

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**URUGUAY**

**INNOVATION TO SUPPORT THE ENERGY TRANSITION  
AND CLIMATE ACTION IN URUGUAY**

**(UR-L1199)**

**LOAN PROPOSAL**

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## ABBREVIATIONS

ADME	Administración del Mercado Eléctrico [Electricity Market Administration]
ANCAP	Administración Nacional de Combustible, Alcohol y Pórtland [National Fuel, Alcohol, and Cement Administration]
ANII	Agencia Nacional de Investigación e Innovación [National Agency for Research and Innovation]
CertHILAC	Certification system for clean and low-carbon hydrogen production in Latin America and the Caribbean
DDO	Deferred drawdown option
EV	Electric vehicle
FiMS	Fideicomiso para la Movilidad Sostenible [Trust Fund for Sustainable Mobility]
Gg/ktoe	Gigagram/kilotons of oil equivalent
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH [German Agency for International Cooperation]
GW	Gigawatts
GWh	Gigawatt/hours
INGEI	National greenhouse gas inventory
MEF	Ministry of Economy and Finance
MIEM	Ministry of Industry, Energy, and Mining
MTOP	Ministry of Transportation and Public Works
OECD	Organisation for Economic Co-operation and Development
PBP	Programmatic policy-based loan
PCR	Project completion report
R&D	Research and development
RELAC	Renewables in Latin America and the Caribbean
SIESUR	Sistema de Integración Energética de los Países del Sur [Regional Energy Integration System of the Southern Cone]
STEM	Science, technology, engineering, and mathematics
Ur\$	Uruguayan pesos
UTE	Administración Nacional de Usinas y Transmisiones Eléctricas [National Electrical Power Plant and Transmission Administration]

## EXECUTIVE SUMMARY

### URUGUAY INNOVATION TO SUPPORT THE ENERGY TRANSITION AND CLIMATE ACTION IN URUGUAY (UR-L1199)

Financial Terms and Conditions							
<b>Borrower</b>			<b>Flexible Financing Facility<sup>(a)</sup></b>				
Eastern Republic of Uruguay			<b>Amortization period:</b>		20 years		
<b>Executing agency</b>			<b>Disbursement period:</b>		3 years <sup>(b)</sup>		
The borrower (acting through the Ministry of Economy and Finance)			<b>Grace period:</b>		<sup>(c)</sup>		
			<b>Interest rate:</b>		SOFR-based		
<b>Source</b>	<b>Amount (US\$ millions)</b>	<b>%</b>	<b>Front-end fee:</b>		50 basis points		
<b>IDB (Ordinary Capital):</b>	200	100	<b>Standby fee:</b>		<sup>(d)</sup>		
<b>Total</b>	200	100	<b>Inspection and supervision fee:</b>		<sup>(d)</sup>		
			<b>Weighted average life:</b>		12.75 years		
			<b>Approval currency:</b>		U.S. dollars		
Project at a Glance							
<p><b>Program objective/description:</b> The program's general objective is to contribute to the country's sustainable growth by supporting an equitable energy transition and innovation within the framework of its climate change commitments. Its specific objectives are to: (i) help decarbonize the transportation sector; (ii) work with the private sector to support the development of green hydrogen using renewable energy sources; and (iii) strengthen the innovation ecosystem, capacity-building, gender and diversity, and financing for climate action. This loan operation is the first of two consecutive, technically linked but separately financed programmatic policy-based loans.</p>							
<p><b>Special contractual conditions precedent to the disbursement of loan proceeds:</b> Disbursement of loan proceeds by the Bank at the borrower's request will be contingent upon fulfillment of the policy reform commitments described in the program components in accordance with the Policy Matrix (Annex II) and Policy Letter (<a href="#">required link 1</a>), in addition to fulfillment of the other conditions established in the loan contract (paragraph 3.3).</p>							
<p><b>Exceptions to Bank policies:</b> None.</p>							
Strategic Alignment							
<b>Objectives:<sup>(e)</sup></b>	O1 <input checked="" type="checkbox"/>		O2 <input checked="" type="checkbox"/>			O3 <input checked="" type="checkbox"/>	
<b>Operational focus areas:<sup>(f)</sup></b>	OF1 <input checked="" type="checkbox"/>	OF2-G <input checked="" type="checkbox"/> OF2-D <input checked="" type="checkbox"/>	OF3 <input checked="" type="checkbox"/>	OF4 <input checked="" type="checkbox"/>	OF5 <input checked="" type="checkbox"/>	OF6 <input checked="" type="checkbox"/>	OF7 <input type="checkbox"/>

- (a) Under the terms of the Flexible Financing Facility (FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.
- (b) Use will be made of the deferred drawdown option in this operation, as explained in paragraph 2.3.
- (c) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan, or the last payment date as documented in the loan contract.
- (d) The credit fee and the inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable policies.
- (e) O1 (Reduce poverty and inequality); O2 (Address climate change); and O3 (Bolster sustainable regional growth).
- (f) OF1 (Biodiversity, natural capital, and climate action); OF2-G (Gender equality); OF2-D (Inclusion of diverse population groups); OF3 (Institutional capacity, rule of law, and citizen security); OF4 (Social protection and human capital development); OF5 (Productive development and innovation through the private sector); OF6 (Sustainable, resilient, and inclusive infrastructure); OF7 (Regional integration).

## I. DESCRIPTION AND RESULTS MONITORING

### A. Background, problem addressed, and rationale

- 1.1 **Macroeconomic and social context.** The Uruguayan economy made a solid recovery from the recession in 2020, when gross domestic product (GDP) plunged by 7.4% relative to its 2019 level due to the pandemic. GDP then surged by 5.6% in 2021 and by 4.7% in 2022. This expansion was driven by strengthening external demand and by private investment but was interrupted in 2023 owing primarily to a severe drought that stifled economic activity, holding its average growth rate for the year to 0.4%. The Ministry of Economy and Finance (MEF) projects a rebound to 3.0% in 2024. Public finances improved starting in 2021, thanks to the implementation in 2020 of a revamped fiscal policy structure that helped to reduce the fiscal deficit of the central government and Banco de Previsión Social (Social Security Bank) from 5.8% of GDP in 2020 to 3.3% in 2023 (excluding income of the social security trust fund) and to lower gross public debt from 61.3% of GDP to 58.3% of GDP in that same period. The annual inflation rate, which had reached 9.9% in September 2022, began to slow, standing at 5.1% at the end of 2023, placing it within the target range. The labor market was robust in 2023, with labor-market participation and employment rates reaching their highest levels since 2016. The poverty rate, which rose to 11.6% in 2020, stood at 9.9% in 2022 and 10.1% in 2023, remained above the 2019 rate of 8.8%.
- 1.2 Uruguay has no petroleum or natural gas deposits, and it imports 100% of the fossil fuels that it uses, with those imports representing 14.8%, on average, of its total imports of goods in 2020-2022.<sup>1</sup> Nonetheless, Uruguay has become a net exporter of electricity, thanks to its development of a renewable energy matrix based on hydroelectric, wind, and biomass power, and it exported an average of 1,802 gigawatt/hours (GWh) in 2020-2022 (12% of its total power generation output).<sup>2</sup> In 2022, external energy sales amounted to 1.6% of the country's total exports and brought in revenues of US\$220 million.<sup>3</sup>
- 1.3 **Relevant legal and institutional framework.** The Ministry of Economy and Finance is the general coordinator for this programmatic policy-based loan (PBP) given its areas of expertise and authority. The MEF is the lead agency for the country's economic, financial, and commercial policies and is responsible for coordinating and planning its fiscal policy and for programming and overseeing that policy's application. It also works to align public investment with the country's climate policy objectives and to ensure that the measures for addressing climate change planned by each government ministry are provided for in the budget planning exercise.<sup>4</sup> The Ministry of Industry, Energy, and Mining (MIEM) is in charge of designing and implementing industrial and energy policies and of leading the effort to decarbonize the energy sector in accordance with the National Policy on Climate Change and the country's nationally determined contributions. The National Agency for Research and Innovation (ANII) promotes research and the

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<sup>1</sup> [Anuario Estadístico Nacional 2023](#).

<sup>2</sup> [National energy balance sheet for 2022](#).

<sup>3</sup> [Office of the President of Uruguay](#).

<sup>4</sup> [Budget Act 19924, Article 533](#).

application of new research findings in the country's production and social sectors in line with the [National Science, Technology and Innovation Strategic Plan](#) as a means of helping Uruguay's production systems to become more environmentally sustainable.

- 1.4 The executive branch, working through the MIEM and its National Energy Division, is responsible for formulating and overseeing the country's energy policy. The National Electrical Power Plant and Transmission Administration (UTE) is a vertically integrated (generation, transmission, distribution, and sale), autonomous State-owned enterprise that supplies electricity to the entire country in accordance with the general directives issued by the executive branch. The private sector generates wind, solar, and biomass energy under power purchase agreements with the UTE. The National Fuel, Alcohol, and Cement Administration (ANCAP) is the State-owned company in charge of administering the national alcohol, fuel, and cement monopoly, as well as importing, refining, and selling petroleum derivatives. It is also responsible for producing, distributing, marketing, importing, and exporting green hydrogen and its derivatives in a free market environment (Article 234, Law 20075/2022). The Ministry of Transportation and Public Works (MTOP) designs, implements, and oversees all aspects of the national transportation policy in coordination with public enterprises, departmental governments, and public and private organizations. The Electrical Power Market Administration (ADME) manages the wholesale market for electricity, while the executive branch sets electricity and fuel prices in consultation with various stakeholders.<sup>5</sup>
- 1.5 **Climate action commitments.** Greenhouse gas emissions relative to GDP<sup>6</sup> were 46% less in 2022 than they had been in 1990.<sup>7</sup> This change has taken place in a promising economic context in which the country has succeeded in decoupling economic growth from emissions. The electricity sector's incorporation of nonconventional renewable energy sources<sup>8</sup> on a mass scale has been of pivotal importance in this process. The generation of electricity using fossil fuels peaked at 39% in 2008 and fell to an average of 7% in 2018-2022 and was as low as 2% in 2019. Power generation using variable renewable energies (wind and solar) jumped from 0% in 2008 to 35% in 2022.<sup>9</sup> The reduction in the use of fossil fuels and the increase in the use of renewable sources to generate power has helped to reduce the carbon dioxide (CO<sub>2</sub>) emissions intensity of the primary power matrix from 1.7 gigagram/kilotons of oil equivalent (Gg/ktoe) in 2007-2011 to 1.2 Gg/ktoe in 2017-2021.<sup>10</sup> With the involvement of private actors, the upgrading of the electrical power transmission system went hand in hand with the increasing use of renewable energy sources, with the result that the reliability of the electrical grid and connectivity with neighboring countries also improved. This has become known as the country's [first energy transition](#).

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<sup>5</sup> Energy and Water Service Regulatory Unit (URSEA), UTE, ANCAP.

<sup>6</sup> Emission intensity is calculated by dividing total greenhouse gas emissions by total GDP.

<sup>7</sup> [Segundo Reporte Anual del BIICC](#).

<sup>8</sup> Such as wind, biomass, and solar energy.

<sup>9</sup> Installed renewable energy capacity came to 76% of the total in 2022 (31% hydroelectricity, 31% wind power, 8% biomass power, and 6% solar energy). [Balance Energético, 2023](#).

<sup>10</sup> [Segunda Contribución Determinada a nivel Nacional al Acuerdo de París](#).

- 1.6 Uruguay submitted its [second nationally determined contribution](#) in 2022, with absolute carbon emissions targets and objectives whose achievement will entail a reduction in the growth rate of emissions. The Long-Term Climate Strategy includes an aspirational scenario of carbon neutrality to be attained by 2050. Uruguay has made major strides with respect to its [first nationally determined contribution](#). To achieve its objectives, the government is proposing a policy reform program focusing on making a “second energy transition” and strengthening the innovation and capacity-building ecosystem, with an emphasis on climate action, and extending the scope of the transition beyond the power matrix to encompass transportation and industry as well.
- 1.7 **Challenges in reaching climate change mitigation goals.** Although it has been successful in decarbonizing the electrical power matrix, Uruguay is faced with the challenge of decarbonizing other key sectors, such as transportation, which figures prominently in the commitments made in its nationally determined contribution. The transition to petroleum-free technologies (paragraph 1.2) will give the country greater energy independence and security. According to the national greenhouse gas inventory ([INGEI](#)), the energy sector (including transportation and industry) accounted for 90% of carbon emissions in 2020 (global warming potential, without counting category 3B - Land). In order to attain the country’s climate goals without sacrificing growth, regulatory adjustments will be needed, together with industrial and innovation policies that will promote local development while overcoming market failures. These policies should focus on stepping up private investment in research and development (R&D) and boosting productivity and business competitiveness. This approach is of crucial importance for the potential development and adoption of new energy vectors such as green hydrogen and its derivatives, which can play a pivotal role in the global energy transformation and the decarbonization of the world’s economies.
- 1.8 This second phase of the energy transition involves many different sectors and subsectors that will require large-scale investments, the development and application of as-yet unconsolidated disruptive technologies, innovation capacity, and the active participation of the private sector.
- 1.9 **Challenge 1. Decarbonization of the transportation sector.** In 2022, 43% of the primary energy matrix was composed of fossil fuels,<sup>11</sup> with the transportation sector consuming 71% of all petroleum products.<sup>12</sup> The transportation sector accounted for 52% of the country’s total CO<sub>2</sub> emissions, showing an upward trend from 30% between 2010 and 2020, according to the 2020 national greenhouse gas inventory.<sup>13</sup> Since all fossil fuels are imported, the volume of those imports has a huge impact on the trade balance (paragraph 1.2). In this sector, light vehicles make up 65% of the vehicle fleet and account for 53% of its total fuel consumption and 51% of the sector’s emissions. Trucks represent 4% of the vehicle fleet but

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<sup>11</sup> [Balance Energético, 2023](#). Primary energy is energy that can be obtained from natural sources that have not undergone any human-engineered physical or chemical conversion process. It may be obtained directly, as in the case of hydropower, solar energy, energy obtained from firewood and other combustible plants, or by means of an extractive process, as in the case of petroleum, coal, and geenergy, etc.

<sup>12</sup> [Ibid.](#)

<sup>13</sup> The [INGEI](#) is prepared on the basis of the guidelines developed by the Intergovernmental Panel on Climate Change and uses four categories: (i) agriculture, forestry, and other land uses; (ii) energy; (iii) waste; and (iv) industrial processes and product use.



account for 32% of the sector's fuel consumption and 34% of its emissions.<sup>14</sup> The public transit system accounts for 0.4% of the vehicle fleet and 9% of its fuel consumption and emissions. Between 2017 and 2023, the fleet of light vehicles increased by 20% and that of heavy cargo vehicles by 14% (a 16% increase in trucks and a 1% increase in buses).

- 1.10 Only 7,800 of the 1.1 million vehicles on the road in 2023 were electric vehicles (EVs).<sup>15</sup> Given the markedly renewable profile of the electrical power matrix (paragraph 1.5) and e-mobility energy efficiency, a greater electrification of vehicles servicing mainly short- and mid-range routes, coupled with transportation demand management and modal change policies, could make a contribution to the decarbonization effort. The introduction of differentiated electricity rates for power consumption during the hours when residential electricity demand is low would allow users of EVs to lower their operating costs substantially.<sup>16</sup> In order to rationalize e-mobility costs, the UTE has a single fee schedule for public charging stations<sup>17</sup> ([optional link 3](#)).
- 1.11 Programs and measures developed by Uruguay to promote e-mobility include: (i) tax exemptions for EV imports and licenses; (ii) installation of EV charging stations along roadways and in urban areas; (iii) authorization for private investors to provide electric charging service, along with discounted electricity rates for EV connections located along public roadways and on private land for which there is public access; (iv) rebates for private individuals who install EV chargers in their homes; (v) safety regulations governing EV charging stations; (vi) development of an energy efficiency seal that is affixed to EVs; and (vii) incentives in the form of rebates for departmental governments and public agencies that purchase EVs.
- 1.12 These advances notwithstanding, a number of barriers are limiting e-mobility adoption and consolidation, including: (i) unsuitable laws and regulations, such the ones that provide for diesel fuel subsidies for public transportation;<sup>18</sup> (ii) the high initial investment costs involved in purchasing EVs, which are still relatively new technologies, especially in the case of electric buses;<sup>19</sup> (iii) a lack of incentives for the installation of EV charging docks on a mass scale, including the private sector; (iv) unfamiliarity with the technology; and (vi) a lack of initiatives focusing on the decarbonization of maritime and air transportation, in which the private sector plays

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<sup>14</sup> The truck market is technically regulated to ensure safety conditions, and there are no barriers for new trucks to enter the market. The same conditions apply to new technologies.

<sup>15</sup> Including automobiles, utility vehicles, buses, and trucks, [MIEM, 2023](#). Current trend-based projections put the proportion of the total fleet made up of EVs at 1.4% by 2030 and at 13.5% by 2040. Projections based on an aspirational scenario put the shares of EVs at 6% in 2030 and 50% by 2040.

<sup>16</sup> The residential double-schedule nighttime rate is 60% lower than the peak-hours rate, and the residential triple-schedule nighttime rate is 79% lower ([Pliego Tarifario 2024 - UTE](#)). Fuel and maintenance costs are estimated to be 80% and 40% lower, respectively, for EVs than for vehicles using internal combustion engines.

<sup>17</sup> The per-charge rate is the same during the day; the difference lies in whether it is an alternating current (AC) charging dock or a direct current (DC) dock. The [rate schedule](#) provides discounted rates between 1 May 2024 and 31 December 2025 (30% for private users and corporate fleets and 40% for taxis and ride-share vehicles). An extra fee is charged if vehicles are left connected when they are not charging in order to increase access to the charging docks.

<sup>18</sup> [Fare Administration Trust Fund \(Fideicomiso de Administración del Boleto\)](#).

<sup>19</sup> An electric bus costs almost twice as much as a bus with an internal combustion engine (~US\$600,000 versus ~US\$300,000).

a large part. Additional policies are needed if the country is to fulfill its climate commitments. There is empirical evidence that financial subsidies are an effective way to promote the use of electric buses,<sup>20</sup> which would significantly reduce the transportation sector's per capita emissions.<sup>21</sup> One additional charging station per capita increases plug-in EV purchases by 3% per capita and battery EV purchases by as much as 7.2%.<sup>22</sup> Thus, installing more charging stations will promote EV adoption and thereby help to reduce CO<sub>2</sub> emissions.<sup>23,24,25</sup>

- 1.13 **E-mobility in urban public transit.** The public transit system has the Fare Administration Trust Fund, which provides a subsidy in the form of a rebate on the cost of the diesel fuel used by each bus.<sup>26</sup> ANCAP collects a surcharge of approximately 7% on the price of diesel sold in the country and then transfers these funds to the Trust Fund for that purpose. Under this system, there was no incentive to replace obsolete vehicles running on diesel fuel because of the high investment cost involved. Under Law 19,670 and Decree 165/19, a subsidy was established for purchases of electric buses in order to promote the initial fleet renewal (a maximum of 4% of the fleet), but that had limited impact since there was only one call for proposals. Outside of this call, because the diesel fuel subsidy continued to be offered, vehicle replacement was not a competitive option. In 2022, only 35 or the 2,100 buses operating in the Montevideo metropolitan area, which accounts for two thirds of the country's entire bus fleet, were electric. Accordingly, under Law 20,212, which was promulgated in November 2023, and the decree setting out its implementing regulations, which was issued in May 2024, the diesel subsidization system was modified, and the receipts of the Fare Administration Trust Fund were transferred to the new Trust Fund for Sustainable Mobility (FiMS).<sup>27</sup> These measures are supported by PBP-I.
- 1.14 The new provisions are transformational: (i) with the entry into force of the decree, new diesel buses brought into the Montevideo public transit fleet will not receive fuel subsidies from FiMS; (ii) starting in 2026, diesel buses over 18 years old will not receive the rebates; (iii) by resolution of the Ministry of Transportation and Public Works, subject to a report from the MIEM, cut-off dates may be set after which new diesel buses operating in transit subsystems outside the Montevideo conurbation will not receive fuel subsidies from FiMS if it has been determined that the incorporation of electric buses into a given subsystem's fleet is feasible; and (iv) electric buses brought into the fleet will receive rebates on investment and

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<sup>20</sup> [Liu et al. \(2021\)](#).

<sup>21</sup> [Zhang et al. \(2022\)](#).

<sup>22</sup> [Narassimhan and Johnson \(2018\)](#).

<sup>23</sup> [Shi et al. \(2022\)](#).

<sup>24</sup> [Liu et al. \(2021\)](#).

<sup>25</sup> [Ledna et al. \(2022\)](#).

<sup>26</sup> Fuel consumption is measured on the basis of the number of kilometers traveled, and the size of the rebate varied between 7% and 36% of the fuel price paid by the companies, depending on the type of bus (urban, suburban, interdepartmental), the region, and a number of technical factors.

<sup>27</sup> The decree establishes a charge of Ur\$4.984 per liter of diesel fuel (it was previously Ur\$3.484) in order to provide funds to FiMS. These funds will be collected by ANCAP. The amount of the charge may be modified by the executive branch.

operating costs over a 14-year period following their introduction,<sup>28</sup> with the amounts being set annually by the MTOP, MIEM and MEF. Thanks to these new provisions, it is expected that most future replacements of obsolete vehicles will be electric buses. This change will come at no extra cost for either the system or its users while affording clear economic and environmental benefits, including the replacement of imported fossil fuels with electricity (over 90% of which is renewable and produced domestically), reductions in operating costs, savings on subsidies,<sup>29</sup> greater energy efficiency, and a higher quality of service for users and drivers owing to the elimination of noise and vibration ([optional link 4](#)). In addition, the electrification of public transit helps reduce emissions without impacting tax revenue.<sup>30</sup>

- 1.15 Technical personnel in the EV and charging services value chains require continued training. In 2022, Uruguay established the e-Mobility Coordinating Board for Technical and Vocational Training<sup>31</sup> and, in 2024, an inter-agency agreement was signed for the design of new e-mobility programs of study. In order to provide an opportunity to gain experience in the use and dissemination of new e-mobility technology, the government has moved forward with the “My First Electric Bus” program, which is aimed at introducing electric minibuses, minibuses, and larger buses into the public transport mix, tourism circuits, and ride-sharing fleets.
- 1.16 The decarbonization of maritime and air transportation is a challenging undertaking, given the high level of this sector’s emissions.<sup>32,33</sup> Buquebus, the private ferry operator on the Río de la Plata route between Buenos Aires, Colonia, and Montevideo, has signed a contract for the purchase of an electric ferry, and the UTE is working on the installation of electric charging infrastructure capable of making use of renewable energy surpluses. Apart from these investments, no other strategies for decarbonizing these primarily privately run segments of the transportation matrix have been put in place. The MIEM has issued a resolution under which it will set up a task force composed of members of the public and private sectors and academics to develop strategies for these subsectors with a view to promoting sustainable aviation fuel projects<sup>34</sup> and other initiatives, such as

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<sup>28</sup> This new arrangement applies to operators receiving rebates from the Fare Administration Trust Fund. An average replacement rate of 150 units per year is projected.

<sup>29</sup> *Análisis del funcionamiento de los subsidios al transporte de pasajeros en Uruguay*, IDB, Gonzalo Márquez and Andrés Pereyra (2022). Leveling the operating costs of a diesel bus and an electric one over the useful life of the vehicle requires a subsidy of US\$423.308 for the diesel vehicle and a subsidy of US\$307.171 for the electric bus, resulting in a 25% savings on each electric bus introduced into the fleet.

<sup>30</sup> Unlike private transportation, diesel fuel is not subject to the excise tax, and passenger buses can discount the amount of value-added tax included in the purchase of diesel fuel.

<sup>31</sup> The e-Mobility Board is working to improve the employability of members of the workforce. The Board is composed of representatives of the MIEM, the Universidad del Trabajo de Uruguay, the National Employment and Vocational Training Institute (INEFOP), and the Uruguayan-German Chamber of Industry and Commerce. It is supported by the IDB.

<sup>32</sup> In 2023, the International Maritime Organization agreed upon a revised strategy for reaching the goal of [net-zero greenhouse gas emissions from ships by 2050](#).

<sup>33</sup> Emissions of the maritime transportation sector represent 3% of global emissions of greenhouse gases, and the aviation sector’s emissions amount to 2.5% of that total.

<sup>34</sup> In 2022, the Assembly of the International Civil Aviation Organization adopted [net-zero carbon emissions by 2050](#) as one of its long-term global aspirational goals for international aviation in support of the Paris Agreement.

- the installation of infrastructure to allow cruise ships to hook up to the electrical power grid when they are anchored in port, thereby allowing them to avoid using power derived from fossil fuels during those periods.
- 1.17 **Challenge 2. Development of green hydrogen (H<sub>2</sub>V).** The production of green hydrogen can help to decarbonize end uses of energy and processes that are difficult to roll back by allowing clean energy to be transported over long distances, to be stored so that the low costs available during off-peak hours can be taken advantage of and to be delivered on-demand, thereby contributing to energy security.<sup>35</sup>
- 1.18 Uruguay is in a position to produce, use, and export green hydrogen and its derivatives thanks to its potential for generating renewable energy, its legal and institutional stability, and its investment-grade risk rating. It has access to biogenic carbon dioxide for the production of biohydrogen and its derivatives (green methanol and synthetic fuels),<sup>36</sup> notably from its three existing pulp mills.<sup>37</sup> The domestic market for green hydrogen and its derivatives could reach US\$540 million by 2040,<sup>38</sup> and its export market for those products could amount to US\$1.3 billion. Most of the estimated US\$18 billion in investments that will be required by 2040 is expected to come from the private sector, and those investments would create an estimated 30,000 new jobs.<sup>39</sup> Uruguay has the potential to be a leading player in the region that could supply external markets as well as its domestic market.<sup>40</sup> The country's adherence to the [CertHILAC](#) certification system for clean and low-carbon hydrogen production in Latin America and the Caribbean attests to its commitment to regional cooperation and integration aimed at ensuring product quality and facilitating future trade in these products.
- 1.19 Uruguay has made headway towards developing green hydrogen but it faces a number of obstacles, including: (i) a lack of strategic guidelines for the sector; (ii) an insufficient legal and regulatory framework, including the necessary safety regulations; (iii) a lack of the required technological expertise for the production and adoption of green hydrogen; and (iv) insufficient initiatives for promoting demonstrations of these technologies and their applications in order to attract the investment needed to develop the industry. There is empirical evidence that many governments have implemented policies for mobilizing private funds<sup>41</sup> for decarbonization. Policies for reducing borrowing costs promote climate

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<sup>35</sup> Hydrogen Insights 2021. [A Perspective on Hydrogen Investment, Deployment and Cost Competitiveness. Hydrogen Council.](#)

<sup>36</sup> The existing infrastructure in the Port of Montevideo could be more easily adapted to export methanol and synthetic fuels than ammonia. *Apoyo para el Posicionamiento de Cono Sur como Exportador Global de Hidrógeno Verde y sus Derivados*, IDB (2023).

<sup>37</sup> The cost of producing green hydrogen in 2030 could be between US\$1.2/kg and US\$1.4/kg, which would be competitive with potential producers around the world. [MIEM, 2023.](#)

<sup>38</sup> Heavy cargo trucks using H<sub>2</sub> fuel cells are expected to be the first means of ground transportation to achieve total operating cost parity with combustion engine trucks. This cost parity is projected for 2026 (IDB, 2022).

<sup>39</sup> [Hoja de Ruta del Hidrógeno.](#)

<sup>40</sup> [IDB, 2023.](#)

<sup>41</sup> [Hauke Engel et al. \(2022\).](#)

- investments by making capital investments more profitable.<sup>42,43</sup> Demonstration projects play a key role in fostering the adoption of new technologies by reducing uncertainty and facilitating learning.<sup>44,45</sup>
- 1.20 In order to overcome these obstacles, the government has set out strategic guidelines in a green hydrogen roadmap ([Hoja de Ruta del Hidrógeno, 2023](#)) as part of PBP-I, whose approval represents strong institutional backing for the future development of green hydrogen. This plan defines a first phase focusing on the use of green hydrogen and its derivatives for long-distance and heavy transportation services and for the production of green fertilizers in the domestic market. It also provides for the subsequent expansion of exports of hydrogen derivatives such as green fuels and green raw materials. It projects that the country will be producing nearly a million tons of hydrogen per year by 2040, entailing installed capacity for the generation of 18 gigawatts of renewable energy<sup>46</sup> and electrolyzers with a capacity of 9 gigawatts. In the heavy transportation industry, penetration rates for hydrogen fuel-cell vehicles of 3% for 2030 and 35% for 2040 are estimated.<sup>47</sup> Pursuant to a resolution, the MIEM set up a task force of members of the public and private sectors and academics to discuss strategic guidelines for the decarbonization of industry, particularly the cement industry,<sup>48</sup> which is the source of half of the emissions of Uruguay's entire industrial sector and could employ green hydrogen in its thermal processes.
- 1.21 **Challenge 3. Leveraging the potential of renewable energy.** Uruguay has potential solar and wind energy generation capacities of 60 gigawatts and 30 gigawatts, respectively, with high capacity factors (24%-28% for solar energy and 46%-50% for wind power) that have not yet been exploited.<sup>49,50,51</sup> Even though the electricity matrix is already primarily composed of renewables, this potential could be utilized to meet new demands, such as the electrification of different modes of transportation and the green hydrogen industry.
- 1.22 Opportunities for the decarbonization of the electric power sector, with its 37% of installed wind and solar energy generation capacity, can be opened up by

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<sup>42</sup> [Bhandary et al. \(2021\)](#) and [Polzin et al. \(2019\)](#).

<sup>43</sup> [Bird et al. \(2005\)](#), [Marques and Fuinhas \(2012\)](#), and [Mulder \(2008\)](#).

<sup>44</sup> [Klitkou et al. \(2013\)](#).

<sup>45</sup> [Blackburn et al. \(2020\)](#).

<sup>46</sup> This is approximately five times the current installed capacity for renewable energy.

<sup>47</sup> There are now four projects for the production of green hydrogen and its derivatives being carried out by private Uruguayan and international enterprises (Germany, the United States, France, and Korea). Two (the H24U and Kahiros projects, with 2-megawatt and 5-megawatt electrolyzers, respectively) are focused on providing green energy for logging trucks, and the other two (Tambor Green Hydrogen Hub and HIF Global, with 150-megawatt and 1,000-megawatt electrolyzers, respectively) deal with the production and exportation of green gasoline.

<sup>48</sup> The production of cement-lime is the source of 44% of industrial CO<sub>2</sub> emissions (0.04% of GDP). In 2019, industrial emissions amounted to 3.6% of the country's total emissions. Cement production represented 70% of the mining sector's emissions. [National inventory of greenhouse gases, 2019](#).

<sup>49</sup> [Hoja de Ruta del Hidrógeno](#).

<sup>50</sup> Capacity factors are the ratio between the power produced by a generating plant and the power that the plant could generate if it were operating at maximum capacity during a specified time period.

<sup>51</sup> Installed wind power capacity of 1,514 megawatts and installed solar power capacity of 267 megawatts (2022).

- galvanizing the market and improving the utilization of renewable energy. The complementarity of wind and solar energy generation, together with the use of hydropower storage, make it possible for these variable sources of nonconventional renewable energy to feed an estimated 350 megawatts of firm power into the system.<sup>52</sup> Under Decree 457/2023, which is part of PBP-I, variable sources are incorporated into the calculation of long-term firm power capacity, thereby reducing the need for back-up plants, which are typically thermal plants run on fossil fuels. This represents a major change in the electrical power market that increases its efficiency, helps cut emissions, and facilitates the purchase and sale of renewable energy in the private sector (generators and large-scale consumers).<sup>53</sup> The recognition of nonconventional renewable energy as firm power is an innovation of fundamental importance for the stability and efficiency of the electrical power system.<sup>54</sup>
- 1.23 The creation of the National Renewable Primary-Source Electrical Power Certification System pursuant to Decree 259/2021 allows for the issuance of Renewable Energy Certificates.<sup>55</sup> MIEM Resolution 127/2023 defines the technical standards for measuring power (over 1 megawatt) that is generated but not fed into the network by own-producers and subscribers (customers of the power grid). This regulation ensures the traceability, non-transferability, and transparency of the green certificates in line with international standards. In addition, the National Energy Division has developed a digital platform that centralizes information for public access, thereby enhancing transparency and management, and helping to attract private actors to the sector.
- 1.24 Using renewable energy surpluses with integration infrastructure: Uruguay possesses robust energy integration infrastructure (high-tension transmission lines,<sup>56</sup> frequency converters, and natural gas pipelines) that connect it with its neighbors. This infrastructure could be better leveraged, boosting commercial transactions using innovative approaches such as storing surplus renewable energy in neighboring countries' hydropower storage facilities. ADME member organizations are analyzing a possible mechanism in this regard that will be discussed with interested countries.
- 1.25 National energy sector adaptation plan: Uruguay does not yet have a national adaptation plan for managing climate risks and phenomena such as droughts, heavy rainfall, and winds that can threaten its energy security and service quality. In its nationally determined contribution, Uruguay committed to formulate, adopt, and begin to implement such a plan starting in 2025. Working with various

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<sup>52</sup> Firm power typically comes from thermal and hydroelectric power plants and is the minimum amount needed to provide security that a country's demand for electricity can be met. It is estimated on the basis of the required guaranteed supply and calculated by simulating the peak hours having the highest marginal cost, taking into account the capacity and condition of generating units. Participants in the electrical power market must fulfill their firm power quotas, whether by relying on their own generating capacity or through back-up contracts.

<sup>53</sup> Chile and Brazil also recognize renewable energy sources in their firm power calculations.

<sup>54</sup> [International Energy Agency \(IEA\), 2023.](#)

<sup>55</sup> The relevant regulation provides for the automatic issuance of certificates on the basis of information concerning power generation schedules, complete with detailed information on sources, locations, and commercial modalities (spot market or under contract).

<sup>56</sup> Uruguay has electrical power interconnections with Argentina (2,000 megawatts) and Brazil (570 megawatts).

stakeholders, the MIEM concluded the preparation of a national adaptation plan. This work is included in PBP-I.

- 1.26 **Challenge 4. Innovation, capacity-building, gender and diversity, and financing for climate action.** Innovation is key for sustainable development (Organisation for Economic Co-operation and Development ([OECD, 2010](#))). In order to move forward with the decarbonization of the transportation sector and the adoption of green hydrogen and its derivatives as part of the energy transition, efforts will have to be made to disseminate technologies, finance research, and create public goods that facilitate market formation and reduce the uncertainty inherent in any emerging sector ([IEA, 2021](#)). Companies that incorporate innovations can boost their sales, attract new markets, increase their competitiveness, add value to their products, and address the impacts of climate change ([OECD, 2021](#)).
- 1.27 The literature identifies constraints on private investment in R&D for technologies associated with climate change that warrant public intervention. These factors are: (i) the difficulty of fully capturing the benefits of R&D ([Dechezleprêtre, Martin, and Mohnen, 2014](#)); (ii) limited access to private financing and insufficient guarantees (typical of innovative ventures), which divert investments toward projects that are less risky and more profitable in the short term ([Hall and Lerner, 2009](#)); (iii) positive environmental externalities that are not internalized by the market lessen the perceived profitability of green innovations; and (iv) shortages of necessary skills and qualifications.
- 1.28 Only 12% of companies in Uruguay have developed environmental impact and climate change strategies, 4% have staff assigned to that issue, and 11% are using environmentally beneficial innovations. Uruguay is lagging behind the OECD countries in terms of corporate environmental innovation. According to EUROSTAT data, the availability of financing instruments acts as a stimulus for OECD countries' introduction of environmental innovations ([ANII, 2024](#)). While investment in R&D in Uruguay nearly quadrupled between 2006 and 2021, climbing from US\$72 million to US\$260 million (0.4% of GDP in 2021), it is still below the Latin American and Caribbean average (0.6%)<sup>57</sup> and the average for other comparable OECD countries.<sup>58</sup> Moreover, 76% of these investments are being made by the public sector.<sup>59</sup>
- 1.29 Uruguayan companies' limited degree of knowledge absorption is related to a lack of professional staff,<sup>60</sup> and, owing to a lack of coordination between the national innovation system and external agents, this shortfall is not being offset.<sup>61</sup> There is a great potential for improving collaborative innovation among businesses, public agencies, and countries that would make it possible to leverage the strengths and

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<sup>57</sup> [Ibero-American Network of Science and Technology Indicators \(RICYT\), 2024](#).

<sup>58</sup> [OECD, 2022](#).

<sup>59</sup> [ANII, 2021](#).

<sup>60</sup> Only 12% of the companies that have no professional staff are engaged in innovation, compared to 30% of the businesses that do have professionals on their payrolls ([ANII: Encuesta de Actividades de Innovación, 2016-2018](#)).

<sup>61</sup> Only 5% of manufacturing companies and 3% of service enterprises have innovation-related links with universities, and just 1.7% of corporate investment is in external R&D ([ANII: Encuesta de Actividades de Innovación, 2016-2018](#)).

- resources of each actor to spur innovation at the national and international levels. In addition, not enough climate-related funding is being mobilized to achieve the Paris Agreement goals.<sup>62</sup> Access to innovative climate financing mechanisms, such as the transfer of mitigation outcomes, needs to be increased to enable the country to fulfill its nationally determined contributions and other mitigation goals, as advanced with the Swiss Confederation (measure included in PBP-I).
- 1.30 Uruguayan institutions such as ANII promote climate action technologies, and there are institutions that offer instruction at the tertiary/university level on environmental sustainability and the energy transition. The available resources for climate action innovation are insufficient, however, and there is a mismatch between human resources development and the needs of the production sector in connection with its innovation ventures,<sup>63</sup> causing opportunities to be missed.<sup>64</sup>
- 1.31 This calls for public policies designed to: (i) build businesses' capacities; (ii) overcome companies' innovation finance constraints with the aid of demonstration projects and technology transfers; (iii) incentivize technological change for the production, distribution, and consumption of green hydrogen and its derivatives; (iv) create incentives to develop various levels of technical human capital; and (v) mitigate value chain investment risks. An appropriate regulatory framework is needed, along with a system of standards and certifications that will reduce information asymmetry, lower barriers, facilitate trade, and build trust while encouraging private-sector participation.
- 1.32 With respect to gender and diversity,<sup>65</sup> for Uruguay to continue to move forward with its equitable energy transition, it is imperative for it to have a diverse, well-trained labor force free of gender gaps where women and men can contribute in key areas, such as artificial intelligence, hydrogen, and science and technology. The energy sector, which will include more technology and digitalization, will face a deficit of qualified professionals.<sup>66</sup> In 2022, only 28% of the 240 students in specialized programs of study relating to the energy transition were women (Ministry of Education and Culture, 2023). According to the Economic Commission for Latin America and the Caribbean, no more than 40% of graduates in STEM fields (science, technology, engineering, and mathematics) in the region are women, and, according to the United Nations Educational, Scientific and Cultural Organization ([UNESCO](#)), 63% of women in Uruguay study natural sciences, mathematics, and statistics, whereas only 18% study informatics or other technological disciplines.<sup>67</sup> This is a problem, since an estimated 75% of future jobs in this area will require STEM training. At the international level, almost half of all

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<sup>62</sup> Fulfillment of the Paris Agreement mitigation and adaptation goals in Uruguay by 2050 will require annual investments of between US\$3 trillion and US\$6 trillion (IDB CLIMA, 2023). Multilateral financing only covers 3.6% of the region's needs. Given the scarcity of fiscal space and multilateral resources, the country will need to look to the debt market. Green markets can reduce the attendant debt service costs through higher rates of concessionality.

<sup>63</sup> In all, 53% of R&D professionals on company payrolls are trained in engineering and technology (*ANII Encuesta de Actividades de Innovación, 2016-2018*), but only 6% of doctors and 2% of teachers have training in those areas (ANII, [Portal Prisma](#)).

<sup>64</sup> [IDB, 2021](#).

<sup>65</sup> The focus on aspects of diversity is being advanced in coordination with the MIEM and ANII.

<sup>66</sup> In Latin America, 23% of information technology workers are women.

<sup>67</sup> [Inter-Agency Board of Women in Science, Innovation, and Technology](#).



- women in this sector are in administrative positions,<sup>68</sup> while only 28% hold jobs requiring STEM training.<sup>69</sup> Women employees represent just 21.9% of the workforce in electricity, gas, and water companies. Women's limited access to venture financing constrains their ability to invest in green technologies or in businesses that implement energy efficiency measures. Furthermore, in 2019, 8.5% of women in Uruguay stated that they had been victims of sexual harassment or violence in the workplace. This situation impairs productivity, the work environment, and staff well-being<sup>70</sup> ([optional link 5](#)).
- 1.33 Only 59.5% of persons with disabilities in Uruguay are in the labor market. Law 19,691/2018 establishes that private-sector employers with 25 or more permanent employees are to progressively increase the number of persons with disabilities whom they hire until they reach a level that is currently set at 4% of their staff. Women with disabilities also face harassment in the workplace. In 2019, 12% of women with disabilities reported having been harassed in their place of employment ([optional link 5](#)).
- 1.34 According to the National Sexual Diversity Plan,<sup>71</sup> members of the LGBTI+ population in Uruguay have unequal access to rights and opportunities and face discrimination in the areas of health, education, employment, and justice and in the use of public spaces. The first survey of trans persons in Uruguay registered 933 persons, 87% of whom are trans women and 13% trans men, in the country's 19 departments. The results indicate that 60% of those people did not complete their basic education, and 75% dropped out of formal educational institutions. In the area of employment, 65% of this population reported being employed, but only 23% had social security coverage (Ministry of Social Development, 2018) ([optional link 5](#)).
- 1.35 Since 2005, the MIEM Special Gender Unit has been working to do away with gender inequality, promote diversity and inclusion, and overcome social barriers and discrimination. Its equity policies have focused on women, the LGBTI+ community, persons with disabilities, seeking to include all groups in its actions. The MIEM is also certified at the first level of the Quality in Gender Equity Model and has committees working in the areas of domestic violence and discrimination.
- 1.36 The MIEM focuses its work in the area of gender and diversity on strengthening women's economic autonomy and making women's contribution to production activity visible. This includes its 8M Women Entrepreneurs Challenge Fund for businesswomen and women members of cooperatives, including trans women,<sup>72</sup> who carry out production or production-related service activities in micro-, small, or medium-sized enterprises or cooperatives in the public policy areas falling within the Ministry's purview. In the 2024 challenge fund exercise that was part of PBP-I, nonreimbursable funding opportunities were broadened to include investments in

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<sup>68</sup> One out of every five leaders in the sector is a woman, and the male/female wage gap is 19% (World Economic Forum).

<sup>69</sup> [World Economic Forum, 2022](#).

<sup>70</sup> [National Statistical Institute, 2019](#).

<sup>71</sup> Prepared by the Government of Uruguay, 2018.

<sup>72</sup> In 2023, the Special Gender Unit started out with a budget of US\$2 million, which was then increased to US\$2.5 million to provide nonreimbursable funds for the 8M Women Entrepreneurs Challenge Fund. This initiative was expanded in 2024 to include energy efficiency ventures and proposals.

production-related equipment and facilities by energy-efficiency ventures and proposals for such investments. The Special Gender Unit has annual and five-year gender mainstreaming plans covering the work and budgets of all divisions. The plans focus on preventing violence in the workplace, with a particular focus on the above-mentioned groups, and takes the existence of multiple forms of discrimination into account. The application of the response protocol for situations of moral and/or sexual harassment in the workplace and instances of multiple discrimination is set out as provided for by PBP-I. The Special Gender Unit also works in homes for persons with disabilities and has recently been acting as an advocate for agreements for the adaptation of statistical data so the MIEM can disaggregate data by diversity-related variables.

- 1.37 In addition, two gender- and diversity-related policy actions are provided for in PBP-I: the approval of new guidelines and conditions for postgraduate scholarships in areas of scientific study related to climate change, with priority being given to women candidates in STEM disciplines; and the formalization of the ANII gender task force through the designation of members from each area of the institution. The focus will be on converting the task force into a space for the design, monitoring, and evaluation of strategic lines of gender policy. Priority will be given to the award of scholarships to women candidates wishing to study STEM subjects ([optional link 5](#)).
- 1.38 **Rationale.** There are obstacles to making headway with the energy transition through the decarbonization of the transportation sector and the development of green hydrogen and its derivatives by leveraging the country's renewable energy potential in partnership with the private sector, and its innovation ecosystem, capacity-building, the attainment of greater diversity and gender equity, and the expansion of climate action financing. Ways of overcoming those obstacles have been identified and are proposed in this operation (theory of change, [optional link 6](#)). The participation of the private sector is essential in order to achieve the necessary scale of investment and the required innovation in the application of new technologies and practices. Obstacles to the decarbonization of the transportation sector include an unsuitable regulatory framework, including, in particular, the subsidization of diesel fuel for the bus fleet; the high initial cost of electric buses; a lack of expertise in the area of e-mobility technology; a lack of incentives for the installation of EV charging docks; and a lack of incentives for the decarbonization of maritime and air transportation. With regard to the development of green hydrogen, the obstacles are the lack of strategic guidelines, an underdeveloped legal and regulatory framework, a lack of expertise in green hydrogen production and adoption technologies, the absence of initiatives for promoting demonstration projects to showcase the technology and its various applications in order to attract private investment, and a lack of initiatives for decarbonizing the cement sector through the use of green hydrogen. The failure to recognize the firm power potential of solar and wind power impacts the capacity of the electrical power market to take fuller advantage of renewable energy resources. The lack of a climate change adaptation plan for the energy sector limits its ability to undertake climate action. Obstacles to an equitable and diverse energy transition include women's limited access to credit for investments in green technologies and the marked prevalence of harassment in the workplace. Barriers to the development of the innovation ecosystem with a focus on climate change include a lack of cooperative action on the part of the national innovation system and external agents, and the lack of economic, financial, and human resources for

R&D with a focus on climate change. Obstacles limiting climate action include a lack of skills for new technologies, a lack of coordination between educational institutions and the production sector's need for innovation projects centered around climate change, and a lack of diversity and gender equity in the sector.

- 1.39 **Program strategy.** This program is aligned with the climate change goals and sector priorities established in the Long-Term Climate Strategy and the National Climate Change Plan ([optional link 1](#)). The government has requested the Bank's financial and technical support for the preparation of a PBP based on two separate operations linked to medium- and long-term policy reforms as described in the Policy Matrix (Annex II) and the borrower's Policy Letter ([required link 1](#)).
- 1.40 **Value added by the Bank in the first energy transition, support for the second transition, and the promotion of innovation and human capital formation ([required link 3](#)).** The Bank played a prominent role in the first energy transition, during which it financed 37% of the development of the country's renewable installed energy capacity through the following operations: (i) wind: [3453/CH-UR-1](#), [3454/CH-UR](#); (ii) solar: [3263/CA-UR](#); (iii) [4694/OC-RG](#) and [4695/OC-RG](#); and (iv) firm power: [2894/OC-UR](#).<sup>73</sup> In so doing it contributed to the electrical power system's decarbonization and resilience and helped the country to maintain its position as a net exporter of electricity.<sup>74</sup> The Bank has positioned itself as a strategic partner of the country in the provision of technical cooperation, providing US\$4.4 million in 12 technical cooperation operations from the Ordinary Capital and other donors. The Bank has contributed to the development of green hydrogen and its derivatives through such operations as [ATN/OC-17723-UR](#), [ATN/OC-18386-RG](#), and [ATN/OC-19040-RG](#) and has supported the formulation of the country's green hydrogen [roadmap](#), the structuring of its [first green hydrogen demonstration project](#), the establishment of the Green Hydrogen Sector Fund and the Green Hydrogen Program, the review of the regulatory framework, and the development of institutional agreements for its implementation, along with the [CertHILAC](#) certification system. The Bank provided support for the technical studies for the electrification of the public transit system, has promoted the wholesale electricity market through the digitalization of the energy-related information required to inform the design of new plans and policies for the sector ([ATN/OC-17271-UR](#)) and e-mobility capacity-building ([ATN/TV-19219-UR](#)). In addition, by means of a conditional credit line for investment projects ([UR-O1160](#)), it supports efforts to fulfill Uruguay's climate commitments.
- 1.41 The Bank has supported regional initiatives such as the Renewables in Latin America and the Caribbean (RELAC) network and the Regional Energy Integration System of the Southern Cone (SIESUR), which promote the exchange of knowledge and experiences in the decarbonization and integration of the energy sector in Latin America and the Caribbean ([ATN/MR-17716-RG](#), [ATN/OC-17715-RG](#), [ATN/OC-20277-RG](#)). This operation is complemented by

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<sup>73</sup> [PCR 2894/OC-UR. Punta del Tigre Combined Cycle Power Generation Project "B"](#).

<sup>74</sup> This has been identified as a key element in the various PBPs undertaken in the country ([5420/OC-UR](#)).

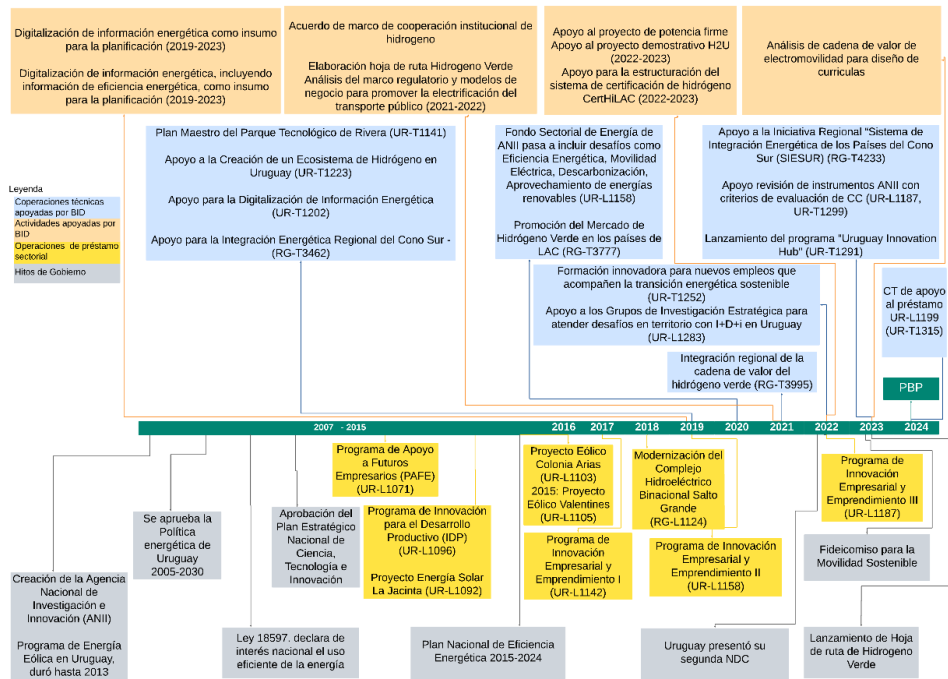
[5680/OC-UR](#), which supports the consolidation of the first energy transition, and by [ATN/OC-20945-UR](#),<sup>75</sup> which will provide technical support for the operation.

- 1.42 The Bank has been supporting ANII since 2006 through various operations and technical cooperation projects ([2775/OC-UR](#), [3315/OC-UR](#), [3316/CH-UR](#), [4329/OC-UR](#), [4847/OC-UR](#), and [5565/OC-UR](#)). It has supported innovations in the areas of energy efficiency, e-mobility, decarbonization, and renewable energy ([4847/OC-UR](#), [5565/OC-UR](#)) and has helped to strengthen R&D and innovation programs with a focus on climate change run by ANII and the National Agricultural Research Institute ([ATN/OC-20168-UR](#), and [ATN/OC-20169-UR](#)). The Bank has also supported public- and private-sector initiatives to position the country as an innovation hub that attracts talent and new organizations to the local ecosystem and connects with investors and start-ups to help them scale up their operations ([ATN/OC-18937-UR](#) and, [ATN/OC-19805-UR](#)). The IDB has worked with ANII, the Ministry of the Environment, and other actors to pioneer the design of a climate change and innovation module for the National Innovation Survey. As a result, ANII redesigned its business support, scholarship, research, and start-up mechanisms to add support tools relating to climate change and a gender perspective. This knowledge will be transferred through a regional public goods project to other innovation agencies in the region within the framework of the [Latin American Network of Innovation Agencies \(RELA\)](#).

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<sup>75</sup> Technical cooperation will support: (i) the development of good practices in the areas of gender and science, technology, and innovation; and (ii) formulation of an energy efficiency plan for 2025-2035. For the second tranche, it will support: (i) the drafting of supplementary legislation and regulations for the development of the green hydrogen market; (ii) coordination of the building information modeling strategy; (iii) analysis of opportunities for, and regulatory barriers to, the promotion of innovation in high-value-added sectors; and (iv) the National Sustainable Urban Mobility Strategy 2024-2025.

Figure 1. IDB support for the energy and innovation sector (optional link 7)



Source: INE/ENE.

- 1.43 The Bank has participated in joint events, met periodically, and coordinated activities with other bilateral and multilateral agencies, including the United Nations, the German Agency for International Cooperation (GIZ), the Ministry of Education and Research of Germany ([BMBF](#)), Korea Eximbank, and the Korean Energy Agency.
- 1.44 Synergies between IDB and IDB Invest encompass public and private investments that promote the program's policy measures, including opportunities associated with projects dealing with green hydrogen and its derivatives, measures and other work for the decarbonization of maritime and air transportation, and the decarbonization of the cement industry. In innovation, there are synergies between IDB and IDB Lab in the promotion of partnerships between the public, private, academic, and entrepreneurial sectors.
- 1.45 **Lessons learned.** Lessons learned from programs and PBPs executed in the country deal with the importance of: (i) interagency coordination at high levels of the government and the Bank's support with the identification and preparation of policy actions, especially in technical areas, contributing to coordination among the various actors involved, spurring dialogue, and supporting discussions and studies; (ii) appropriate institutional arrangements for monitoring the operation and maintaining an ongoing dialogue between the Bank and other stakeholders; (iii) designing the program and sequencing reforms on a sustained basis while considering the interests and capacities of the institutions concerned, for which the programmatic instrument is appropriate; (iv) having long-term policy frameworks for building and consolidating capacity for innovation; and (v) having the Bank's

support during the implementation of institutional changes and policy measures in the form of technical assistance.<sup>76</sup>

- 1.46 **Additionality.** The support provided by this operation for technical studies, the actions in the Policy Matrix, and the institutional momentum generated by the program's preparation and execution will help resolve the problems encountered (paragraph 1.40). Various measures have been identified and agreed upon during the structuring of this operation, and some have been expedited and consolidated thanks to the opportunities provided by the loan, while others are still being readied for the following phase. The policy conditions for PBP-I are essential in order to spur the decarbonization of the transportation sector, the development of green hydrogen and its derivatives, and the strengthening of the innovation ecosystem. These measures set the stage for increased participation by the private sector, greater equity and diversity, the capacity-building through the use of new technologies, and expanded options for access to climate financing. They will also enable the ongoing multisector dialogue for the preparation, development, and implementation of the measures planned for PBP-II (Annex II). Given the program's multisectoral nature, this operation has played a key role in interagency coordination and dialogue aimed at developing multidimensional solutions whose positive impact will continue to be felt after the program has ended. They include dialogues among members of the public and private sectors and academia concerning a comprehensive plan for the development of green hydrogen and its derivatives, the decarbonization of maritime and air transportation and the cement industry, and the formulation of a climate change adaptation plan for the energy sector.
- 1.47 PBP-II will continue to support policies to leverage the country's renewable energy potential, the decarbonization of the transportation sector, and the development of green hydrogen and its derivatives, including the expansion of the electric bus fleet and the number of EV charging stations around the country, the adoption of a comprehensive strategy for the decarbonization of ground, maritime, and air transportation, and the approval of measures to catalyze market formation, to reduce technical and economic uncertainty, and to contribute to investment in projects focusing on green hydrogen and its derivatives. The Bank will continue supporting activities to strengthen the innovation ecosystem, such as support for pilot projects, the scaling and development of draft regulations for controlled testing environments to promote innovation, flexibility, and learning in the area of climate action, and the approval of ANII's new institutional strategy, in which climate change and gender will be crosscutting themes. The Bank will continue to support increases in public climate financing and the leveraging of private resources. It will also help expand the supply of trained human resources for innovation linked to climate action.
- 1.48 **Strategic alignment.** This operation is consistent with the IDB Group's Institutional Strategy: Transforming for Scale and Impact (CA-631) and with the objectives of: (i) reducing poverty and inequality; (ii) addressing climate change<sup>1.32</sup>; and (iii) bolstering sustainable regional growth. It will pursue these objectives by supporting the country's energy transition, promoting private-sector participation,

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<sup>76</sup> These considerations have been identified as key in the various PBPs implemented in Uruguay ([5420/OC-UR](#)).

- e-mobility, and the development of green hydrogen, and strengthening the innovation ecosystem, capacity-building, and climate action financing within a framework of gender equality. It is also aligned with the following operational focus areas: (i) biodiversity, natural capital, and climate action; (ii) gender equality and inclusion of diverse population groups; (iii) institutional capacity, rule of law, and citizen security; (iv) social protection and human capital development; (v) productive development and innovation through the private sector; and (vi) sustainable, resilient, and inclusive infrastructure.
- 1.49 **Alignment with the Paris Agreement.** This operation has been analyzed using the [joint framework of the multilateral development banks](#) for assessing alignment with the Paris Agreement and the [IDB Group Paris Alignment Implementation Approach](#) (GN-3142-1). It has been determined to be: (i) aligned with the adaptation goals of the Paris Agreement; and (ii) aligned with the mitigation goals of the Paris Agreement based on a specific analysis considering the following elements: (i) consistency with national decarbonization and adaptation targets; (ii) the country has no plans to generate hydrogen from fossil fuels; and (iii) the generation of green hydrogen will comply with strict sustainability criteria ensuring that sources such as biomass are used in line with green criteria ([optional link 1](#)).
- 1.50 **Climate financing.** In all, 68.92% of the operation's resources are considered to be climate financing, as they will be invested in adaptation and mitigation activities according to the multilateral development banks' joint methodology.
- 1.51 **The Bank's country strategy with Uruguay.** The operation is aligned with the IDB Group Country Strategy with Uruguay 2021-2025 (GN-3056) in the following priority areas: (i) sustainable productive development, with the specific objectives of bolstering innovation, increasing productive financing, and improving resilient production infrastructure; and (ii) equity and social inclusion, with the specific objective of improving education and job training. The operation is consistent with the following sector framework documents: (a) Energy (GN-2830-8); (b) Transportation (GN-2740-12); (c) Innovation, Science, and Technology (GN-2791-8); (d) Climate Change (GN-2835-13); and (e) the Employment Action Framework with a Gender Perspective (OP-2289-1 and GN-3057) in the areas of adaptation, increased climate resilience, and decarbonization.
- 1.52 **Consistency with the Public Utilities Policy ([optional link 2](#)).** The program is consistent with the objectives of the Public Utilities Policy (GN-2716-6) and is aligned with its three pillars: (i) financial sustainability, as policy measures are aimed at achieving greater cost efficiency by replacing imports of fossil fuels with domestically produced renewable energy and promoting innovation; (ii) social sustainability, as it seeks to promote gender equality and reinforce the inclusion of vulnerable groups in the energy transition; and (iii) environmental sustainability, by supporting the decarbonization of the transportation sector and promoting e-mobility.
- B. Objectives, components, and cost**
- 1.53 **Objective.** The program's general objective is to contribute to the country's sustainable growth by supporting an equitable energy transition and innovation within the framework of its climate change commitments. Its specific objectives are to: (i) help decarbonize the transportation sector; (ii) work with the private sector to support the development of green hydrogen using renewable energy sources;

and (iii) strengthen the innovation ecosystem, capacity-building, gender and diversity, and financing for climate action.

- 1.54 **Component 1. Stable macroeconomic context.** The objective is to ensure that the macroeconomic context is consistent with program objectives and the Policy Letter.
- 1.55 **Component 2. Decarbonization of the transportation sector and development of green hydrogen using renewable energy sources in conjunction with the private sector.** This component provides for the approval of policy measures aimed at achieving the specific objectives (i) and (ii) as they relate to challenges 1, 2, and 3. These policy measures will include major efforts to promote private-sector involvement.
- 1.56 The decarbonization of transportation will be supported by: (i.a) authorization of the establishment of the FiMS to administer funds to be used for mass ground transit programs and facilitate the procurement of electric buses to replace obsolete diesel buses;<sup>77</sup> (i.b) regulatory provisions for the redesign of the rebate system by the FiMS; and (ii) the introduction of incentives for the installation of EV charging docks, including (ii.a) the 2024 plan to provide a discount on their UTE bill to customers who install EV chargers, and (ii.b) launch of the terms calling on private companies to make areas available on their grounds where members of the public can charge their EVs.
- 1.57 Support for the development of green hydrogen and its derivatives will include: (iii.a) approval of Uruguay's green hydrogen roadmap; (iii.b) approval and publication of safety regulations for the production, storage, distribution, consumption, and marketing stages of green hydrogen projects; (iv) financing through the Green Hydrogen Sector Fund for a privately run demonstration project dealing with green hydrogen production and use under Phase 1 of the green hydrogen roadmap; and (v) award by ANCAP, as provided for in Phase 1 of the green hydrogen roadmap, of the selection of a private developer to produce efuels from green hydrogen using biogenic carbon dioxide as a means of attracting the first private export-scale hydrogen production projects.
- 1.58 Support to leverage the renewable energy potential will include: (vi) approval and publication of the amendment of the regulations governing the wholesale electricity market in order to update the guaranteed supply system by incorporating variable renewable energy sources into the method used to calculate the firm power supply; and (vii) approval of the national energy sector adaptation plan in line with the country's climate change commitments.
- 1.59 The various lines of action identified for **PBP-II** include the development of: a regulatory framework for green hydrogen, decrees to develop offshore wind power generation potential, and a national policy for sustainable urban mobility.

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<sup>77</sup> It is expected that the buses replaced by private operators will be used in small towns in the country where they will circulate (shorter distances) during their limited remaining useful life. Since operating permits are regulated by public entities (and therefore, limited) and the operators are private (with the exception of specific cases like Salto and Tacuarembó), these buses are expected to replace older vehicles (that would be taken out of service).



- 1.60 **Component 3. Innovation ecosystem, capacity-building, gender and diversity, and financing for climate action.** This component provides for the approval of policy measures to facilitate the achievement of specific objective (iii) as it relates to challenge 4.
- 1.61 These policy measures are: (viii) the establishment of a legal framework for transfers of mitigation outcomes for use in furthering the fulfillment of nationally determined contributions by Uruguay in cooperation with Switzerland; (ix) approval of new specifications and conditions for ANII financing of innovation projects that will contribute to climate change adaptation and/or mitigation; (x) implementation of the Uruguay Innovation Hub Program to promote the innovation and entrepreneurship ecosystem with a focus on advanced digital technologies, biotechnology, and green technologies; (xi) approval of financing for at least three collaborative research projects within the framework of new green hydrogen science/technology networks involving international cooperation; and (xii) establishment of financial and governance resources for the Northern Regional Technology Park to support the country's sustainable economic development.
- 1.62 The following measures will provide support for diversity and gender equity: (xiii.a) approval of the MIEM response protocol in situations of moral and/or sexual harassment in the workplace and instances of multiple discrimination, along with its accompanying regulations, which will broaden the range of aspects of diversity (persons with disabilities, the LGBTI+ population) that are addressed and promote internal training on preventive measures and gender and diversity awareness for senior personnel; (xiii.b) MIEM approval of the guidelines and conditions for businesswomen and women members of cooperatives wishing to apply to the 8M Women Entrepreneurs Challenge Fund; (xiii.c) approval of new guidelines and conditions for ANII postgraduate scholarships for persons wishing to obtain further qualifications in fields of science related to climate variability and climate change, with priority being given to women candidates for STEM studies in areas where the largest gender gaps exist; and (xiii.d) formalization of the ANII gender task force by designating members from each area of the institution, with the objective of turning it into a space for the design, monitoring, and evaluation of strategic lines of gender policy ([required link 2](#)).
- 1.63 For **PBP-II**, the various measures that have been identified include: the creation of a register to centralize information on reductions in greenhouse gas emissions under the bilateral agreement with Switzerland, draft regulations for controlled testing environments to promote innovation relating to climate change, approval of proposals for promoting gender equality in plans, programs, and mechanisms developed by ANII, and the award of postgraduate scholarships for building capacity in scientific fields associated with climate change.

### **C. Expected outcomes and key indicators**

- 1.64 Outcomes indicators detailed in the Results Matrix include tons of CO<sub>2</sub> averted through the introduction of electric buses and other EVs, thermal power generation capacity avoided by the recognition of the firm power generated variable renewable energy, the number of projects on green hydrogen and its derivatives under development, and the number of private companies taking an active part in the development of green hydrogen and its derivatives. The reduction of emissions due to the introduction of electric buses will help to reduce greenhouse gas

emissions and will improve local air quality. This will primarily benefit the estimated 1.8 million inhabitants of the Montevideo metropolitan area, and especially public bus users.<sup>78</sup> The increased number of EV charging stations along public roadways will benefit EV users (estimated at 15,000 EVs by 2026). In addition, the recognition of the contribution of variable renewable energy to firm power will postpone investments in thermal power generation.<sup>79</sup> Measures for strengthening the innovation ecosystem include: (i) providing support for eight cooperative climate action projects that will involve both businesses and academia; (ii) providing financing for new R&D and innovation projects and dynamic start-ups aligned with climate change adaptation and/or mitigation efforts and decarbonization goals; (iii) enhancing the supply of human capital (45 postgraduate scholarships) and increasing scholarships for women in fields pertaining to environmental sustainability; (iv) building capacity in the field of green hydrogen and its derivatives and in scientific fields relating to climate variability and climate change; and (v) working to increase gender equity and equity for diverse populations to support the energy transition. An expected impact is the reduction of CO<sub>2</sub> emissions and an increase in the percentage of firms engaged in environmentally beneficial innovation.

- 1.65 **Long-term impacts.** The measures adopted as part of this PBP are expected to have positive impacts that will continue to be felt after its close. Direct impacts of this type include a reduction in CO<sub>2</sub> emissions,<sup>80</sup> savings in subsidies for the mass transit system,<sup>81</sup> and the deferment of the need for thermal power to back up the electrical power system. In addition, a penetration of hydrogen fuel cell vehicles in heavy cargo transport of 35% is projected by 2040, and estimates based on an aspirational scenario put the proportion of EVs for that year at 50%. The development of the value chain of green hydrogen and its derivatives will give rise to specific projects and create approximately 30,000 direct jobs, as well as averting the equivalent of 6 million tons of CO<sub>2</sub> emissions as of 2040. The program will also help to close the gap in the ongoing development of the ecosystem for green hydrogen and its derivatives. In addition, public innovation policies will support the production sector's implementation of innovation having positive social impacts, which will open up opportunities for entering new and more competitive markets and attaining higher levels of competitiveness.

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing instruments

- 2.1 **Rationale.** This operation is a programmatic policy-based loan (PBP) and is the first of two consecutive technically linked but separately financed operations prepared in accordance with "Policy-Based Loans: Guidelines for Preparation and Implementation" (CS-3633-2) and the guidelines and directives of the Proposal to Establish a Set of Contingent Lending Instruments of the IDB. Revised version

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<sup>78</sup> [Montevidata](#).

<sup>79</sup> In the absence of the decree referred to in paragraph 1.58, it is estimated that starting in 2030, 50 megawatts of base generation capacity will have to be incorporated each year.

<sup>80</sup> The decarbonization of the transportation sector is expected to contribute 13% of the reduction in CO<sub>2</sub> emissions needed to attain the aspirational goal of carbon neutrality by 2050.

<sup>81</sup> ([Optional link 4](#)), page 5.

(GN-2667-2). The PBP modality was chosen because: (i) it will provide the necessary timeframe for promoting policy measures whose implementation, given their strategic importance, will entail actions over the medium and/or long terms; (ii) it will foster an ongoing policy dialogue; (iii) it will facilitate the gradual implementation of reforms, which will make it possible, during the second operation, to consolidate the policy measures introduced during the first operation; and (iv) it will facilitate the monitoring of the gradual implementation of these reform measures.

2.2 **Dimensioning of the operation.** The cost of this first operation will be up to US\$200 million, to be financed with the Bank's Ordinary Capital resources. In accordance with paragraph 3.27 of "Policy-Based Loans: Guidelines for Preparation and Implementation" (CS-3633-2), the dimensioning was based on the country's broad fiscal resource needs for supporting these multisectoral reforms. Bank estimates indicate that this operation represents 0.6% of the nonfinancial public sector's financing needs for the period 2024-2028 as a whole. The operation represents 3.1% of that sector's financing needs for an average year during this four-year period and represents 6.1% of multilateral financing for Uruguay in 2024-2028.

2.3 **Deferred drawdown option (DDO).** This series will use the DDO in accordance with the "Proposal to Establish a Set of Contingent Lending Instruments of the IDB. Revised version" (GN-2667-2). The use of the DDO will facilitate the policy dialogue between the country and the Bank and afford the necessary timeframe for implementation of the reforms. The DDO is consistent with the government's debt management policy, which calls for a precautionary diversification of financing sources. This approach enables it to secure financing at a sustainable cost primarily during times of regional or international financial volatility. The original drawdown period will be three years as of the disbursement eligibility date.<sup>82</sup>

#### **B. Environmental and social risks**

2.4 This operation is not expected to have significant, direct negative effects on the environment or the country's natural resources. Accordingly, this PBP falls outside the scope of the IDB Environmental and Social Policy Framework, as provided for in paragraph 4.7 of the Framework.

#### **C. Fiduciary risks**

2.5 No fiduciary risks have been identified. Uruguay's single account will be used to manage the loan proceeds, as will the country fiduciary systems of the borrower/executing agency.

#### **D. Other risks and key issues**

2.6 **Economic and financial environment.** If the country's fiscal situation were to worsen, fulfillment of this program could be compromised. However, the probability of this occurring is low, as are the risks and impacts it would have for the program.

2.7 **Sustainability of the reforms and the political environment.** The sustainability of the reforms and of the political environment is subject to a medium-low level of risk associated with possible changes in priorities (PBP-II) following national

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<sup>82</sup> With an option for a one-time renewal for another three years (GN-2667-2).

elections in 2024 and the assumption of office by new authorities in March 2025. To mitigate this risk, the Bank will work with the MEF, MIEM, UTE, ANII, and ANCAP to ensure fulfillment of policy measures and continuity of actions. The Bank will provide technical assistance to support the country with the key measures of this reform process. The main political parties have all been in agreement as to the importance and benefits of the country's energy transition for over 15 years.

- 2.8 **Coordination.** The risk associated with the coordination of multiple actors (governance system) and the need to ensure their engagement is considered medium-high. This risk will be mitigated by ensuring suitable lines of communication among the authorities of the participating institutions and the establishment of focal points to facilitate implementation of the reforms and to create spaces for coordination and joint work (paragraph 3.2). Technical cooperation support will be furnished, and regular meetings will be held with the various parties to monitor progress toward the implementation of the measures and to facilitate coordination among them.

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower is the Eastern Republic of Uruguay, and the executing agency for the first operation is the borrower, acting through the MEF. The executing agency will: (i) coordinate with the parties involved in the program; (ii) communicate with the Bank through official channels; (iii) provide evidence, to the satisfaction of the Bank, of fulfillment of the policy measures included in the Policy Matrix and the loan contract, along with any other evidence that the Bank requires for the respective disbursement; (iv) take action to achieve the program's policy objectives; and (v) collect, file, and deliver to the Bank any and all information, indicators, and parameters that contribute to the monitoring, measurement, and evaluation of its outcomes.
- 3.2 **Coordination mechanism.** The MEF, as the executing agency, will coordinate with the MIEM, UTE, ANCAP, ANII, and other participating agencies in fulfilling policy commitments and consolidating the relevant sector reforms and, to this end, will hold meetings for their analysis and monitoring (paragraph 2.8).
- 3.3 **Special contractual conditions precedent to disbursement of the loan proceeds. Disbursement of loan proceeds by the Bank at the borrower's request will be contingent upon fulfillment of the policy reform commitments described in the program components in accordance with the Policy Matrix (Annex II) and the Policy Letter ([required link 1](#)), in addition to fulfillment of the other conditions established in the loan contract.** The withdrawal of resources under the DDO will be subject to the observance by the borrower of the policy conditions provided for in the operation, including those relating to macroeconomic sustainability.

#### B. Summary of arrangements for monitoring results

- 3.4 The monitoring of this program will entail verification of the policy measures established as conditions precedent to disbursement as described in the Results Matrix (Annex III), the Policy Matrix, and the Means of Verification Matrix ([required link 2](#)).

- 3.5 Fulfillment of the output indicators will be checked against the information provided in the Means of Verification Matrix ([required link 2](#)), which delineates the actions to be taken under the program, the responsible institutions, and the specific information needed to enable the Bank to confirm fulfillment. The outcomes of the policy changes will be monitored using the information furnished by the institutions participating in the loan: the MIEM, National Energy Division, UTE, ADME, ANII, and ANCAP, as reported in the Results Matrix (Annex III) and the Monitoring and Evaluation Plan ([required link 4](#)).
- 3.6 A final evaluation will be conducted as part of the preparation of the project completion report, following the completion of the second operation or, in its absence, 12 months after the disbursement of funds under the first operation. The program's effectiveness will be assessed on the basis of an effectiveness analysis of scenarios with and without the reforms.

#### **IV. POLICY LETTER**

- 4.1 The Policy Letter ([required link 1](#)) reiterates the government's commitment to the objectives and actions provided for under the program and the consistency of the policy measures designed to support the energy transition and climate action in Uruguay.

Development Effectiveness Matrix		
Summary		UR-L1199
<b>I. Corporate and Country Priorities</b>		
<b>Section 1. IDB Group Institutional Strategy Alignment</b>		
Operational Focus Areas	<ul style="list-style-type: none"> <li>-Biodiversity, natural capital, and climate action</li> <li>-Gender equality and inclusion of diverse population groups</li> <li>-Institutional capacity, rule of law, citizen security</li> <li>-Social protection and human capital development</li> <li>-Sustainable, resilient, and inclusive infrastructure</li> <li>-Productive development and innovation through the private sector</li> </ul>	
[Space-Holder: Impact framework indicators]		
<b>2. Country Development Objectives</b>		
Country Strategy Results Matrix	GN-3056	(i) Sustainable productive development; (ii) Equity and social inclusion
Country Program Results Matrix	GN-3207	The intervention is included in the 2024 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
<b>II. Development Outcomes - Evaluability</b>		Evaluable
<b>3. Evidence-based Assessment &amp; Solution</b>		8.1
3.1 Program Diagnosis		1.6
3.2 Proposed Interventions or Solutions		3.2
3.3 Results Matrix Quality		3.4
<b>4. Ex ante Economic Analysis</b>		N/A
<b>5. Monitoring and Evaluation</b>		9.5
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		5.5
<b>III. Risks &amp; Mitigation Monitoring Matrix</b>		
Overall risks rate = magnitude of risks*likelihood		Medium Low
Environmental & social risk classification		N.A.
<b>IV. IDB's Role - Additionality</b>		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)		Budget, Treasury, Accounting and Reporting, External Control, Internal Audit.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	UR-T1315

The general objective is contributing to the country's sustainable growth through the just energy transition and innovation within the framework of Climate Change commitments. The specific objectives are: (i) to contribute to the decarbonization of the transportation sector (ii) to support the development of green hydrogen, with private participation, through using Renewable Energy resources; and (iii) strengthening the ecosystem of innovation, capacity building, gender and diversity, and financing for Climate Action (CA).

The diagnosis discusses: (i) inadequate legal and regulatory framework to promote decarbonization in the transportation sector as well as the higher front-up costs of electric buses. (ii) the country's potential to produce green hydrogen, but the lack of strategic plan to develop the sector, as well as insufficient legal and regulatory framework for the sector. (iii) knowledge spillovers, externalities, and the lack of human capital and adequate financing for the private sector to pursue Research and Development for climate action. It has not been discussed the role of the private sector's demand for technologies for CA. It has not been quantified the gap in financing for CA.

Empirical evidence is presented to support interventions related to green innovation and renewable energies (generically); however, external validity for green hydrogen projects is not guaranteed.

Except for the indicator of emissions avoided by the incorporation of new electric buses, the results matrix includes SMART indicators that measure the achievement of the specific objectives. For the attribution analysis, the monitoring and evaluation plan proposes using a before-after comparison and theoretical attribution.

## POLICY MATRIX

<b>Objective:</b>	The program's general objective is to contribute to the country's sustainable growth by supporting an equitable energy transition and innovation within the framework of its climate change commitments. Its specific objectives are to: (i) help decarbonize the transportation sector; (ii) work with the private sector to support the development of green hydrogen using renewable energy sources; and (iii) strengthen the innovation ecosystem, capacity-building, gender and diversity, and financing for climate action.
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Components/Policy objectives	Policy measures for programmatic loan I	Fulfillment status of policy measures for programmatic loan I <sup>1</sup>	Indicative policy measures for programmatic loan II
<b>Component 1. Stable macroeconomic context</b>			
<b>1. Stability of the general macroeconomic policy framework</b>	1.1 The macroeconomic environment is conducive to the achievement of program objectives and consistent with the Policy Letter.	<b>Fulfilled</b>	1.1 The macroeconomic environment is conducive to the achievement of program objectives and consistent with the Policy Letter.
<b>Component 2. Decarbonization of the transportation sector and development of green hydrogen using renewable energy sources in conjunction with the private sector</b>			
<b>2. To help decarbonize the transportation sector and to work with the private sector to support the development of green hydrogen using renewable energy sources.</b>	2.1 (a) Authorization by law of the executive branch to establish the Trust Fund for Sustainable Mobility to administer funds to be used for sustainable, affordably priced mass transit programs and to facilitate the acquisition of electric buses to replace obsolete diesel buses; and authorization of the executive branch to make resources available for that trust fund.  (b) Approval and publication of regulatory provisions for the redesign of the diesel fuel rebate system by the Trust Fund for Sustainable Mobility.	(a) <b>Fulfilled</b> (Fourth quarter, 2023)  (b) <b>Fulfilled</b> (Second quarter, 2024)	2.1 Approval of the National Policy for Sustainable Urban Mobility, which will establish compulsory measures and incentives to ensure the provision of environmentally sustainable urban and inter-urban public transportation services.

<sup>1</sup> This information is merely indicative as of the date of this document. As set forth in document CS-3633-2 (Policy-Based Loans: Guidelines for Preparation and Implementation), compliance with all the conditions specified for disbursement, including the maintenance of an appropriate macroeconomic policy framework, will be verified by the Bank at the time that the request for the corresponding disbursement is made by the Borrower and will be duly reflected in the Disbursement Eligibility Memorandum.

Components/Policy objectives	Policy measures for programmatic loan I	Fulfillment status of policy measures for programmatic loan I <sup>1</sup>	Indicative policy measures for programmatic loan II
	<p>2.2 (a) Approval by the UTE of the 2024 plan to provide a discount on the UTE bills of customers who acquire a UTE-approved EV power system for managing vehicle power use.</p> <p>(b) The guidelines and specifications have been posted on the UTE website for private party authorization of the installation on private property of publicly available EV charging stations connected to the UTE power grid.</p>	<p>(a) <b>Fulfilled</b> (Third quarter, 2023)</p> <p>(b) <b>Fulfilled</b> (First quarter, 2024)</p>	<p>2.2 Approval by the UTE for the installation of publicly available charging stations on private property in exchange for discounts on the applicable electricity rates.</p>
	<p>2.3 (a) Approval by the MIEM of Uruguay's green hydrogen roadmap.</p> <p>(b) Approval and publication of safety regulations governing green hydrogen production projects that cover the production, storage, distribution, use, and marketing of green hydrogen as a secondary energy source.</p>	<p>(a) <b>Fulfilled</b> (Third quarter, 2024)</p> <p>(b) <b>Fulfilled</b> (Second quarter, 2024)</p>	<p>2.3 (a) Preparation of a draft regulatory framework for the development of the green hydrogen industry.</p> <p>(b) Approval of regulations governing the use of the CertHILAC certification system for clean hydrogen production.</p> <p>(c) Approval of the selection of areas for the development of Uruguayan offshore wind farms.</p> <p>(d) Approval of the terms and conditions for the submission of bids, selection of energy companies, and award of contracts for the assessment of the feasibility of and potential for producing green hydrogen and its derivatives using wind power generated in offshore areas of Uruguayan territory.</p>
	<p>2.4 Approval by ANII of financing, to be provided through the Green Hydrogen Sector Fund, for a private demonstration project dealing with the production and use of green hydrogen and its derivatives.</p>	<p><b>Fulfilled</b> (Second quarter, 2023)</p>	<p>2.4 Authorization for the commencement of construction works for at least one project dealing with the production and use of green hydrogen and its derivatives with financing from the Green Hydrogen Sector Fund.</p>



Components/Policy objectives	Policy measures for programmatic loan I	Fulfillment status of policy measures for programmatic loan I <sup>1</sup>	Indicative policy measures for programmatic loan II
	2.5 Selection by ANCAP of a private developer to produce e-fuels from renewable hydrogen and biogenic carbon dioxide for Alcoholes de Uruguay (ALUR) in order to launch this industry, help the country make headway in its decarbonization effort, and assist it to position itself in the energy transition.	<b>Fulfilled</b> (Third quarter, 2023)	2.5 Authorization for the signing of an execution agreement between ALUR and the private developer to work toward a final investment decision concerning the project for the production of green hydrogen and its derivatives using biogenic carbon dioxide.
	2.6 Approval and publication of amendments to the regulations governing the wholesale electricity market promulgated by Decree 360/002 that update the guaranteed supply system by incorporating variable sources of renewable energy into the method used to calculate the firm power supply.	<b>Fulfilled</b> (Third quarter, 2023)	2.6 Revision of the methodology for calculating transmission and subtransmission charges for unregulated customers in order to reflect the adjustments caused by the introduction of new technologies and investment costs and to increase the efficiency and equity of cost allocation.
	2.7 Approval by the MIEM of a national energy sector adaptation plan in line with the country's climate change commitments that will help strengthen the Uruguayan energy sector's adaptive capacity, increase its resilience, and reduce its vulnerability to the impacts of climate change.	<b>Fulfilled</b> (Third quarter, 2024)	2.7 Progress has been made in the implementation of the first phase of the national energy sector adaptation plan, with the expectation being that the enabling conditions will be put in place for mainstreaming adaptation in the energy sector, including the definition of planned measures for the second phase of the plan's implementation in 2026-2030.
<b>Component 3. Innovation ecosystem, capacity-building, gender and diversity, and financing for climate action</b>			
<b>3. Strengthen the innovation ecosystem, capacity-building, gender and diversity, and financing for climate action</b>	3.1 Establishment by law of the legal framework for transfers of mitigation outcomes for use in furthering the fulfillment of Uruguay's nationally determined contribution under the Paris Agreement in cooperation with Switzerland. This legal framework will establish a basic minimum set of principles and criteria for guaranteeing the environmental integrity of the mitigation outcomes authorized for transfer and use.	<b>Fulfilled</b> (Fourth quarter, 2023)	3.1 Creation of a register to centralize information on reductions in greenhouse gas emissions achieved under the bilateral agreement with Switzerland (article 6.2 of the Paris Agreement).

Components/Policy objectives	Policy measures for programmatic loan I	Fulfillment status of policy measures for programmatic loan I <sup>1</sup>	Indicative policy measures for programmatic loan II
	3.2 Approval by ANII of the new guidelines and specifications for financing innovation implementation (IDI) programs and programs for establishing links between academia and the private sector that include the consideration of climate change adaptation and/or mitigation in the evaluation of innovation projects.	<b>Fulfilled</b> (Fourth quarter 2023)	3.2 Signing by ANII of an agreement to provide financing for at least 10 innovation projects that will contribute to climate change adaptation and/or mitigation.
	3.3 Approval for the implementation of the Uruguay Innovation Hub Program to promote a more robust innovation and entrepreneurship ecosystem in the fields of science, technology, and innovation, with a focus on advanced digital technologies, biotechnology, and green technologies, along with the establishment of a system of governance and budget management.	<b>Fulfilled</b> (Third quarter, 2023)	3.3 Support has been provided for at least five dynamic start-ups focusing on green technologies using the promotional tools of the Uruguay Innovation Hub.
	3.4 Approval by ANII of financing for at least three proposed collaborative research projects within the framework of new green hydrogen scientific and technological networks with international cooperation.	<b>Fulfilled</b> (Fourth quarter, 2023)	3.4 Preparation by the Agency for the Development of e-Governance and the Information and Knowledge Society (AGESIC), with the support of ANII, of draft regulations governing controlled testing environments by ANII as a means of creating innovation-friendly environments and promoting flexibility, experimentation, and learning that is relevant to climate change.
	3.5 Establishment by law of funding allocations and the governance structure for the Northern Regional Technology Park in order to promote the establishment of knowledge, research, and innovation centers. The purpose of this initiative is to support sustainable economic development that will incorporate a focus on climate change and to foster the growth of an innovation ecosystem in northern Uruguay.	<b>Fulfilled</b> (Fourth quarter, 2023)	3.5 Conclusion of agreements for the establishment of at least three companies in the Northern Regional Technology Park that are aligned with the objective of promoting sustainable economic development, which—given its focus on sustainable resource use, the adoption of green technologies, and the construction of climate-resilient infrastructure—is closely linked to climate change.
	3.6 (a) Approval by the MIEM of the response protocol for situations of moral and/or sexual harassment in the workplace and instances of multiple discrimination, along with its respective regulations. This protocol broadens the range of	<b>(a) Fulfilled</b> (Third quarter, 2024)	3.6 (a) Establishment by the MIEM of annual and five-year gender mainstreaming plans for all MIEM challenge fund exercises.

Components/Policy objectives	Policy measures for programmatic loan I	Fulfillment status of policy measures for programmatic loan I <sup>1</sup>	Indicative policy measures for programmatic loan II
	<p>aspects of diversity addressed and paves the way for in-house training at all levels.</p> <p>(b) Approval by the MIEM of the guidelines and conditions for women business owners or managers wishing to apply to the 8M Women Entrepreneurs Challenge Fund. The guidelines and conditions are to include proposals focusing on improvements in energy efficiency as one of the types of proposals accepted by the program.</p> <p>(c) Approval by ANII of the new guidelines and conditions for candidates for postgraduate (Master's and PhD) scholarships for studies in Uruguay and abroad. Under the new guidelines, greater weight is given to applications from candidates wishing to study areas of science relating to climate change, and priority is given to women candidates for STEM studies in areas where the largest gender gaps exist.</p> <p>(d) Formalization by ANII of its interdisciplinary gender task force by designating members from each area of the institution. The task force's objective is to generate inputs and proposals for promoting gender equality in the application of ANII plans, programs, and instruments and to help give shape to an institutional gender perspective.</p>	<p>(b) <b>Fulfilled</b> (Second quarter, 2024)</p> <p>(c) <b>Fulfilled</b> (Third quarter, 2023)</p> <p>(d) <b>Fulfilled</b> (First quarter, 2024)</p>	<p>(b) Continued application by the MIEM of its policy on the allocation of nonreimbursable public funds in the 8M Women Entrepreneurs Challenge Fund and its inclusion of the energy efficiency module.</p> <p>(c) The award by ANII of the planned postgraduate scholarships designed to build capacity in scientific fields relating to climate variability and climate change.</p> <p>(d) Preparation of proposals for promoting gender equality in the plans, programs, and mechanisms developed by ANII.</p>

**RESULTS MATRIX**

<b>Objective:</b>	The program's general objective is to contribute to the country's sustainable growth by supporting an equitable energy transition and innovation within the framework of its climate change commitments. Its specific objectives are to: (i) help decarbonize the transportation sector; (ii) work with the private sector to support the development of green hydrogen using renewable energy sources; and (iii) strengthen the innovation ecosystem, capacity-building, gender and diversity, and financing for climate action.
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**GENERAL DEVELOPMENT OBJECTIVE**

Indicators	Unit of measure	Baseline 2022	Target 2026	Means of verification	Comments
Emissions of carbon dioxide (CO <sub>2</sub> ) by the energy sector	GgCO <sub>2</sub> <sup>1</sup>	7,204	7,000	National energy balance sheet	
Percentage of businesses that engage in environmentally beneficial innovation	Percentage (%)	11.0	15.0	Innovation activities survey	This indicator measures the percentage of businesses that engaged in environmentally beneficial innovation. Examples include: (i) reduction of the use of water or materials per product unit; (ii) reduction of energy use; (iii) reduction of the company's carbon footprint; (iv) reduction of soil, water, or air pollution; and (v) substitution of some of the materials used with less polluting or less hazardous ones. The baseline corresponds to the calculation of this indicator for all Uruguayan companies.

<sup>1</sup> Billions of grams of carbon dioxide.

**SPECIFIC DEVELOPMENT OBJECTIVES**

Indicators	Unit of measure	Baseline 2023	End-of-project target 2026	Means of verification	Comments
<b>Specific development objective 1. To work with the private sector to help decarbonize the transportation sector through the use of renewable energy sources</b>					
1.1 Tons of carbon dioxide (TonCO <sub>2</sub> ) emissions averted through the incorporation of new electric vehicles (EVs) registered per year starting in 2024.	TonCO <sub>2</sub>	0	48,436	Report of the National Energy Division (DNE)	Calculated on the basis of TonCO <sub>2</sub> /year per internal combustion engine vehicle, by category (sedans: 1.7; SUVs: 1.9; chauffeured cars: 3.4; taxis: 11.7; utility vehicles: 63; and pick-up trucks: 2.0), multiplied by the number of registered vehicles in each category per year.
1.2 TonCO <sub>2</sub> averted by the incorporation of electric buses registered per year starting in 2024.	TonCO <sub>2</sub>	0	42,794	Report of the DNE	Calculated on the basis of 73.15 TonCO <sub>2</sub> /year per internal combustion engine bus (average emissions of buses running on internal combustion engines), multiplied by the number of registered buses per year.
1.3 Number of EV charging stations of the National Electrical Power Plant and Transmission Administration (UTE) along public roadways.	Number of charging stations	281	380	Report of the UTE	
<b>Specific development objective 2. To work with the private sector to support the development of green hydrogen using renewable energy sources</b>					
2.1 Green hydrogen production projects under way. <sup>2</sup>	# projects	0	1	Report of the DNE	
2.2 Green hydrogen projects in the pipeline. <sup>3</sup>	# projects	0	4	Report of the DNE	

<sup>2</sup> Projects for which construction has begun.

<sup>3</sup> Projects that have submitted an application for prior environmental authorization to the Ministry of the Environment (applications are being processed).

Indicators	Unit of measure	Baseline 2023	End-of-project target 2026	Means of verification	Comments
2.3 Private companies acting as promotional partners in green hydrogen projects in the pipeline. <sup>4</sup>	# private companies	0	7	Report of the DNE	
2.4 Recognized firm power from variable renewable energy sources. <sup>5</sup>	Megawatts	0	350	Report of the Electrical Power Market Administration (ADME)	
<b>Specific development objective 3. To strengthen the innovation ecosystem, capacity-building, gender and diversity, and financing for climate action.</b>					
3.1 Collaborative projects involving companies and academia that are promoting climate action and being executed as a result of program reforms.	# projects	0	8	Minutes of the ANII Board	The climate change classification is defined using the <a href="#">joint methodology of the multilateral development banks</a> and the guidelines and conditions for each call posted on the ANII website.
3.2 Disbursed financing for business innovation contributing to climate action.	Dollars (US\$)	0 <sup>6</sup>	2,905,754	Minutes of the ANII Board	This indicator measures disbursements of nonreimbursable funds by ANII for business innovation projects contributing to climate action (climate change mitigation and/or adaptation). The climate change classification is defined using the <a href="#">joint methodology of the multilateral development banks</a> .
3.3 Persons receiving postgraduate scholarships relating to the second energy transition and climate action.	Number	0	45	Minutes of the ANII Board	The climate change classification is defined using the <a href="#">joint methodology of the multilateral development banks</a> and the guidelines and conditions for each call posted on the ANII website.

<sup>4</sup> Private companies taking part in green hydrogen projects that have at least submitted their applications for prior environmental authorization to the Ministry of the Environment (applications are being processed).

<sup>5</sup> Firm power supplied by variable renewable energy sources that is being used in the calculation of the national system's long-term firm power capacity.

<sup>6</sup> The baseline is 0 because it was not until the approval of new specifications for the Implementation of innovation (IDI) tool that ANII first introduced a mechanism for capturing the innovation content of projects on climate change mitigation, adaptation, or other related efforts.

Indicators	Unit of measure	Baseline 2023	End-of-project target 2026	Means of verification	Comments
3.4 Postgraduate scholarships awarded to women for studies in areas relating to environmental sustainability.	Percentage (%)	0	51	Minutes of the ANII Board	
3.5 Number of awards of nonreimbursable public funds approved by the MIEM for companies owned or managed by women entrepreneurs, women members of cooperatives, and trans women.	Number	0	6	Guidelines and specifications of the calls and records of the awards made <sup>7</sup>	Support (up to Ur\$450,000 per project) will be provided for start-ups conducting production activities or providing production-related services that are adopting energy efficiency measures (further details provided in the monitoring and evaluation plan).

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<sup>7</sup> [8M Women Entrepreneurs Challenge Fund call.](#)

**OUTPUT MATRIX**

Indicator	Unit of measure	Baseline value (2022)	PBP-I	Means of verification	Comments
<b>Component 1. Stable macroeconomic context</b>					
The macroeconomic environment is conducive to the achievement of program objectives and consistent with the Policy Letter.					
<b>Component 2. Decarbonization of the transportation sector and development of green hydrogen using renewable energy sources in conjunction with the private sector</b>					
<b>Decarbonize the transportation sector</b>					
Trust Fund for Sustainable Mobility Law.	Law	0	1	<a href="#">Law 20212/2023</a>	
Trust Fund for Sustainable Mobility Decree.	Decree	0	1	<a href="#">Decree 143/2024</a>	
Launch of the UTE 2024 plan for providing a discount to customers on their UTE bills if they install EV charging docks.	Plan	0	1	Resolution of the UTE Board of Directors R 23-969 of 14 September 2023 whereby the Board approved the <a href="#">2024 UTE discount plan for efficient electrical equipment</a>	
Posting of the guidelines and specifications for private party authorization of the installation on private property of publicly available EV charging stations connected to the UTE power grid.	Resolution	0	1	Evidence that the guidelines and specifications for private party authorization of the installation on private property of publicly available EV charging stations connected to the UTE power grid have been posted on the UTE website. <a href="#">Specifications for public EV chargers.</a>	
<b>Development of green hydrogen</b>					
Uruguay's green hydrogen roadmap.	Resolution	0	1	MIEM Resolution 98/24	
Approval and publication of safety regulations for the development and operation of green hydrogen facilities covering the production, storage, distribution, consumption, and marketing phases of the process.	Resolution	0	1	<a href="#">Resolution of the URSEA Board of Directors 349/24</a>	
Approval of financing for the Green Hydrogen Sector Fund for a privately run demonstration project dealing with the production and use of green hydrogen and its derivatives.	Resolution	0	1	<a href="#">Resolution 4843/2023</a> of the ANII Board of Directors	



Indicator	Unit of measure	Baseline value (2022)	PBP-I	Means of verification	Comments
Selection of at least one private developer to produce e-fuels from renewable hydrogen and biogenic carbon dioxide for Alcoholes de Uruguay (ALUR) in order to launch this industry, help the country to make headway in its decarbonization effort, and to position itself in the energy transition.	Resolution	0	1	<a href="#">Resolution 647/9/2023 of the ANCAP Board of Directors</a>	
<b>Development of the electricity market by taking fuller advantage of nonconventional renewable energy sources</b>					
Modification of the regulations governing the wholesale electricity market to update the guaranteed supply system by incorporating variable sources of renewable energy into the method used to calculate the firm power supply.	Decree	0	1	<a href="#">Decree 242/023</a>	
Approval of a national energy sector adaptation plan in line with the country's climate change commitments that will help to strengthen the Uruguayan energy sector's adaptive capacity, increase its resilience, and reduce its vulnerability to the impacts of climate change.	Resolution	0	1	MIEM Resolution 97/24	
<b>Component 3. Innovation ecosystem, capacity-building, gender and diversity, and financing for climate action</b>					
<b>Development of the innovation ecosystem with a focus on climate change and the furtherance of an equitable and diverse energy transition</b>					
Approval of a legal framework for transfers of mitigation outcomes for use in the fulfillment of nationally determined contributions under the Paris Agreement by Uruguay in cooperation with Switzerland. This legal framework establishes a basic minimum set of principles and criteria for guaranteeing the environmental integrity of the mitigation outcomes authorized for transfer and use.	Law	0	1	<a href="#">Law 20,198/2023</a>	
Approval of new specifications for programs for financing the ANII implementation of innovation tool and the mechanism for coordinating the academic and private sectors aimed at incorporating climate change adaptation and/or mitigation into the evaluation of innovation projects.	Minutes of the Board of Directors	0	1	<a href="#">Minutes ANII704</a> and <a href="#">Minutes ANII712</a>	

Indicator	Unit of measure	Baseline value (2022)	PBP-I	Means of verification	Comments
Establishment of a steering committee to formalize the implementation of the Uruguay Innovation Hub Program.	Decree	0	1	<a href="#">Decree 216/2023</a>	
Approval by ANII of financing for at least three proposed collaborative research projects within the framework of new green hydrogen scientific-technological networks for which international cooperation is available.	# proposals	0	3	<a href="#">Minutes 716/2023</a>	
Approval of financing and the governance structure for the Northern Regional Technology Park to promote the establishment of knowledge, research, and innovation centers with the purpose of supporting sustainable economic development with a focus on climate change and establishing an innovation ecosystem in northern Uruguay.	Law	0	1	<a href="#">Law 20212, art. 538-544</a>	
Approval of the response protocol for situations of moral and/or sexual harassment in the workplace and instances of multiple discrimination (women, LGBTQ+ individuals, and persons with disabilities).	Protocol	0	1	Protocol	
Allocation by the MIEM of nonreimbursable public funds to companies owned or managed by women for use, in part, in the implementation of energy efficiency measures.	Call for proposals	0	1	MIEM Resolution 351/24	
Approval by ANII of the new guidelines and conditions for the award of postgraduate scholarships, prioritizing women candidates, for studies focused on climate action in Uruguay and abroad at the Master's and PhD levels.	Minutes of the Board of Directors	0	2	<a href="#">Minutes 721/2023</a> and <a href="#">Minutes 703/2023</a>	
Formalization by ANII of its gender task force by designating members from each area of the institution with a view to creating a space for the design, monitoring, and evaluation of strategic lines for ANII's gender policy.	Minutes of the Board of Directors	0	1	<a href="#">Minutes 731/024</a>	

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/24

Uruguay. Loan \_\_\_/OC-UR to the Eastern Republic of Uruguay. Innovation to Support the Energy Transition and Climate Action in Uruguay

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Eastern Republic of Uruguay, as borrower, for the purpose of granting it a financing aimed at cooperating in the execution of the program “Innovation to Support the Energy Transition and Climate Action in Uruguay”. Such financing will be for the amount of up to US\$200,000,000, from the resources of the Bank’s Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on \_\_\_\_\_ 2024)