His Excellency
Fernando Lorenzo Estefan
Minister of Economy and Finance
Ministry of Economy and Finance
Colonia 1089 - 3rd Floor
Planta Baja, Montevideo
República Oriental del Uruguay
Facsimile: (598) 1712-2212

Re: URUGUAY: Grant for Strengthening Capacity for Improving Environmental Compliance and Promoting Cleaner Production in the Industrial Sector
IDF Grant No. TF012379

Excellency:

In response to the request for financial assistance made on behalf of República Oriental del Uruguay ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank") proposes to extend to the Recipient a grant from the World Bank's Institutional Development Fund ("IDF") in an amount not to exceed three hundred twenty one thousand eight hundred twenty United States Dollars (U.S.$321,820) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank.

Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature.
Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By Penélope Brook
Director
Argentina, Paraguay and Uruguay
Latin America and the Caribbean Region

AGREED:

REPÚBLICA ORIENTAL DEL URUGUAY

By: Authorized Representative

Name: FERNANDO LÓRENZO
Ministro de Economía y Finanzas

Title: 

Date: 12 December, 2012

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
IDF Grant No. TF012379
ANNEX

Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank Out of Various Funds dated February 15, 2012 ("Standard Conditions") constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to strengthen the capacity of the National Agency for Environment (DINAMA- Dirección Nacional del Medio Ambiente) in order to promote cleaner production and improve environmental compliance in the small and medium enterprises of the industrial sector of Uruguay. The Project consists of the following parts:

(a) **Review Legal and Regulatory Framework for Strengthening Pollution Management and Environmental Compliance**

Provision of technical assistance to improve the adequacy of industrial-pollution related legislation, regulations and environmental standards including: (i) review of current situation of industrial pollution-related legislation, regulations and environmental standards; (ii) identification of regulatory gaps in light of international best practice and the goal for better industrial environmental performance; (iii) development of recommendations to address identified weaknesses and gaps of the industrial pollution related legislation, regulations and standards, and to the extent applicable prepare a draft of a legal instrument; and (iv) development of an associated strategy and action plan.

(b) **Assess Institutional Needs for Better Pollution Control and for Monitoring Evaluation Improvement**

Provision of technical assistance to strengthen DINAMA’s and other related industrial pollution management agencies. Preparation of: (i) a detailed institutional assessment of the needs of DINAMA and related agencies responsible for industrial pollution management, monitoring and enforcement; (ii) a strategy and an action plan to improve processes and procedures to better manage programs supporting cleaner production and industrial pollution management and to adjust the monitoring and enforcement system for better industrial environmental compliance.
(c) **Build DINAMA Technical Capacity and Information Dissemination to Industrial Sector**

Provision of technical assistance to strengthen DINAMA and industrial sector capacity related to environmental and pollution management, environmental compliance and monitoring programs and cleaner production technologies including: (i) development of sectoral guidelines for key polluting industrial sectors on best available technologies for cleaner production; and (ii) carrying out of pilot technical workshops on industrial pollution management for small and medium enterprises and industry associations related to the selected industrial sector.

(d) **Project Audits**

Provision of technical assistance to carry out Project audit reports.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through DINAMA ("Project Implementing Entity" or "PIE") in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 ("Anti-Corruption Guidelines"); and (c) this Article II.

2.03. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient, through the PIE, shall monitor and evaluate the progress of the Project and, upon the World Bank's request, prepare Project Reports, in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover such period as shall be indicated in the World Bank's request and shall be furnished to the World Bank not later than one month after the date of such request.

(b) The Recipient, through the PIE, shall, upon the World Bank's request, prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than five months after the Closing Date.

2.04. **Financial Management.** (a) The Recipient, through the PIE, shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient, through the PIE, shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than 45 days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient, through the PIE, shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.
2.05. **Procurement**

(a) **General.** All goods and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) **Section I** of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”), in the case of goods and non-consulting services;

(ii) **Sections I and IV** of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) The provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods.** Goods and non-consulting services shall be procured under contracts awarded on the basis of Shopping and Direct Contracting, subject to the World Bank’s prior consent.

(d) **Particular Methods of Procurement of Consultants’ Services**

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Selection under a Fixed Budget; (B) Least Cost Selection; (C) Selection based on Consultants’ Qualifications; (D) Single-source Selection of consulting firms; and (E) Selection of Individual Consultants; and (F) Single-source procedures for the Selection of Consulting Firms.

(e) **Review by the World Bank of Procurement Decisions.** The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.
Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. The Recipient, through the PIE, may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods</td>
<td>4,500</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants' Services including Audits</td>
<td>294,920</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training</td>
<td>22,400</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>321,820</td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of this Section, the term "Training" means reasonable expenditures (other than those expenditures for consultants’ services) incurred by the PIE for the purposes of the Project and directly related to the Activities of the Project, including, inter alia, costs related to: (i) training materials, logistics, the hiring of training facilities and equipment, and lodging and per diem of trainees, and catering; and (ii) the carrying out of workshops.

3.02. Withdrawal Conditions. Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is three years after the date of countersignature of this Agreement by the Recipient.

Article IV
Effectiveness; Termination

4.01. Termination for Failure to Become Effective. This Agreement and all obligations of the parties under it shall terminate if it has not been declared effective 90 days after its signature, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for
the purpose of this Section. The World Bank shall promptly notify the Recipient and the Project Implementing Entity of such later date.

4.02. *Termination for Lack of Implementation or Disbursement.* This Agreement and all obligations of the parties under it shall terminate if it has not started implementation or has not disbursed any funds by December 31, 2012, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient and the Project Implementing Entity of such later date.

**Article V**

**Recipient’s Representative; Addresses**

5.01. *Recipient’s Representative.* The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Economy and Finance.

5.02. *Recipient’s Address.* The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Economy and Finance  
Colonia 1089 - 3rd Floor  
Planta Baja  
Montevideo, Uruguay

E-mail: organismos.multilaterales@mef.gub.uy  
Telephone: (598) 1712-2220  
Facsimile: (598) 1712-2212

5.03. *World Bank’s Address.* The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: INTBAFRAD  
Telex: 248423 (MCI) or 64145 (MCI)  
Facsimile: 1-202-477-6391