustainability

4.5 Likewise, *sustainability* refers to the likelihood that the outcomes of the Bank's support will persist after the program has concluded. On this dimension, the CPE aims to answer the following questions:

- What evidence is there that the outcomes achieved by the Bank's program are sustainable?
- What are the main factors that might affect the outcomes achieved by the Bank's program in Uruguay?

## V. METHODOLOGY AND INFORMATION SOURCES

5.1 The evaluation will use a set of methods to answer these questions. To analyze the country's main development challenges, government priorities, and the context in the period, the evaluation will analyze a set of national social and economic data and documents including, for example, the 2010-2014 National Budget Act, sector plans, and other sector studies produced by the government, the IDB, and other entities (e.g. World Bank, IMF, UNDP, CAF).

5.2 To evaluate the relevance of the program during the period, the CPE will analyze, for example, the diagnostic assessments, strategic objectives, and expected results in the various areas of cooperation established in the country strategy. It will also analyze the financial and nonfinancial instruments used by the Bank in each sector to achieve the strategic objectives, as well as the specific objectives of the operations implemented during the period. The sources of information include, for example, strategy and annual programming documents (CPDs), loan and technical cooperation proposals, and general information on operations from the Bank's information systems, such as OVEDA, OPS, Finance Data Mart, FIN LMS, and Budget.

5.3 With respect to program implementation and effectiveness, the evaluation will analyze the operational performance of the project portfolio (e.g. preparation and execution times and costs, disbursement levels, and financial flows), with a special emphasis on identifying crosscutting factors that affected program implementation (preparation and execution). In addition, the evaluation will analyze progress towards objectives of individual operations, and more generally, towards strategic objectives at the sector level. The sources of information include, for example, portfolio review documents, monitoring reports (PMRs), completion reports (PCRs), and other internal and external evaluations of operations.

5.4 In order to take advantage of synergies in the OVE work program, the CPE will look at the analyses and the sector and operational information considered in other evaluations that OVE is currently carrying out, in particular, its evaluation of the agriculture sector and its comparative study of urban transportation projects. The CPE will also consider as a basis for analysis other recent evaluations by OVE, such as its 2014 evaluation of climate change (document RE-459-1), its 2013 evaluation of upper-middle-income countries (document RE-447), and its 2012 evaluation of secondary education (document RE-461).

5.5 This analysis of data and documentation will be complemented with interviews with various key actors involved in the design and implementation of the Bank's program at the strategic and operational level, including: (i) government authorities and officials responsible for financial and sector policies, whether in the current or previous administrations, who are familiar with the strategic relationship with the Bank in the various areas of cooperation with Uruguay; (ii) other sector specialists and representatives of academia or research centers who are able to offer their forward-looking view of the current and long-term sector development challenges, and the potential role of the Bank; (iii) staff of bilateral and multilateral agencies actively working in the country; (iv) staff of the beneficiary agencies of the loans and technical cooperation operations included in the Bank's program; and (v) Bank staff involved in the design and execution of the Bank's program.

## VI. EVALUATION TEAM AND TIMETABLE

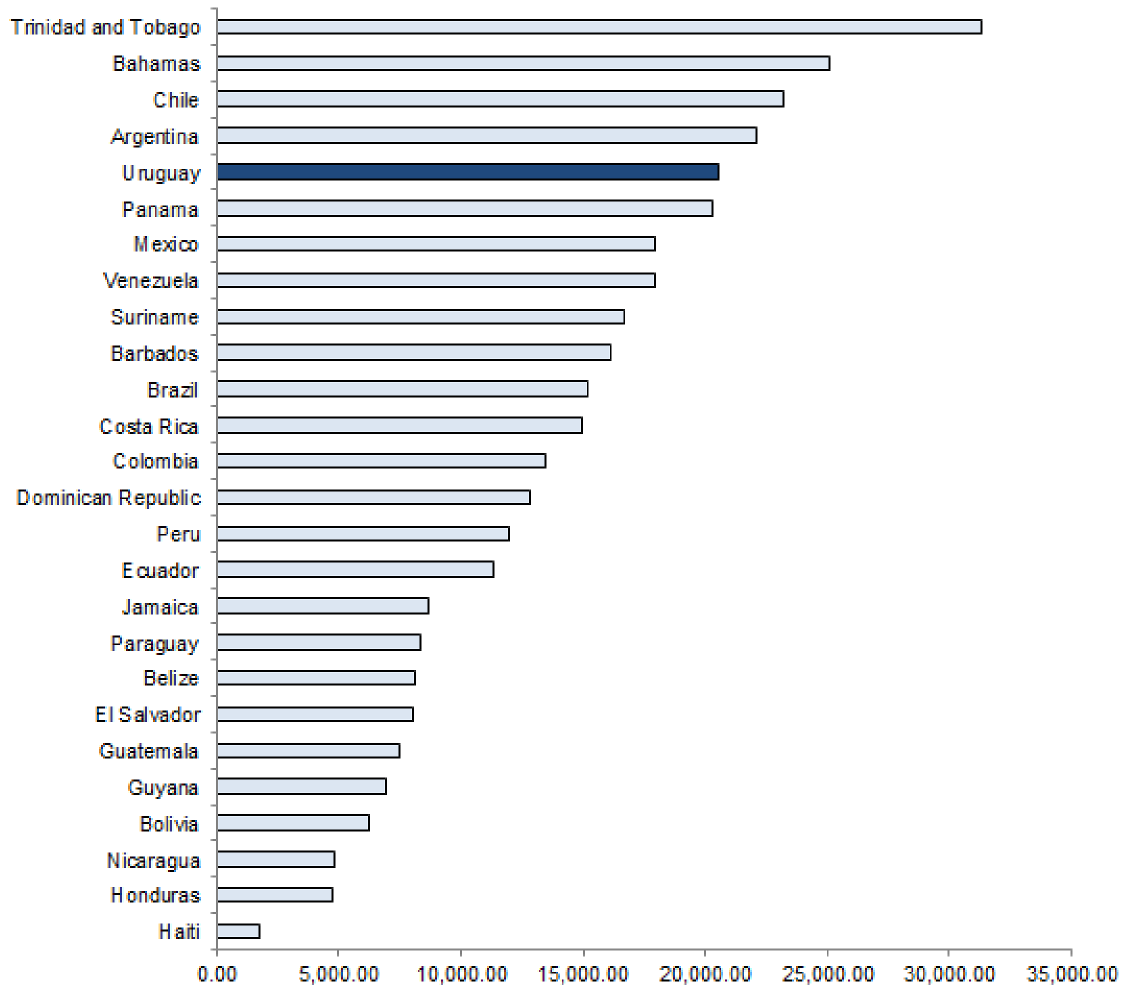
6.1 **Evaluation team:** The evaluation team consists of José Ignacio Sémbler, Ana María Linares, Agustina Schijman, Lynn Scholl, Chloe Fevre, Kathryn Britton, Alejandro Guerrero, Alayna Tetreault-Rooney, Santiago Ramirez, Alejandro Palomino, Maria José Hernández, Víctor Beltrán, Maya Jansson, and other specialized consultants.

6.2 **Timetable:** The evaluation timetable is as follows.

| Activity | Date |
|---|---|
| Mission to Uruguay | Second half of April |
| Draft CPE for review by Management/government | Late July |
| Receipt of comments from Management/government | Late August |
| CPE sent to the Office of the Secretary (SEC) | Early September |
| Discussion of CPE in the Board of Executive Directors | September 2015 |

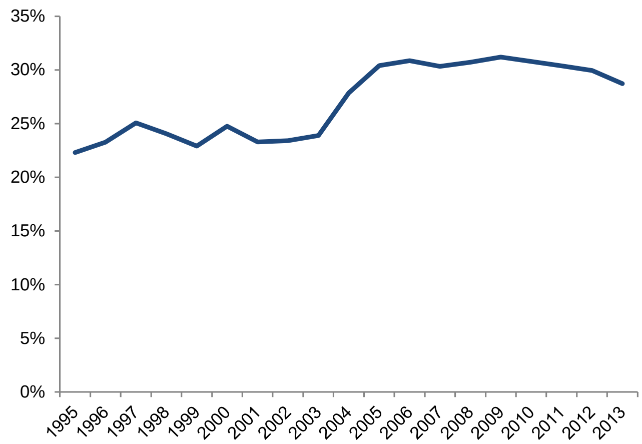
# ANNEX: FIGURES AND TABLES

**Figure 1: Per capita GDP, purchasing power parity (US$), 2014**



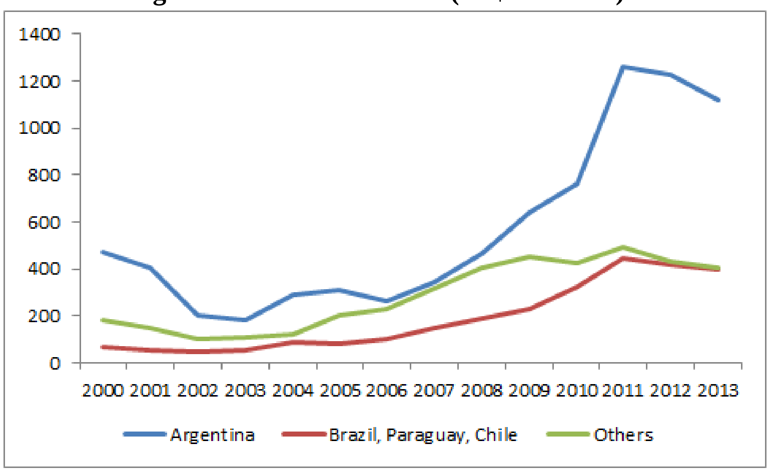

Source: International Monetary Fund (IMF).

**Figure 2: Exports (% of GDP)**



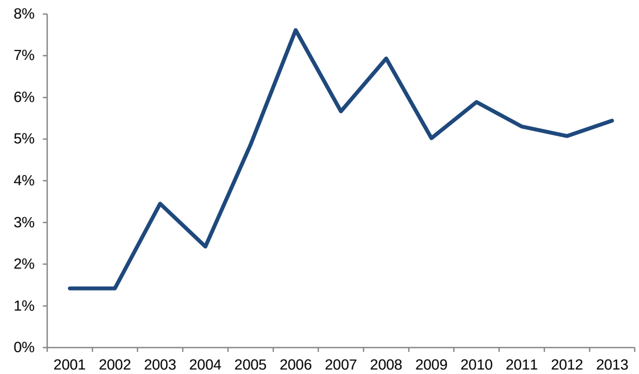

Source: Central Bank of Uruguay.

**Figure 3: Tourism revenue (US$ millions)**



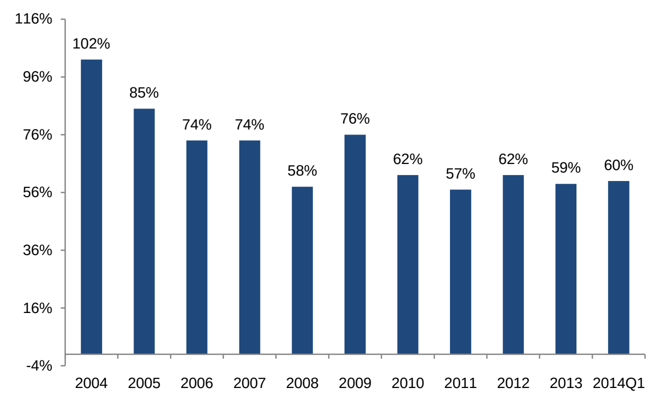

Source: Central Bank of Uruguay.

**Figure 4: Foreign direct investment (% of GDP)**




Source: Central Bank of Uruguay.

**Figure 5: Total public sector debt (% of GDP): 2004-2014**




Note: As of first quarter of 2014.
Source: Ministry of Economy and Finance (MEF), Central Bank of Uruguay.

**Figure 6: Debt profile (2004-2014)**

**Figure 6.1. Average debt maturity (years)**

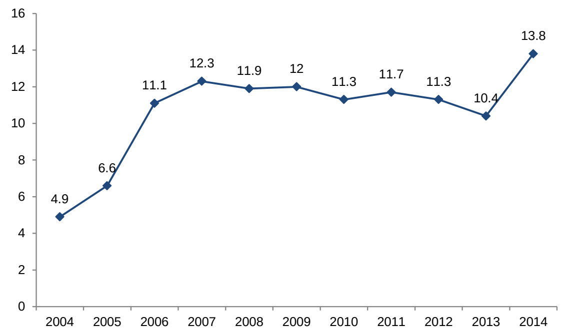



**Figure 6.2. Debt profile by currency (%)**

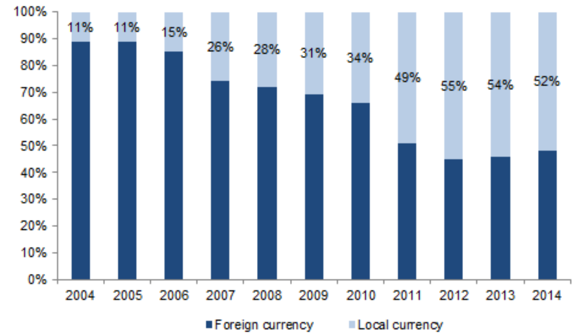



**Figure 6.3. Debt profile by rate (%)**

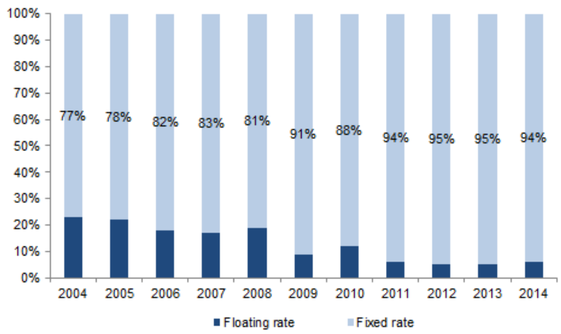
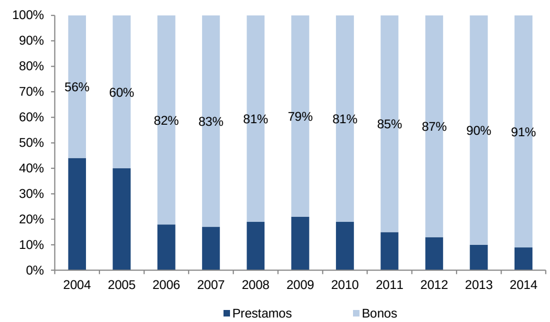
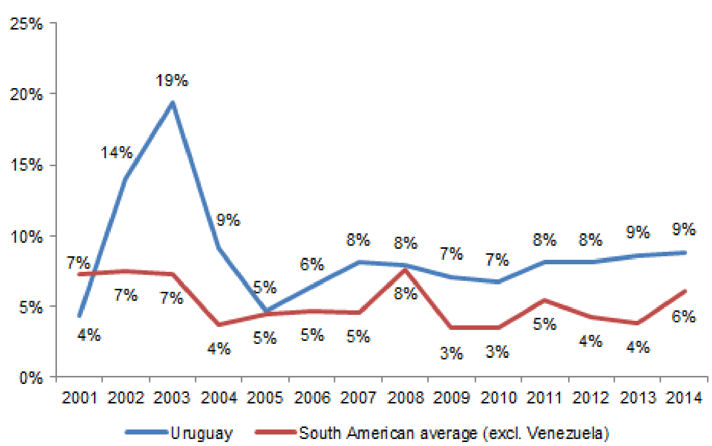



**Figure 6.4. Debt profile by instrument (%)**



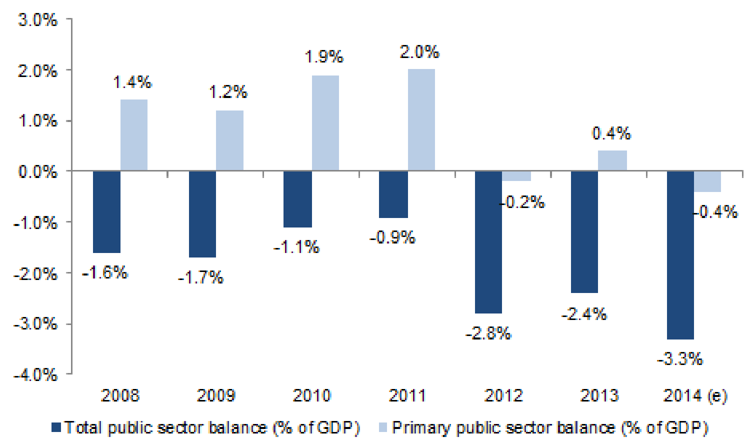

Source: Debt Management Unit, Ministry of Economy and Finance (MEF).

**Figure 7: Year-on-year inflation (2001-2014)**




Source: International Monetary Fund (IMF).

**Figure 8: Total fiscal deficit (% of GDP): 2008-2014**




Source: Ministry of Economy and Finance (MEF), Central Bank of Uruguay.

**Figure 9: Income inequality indicators (2006-2013)**

**Figure 9.1: Gini (2006-2013)**

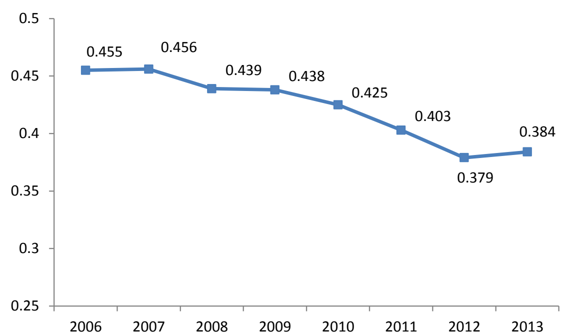
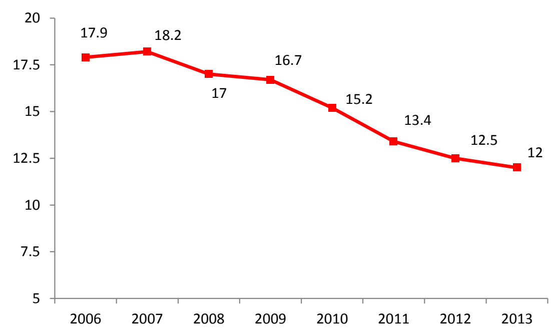



**Figure 9.2: Ratio between per capita income of top and bottom decile (2006-2013)**




Source: National Institute of Statistics (INE).

**Table 1: Estimated infrastructure gap, 2015-2019 (US$ millions)**

| | |
|---|---|
| ***Social infrastructure*** | |
| Health | 200 |
| Housing | 2,000 |
| Education | 700 |
| Water and sanitation | 700 |
| ***Productive infrastructure*** | |
| Telecommunications | 1,125 |
| Railways | 1,100 |
| Ports | 1,000 |
| Energy* | 7,500 |
| Roads | 1,800 |
| **Total** | **16,125** |

Note: **(***) Calculated as 3% of GDP.
Source: Office of Planning and Budget, Office of the Presidency (2014).

**Table 2: Estimated SG financial envelope, 2010-2015 (projections)**

| | 2010 (*) | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|
| Approvals | 88 | 185 | 383 | 401 | 404 | 424 |
| Disbursements | 54 | 170 | 230 | 208 | 303 | 216 |
| Net flow of loans | -408 | 54 | 108 | 71 | 138 | 39 |

Source: Country strategy (document GN-2626).

**Table 3: Loan approvals (SG and NSG) by strategy area (2010-2015)**

| Area | Originally approved amount (US$ millions) | Originally approved amount (%) | Number | Number (%) |
|---|---|---|---|---|
| Services exports | 565 | 25.7% | 5 | 13.2% |
| Energy | 548.4 | 25.0% | 6 | 15.8% |
| Agroindustrial sector | 298.4 | 13.6% | 4 | 10.5% |
| Water, sanitation, and solid waste | 174.6 | 7.9% | 5 | 13.2% |
| Urban development and security | 145 | 6.6% | 4 | 10.5% |
| Public management and finances | 116.4 | 5.3% | 6 | 15.8% |
| Transport | 80 | 3.6% | 1 | 2.6% |
| Eductation and job training | 54 | 2.5% | 2 | 5.3% |
| Science and technology | 48 | 2.2% | 2 | 5.3% |
| Social protection | 40 | 1.8% | 1 | 2.6% |
| Other (fiancial markets) | 127.5 | 5.8% | 2 | 5.3% |
| **Total** | **2197.2** | **100%** | **38** | **100%** |

Notes: Considers amounts (SG and NSG) originally approved as of the end of February 2015.
Source: OVEDA, using the Bank's data warehouse.

**Table 4: Approvals of SG loans by type of instrument: 2005-2009 and 2010-2015**

| Type of loan | Type of instrument | 2005-2009 | | | | 2010-2015 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Number | | Amount | | Number | | Amount | |
| | | # | (%) | (US$ million) | (%) | # | (%) | (US$ million) | (%) |
| Investment | Specific investment | 12 | 37.5% | 305.1 | 24.0% | 19 | 63.3% | 693 | 43.8% |
| | Supplemental loan | 1 | 3.1% | 20 | 1.6% | 3 | 10.0% | 70.1 | 4.4% |
| | CCLIP | 1 | 3.1% | 118.6 | 9.3% | 5 | 16.7% | 268.3 | 17.0% |
| | PDL | 2 | 6.3% | 134 | 10.6% | - | - | - | - |
| | Sector facility | 8 | 25.0% | 25.1 | 2.0% | - | - | - | - |
| | Project Preparation and Execution Facility | 3 | 9.4% | 2.5 | 0.2% | - | - | - | - |
| | TC loan | 1 | 3.1% | 4 | 0.3% | - | - | - | - |
| Policy-based | PBL | 1 | 3.1% | 250 | 19.7% | - | - | - | - |
| | Programmatic PBL | 3 | 9.4% | 410 | 32.3% | - | - | - | - |
| | PBL/DDO | - | - | - | - | 3 | 10.0% | 550 | 34.8% |
| **SG total** | | **32** | **100%** | **1269.3** | **100%** | **30** | **100%** | **1581.3** | **100%** |

Notes: Considers SG amounts originally approved as of the end of February 2015.
Source: OVEDA, using the Bank's data warehouse.

**Table 5: Approvals of nonreimbursable TCs by strategy area (2010-2015)**

| Area | Originally approved amount (US$ million) | Originally approved amount (%) | Número | Número (%) |
|---|---|---|---|---|
| Social protection | 5.0 | 28.2% | 8 | 18.6% |
| Public management and finances | 2.7 | 15.5% | 6 | 14.0% |
| Water, sanitation, and solid waste | 2.6 | 14.8% | 4 | 9.3% |
| Education and job training | 1.8 | 10.0% | 6 | 14.0% |
| Urban development and security | 1.1 | 6.3% | 3 | 7.0% |
| Other (*) | 1.0 | 5.9% | 6 | 14.0% |
| Agroindustrial sector | 0.9 | 4.8% | 2 | 4.7% |
| Science and technology | 0.7 | 4.1% | 3 | 7.0% |
| Energy | 0.7 | 4.0% | 2 | 4.7% |
| Services exports | 0.7 | 4.0% | 2 | 4.7% |
| Transport | 0.5 | 2.6% | 1 | 2.3% |
| **Total** | **17.6** | **100%** | **43** | **100%** |

Notes: Considers amounts originally approved as of the end of February 2015.
(*) Operations for Group C & D countries.
Source: OVEDA, using the Bank's data warehouse.