The World Bank
Washington, D.C. 20433
U.S.A.

Office of the Director-General
Operations Evaluation

November 8, 2000

MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT

Subject: Uruguay Country Assistance Evaluation

Uruguay is a upper middle-income country with social indicators that are among the strongest in Latin America. Income distribution is comparable to that of Western Europe, extreme poverty has been almost completely eradicated and gender inequality is not a major problem. However, the country still faces serious development challenges. Domestic savings and investments are one of the lowest, as a proportion of GDP, of all middle-income Latin American countries.

The full benefits of the recently implemented social security reform are constrained by limited availability of financial instruments and shallow financial markets. The banking system is weak and there is a need to establish clear mechanisms to allow for an orderly market exit of insolvent banks. Health services, once the envy of other countries in Latin America, have deteriorated and need a major overhaul. Education needs further reforms to adjust to the needs of a changing labor market. Infrastructure for exports and the environment are also facing constraints that will be difficult to resolve within present fiscal limitations.

OED concludes that the results from the Bank's recent experience show highly satisfactory development outcome. The Uruguay experience demonstrates that the Bank can play an important positive role in middle-income countries through a judicious combination of lending and non-lending services. The institutional development impact of the Bank's program has been substantial, as the flexible design of recent Bank's operations has allowed maximum benefit from a full government ownership of the reform program. Sustainability of the reforms is rated as uncertain, however, as institutions in the banking system are weak, the reforms in the financial sector are still incomplete and the economy is dependent on net capital flows and vulnerable to fluctuations in terms of trade and in the economic performance of its neighbors.

OED recommends that the country assistance strategy for fiscal year 2001-04 continue to make use of recently successful lending instruments designed with flexibility and judiciously timed. The strategy should support reforms to improve the quality of basic, secondary and technical education, especially in rural areas where serious pockets of poverty still remain. The strategy should continue to support private sector development and, especially, financial sector reform and capital market development.

An earlier version of this report was discussed with the Uruguayan authorities and with World Bank staff. Their comments have been incorporated. Further comments from the Government of Uruguay are included as an annex to this report.

Report No.

URUGUAY

Country Assistance Evaluation

November 16, 2000

Operations Evaluation Department

Document of the World Bank

Acronyms

CAS	Country Assistance Strategy
GDI	Gender Development Index
GDP	Gross Domestic Product
GNP	Gross National Product
ESW	Economic and Sector Work
ICR	Implementation Completion Report
IDB	Inter-American Development Bank
IFC	International Finance Corporation
IMF	International Monetary Fund
LAC	Latin American and Caribbean Region
MIGA	Multilateral Investment Guarantee Agency
MYRA	Multi-Year Rescheduling Agreement
OED	Operations Evaluation Department
PAR	Performance Audit Report
QAG	Quality Assurance Group

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Preface

This report provides a concise evaluation of the Bank's recent assistance strategy as a background for CAS discussions. It puts forward evaluative judgements without the benefit of in-depth analyses of Bank experience. Its findings are nevertheless grounded in evidence. They are based on a review of Bank documents, country assistance strategy papers (CASs), implementation completion reports (ICRs), project audit reports (PARs), supervision reports and project files. The cost of this evaluation is a fraction of the direct cost of a full country assistance evaluation. Given its narrow scope, OED is not seeking a formal management response to its recommendations.

The draft CAE was sent to the Government for comments. The Government's comments have been reflected in the report; their letter is attached to the report as Attachment 1.

1. Background

1.1 *A middle income country with no extreme poverty*. Uruguay is a upper middle-income country with social indicators that are among the strongest in Latin America. Many years of prosperity in the first half of the century allowed the two main forces dominating the political spectrum, the Colorados and the Blancos, to create and maintain an ample social welfare state that has remained up to present times. Uruguay has the largest social spending as a percentage of GDP in the region and one of the best-educated populations with universal access to health and retirement benefits. Income distribution is comparable to that of Western Europe, the share of households living below the poverty line is the lowest in Latin America, extreme poverty has been almost completely eradicated and gender issues are not major problems. Environmental concerns, however, are beginning to increase.

Box 1.1: Uruguay Ranks High on Gender Development

Uruguay has a gender development index (GDI) of .823 for 1997, ranking 36 among 143 nations, the second highest country in the Latin American and Caribbean Region (LAC) after Chile (ranked 33). Despite the fact that women in Uruguay only hold about 7 percent of seats in Parliament (February 1999), well below the LAC Region average of 15.3 percent, Uruguayan women represent 41 percent of the total labor force. In some cases, female professionals and technical workers represent about 64 percent of all professionals, a percentage unsurpassed by any country and matched only by Sweden. Male-female literacy gap is negative—females outrank males by eight percent. In view of this, gender considerations have not been integrated into Bank CASs or projects, under the assumption that the gender disaggregated impact of Bank assistance is equitable.

1.2 *Slow and steady reformers, the Uruguayans face high domestic costs and vulnerability to external shocks.* The strong gains in poverty reduction and social development have come at excessive costs due to high tax pressures and expensive labor that have affected adversely Uruguay's competitiveness and its capacity to adjust to external shocks. These difficulties became apparent in the 1950s, when the economy entered a long period of stagnation that lasted until the early-seventies. While the Uruguayans eagerly guarded their social achievements, macroeconomic conditions deteriorated and contributed to a military takeover in 1973 that lasted 12 years. The military initiated comprehensive reforms, including trade liberalization, but left some protection to the industrial sector under trade agreements with Argentina and Brazil, intensifying Uruguay's traditional ties, but increasing its vulnerability to the economic performance of its neighbors. The debt crisis that affected Latin America in the early eighties led to a major recession in Uruguay, leaving the banking system and the private sector in serious financial trouble. Since then (1985), Uruguay has recovered and has been undergoing slow, but steady reform, a result of a conventional style of consensus building in policy making, a long national tradition. The government has continuously deepened reforms and the economy has recovered at a relatively high 4.4 percent annual average growth of real GNP (1985-98).

Table 1.1: Uruguay and Upper-Middle Income Latin American Countries. Key Indicators, 1985-1998

	Average Period				
Indicator	*Uruguay*	*Argentina*	*Brazil*	*Chile*	*Mexico*
Real GNP growth (annual %)	4.5	5.8	1.2	8.1	2.2
Real GNP per capita growth (annual %)	3.7	4.4	0.0	6.2	0.3
Current account balance (% of GDP)	-0.8	-1.4	-1.1	-3.1	-4.0
Gross domestic savings (% of GDP)	13.9	17.6	20.6	25.4	21.2
Gross domestic investment (% of GDP)	13.1	18.1	20.8	25.6	23.0
Illiteracy rate, adult total (% of people 15+)	2.6	4.0	16.0	5.0	10.0
Immunization, DPT (% of children under 12 months)	88.0	85.0	79.0	91.0	83.0
Life expectancy at birth, total (years)	73.7	73.0	67.0	75.0	72.0
Mortality rate, infant (per 1,000 live births)	16.4	22.0	34.0	11.0	31.0
Safe water (% of population with access)	89.0	65.0	72.0	85.0	83.0
School enrollment, primary (% gross)	108.8	113.0	123.0	101.0	115.0

Source: SIMA - WDI and GDF Indicators 1999

2. The Reform Program

2.1 *The economic program before 1985.* Import substitution industrialization, a popular policy in Latin America in the fifties, reached its limits in Uruguay in the sixties and led to deteriorating economic conditions in the early seventies. As economic security eroded and political instability grew, the military took control over government policymaking in 1973. The military, to its credit, immediately implemented policies targeted at improving fiscal finances, eliminating price controls, liberalizing the financial sector and increasing the role of market forces in resource allocation. Capital inflows grew rapidly and financed the investment needed to maintain a reasonable rate of growth of 3.7 percent a year during 1973-81. The financial debt crisis that hit Latin America in 1982, however, put an abrupt end to capital inflows and economic growth in a severely indebted Uruguay. The country entered into a deep recession, with real GDP falling by more than one sixth during 1982-84.

2.2 *The economic program in 1985-89.* The civilian government that assumed office in 1985 was facing a chronic fiscal deficit derived mainly from an oversized government wage bill, a generous social security system and an inefficient public enterprise sector. It was also in the presence of adverse terms of trade, serious trouble to meet external debt service obligations and a banking system and private sector in serious financial crisis. The government reacted promptly to the deteriorating economic situation. It sought and received an International Monetary Fund (IMF) Standby to assist in its stabilization efforts, initiated negotiations with its commercial banks for a multi-year rescheduling agreement (MYRA) and deepened the structural reform program initiated by the military in the 1970s with financial and technical assistance from the Bank and Inter-American Development Bank (IDB). The program had a solid initial performance on the IMF Standby and MYRA. It also restructured some major public enterprises, sold or closed some state companies and concessioned some public services to the private sector. The program, however, was only partially successful at implementing structural reforms in the financial sector and initiated but failed to reduce the public sector workforce and the social security deficit. By the end of the period, the fiscal deficit and inflation were again high.

2.3 *The economic program in 1990-94*. Restoring macroeconomic stability, reducing the size of the state and deepening financial and trade sector reforms were again major economic objectives for the new administration that took over in 1990. Macroeconomic stability was achieved through prudent fiscal management, assisted by a favorable external environment and by a debt service reduction operation supported by IMF and the Bank. Strong economic performance in its neighboring countries bolstered exports and led to high GDP growth of about 4.5 percent in 1990-94. Its most important structural reform proposal, however, a privatization bill aiming at a significant reduction in the role of the state, was defeated by a wide margin (72 percent of the vote) in a referendum in 1992. The fiscal deficit had again deteriorated by the end of the period.

2.4 *The economic program in 1995-99.* In 1995, the new administration was highly successful at forming a coalition among the two main political forces to work towards achieving consensus on the implementation of major structural reforms. In the short term, the government was able to control a fiscal deficit that had reached about 3.5 percent of GDP by the end of 1994, but it did it mainly through measures not fully sustainable in the long term. Reducing the long-term structural deficiencies afflicting the public sector became one of the main priorities of the new coalition. A major aim was to reduce the size of the bureaucracy while maintaining social welfare benefits within the financial capacity of the state. Both major parties agreed on the need to continue promoting private sector development, making the economy more open and reforming the social security system. Given the clear political mandate against privatization after the 1992 referendum, the coalition aimed at improving efficiency by building upon existing relations between private and public enterprises. It aimed at improving the legal framework to encourage greater private sector participation through concessions, reducing the monopoly power enjoyed by state enterprises and improving the overall regulatory system to liberalize the regimes under which state corporations operate. By the end of 1998 the number of public employees had fallen by about six percent, the private sector had increased its participation in the provision of gas, electricity and potable water and sewerage, and, most importantly, the government had reformed the social security system establishing a fully funded private pillar parallel to the existing public system.

Box 2.1: Relations with IMF

Uruguay has recently signed three stand-by arrangements with the IMF and is about to sign a fourth one for approximately US$200 million. The first stand-by was precautionary and was approved on March 1, 1996 for SDR100 million. The authorities did not draw from it. A second stand-by for the amount of SDR 125 million was approved on June 20, 1997 and was fully utilized. A third one, of the precautionary type, was approved on March 29, 1999 for SDR 70 million, but the program went off track at the end of the year due to fiscal slippages and insufficient progress on structural performance measures.

The IMF Executive Directors reviewed the last Staff Report for the Article IV Consultation on July 9, 1999. The Staff concluded that the Uruguayan economy has performed well in recent years, although the external environment weakened significantly after the depreciation of the Brazilian real in January 1999. The authorities took emergency measures to keep the economy under control and met all quantitative objectives under the Fund supported program. Nevertheless, there were slippages in the implementation of structural reforms, notably the failure to sell an intervened Bank. In addition, state-owned banks received increased pressures to refinance credits to several sectors in the economy.

2.5 *Major challenges remain*. Since Uruguay joined Mercosur in 1991, it has continued to face a major challenge to make its economy able to compete internationally. In spite of recent improvements, the economy still faces high costs of services, public infrastructure, high taxation, weak financial and capital markets, and an underdeveloped telecommunications sector. Domestic savings and investments continue to be one of the lowest, as a proportion of GDP, of all middle-income Latin American countries. The full benefits of the recently implemented social security reform are constrained by a limited availability of financial instruments. Health, once the envy of other countries in Latin America, have deteriorated recently and need a major overhaul. Education has seen major progress, but needs further reforms to adjust to the needs of a rapidly changing labor market that is adjusting to the needs of Mercosur. Infrastructure for exports and the quality of the environment are also facing constraints that will be difficult to resolve within present fiscal limitations.

2.6 *The agenda for development in basic and secondary education is still incomplete.* Uruguay has one of the best-educated population in the region, with an adult literacy rate of over 97 percent. All children have free access to at least primary education and the average educational attainment of the general population is higher than in most countries in the region. Nonetheless, reducing inadequacies in the educational system is central to the government's program to increase competitiveness and reduce pockets of poverty. The government introduced a program for educational reform in 1996 with an explicit aim at reducing major inequities and inefficiencies of the present system. The inefficient delivery of education has led to high labor costs (in relation to productivity) and a serious mismatch between the education received by students in secondary and technical schools and the needs of a changing labor market that is adjusting to the new requirements of Mercosur. The quality of education in rural areas and in the outskirts of Montevideo, where serious pockets of poverty still remain, has deteriorated and, in urban areas, repetition and desertion rates are particularly high among the poor.

2.7 *The agenda for development in the financial sector is highly incomplete.* Uruguay's financial sector has a well developed banking system, but one that suffers from weak regulation and supervision and a high concentration of activities in the hands of the state. There are very few instruments available in the capital market, which is under-developed. As the country is a small open economy with a relatively free door for capital transactions, vulnerability to exogenous movements of capital flows is a continuous concern. The benefits of the Bank's highly successful contractual savings loan approved in 1998 are constrained by this limited availability of financial instruments and shallow financial markets. The expected outcome of the recently approved financial sector reform loan is promising, but only the first stage of the reform has been completed. The full benefits of the reform can only be achieved if the government, supported by the Bank, proceeds promptly with the second stage. In particular, the Banco de la Republica and the Banco Hipotecario still need modifications to create a more level playing field for public and private banks. In addition, the government has advanced plans to privatize the Banco Caja Obrera and Banco de Credito, for which technical and financial assistance are needed. The legal powers and institutional capacity of the regulatory agency need strengthening to improve supervision of the remaining public banks. And there is an urgent need to establish clear mechanisms to allow for an orderly market exit of insolvent banks.

2.8 *Environmental concerns are increasing rapidly*. Uruguay does not experience many of the environmental and pollution problems that plague many other Latin American countries. However, urban pollution problems have increased recently and the coastal ecosystem has been threatened by oil pollution and spills for which the country is weakly prepared to deal with. In particular, the environmental safety of ports has become a major concern of the authorities after a serious oil spill in 1997, which affected a major portion of the coastal area with damaging effects on tourism and the ecosystem.

2.9 *The unfinished agenda in telecommunications is jeopardizing integration to the global economy*. Uruguay’s early attempts at reforming its telecommunications sector were supported by the Bank under the Public Enterprise Reform Loan (FY92). Unfortunately, they were stopped short by the results of the 1992 referendum which voided the privatization of ANTEL, the state-owned telecom monopoly. In recent years, the Government’s strategy in the utilities sector has shifted its focus from undertaking the politically-difficult privatization of SOEs to decreasing their monopoly status by promoting entry by competing private firms. However, progress in this respect has been slower in telecom than in other sectors (ports, power and water), in contrast with other LAC countries where it has usually led the way—often with Bank support (e.g. Argentina, Mexico, Colombia, Bolivia, Ecuador, etc.). Given the fast pace of change in telecom and IT and their increasingly central role in economic and social development, the persistence of an unfinished agenda in these sectors will delay Uruguay’s full participation in the information revolution and its integration in the global economy.

3. The Assistance Strategy

3.1 *Evolving for the best.* The Bank assistance strategy and the policy dialogue have shown encouraging developments since the structural adjustment stage of the 1980s. At that time, most of the Bank's assistance concentrated on quick disbursing lending in support of reforms expected to be aggressively implemented over short periods of time. After mixed results, the 1990 Country Strategy Paper proposed additional quick disbursing lending to assist the government in "resuming the reform program".[1] After weak political support and mixed results again, the 1994 CAS proposed a shift towards investment lending, but leaving the door open "to promote and support needed reforms as the opportunities arise".[2] By the time the 1997 CAS was elaborated, most of the objectives of earlier programs had been satisfactorily accomplished, but at a slower speed than anticipated. The Bank realized that the time mismatch was mainly due to the design of quick disbursement operations that was inconsistent with Uruguay's deliberate slow pace in implementing politically sensitive reforms.[3] The 1997 strategy fully incorporated the lessons of this experience and promptly began achieving highly satisfactory results.

3.2 *The policy dialogue before the Country Assistance Strategy of 1997 (CAS).* The Bank's early optimism about the capacity and willingness of Uruguay to implement comprehensive structural reforms in the second part of the1980s affected negatively the policy dialogue of the first half of the 1990s. The Bank ended with a weak perception of what reforms were feasible due to a political environment the Bank was not prepared to assess. The result was a complete disconnection between the assistance strategy proposed in 1990 and the actual delivery of the strategy, both in terms of magnitude and composition of lending. The Bank proposed financial assistance of about US$480 million during FY91-95 (1990 CAS), hoping to assist the government to resume implementation of reforms that had slowed down during 1988-89. It was only able to deliver about 40 percent of its proposed financial assistance. As a result, the Bank failed to provide "a desirable stability of net disbursements after the termination of the SALs" as intended by the 1990 CAS[4] and net disbursement became negative over 1993-1997. In addition, the areas proposed for assistance in the strategy were different than those actually undertaken.[5]

3.3 *A pessimistic view affected the strategy in 1994.* The disconnect between proposals and actual delivery of the 1990 country assistance strategy and the results of the referendum of 1992 that ended the political feasibility of privatization reforms led to a pessimistic view in the elaboration of the Bank's assistance strategy in 1994. The Bank's

1. Uruguay. Country Strategy Paper, 1990.
2. Uruguay. Country Assistance Strategy, 1994.
3. Uruguay, Country Assistance Strategy, 1997.
4. 1990 CSP, page 2.
5. The bank proposed financial assistance to telecommunications, oil refinery, public sector reform, municipality of Montevideo, housing, agricultural modernization, water, ports, credit for exports and power rehabilitation. Instead, it provided financial assistance for debt service support, technical assistance for public sector reform, basic education, natural resource management and health sector. Also, a loan approved in FY93 for private sector development was cancelled afterwards.

assessment at the time was that "Uruguay has yet to adopt a development strategy that would put its economy onto a high growth path. Support for the administration's policy agenda has not materialized in key areas because of popular reluctance to accept a reduction of some long cherished social benefits". […] "Within months before the next presidential election and very conflictive relationship between the executive and legislative branches, no major reform initiatives are likely". Consequently, the strategy proposed a "shift in emphasis", "away from adjustment-type operations, to investment lending", but left open the possibility to "promote and support needed reforms as the opportunities arise".

3.4 *The Bank reconsiders its pessimistic assessment*. The new administration that took over in 1995 saw the political difficulties of continuing to advance towards the implementation of structural reforms without a strong support of a coalition of the main political parties. Such a coalition was formed in 1995 and, as a result, the government moved well beyond the performance targets the Bank believed would be politically feasible. In particular, the Bank had long indicated that improving the social security system finances was the most critical item on Uruguay's reform agenda, but was pessimistic after a plebiscite had rejected most reform proposals supported by the Bank through earlier adjustment lending. Even as new social security legislation was about to be approved in Congress in 1995, the Bank did not believe the proposed new system, a home-designed reform creating a private pillar parallel to the existing public pillar, would produce beneficial results. The Bank misinterpreted a formula creating incentives for the social security contributors to move from the public to the private pillar. Added to the negative assessment of the CAS 94 strategy, this view strained the policy dialogue for a while.[6] Later, however, the Bank conceded that the new system—with its fully funded private pillar—is an important step toward resolving the financial problems of the social security system.[7] The policy dialogue improved and following good implementation of reforms, the Bank surpassed the financial assistance targets initially proposed by CAS 94 for FY94-97. The Bank decided to formally review its assistance strategy in 1997 to incorporate this experience and ended up moving to a "high case scenario", adding to the lending program a quick disbursing contractual savings loan that recognized reforms to the Social Security System implemented before approval of the loan.

3.5 *Lessons learned before CAS 97*. Three main lessons had emerged from OED's recent evaluation experience, before the preparation of the1997 CAS:[8]

- The design of adjustment operations should carefully assess the appropriate timing of actions needed to achieve the objectives of reforms for which there is ample political consensus. The Bank's experience with adjustment lending shows that most

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6. "With a four days visit and using incomplete information, your technical staff has made negative criticism with a mistaken approach and contradictory judgements", letter from Mr. Ariel Davrieux , Director, Office of Planning, Office of the President, to Mr. Paul Meo, Division Chief, LAC, March 23, 1995.
7. Uruguay. Performance Audit Report No. 16788, June 24, 1977.
8. OED, audit reports of the First Structural Adjustment Loan, First Technical Assistance Loan, Second Structural Adjustment Loan, Second Technical Assistant Loan and Debt and Debt Service Reduction Loan. Report No 16788, June 24, 1977.

development objectives supported by the loans where eventually achieved satisfactorily, but implementation was frequently behind the agreed schedule. The Bank expected too much too soon from its earlier adjustment loans and the policy dialogue deteriorated. The pace of expectations was much more aggressive than could be handled by the Uruguayan system, where a slow but steady pace of reform reflects a consensus style of policy making in a traditionally democratic and egalitarian society.

- Bank recommendations transmitted through informal policy dialogue should be subjected to a strict process of peer review. The policy dialogue deteriorated in Uruguay after informal analysis by Bank staff misinterpreted the new “home-made” social security reform. A mission that traveled to Uruguay to analyze the new system prepared its research findings informally. The Bank analysis was then circulated in a memo that Bank officials praised as a good example of constructive policy dialogue without a formal economic report.[9] The analysis, however, was mistaken. OED concluded that, although there is value to informal policy dialogue, there is also danger to informal analysis, since that analysis is not subject to a strict process of peer review.

- Flexibility in the design of operations is key to benefit from government ownership of a reform program. The ability of the Government of Uruguay to pursue agreed objectives by undertaking different approaches and activities than those specifically defined by Bank lending operations was critical to the success of its reform program. Such flexibility led to good results because the government assumed full ownership of its program. The lesson here is that the Bank and the government should agree on broad indicators of the effectiveness of development initiatives. But the Government itself should have greater reign to decide what is in its best interests and how best to achieve them.

3.6 *The 1997 Country Assistance Strategy.* The Bank assistance strategy in 1997 aimed at a base case scenario of about US$200 million for FY98-00 to support investment lending in key sectors for enhancing benefits of Mercosur integration, increasing private sector participation and rationalizing public expenditures. It would also consider a high case lending of up to US$300 million to include a quick disbursing operation in support of capital market development. The strategy was conceived recognizing: (a) that the Inter-American Development Bank continues to be Uruguay’s main external financier, with a lending program of about four times larger than the Bank; and (b) that mixed results in the past called for a cautious strategy.

3.7 *Lessons learned affected the strategy*. CAS 97 noted that recent OED evaluations concluded that a large share of development objectives supported by past operations have been satisfactorily achieved, although well beyond the anticipated implementation period of the loans. It also observed OED’s conclusion that much of the time disconnect came from the disparity between adjustment operations designed to disburse quickly and

9. “Pls. copy this …as an example of policy impact without a formal report”, March 18, 1995. Instruction given in LAC to circulate letter of March 15, 1995 that reported the Bank’s negative view about the new social security law.

Uruguay's deliberate slow pace in implementing sensitive policy reforms.[10] The Region concluded that a full application of these lessons called for a strategy that would pay greater attention to ensure that significant parts of individual projects would be "bid-ready" prior to loan effectiveness. It would also make continuous use of country review to resolve generic issues, set progress benchmarks for the entire portfolio and link new lending to implementation results. In addition, adjustment-lending operations would be designed with maximum up-front conditionality. Following this strategy, CAS 97 initiated a new modality of lending through single-tranche adjustment loans that emphasized up-front conditionality. The first one of such loans was a Contractual Savings Adjustment Loan for US$100 million in support of reforms to the social security system that was well received by the authorities and found to be highly successful in its achievements.[11]

3.8 *Non-lending services supported by CAS 97*. The strategy proposed to expand non-lending services strategically in support of needed reforms in cases where the Bank might have a "clear comparative advantage". Economic and sector work would include a review of the agenda of reforms for public enterprises and the regulatory framework; legal impediments to financial intermediation; labor market issues under Mercosur; urban transport issues; education; and a policy assessment for the new administration in FY99.

3.9 *The Country Assistance Strategy for FY00-04 (CAS 00).* OED reviewed the draft country assistance strategy for FY00-04 and agrees with the region that the approach proposed does not deviate significantly from the last CAS, discussed in 1997—which OED rates as highly satisfactory. As with CAS 97, CAS 00 is based on a clear diagnosis of economic, social and political issues in the country, adequately recognizes the role of other lending institutions and effectively reflects OED's lessons of the past. The analysis of development issues is in line with OED's assessment, especially with respect to education, environment, private sector development and financial sector issues. And the monitoring indicators proposed to evaluate progress seem adequate. The main difference with CAS 97, however, is that CAS 00 does not contemplate financial assistance to complete the agenda for development in the above sectors (CAS 00, Annex B3). The strategy, however, recognizes that, with the exception of environment, these sectors are of high priority for both, the government and the Bank (CAS 00, Annex B10). During OED's recent visit to Uruguay, the government has expressed its concern that such a strategy could translate in negative net disbursements from the Bank in the near future, while a continuation of the Bank assistance may be needed to complete the agenda for development, prevent erasing the benefits of recently successful, but incomplete reforms, and to decrease existing economic vulnerabilities.

10. Country Assistance Strategy, June 5, 1997.
11. "I hereby would like to express my gratitude for the role OED has recently played in improving the economic policy dialogue"…[…]. As you may know, our Government has just signed a contractual saving structural loan…[…]. In particular, (OED's report) rectified some existing misconceptions about the Government's reform of the social security system, which became crucial to our present understanding of the issues, our positive relationship with the Bank and our capacity to accelerate the reform process". Letter to Mr. Robert Picciotto, OED, from Dr. Fernando Scelza, Sub-Director General, Ministry of Finances, March 3, 1998.

4. Evaluating the Strategy

Outcome: Highly Satisfactory

4.1 *The outcome of CAS 97 has been highly satisfactory*. OED concludes that the strategy proposed in 1997 was highly relevant, based on a clear diagnosis of development problems and aimed at relevant objectives. The design of the strategy was especially adequate for Uruguay where almost 100 percent of projects have historically shown satisfactory development outcome in spite of slow execution. The Bank implemented a new modality of lending that is working well for Uruguay's style of policy consensus building. By agreeing on the medium-term objectives of the reform strategy, and allocating single-tranche loans to intermediate targets, the Bank has avoided the implementation problems of the past, protected the integrity of the operations from possible political shifts and been able to influence policy conditions for subsequent loans. In contrast with prior periods (CAS 90 and CAS 94),[12] the early results of CAS 97 are highly satisfactory, particularly with the recently closed Contractual Savings Adjustment Loan in support of social security reform. Given this positive experience, the Bank has been able to move to a high-case scenario and has recently approved another similar loan in support of financial sector reforms.

Relevance

4.2 *The strategy was based on a good diagnosis and clear objectives*. CAS 97 was based on an accurate diagnosis of development issues derived from solid prior analytical work. High costs of infrastructure and services, weak financial markets and relatively high levels of taxation were correctly diagnosed as the major obstacles to competitiveness that have led to low levels of domestic savings, investment and growth. The Bank and IDB provided an ample array of lending and non-lending services dealing with these issues. Analytical work and dissemination efforts played a significant role in promoting debate about the role of the state and increase private sector participation. A coalition of major political parties has agreed on the need to continue reforms to the social security system, develop the capital market, restructure state banks, reform the central government, eliminate public monopolies and reduce labor market rigidities. Accordingly, the objectives of CAS 97 aimed at eliminating these obstacles for private sector participation and rationalizing public expenditures. In addition, selectivity played an important role to decide on Bank participation in areas complementary or not covered by IDB.

4.3 *The strategy provided an adequate selection of instruments with good design*. CAS 97 selected an appropriate mixture of instruments of assistance, well designed to meet the accumulated experience of past Bank lending to Uruguay. The instruments of assistance were distributed between: (a) analytical work to promote further structural

12. OED rates development outcome of CAS 90 as marginally satisfactory and that of CAS 94 as unsatisfactory. CAS 90 achieved relevant objectives but with major shortcomings (para. 3.2). CAS 94 was based on a wrong assessment of the feasibility of reforms (paras. 3.3-3.5).

reform; (b) investment lending in areas where the Bank has accumulated experience and is complementary with IDB; and (c) single-tranche adjustment loans to support areas where major up-front measures of structural reforms continue to achieve consensus for implementation. This strategy paid off quickly. Forestry, transport and basic education projects are advancing satisfactorily according to the last project implementation report. The contractual savings loan closed in FY98 achieved highly satisfactory outcome mainly due to strong technical support and appropriated design (ICR review, March 1, 1999). The recently approved financial sector adjustment loan followed the same successful design as the contractual savings loan and shows promising outcome. Consequently, there seems to be significant interest in the Government to continue addressing its development challenges with additional Bank assistance.

Efficacy

4.4 *The government has achieved* s*atisfactory progress towards the objectives* of *CAS 97*. The government has continued to implement structural reforms during 1997-00 while maintaining macroeconomic stability in spite of adverse external conditions—slow demand from Argentina, devaluation in Brazil, adverse terms of trade and a drought in the second half of 1999. The authorities main achievements include satisfactory progress at implementing structural reforms in the financial and the public sectors and satisfactory development outcomes in 100 percent of the portfolio evaluated by OED.

4.5 *Progress in financial sector reforms*. The authorities responded to a tightening of the availability of financing after the crisis in Russia in 1998 by increasing capital adequacy requirements in the banking sector, tightening loan qualification rules and increasing risk weighting applied to consumer lending. CAS 97 envisioned assistance to the financial sector mainly through a base case scenario that would provide advisory services for bank restructuring. Good performance and commitment to reform led the Bank to move to a high case scenario providing a Financial Sector Adjustment Loan that was recently approved by the Board in February 2000. As part of the activities supported by the loan, the government implemented several measures to improve competition in the banking sector, restructure public banks, initiate privatization of Banco de Credito, strengthening banking regulation, supervision and inspection, improving transparency of the financial sector and modernizing the financial sector legal framework.

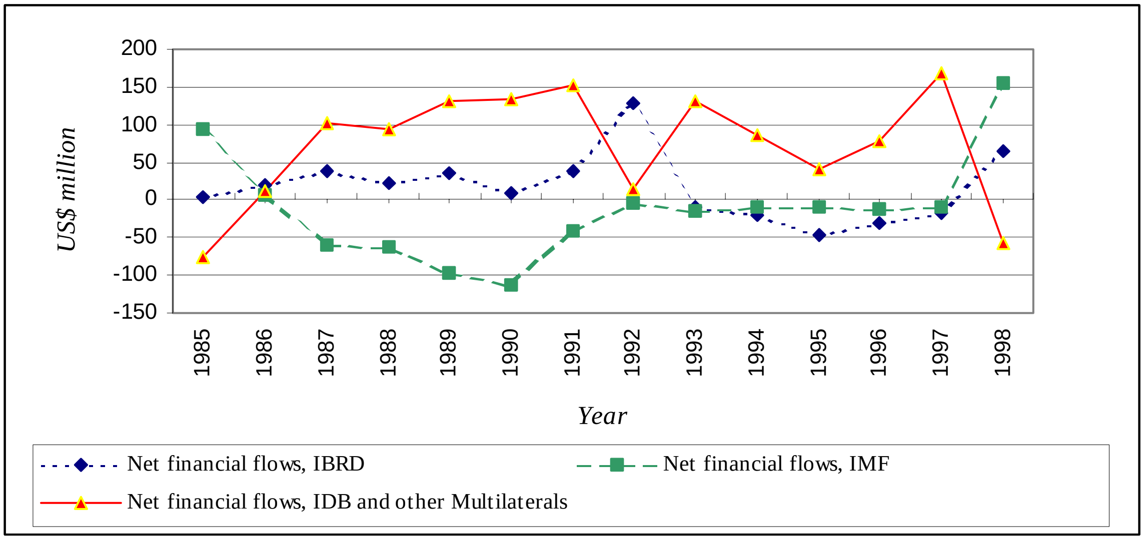
4.6 *Progress in public sector reforms*. Given the political mandate against privatization of public enterprises, the authorities have moved toward increasing private sector participation in activities traditionally provided by the public sector. They have opened markets to competition by the private sector and eliminated monopolistic privileges enjoyed by public enterprises in those cases where this can be done within the existing legal framework. They are also preparing legislation to open the markets to competition in cases where changing the existing legislation is needed. The operation of ports has seen enormous improvements after the government allowed an increased participation of the private sector in the investment operations of the port authority. Contracting road maintenance and giving concessions for new construction to the private sector is showing successful results. There has also been some progress in moving towards a more commercially oriented management of state owned electricity and water monopolies, which are also planned to be progressively opened to competition with the private sector. Public banks have recently shown improved performance and the government has advanced preparations to privatize two banks.

4.7 *The lending portfolio achieved a fully satisfactory outcome.* OED concludes that 100 percent of the lending portfolio approved since 1990 has achieved satisfactory development outcome. This result is much higher than the average for the Region in the same period (80 percent) or than the average for the Bank (77 percent). This excellent result, however, is based on a relatively small portfolio of five projects approved after 1990 that were independently reviewed or evaluated by OED. Of the thirteen projects approved between 1990 and 1999, eight projects are still ongoing. The region also reported 100 percent of this portfolio with highly satisfactory or satisfactory outcome in their last supervision review. A larger sample, including all projects approved since 1985, also shows better results than those achieved by the region and by the Bank overall. During FY85-89 the Board approved 10 projects for a total of US$464million. Of these, nine projects (US$404million) achieved satisfactory development outcome as reviewed or evaluated by OED, or 87 percent in dollar value. The outcome of the only project closed in the period after CAS 97 that was reviewed by OED, a contractual savings structural adjustment loan, was found to have achieved a highly satisfactory outcome.

4.8 *The active portfolio is achieving satisfactory implementation progress and development objectives.* The Quality Assurance Group (QAG) found that all eight active projects in Uruguay are having satisfactory or highly satisfactory implementation progress and development objectives. None of the projects is presently considered to be at actual or potential risk. These excellent results have been achieved in spite of slow disbursements in three projects, related to forestry, power transmission, and irrigation and natural resource management. QAG also rated the overall quality at entrance of two projects recently approved by the Board as satisfactory. Of these, the Contractual Savings Structural Adjustment Loan deserves special mention as QAG found that the concept, objectives and approach of this project deserved highly satisfactory ratings. These results confirm OED's findings showing that almost 100 percent of projects have historically seen satisfactory development outcome in spite of slow execution and that the Bank could have a significant role to play in Uruguay if it continues to use flexible lending instruments judiciously timed, similar to the highly successful contractual savings loan.

4.9 *Multilateral institutions supported Uruguayan reforms with high levels of net flows of financial assistance.* Multilateral institutions have supported recent achievements with high levels of financial assistance, especially from IDB and IMF, but also from the Bank after 1997.

Figure 4.1: Multilateral and IMF Net Financial Flows



4.10 *The International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency's (MIGA) portfolios are relatively small*. As of March 31, 2000, IFC's active portfolio consists of only US$20.5 million in four projects, two of which date back to 1991/92 approvals. A third project is a follow-on investment made in an old-client company—first investment in 1980—and only the fourth one involves a relatively recent first-time investment, approved in 1995. Opportunities for IFC to expand depend upon the success of ongoing reforms to enhance private sector development. MIGA has only two guaranty operations for risks associated with the expropriation or transfer of funds in the financial sector.

Efficiency

4.11 *High cost per dollar lent due to small size.* The cost of operation of the Bank lending program in Uruguay is relatively high in comparison with other upper-middle income Latin American countries mainly because of the small size of its projects. Total operational costs (lending, dropped, scheduled and unscheduled ESW, and supervision costs) per each US$1,000 of commitments is shown below. With the exception of Chile, for which operating costs have changed little while commitments are decreasing rapidly, the cost per dollar disbursed in Uruguay is the highest of the group. A small increase in net disbursements over the 1994-1999 period (in relation to 1988-1993) explain a reduction in the cost per dollar disbursed in Uruguay, since total operating costs have remained unchanged. If we examine total costs per dollar disbursed in projects with satisfactory outcome (instead of dollars disbursed), we observe that, in spite of the small size of Uruguay projects, the cost per dollar is below the average for Latin America in the 1994-99 period. This is a consequence of the satisfactory outcome of Uruguay projects (100 percent), a much better result than in the rest of Latin America.

Table 4.1: Uruguay and Upper-Middle Income Latin American Countries. Total Cost of the Assistance Strategy per Dollar Committed in Loans with Satisfactory Development Outcome for Projects Approved Between FY88-FY99.

	1988-1993					*1994-1999*				
Country	*Total Cost*	*US$ Net Commit (million)*	*US$ Sat. Net Commit (million)*	*Cost/US$ Commit (x1000)*	*Cost/US$ Sat Comit (x1000)*	*Total Cost*	*US$ Net Commit (million)*	*US$ Sat. Net Commit (million)*	*Cost/US$ Commit (x1000)*	*Cost/US$ Sat Comit (x1000)*
Argentina	17.92	1,766.55	1,492.80	10.14	12.00	30.77	8,852	7,908	3.48	3.89
Brazil	33.77	4,670.26	3,326.14	7.23	10.15	42.47	6,040	5,704	7.03	7.45
Chile	8.24	7,421.59	6,423.10	1.11	1.28	6.74	339	339	19.89	19.90
Mexico	28.11	11,029.39	10,670.72	2.55	2.63	31.22	7,076	5,770	4.41	5.41
Uruguay	4.80	419.18	419.18	11.44	11.44	4.79	518	518	9.24	9.24
LAC	188.51	29,512.40	24,630.05	6.39	7.65	270.69	30,235	25,776	8.95	10.50

Source: PBD and OED

Institutional Development

4.12 *OED rates institutional development as substantial.* OED data shows that about 96 percent of total US$ lent to Uruguay in FY91-99 achieved ratings of substantial institutional development impact, the highest percentage for all Latin America (Annex Table 9). This excellent result is expected to continue as the flexible design of recent Bank's operations, after CAS 97, has allowed maximum benefit from a full ownership of the reform program.

Sustainability

4.13 *OED rates sustainability as uncertain.* OED data shows that only 42 percent of total US$ lent to Uruguay in FY91-99 achieved ratings of likely. This is one of the lowest percentages for all Latin America (Annex Table 9). This result is confirmed by OED's general appreciation that the reform program in Uruguay is still incomplete. In particular, many institutions in the banking system are weak, reforms in the financial system are incomplete, the institutional capacity of the regulatory agency needs major strengthening to improve supervision of public banks and there are no effective mechanisms to allow for an orderly market exit of insolvent banks. Meanwhile, the country is a small open economy with a relatively free door for capital transactions, dependent on net capital flows, and vulnerable to terms of trade fluctuations and the economic performance of Argentina and Brazil. On the other side, the Uruguayan traditional consensus style of policymaking has meant that, once reforms are implemented, they become practically irreversible, therefore highly sustainable.

5. Conclusion and Recommendations

Conclusion

5.1 OED concludes that the 1997 country assistance strategy for Uruguay was based on a good diagnosis of economic, social and political issues in the country. The strategy adequately recognized the role of other lending institutions and effectively reflected evaluation lessons. The strategy was elaborated after a period of relatively difficult dialogue that led to negative net disbursements during 1993-97, but the region has implemented a highly effective assistance strategy since then. Consequently, the results from the Bank's recent experience show highly satisfactory development outcome. The agenda for development, however, is still large and the economy is highly vulnerable to changes in terms of trade, capital flows and the economic performance of Brazil and Argentina, while banking institutions are weak and poorly regulated. This vulnerability and the incomplete development agenda have led the government to be appropriately concerned with seeing a repeat of negative net disbursements in the near future.

Recommendations

5.2 *The Bank should continue to have flexibility in the design of operations and appropriate timing of actions.* Flexibility in the design of operations has been the main factor explaining the highly successful outcome of the 1997 country assistance strategy. Such flexibility led to good results because it allowed the government to assume full ownership of its program. As the Bank and the government agreed on broad indicators of effectiveness and the government itself has had a greater reign to decide what is in its best interests and how to achieve the agreed results, ownership and outcomes have been—and are expected to be—highly satisfactory.

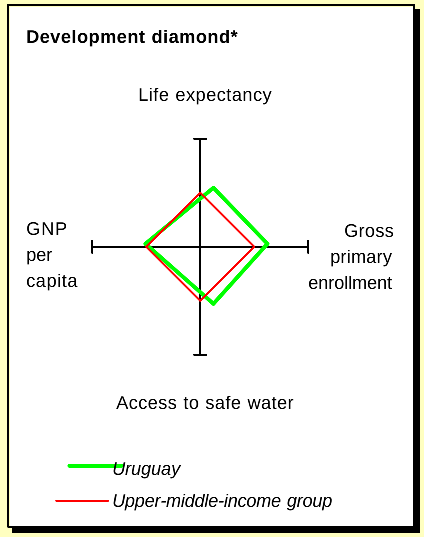
5.3 *The country assistance strategy for fiscal 2001-04 should continue to support access to education*. The Bank first and second basic education projects have been highly successful at improving access of the poor to education, but recent surveys show a deteriorating quality of education in rural areas where serious pockets of poverty still remain. In addition, education received by students in secondary and technical schools is of very low quality, with a high proportion of students dropping out of school, high repetition rates and a serious disconnect between the education received and the demands posed by the labor market. Most of the education received at secondary and vocational levels is providing little of the skills needed to get a job in a labor market that is adjusting quickly to the needs of Mercosur. Consequently, Bank's management should consider to continue supporting basic and secondary education.

5.4 *The country assistance strategy should continue to support private sector development and financial markets.* These are areas of high priority for the government who is seeking assistance from the Bank. The Bank has so far been highly successful at supporting the government's agenda for private sector development and, especially, financial sector reform and capital market development. Given the political opposition to privatization after the 1992 referendum (paragraph 2.4), the Bank has helped the government achieve greater private sector participation through concessions, improving the regulatory system and decreasing the monopoly power enjoyed by some state enterprises. After many years of difficult policy dialogue, the government has learned to appreciate the Bank's recent assistance to improve private sector participation and financial sector reforms. A continuation of the assistance provided in the past is needed to complete the remaining substantial agenda, prevent erasing the benefits already achieved and decrease existing economic vulnerabilities.

Annex Table 1 - Uruguay at a glance

#######

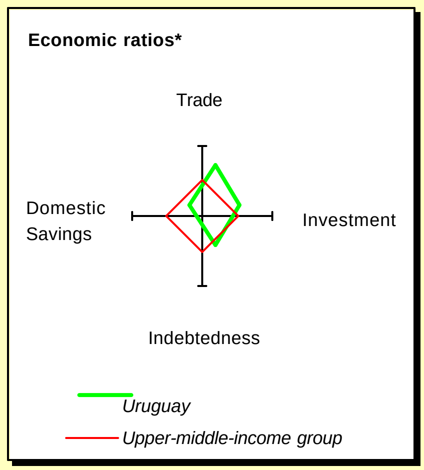
POVERTY and SOCIAL	Uruguay	Latin America & Carib.	Upper-middle-income
1998			
Population, mid-year *(millions)*	3.3	502	588
GNP per capita *(Atlas method, US$)*	6,180	3,940	4,860
GNP *(Atlas method, US$ billions)*	20.3	1,978	2,862
Average annual growth, 1992-98			
Population *(%)*	0.7	1.6	1.4
Labor force *(%)*	1.1	2.3	2.0
Most recent estimate (latest year available, 1992-98)			
Poverty *(% of population below national poverty line)*	..	..	..
Urban population *(% of total population)*	91	75	77
Life expectancy at birth *(years)*	74	70	70
Infant mortality *(per 1,000 live births)*	16	32	27
Child malnutrition *(% of children under 5)*	4	8	..
Access to safe water *(% of population)*	89	75	79
Illiteracy *(% of population age 15+)*	3	13	11
Gross primary enrollment *(% of school-age population)*	109	113	108
Male	109	..	..
Female	108	..	..



KEY ECONOMIC RATIOS and LONG-TERM TRENDS

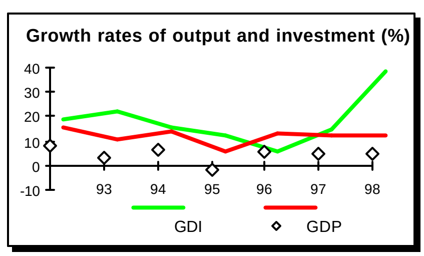
	1977	1987	1997	1998
GDP *(US$ billions)*	4.1	7.3	20.0	20.8
Gross domestic investment/GDP	21.5	14.3	12.8	15.8
Exports of goods and services/GDP	19.9	21.6	22.6	21.9
Gross domestic savings/GDP	18.7	16.7	12.5	15.3
Gross national savings/GDP	17.2	12.7	11.9	14.6
Current account balance/GDP	-4.1	-7.0	-1.4	-1.9
Interest payments/GDP	1.5	3.7	1.7	1.6
Total debt/GDP	27.0	58.6	33.3	32.8
Total debt service/exports	36.1	36.5	15.6	..
Present value of debt/GDP	..	..	32.1	..
Present value of debt/exports	..	..	133.3	..

	1977-87	1988-98	1997	1998	1999-03
(average annual growth)					
GDP	-0.3	3.7	5.1	4.5	4.0
GNP per capita	-1.5	3.2	4.2	3.2	3.3
Exports of goods and services	3.3	8.2	13.1	1.6	8.0

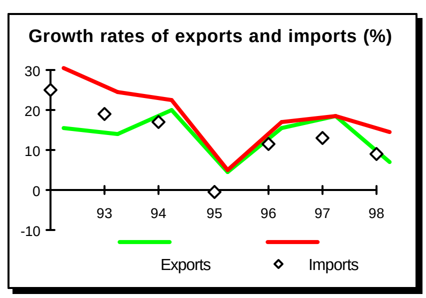


STRUCTURE of the ECONOMY

	1977	1987	1997	1998
(% of GDP)				
Agriculture	16.1	13.7	8.5	8.5
Industry	31.9	35.8	27.1	27.5
Manufacturing	25.1	28.9	18.3	17.8
Services	52.0	50.5	64.4	64.0
Private consumption	68.5	70.0	73.8	71.0
General government consumption	12.7	13.2	13.7	13.7
Imports of goods and services	22.7	19.2	22.8	22.5



	1977-87	1988-98	1997	1998
(average annual growth)				
Agriculture	0.8	4.1	-1.2	5.6
Industry	-1.4	0.9	5.5	5.3
Manufacturing	-1.3	-0.1	5.8	2.3
Services	0.3	5.0	6.1	3.9
Private consumption	-0.4	5.2	6.0	3.8
General government consumption	2.6	2.2	2.8	3.3
Gross domestic investment	-8.3	9.2	7.1	31.3
Imports of goods and services	-1.5	12.6	13.2	9.0
Gross national product	-0.9	4.0	5.0	3.9



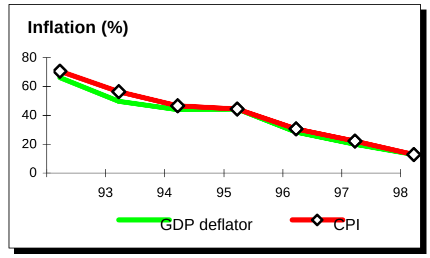
Note: 1998 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

Uruguay

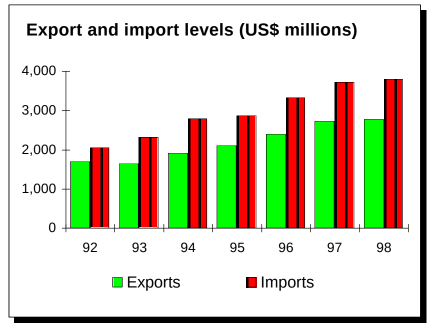
PRICES and GOVERNMENT FINANCE

	1977	1987	1997	1998
Domestic prices				
(% change)				
Consumer prices	..	66.7	19.9	10.8
Implicit GDP deflator	55.6	72.8	17.7	10.7
Government finance				
(% of GDP, includes current grants)				
Current revenue	..	16.3	20.3	20.7
Current budget balance	..	0.5	0.2	0.9
Overall surplus/deficit	..	-1.3	-1.8	-1.5



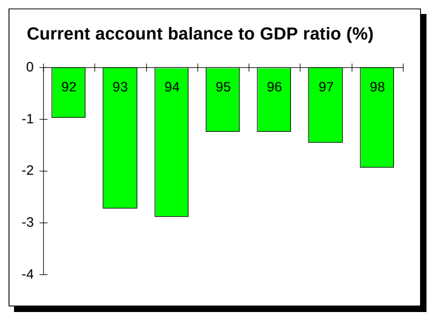
TRADE

	1977	1987	1997	1998
(US$ millions)				
Total exports (fob)	..	1,182	2,726	2,769
Wool	..	257	729	823
Meat	..	99	478	440
Manufactures	..	623	1,224	1,244
Total imports (cif)	..	1,142	3,716	3,808
Food	..	93	..	..
Fuel and energy	..	176	492	512
Capital goods	..	341	1,314	1,406
Export price index *(1995=100)*	..	76	95	94
Import price index *(1995=100)*	..	109	100	94
Terms of trade *(1995=100)*	..	70	95	100



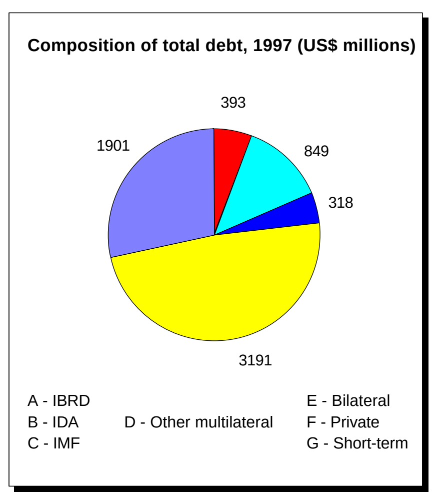
BALANCE of PAYMENTS

	1977	1987	1997	1998
(US$ millions)				
Exports of goods and services	808	1,589	4,217	4,225
Imports of goods and services	914	1,804	4,386	4,507
Resource balance	-106	-214	-169	-282
Net income	-68	-307	-193	-185
Net current transfers	7	8	74	67
Current account balance	-167	-513	-287	-400
Financing items (net)	334	597	618	762
Changes in net reserves	-167	-84	-330	-362
Memo:				
Reserves including gold *(US$ millions)*	..	..	2,149	2,511
Conversion rate *(DEC, local/US$)*	4.68E-3	0.2	9.4	10.5



EXTERNAL DEBT and RESOURCE FLOWS

	1977	1987	1997	1998
(US$ millions)				
Total debt outstanding and disbursed	1,105	4,299	6,652	6,831
IBRD	76	301	393	488
IDA	0	0	0	0
Total debt service	296	618	742	..
IBRD	14	45	96	0
IDA	0	0	0	0
Composition of net resource flows				
Official grants	0	3	7	..
Official creditors	-19	72	189	..
Private creditors	85	164	471	..
Foreign direct investment	66	45	113	164
Portfolio equity	21	13	174	419
World Bank program				
Commitments	0	105	201	193
Disbursements	4	63	50	144
Principal repayments	8	25	68	64
Net flows	-4	38	-18	80
Interest payments	6	20	28	28
Net transfers	-10	18	-45	52



Annex Table 2 - Uruguay Social Indicators

	Latest single year			Same region/income group	
	1970-75	1980-85	1992-97	Latin America & Caribbean	Upper-middle-income
POPULATION					
Total population, mid-year (millions)	2.8	3.0	3.3	493.9	574.0
Growth rate (% annual average)	0.1	0.6	0.6	1.4	1.3
Urban population (% of population)	83.1	87.2	90.7	74.2	73.8
Total fertility rate (births per woman)	3.0	2.6	2.4	2.7	2.5
POVERTY					
(% of population)					
National headcount index	..	..	..	..	..
Urban headcount index	..	..	..	..	..
Rural headcount index	..	..	..	..	..
INCOME					
GNP per capita (US$)	1,440	1,510	6,130	3,940	4,540
Consumer price index (1995=100)	0	1	154	123	117
Food price index (1995=100)	..	1	146	..	..
INCOME/CONSUMPTION DISTRIBUTION					
Gini index	..	..	..	..	..
Lowest quintile (% of income or consumption)	..	..	..	..	..
Highest quintile (% of income or consumption)	..	..	..	..	..
SOCIAL INDICATORS					
Public expenditure					
Health (% of GDP)	..	..	1.9	2.8	3.0
Education (% of GNP)	3.9	2.8	3.3	3.7	4.8
Social security and welfare (% of GDP)	10.7	12.0	19.1	7.4	7.9
Net primary school enrollment rate					
(% of age group)					
Total	..	88	93	91	94
Male	..	..	92	..	..
Female	..	..	93	..	..
Access to safe water					
(% of population)					
Total	98	83	89	75	..
Urban	100	95	..	83	..
Rural	87	27	..	36	..
Immunization rate					
(% under 12 months)					
Measles	..	59	80	93	92
DPT	..	63	88	82	82
Child malnutrition (% under 5 years)	..	..	4	8	..
Life expectancy at birth					
(years)					
Total	69	71	74	70	70
Male	66	68	70	66	67
Female	72	75	78	73	73
Mortality					
Infant (per thousand live births)	46	33	16	32	30
Under 5 (per thousand live births)	57	42	20	41	38
Adult (15-59)					
Male (per 1,000 population)	183	176	171	189	193
Female (per 1,000 population)	98	91	76	116	116
Maternal (per 100,000 live births)	..	56	..	..	..

1999 World Development Indicators CD-ROM, World Bank

ANNEX TABLE 3 - KEY ECONOMIC INDICATORS - URUGUAY vs. UPPER MIDDLE-INCOME COUNTRIES

Indicator	Uruguay Average period	*SMALL COUNTRIES (Population < 5 million)*						*LARGE COUNTRIES (Population >5 million)*							
		Oman Average period	**Slovenia Average period (1)**	**Mauritius Average period**	**Gabon Average period**	**Trinidad and Tobago Average period**	**Croatia Average period (1)**	**Argentina Average period**	**Brazil Average period**	**Chile Average Period**	**Mexico Average Period**	**Czech Republic Average period**	**Hungary Average period**	**Malaysia Average period**	**Saudi Arabia Average period (2)**
GNP growth (annual %)	**4.5**	6.0	4.2	5.1	2.8	2.9	6.0	5.8	1.2	8.1	2.2	-1.1	-0.8	7.0	2.5
GNP per capita growth (annual %)	**3.7**	0.8	4.4	4.1	0.0	2.2	0.8	4.4	0.0	6.2	0.3	-1.1	-0.5	4.4	-1.3
GNP per capita, Atlas method (current US$) 1998 only.	**6070**	..	9780	3730	4170	4520	4620	8030	4630	4990	3840	5150	4510	3670	6910
GNP per capita, PPP (current international $)	**7933**	8138	10552	7958	6127	5812	8138	8704	5677	9952	7479	9453	6216	6239	10818
Population growth (annual %)	**0.7**	4.3	-0.1	1.0	2.4	1.0	4.3	1.0	1.3	1.7	2.0	-0.1	0.0	2.2	3.2
Current account balance (% of GDP)	**-0.8**	-2.5	2.3	-2.4	1.7	3.8	-2.5	-1.4	-1.1	-3.1	-4.0	-3.6	-3.8	-5.8	-8.6
Aid (% of GNP)	**0.5**	0.7	0.2	1.4	2.8	0.3	0.7	0.0	0.0	0.0	0.0	0.1	0.4	0.3	0.0
Gross domestic savings (% of GDP)	**13.9**	28.2	23.1	24.2	41.8	23.9	28.2	17.6	20.6	25.4	21.2	28.6	20.9	39.2	30.3
Gross domestic investment (% of GDP)	**13.1**	16.6	20.7	28.6	24.2	17.1	16.6	18.1	20.8	25.6	23.0	29.8	22.6	37.9	20.8
World Bank Net Disbursements (US$ million) (*)	**6.8**	-5.9	-4.5	-9.9	2.7	6.6	-5.9	417.5	-371.1	-100.9	394.1	52.0	19.6	-36.3	0.0
World Bank Net Disbursements per capita (current US$)	**2.4**	-2.9	-2.2	0.0	2.8	5.2	-2.9	12.1	-2.4	-7.0	4.8	5.0	1.8	-1.7	0.0
Private investment (% of GDFI)	**71.9**	..	87.0	70.4	75.3	86.6	..	93.8	85.1	79.1	80.7	..	..	67.2	..
Social Indicators															
Illiteracy rate, adult total (% of people 15+)	**2.6**	33.0	0.0	17.0	0.0	2.0	33.0	4.0	16.0	5.0	10.0	0.0	1.0	14.0	27.0
Immunization, DPT (% of children under 12 months)	**88.0**	99.0	91.0	89.0	41.0	90.0	99.0	85.0	79.0	91.0	83.0	98.0	100.0	91.0	92.0
Life expectancy at birth, total (years)	**73.7**	73.0	75.0	71.0	52.0	73.0	73.0	73.0	67.0	75.0	72.0	74.0	71.0	72.0	71.0
Mortality rate, infant (per 1,000 live births)	**16.4**	18.0	5.0	18.0	87.0	12.0	18.0	22.0	34.0	11.0	31.0	6.0	10.0	11.0	21.0
Safe water (% of population with access)	**89.0**	88.0	98.0	100.0	67.0	96.0	88.0	65.0	72.0	85.0	83.0	0.0	0.0	90.0	93.0
School enrollment, primary (% gross)	**108.8**	86.0	109.0	109.0	0.0	98.0	86.0	113.0	123.0	101.0	115.0	104.0	103.0	104.0	78.0
Population density (people per sq km)	**18.5**	10.0	99.0	559.0	4.0	253.0	10.0	13.0	19.0	19.0	49.0	134.0	112.0	64.0	9.0
Urban population (% of total)	**90.9**	81.0	52.0	41.0	53.0	73.0	81.0	89.0	80.0	84.0	74.0	66.0	66.0	56.0	85.0

Source: SIMA - WDI and GDF Indicators 1999

(*) With the exception of Slovenia (1990-1998), World Bank Net Disbursements and World Bank Net Disbursements per capita only conver period 1990-1997

(1) Croatia and Slovenia Economic Data is only available from 1990 onwards.

(2) Not a Bank borrower.

Annex Table 4: ESW List (1985-1998)

Report title	*Economic or Sector Report*	*Date*	*Report #*	*Cover Type*
Operational Strategy Note : Education Sector.	Sector	4/12/1999	17816	Green
Towards a new role for the state in Uruguay's utilities.	Sector	6/16/1997	16154	Gray
Country economic memorandum.	Economic	1/22/1996	14263	Gray
A background note on poverty and living conditions.	Sector	6/18/93	19215	Green
Private sector assessment.	Sector	5/4/1993	11648	Gray
Macroeconomic assessment.	Economic	4/1/1993	10639	Gray
Housing sector note.	Sector	3/6/1992	9924	Green
Environmental issues paper.	Sector	8/21/1991	9710	Yellow
Poverty assessment : public social expenditures and their impact on the income distribution.	Sector	6/13/1991	9663	Gray
Employment and wages.	Sector	5/4/1991	9608	Yellow
Containerization on the east coast of South America.	Sector	7/25/1990	8846	Yellow
Financial sector development and restructuring issues.	Economic	6/27/1990	8899	Yellow
Agricultural sector review.	Sector	1/17/1989	7502	Green
Regional financial sector report : lessons of financial liberalization in Asia: a comparative study.	Sector	11/23/1988	7512	Yellow (cancel)
Country economic memorandum.	Economic	11/14/1988	7424	Gray
An inquiry into social security : its evolution, current problems and prospects.	Sector	6/1/1988	7067	Gray
Public sector investment review.	Economic	5/1/1988	7030	Gray
Transport sector strategy paper.	Sector	5/11/1987	6747	Green
Country economic memorandum.	Economic	8/12/1986	6054	Gray

Annex Table 5: OED Summary Ratings for Uruguay For Projects Approved Since 1985				
OED OUTCOME RATINGS (*)				
Satisfactory Outcome 1985-1989	*Number*	*Percent*	*Value $m*	*Percent*
Total Satisfactory Outcome	9	90%	511	85%
Region	149	69%	17480	73%
Bank-wide or IDA	729	65%	60617	71%
Satisfactory Outcome 1990-1993				
Total Satisfactory Outcome	3	100%	139	100%
Region	97	78%	13310	89%
Bank-wide or IDA	405	70%	42275	82%
Satisfactory Outcome 1994-1999				
Total Satisfactory Outcome	2	100%	99	100%
Region	33	87%	4341	78%
Bank-wide or IDA	143	82%	19003	87%
OED SUSTAINABILITY RATINGS				
Likely Sustainability 1985-1989	*Number*	*Percent*	*Value $m*	*Percent*
Total Likely Sustainability	9	90%	436	85%
Region	116	53%	16246	68%
Bank-wide or IDA	510	45%	48514	57%
Likely Sustainability 1990-1993				
Total Likely Sustainability	3	100%	139	100%
Region	74	60%	10439	70%
Bank-wide or IDA	290	50%	32286	63%
Likely Sustainability 1994-1999				
Total Likely Sustainability	0	0%	0	0%
Region	20	53%	3636	66%
Bank-wide or IDA	95	54%	15329	70%
OED INSTITUTIONAL DEVELOPMENT RATINGS				
Substantial ID 1985-1989	*Number*	*Percent*	*Value $m*	*Percent*
Total Substantial ID	6	60%	334	65%
Region	72	33%	8622	36%
Bank-wide or IDA	321	28%	28455	33%
Substantial ID 1990-1993				
Total Substantial ID	1	33%	65	47%
Region	54	44%	8338	56%
Bank-wide or IDA	218	37%	23878	46%
Substantial ID 1994-1999				
Total Substantial ID	1	50%	99	50%
Region	21	55%	3742	68%
Bank-wide or IDA	66	38%	8011	36%

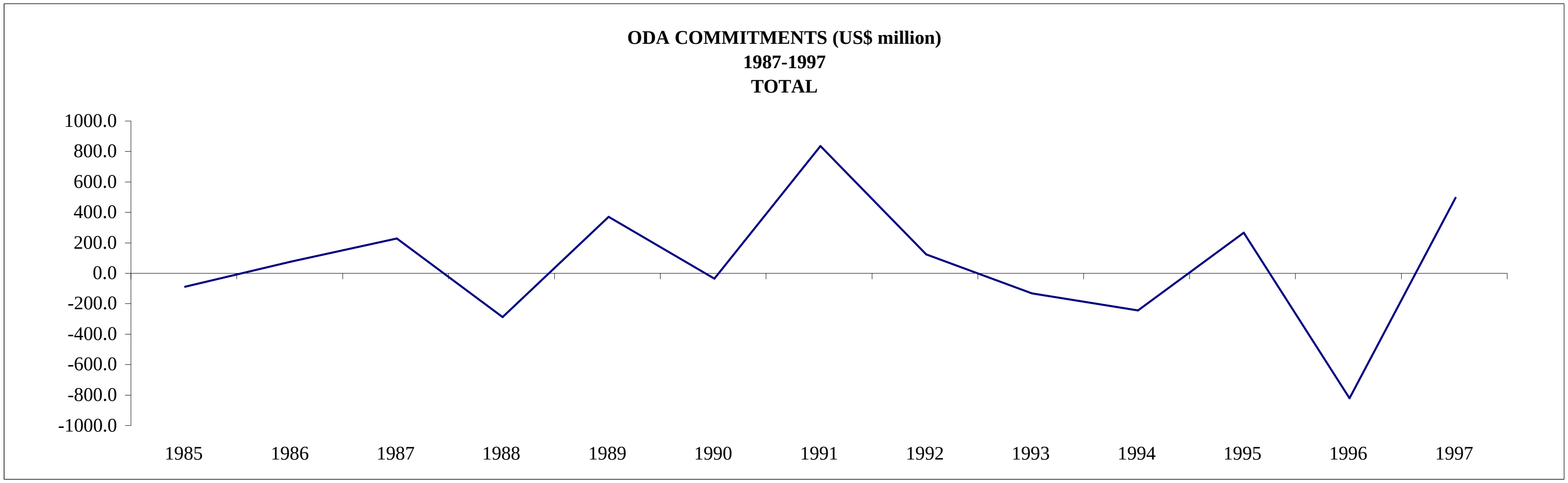
Annex Table 6: World Bank Project Ratings Sorted by Sector, Evaluated between FY94-FY99

				OED Information								QAG Inf.	
Project	*Name of Project*	*Appr FY*	*Amount*	*Closing FY*	*ARPP exit FY*	*Commit.*	*Cancel.*	*Latest eval. type*	*Outcome*	*Sust.*	*Institutional dev impact*	*DO*	*ID*
P008130	AGRIC SECTOR	1985	60	1987	1986	60.0	0.0	PAR	Unsatisfactory	Uncertain	Negligible		
P008131	POWER ENG	1985	4	1990	1990	4.0	0.0	PCR	Satisfactory	Likely	Substantial		
P008135	POWER PLANT REHAB	1986	45	1998	1998	67.7	25.0	ES	Satisfactory	Likely	Modest		
P008132	REFINERY MOD/GAS CNV	1987	24	1995	1995	24.4	0.0	EVM	Satisfactory	Likely	Modest		
P008142	STRUC ADJ I	1987	80	1989	1989	80.0	0.0	PAR	Satisfactory	Likely	Substantial		
P008150	TECH ASST	1987	1	1992	1992	1.0	0.1	PAR	Satisfactory	Likely	Substantial		
P008138	WTR SUPPLY RHB	1988	22	1999	1999	22.3	0.0	ES	Satisfactory	Likely	Modest		
P008143	TRNSPRT PROJ I	1989	81	1998	1998	80.8	0.4	ES	Satisfactory	Likely	Substantial		
P008145	SAL II	1989	140	1993	1993	140.0	0.0	PAR	Satisfactory	Likely	Substantial		
P008157	T.A. II	1989	7	1996	1996	6.5	1.0	PAR	Satisfactory	Likely	Substantial		
P008133	AGRICULTURAL DEV.	1990	65	1998	1998	65.0	0.0	ES	Satisfactory	Likely	Modest		
P008146	POWER MODERNIZATION	1990	63									S	S
P008170	DDSR SUPPORT	1991	65	1994	1993	65.0	0.0	PAR	Satisfactory	Likely	Substantial		
P008169	PUB ENT REFORM	1993	11	1997	1997	11.0	4.4	ES	Satisfactory	Likely	Modest		
P008171	UY-BASIC ED. QUALITY IMPROV.	1994	32									HS	HS
P008173	IRRG NAT RES MGMT	1994	41									S	S
P008175	PRIV SCTR DEVT	1994	35	1998	1997	35.0	35.0	EVM	Not Rated	Not Rated	Not Rated		
P008161	UY-HEALTH SECTOR DEV.	1995	16									S	S
P008177	POWER TRNMSN & DIST.	1996	125									S	S
P039203	FOREST PROD.TSP	1997	76									S	S
P050717	CONTRACTUAL SAVINGS	1998	100	1998	1998	100.0	0.0	ES	Highly Satisfacto	Uncertain	Substantial		
P041994	UY-BASIC EDUC. QUALITY 2	1999	28									S	S
P049267	TRANSPORT II	1999	65									S	S
			1186										

Source: OED Database

Annex Table 7: Bilateral ODA Net Commitments (in US$ million)

Year	*1985*	*1986*	*1987*	*1988*	*1989*	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*
Donor													
AUSTRIA	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.0	0.2	0.0
BELGIUM	-2.8	0.0	-8.6	-3.6	-0.2	7.0	180.4	13.8	-10.1	38.8	4.8	-28.9	8.9
CANADA	-0.3	-12.1	1.0	1.3	1.4	1.3	1.7	1.4	1.5	1.0	1.2	1.2	1.6
DENMARK	-2.4	-0.1	0.4	-0.1	-0.1	-0.1	0.6	-0.4	0.0	0.0	-0.1	0.0	0.0
FINLAND	-0.4	0.0	0.0	-0.3	-0.3	0.0	12.2	1.6	6.2	0.6	0.0	-1.0	0.0
FRANCE	-3.4	-4.6	18.1	18.4	48.0	44.5	0.7	41.6	-10.2	38.0	20.6	-484.0	11.0
GERMANY	6.0	19.8	13.7	14.3	3.2	51.1	-25.0	2.7	-8.7	7.6	119.8	5.2	30.8
ITALY	-0.2	-0.3	-2.3	9.7	5.7	4.9	25.1	13.6	27.5	5.7	15.9	4.0	-1.2
JAPAN	0.6	4.6	5.8	8.0	23.7	9.6	-26.9	8.4	25.2	104.4	16.1	64.9	17.5
NETHERLANDS	4.0	0.3	42.5	18.0	1.2	17.1	3.6	-25.5	27.8	-52.6	-21.4	-49.1	-47.3
NORWAY	0.0	0.2	0.1	0.0	0.0	0.1	0.1	0.3	0.1	0.1	0.2	0.1	0.0
SPAIN	0.2	-1.9	0.8	-1.2	-1.3	5.2	-1.0	14.7	31.2	43.7	22.4	13.7	-16.5
SWEDEN	4.0	6.3	1.8	1.0	1.8	0.1	0.1	1.2	2.0	0.1	1.4	0.2	8.7
SWITZERLAND	-0.2	0.0	0.0	0.1	0.1	0.1	0.1	0.1	27.4	41.1	74.5	-120.0	-154.6
UNITED KINGDOM	-0.6	2.8	1.6	3.2	-2.3	3.7	2.4	-1.6	-10.7	13.9	19.7	15.9	14.8
UNITED STATES	-155.0	1.0	92.0	-417.0	228.0	-241.0	600.0	-10.0	-303.0	-548.0	-70.0	-305.0	561.0
DAC DONORS	***-150.6***	***15.9***	***167.0***	***-348.3***	***309.1***	***-96.5***	***774.3***	***62.2***	***-193.8***	***-305.4***	***205.3***	***-882.6***	***435.0***



Source: OECD Database - Geographical Distribution of Financial Flows.

Annex Table 8: Bank Management for Uruguay, 1985 - 1999

Year	*Vice President*	*Country Director*	*Country Operations Division Chief*
1990	S. Shahid Husain	Pieter P.Bottelier	Suman K.Bery
1991	S. Shahid Husain	Pieter P.Bottelier	Suman K.Bery
1992	S. Shahid Husain	Ping-Cheung Loh	Suman K.Bery
1993	S. Shahid Husain	Ping-Cheung Loh	Donna Dowsett-Coirolo
1994	Shahid Javed Burki	Ping-Cheung Loh	Donna Dowsett-Coirolo
1995	Shahid Javed Burki	Gobind T. Nankani	Paul M. Meo
1996	Shahid Javed Burki	Gobind T. Nankani	Danny Leipziger
1997	Shahid Javed Burki	Gobind T. Nankani	John M. Underwood
1998	Shahid Javed Burki	Myrna Alexander	Paul Levy
1999	David de Ferranti	Myrna Alexander	Paul Levy

* Regional Implementation Mission

Annex Table 9: OED Ratings for Selected Countries, FY91-FY99

Country	Outcome				Institutional Development Impact				Sustainability			
	Total eval. $m	% Satisf.	o/w Adjust. $m	% Satisf. Adj.	Total eval. $m	% Substan.	o/w Adjust. $m	% Substan. Adj.	Total eval. $m	% Likely	o/w Adjust. $m	% Likely Adj.
before 1991												
Bank wide	201046	72	34534	68	201046	25	34534	30	201046	40	34534	44
LAC	52164	61	11909	73	52164	26	11909	44	52164	46	11909	73
Argentina	3561	39	1146	26	3561	24	1146	31	3561	62	1146	69
Uruguay	782	88	280	79	782	65	280	79	782	43	280	79
Chile	2334	91	750	100	2334	60	750	100	2334	82	750	100
Mexico	15342	80	5012	100	15342	40	5011	70	15342	61	5041	100
Brazil	14755	57	1135	42	14755	19	833	0	14755	34	1135	42
Hungary	2278	98	488	100	2278	59	488	59	2278	94	488	100
Czech Republic	--	--	--	--	--	--	--	--	--	--	--	--
Indonesia	14259	87	950	100	14259	43	--	--	14259	60	950	100
Malaysia	2198	87	--	--	2198	33	--	--	2198	56	--	--
1991-1999												
Bank wide	57697	87	34996	88	57697	43	34996	42	57697	67	34996	71
LAC	15801	86	9475	85	15801	60	9475	66	15801	69	9475	74
Argentina	4306	98	3725	100	4306	78	3725	80	4306	90	3725	91
Uruguay	172	100	165	100	172	96	165	100	172	42	165	39
Chile	205	84	--	--	205	21	--	--	205	96	--	--
Mexico	4769	72	2100	52	4769	41	2100	38	4769	62	2100	52
Brazil	1267	85	--	--	1267	34	--	--	1267	47	--	--
Hungary	878	95	600	100	878	95	600	100	877	95	600	100
Czech Republic	460	100	450	100	460	98	450	100	10	100	450	100
Indonesia	2242	72	250	100	2242	32	250	100	1992	34	250	100
Malaysia	295	100	--	--	295	70	--	--	295	100	--	--

* Source: OED database as of March 1, 2000