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República Oriental del Uruguay
Ministerio de Economía y Finanzas

**MINISTERIO DE ECONOMÍA Y FINANZAS
MINISTERIO DE RELACIONES EXTERIORES
MINISTERIO DE TRANSPORTE Y OBRAS PÚBLICAS**

Montevideo, **30 JUN 2016**

2016/05/001/99

VISTO: el Contrato de Préstamo N° 8205-UY, suscrito entre la República Oriental del Uruguay (ROU) y el Banco Internacional de Reconstrucción y Fomento (BIRF), el 11 de diciembre de 2012, destinado a financiar parcialmente el Programa de Rehabilitación y Mantenimiento Vial.

RESULTANDO: que se ha acordado con dicho organismo financiero internacional la modificación de varias cláusulas contenidas en el Anexo 1 (Schedule 1); Anexo 2 (Section IV.B4 Schedule 2); Anexo 4 (Schedule 4- Program Action Plan), al igual que la agregación de una definición en el Apéndice del Contrato de Préstamo antes referido ("IRAP's Methodology – International Road Assessment Program (IRAP)") a los efectos de evaluar la seguridad de la infraestructura vial y la adopción de contramedidas.

ASUNTO 813

CONSIDERANDO: que se estima conveniente para los intereses de la República, en su calidad de prestataria, autorizar las referidas modificaciones contractuales y designar representante del Gobierno de la República para suscribir la documentación pertinente.

ATENTO: a lo dispuesto por el artículo 145 de la Ley N° 15.851 de 24 de diciembre de 1986,

EL PRESIDENTE DE LA REPÚBLICA

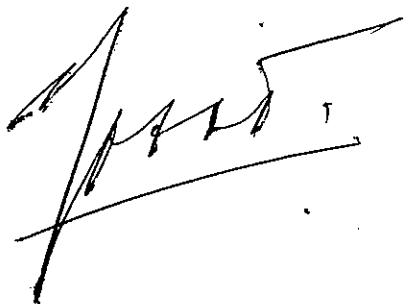
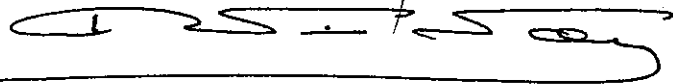
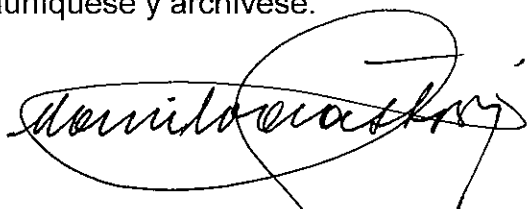
RESUELVE:

FSC/GMM/CI

1º) Apruébanse las modificaciones de las cláusulas contractuales del Contrato de Préstamo celebrado entre la República Oriental del Uruguay (ROU) y el Banco Internacional de Reconstrucción y Fomento (BIRF), con fecha 11 de diciembre de 2012, de conformidad con el texto propuesto por el BIRF, que se adjunta como Anexo de la presente Resolución.

2º) Designase al Señor Ministro de Economía y Finanzas, Cr. Danilo Astori y al Señor Sub Secretario de Economía y Finanzas, Cr. Pablo Ferreri, indistintamente, para suscribir en nombre y representación de la República la documentación que corresponda a efectos del otorgamiento de las respectivas enmiendas contractuales.

3º) Comuníquese y archívese.



Dr. TABARÉ VÁZQUEZ
Presidente de la República
Período 2015 - 2020



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June 8, 2016

His Excellency
Danilo Astori
Minister of Economy and Finance
Ministry of Economy and Finance
Montevideo, Uruguay

*Re: Loan No. 8205-UY
(Uruguay Road Rehabilitation and Maintenance Program)
First Amendment to the Loan Agreement*

Excellency:

We refer to the Loan Agreement between the *República Oriental del Uruguay* (the Borrower) and the International Bank for Reconstruction and Development (the Bank) for the above-captioned Project, dated December 11, 2012 (the Loan Agreement). Please note that capitalized terms used in this letter (Amendment Letter) and not defined herein have the meaning ascribed to them in the Loan Agreement.

We also refer to your letter dated May 23, 2016, wherein a request is made to amend the Loan Agreement. I am pleased to inform you that the Bank proposes to amend the Loan Agreement as follows:

1. The Program's duration specified under the second paragraph of Schedule 1 to the Loan Agreement is amended to read as follows:

"The Program consists of the following activities to be carried out within the National Road Network from January 1, 2013 until December 31, 2016:"

2. Section IV.B.4 of Schedule 2 to the Loan Agreement is amended to read as follows:

"The Closing Date is March 31, 2017."

3. The Program Action Plan under Schedule 4 of the Loan Agreement is amended to read as set forth under Attachment I to this Amendment Letter.
4. The following definition is added, in its corresponding alphabetical order, to the Appendix to the Loan Agreement and the remaining paragraphs are renumbered as applicable:

"IRAP's Methodology" means a standard methodology developed by the International Road Assessment Program (iRAP) to evaluate road infrastructure safety and propose countermeasures.


All other provisions of the Loan Agreement, except as amended herein, shall remain in full force and effect.

Please confirm your agreement to the foregoing amendment by signing and dating this Amendment Letter in the spaces provided below. This Amendment Letter will be executed in two counterparts, each of which shall be deemed an original and one of which shall be returned to us. The provisions of this Amendment Letter will become effective as of the date above-mentioned, upon receipt by the Bank of one fully executed original of this Amendment Letter.

Please also note that the restructuring paper dated June 1, 2016, will be disclosed on the Bank's external website.

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By



Jesko S. Hentschel
Director

Argentina, Paraguay and Uruguay
Latin America and the Caribbean Region

AGREED:

REPÚBLICA ORIENTAL DEL URUGUAY

By:

Authorized Representative

Name:

Title:

Date:

SCHEDULE 4

Program Action Plan

1. Categorize the National Road Network

Define a new categorization of the National Road Network that matches the Borrower's current needs in terms of transport. Said categorization should factor in maintenance resources and define the basic characteristics of the different road categories.

Due Date: December 31, 2016

2. Strengthen Analytical Capacity Transport Modeling

Design and implement a national freight transport model to evaluate the Borrower's long-term requirements in terms of core infrastructure needs.

Due Date: December 31, 2016

3. Improve Road safety

Carry out a road safety assessment of at least 3,000 km of key national highway corridors using the IRAP's Methodology.

Due Date: December 31, 2016

4. Consolidate Processes for Works Supervision

Finalize the road works supervision manual, including a section on maintenance contracts and result-based contracts.

Due Date: December 31, 2016

5. Improve MTOP's Internal Audit Unit Capacity

Develop MTOP's internal audit unit capacity on risk-based auditing.

Due Date: December 31, 2016

6. Reduce Bidding Processes Duration

Carry out a detailed diagnostic of intermediate instances between bid evaluation and contract award, to identify bottlenecks and opportunities to improve efficiency and performance.

Due Date: December 31, 2016

7. Environmental Audits for Works

Carry out an environmental audit every six months in selected contracts of the Program.

Due Date: December 31, 2016

8. Improve Complaints and Grievance Handling Mechanism

Establish and implement a citizen attention center, within MTOP, to handle complaints, grievances, questions and suggestions related to Program implementation and MTOP duties.

Due Date: December 31, 2016

9. Strengthen Communications with Civil Society

Update MTOP internet portal to include information on road rehabilitation activities under the Program.

Due Date: December 31, 2016

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Report No: 104915-UY

RESTRUCTURING PAPER
ON A
PROPOSED PROGRAM RESTRUCTURING
OF THE
URUGUAY ROAD REHABILITATION AND MAINTENANCE PROGRAM
LOAN 8205-UY

November 13, 2012

TO THE
ORIENTAL REPUBLIC OF URUGUAY

June 1, 2016

Transport and ICT Global Practice
Latin American and the Caribbean Region

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ABBREVIATIONS AND ACRONYMS

DLI	Disbursement-Linked Indicator
DLR	Disbursement-Linked Result
iRAP	International Road Assessment Program
MEF	Ministry of Economy and Finance
MTOP	Ministry of Transport and Public Works (<i>Ministerio de Transporte y Obras Públicas</i>)
PAP	Program Action Plan

Regional Vice President:	Jorge Familiar
Country Director:	Jesko Hentschel
Senior Global Practice Director:	Pierre Guislain
Practice Manager:	Aurelio Menendez
Task Team Leader(s):	Gregoire Gauthier

ORIENTAL REPUBLIC OF URUGUAY
Road Rehabilitation and Maintenance Program

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- A. DATA SHEET
- B. SUMMARY OF PROPOSED CHANGES
- C. PROGRAM STATUS
- D. PROPOSED CHANGES

ANNEX 1: PROPOSED NEW PROGRAM ACTION PLAN

ORIENTAL REPUBLIC OF URUGUAY
Road Rehabilitation and Maintenance Program (P125803)
Latin American and the Caribbean Region
Transport and ICT Global Practice

A. DATA SHEET

Program ID:	P125803	Lending Instrument:	Program
Regional Vice President:	Jorge Familiar	Current Approval Date:	Nov 13/2012
Country Director:	Jesko Hentschel	Current Closing Date:	06/30/2016
Practice Manager:	Aurelio Menendez	Report No.:	1102015/07
Team Leader:	Gregoire Gauthier		

Borrower:	Oriental Republic of Uruguay
Responsible Agency:	Ministry of Transport and Public Works

Restructuring Type

Restructuring Level:	Level 2	Approval Authority:	Regional Vice President
		Explanation of Approval Authority:	Program for Results

If Level One:

Explanation: /

Financing Information

Key Dates

Program	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Current Closing Date	Revised Closing Date
P125803	IBRD-82050	Effective	11/13/2012	12/11/2012	04/16/2013	06/30/2016	03/31/2017

Disbursements (in Millions)

Program	Ln/Cr/TF	Status	Currency	Current	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P125803	IBRD-82050	Effective	US\$	66.00	-	-	41.32	24.68	62.6

Policy Waivers

Does the Program require any waivers of Bank policies applicable to Program-for-Results operations?	Yes []	No [X]
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Explanation: /

B. Summary of Proposed Changes

The proposed changes include:

- (i) Nine-month extension of the loan Closing Date (from June 30, 2016 to March 31, 2017);
- (ii) Modification of the description of the Program in the Loan Agreement (Schedule 1) to reflect the new end date (December 31, 2016) for activities being carried out within the National Road Network; and
- (iii) Modifications to the Program Action Plan (PAP) which was designed to address key weaknesses in the management of the road sector and comprises actions targeting all the critical areas involved in improving systems' performance.

Change in Program's Development Objectives	Yes [] No [X]
Change in Program Scope	Yes [X] No []
Change in Results Framework	Yes [] No [X]
Change in Legal Covenants	Yes [] No [X]
Change in Loan Closing Date(s)	Yes [X] No []
Cancellations Proposed	Yes [] No [X]
Change to Financing Plan	Yes [] No [X]
Reallocation between and/or Change in DLI	Yes [] No [X]
Change in DLI Verification Protocol	Yes [] No [X]
Change in Key Parameters (Disbursement Arrangements, Institutional Arrangements, Technical, Fiduciary, and Environmental and Social aspects)	Yes [] No [X]
Change in Program Action Plan	Yes [X] No []
Other Change(s)	Yes [] No [X]

C. Program Status

1. Overall Program Performance. The overall Program performance is Moderately Satisfactory. Disbursements progress has been satisfactory, the second tranche having disbursed in June 2015, as planned. Total disbursements are 63 percent of the loan amount. Yet, looking ahead, the delays in works that occurred in 2015 entail a disbursement lag for 2016, that is to be addressed by the proposed Program restructuring.

2. Project indicators. Based on current estimates, PDO-1 indicator (35 percent or more of the national road network in good or very good condition) would be exceeded (39 percent). However, PDO-2 indicator (percentage of Program Action Plan action completed) is lagging. The proposed restructuring, including modifications of the Program end date and of some of the actions included in the Program Action Plan, is expected to make the PDO-2 indicator achievable by the new closing date.

3. Financial Statements. The Program Financial Statements Audits are satisfactory. No significant risk is anticipated in terms of financial management.

4. Disbursements. Disbursements have been satisfactory so far, but a disbursement lag is expected for 2016. The second disbursement happened, as planned, in June 2015, for about US\$19.85 million. DLI-1 fully disbursed in 2013 and 2014; DLI-2 fully disbursed in 2013 but, in 2014, DLI-2 only disbursed 95 percent of the 2014 target, partially reached. Finally, DLI-3.4 (social results) also fully disbursed (US\$2.5 million). It is expected that the proposed new loan closing date will provide more time for the implementing agency to achieve the expected results, and, therefore, improve the loan overall disbursements.

5. Disbursement-Linked Indicators.

- **DLI-1** (Cumulative number of km rehabilitated on the national road network): in 2013 and 2014, the expected targets were reached; overall, 392.2 km of national roads have been rehabilitated. In April 2016, the Task Team estimated (subject to the technical audit review) that the MTOP rehabilitated about 80 km in 2015 (which would make a total of 472.2 km rehabilitated over 2013-2015, short of the final target of 524 km). These 2015 delays in road rehabilitation stem from adverse weather conditions and greater complexity in roadworks than expected. The new Program end date would make this result fully achievable.
- **DLI-2** (Number of km of the national road network maintained by performance-based contracts). This DLI fully disbursed on the first year of the Program (2013), but did not reach the established targets for 2014 and 2015: in 2014 and 2015, the results were respectively 3,052 kilometers (2014 target: 3,200 km) and 3,020 kilometers (2015 target: 3,300 km). DLI -2 is scalable and, overall on 2013 – 2015, is expected to disburse about 90 percent of its full result. The proposed restructuring does not impact DLI-2.
- **DLI-3.1** (multimodal plan for Montevideo seaport land access): overall progress is good, but result completion is delayed. Delays in activity implementation result from a complex study management governance, with shared responsibilities between the MTOP and the Montevideo municipal government. The situation has much improved since the November 2014 general elections, and the multimodal plan study completion is expected by August 2016. The new Program end date would make this Result achievable.
- **DLI-3.2** (catalogue for technical solutions of pavement rehabilitation): the catalogue has been approved technically but all the elements required to evidence the achievement of this Result have not yet been provided. This Result is therefore not yet ready for disbursement, but the new Program end date would make this Result achievable.
- **DLI-3.3** (Environmental Manual): The manual has been technically concluded and the various elements required to prove the completion of the Result have been successfully delivered. This Result would now be eligible for disbursement, as soon as the Borrower would make the request.
- **DLI-3.4** (Guidelines for expropriation and social management processes, international workshop): the activity is concluded, and the associated disbursement is completed.

5. Program Action Plan. The nine actions included in the Program Action Plan (PAP) have had different rates of progress. Overall, most actions have been delayed because actions implementation had started late. None of the PAP actions has been *fully* completed, although some are *almost* completed. PAP#1 (re-categorization of the road network) and PAP#2 (long-term freight demand modeling) are almost finalized. PAP#3 (interurban road junction design catalogue) was dropped, with no further interest from the implementation agency; However, the ministry of transport and public works is currently carrying out an International Road Assessment Program (iRAP) survey of its national highway network, which would replace PAP#3 advantageously as a road safety activity. PAP#4 (roadworks supervision manual) is finished but the evidence for result completion is still to be sent to the Bank. PAP#5 (improve the Internal Audit Unit capacity) and PAP#6 (Bidding processes) have moved forward, despite some initial lags; PAP#5 would need to be slightly rephrased for simplification, as part of the restructuring. PAP#7 (environmental audits for works) is on-going and on-track. PAP#8 and PAP#9 (civil society engagement, communication) would need restructuring, because of parallel on-going initiatives within MTOP, partially overlapping with the initially planned Actions, and the lack of counterpart funding (see Section on Program action Plan).

D. Proposed Changes

The proposed changes include:

- (i) Nine-month extension of the loan Closing Date (from June 30, 2016 to March 31, 2017);

- (ii) Modification of the description of the Program in the Loan Agreement (Schedule 1) to reflect the new end date (December 31, 2016) for activities being carried out within the National Road Network; and
- (iii) Modifications to the Program Action Plan (PAP) which was designed to address key weaknesses in the management of the road sector and comprises actions targeting all the critical areas involved in improving systems' performance.

The changes are deemed necessary to: (i) increase the impact of the Program, including the full achievement of the number of highway kilometers to be rehabilitated; (ii) increase, the likelihood of full loan disbursement, providing more time to the implementing agency to achieve Disbursement-Linked Indicator (DLI) #1 target; and (iii) improve the Program efficiency through a tailored Program Action Plan.

In particular, extending the loan closing date to March 31, 2017 and revising the Program Action Plan, would allow: (i) PDO indicator #2 to reach its full target; and (ii) loan disbursements to reach US\$65.0 million (98% of loan amount). The Task Team estimates that the full loan amount will not be disbursed, as it is expected that DLI-2 will not reach its full target.

Development Objectives/Results

Change in Program Scope

Proposed new Program scope:

"The Program consists of the following activities to be carried out within the National Road network from January 1, 2013 to December 31, 2016".

Explanation:

The only change in the Program definition consists in modifying the Program end date from December 31, 2015 to December 31, 2016. The remainder of the Program definition (Loan Agreement, Schedule 1) would remain the same. The proposed modification to the Program's end date stems from delays (i) in some on-going roadworks and (ii) in the Program Action Plan completion. Delays in roadworks result from adverse weather conditions and roadworks more complex than expected. Delays in PAP completion primarily result from late start of PAP implementation.

Financing

Change in Loan Closing Date(s)

Schedule 2, Section IV. B of the Loan Agreement (Withdrawal Conditions; Withdrawal Period), item 4 states that the closing date of the loan is June 30, 2016. Given delays in some of the rehabilitation works and PAP completion, the Loan closing date is extended until March 31, 2017. The three-month time between the proposed Program end date (December 31, 2016) and the loan closing date (March 31, 2017) is necessary for the MTOP to undertake the Results audits.

Loan No.	Status	Current Closing Date	Current Closing Date	Proposed Closing Date	Previous Closing Date(s)
IBRD-82050	Effective	June 30, 2016		March 31, 2017	-

Change in Program Action Plan

Minor changes are proposed to the Program Action Plan (PAP), as described below. Overall, all the actions to be adapted continue to be in line with the initially planned actions. These adaptations will all contribute to strengthening the Program systems, in the dimensions identified by the Program assessments.

Action #1: No change in PAP #1 definition. Action due date is moved from December 31, 2015 to December 31, 2016. The completion measurement criteria have been modified (see Annex 1).

Action #2: No change in PAP #2 definition and measurement criteria. Action due date is moved from December 31, 2015 to December 31, 2016.

Action #3: The original Action #3 "Define a manual comprised of standard technical solutions to optimize and standardize the design of junctions prone to accidents" is replaced by "Carry out an iRAP road safety assessment of, at least, 3,000 km of key national highway corridors". The updated due date is December 31, 2016. The initially planned Action could not move forward because of a lack of MTOP funding to carry out this action. This new proposed Action, financed by another International Financing Institution, remains focused on road safety, as the initial one. The impact of this new proposed Action on Program delivery is expected to be greater than the initial one, as it will enable the MTOP to define a nation-wide investment plan of road safety.

Action #4: No change in PAP #4 definition and measurement criteria. Action due date is moved from December 31, 2013 to Dec. 31, 2016.

Action #5: PAP action #5 is simplified as follows: "Develop MTOP's Internal Audit Unit capacity in risk-based auditing". Action due date is moved from December 31, 2014 to December 31, 2016. This action had to be adapted within the updated cooperation framework between MTOP's internal audit unit and MEF's National Audit unit. The completion measurement criteria is slightly adapted (See Annex 1)

Action #6: No change in PAP #6 definition and measurement criteria. Action due date is moved from December 31, 2014 to December 31, 2016.

Action #7: No change in PAP #7 definition and measurement criteria. Action due date is moved from December 31, 2015 to December 31, 2016.

Action #8: While the focus of PAP Action #8 remains on complaints and grievance handling mechanisms, this Action is reformulated as follows: "Establish and implement a citizen attention center, within MTOP, to handle complaints, grievances, questions and suggestions related to Program implementation and MTOP duties." This Action had to be adapted because of parallel on-going initiatives within MTOP (namely, the creation of the Citizen attention center), partially overlapping with the initially planned Action. This new proposed action, as the one initially defined, will help better institutionalize the process to handle complaints and grievances, as well as better track and monitor complaints / grievances. The Action due date is set for December 31, 2016.

Action #9: The focus of Action #9 remains on strengthening the communication with the civil society and it is reformulated in the following way: "Update MTOP internet Portal to include information on road rehabilitation activities under the Program". The initially planned yearly satisfaction survey has not been carried out, due to the lack of MTOP funding for this action. Yet, the communication strategy of the MTOP will materialize through its updated internet portal. The Action due date is set for December 31, 2016.

Annex I provides the proposed new Program Action Plan.

ANNEX 1: Proposed New Program Action Plan

Action Description	Completion Measurement
Planning Area	
<p>1. Categorize the National Road Network Define a new categorization of the National Road Network that matches the Borrower's current needs in terms of transport. Said categorization should factor in maintenance resources and define the basic characteristics of the different road categories. <i>Due date: December 31, 2016</i></p>	<p>Presidential Decree, defining the National Road Network, categorization and standards, signed.</p>
<p>2. Strengthen analytical capacity transport modeling Design and implement a National freight transport model to evaluate the Borrower's long term requirements in terms of core infrastructure needs. <i>Due date: December 31, 2016</i></p>	<p>National freight transport model approved by a DINAPLO's Director resolution.</p>
Technical Area	
<p>3. Improve Road Safety Carry out an iRAP road safety assessment of, at least, 3,000 km of key national highway corridors. <i>Due date: December 31, 2016</i></p>	<p>(i) iRAP assessment report is approved by a DNV's Director resolution, and (ii) at least 3 staff from DNV are trained to iRAP's VIDA.</p>
<p>4. Consolidate Processes for Works Supervision Finalize the roadworks supervision manual, including a section on maintenance contracts and result-based contracts <i>Due date: December 31, 2016</i></p>	<p>Achieved when (i) the <i>Works supervision process</i> manual is approved by a DNV's Director resolution and (ii) least 50% of DNV supervision teams have been trained to it, as evidenced by (a) the training material; (b) the trainees attendance log.</p>
Fiduciary Area	
<p>5. Improve MTOP's Internal Audit Unit Capacity Develop MTOP's Internal Audit Unit capacity on risk-based auditing. <i>Due date: December 31, 2016</i></p>	<p>Achieved when: (i) agreement with <i>Auditoria Interna de la Nación</i> (AIN) is signed; (ii) Internal Audit Unit is certified for risk-based management audit; (iii) the methodology for risk-based audits of procurement processes is approved by AIN; and (iv) the Internal Audit Unit issues its first risk-based audit report for procurement processes.</p>

<p>6. Reduce Bidding Processes Duration Carry out a detailed diagnostic of intermediate instances between bid evaluation and contract award, to identify bottlenecks and opportunities to improve efficiency and performance. <i>Due date: December 31, 2016</i></p>	<p>Achieved when: Detailed assessment report, including recommendations, is available and consulted with main procurement stakeholders, as evidenced by the consultation minutes.</p>
<p>Environmental and Social Audit</p>	
<p>7. Environmental Audits for Works Carry out an environmental audit every six months in a selected contracts of the Program. <i>Due date: December 31, 2016</i></p>	<p>Achieved when: (i) Bi-yearly environmental audit reports available for a sample (30%) of the on-going works contracts; and (ii) an environmental specialist has been hired in the <i>Unidad Ambiental de Viabilidad (UAV)</i>.</p>
<p>Transversal Areas</p>	
<p>8. Improve Complaints and Grievance Handling Mechanism Establish and implement a citizen attention center, within MTOP, to handle complaints, grievances, questions and suggestions related to Program implementation and MTOP duties. <i>Due date: December 31, 2016</i></p>	<p>Achieved when: the MTOP <i>Centro de Atencion Ciudadana (CAC)</i> is established and working, as evidenced by the records book of CAC's users.</p>
<p>9. Strengthen Communications with Civil Society Update MTOP internet Portal to include information on road rehabilitation activities under the Program. <i>Due date: December 31, 2016</i></p>	<p>Achieved when: the improved MTOP internet Portal is on-line.</p>