

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	URUGUAY/CSC - Southern Cone
▪ TC Name:	Program to Support the Development of Wooden Housing Production and bolster sustainable forestry management and practices
▪ TC Number:	UR-T1268
▪ Team Leader/Members:	Adler, Veronica (CSD/HUD) Team Leader; Brusa, Federico (CSD/CCS) Alternate Team Leader; Gottsch, Marieke (IFD/CTI); Castillo Leska, Ana; Vera Benitez, Luis Felipe (CSD/HUD); Sofia Harguindeguy Gerona (CSC/CUR); Cuba Valdivia, Abel Armando (VPC/FMP); Chapuis, Emilie (VPC/FMP); Valentina Tournier Vazquez (CSC/CUR); Casalino Franciskovic, Juan Manuel (LEG/SGO); Avila, Francy Dianela (CSD/HUD); Maria Villota (CSD/HUD); Naito, Keiichiro (Csd/Rnd); Larralde Camacho, Maria Sofia (CSC/CUR); Silvia Perez (CSD/HUD); Rodriguez Cabrera, Luis Gaston (CSC/CUR).
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	01 Oct 2021
▪ Beneficiary:	Ministerio de Vivienda y Ordenamiento Territorial (MVOT)
▪ Executing Agency:	Inter-American Development Bank
▪ IDB funding requested:	US\$750,000.00
▪ Local counterpart funding:	US\$150,000.00 (In Kind)
▪ Disbursement period:	24 months
▪ Types of consultants:	Firms; Individuals
▪ Prepared by Unit:	CSD/HUD - Housing & Urban Development
▪ Unit of Disbursement Responsibility:	CSC/CUR - Country Office Uruguay
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation; Institutional capacity and rule of law; Environmental sustainability

II. Objective and Justification

- 2.1 Support the Ministry of Housing and Territorial Development (MVOT), as well as other relevant national actors, in the development of a national timber-driven construction cluster through the development of timber value chains for housing projects, with an emphasis on: (i) the assessment of existing regulatory frameworks and their standardization to identify obstacles or gaps, as well as public policy incentives to foster the development of the sustainable construction sector; (ii) research and development on fundamental issues needed for the development of relevant value chains and the positioning of timber-derived products as construction materials, considering fundamental aspects for their development such as materials resistance, maintenance, and protection, (iii) training and technology transfer between the public and the private sectors, (iv) Positioning of the country and its integration in potential markets, regionally and internationally, with a focus on Uruguay's competitive advantages, (v) support the design of a pilot plan of high rise housing to learn from the experience and improve policy; and (vi) support Uruguay's forestry targets in its nationally determined

contribution (NDC) to comply with the Paris Agreement, with a focus on sustainable forest management, as well as sustainable landscape policies.

- 2.2 Uruguay is interested in promoting social timber housing production. The country's budget Law for 2020 – 2024, under article 282, declares of "general interest the promotion of the use of wood for construction purposes of housing ", and creates an Honorary Commission of Wood to execute a "plan for the promotion and development, aimed at increasing the incorporation of wood of national origin in the construction of homes and buildings." However, despite the country's potential and interest towards sustainable development, Uruguay's timber-driven construction sub-sector is still incipient. Therefore, there is a big opportunity for Uruguay to learn from countries like Japan, accelerate the learning process in timber construction, and bolster the country's normative framework. The Timber Construction subsector shows great growth potential, in part due to the sustained evolution that the forestry sector has shown during the last thirty years, in terms of forested area and in terms of the development of the forestry industry. More specifically, the forestry timber sector in Uruguay has shown a growing trajectory, evidencing in the "extraction phase with an average growth rate of 7.7% per year in the last decade, while the "industrial phase" presented an annual average growth of 6.5%. Additionally, in 2020 the forestry sector represented 18% of goods exported and directly employs a total of 16,800 workers. At the same time, Uruguay's engagements for sustainable development, its very low deforestation rate and its high sustainable forest management policies make it an ideal country to support the development of this subsector.
- 2.3 The challenges the country faces are: (i) harmonization and development of new norms regarding the use of timber-derived products as a construction material; (ii) lack of a tradition of timber driven construction; and an unjustified negative association by consumers of the material; (iii) generate capacities, to transfer technologies to both the public and private sectors. In this sense, the international experience and knowledge of countries like Japan where almost 60% of the houses are built totally or partially with wood will add significant value. Finally, (iv) the need to further advance on the traceability of the material used throughout the respective value chains and (vi) develop a revision of the country's current sustainable landscape and forestry management policies, to evaluate their relevance, and possible needed modifications in order to accomplish with the NDCs
- 2.4 Considering these factors, Japanese experience in these topics will be very relevant for the country. This TC will be also a platform for knowledge exchange with actors like JICA, universities (like the Tokyo Institute of Technology, Yokohama Graduate School of Architecture, and the Tokyo Institute of Technology, amongst others) and other Japanese agents with critical technical expertise that can be applied to overcome the challenges of wood construction in Uruguay. A lot of Japanese institutions are interested in de development of Timber-based construction in Latin America. In the 2021 edition of Semana de la madera (the timber week), in Chile, 57 Japanese institutions participated.

III. Description of Activities and Outputs

- 3.1 **Component I: Regulation, standardization, and certification.** Identify the existing regulatory obstacles for the development of timber-driven value chains within the construction sector, as well as recommended arrangements in norms, regulations, and incentives
- 3.2 **Component II: Research and development.** Identify the technological needs and industrial processes that can strengthen the competitiveness of wood as a construction material, including materials testing and the sustainable industrialization and development of the agro-forestry sector.

- 3.3 **Component III: Training and technology transfer.** This includes the strengthening of national institutions (universities, technological institutes) and enterprises including through partnerships and exchanges, and with a focus on small and medium-sized enterprises to provide greater knowledge to the matter of wood construction in the relevant chairs or research centers, in engineering, and architecture
- 3.4 **Component IV: Design and implementation of a pilot plan.** Strength the capacities of relevant national government agencies with the design of a pilot housing construction plan wood value, such as the assessment of public policies to spread the use of wood in the construction sector
- 3.5 **Component V: Bolstering Sustainable landscape and forestry management practice.** This includes activities to support Uruguay's forestry targets in its nationally determined contribution (NDC) to comply with the Paris Agreement, with a focus on sustainable forest management, as well as sustainable landscape policies.
- 3.6 **Component VI: Dissemination.** Focuses on dissemination to showcase deliverable results, help promote the subsector

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Regulation, standardization, and certification	US\$95,000.00	US\$15,000.00	US\$110,000.00
Research and development	US\$60,000.00	US\$15,000.00	US\$75,000.00
Training and technology transfer	US\$345,000.00	US\$10,000.00	US\$355,000.00
Design and implementation of a pilot plan	US\$50,000.00	US\$50,000.00	US\$100,000.00
Bolstering Sustainable landscape and forestry management practice	US\$100,000.00	US\$50,000.00	US\$150,000.00
Dissemination	US\$100,000.00	US\$10,000.00	US\$110,000.00
Total	US\$750,000.00	US\$150,000.00	US\$900,000.00

V. Executing Agency and Execution Structure

- 5.1 The execution of the TC will be the responsibility of the Bank, under the technical responsibility and supervision of the Urban Development and Housing Division (HUD/CUR) and (CCS/HCUR), in coordination with the Bank's Country Office in Uruguay (CSC/CUR). The Ministry of Housing will support the definition of the terms of reference and scope of the services, studies, consultancies, knowledge production, and review of reports. The TC will be also coordinated with the Japanese Embassy in Uruguay.
- 5.2 This scheme has been successful in other operations with the country since the Bank is Uruguay's main multilateral partner in structuring and financing Technical Cooperations. The activities of this operation will be included in a Procurement Plan and executed in accordance with the procurement rules and policies established by the Bank, namely: (i) hiring individual consultants, as established in standard AM-650; (ii) hiring consulting firms for services of an intellectual nature in accordance with policy GN-2765-4 and its associated operating guides (OP-1155-4); and (iii) contracting of logistics services and other services other than consulting, in accordance with policy GN-2303-28.

VI. Project Risks and Issues

- 6.1 The main risk identified for this operation is the weakness of the technical counterpart since the timber table within the Ministry of Housing and Land Management (MVOT) was recently created. To mitigate this risk, we will establish monthly/bimonthly steering meetings with a Committee/Group that will englobe relevant institutions or actors. In terms of results, the principal risk lies in potential is the resistance from more traditional construction actors that may not be interested in expanding to this new subsector. Another risk lies within the general population's propensity to accept timber as a construction method. To mitigate these risks the TC will work in generating incentives and capacities to promote Timber-based construction.

VII. Environmental and Social Classification

- 7.1 The ESG classification for this operation is "undefined".