Uruguay: Country Results Profile

From Crisis to Opportunity: Supporting an effective economic and social recovery with innovation and flexibility

Overview

Through 2005-2010, a range of World Bank initiatives effectively supported Uruguay's successful efforts to consolidate economic and social recovery from a crisis in 2001-2002, which in turn drove down poverty rates, bolstered health reforms, and significantly reduced the national debt. The Bank was also instrumental in helping Uruguay eliminate foot—and—mouth disease, boosting the country's image as a reliable beef exporter in global markets.

Challenge

By 2005, Uruguay was moving beyond crisis response policies, and a new government had elaborated a program, enjoying broad political and social consensus, aimed at deepening economic recovery while tackling the rising inequality and important social needs of the population.

The government implemented structural changes and short-term stabilization policies, with the overall objective of reducing Uruguay's vulnerability to external shocks. This included strengthening the financial sector, developing local capital markets, cutting external debt and reducing the role of the US dollar in the local economy. Reforms also called for enhancing transparency and efficiency in the conduct of state functions. The government also sought to diversify trade relations and so broaden its export base.

To foster participation and increase social inclusion, the government implemented a new social emergency program (Plan de Asistencia Nacional a la Emergencia Social) that aimed to help those below the extreme poverty line (calculated on the basis of the costs of a basket of basic goods and services), or at a high risk of falling below it.

Approach

The Bank program proposed a flexible menu of lending and non-lending services that included measures in the areas of tax reform, financial sector and capital market development;

MULTIMEDIA

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- Foot and Mouth Disease (FMD) Emergency Recovery Project

More Results

39%

Poverty declined

60%

Gross public debt declined from 79.3 percent of gross domestic product (GDP) in 2005 to 60 percent in 2009

health, education and social protection; innovation, infrastructure and public services; and natural resources management and state modernization. The selection of these priority areas was guided by an extensive consultation process around the Bank's Country Assistance Strategy for Uruguay, the findings of core analytical work and a review of past successes and failures as outlined in a review of the previous strategy for fiscal years 2000-2005. The program included a combination of Bank financial and technical support, as well as an analytical and advisory work program that grew in importance over time.

Apart from enhancing local presence through opening a Bank office in Montevideo, innovation and flexibility were keys to strengthening the Bank's relationship with the country between2005-2010. The Bank clearly demonstrated its commitments to these principles by providing part of its financial support to Uruguay in local currency in 2007. It was the first time the Bank had issued a local currency bond for the purpose of back-to-back disbursements of a specific loan. The Bank also became the first foreign issuer to launch a public bond in Uruguayan pesos, lowering the cost of financing and increasing diversification of public debt and pension funds' portfolios. This innovative spirit also characterized the 2005-2007 renovation of the investment lending portfolio, which resulted in a shift toward support of more complex and reform-oriented operations, as well as the quick response in 2008 to the authorities' request for contingent financing in the wake of the global financial crisis.

LEARN MORE

- World Bank in Uruguay
- Results: Food and Mouth disease emergency recovery project
- Results : Modernizing Public Water Services in Uruguay
- Results: Energy Efficiency Project
- Country Assistance Strategy
- Data and Statistics

DOCUMENTS

- Policy Notes Study
- CAS 2005-2010

PARTNER WEBSITES

- Government of Uruguay
- Uruguay Ministry of Finance
- Uruguayan Parliament
- United Nations in Uruguay
- IDB in Uruguay

Results

Supported by the Bank program, Uruguay achieved macroeconomic stability, enhanced social inclusion through an expanded family allowance program, and far-reaching health reforms. But the Bank also supported innovative projects such as a pioneering one-laptop-per-child program for all Uruguayan primary school students, It also aided the government in its efforts to increase its integration into international markets and improve the investment climate. These efforts paid off in the following achievements:

- Poverty declined by nearly 39 percent between 2003 (from 31.3 percent of the population) and 2009 (19 percent). Extreme poverty was further lowered by 57 percent (from 3 percent to 1.3 percent). This is partially attributed to the expansion of the family allowance program, for which the Bank contributed through analytical work and policy advice.
- Unprecedented economic growth was sustained (6.6 percent on average from 2004 to 2008), and efforts to decrease the economy's vulnerability resulted in greater resilience in the face of the recent global recession than most other emerging market economies – the 2.9 percent expansion recorded in 2009 was one of the highest growth rates in the region.
- Prudent fiscal policies and enhanced debt management policies brought about a considerable reduction of public debt. Gross public debt declined from 79.3 percent of gross domestic product (GDP) in 2005 to 60 percent in 2009. Net public debt declined about 20 percentage points of GDP over the same period.
- With support from the Bank-financed Non-Transmittable Diseases Project, the Government's National Health Promotion and Prevention Strategy was elaborated and implemented, which served as the basis for undertaking a far-reaching restructuring of the Uruguayan health system. This reform includes results-based financing pilot projects and performance agreements that have expanded access to primary care services and have introduced early disability detection screening, which now covers more than 75 percent of newborns at risk for disability, ensuring they receive follow up care.
- A Bank-supported program was instrumental in eradicating foot-and-mouth disease, through the introduction of a tracking system that now covers all Uruguayan cattle, significantly enhancing Uruguay's image as reliable exporter of beef products to standards-sensitive markets. Uruguay is the only country in the world to achieve 100 percent traceability of cattle. A real-time tracking system monitors the movement of all cattle in the country through a chip placed in the ear. The information is centralized, thus

providing for immediate access to the complete history of the animal's movement throughout its life.

Bank Contribution

As of December 31, 2010, the International Bank for Reconstruction and Development (IBRD) had seven active investment projects in Uruguay with total commitments of US$285.3 million in various sectors including roads, water and sanitation, education, health, innovation and rural development. In October 2010, an additional facility (a Programmatic Development Policy Loan) was approved for US$100 million along with the new Country Partnership Strategy for 2010–2015. This is complemented by two ongoing projects through the Global Environment Facility and other trust funds. In the context of the new Country Partnership Strategy, investment lending projects in the areas of institutional strengthening, infrastructure and climate change are being prepared as well as another Development Policy Loan to back public sector reforms. Moreover, the Bank is preparing a series of analytical and advisory activities to be delivered during 2010-2015.

Partners

The IDB's support to Uruguay was also augmented by significant lending support from the Inter-American Development Bank, which provided US$1.6 billion in credits through 2005-2009, and the Andean Development Corporation, which increased its lending from US$70 million to US$590 million over the same period.

In 2006, the United Nations in Uruguay developed the United Nations Development Assistance Framework for the period 2007-2010, which provided financing of approximately US$32.8 million, and as of April 2010, bilateral and other partners in Uruguay were financing 412 non-refundable cooperation projects amounting to over US$215 million.

Moving Forward

The Bank's 2010-2015 Country Partnership Strategy aims to help Uruguay take the next steps in reforming its economy, delivering greater competitiveness and less susceptibility to outside shocks while also enhancing social outcomes to further improve social inclusion. The Bank also is placing an increasing emphasis on assisting national efforts in managing climate change-related risks. The proposed Country Partnership Strategy includes a Bank lending program of approximately US$700 million, together with an active International Finance Corporation (IFC) program, and strategic analytical and advisory efforts between the Bank and the government. The proposed strategy places a heightened emphasis on supporting Uruguay in accessing international expertise and best practices, as well as sharing its own experiences with other countries through South-South exchanges.

Beneficiaries

Economic reforms backed by the Bank during the past decade have helped the government deliver tangible benefits to people across Uruguay. Strong economic growth is essential to deliver new jobs and to raise incomes, and the Bank also complimented its lending and technical support on economic initiatives by working with the government on social programs, such as family allowances, health reforms, and education projects.