



The World Bank

Agro-ecological and Climate Resilient Systems in Uruguay (P176232)

Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 27-Apr-2021 | Report No: PIDISDSC31798

**BASIC INFORMATION****A. Basic Project Data**

Country Uruguay	Project ID P176232	Parent Project ID (if any)	Project Name Uruguay Agro-Ecological and Climate Resilient Systems Project (P176232)
Region LATIN AMERICA AND CARIBBEAN	Estimated Appraisal Date Sep 20, 2021	Estimated Board Date Nov 30, 2021	Practice Area (Lead) Agriculture and Food
Financing Instrument Investment Project Financing	Borrower(s) Oriental Republic of Uruguay	Implementing Agency Ministry of Livestock, Agriculture and Fisheries (MGAP)	

Proposed Development Objective(s)

(i) strengthen agricultural public systems and rural producers to increase climate change adaptation and mitigation actions and promote Agro-ecological production; and (ii) respond effectively in case of an Eligible Crisis or Emergency.

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	52.50
Total Financing	52.50
of which IBRD/IDA	35.50
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Bank for Reconstruction and Development (IBRD)	35.50
Non-World Bank Group Financing	
Counterpart Funding	17.00
Borrower/Recipient	11.00



Local Beneficiaries

6.00

Environmental and Social Risk Classification

Moderate

Concept Review Decision

Track II-The review did authorize the preparation to continue

Acronyms and Abbreviations:

COVID-19	Coronavirus
CPF	Country Partnership Framework
FAO	Food and Agriculture Organization of the United Nations
GDP	Gross Domestic Product
GMA	Phytosanitary Applications Management and Monitoring System
GOU	Government of Uruguay
IMF	International Monetary Fund
INBA	National Institute of Animal Wellbeing (<i>Instituto Nacional de Bienestar Animal</i>)
MGAP	Ministry of Livestock, Agriculture and Fisheries
OPYPA	Office of Planning and Programming, Ministry of Livestock, Agriculture and Fisheries
PMU	Project Management Unit
PDO	Project Development Objective
USDA	United States Department of Agriculture

Other Decision (as needed)



B. Introduction and Context

Country Context

1. **In March 2020 the World Health Organization deemed the novel coronavirus (COVID-19) a pandemic.** Following this, global economic activity was strongly impacted by the pandemic, including an initial negative shock at the global supply level and subsequently a strong contraction in demand. Consequently, international trade in goods and services contracted sharply. The latest projections released by the International Monetary Fund (IMF) indicate that world trade in goods and services would have decreased by 10.4 percent in 2020 and will grow by only 8.3 percent in 2021. Closures of borders across the world have also had a negative impact on the investments at a global level. The United Nations Conference on Trade and Development estimates that Foreign Direct Investment flows have decreased by 40 percent in 2020 compared to 2019 [Cortelezzi 2020].
2. **Uruguay's growth trajectory has lagged.** Between 2004 and 2014, Uruguay experienced the highest and longest economic expansion in recent history, and in 2013 the World Bank classified Uruguay a "high-income country." However, following this period, growth has contracted. During the 2015-2019 five-year period, Uruguayan economic activity expanded at an average annual rate of 1.3 percent, less than the growth forecast in the national budget approved for that period. Private investment as a percentage of Gross Domestic Product (GDP) fell 3.7 points, from 16.6 percent of GDP in 2015 to 12.9 percent in 2019. Commensurate with global figures, the Uruguayan economy registered a contraction of 6 percent in the first half of 2020 compared to the same period of 2019, due to the pandemic and, though to a lesser extent, to severe droughts that affected the country during December – February 2019-2020.



Sectoral and Institutional Context

3. **Uruguay's agriculture sector accounts for 77 percent of export earnings.** The agriculture sector is key to Uruguay's growth and global competitiveness. Over the period 2005-2015, exports averaged 26 percent of GDP (World Bank, 2015), while imports and exports combined represented 53 percent of GDP in 2014 and about 73 percent of the value of Uruguay's overall exports in 2015 (World Bank, 2015). Rapid export growth has been accompanied by job creation, in particular in outsourcing and related services. Currently, about 13 percent of jobs are linked to the primary and agro-industrial production (Anuario OPYPA, 2018). COMTRADE data from "*E/ desarrollo agropecuario y agroindustrial de Uruguay*" (OPYPA 2015) show the Uruguayan agriculture sector far outpacing all other sectors in various factors of competitiveness.
4. **Uruguay's agricultural economy largely consists of the beef and milk subsectors, with 85 percent of agricultural land devoted to rangelands for cattle.** Uruguay is famous for having more cows than people, with livestock per capita at 3.6 heads of cattle for every person in 2020. Cattle stocks are also increasing, with 2021 cattle stock up to 12.2 million heads, the largest since 2005. Beef exports are forecasted to increase 9 percent in 2021, with China as the main destination (USDA 2021). In 2020 law number 19889 created an Institute of Animal Wellbeing (*Instituto Nacional de Bienestar Animal, INBA*) and with the subsequent onset of COVID-19 the Institute brings focus to creating a One Health approach in the Uruguay food system preventing zoological disease.
5. **The agriculture development model has come with a high toll on soil and water resources.** In the past decades, continued intensification of the agriculture sector, with conversion of lands and uses of fertilizers, has placed increasing pressure on natural resources, particularly on soil and water resources. Studies have shown that soils across Uruguay are variable, but some are highly vulnerable to degradation¹. Multiple global studies show how natural grass lands are particularly vulnerable, and how overgrazing on vegetative cover can lead to severe soil degradation². In Uruguay, given the size of the herds and the reliance on beef production, cattle ranching puts Uruguay soils at risk and the sustainability of the agricultural model in jeopardy. The water resources have gone through a growing stress³ with water pollution events⁴ in two of the most important watersheds over the past years (Santa Lucia and Laguna del Sauce, respectively in 2013 and 2015), which hosts the largest concentration of Uruguay's dairy farmers.
6. **Weather-related shocks, increasing both in frequency and intensity with climate change, have become an additional threat to the Uruguayan economy,** with growing adverse social and economic impacts of droughts, floods and other climate shocks. The agriculture sector has witnessed an alarming increase of production losses due to extreme weather events. Losses through droughts alone were estimated at \$500mn in 2017-2018, which at the time was the most expensive disaster in the history of Uruguay. Some estimates project annual expected losses from floods to increase from US\$ 64.2M in the present day to US\$ 352.8M in 2030.ⁱ Of these losses, well over one-half (US\$ 169M) will be due to the influence of climate change, with other demographic changes accounting for the rest.
7. **The Government of Uruguay (GoU) has shown strong commitment to sustainability driven by the desire to support continued growth while maintaining and enhancing the productivity of its natural resources into the future.** Several countries have emerged as global leaders for their low-carbon production of high-quality beef (e.g., Ireland and New Zealand). In Latin America, Uruguay has proven itself dedicated to keep pace with these



leaders through investments in research, technology, innovation and dedication to low-carbon growth. In past years, the major emphasis was placed on *Sustainable Intensification*, but new thinking has reimagined the future of the agriculture and environmental overlap in Uruguay towards an agro-ecological transition. Within the context of sustainable intensification, Uruguay has been moving towards an agro-ecological model, slowly putting in place all of the necessary pieces. These have not happened all at once, but gradually over the years more elements have come together. These include key policies, laws and targeted investments – including in programs to reduce soil erosion and land degradation, protection of key water sources, investments in renewable energy, and investments in waste to value on-farm technologies.

8. **Continuing with the strong partnership developed between the Bank and the GoU, the country has requested support to help strengthen the capacity of the Ministry of Livestock, Agriculture and Fisheries (MGAP) to implement these strategic programs.** Bank assistance will help fill key strategic gaps in Uruguay's resilience framework, complementing the efforts by GOU and by those other participating agencies.

Relationship to CPF

1. **The project directly supports a key pillar of the Country Partnership Framework (CPF).** The project directly supports the 2016-2020 CPF's pillar III "bolstering Uruguay's continued integration into the global economy," specifically as it aims to boost production, productivity, and competitiveness of Uruguay's exports.
2. **The project also furthers Uruguay's key development strategy "National Development Plan 2050".** Uruguay's National Development Plan 2050 has three key pillars; this project specifically supports pillar I: sustainable production, through sector-strengthening data services, policies, institutes, and services.
3. **The proposed Project is consistent with the integrated Green, Resilient and Inclusive Development (GRID) framework⁵ adopted by the World Bank.** The World Bank is adopting this integrated longer-horizon strategy intended for repairing the structural damage caused by COVID-19, accelerate climate-change mitigation and adaption and underpin a strong and durable economic and social recovery, with the goal of "building back greener". The Project is in line with this GRID strategy by providing support to renewed- development progress led by the private sector, creating sustainable new jobs and a renewed emphasis on inclusion, addressing some of the structural inequalities exacerbated by COVID-19 and rebuilding social capital.

C. Proposed Development Objective(s)

Strengthen institutional capacities of the Ministry of Livestock, Agriculture and Fisheries (MGAP) for improved public policy and services delivery in areas of climate change, animal welfare and agroecological transition.

¹ <https://www.int-res.com/articles/cr/9/c009p041.pdf>

² <https://www.sciencedirect.com/science/article/pii/S2405844018332596>

³ Mostly in terms of quality but to a lesser extent in terms of quantity too.

⁴ These events have been by large driven by diffuse nutrient-based pollution related to agricultural activities with insufficient safely managed sanitation service coverage being also an important contributing factor.

⁵ From COVID-19 Crisis Response to Resilient Recovery. Saving Lives and Livelihoods while Supporting Green, Resilient, and Inclusive Development (GRID). The World Bank Group Paper, April 9, 2021.



Key Results (From PCN)

PDO Theme	PDO Indicator
Climate Change	- Number of producers using climate change information and data services and tools provided by the project (disaggregated by gender).
Animal Welfare	- National Institution for Animal Wellbeing (INBA) with adequate staff and 5 year operational plan.
Agroecology	- National Agroecology Plan developed and implementation arrangements established. - Number of producers with knowledge and skills of agroecological transitions (trainings, disaggregated by gender).

D. Concept Description

9. **Component 1: Information Systems as Public Goods for Climate Resilience.** This component will contribute to MGAP's broader efforts to achieve sustainable intensification and increased resilience through better information tools and systems for public and private decision making. The component will be divided into two subcomponents.
 - **Subcomponent 1.1: Strengthening institutional capacity for improved climate adaptation.** This subcomponent will focus on creating information systems as public goods related to climate adaption in production systems with a focus on environmental management. It will specifically invest in three areas: a) develop a Natural Resources Management System to develop an online platform and associated data for the integrated monitoring, evaluation and development of public policies of natural resources; b) develop information tools for risk mitigation and agriculture insurance with a focus on the adoption of risk prevention, transfer, and mitigation strategies in the agriculture sector; c) tracking progress of the national contributions to the Paris Agreement through innovative work on environmental accounting, including calculations of carbon balance, to track various indicators.
 - **Subcomponent 1.2 Management and Monitoring of Agricultural Chemicals.** The objective of this subcomponent will be to support the further development of MGAPS's digital Phytosanitary Applications Management and Monitoring System (GMA). This digital tool monitors the application of phytosanitary products using GPS-enabled devices as an innovative tool for producers and applicator companies in the agriculture sector to apply phytosanitary products, while still safeguarding natural resources.
10. **Component 2: Enhancing National Systems for Improved Animal Health.** This component will contribute to MGAP's broader efforts to strengthen the National Institute of Animal Welfare (INBA) and develop policies related to the co-habitation of humans and animals in ecosystems, with the idea that protecting animal health and welfare contributes to human health, safety and food security. It will specifically invest in: (a) strengthening of the INBA through investments in improved capacities; and (b) a campaign together with producer organizations, civil society organizations and local governments to build capacity in the sector for better control of canine populations to reduce the associated negative sanitary, economic and environmental impacts.
11. **Component 3: Supporting a Transition to Agroecology.** This component will contribute to MGAP's broader efforts to transition its agri-food sector towards one based on agroecological principles. The aim is to optimize the



interactions between plants, animals, humans and the environment, while taking into account the social aspects that must be addressed in order to achieve a just and sustainable food system. [FAO, 2018]. The component will focus on ensuring food production is done in a sustainable way and working to create national and international recognition for Uruguay's sustainable production with market orientation towards domestic and international consumption. It will specifically invest in:

- A strategy to define the territorial transition to agroecology.
- Development of a national certification model for agroecological production.
- Demonstrate agroecological transitions with farmers on the ground through technical assistance to producers, awareness building plans, materials and campaigns, and demonstration sites for agroecological production.
- Investment in Cuenca Santa Lucia to improve water quality.

12. **Component 4 Project Management.** This component will leverage the existing Project Management Unit (PMU) seated within MGAP to implement and monitor project activities.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No
Summary of Screening of Environmental and Social Risks and Impacts	

The proposed project's environmental and social risk categorization is Moderate. The nature, scale, type and characteristics of the activities being supported by the Project are not expected to generate significant adverse environmental and social risks and potential impacts on human populations or the environment. The Project will support only small scale pilot works and technical assistance to improve the transition of the sector to a more environmentally sustainable, climate resilient and inclusive agricultural sector, as further detailed in the Concept-stage Environmental and Social Review Summary.

Identified environmental and social risks and opportunities will be managed in line with the ESSs (except for ESS2 where it is being recommended to use the Borrower Framework to manage Project's labor risks) either through: (i) project design by ensuring that technical assistance activities under components 1 and 2 are undertaken under terms of reference that reflect and incorporate ESSs requirements, and (ii) via the environmental and social risk management instruments (Environmental and Social Management Framework, and Stakeholder Engagement Plan) that the Borrower will prepare for the proposed project. An ESCP to be agreed upon with the Borrower for this project will also set out actions and measures that need to be carried out by the Borrower in line with the ESSs.

Uruguay already has capacity to prepare and implement WB projects under the safeguard policies as the proposed implementing agency (UGP within MAGP) is currently executing a WB project. A capacity assessment of the UGP will be conducted during project preparation before appraisal and the proposed project will further build the capacity of the UGP to manage environmental and social risks in line with the ESSs.

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APPROVAL

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Approved By

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ⁱ Data from the Aqueduct Global Flood Analyzer (World Resources Initiative, <https://floods.wri.org>) under moderate climate emission scenario