

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

URUGUAY

**PROGRAM FOR IMPROVEMENT OF PUBLIC SERVICES
AND STATE-CITIZEN INTERACTION**

(UR-L1109)

LOAN PROPOSAL

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ABBREVIATIONS

AGESIC	Agencia para el Desarrollo del Gobierno de Gestión Electrónica y la Sociedad de la Información y del Conocimiento [Agency for the Development of e-Government and the Information and Knowledge Society]
AWP	Annual work plan
CERTUy	Centro de Respuesta para la Ciberseguridad [Cybersecurity Response Center]
CP	Costo promedio [average cost]
CPol	Costo promedio en línea [average cost online]
CPpre	Costo promedio presencial [average cost in-person]
CPte	Costo promedio por teléfono [average cost by telephone]
DEM	Development Effectiveness Matrix
ICTs	Information and communication technologies
IRR	Internal rate of return
NPV	Net present value
OECD	Organization for Economic Cooperation and Development
PAC	Puntos de atención ciudadana [citizen service points]
PMR	Progress monitoring report
REDUy	Red Física Privada de Fibra Óptica [Private Fiber-Optic Physical Network]
SH	Salario por hora [hourly wage]
SIIF	Sistema Integrado de Información Financiera [Integrated Financial Information System]
SPI	Sistema de Proyectos Internacionales [International Projects System]
TCR	Tribunal de Cuentas de la República [Audit Office of the Republic]
UNDESA	United Nations Department of Economic and Social Affairs
WAL	Weighted average life

PROJECT SUMMARY

URUGUAY

**PROGRAM FOR IMPROVEMENT OF PUBLIC SERVICES AND STATE-CITIZEN INTERACTION
(UR-L1109)**

Financial Terms and Conditions				
Borrower: Eastern Republic of Uruguay			Flexible Financing Facility^(a)	
			Amortization period:	25 years
Executing agency: Eastern Republic of Uruguay, acting through the Agency for the Development of e-Government and the Information and Knowledge Society (AGESIC)			Original WAL:	15.25 years
			Disbursement period:	5 years
Source	Amount US\$	%	Grace period:	5.5 years
IDB (OC):	35 million	87.5%	Inspection and supervision fee:	^(b)
			Interest rate:	LIBOR-based
Local:	5 million	12.5%	Credit fee:	^(b)
			Currency of approval:	U.S dollars from the Ordinary Capital
Total:	40 million	100.0%		
Project at a Glance				
Project objective. The program's objective is to contribute to lowering the transaction costs associated with citizen and business interaction with central government by simplifying procedures, expanding the coverage of online services, and promoting citizen access to those services, particularly for low-income segments of the population.				
Special contractual conditions precedent to the first disbursement of the loan proceeds: As a special contractual condition precedent to the first disbursement of the loan proceeds, the executing agency will provide the Bank with evidence that the program's general coordinator and component coordinators have been appointed (see paragraph 3.2).				
Exceptions to Bank policies: None.				
Project qualifies as:^(c) SV <input checked="" type="checkbox"/> PE <input type="checkbox"/> CC <input type="checkbox"/> CI <input type="checkbox"/>				

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

^(b) The credit fee and 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 relevant policies.

^(c) SV (Small and Vulnerable Countries), PE (Poverty Reduction and Equity Enhancement), CC (Climate Change, Sustainable Energy, and Environmental Sustainability), CI (Regional Cooperation and Integration).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem to be addressed, and rationale

- 1.1 **Background.** Uruguay is an international leader in telecommunications infrastructure, connectivity services, and the availability of public services online, having made major strides in this area. In 2010, the United Nations e-Government Development Index placed Uruguay 36th in the general ranking and 32nd in the Online Services Index out of a total of 193 countries. By 2014, it had risen to 26th and 14th, respectively.
- 1.2 This is due chiefly to a series of initiatives that the country has implemented over the last 10 years, including: (i) the Private Fiber-Optic Physical Network (REDUy), which connects the central buildings of public agencies; (ii) the interoperability platform through which the different agencies exchange data; (iii) the Cybersecurity Response Center (CERTUy); (iv) creation of the National Root Certification Authority for digital certificates and signatures;¹ (v) the “electronic case file” tool for the management of documents and administrative processes; (vi) the catalogue of government transactions and services (tramites.gub.uy); (vii) over 90 e-government solutions implemented at various agencies through a competitive funding mechanism; (viii) the “Empresa en el día” [Business in a Day] business startup system; (ix) citizen service points; (x) the online clinical history and telemedicine program; (xi) the “Nacidos Vivos” [Live Births] program that combines birth records and civil identification; and (xii) the “Plan Ceibal” one computer per child program.”²
- 1.3 These initiatives benefited from leadership provided by the Agency for the Development of e-Government and the Information and Knowledge Society (AGESIC). Created in 2007 and supported by the Bank since its infancy, AGESIC has become an institutional model that has received international recognition in various domains.³
- 1.4 This progress made it possible to create the basic conditions for the country to take advantage of the opportunities and benefits arising from the use of information and communication technologies (ICTs) in the interaction between citizens and government institutions.
- 1.5 Nonetheless, there is evidence that the transaction costs⁴ borne by citizens and businesses in their interaction with State agencies are still high, particularly for

¹ Article 15 of Law 18600 of 2009 makes AGESIC the National Root Certification Authority.

² All of these outputs and progress were supported by the Bank through the following operations: Support for e-Government Management in Uruguay (loan 1970/OC-UR); Support for e-Government Management in Uruguay II (loan 2591/OC-UR); Support for e-Government Management in the Health Sector (loan 3007/OC-UR); Plan Ceibal II: Support for Primary and Secondary Math and English Education (loan 3225/OC-UR); and the Program to Strengthen the Control and Budget Management Units (loan 2085/OC-UR).

³ These efforts have received recognition from organizations such as the United Nations and the International Telecommunications Union (the “[ICTs in Sustainable Development](#)” award), New York, September 2015; and the IDB (the Uruguay Concurso program), Korea, March 2014.

⁴ Transaction costs include: (i) the time citizens have to spend completing administrative procedures and the resulting impact on their income; (ii) travel expenses that citizens have to incur; (iii) expenses citizens incur to obtain the documents needed to complete the procedure; and (iv) steps businesses have to take to perform their transactions.

the low-income population. For these citizens, the average cost of completing a transaction represents a much larger proportion of their income than for wealthier sectors, because the former group tend to use in-person channels rather than the alternatives.⁵ In the case of businesses, the length of time and number of steps needed for transactions tend to increase their operating costs.⁶ As in-person interactions take longer than those online or by phone, the opportunity to save time and expenses is being ignored by citizens and entrepreneurs. For that reason, the main problem that the program proposes to address are the high transaction costs facing citizens, particularly those of lower income, and business people in their interaction with government agencies.

- 1.6 The main causes of these high transaction costs are: (i) relatively high complexity of most procedures, as reflected in the number of times citizens and business people have to appear at public offices to fulfill their obligations;⁷ (ii) the excessive number of steps needed to complete certain administrative procedures;⁸ (iii) the limited range of services online (see Table 1); and (iv) the lack of knowledge and self-confidence that citizens have in completing administrative processes and transactions online, and hence the low usage rate for the alternative channels that are available.⁹
- 1.7 The low level of transactions offered online¹⁰ is shown in the table below:

⁵ For a person of the lowest education level (as a proxy for low income), the cost of the transaction on average represents 84% of the hourly wage (roughly 59 Uruguayan pesos), whereas in the strata with tertiary education (a proxy for high income), it represents 41.3% (roughly 95 Uruguayan pesos). The estimated cost of completing the procedure includes transportation and the value of time (travel, waiting, and being served) in relation to the person's income. Calculations by the team based on information from AGESIC and the National Institute of Statistics.

⁶ For example, the time needed for a business to register real estate property is longer in Uruguay (66 days) than the average for Latin America (63 days) and the countries of the Organization for Economic Cooperation and Development (OECD) (24 days). The time devoted to the payment of business taxes is 312 hours per year, almost double the time necessary in OECD countries (185 hours). Source: World Bank, *Doing Business* 2015.

⁷ To complete a central government transaction in person, a citizen needs to appear on average 2.1 times at the respective offices (Source: AGESIC).

⁸ The number of steps involved in registering a property in Uruguay (eight steps) is above both the Latin American average of seven and the OECD average of five (Source: World Bank, *Doing Business* 2015).

⁹ Sixty-five percent of citizens lack confidence in their ability to complete procedures over the Internet. Accordingly, only 26% use this channel for administrative procedures and transactions; this percentage falls to 8% in the case of citizens with a basic education level (primary only). Source: AGESIC: "100% Trámites en Línea" [Procedures 100% Online] program.

¹⁰ The 157 online procedures noted in Table 1 correspond to administrative procedures that can be completed wholly online. There are also 146 procedures that can only be started online. Source: AGESIC. For a full list by institution and type of procedure, see [Administrative procedures by agency and category](#).

Table 1. Total Universe of Transactions, and Transactions to be Put Online, by Ministry

	Total no. of transactions	No. of transactions online	No. of transactions still to be put online	
			Number	Percentage
Ministry of National Defense	136	0	136	100%
Ministry of Sport and Tourism	47	22	25	53%
Ministry of Social Development	30	1	29	97%
Ministry of the Economy and Finance	260	31	229	88%
Ministry of Education and Culture	91	8	83	91%
Ministry of Agriculture and Fishing	169	27	142	84%
Ministry of Industry, Energy, and Mining	185	48	137	74%
Ministry of Foreign Relations	16	0	16	100%
Ministry of Public Health	111	3	108	97%
Ministry of Work and Social Security	36	8	28	78%
Ministry of Transportation and Public Works	147	0	147	100%
Ministry of Housing and Land Management	53	1	52	98%
Ministry of the Interior	64	0	64	100%
Office of the President of the Republic	89	8	81	91%
Totals	1,434	157	1,277	89%

Source: AGESIC.

- 1.8 The problem described above helps to explain why there is ample room to improve citizens' satisfaction with their interactions with government services. According to a survey conducted by the Bank for a group of six widely used public services, the average user satisfaction rate was 6.4 on a scale of 1 to 10.¹¹ As this score is obtained by averaging services rated at 4 points with others scoring over 8, this suggests that there is considerable potential for improving those that obtained a lower relative score.
- 1.9 Against this backdrop, the Uruguayan government has included an ambitious initiative to technologically upgrade public services and administrative procedures among its priority programs for 2015-2020,¹² with a view to facilitating the interaction between citizens, businesses, and government agencies, for which it has requested the Bank's support.
- 1.10 There is strong international evidence of the benefits for users of simplifying administrative processes and putting them online. In Chile for example, the Chile Atiende program,¹³ which uses a multichannel approach, has generated the

¹¹ The services considered are: identity card renewal, enrolment in a public school, making a medical appointment at a public hospital, reporting a theft, registering a birth, and applying for disability benefit. Source: IDB, "Simplifying life for citizens" initiative, September 2015. Preliminary results. Financed by economic and sector work (ESW) project RG-K1406, Index to facilitate life for citizens.

¹² In July 2015, the government issued Decree 184/015, to officially launch the "Procedures 100% Online" program, with the aim of "promoting the availability of procedures and services of central government and other public entities through electronic media." It also mandated AGESIC to direct, execute, and monitor the program. See [Decree 184/015: Procedures 100% Online](#).

¹³ Chile Atiende is the State's multiservice network that seeks to bring the benefits and services of public institutions closer to people, through: (i) [More than 200 service points](#); (ii) the [Chile Atiende portal](#), giving access to over 2,200 benefits and public services; and (iii) the [101 Call Center](#), which provides guidance on the services and benefits provided by the State.

following, among other savings for citizens: (i) 10.6 billion Chilean pesos saved in 2014 in terms of public transportation fares, labor productivity, and the opportunity cost of time, according to wages not received; (ii) 2,165,000 hours in waiting time saved; and (iii) 4,167,000 journeys saved in 2014.¹⁴ The European Union (EU) has estimated the benefits of the Action Programme for Reducing Administrative Burdens in the EU, applied in 13 areas of public administration between 2007 and 2012, as a 25% reduction in transaction costs, equivalent to €30.8 billion per year.¹⁵ In Spain, a study made in 2013 by the Ministry of Finance and Public Administrations quantified the savings obtain from implementation of the law that made online services a citizen right at €16.602 billion.¹⁶ According to the United Nations Department for Economic and Social Affairs (UNDESA), there are many examples of projects in different countries that have produced “impressive efficiency gains in terms of cutting the number of steps involved, cutting the timeframe, and reducing the number of agencies that need to be consulted.” One of the examples mentioned by UNDESA is the reduction in the time taken to register imports in Jamaica, from 2.5 days to 3.5 hours.^{17 18}

- 1.11 In Uruguay, there are several cases of time savings generated from the modernization and simplification of procedures. For example: (i) the “Business in a Day” initiative, a multichannel one-stop window for registering a new business, has made it possible to cut the time and the number of steps needed to create a firm from 65 days and 11 steps in 2011 to 5 days and four steps in 2015; (ii) the measures applied in goods imports made it possible to cut the procedure time by five days, and at least two in-person stages were eliminated; (iii) filing a complaint with the police was reduced from four hours in person, to an estimated 15 minutes online; and (iv) the time taken to register the survey map required to obtain a building permit has been reduced from one week to a few minutes by putting the procedure online.¹⁹ The fact that 42% of the Uruguayan population make purchases online,²⁰ whereas just 26% complete public transactions in this way,²¹ shows that there is fertile ground for expanding the use of digital tools in

¹⁴ Source: Ministerio Secretaría General de la Presidencia de Chile [Ministerial Office of the Chief of Staff of the President of Chile], 2014.

¹⁵ Source: [European Union](#).

¹⁶ Source: Rivera, R., E. Nuez, and C. Tarin, “[Los servicios en línea como derecho ciudadano: El caso de España](#)” [Online services as a citizen right: The case of Spain], IDB, Innovations in Public Service Delivery, 02, 2015.

¹⁷ Source: Bhatnagar, S. “The Economic and social impact of e-government,” p. 14, UNDESA, 2003.

¹⁸ In addition to these experiences, there is an abundant literature that confirms the importance of simplifying procedures and services and putting them online to generate savings for citizens, including Welch, E. (2004) “Linking citizen satisfaction with e-government and trust in government,” *Journal of Public Administration Research and Theory*; OECD (2011); “Together for better public services, partnering with citizens and civil society;” and Marson, B. and R. Heintzman (2009) “From research to results: A decade of results-based service improvement in Canada.”

¹⁹ Source: AGESIC, Planning and Monitoring Division.

²⁰ According to the 2015 Information Economy Report of the United Nations Conference on Trade and Development (UNCTAD), Uruguay and Chile head the regional ranking in the use of e-commerce, Chile placing 39th, and Uruguay 40th, out of 130 countries worldwide. Moreover, 70% of Internet users in Uruguay make online purchases. According to data from the Ongoing Household Survey conducted by the National Institute of Statistics, 62.7% of Uruguay’s population used the Internet in 2014.

²¹ Source: AGESIC, Observatory of the “Procedures 100% Online” initiative.

the State-citizen relationship. It is worth noting that, in Uruguay, low-income citizens can reap the benefits of transacting business with the government online, since connectivity and hardware are widely available, even for the low-income population.²²

- 1.12 The program strategy will seek to improve the way citizens and businesses interact with the State and provide easier access to procedures with government agencies. For that purpose, complementary actions will be undertaken affecting both the supply of, and the demand for, procedures and services. Actions on the supply side will include: (i) crosscutting actions to develop or update tools that are made available to government agencies through AGESIC;²³ (ii) vertical actions involving the development, and implementation in central government, of solutions for each type of transaction, by combining the available tools with technical assistance from specialized firms. On the demand side, efforts will be made to encourage use of the online channel, particularly by population segments with a lower level of education,²⁴ along with greater citizen participation in the review and simplification of procedures. The program will concentrate on making procedures available online, while the country moves ahead at the same time on the simplification and rationalization of procedures on two fronts: (i) the different ministries plan to institute measures to rationalize processes and procedures during 2016-2020; and (ii) as part of making procedures available online, protocols will be introduced for database integration and exchange among different agencies (via the interoperability platform), enabling citizens to obtain reliable information remotely and eliminating certain procedures that are merely a prerequisite for others that the citizen wants to complete.²⁵
- 1.13 The Bank has actively supported the evolution of e-government and the delivery of public services in Uruguay through various operations: Support for e-Government Management in Uruguay I and II (loans 1970/OC-UR and 2591/OC-UR), Support for e-Government Management in the Health Sector in Uruguay (loan 3007/OC-UR), and Plan Ceibal II: Support for Primary and Secondary Math and English Education (loan 3225/OC-UR). The Bank also has relevant experience with projects in the following countries: (i) Ecuador: Public Administration Institutional Reform (loan 2653/OC-EC), Upgrading of the Internal Revenue Service in Ecuador (loan 3325/OC-EC), and Improvement of the Quality of Public Services (loan 3073/OC-EC); (ii) Colombia: Support for the Policy on Administrative Efficiency in Citizen Services (loan 3154/OC-CO); (iii) Trinidad and Tobago: Strengthening of Information Management in the General Records

²² Overall, 67% of households have a computer, and 57% have an Internet connection. Moreover, 77% of people have cellular phones. Under the government's Plan Ceibal, more than 1.1 million laptops have distributed to school-age children free of charge since 2007 for use in school and at home. Also as part of Plan Ceibal, broadband Internet was made available for free at public schools and in community public spaces. This enables people from low-income households to go online with Plan Ceibal laptops at the public access points in their community or neighborhood.

²³ All of these tools are used in simplifying administrative procedures and services and putting them online. For details of the tools defined and partially developed, see component 1 (paragraph 1.17).

²⁴ Promotion of use is facilitated in Uruguay by the high percentage of households with Internet access, the large number of personal computers and laptops in homes, and the 122 citizen service points (PACs) across the country that provide assistance and free Internet access for performing transactions.

²⁵ Typically the issuance of declarations and certifications.

Department (loan 3022/OC-TT); (iv) Brazil: Public Management Strengthening for the State of Bahia (loan 3321/OC-BR); and (v) Chile: Digital Strategy Strengthening (loan 1585/OC-CH) and Public Management and Citizen Services Improvement (loan 3298/OC-CH).

- 1.14 Based on those operations and various analytical studies,²⁶ the Bank has accumulated knowledge on the importance of an integrated and citizen-focused approach to enhance the quality of public services. Actions are needed in the regulatory, technological, and managerial dimensions, with a view to simplifying and modernizing processes for delivering services through the different available channels (in person, virtual, and by phone) in a harmonious and coordinated way. Crosscutting technological services are also needed (interoperability platforms, cloud solutions, quality standards for e-government tools, information technology security, etc.), and an e-government management model must be implemented (incentives through competitive funds, citizen laboratories, and a project management office). Government coordination is crucial to ensure economies of scale and counter institutional fragmentation. This approach incorporates citizen participation and universal use of new digital solutions. All of these were taken into consideration in the design of this operation.
- 1.15 **Strategic alignment.** The operation fits into the public management and finances area of the Bank's country strategy with Uruguay 2010-2015 (document GN-2626), contributing to the objective of "Greater use and dissemination of e-government tools," as measured by the UNDESA online government services index. The program is also aligned with the objectives of the public sector management area of the Bank's new country strategy with Uruguay for 2016-2020 (document GN-2836), which promotes effective and efficient public governance by simplifying administrative processes, improving Web-based access to services, and implementing e-government solutions. The program will contribute to the lending program priority target of the Ninth General Capital Increase (GCI-9) (document AB-2764) for preferential support to small and vulnerable economies, as specified in the Results Framework. The operation is also consistent with the Sector Strategy on Institutions for Growth and Social Welfare (document GN-2587-2), which prioritizes the "design and implementation of comprehensive digital agendas" through e-government "in order to improve competitiveness and social integration."

B. Objectives, components, and cost

- 1.16 **Objective.** The program's objective is to contribute to lowering the transaction costs associated with citizen and business interaction with central government by simplifying procedures, expanding the coverage of online services, and promoting citizen access to those services, particularly for low-income segments of the population. The program has three components:

²⁶ See the following IDB publications: [Experiencias innovadoras en gestión de trámites para ciudadanos y empresas](#) [Innovative experiences in transaction management for citizens and businesses]; [Gobernar para cumplir con los ciudadanos: El rol del centro de gobierno en América Latina y el Caribe](#) [Govern to serve the citizens: The role of the government center in Latin America and the Caribbean]; Innovations in public service delivery series: [Can 311 call centers improve service delivery? Lessons from New York and Chicago](#), and [Los Servicios en línea como derecho ciudadano: El caso de España](#) [Online services as a citizen right: the case of Spain]. See [AGESIC, a successful model](#).

- 1.17 **Component 1. Development of tools for the simplification and technological modernization of services (US\$11,982,444).** The objective of this component is to strengthen the supply of widely used tools to help public agencies simplify their transactions and procedures and put them online. For that purpose, the component will finance the development and updating of digital solutions and instruments such as: (i) forms; (ii) signature; (iii) tracking and control of the transaction (traceability); (iv) notifications; (v) personal identification; (vi) official stamp/seal; (vii) payments; (viii) agenda; (ix) interoperability platform, which includes the integration of contact centers²⁷ under a multichannel approach (phone, online, and in-person); (x) transaction portal; and (xi) information technology infrastructure. These tools will be available for use by all government agencies, including departmental and municipal governments, and decentralized agencies. Technical and management assistance will also be provided, along with ICT hardware and training to assist AGESIC in the program's strategic and operational implementation.
- 1.18 **Component 2. Implementation of transaction simplification and online access at sector level (US\$21,840,674).** The objective of this component is to support central government agencies in simplifying their transactions and putting them online. The component will finance technical assistance to all central government agencies, including: (i) consulting services to provide technical assistance in diagnostic assessment and implementation of simplified, online transactions at the relevant institution; (ii) equipment, as necessary, to enable and perform transactions offered online; and (iii) training for technical staff at these agencies. Since the program will include all central government agencies, no prioritization or selection criteria are envisaged for admission to the program.²⁸ To implement the simplification and online access activities, each one of the transactions will be classified according to the categories defined by AGESIC.²⁹ The tools to be used in each case will reflect the specific features of the transaction in question.
- 1.19 **Component 3. State-citizen relationship management (US\$5,485,034).** The objective of this component is to lay the groundwork for a new model of the State-citizen relationship based on personalization of services, a multichannel approach, and the consolidation of avenues for citizen participation and collaboration in the governance of public services. It is expected to contribute to a significant increase in citizens' adoption and use of online public services. The component will finance the following activities: (i) design of a strategy for managing the relationship with citizens, including a gender and diversity

²⁷ This includes a series of mechanisms for providing service to citizens, including in-person citizen service points, service by phone, and online consultation including social networks.

²⁸ The program is aligned with the Uruguayan government's "Procedures 100% Online" initiative, which seeks to make central government procedures accessible online to everyone. See paragraph 1.9.

²⁹ The categories identified are: (i) application for permit or authorization; (ii) registrations and enrolments; (iii) application for certification or verification; (iv) sworn statement; (v) request for support or assistance; (vi) obtaining benefits; (vii) request for information; (viii) filing of complaint; (ix) payment of amounts owed; (x) central government sales; (xi) formalizing contracts or agreements. Each category has a standard flow that guides the analysis and review of the processes inherent to the procedure.

approach; (ii) implementation of the “citizen folder;”³⁰ (iii) development of applications (apps) for citizens made available online; (iv) review of administrative procedures in the Open Government Innovation Laboratory³¹ to incorporate user experience; (v) incorporation of data analytics/big data and the use of social networks in generating inputs to improve services; (vi) campaigns to promote the use of digital identification, with a view to facilitating flexible, secure access to public services while respecting privacy requirements;³² (vii) satisfaction surveys, focus groups, and other social consultation tools; (viii) development of applications to provide assistance to all citizens, but particularly targeting the lower-income segments and those with less education, to strengthen their knowledge and self-confidence for completing procedures online;³³ (ix) development and implementation of a system for managing the relationship with citizens;³⁴ (x) design and application of a methodology to improve measurement and monitoring of the transaction costs faced by citizens and businesses; and (xi) media campaigns to publicize and promote the use of online services.

C. Key results indicators

- 1.20 **Expected outcomes.** The main expected impact is an improvement in citizens’ satisfaction with the transactions performed and enhanced business competitiveness. The following outcomes will contribute to this: (i) lower transaction costs for citizens in their interaction with government, calculated by valuing the average time and other costs to complete a transaction; (ii) lower transaction costs for businesses, measured by time frames and the number of steps needed to complete their transactions; and (iii) greater use of online services, particularly by citizens with less education, measured by the percentage of citizens with primary school education who use online services (see Annex II).
- 1.21 **Beneficiaries.** The principal beneficiary of the program will be the general population, since it will gain both time and disposable income. Citizens with a lower income and lower level of education will also benefit in particular, since the time saved using the online channel represents a larger share of their income than for middle- and high-income citizens. Businesses will benefit from a

³⁰ The citizen folder is an information resource that allows a citizen to visualize his or her set of procedures and processes undertaken with government agencies, and relevant information on his or her relationship with the State.

³¹ The innovation labs are venues for collaboration among governments, citizens, and businesses that have been recently created in various countries. They use open and participatory methodologies to solve complex problems, particularly those related to public service delivery. This laboratory will be supported through the “Open Government Innovation Lab” technical cooperation program (UR-T1122), approved on 27 October 2015, as ATN/AA-15240-UR, which supplements this operation.

³² The readers are computer-adaptable instruments that make it possible to corroborate a person’s electronic signature incorporated into the national identity document chip.

³³ These applications will need to include several different alternatives, such as service by phone, in-person assistance at citizen service points, enabling them to transact their business online there, user-friendly designs of websites and applications to guide the user, etc.

³⁴ The citizen relationship management (CRM) system compiles, analyzes, and responds to various citizen queries in an integrated and interactive interface between citizens and government agencies. The system also promotes interoperability between agencies for the exchange of information on citizens.

reduction in the number of steps and operating costs in their interaction with the State. Lastly, as this program will encompass all central government agencies, their employees will also benefit from better tools and skills to perform their duties.

- 1.22 **Economic evaluation.** The program is expected to achieve a satisfactory social rate of return. In the base-case scenario, the internal rate of return (IRR) is 25% with a net present value (NPV) of US\$14.6 million using the Bank’s standard discount rate of 12%, and a cost-benefit ratio of 1.46. The benefits were monetized on the basis of the time saved (travel and waiting times) by citizens and businesses as a result of transacting online rather than in person in the conventional way. Sensitivity analysis was applied by varying the proportion of citizens who transact online. In a conservative scenario, the baseline 35% adoption rate was lowered to 30%, yielding an IRR of 19% and an NPV of US\$7.6 million. In the more favorable scenario with a 40% adoption rate, the IRR was 31% and the NPV was US\$21.7 million (see Economic analysis of the project: [2.A Report](#) and [2.B Spreadsheets](#).)

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 The program will have a total cost of US\$40 million, financed with an investment loan of US\$35 million from the Bank’s Ordinary Capital resources and a local contribution of US\$5 million. The disbursement period will be five years. Table 2 shows the budget for each component. For further detail, see the [Itemized budget](#).

Table 2. Program Costs (US\$)

Components	IDB	Local contribution	Total
Component 1. Development of tools for the simplification and technological modernization of services	10,496,659	1,485,785	11,982,444
Component 2. Implementation of transaction simplification and online access at sector level	19,165,062	2,675,612	21,840,674
Component 3. State-citizen relationship management	4,803,279	681,755	5,485,034
Project administration	535,000	156,848	691,848
Management team	405,000	87,371	492,371
Audits	0	49,477	49,477
Evaluations (midterm, final, and impact)	130,000	20,000	150,000
Total	35,000,000	5,000,000	40,000,000

B. Environmental and social safeguard risks

- 2.2 No environmental or social risks are associated with the activities proposed in this program under the Bank’s Environment and Safeguards Compliance Policy (Operational Policy OP-703), so the operation is classified as category “C.”

C. Fiduciary risks

- 2.3 The Agency for the Development of e-Government and the Information and Knowledge Society (AGESIC) has had extensive, positive experience as an executing agency of operations with the Bank³⁵ and has sound knowledge of the Bank's procurement and contracting procedures, having performed adequately under both review modalities (ex ante and ex post). According to the analysis conducted for the preparation of the Fiduciary Agreements and Requirements (see Annex III), AGESIC generally has a low fiduciary risk profile. Nonetheless, a medium risk level was detected during the risk management workshop with AGESIC staff, associated with a potential delay in procurement and contracting processes. This is expected to be mitigated by strengthening the financial management of procurement areas, to effectively deal with the volume of transactions to be generated by this operation.

D. Other project risks

- 2.4 A high risk was identified in relation to potential resistance or lack of support among employees in adapting to the new work processes, which will be mitigated through change management, communication, and training actions.³⁶ In addition, a medium risk was detected in relation to potential difficulties in interagency coordination to implement the project's outputs and services, which would be mitigated through agreements and work plans that may be agreed upon with the beneficiary agencies (see paragraph 3.5).
- 2.5 Each of the agencies involved will be responsible for the operation and routine maintenance of the systems and applications to be introduced by the program. Nonetheless, to guarantee the implementation of the outputs and services, the loan proceeds will also fund temporary support by AGESIC to the agencies with the greatest needs in terms of either physical infrastructure or specialized human resources. In relation to the medium- and long-term sustainability of the outputs and outcomes, each agency will provide for operation and maintenance costs in its operational budget. Moreover, AGESIC will continue to provide technical assistance to the different agencies, according to their functions and jurisdictions as provided by law, on the strength of AGESIC's effective performance since its creation in 2007.³⁷

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower will be the Eastern Republic of Uruguay, which will also serve as executing agency, acting through the Agency

³⁵ Program to Support e-Government Management in Uruguay II (loan 2591/OC-UR) and Support for e-Government Management in the Uruguayan Health Sector (loan 3007/OC-UR), now in execution; and Support for e-Government Management in Uruguay I (loan 1970/OC-UR), completed.

³⁶ These activities are included and budgeted as part of component 2 (see [Annual work plan](#) for year 1).

³⁷ As this is a priority initiative in the government program for 2015-2019, ample support can be expected from the Office of the President and the Ministry of the Economy and Finance (MEF) to ensure funding for operation and maintenance. Moreover, the scalability of the program's outputs to achieve universal coverage will be guaranteed through AGESIC's leadership and continued support from the Office of the President for the "Procedures 100% Online" program.

- for the Development of e-Government and the Information and Knowledge Society (AGESIC). AGESIC will be accountable to the Bank for program execution and will deal with it directly. The program is aligned with AGESIC's legal mandate and existing administrative and operational structures.³⁸ The applicable laws and regulations make AGESIC responsible for all matters pertaining to the implementation of specific e-government plans and projects, and for preparing specific plans and programs for the development of online transactions and services.³⁹
- 3.2 The program will be directed by a general coordinator, who will be supported by: (i) a technical coordinator for each of the components; (ii) the financial management and procurement areas and the AGESIC planning and monitoring area. Both the general coordinator and the coordinators for each component will be AGESIC staff assigned to such duties by the executive director. Program funds will be used to engage consultants to assist the component coordinators on technical issues, and to strengthen the support areas with fiduciary and monitoring experts. **As a special contractual condition precedent to the first disbursement of the loan proceeds, the executing agency will provide the Bank with evidence that the program's general coordinator and component coordinators have been appointed.**
- 3.3 In performance of its functions, AGESIC will establish a coordination forum consisting of a representative from each central government agency, which will serve as an interagency consultation and coordination mechanism and oversee the implementation of the new tools at each institution.⁴⁰
- 3.4 The general coordinator will be responsible for running the program, in particular: (i) ensuring that the technical assistance provided to the participating agencies is compliant with e-government policies and standards, and use of the State's information technology assets; (ii) preparing bidding documents; and (iii) monitoring the technical assistance projects. In addition, it will be responsible for: (i) liaison with the Bank; (ii) disbursement requests; (iii) contracting and procurement proposals; (iv) reports on the use of resources; and (v) delivering annual work plans (AWPs), procurement plans, and status reports to the Bank.

³⁸ AGESIC was established under Articles 72 and 73 of Law 17930 of 19 December 2005. It is currently a decentralized agency of the Office of the President of the Republic (Article 54 of Law 18046 of 17 October 2006). Its current name was established by Law 18172 of 31 August 2007. The regulations associated with AGESIC can be consulted [here](#).

³⁹ Government Decree 184/015 of 14 July 2015 creates the online procedures initiative with the aim of "putting central government procedures and services, and those of other public entities, online." It also tasks AGESIC with "directing, organizing, structuring, executing, and monitoring the initiative," and it empowers the agency to "issue the relevant technical standards and regulations, of compulsory observance throughout central government."

⁴⁰ The coordination forum will have an interagency consultative and coordination role. Its main role will be to: (i) serve as the official link between the program and each central government agency; (ii) serve as a channel for the viewpoint of ministers on the program's plans; (iii) disseminate the program's plans and activities among the ministry authorities and senior managers; (iv) coordinate with line directors on the implementation of activities and support required for the program's activities within the ministerial environment; (v) supervise program progress; and (vi) provide feedback to the general coordinator on aspects of implementation of the activities at the respective ministry. The members of the coordination forum will be delegates from each ministry, expressly appointed by the relevant ministerial authority, and will have fluid access to the highest levels of the ministry and to the line directors.

- 3.5 For the implementation of component 2, AGESIC may enter into specific agreements and/or work plans with central government agencies whose transactions are to be put online and simplified, when this facilitates the component's management, coordination, and execution. AGESIC has already developed coordination and collaboration relationships in the ordinary course of its operations, as well as work plans with the central government agencies.⁴¹
- 3.6 The Fiduciary Agreements and Requirements establish the financial management and planning framework, as well as the procurement supervision and implementation arrangements applicable to program execution.
- 3.7 The program's activities will be implemented following a schedule specified in a [multiyear execution plan](#) (which contains implementation details for the entire program). Its annual review will be included in the respective AWP. The multiyear execution plan will be updated each year to reflect the program's actual progress. The annual reviews of the multiyear execution plan and the AWP will be sent to the Bank for approval.
- 3.8 **Procurement.** Procurements financed in whole or part with Bank funds, will be conducted according to the Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank (document GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-9). The [procurement plan](#) contains details of the procurements to be conducted during project execution, together with the review procedures to be applied by the Bank.
- 3.9 **Audits.** External audit services will be provided as specified in the Fiduciary Agreements and Requirements. The executing agency will deliver the program's audited annual financial statements to the Bank within 120 days after the close of the fiscal year. The final audited financial statements will be delivered no later than 120 days after the date specified for the last disbursement of the operation.
- B. Summary of arrangements for monitoring results**
- 3.10 **Monitoring by the executing agency.** The following documents, among others, will be used: (i) Results Matrix; (ii) multiyear execution plan; (iii) AWP; (iv) monitoring and evaluation plan; (v) procurement plan; (vi) risk matrixes; (vii) disbursement plan; and (viii) progress monitoring reports (PMRs). The executing agency will deliver six-monthly status reports for review by the Bank.
- 3.11 **Monitoring by the Bank.** As described in detail in the [monitoring and evaluation plan](#), supervision missions or inspection visits will be conducted, depending on the importance and complexity of execution, according to the schedule specified in the multiyear execution plan. For monitoring purposes, the Bank will use the PMR

⁴¹ For example, since 2009 AGESIC has entered agreements and work plans with the different government agencies for the development and implementation of 90 e-government solutions and applications, financed from the proceeds of loans 1970/OC-UR and 2591/OC-UR, through a competitive funding mechanism. The obligation for central government agencies to put their administrative procedures and services online under AGESIC direction stems from the aforementioned Government Decree 184/015 of 14 July 2015, not from an agreement or contract with this program. Lastly, the bill for the National Budget Law, now before the Uruguayan parliament, raises that Decree to the rank of law, to make its requirements mandatory not only for central government (as they are already under Decree 184/015), but for other public entities as well.

- system, which takes account of projected disbursements and the fulfillment of physical targets and outcomes.
- 3.12 At least one joint meeting will be held each year between the executing agency and the Bank, to discuss the following, among other issues: (i) the progress of activities identified in the AWP; (ii) the degree of fulfillment of the Results Matrix indicators; (iii) the AWP for the following year; and (iv) the procurement plan for the next 12 months and possible changes in budgetary appropriations for each component.
- 3.13 **Evaluation.** The program will be evaluated using the Results Matrix and the monitoring and evaluation plan. The program provides for midterm, final, and impact evaluations, covering technical, administrative, and financial issues. The midterm evaluation will be conducted when at least 40% of the disbursements have been made, or two and a half years have passed since the loan contract entered into force (whichever occurs first). The key objectives of that evaluation will be to review the progress of all activities scheduled up to that point and any slippages that may have occurred and their causes. It will also propose the corrective measures to be applied, and verify the intermediate outputs generated, the occurrence of the risks identified in the corresponding matrix, and the application of mitigation measures. The final evaluation will be conducted when at least 90% of the total disbursements have been made, and its objectives will be to assess progress in meeting the targets set for each of the expected outcomes and the generation of outputs for each component.
- 3.14 The impact evaluation will be conducted in the last year of program execution and delivered to the Bank before the date set for the final loan disbursement expires. It will measure the program's impact for both citizens and businesses. For citizens, the evaluation will consider the effects on the following variables: (i) total duration of the transaction; (ii) waiting time for the citizen at the agency in question; and (iii) the number of steps needed to complete the transaction. The differences-in-differences methodology will be used, comparing the change in these variables in the treatment group before and after the intervention, with the change in the same variables in a control group of transactions that have not yet been put online. The change in the control group is a counterfactual estimation, i.e., what would have happened in the treatment group in the absence of the program. For businesses, the indicators used will be the time needed to register a property and the time spent paying taxes,⁴² to measure whether the project's objectives to be met through the aforementioned outputs have succeeded in improving those indicators. As the program will have an impact on the entire universe of businesses in Uruguay, it is impossible to find a valid counterfactual within the country that is not affected by the program. In this case, to be able to attribute the changes observed in the indicators to the program, the synthetic controls methodology will be used⁴³ to define the path that the indicators in Uruguay would have followed without the program. The synthetic control group will be constructed from data available from Latin American and Caribbean countries that participate in *Doing Business*.

⁴² Indicators of the country's competitiveness used by the World Bank's *Doing Business* publication.

⁴³ Methodology developed by Abadie and Gardeazabal (2003).

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives		Aligned	
Lending Program	-Lending to small and vulnerable countries		
Regional Development Goals			
Bank Output Contribution (as defined in Results Framework of IDB-9)			
2. Country Strategy Development Objectives		Aligned	
Country Strategy Results Matrix	GN-2836	To strengthen public management systems.	
Country Program Results Matrix		The intervention is not included in the 2015 Operational Program.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
II. Development Outcomes - Evaluability		Highly Evaluable	Weight
		9.2	10
3. Evidence-based Assessment & Solution		7.6	33.33%
3.1 Program Diagnosis		1.8	
3.2 Proposed Interventions or Solutions		2.8	
3.3 Results Matrix Quality		3.0	
4. Ex ante Economic Analysis		10.0	33.33%
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis		4.0	
4.2 Identified and Quantified Benefits		1.5	
4.3 Identified and Quantified Costs		1.5	
4.4 Reasonable Assumptions		1.5	
4.5 Sensitivity Analysis		1.5	
5. Monitoring and Evaluation		10.0	33.33%
5.1 Monitoring Mechanisms		2.5	
5.2 Evaluation Plan		7.5	10
III. Risks & Mitigation Monitoring Matrix			
Overall risks rate = magnitude of risks*likelihood		Medium	
Identified risks have been rated for magnitude and likelihood		Yes	
Mitigation measures have been identified for major risks		Yes	
Mitigation measures have indicators for tracking their implementation		Yes	
Environmental & social risk classification		C	
IV. IDB's Role - Additionality			
The project relies on the use of country systems			
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting, External control, Internal Audit. Procurement: Information System, Shopping Method, Contracting individual consultant.	
Non-Fiduciary	Yes	Monitoring and Evaluation National System, Statistics National System.	
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality	Yes	The Citizen - State Relationship Management Strategy that the project will finance includes a gender specific approach to planning and service delivery.	
Labor			
Environment			
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			
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan	Yes	Two impact assessments are proposed. The first will estimate time savings for citizens using a difference in difference model. The second will estimate benefits for companies using the synthetic control method.	

Uruguay stands out in connectivity and availability of government online services due in part to significant investments in hardware, software and institutional capacity. This is reflected in the high ratings that Uruguay receives in international e-government rankings. However, the evidence suggests that transaction costs for citizens and businesses dealing with the State are high, particularly for the low-income population.

The Project proposes improving the interaction between state and citizens and businesses, easing access to government agencies while addressing both the demand and supply through three components: (i) tool development for service simplification and technological modernization, (ii) simplification and digitization of procedures at the sectoral level, and (iii) Management of the State – Citizen relationship

The Results Matrix has a clear vertical logic. Investing in tools to simplify procedures, their simplification and investment in the relationship between citizen and State (products), would reduce transaction costs for citizens and companies and increase use of online services by citizens (results), which would result in three impact indicators derived from global comparative competitive indicators.

The economic analysis includes a cost-benefit analysis, on which benefits are estimated monetizing time savings (travel times and waiting) for citizens and businesses, derived from carrying out their transactions on line instead of in the traditional face-to-face manner. The Monitoring and Evaluation Plan is complete. Two impact evaluations are proposed. The first would estimate time savings for citizens, using a difference in difference specification. The second would estimate, based on a synthetic controls identification strategy, benefits for companies derived from the introduction and strengthening of online processes.

RESULTS MATRIX

Project objective:	The program's objective is to contribute to lowering the transaction costs associated with citizen and business interaction with central government by simplifying procedures, expanding the coverage of online services, and promoting citizen access to those services, particularly for low-income segments of the population.
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EXPECTED IMPACT

Indicators	Unit of measure	Baseline		Targets		Source/means of verification	Comments
		Value	Year	Value	Year		
Expected impact: Citizen satisfaction with transactions performed and business competitiveness level improved							
1. Level of citizen satisfaction with the performance of their transactions with the government ¹	Index	6.4	2015	7.6	2020	EVERIS preliminary report, October 2015. IDB, the "Simplifying Life for Citizens" initiative	Services considered: identity card renewal, enrolment in a public school, requesting a medical appointment at the public hospital, reporting a theft, registering a birth, and applying for disability benefit. The target refers to the baseline services. The scale is 1 to 10.
2. Facilities for a business to register a real estate property	Position in the world ranking	146	2015	120	2020	World Bank, <i>Doing Business 2015</i>	Uruguay was ranked 146th out of 189 countries in 2015.
3. Facilities for paying business taxes	Position in the world ranking	140	2015	115	2020	World Bank, <i>Doing Business 2015</i>	Uruguay was ranked 140th out of 189 countries in 2015.

¹ The "Simplifying Life for Citizens" project measures the satisfaction level by asking citizens the following question: In general, how would you rate your satisfaction with the experience you had with the service? Each respondent must indicate a whole number between 1 and 10, where 1 is "completely unsatisfied" and 10 is "completely satisfied". For further information, see the deliverables for project RG-K1406.

EXPECTED OUTCOMES

Indicators	Unit of measure	Baseline		Intermediate measurements		Targets		Source/means of verification	Comments
		Value	Year	Value	Year	Value	Year		
EXPECTED OUTCOME 1: Lower transaction costs for citizens									
Average cost of the transaction for a citizen who works, in relation to his or her hourly income.	%	65,1	2014	63	2017	59	2020		<p>Calculation for a citizen of average income performing a transaction through the different channels: Formula: (Average cost (CP)/Hourly wage (SH)) x 100 CP = CPol + CPpr + CPte CPol = Fol * TA (SH/60) CPpr = Fpr * [CTr + (SH/60 * (TT + TA))] CPte = Fte * [CTel + (SH/60 * TA)]</p> <p>CPol = Average cost online CPpr = Average cost in-person CPte = Average cost by telephone.</p> <p>The baseline is calculated using the following parameters: (i) Average hourly wage (SH) of 90.06 pesos (ii) Average frequency of use of the different channels by citizens: 26% online (Fol); 53% in-person (Fpr); 21% by phone (Fte). (iii) For the in-person service: journey time (TT) and waiting time 39.22 minutes, 8 minutes to be served (TA) plus 25.44 pesos transport cost (CTr). (iv) For the phone service (CTel): 8 minutes to be served and 8.96 pesos charged per call. (v) For the online service, 8 minutes to be served. Calculations made by the team on the basis of information from Agency for the Development of e-Government and the Information and Knowledge Society (AGESIC) and the National Institute of Statistics.</p>
EXPECTED OUTCOME 2: Lower transaction costs for businesses									
Time devoted to paying business taxes	Hours	312	2014	280	2018	240	2020	World Bank, <i>Doing Business 2015</i>	As a benchmark, the average for member countries of the Organization for Economic Cooperation and Development (OECD) is 185 hours.
Time taken for a firm to register a property	Days	66	2014	62	2018	55	2020	World Bank, <i>Doing Business 2015</i>	As a benchmark, the average for OECD countries is 24 days.
Procedures for a firm to register property	Steps	8	2014	8	2018	7	2020	World Bank, <i>Doing Business 2015</i>	As a benchmark, the average for OECD countries is 5 steps.

Indicators	Unit of measure	Baseline		Intermediate measurements		Targets		Source/means of verification	Comments
		Value	Year	Value	Year	Value	Year		
EXPECTED OUTCOME 3: Greater use of online services by citizens									
Citizens who use the online service	%	26	2014	32	2018	40	2020	AGESIC Survey on knowledge, attitudes, and practices	The survey is applied to citizens over 18 years of age. The formula is the percentage of all citizens who use online services.
Citizens with primary school education who use online services	%	8	2014	14	2018	25	2020	AGESIC Survey on knowledge, attitudes, and practices	The formula is the percentage of citizens with primary education who use online services.

OUTPUTS (COSTS IN US\$000)

Output	Unit of measure	Base level 2015	2016	2017	2018	2019	2020	Final target	Source/Means of verification
COMPONENT 1: Development of tools for the simplification and technological modernization of services²									
1.1 Online form application updated	Application	1	0	1 (318)	0	0	1 (140)	2 (459)	AGESIC/Program reports
1.2 Online signature application updated	Application	0	1 (187)	0	1 (374)	0	1 (187)	3 (562)	AGESIC/Program reports
1.3 Monitoring and control application updated	Application	0	1 (94)	0	1 (234)	0	1 (94)	3 (328)	AGESIC/Program reports
1.4 Online notifications application updated	Application	1	0	1 (339)	0	0	1 (328)	2 (667)	AGESIC/Program reports
1.5 Online identification application updated	Application	1	0	1 (94)	0	0	1 (281)	2 (374)	AGESIC/Program reports
1.6 Online stamp application updated	Application	1	0	0	1 (47)	0	1 (47)	2 (94)	AGESIC/Program reports
1.7 Online payment application updated	Application	1	0	0	1 (1.123)	0	0	1 (1.123)	AGESIC/Program reports
1.8 Online agenda application updated	Application	0	1 (47)	0	1 (94)	0	1 (94)	3 (234)	AGESIC/Program reports
1.9 Interoperability platform updated	Platform	0	1 (381)	0	1 (762)	0	1 (743)	3 (1.886)	AGESIC/Program reports
1.10 procedures.gub.uy portal updated	Portal	0	0	1 (309)	0	0	1 (126)	2 (435)	AGESIC/Program reports
1.11 IT infrastructure capacity for storage and development expanded	Terabytes	120	60 (398)	60 (1,009)	60 (1,403)	60 (1,069)	60 (1,069)	300 (4,948)	AGESIC/Program reports
1.12 AGESIC technical and managerial training events held	Events	0	1 (70)	2 (178)	2 (248)	1 (189)	2 (189)	8 (873)	AGESIC/Program reports
COMPONENT 2: Implementation of transaction simplification and online access at sector level									
2.1. Transactions put online at the Ministry of National Defense ³	Transactions	0	4 (104)	12 (251)	20 (293)	20 (332)	20 (332)	76 (1,311)	AGESIC/Program reports
2.2. Transactions put online at the Ministry of Sports and Tourism	Transactions	22	0	5 (117)	5 (96)	5 (109)	10 (109)	25 (431)	AGESIC/Program reports
2.3. Transactions put online at the Ministry of Social Development	Transactions	1	0	5 (117)	5 (96)	5 (109)	10 (109)	25 (431)	AGESIC/Program reports
2.4. Transactions put online at the Ministry of Economy and Finance	Transactions	31	15 (402)	30 (555)	40 (655)	40 (732)	45 (686)	170 (3,030)	AGESIC/Program reports

² Outputs 1.1 to 1.10 are software applications, which will be updated with support by the program. Updating means new versions of each application with greater coverage capacity. The targets specified refer to the implementation of a new version in the year indicated.

³ The "transactions put online" outputs will include: (i) consulting services to provide technical assistance in the diagnostic assessment and implementation of simplified and online services at the institution in question; (ii) equipment, where necessary, to get the online transactions up and running; and (iii) training for the technical staff of these agencies.

Output	Unit of measure	Base level 2015	2016	2017	2018	2019	2020	Final target	Source/Mean of verification
2.5. Transactions put online at the Ministry of Education and Culture	Transactions	8	3 (168)	10 (1,755)	15 (1,376)	20 (1,270)	20 (703)	68 (5,271)	AGESIC/Program reports
2.6. Transactions put online at the Ministry of Agriculture and Fishing	Transactions	27	5 (251)	10 (330)	25 (385)	30 (437)	30 (437)	100 (1,839)	AGESIC/Program reports
2.7. Transactions put online at the Ministry of Industry, Energy and Mining	Transactions	48	5 (164)	10 (396)	25 (458)	30 (524)	50 (524)	120 (2,065)	AGESIC/Program reports
2.8. Transactions put online at the Ministry of Foreign Relations	Transactions	0	0	8 (75)	8 (62)	0	0	16 (276)	AGESIC/Program reports
2.9. Transactions put online at the Ministry of Public Health	Transactions	3	5 (116)	20 (280)	20 (328)	20 (371)	20 (371)	85 (1,466)	AGESIC/Program reports
2.10. Transactions put online at the Ministry of Work and Social Security	Transactions	8	0	5 (188)	5 (108)	10 (122)	8 (122)	28 (540)	AGESIC/Program reports
2.11. Transactions put online at the Ministry of Transportation and Public works	Transactions	0	0	15 (536)	30 (443)	30 (502)	40 (502)	115 (1,984)	AGESIC/Program reports
2.12. Transactions put online at the Ministry of Housing and Land Management	Transactions	1	0	5 (220)	10 (135)	10 (153)	10 (153)	35 (661)	AGESIC/Program reports
2.13. Transactions put online at the Ministry of the Interior	Transactions	0	5 (144)	10 (211)	15 (247)	15 (279)	19 (279)	64 (1,161)	AGESIC/Program reports
2.14. Transactions put online at the Office of the President of the Republic	Transactions	8	3 (214)	10 (241)	15 (281)	20 (319)	25 (319)	73 (1,374)	AGESIC/Program reports
COMPONENT 3: State-citizen relationship management									
3.1 Document of the State-citizen relationship management strategy formulated	Document	0	0	1 (25)	0	0	0	1 (25)	AGESIC/Program reports
3.2 Citizen folder implemented	File	0	0	0	1 (525)	0	1 (202)	2 (727)	AGESIC/Program reports
3.3 Apps developed and put online	Apps available	0	0	6 (140)	3 (140)	3 (140)	3 (140)	15 (562)	AGESIC/Program reports
3.4 Procedures reviewed in the Innovation Laboratory	Procedures	0	30 (84)	30 (84)	30 (84)	30 (84)	30 (84)	150 (421)	AGESIC/Program reports
3.5 Big data studies and use of social networks implemented	Studies	0	1 (56)	1 (56)	1 (56)	1 (56)	1 (56)	5 (281)	AGESIC/Program reports
3.6 Campaigns held to promote the use of digital identification	Campaigns	0	3 (94)	3 (94)	3 (94)	3 (94)	3 (94)	15 (468)	AGESIC/Program reports
3.7 Citizen surveys implemented	Survey	0	1 (94)	1 (94)	1 (94)	1 (94)	1 (94)	5 (468)	AGESIC/Program reports

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country: Uruguay
Project number: UR-L1109
Name: Program for Improvement of Public Services and State-Citizen Interaction
Organization: Agency for the Development of e-Government and the Information and Knowledge Society (AGESIC)
Executing agency: Information and Knowledge Society (AGESIC)
Prepared by: Nadia Rauschert and David Salazar

I. EXECUTIVE SUMMARY

- 1.1 This operation is an investment program for US\$40 million, US\$35 million of which will be financed with the loan proceeds. The borrower will be the Eastern Republic of Uruguay, and the executing agency will be the Agency for the Development of e-Government and the Information and Knowledge Society (AGESIC), an entity reporting to the Office of the President of the Republic with the necessary organizational and administrative structure to execute the loan proceeds and ensure timely financing of the local counterpart contributions.
- 1.2 The fiduciary agreements and requirements established for this program are based on AGESIC's track record as an execution unit for loan 1970/OC-UR, Program to Support the e-Government Strategy in Uruguay, completed in 2012; and its continuation through loan 2591/OC-UR, and the Program to Support e-Government Management in the Health Sector (loan 3007/OC-UR), both now in execution.

II. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

- 2.1 AGESIC is regarded as a model entity within Uruguay's public administration. Based on the execution of the aforementioned operations, the Bank views this institution as having a good track record and consolidated experience in fiduciary matters. Its processes and its general internal control environment are considered good overall.
- 2.2 In terms of country systems or their equivalents, the following are expected to be used in this operation:
 - a. **Budget:** As this is a priority operation for Uruguay's new administration, and given the need for a decree to support it, the operation has been included in the new Five-Year Budget Law, which is in the final stages of the parliamentary approval process.
 - b. **Cash management:** To manage program resources, a special account will be opened at the Central Bank of Uruguay (BCU), as part of the General Treasury Account (CUN).

- c. **Accounting and financial reports:** AGESIC has pioneered the use of the country accounting system, known as the International Projects System (SPI), a module of the country's Integrated Financial Information System (SIIF), so this operation will be registered in that system.
- d. **Internal control:** The agency does not have an independent internal audit unit. Nonetheless, AGESIC operates under a satisfactory internal control environment, maintained by appointed accountants (legality), and oversight of expenditures and payments by the Audit Office of the Republic (TCR).
- e. **External control:** External control is exercised by the TCR, which has Tier I eligibility on the list of eligible auditors of the Bank's Country Office in Uruguay.

III. FIDUCIARY RISK ASSESSMENT AND MITIGATION MEASURES

- 3.1 As this program is regarded as low risk in fiduciary terms, it will require minimal monitoring to strengthen the control environment and ensure efficient and effective administration of the resources. No difficulties are foreseen in execution, given the experience gained by the executing entity and its organizational structure. During the risk workshop held in October 2015 under the project risk management (PRM) methodology, a potential medium risk was identified in relation to possible delays in procurement processes caused by resource constraints in running the administration unit, given the expected volume of contracts with suppliers. In this connection, the program envisages strengthening actions and the provision of resources to the administration unit.

IV. CONSIDERATIONS FOR THE SPECIAL PROVISIONS

- 4.1 **Exchange rate.** Accounts kept in dollars will use the exchange rate prevailing on the effective date of payment, as has been done by the agency in the other operations. This criterion will also be applied when accounting for expenditures chargeable against the counterpart and for the recognition of expenditures, if applicable.
- 4.2 **Justification of expenditures.** Bearing in mind the country's budgetary regulations, which assign Bank resources to commitments in the SIIF (SIR code), and in view of the volume of procurements (since this project encompasses all central government agencies), the decision was made to include a 60% justification requirement for outstanding amounts advanced, so as to minimize the risk of a slowdown in execution in any of the components and ensure that the executing agency does not run into liquidity problems. This percentage is backed by the AGESIC payment processes, which take an average of 60 days.
- 4.3 **Audit of financial statements.** The program's financial statements will be audited by the TCR, the supreme audit institution previously accepted by the Bank, which has Tier I eligibility with the Bank's Country Office in Uruguay. The audited financial statements will be delivered by 30 April of each year, with a cutoff date of the close of the same fiscal year, throughout the execution period.

V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

- 5.1 The applicable procurement policies for this loan are the Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank (document GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-9).
- 5.2 **Procurement execution**
- a. Given the existence of effective country laws and regulations on procedures for exhibiting the bid specifications to offerors and the possibility for them to access the bidding documents, and as this practice is regulated (Articles 65 and 67 of the Consolidated Code of Accounting and Financial Administration (TOCAF) and Law 18381) and has been evaluated by the Bank in the operations now in execution, AGESIC may make use of such laws and regulations in this operation, adapting the relevant parts of the bidding documents to be used, subject to the Bank's prior no objection.¹
 - b. Before conducting any procurement process, the executing agency will submit the procurement plan for prior approval, indicating: (i) the contracts for goods and services required to implement the program; (ii) the methods proposed for the procurement of goods and selection of consultants; and (iii) the procedures followed by the Bank to supervise the procurement and contracting processes. The borrower will update the procurement plan at least every 12 months, according to program needs. Any proposed adjustment to the procurement plan must be submitted to the Bank for approval.
 - c. The procurement plan agreed upon will include the rehiring of individual consultants previously engaged under loan 2591/OC-UR, who will continue providing services for the current operation.
- 5.3 The following provisions are applicable for procurement execution:
- a. **Procurements of works, goods, and nonconsulting services.**² Contracts generated under the program and subject to international competitive bidding (ICB) will be executed using the standard bidding documents (SBD) issued by the Bank, with the possible addition of the provision indicated in paragraph 5.2a. Procurements subject to national competitive bidding (NCB) will be executed using bidding documents satisfactory to the Bank.
 - b. **Consulting firms.** Consulting firms will be selected and contracted pursuant to the Bank's policies. Solicitations with international publicity (amounts over US\$200,000) will be subject to ex ante review.

¹ The procedure described above is aligned with a country practice that favors transparency in procurement and does not conflict with application of the Bank's policies. To ensure that, in practice, the procedure is executed within the parameters permitted by the Bank's policies, the bidding documents must have the Bank's no objection.

² Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank (document [GN-2349-9](#)), paragraph 1.1: Nonconsulting services are treated as goods.

- c. **Selection of individual consultants.** Pursuant to Section V of the Bank's policies (document GN-2350-9), use of a short list is not required, and the standard request for proposals will not be used.

- 5.4 **Advance procurement/retroactive financing.** Not anticipated.

Table of Threshold Amounts for Uruguay (US\$000)

Works			Goods ³		Consulting Services		
ICB	NCB	Shopping	ICB	NCB	Shopping	International publicity	Short list 100% national
≥ 3,000	250-3,000	≤ 250	≥250	50-250	≤ 50 ⁴	> 200	≤ 200

- 5.5 **Main procurements.** See [Procurement plan](#).
- 5.6 **Procurement supervision.** The initial review method is ex post, subject to change by agreement, which will be indicated in the procurement plan. All ICBs and consulting services for more than US\$200,000 will be subject to ex ante review. The ex post review reports will not involve physical inspection visits⁵ given the low risk represented by the executing agency and the nature of the activities.

VI. FINANCIAL MANAGEMENT

- 6.1 **Programming and budget.** Correct budgetary allocation within the 2015-2019 five-year budget will be verified, and its execution will be monitored. The Bank loan will include value-added tax on the corresponding goods and services.
- 6.2 **Accounting and information systems.** The project's financial statements will be issued in accordance with International Financial Reporting Standards (IFRS). AGESIC uses the SPI country accounting system for accounting records.
- 6.3 **Disbursements and cash flow.** For the use of the funds, AGESIC will open a special registered account in the name of the program at the BCU. Disbursements will be made as advances of funds, based on six-monthly cash flow programming.
- 6.4 **Internal control and external audit.** The program's external audit reports and the review of disbursement processes and requests will be delivered, for each fiscal year during the disbursement phase, by 30 April of the following year, adhering to International Auditing Standards (IAS) and the guidelines issued by the Bank for such purpose.
- 6.5 **Financial supervision plan.** The supervision plan will include the following:
- One financial visit is planned for the first year of execution, focusing on the process survey and other areas.

³ Includes nonconsulting services.

⁴ In the case of technically simple goods, shopping procedures can be used up to the NCB threshold.

⁵ The inspection verifies the existence of the procurements, leaving questions of quality and the fulfillment of specifications to the sector specialist.

- b. Disbursement requests will be subject to ex post review and verified by the external auditor when delivering its annual reports.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/___

Uruguay. Loan ___/OC-UR to the Eastern Republic of Uruguay
Program for Improvement of Public Services
and State-Citizen Interactions

The Board of Executive Directors

RESOLVES:

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 financing to cooperate in the execution of the Program for Improvement of Public Services and State-Citizen Interactions. Such financing will be for an amount of up to US\$35,000,000 from the Ordinary Capital resources of the Bank, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ___ _____ 20__)

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