



RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
SUSTAINABLE MANAGEMENT OF NATURAL RESOURCES AND CLIMATE CHANGE  
APPROVED ON NOVEMBER 17, 2011  
TO  
ORIENTAL REPUBLIC OF URUGUAY  
AGRICULTURE  
LATIN AMERICA AND CARIBBEAN

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## ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
BCR	Borrower Completion Report
EAAPS	Water User Associations
MEF	Ministry of Finance
MGAP	Ministry of Agriculture and Livestock
PDO	Project Development Objective
PIU	Project Implementation Unit
SNIA	National System for Agricultural Information



**BASIC DATA**

**Product Information**

Project ID P124181	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 17-Nov-2011	Current Closing Date 16-Nov-2021

**Organizations**

Borrower ORIENTAL REPUBLIC OF URUGUAY	Responsible Agency Ministry of Livestock, Agriculture and Fisheries (MGAP), Ministry of Livestock, Agriculture and Fisheries (MGAP)
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**Project Development Objective (PDO)**

Original PDO

The development objective of the project is to support Uruguay's efforts to promote farmer adoption of improved environmentally sustainable agricultural and livestock practices that are climate smart.

Current PDO

The development objective of the project is to support Uruguay's efforts to promote farmer adoption of climate smart agricultural and livestock practices, and improved natural resource management practices in project areas.

**Summary Status of Financing**

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IBRD-87940	30-Nov-2017	08-May-2018	04-Sep-2018	16-Nov-2021	42.00	0	42.00
IBRD-80990	17-Nov-2011	17-Jan-2012	24-Feb-2012	31-Dec-2018	49.00	45.82	3.18



### Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

## I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

1. The Sustainable Management of Natural Resources and Climate Change (DACC) project is tackling some of the biggest challenges that Uruguayan agriculture faces, such as how to intensify agricultural production in a sustainable way, how to increase resilience of the sector to climate changes shocks, how to increase exports while reducing Green House Gas (GHG) emissions, and how to support small scale production while safeguarding natural resources and global public goods. Since 2011, the convergence of these themes under the DACC project has supported the Ministry of Agriculture and Livestock (MGAP) in the preparation of its vision and strategy towards feeding 50 million people by 2030 in a sustainable way. To date, the DACC project has supported the development of a national system for agricultural information and innovation, contributed to the adoption of sustainable practices on 2,358,000 ha of land, and installed technologies that are reducing emissions by about 8.8M tons CO<sub>2</sub> per year.
2. Over the past twelve months, the implementation progress of the project has been consistently rated Moderately Satisfactory, and the progress towards the Project Development Objective (PDO) has been consistently rated Satisfactory. There are no outstanding project audits, and all previous audits have been satisfactory to the Bank. The project performance with respect to Financial Management, Procurement, and Project Management and Safeguards has been consistently rated satisfactory.
3. An Additional Financing (AF) in the amount of US\$42M was approved by the World Bank Board on November 30th, 2017 and was declared effective on September 4th, 2018. Along with the AF, the original loan was restructured in order to extend its closing date from June 30<sup>st</sup>, 2018 to December 31<sup>st</sup>, 2018 which, at the time, was believed to be enough time to fully disburse the loan. Prior to this, the original loan had been extended once before – in October 2016 a restructuring was processed to extend the deadline from March 1st, 2017 to June 30<sup>th</sup>, 2018.
4. After the approval of the AF and the restructuring of the original loan, the project implementation has been slowed down due to the **strong crisis in the dairy sector**. Uruguay exports more than 75 percent of the dairy production, and as such is highly susceptible to fluctuations in international prices. The steady decline of the international price of milk over the past year has impacted the dairy sector in Uruguay, causing a crisis specifically damaging to family farmers. The sub-projects implemented under the DACC project in the dairy sector have been particularly impacted. For family farmers impacted by this crisis, co-financing 20 percent to 50 percent of the investment has proven difficult, and several businesses have failed entirely, halting the execution of subprojects. In addition, one of the open calls for proposals is that of “Cuenca Santa Lucia” to reduce nutrient pollution and therefore protect the major watershed that provides drinking



water to Montevideo. Given that these investments are to protect the environment and public water-sources and have no expected impacts in the agricultural revenues generated by milk production, farmers have been even more reluctant to make investments in public goods at a time of private crisis.

5. The crisis has impacted the speed of implementation of subprojects and, in turn, slowed disbursements under Component 2. As of November 2018, disbursements had reached US\$45.81M (or 93.5 percent), of which only about US\$40M are actually executed to date. If the original loan closes in December 2018 it will close with a balance of US\$5.9M (12 percent of the loan.) As of December 2018, 316 subprojects in the watershed Santa Lucia and 6 subprojects for Water User Associations will not reach closure, which implies that producers would have to return the unused financing from the original loan. These subprojects have closing dates of December 2019 and should be fully executed by this time. While these could be financed under the AF loan, this would significantly increase transaction costs and reduce disbursements under the original loan. Based on the analysis of the activities to be implemented, it is expected that a 12-month extension of the original loan's closing date would be needed to complete the majority of the ongoing subprojects and achieve full disbursement of the loan proceeds.
6. On November 20th, 2018, the Ministry of Finance (MEF) submitted a formal request to the World Bank to a) increase from 80 percent to 100 percent the share of World Bank financing of expenditures under Category 2, retroactive to May 2018, and b) the extension of the closing date of the original loan by at least a year, with preference for an extension to match the closing date of the Additional Financing (November 16<sup>th</sup>, 2021). This restructuring proposes to extend the loan by the shortest possible timeframe to fully execute the activities financed by the original loan. There will be no change in the implementation schedule of the project; ongoing approved activities will simply be completed in this timeframe.

## II. DESCRIPTION OF PROPOSED CHANGES

7. This Restructuring paper proposes to: a) extend the closing date of the original loan from December 31st 2018 to December 31st 2019; b) modify the disbursement percentage of the loan under category 2 from 80 loan / 20 government to 100 percent loan for both the original loan (retroactive until May 2018) and the AF and c) modify the intermediate results indicator "*Number of IDSS / SNIA Users (Number, Custom)*".
8. **Extension of the closing date of the original loan:** This restructuring proposes to extend the closing date of the original loan for an additional year, until December 31st, 2019. Based on the most recent projections run by the Ministry of Agriculture and Livestock, this 12-month extension would allow for full disbursement of the original loan, proper closure of sub-projects under the original loan, and a smooth transition of implementation between the original loan and the AF loan.
9. **Change of percentage of Bank financing for expenditures under Category 2:** The Legal Agreement specifies that the Bank would finance 80 percent of the eligible expenditures under Category 2 (Consulting services and training). Given the limitations on the Government's fiscal space, financing only 80 percent of the expenditures under Category 2 has slowed the rate of disbursement. Increasing the percentage of Bank financing to 100 for both the original loan and the AF loan, retroactive to May 2018, would reduce the impact of the Government fiscal limitations and improve the implementation of the project and accelerate the disbursement of loan proceeds.



10. **Change in the intermediate results indicator “Number of IDSS / SNIA Users (Number, Custom)”**: This restructuring also proposes to revise one intermediate results indicator “*Number of IDSS / SNIA Users (Number, Custom)*.” The previous definition of this indicator was the number of individual users that entered the National System for Agricultural Information (SNIA) platform. With this definition, the target was set to 5,000 users. During the October 2018 mission it became clear that the system currently has no way to measure individual *users* and is instead measuring the number of *uses* of the Ministry’s information system. The revision of this indicator would include an increase in the target and change in definition of the indicator. The title of the indicator would remain the same (“Number of IDSS / SNIA Users”), and the definition would change to become “Number of unique entries into the entire SNIA system.” The target would change from 5,000 to 150,000. At the time of this Restructuring the actual number had reached 40,000.

III. SUMMARY OF CHANGES

	Changed	Not Changed
Results Framework	✓	
Loan Closing Date(s)	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
Components and Cost		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Disbursement Estimates		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓
Economic and Financial Analysis		✓



Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

**IV. DETAILED CHANGE(S)**

**LOAN CLOSING DATE(S)**

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IBRD-80990	Effective	01-Mar-2017	30-Jun-2018, 31-Dec-2018	31-Dec-2019	30-Apr-2020
IBRD-87940	Effective	16-Nov-2021			



Results framework

COUNTRY: Uruguay

Sustainable Management of Natural Resources and Climate Change

Project Development Objectives(s)

The development objective of the project is to support Uruguay's efforts to promote farmer adoption of climate smart agricultural and livestock practices, and improved natural resource management practices in project areas.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	DLI	Baseline	End Target
<b>Promote farmer adoption of climate smart agriculture and livestock practices (Action: This Objective is New)</b>			
Number of people trained in project objectives (Number)		0.00	8,000.00
Number of people trained in project objectives - Female (Number)		0.00	2,000.00
Number of people trained in project objectives - Male (Number)		0.00	6,000.00
Farmers adopting improved agricultural technology (CRI, Number)		0.00	7,000.00
Farmers adopting improved agricultural technology - Female (CRI, Number)		0.00	1,400.00
Farmers adopting improved agricultural technology - male (CRI, Number)		0.00	5,600.00
Data products generated by the interoperability of IDSS/SNIA and made available to users (Number)		0.00	30.00
<b>Promote improved natural resource management practices in project areas (Action: This Objective is New)</b>			
Climate Change Adaptive Capacity Index (%) (Number)		0.00	0.30



Indicator Name	DLI	Baseline	End Target
Land area under sustainable landscape management practices (CRI, Hectare(Ha))		0.00	3,600,000.00

### Intermediate Results Indicators by Components

Indicator Name	DLI	Baseline	End Target
<b>Agricultural Information and Decision Support System (Action: This Component is New)</b>			
Number of IDSS / SNIA Users (Number)		0.00	150,000.00
<b>Action: This indicator has been Revised</b>			
Decisions made by the public sector based on information from the IDSS (Text)		0.00	8.00
<b>Territorial Interventions and on-farm investments for climate smart ag and livestock management (Action: This Component is New)</b>			
Climate-smart on-farm subprojects funded by project (Number)		0.00	4,000.00
Climate smart on-farm subprojects with producer organizations funded by project (Number)		0.00	170.00
Area provided with new/improved irrigation or drainage services (CRI, Hectare(Ha))		0.00	3,500.00
Area provided with new irrigation or drainage services (CRI, Hectare(Ha))		0.00	2,450.00
Area provided with improved irrigation or drainage services (CRI, Hectare(Ha))		0.00	1,050.00
Soil-Use Management Plans for agricultural producers with more than 100 ha under cultivation monitored by RENARE and		0.00	96.00



Indicator Name	DLI	Baseline	End Target
presented in digital format compatible with RENARE's information mng. syst. (Percentage)			
Farmers benefitted with actions that contribute to reduce soil and water pollution in prioritized river basins (Santa Lucia, Laguna del Sauce, etc.) (percentage) (Percentage)		0.00	40.00
Activities (as actions) financed under subprojects promoting sustainable natural resources management (Number)		0.00	8,500.00
<b>Capacity Building and Training (Action: This Component is New)</b>			
Area of country with cartographic updated (1:40,000) - % - (Percentage)		0.00	75.00
Monitoring of Soil Management Plan implementation - % of SMP audited - (Percentage)		0.00	40.00
<b>Project Management, Monitoring and Evaluation (Action: This Component is New)</b>			
Grievances registered related to project benefits that are addressed (%) (Percentage)		0.00	90.00



**The World Bank**

Sustainable Management of Natural Resources and Climate Change (P124181)

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