

REPÚBLICA ORIENTAL
DEL URUGUAY



MINISTERIO
DE
ECONOMÍA Y FINANZAS

MINISTERIO DE ECONOMIA Y FINANZAS.-
MINISTERIO DE RELACIONES EXTERIORES.-
MINISTERIO DE GANADERÍA AGRICULTURA Y PESCA.-

Montevideo, 21 FEB. 2007

07/07/001/0/202

VISTO: el proyecto de Contrato de Préstamo a celebrarse entre la República Oriental del Uruguay y el Banco Internacional de Reconstrucción y Fomento (B.I.R.F.), por el cual se otorga financiamiento adicional para el Proyecto de Asistencia de Emergencia para la Erradicación de la Fiebre Aftosa.-

RESULTANDO: que con fecha 19 de diciembre de 2006, el Directorio del Banco Mundial aprobó el correspondiente préstamo, por un monto de U\$S 6:500.000,00 (seis millones quinientos mil dólares de los Estados Unidos de América), que será amortizado en un plazo de quince años, con cinco años de gracia y con una tasa de interés variable.-

CONSIDERANDO: que corresponde aprobar el respectivo Contrato de Préstamo, que será suscrito en representación del país por el Señor Ministro de Economía y Finanzas, Cr. Danilo Astori.-

ATENTO: a lo dispuesto por el artículo 145 de la ley N° 15.851, de 24 de diciembre de 1986 y por el Decreto N° 586/93, de 27 de diciembre de 1993.-

EL PRESIDENTE DE LA REPUBLICA
RESUELVE:

1º) Apruébase el proyecto de Contrato de Préstamo a celebrarse entre la República Oriental del Uruguay y el Banco Internacional de Reconstrucción y Fomento (B.I.R.F.), por un monto de U\$S 6:500.000,00 (seis millones quinientos mil dólares de los Estados Unidos de América), en calidad de financiamiento adicional para el Proyecto de Asistencia de Emergencia para la Erradicación de la Fiebre Aftosa (PAEFA), cuyo texto constituye parte integrante de la presente resolución.-

2º) El referido contrato será otorgado y suscrito en nombre y representación del país por el Señor Ministro de Economía y Finanzas, Cr. Danilo Astori.-

3º) Designase indistintamente a los Dres. Ricardo Pérez Blanco y Marcos Alvarez Rego, para que expidan por la República los dictámenes jurídicos correspondientes.-

4º) Dése cuenta a la Asamblea General.-

RPI/.../adg

5º) Comuníquese, etc..-

David Montoya

Alfonso

Francisco

Tabaré Vázquez

Dr. Tabaré Vázquez
Presidente de la República

1

URUGUAY

FOOT AND MOUTH DISEASE EMERGENCY RECOVERY PROJECT ADDITIONAL FINANCING LOAN

MINUTES OF NEGOTIATIONS

December 1, 2006

1. Representatives of the República Oriental del Uruguay ("the Borrower's Delegation") and the International Bank for Reconstruction and Development ("the Bank's Team") conducted negotiations for the Additional Financing for the Foot and Mouth Disease Emergency Recovery Project, on December 1, 2006, via audio connection between Washington, DC and Montevideo, Uruguay. A list of the participants in the negotiations is attached (Annex 1).
2. These Minutes of Negotiations summarize the main issues discussed and the main changes which the Borrower's Delegation and the Bank's Team agreed to introduce in the draft Loan Agreement between the República Oriental of Uruguay (the Borrower) and the International Bank for Reconstruction and Development (the Bank). The negotiated version of the draft Loan Agreement (dated December 1, 2006 is attached as Annex 2 to these Minutes).
3. The Borrower's Delegation asked that the Borrower's address in Section 5.02 of the Loan Agreement be modified.
4. The Borrower's Delegation discussed the disbursement arrangements and requested that amendments be made to Tables 1, 2 and 3 of the Project Paper and the Table in Section IV of Schedule 2 of the Loan Agreement in order to reflect the availability of the Borrower's resources.
5. During negotiations, the Project documents – draft Loan Agreement (Annex 2), and draft Project Paper (Annex 3), were revised to accommodate the above changes.
6. **Loan Terms.** The Borrower selected Fixed Spread Loan (FSL) in U.S. Dollars, with commitment-linked, level repayments, total term of 15 years including a grace period of 5 years, and all FSL conversion options. The front-end fee payable by the Borrower, equal to one percent of the Loan amount, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time, will be financed by the loan. The payment dates are April 15 and October 15 of each year. The Borrower's selection of loan terms is attached as Annex 5 to these Minutes. The loan terms reflected in the Loan Agreement are consistent with those selected by the Borrower.
7. **Disclosure of the Project Paper (PP).** The Borrower's Delegation has reviewed the PP and informed the Bank Team that it has no objection to its full disclosure by the Bank, once the Loan is approved by the Board of Executive Directors of the Bank.
8. **Final Agreement.** By signing these Minutes, the Borrower's Delegation confirms its acceptance of and agreement with the draft Loan Agreement and the PP.
9. **Delegation of Signature for the Recommendation of the Statutory Committee Report.** The Bank's Team confirmed that in accordance with standing authorization, Mr. Carlos Steneri, Uruguay's Financial Representative in Washington, DC, will sign the Recommendation of the Statutory Committee Report on behalf of República Oriental de Uruguay.
10. **List of Annexes:**

Annex 1 – List of Participants

Annex 2 – Revised Loan Agreement

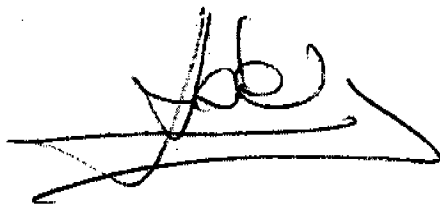
Annex 3 – Revised Project Paper (PP)

Annex 4 – Draft Disbursement Letter
Annex 5 – Loan Financial Terms Sheet

For the República Oriental of Uruguay:

Edgardo Vitale
MGAP

For the Bank:

A handwritten signature in black ink, appearing to be 'AS', written over a horizontal line.

Alvaro J. Soler
Task Team Leader

Annex 1 – List of Participants

Borrower's Delegation:

Edgardo Vitale, Task Team Leader, MGAP
Teresa Lorena
Nancy Tesoro
Mabel Pena
Mariela Maglia
Gerardo Kramer

World Bank Team:

Alvaro J. Soler, Task Team Leader, LCSER
Rolande Simone Pryce, LEGLA
Jeannette Ramirez, Operations Officer,

Annex 2 -- Revised Loan Agreement

Annex 3 – Revised Project Paper (PP)

Annex 4 – Revised Disbursement Letter

Annex 5 – Loan Terms Financial Sheet

5

**Legal Department
CONFIDENTIAL DRAFT
(Subject to Change)
Pilar González
November 22, 2006**

LOAN NUMBER ____-UR

Loan Agreement

**(Additional Financing for the
Foot and Mouth Disease Emergency Recovery Project)**

between

REPÚBLICA ORIENTAL DEL URUGUAY

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated _____, 2006

LOAN AGREEMENT

Agreement dated _____, 2006, between REPÚBLICA ORIENTAL DEL URUGUAY ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). The Borrower and the Bank hereby agree as follows:

ARTICLE I—GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Loan Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II—LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of six million five hundred thousand Dollars (\$6,500,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Commitment Charge payable by the Borrower shall be equal to three-fourths of one percent ($3/4$ of 1%) per annum on the Unwithdrawn Loan Balance; subject to any waiver of a portion of such charge as may be determined by the Bank from time to time.
- 2.04. The Front-end Fee payable by the Borrower shall be equal to one percent (1.0%) of the Loan amount, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. In the event that the Borrower selects not to capitalize the Front-end Fee, the Borrower shall pay the Front-end Fee not later than 60 days after the Effective Date.
- 2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread, subject to any

6

waiver of a portion of such interest as may be determined by the Bank from time to time; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions.

- 2.06. The Payment Dates are April 15 and October 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III—PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project through MGAP and the PEU in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall

ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV—EFFECTIVENESS

4.01. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Bank's approval of the Loan which expire on _____.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Borrower's Representative is its Minister of Economy and Finance.

5.02. The Borrower's Address is:

Ministro de Economía y Finanzas
Colonia 1089, Piso 3
Montevideo, Uruguay

With copy to:

Ministro de Ganadería, Agricultura y Pesca
Ministerio de Ganadería, Agricultura y Pesca
Constituyente 1476
CP11100
Montevideo, Uruguay

Cable:

Facsimile:

MAP
Montevideo, Uruguay

5982-915-4399

5.03. The Bank's Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423(MCI) or
64145(MCI)

1-202-477-6391

AGREED at _____, _____, as of the day and year first above written.

REPÚBLICA ORIENTAL DEL URUGUAY

By

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are: (a) to contain and mitigate the impact of the outbreak of FMD in the Borrower's territory through: (i) vaccination of cattle; (ii) strengthening of the monitoring and surveillance capacity of the Borrower to prevent future outbreaks from spreading beyond the directly affected area; and (iii) identification of alternative markets for the beef produced in the Borrower's territory in the short-run and restoring the Borrower's presence in the premium beef market in the long-run; and (b) to prevent the introduction of other trans-boundary animal diseases of large economic importance.

The Project consists of the following parts included in the Original Project, as amended below solely for purposes of the Loan:

Part 1: Monitoring, Surveillance and Control Systems: Strengthening MGAP's monitoring, surveillance and control systems, through:

(a) upgrading of existing laboratories to improve their capacity for diagnosis and sample testing;

(b) strengthening of existing sanitary barriers;

(c) scaling-up of the PTI by upgrading it into the SIRA; and

(d) scaling up and full decentralization of the SNIG, to consolidate its operation at the national level and upgrade its capacity to manage the additional information that will result from the implementation of a universal tracking system, and to develop an operational link with the SISA.

Part 2: Training, Education and Awareness

(a) Provision of training for veterinary professionals, working both in the public and private sector, in diagnosis of FMD, TSE, and avian flu;

(b) organization of simulated outbreaks of FMD and avian flu to train staff and test the effectiveness of emergency plans drawn up by the Borrower, in coordination with the Borrower's Ministry of Public Health and poultry producers;

(c) organization of various events to increase the awareness among producers of the risks of potential outbreaks of transboundary diseases and of key measures to be adopted in case of an actual outbreak, with special reference to FMD and avian flu;

8

(d) provision of training for MGAP staff, field operators of the SIRA and the SNIG and producers for the implementation and operation of the SIRA and the SNIG; and

(e) carrying out of a communication and information campaign on the merits of the SIRA and the new expanded SNIG.

Part 3: Project Coordination and Management: Support to the overall Project implementation, coordination and supervision, including, *inter alia*:

- (a) financing of incremental operational and management costs; and
- (b) financing of short-term consultants for studies and technical support.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. The Borrower shall carry out the Project in accordance with the Operational Manual.

B. The Borrower shall: (a) maintain until the completion of the Project, the PEU, with functions, responsibilities and staff acceptable to the Bank; and (b) furnish such PEU with all funds, facilities, services and other resources required for the coordination and management of the Project.

Section II. Project Monitoring, Reporting, Evaluation.

A. Project Reports

1. (a) The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the Performance Indicators. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than one month after the end of the period covered by such report.

(b) Each Project Report shall also include: (i) the financial reports referred to in Section II.B.2 below; (ii) a physical progress report; and (iii) procurement reports, all in accordance with the formats agreed with the Bank.

B. Financial Management, Financial Reports and Audits.

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank as part of the Project Report, interim un-audited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.

3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

Section III. Procurement

A. General.

1. **Goods.** All goods required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Schedule.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.
4. **Special Provisions.** Without limitation to the provisions in Section III. A.1 and A.2 of this Schedule, the following additional provisions shall govern the procurement of goods, works and consultants' services under the Project (as the case may be).
 - (a) The lowest evaluated bid shall be selected for contract award.
 - (b) Foreign bidders shall be allowed to participate in national competitive bidding.
 - (c) Foreign bidders may be required as a prerequisite for bidding to be registered with local authorities, provided, however, that: (i) the registration shall not include a prequalification; and (ii) the information to be requested from such bidders is of such nature that it will not discourage their participation.
 - (d) There shall be no prescribed minimum number of bids to be submitted in order for a contract to be subsequently awarded.
 - (e) After the public opening of bids, information relating to the examination, clarification and evaluation of bids and proposals and recommendations concerning awards shall not be disclosed to bidders or consultants or other persons not officially concerned with this process until the publication of contract award (except as provided in paragraphs 2.20 and 2.27 of the Consultant Guidelines).
 - (f) Foreign bidders shall not be required to authenticate (*legalizar*) their bidding documents or any documentation related to such bidding documents with Uruguayan authorities as a prerequisite for bidding.

(g) There shall be no preference for domestic contractors.

(h) The prices of contracts for consultants' services over one year duration may be adjusted.

(i) Foreign consultants shall not be required to authenticate (*legalizar*) their proposals or any documentation related to such proposals with Uruguayan authorities as a prerequisite for participating in the selection procedure.

(j) The invitations to bid, bidding documents, minutes of bid openings, requests for expressions of interest, the evaluation reports of bids and proposals, and contract awards of all goods, works, and consultants' services, as the case may be, shall be published in a web page acceptable to the Bank, and in a manner acceptable to the Bank.

B. Particular Methods of Procurement of Goods

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

<u>Procurement Method</u>
(a) National Competitive Bidding
(b) Shopping
(c) Direct Contracting

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Least Cost Selection
(b) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants

D. Review by the Bank of Procurement Decisions

Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank: (a) each contract for goods or works procured on the basis of International Competitive Bidding or Direct Contracting; (b) the first three contracts for goods and works procured on the basis of National Competitive Bidding and the first three such contracts procured on the basis of Shopping; (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$200,000 or more; and (d) the first three contracts for consultants' services provided by a firm estimated to cost less than the equivalent of \$200,000. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General.

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of (a) Article II of the General Conditions, (b) this Section, and (c) such additional instructions as the Bank may specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed
(1) Goods (except as covered under Categories 3 and 4 below)	1,125,000	80% of expenditures incurred up to US\$600,000 and 50% thereafter
(2) Consultants' services (except as covered under Category 3 below)	4,275,000	80% of expenditures incurred up to US\$3,700,000 and 50% thereafter
(3) Training, Education Programs and Workshops	1,000,000	80% of expenditures incurred up to US\$700,000 and 50% thereafter
(4) Operating Expenditures	100,000	80% of expenditures incurred up to US\$70,000 and 50% thereafter
(5) Front-end Fee	0	Amount payable pursuant to Section 2.04 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(6) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount payable pursuant to Section 2.08 (c) of this Agreement
TOTAL AMOUNT	6,500,000	

For purposes of this table:

(a) "Training, Education Programs and Workshops" means the reasonable cost of facilities and equipment rental, stationary, printed materials, media campaigns, travel and per diem of trainees and trainers, and training services; and

(b) "Operating Expenditures" means the reasonable cost of travel of the PEU personnel and office supplies and communications for the PEU.

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made:

- (a) from the Loan Account until the Bank has received payment in full of the Front-end Fee, if the Borrower selects not to capitalize the Front-end Fee; and
 - (b) prior to the date of this Agreement.
2. The Closing Date is December 31, 2009.

SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share"). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date[, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.]

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each April 15 and October 15 Beginning April 15, 2012 through October 15, 2021	5%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
 - (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

- 12
3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
 - (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
 4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
 5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

APPENDIX

Section I. Definitions

Unless the context otherwise requires, the several terms defined in the Original Loan Agreement and the General Conditions have the respective meaning therein set forth, and are hereby incorporated to this Agreement. Additionally, the following definitions also constitute an integral part of this Agreement:

1. "Category" means a category set forth in the table in Section IV of Schedule 4 to this Agreement.
2. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in May 2004.
3. "FMD" means foot and mouth disease.
4. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated July 1, 2005.
5. "MGAP" means *Ministerio de Ganadería, Agricultura y Pesca*, the Borrower's Ministry of Livestock, Agricultura and Fisheries, or any successor thereto.
6. "Operational Manual" means the manual referred to in Section 3.01 (b) of the Original Loan Agreement, as such manual may be amended from time to time with the prior written consent of the Bank.
7. "Original Loan Agreement" means the loan agreement for the Original Project between the Bank and the Borrower, dated August 8, 2001 (Loan No. 7070-UR), as amended on September 14, 2005.
8. "Original Project" means the Project described in Schedule 2 to the Original Loan Agreement.
9. "Performance Indicators" means the indicators for Project monitoring and evaluation, set forth in the Operational Manual.
10. "PEU" means the project executing unit established by the Borrower in accordance with the provisions of the Loan Agreement 3697-UR, entered into between the Bank and the Borrower on March 4, 1994, for the Natural Resources Management and Irrigation Development Project.
11. "Procurement Guidelines" means the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004.

12. "Procurement Plan" means the Borrower's procurement plan for the Project, dated November 6, 2006 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
13. "PTI" means the Borrower's individual livestock traceability pilot program.
14. "SIRA" means the Borrower's animal identification and registration system.
15. "SISA" means the Borrower's national animal health information system.
16. "SNIG" means the Borrower's national livestock information system.
17. "TSE" means transmissible spongiform encephalopathies.

Document of
The World Bank

FOR OFFICIAL USE ONLY

Report No: 37879-UY

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT PAPER

ON A

PROPOSED ADDITIONAL FINANCING (LOAN)

IN THE AMOUNT OF US\$6.50 MILLION

TO THE

ORIENTAL REPUBLIC OF URUGUAY

FOR A

FOOT AND MOUTH DISEASE EMERGENCY RECOVERY PROJECT

December 1, 2006

Environmentally and Socially Sustainable Development
Brazil Country Management Unit
Latin America and the Caribbean Region

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

CURRENCY EQUIVALENTS

(Exchange Rate Effective November 15, 2006)

Currency Unit = Uruguayan Peso (Ur\$)

Ur\$ 1.00 = US\$0.04

Ur\$ 24.00 = US\$1.00

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

BSE	Bovine Transmissible Spongiform Encephalopathy
CAS	Country Assistance Strategy
CAS	Southern Agricultural Council
CVP	Southern Cone Permanent Veterinary Committee
DO	Development Objective
EMSCS	Epidemiological Monitoring, Surveillance and Control System
FAO	Food and Agriculture Organization of the United Nations
FMD	Foot and Mouth Disease
RoU	Republic of Uruguay
OIE	World Organization for Animal Health
PEU	Project Execution Unit
PAEFA	Foot and Mouth Disease Emergency Recovery Assistance Project
PTI	Individual Livestock Traceability Pilot Program
MERCOSUR	Southern Common Market
MGAP	Ministry of Livestock, Agriculture and Fisheries
SIRA	Animal Identification and Registration System
SISA	National Animal Health Information System
SNIG	National Livestock Information System
TSE	Transmissible Spongiform Encephalopathies

Vice President:	Pamela Cox
Country Director:	Axel van Trotsenburg
Sector Director:	Laura Tuck
Sector Manager:	Mark E. Cackler
Sector Leader:	Carter J. Brandon
Task Team Leader:	Alvaro J. Soler

URUGUAY
FOOT AND MOUTH DISEASE EMERGENCY RECOVERY PROJECT
CONTENTS

	Page
I. Introduction	3
II. Background and Rationale for additional financing of US\$ 6.5 million.....	3
III. Proposed Changes.....	6
IV. Appraisal of Restructured and Scaled-up Project Activities	9
V. Expected Outcomes	11
VI. Financial Terms and Conditions for Additional Financing.....	12
Annex 1: Result Indicators for each Component.....	13

I. Introduction

This Project Paper seeks the approval of the Executive Directors to provide an Additional Loan in the amount of US\$6.5 million to finance the *Foot and Mouth Disease Emergency Recovery Project (FMD-ERP/PAEFA)*—Loan 7070-UR. On behalf of the Borrower, the Minister of Economy and Finance officially requested the Additional Financing in a letter dated June 22, 2006. The Republic of Uruguay (RoU) has agreed to finance about one-fourth of the total cost of activities to be implemented under the proposed Additional Financing.

The additional loan of US\$6.5 million, combined with US\$2.5 million of counterpart funds, would primarily scale up project activities to support the creation of a mandatory and full-coverage livestock tracking system in order to ensure the sustainability of its development effectiveness. Regional (Mercosur) benefits would be also be achieved by maintaining the country's virus-free status with respect to Foot and Mouth Disease (FMD), and by ensuring state-of-the-art regional information and tracking capabilities that permit an expedient dialogue with neighboring countries. Approximately 92 percent of the additional financing would be devoted to these scaling-up activities, namely 8 percent would finance the restructured aspect of the original project objectives, namely incorporating other transboundary animal diseases affecting human health and/or of economic importance that have gained importance in the past five years.

Specifically, the additional resources would be used for continued enhancement of the country's Epidemiological Monitoring, Surveillance and Control System (EMSCS) through: (i) the strengthening and improved operation of sanitary barriers; (ii) the scaling up of the National Livestock Information System (SNIG), its nationwide deployment, and full integration with MGAP's other information systems; and (iii) the national scale-up of the livestock traceability system, following the successful experience of the voluntary Pilot Individual Livestock Traceability Program (PTI). These monitoring, surveillance, and control activities would be expanded from a focus on FMD to include other transboundary animal diseases, primarily Transmissible Spongiform Encephalopathies (TSE) and Avian Influenza. In addition, resources would support the expansion of related activities focused on training, education, and awareness of stakeholders involved with the Animal Health System and the expansion of measures aimed at improving the coordination and monitoring of animal health activities beyond Uruguay's borders.

II. Background and Rationale for Additional Financing in the amount of US\$6.5 million

Project Description and Status of Project Implementation. The original Foot and Mouth Disease Emergency Recovery Project (PAEFA), for the equivalent of US\$18.5 million, was approved by the Board on July 31, 2001. The Loan Agreement was signed on August 8, 2001, and the project became effective on August 30, 2001. To date, 95.8 percent or US\$17.7 million have been disbursed from the Loan. With a US\$1.9 million budget availability for 2006, US\$0.8 million in undisbursed funds, and a similar amount in ongoing procurement processes, the project is close to reaching full loan disbursement.

16

Achievement of the project objectives, project implementation progress, safeguard compliance, and Project Execution Unit performance are all rated Satisfactory.

The project provided technical and financial assistance in four areas: (i) Epidemiological Containment; (ii) Strengthening MGAP's Epidemiological Monitoring, Surveillance and Control System (EMSCS); (iii) Training, Education and Awareness; and (iv) Project Coordination and Management. The project achieved at an early stage its basic epidemiological containment goals related to the 2001 FMD outbreak, and as a result, the World Organization for Animal Health (OIE) was able to declare Uruguay "Free of FMD with Vaccination" ahead of schedule. This allowed Uruguay the reopening of major export markets outside the FMD-free commercial circuit of beef exports as well as the regaining of access to various FMD-free markets.

Thereafter the focus of project actions turned toward developing and implementing structural activities to ensure the long-term sustainability of the project's epidemiological achievements. Resources were used to take advantage of the latest technological developments in livestock information and tracking systems, to establish a state-of-the-art National Livestock Information System (SNIG), and to partially strengthen the operation of the sanitary barriers. A voluntary Pilot Plan for Individual Livestock Traceability (PTI) aimed at incorporating producers in a voluntary individual livestock tracking system was effectively developed and implemented. The successful testing of the system in 5 percent of the herd with project support has made feasible the gradual deployment of a national mandatory Animal Identification and Registration System (SIRA), thereby helping Uruguay comply with the stricter epidemiological control and quality assurance of food safety now being demanded by premium export markets.

The project-financed SNIG, which started in 2003, is now fully operational and has since been successfully recording and processing the bovine livestock Property and Transportation Guides and the Annual Livestock Inventory Declarations. The additional financing would help build the information system at a decentralized level to ensure its ability to respond to information demands arising from mandatory livestock traceability nationwide. In addition, the proposed expansion of activities at the national and regional levels would require education and training programs, and coordination with other MERCOSUR countries.

Targets for project activities have been fully met, thus contributing to Uruguay's regaining access to key export markets. For example, the original target of four campaigns to vaccinate adult livestock during 2001 and 2002 has been widely exceeded with a total of eleven vaccination campaigns undertaken during the 2001-2006 period. The first four campaigns were financed by the Loan while the balance was financed with counterpart funds. In addition, the project financed two vaccination campaigns for calves in 2001 and 2002, and the MGAP financed three additional campaigns between 2003 and 2006.

Key Issues and Government Strategy. The additional financing request is the result of a productive dialogue that has taken place between the Bank and the RoU to prevent future outbreaks of FMD and other transboundary animal diseases. Commitment to the expanded activities is very strong, as demonstrated by the new legislation in place requiring the mandatory registration of cattle born since September 2006, the increased budgetary allocations to the project, and the decision to establish the SIRA following the successful PTI experience. The project's core activities are in line with the Government's commitment to sustain growth which is a key priority under the current CAS.

Justification for Additional Financing. The additional financing is being proposed as a way to enable the Borrower to manage, on a permanent basis, any potential outbreaks of animal diseases that could have highly negative economic consequences for the country. In the absence of this additional financing, the Government would forego the opportunity to implement recent legislative decisions introducing permanent and mandatory systems to deal with animal disease outbreaks. Risks associated with animal health threats have grown in an unanticipated way since the project was originally designed in 2001, and so have the economic implications for the country of a suspended access to export markets.

Components under the Proposed Additional Financing. The first area of proposed activities would be to scale up and consolidate accomplishments made under the original project, the most important of which are: (a) the Epidemiological Monitoring and Surveillance System of FMD and other animal health diseases, including the expansion and full utilization of the National Livestock Information System (SNIG), and the scaling-up and transformation of the voluntary Pilot Plan for Individual Livestock Traceability into the universal and mandatory Animal Identification and Registration System (SIRA); (b) sanitary barriers; and (c) implementation of expanded education and training programs (not only for FMD but also for other animal diseases of major economic importance), aimed at the general public, livestock producers, and providers of animal health services.

The second area of the proposed activities is related to the regional (i.e., Mercosur) scope of the animal health issue. The new outbreaks of FMD witnessed in late 2005 and early 2006, initially in the southern states of Brazil but later in the Mesopotamia region of Argentina, sparked a renewed commitment at the regional level to combine efforts to combat the disease. The most important specific new initiative is the design and coordination of regional efforts through the *Comité Veterinario Permanente del Cono Sur* (Southern Cone Permanent Veterinary Committee, CVP). At the request of the Council of Southern Cone Ministers of Agriculture and Livestock (*Consejo Agropecuario del Sur*, CAS), the Bank, with FAO support, is currently assisting member countries of the extended MERCOSUR with contributions to a Regional Animal Health Initiative. National activities of member countries would support coordinated efforts to eradicate and prevent outbreaks of transboundary diseases, including FMD. The proposed additional financing would support the contribution of the RoU to the regional initiative. It would promote sharing of EMSCS and SIRA information for more transparent, easier monitoring of animal health status and coordination of regional efforts; usage, along with the aforementioned sharing of information, of base standards for good practices and

17

certification mechanisms for enhanced and continued access to export markets; participation in routine field inspections and auditing of suspected outbreaks as required; and participation of veterinary service professionals in regional training programs on prevention and eradication of transboundary diseases.

From an operational viewpoint, the additional financing would lengthen the implementation period to over eight years, beyond the expected duration of an emergency operation. Still, the choice of additional financial is the best available mechanism to ensure uninterrupted support to the ROU's strategic objective of consolidating and leveraging the impact of the original project through scaling up and deepening of activities. In addition, this approach allows a seamless incorporation of activities targeting other transboundary animal diseases affecting human health and/or of economic importance that have gained importance in the past five years. The activities to be financed by the additional financing—including implementation, procurement, indicators and monitoring plans—were fully appraised (see Annex 1).

From an economic viewpoint, the impact of the proposed activities can be assessed by estimating the prevented losses expected from the implementation of activities related to the additional financing. The strengthening of the country's Epidemiological Monitoring, Surveillance and Control System is essential for the prevention of future outbreaks of FMD or other transboundary diseases and the consolidation of the country's long-term presence in the major beef export markets. Direct and indirect losses to the Uruguayan economy as a result of the 2001 FMD outbreak have been estimated at about US\$730 million. However, given that the value of beef exports has more than tripled since 2001 (as a result of larger export volumes and higher world beef prices), the economic impact of any future outbreak of FMD is likely to be substantially higher than in 2001/2002. In addition, preliminary estimates would indicate that an outbreak of Avian Flu could represent losses of approximately US\$15.0 million to Uruguay's poultry producers. The risk of these severe economic losses would be much higher without this proposed national and regional program.

III. Proposed Changes

The objectives of the proposed scaling-up of additional financing activities are in line with the original project development objectives—i.e., objective (a), below—while the addition of activities encompassing non-FMD diseases requires a new objective (b). The new, complete DO for the project would be:

(a) to contain and mitigate the impact of the outbreak of FMD in the Borrower's territory through: (i) vaccination of cattle; (ii) strengthening of the Borrower's monitoring and surveillance capacity to prevent future outbreaks from spreading beyond the directly affected area; and (iii) identification of alternative markets for the beef produced in the Borrower's territory in the short run and restoring the Borrower's presence in the premium beef market in the long run; and (b) to prevent the introduction of other transboundary animal diseases of major economic importance.

Project Implementation Arrangements under Additional Financing. The implementation arrangements under the additional financing would be the same as those for the ongoing project, which are considered successful. The implementing agency for the additional activities would continue to be the Ministry of Livestock, Agriculture and Fishery (MGAP) with the assistance of the Project Executing Unit for overall project management. The arrangements necessary to carry out the fiduciary tasks related to procurement and financial management are already detailed in the project's Operational Manual approved by the Bank. Audit reports and reviews during supervision missions are satisfactory.

The proposed closing date for the additional financing would be December 31, 2009. Although this three-year addition would lengthen the implementation period beyond the expected duration of an emergency operation, the resurgence of the disease in the region configures a continued emergency situation that requires a sustained and multicountry effort. For Uruguay, this financial instrument is the best available option to achieve the proposed strategic objectives. In particular, it will take until 2009 to achieve full deployment of the universal and mandatory SIRA system and 100 percent identification and traceability of the country's herd.

The specific activities that will be implemented under each of the project's remaining three components,¹ with the support of the proposed additional financing and counterpart funds, would include:

Strengthening MGAP's Monitoring, Surveillance and Control System (US\$7.43 million, of which US\$5.06 million are Bank-financed): (i) upgrading of existing laboratories to improve their capacity for diagnosis and sample testing (US\$947,500); (ii) upgrading and expansion of existing sanitary barriers (US\$360,000); and (iii) support for scaling up the Voluntary Pilot Plan for Individual Livestock Traceability into the universal and mandatory Animal Identification and Registration System (SIRA), and scaling-up and full decentralization of the National Livestock Information System (SNIG), to consolidate its operation at the national level, upgrade its capacity to manage the additional information that will result from the implementation of the universal animal tracking system, and develop an operational link with the existing National Animal Health Information System (SISA) (US\$5.89 million).

Training, Education and Awareness (US\$1.08 million, of which US\$1.03 million are Bank-financed): (i) training of veterinary professionals, working in the public and private sectors, in the diagnosis of FMD (900 professionals), BSE (900 professionals), and Avian Flu (100 professionals) (US\$105,000); (ii) organization of simulated outbreaks of FMD and Avian Flu to train staff and test the effectiveness of emergency plans drawn up by the Government, in coordination with the Ministry of Public Health and poultry producers (US\$72,000); (iii) organization of various events to increase the awareness among producers of the risks of potential outbreaks of transboundary diseases and key measures to be adopted in case of an actual outbreak, with special reference to FMD

¹ The first component of the original project was for emergency containment and is now closed.

18

(4,000 producers) and Avian Flu (1,800 producers) (US\$97,000); (iv) training for the implementation and operation of the scaled-up PTI and SNIG, which would benefit 130 MGAP staff, 1,500 field operators of the systems, and some 40,000 producers (US\$711,500); and (v) communication and information campaign on the merits of the Animal Identification and Registration System (SIRA) and new, expanded National Livestock Information System (SNIG) (US\$60,000).

Project Coordination and Management (US\$0.45 million, of which US\$0.41 million are Bank financed): to finance additional operation and management costs of the project activities implemented under the additional financing proposal, and short-term consultants for studies and technical support.

As already highlighted, all of the above activities will contribute to the implementation of the regional animal health initiative supported by the World Bank with FAO assistance, to combine efforts in combating the disease.

The total cost of activities to be implemented under the Additional Financing proposal will be US\$8.97 million, of which US\$6.50 million would be financed by the Bank's Additional Financing Loan and US\$2.47 by Borrower counterpart funds. See Tables 1 and 2 for details.

Table 1. Summary of Additional Financing Costs by Component

Components/Activities	Bank Financing	Counterpart Funds	TOTAL COST
	(US\$ 000)		
Monitoring, Surveillance and Control System			
Upgrading existing laboratories	653.8	293.7	947.5
Strengthening sanitary barriers	248.4	111.6	360.0
Scaling up PTI and SNIG	4,290.8	1,601.6	5,892.4
Subtotal	5,192.9	2,007.0	7,199.9
Training, Education, and Awareness			
Training of veterinarians	78.8	26.3	105.0
Simulated outbreaks of FMD and Avian Flu	49.7	22.3	72.0
Awareness events	72.8	24.3	97.0
Training of staff and producers in scaling up PTI and SNIG	533.6	177.9	711.5
PTI and SNIG Information Campaign	45.0	15.0	60.0
Subtotal	779.8	265.7	1,045.5
Project Coordination and Management			
Project Operation and Management Cost	289.8	107.2	397.0
Short-term Consultants	32.9	12.2	45.0
Subtotal	322.7	119.3	442.0
TOTAL BASELINE COST	6,295.4	2,392.0	8,687.4
Contingencies	204.6	78.0	282.6
TOTAL ADDITIONAL FINANCING COST	6,500.0	2,470.0	8,970.0

**Table 2 – Financing Plan for the Proposed Additional Financing of the
Foot and Mouth Disease Emergency Recovery Project**
(figures in US\$ million)

Source	CY 2007	CY 2008	CY 2009	Total
Borrower	0.70	0.70	1.07	2.47
IBRD	2.69	2.85	0.96	6.5
Total financing	3.39	3.55	2.03	8.9

IV. Appraisal of Restructured and Scaled-up Project Activities

Institutional: There are no foreseen institutional risks because the activities under the project are similar to those already being financed under PAEFA, and the institutional framework and staffing are already in place and performing satisfactorily. The implementing agency for the additional activities will be the same as that for the original project, i.e. the Ministry of Livestock, Agriculture and Fishery (MGAP). As with the

original project, the fiduciary tasks of procurement and financial management will be carried out by the existing Project Executing Unit in MGAP, which is experienced with Bank-financed projects.

Technical: The additional financing will support the expansion or scaling-up of existing activities for which technical capacities in the country exist and supervision capacity in the PEU is available. Upgrading of existing laboratories and the expansion of the program to strengthen existing sanitary barriers were partially undertaken under PAEFA, and the country has the necessary technical and institutional capacities to continue this upgrading. The development and efficient operation of the National Livestock Information System (SNIG) and the successfully tested operation of the Pilot Plan for Individual Livestock Traceability under PAEFA have created the necessary expertise, in the public and private sectors, for the implementation of the proposed scaling-up of the current voluntary systems into the universal and mandatory Animal Identification and Registration System (SIRA), as well as for the scaling-up and full decentralization of SNIG.

Similarly, education, training and awareness programs aimed at the general public, livestock producers, and providers of animal health services are also activities that are being implemented under PAEFA. Therefore, technical and institutional capacities are in place to implement the expansion of these programs under the proposed Additional Financing to include not just FMD but also other important transboundary diseases such as BSE and Avian Flu.

Financial Management under the project worked well and has consistently been rated Satisfactory without substantial outstanding issues. Project audits have been consistently satisfactory. The Project Executing Unit is also responsible for consolidating biannual progress management reports and annual work programs and budgets prepared by the implementing agency. Project reporting has also worked well. All reports, annual work programs, and budgets have been submitted in a timely and effective manner.

Procurement: Based on experience under PAEFA, procurement arrangements will remain unchanged, and MGAP will be responsible for procurement activities through the existing PEU. Procurement procedures will be guided by the Bank Guidelines for the Selection and Employment of Consultants dated May 2004. A new Procurement Plan covering the extended implementation period was prepared and approved by the Bank. The Procurement Plan is based on current procurement methods and acceptable thresholds for the country, including "Least Cost Selection" and "Comparison of qualifications of at least three individuals" for the procurement of consultants' services. In order for SNIG to continue to operate safely, and to avoid adding unnecessary technical risks by having different companies involved in handling the complexities faced in quickly and faultlessly—i.e. without interruptions—adapting it to the new requirements imposed by the SIRA system, the Procurement Plan authorizes the extended financing and expansion of SNIG's development and operation for the remaining two years of the current contract—originally procured through a Bank-approved ICB process in late 2003. Additional resources in the amount of US\$2.62 million are allotted for the

provision, under terms similar to the original ones, of the technical services required for the expansion and operation of SNIG until the end of the contract in 2008.

Allocation of Loan Proceeds. Table 3 shows categories of items to be financed out of the proceeds of the Additional Financing Loan, the allocation of the amounts of the Loan to each category, and the percentage of expenditures for items to be financed in each category:

Table 3 – Allocation of Loan Proceeds

Category	Amount of Loan Allocated (US\$)	% of Expenditures to be financed
(1) Goods (except as covered under Categories 3 and 4 below)	1,125,000	100%
(2) Consultant's services (except as covered under Category 3 below)	4,275,000	65%
(3) Training, Education Programs and Workshops	1,000,000	100%
(4) Operating Expenditures	100,000	60%
(5) Front-end Fee	0	--
(6) Premiums for Interest Rate Caps and Interest Rate Collars	0	--
Total Cost	6,500,000	

Safeguards. Because the additional financing would fund activities similar to those under the original design, the safeguards approach applied would remain unchanged. The ongoing project is classified as Category B. During the original project's implementation, compliance with safeguards was satisfactory. The safeguard procedures are included in the Project's Operational Manual.

The proposed activities will not alter the environmental category of the project (B) or trigger any new safeguard policies. The same procedures included in the Operational Manual for the Project will be used for the activities financed with the additional financing. The scale-up would not involve any exceptions to Bank policies.

V. Expected Outcomes

As a result of the proposed Additional Financing, the country is expected to develop and operate an enhanced and more comprehensive epidemiological monitoring and surveillance system, which would consolidate the epidemiological gains achieved so far and contribute to their long-term sustainability. In particular, the proposed Additional Financing will: (i) upgrade the country's existing laboratories to improve their diagnosis and sample testing capacity; (ii) scale up the voluntary Pilot Plan for Individual Livestock Traceability (PTI) into the first stages of implementation of the universal and mandatory

Animal Identification and Registration System (SIRA); (iii) scale up and decentralize the National Livestock Information System (SNIG), and develop an operational link with the existing National Animal Health Information System (SISA); and (iv) contribute to the implementation of the regional activities component within the future World Bank-financed Regional Animal Health Project.

Furthermore, the proposed Additional Financing will: (i) train some 1,900 public and private sector veterinary professionals in the diagnosis of FMD, TSE, and Avian Flu; (ii) organize some simulated outbreaks FMD and Avian Flu to train staff and test the effectiveness of emergency plans drawn up by the Government; (iii) promote the participation of nearly 6,000 producers in various events to increase their awareness about the risks of potential outbreaks of transboundary diseases and key measures to be adopted in case of an actual outbreak; and (iv) train some 130 MGAP staff, 1,500 field operators of the systems, and some 40,000 producers in the implementation and operation of SIRA and the scaled-up SNIG.

Benefits and Risks:

As mentioned, the benefits of the proposed activities stem from the minimization of potential losses derived from the occurrence of transboundary diseases of major economic importance. The main risk is a deterioration of the sanitary situation in the region and the lack of effective efforts in neighboring countries to control and prevent outbreaks of transboundary diseases, which could result in a recurrence of the current problem in Uruguay. Mitigating against this risk, a Regional Animal Health Initiative is currently under preparation, with Bank assistance, in order to coordinate efforts by countries in the region to ensure maximum efficiency of the measures to control and prevent the occurrence of outbreaks of FMD and other major transboundary diseases.

VI. Financial Terms and Conditions for the Additional Financing

US\$6.5 million would be provided as a credit, through a fixed-term loan with a 15-year maturity, including a 5-year grace period.

Annex 1 - Results Indicators for Each Component

COMPONENTS/ACTIVITIES	Indicators	2007	2008	2009
1. Epidemiological Containment		–	–	–
2. Monitoring, Surveillance and Control System				
2.1. Upgrading existing laboratories				
Support epidemiological surveillance for FMD	Reagents ²	1	1	1
Support epidemiological surveillance for TSEs	Materials ³	1	1	1
Support epidemiological surveillance for AI	Reagents ⁴	1	1	1
AI: improve diagnostic capability of laboratories				
- real-time PCR unit	Unit	1	–	–
- equipment and materials for M. Rubino lab.	Set	1	–	–
- equipment and materials for Tacuarembó lab.	Set	1	–	–
2.2 Strengthening sanitary barriers				
Support operation of sanitary barriers	Materials ⁵	1	1	1
Disposal of confiscated materials	Furnaces	20	–	–
2.3 Scaling up PTI and SNIG				
SNIG operating costs	Monthly payments	12	12	4
Update SNIG for mandatory traceability				
- Update/expand system	Update soft/hardware	1	–	–
- Operational costs	Monthly payments	12	12	4
- Consultants to support expanded operation	Consultants	21	21	21
3. Training, Education and Awareness				
3.1 Training of veterinarians				
Training in diagnosis of FMD (900 veterinarians)	Events	30	–	–
Training in diagnosis/sample extraction for TSEs (900 vets.)	Events	30	–	–
Training in diagnosis of AI (100 vets.)	Events	5	–	–
Training of sanitary barriers personnel (170 people)	Events	5	5	5
International consultant to train sanitary barrier personnel	Consultant	1	1	1
3.2 Simulated outbreaks of FMD and Avian Flu				
FMD outbreak simulation (1 in classroom, 1 in field)	Set of events	1	–	1
AI outbreak simulation (1 in classroom, 1 in field)	Set of events	1	–	1
Consultancies to conduct simulations	Consultants	2	–	2
3.3 Awareness events				
For FMD (4,000 small livestock producers)	Field days	40	40	–
For AI (1,800 small chicken producers)	Events	18	18	–
3.4 Training staff and producers in scaling up PTI-SNIG				
Train 130 trainers in operation of SIRA	Events	3	3	–
Train 1,500 operators and 40,000 producers in oper. of SIRA	Events	225	425	200
3.4 PTI and SNIG Information Campaign				
Raise awareness, disseminate information about SIRA	Campaigns	1	1	–
4. Project Coordination and Management				
Update SIRA's institutional and normative framework	Person/month	8	4	–

² Purchase reagents necessary to analyze 34,000 samples/year (17,000 for bovines and 17,000 for ovines).

³ Purchase reagents and other materials necessary to analyze 500 samples/year to detect TSEs.

⁴ Purchase reagents for general diagnosis of 34,000 samples/year, for analysis of positives in the general diagnosis (10 percent of cases), and for quick detection in suspicious cases.

⁵ Purchase of annual supplies (disinfectants and other materials) required for the operation of the barriers.

Board Document Submission Form <small>Updated</small> To be completed by the Task Manager	
Documents for Board Board meetings or distribution to Board for information Bring completed form, clearance & original document to: Board Operations Division (SECBO) Room: MC11-160 / x 80236 Service Hours: 9:00am – 6:00pm / Monday – Friday	Documents for Board Committees Audit, Budget, CODE, COGAM, Personnel Committees Bring completed form, clearance & original document to: Policy Support Division (SECPS): Room: MC 11-142 / x 82176 EDs' Services (SECCA) : Room: MC 11-337 / x 80250 Service Hours: 9:00am – 6:00pm / Monday – Friday
Document Title: Uruguay-Foot & Mouth Disease Emergency Recovery Loan – Additional Financing (P0101124)	
Today's Date: 12/21/2006	
In accordance with the World Bank Disclosure Policy, will this document be disclosed? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
If you are choosing to <u>not</u> disclose a document that should be disclosed under the policy, please provide a brief explanation. <div style="height: 40px;"></div>	
Number of copies for Originator: * See Below, ** See Below	
Originator Name Alvaro Soler	Room # : I6-159
Extension : 31985	MSN # : I6-603
OUI (Charge Code): 07632	Dept/Div (alpha): LCSER
Contact Name: Alvaro Soler	Ext.: 31985
Document Security Level (Check one) (Only for use if Secretariat will prepare a cover for your Document)	
<input checked="" type="checkbox"/> For Official Use Only <div style="margin-left: 20px;"> Documents are distributed to: Executive Directors and Alternates President Bank Group Senior Management Vice Presidents, Bank, IFC and MIGA Directors and Department Heads, Bank, IFC and MIGA Most Board papers are distributed under this security classification. Document is available to World Bank Group staff only. </div>	
<input type="checkbox"/> Confidential <div style="margin-left: 20px;"> Documents are distributed to: Executive Directors and Alternates President Bank Group Senior Management Vice Presidents, Bank, IFC and MIGA Distribution is limited to recipients designated by the originator, but the documents can be shared with staff within a recipient office. </div>	
<input type="checkbox"/> Strictly Confidential <div style="margin-left: 20px;"> Documents are distributed to: Executive Directors and Alternates President Bank Group Senior Management This security classification is used for the most confidential documents. Distribution is limited to the recipient(s) designated by the originator. </div>	
See Administrative Manual AMS10.20 for the official definitions of these security classifications.	
* Do NOT include number of copies for the Board & management distribution	

