

## Fact Sheet

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**Title of the proposed Joint Programme** Innovative Finance for Clean Tech Solutions in Uruguay's Renewable Energy Sector: The Renewable Energy Innovation Fund (REIF)

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**UNCT** Uruguay

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**Date** Mon, 03/30/2020 - 12:00

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**RCO focal point** Mireia Villar, Resident Coordinator

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### Lead UN entity and contact person

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| UN entity  | Name  | Email                  |
|--|---|------------------------|
| United Nations Industrial Development Organization (UNIDO) | Manuel Albaladejo, Head of UNIDO's Regional Office for Uruguay, Chile, Argentina and Paraguay | m.albaladejo@unido.org |

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### Participating UN entities and contact persons

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| UN entity                                   | Name                                   | Email                         |
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| UN Women (UN Women)                         | Magdalena Furtado, Representative      | magdalena.furtado@unwomen.org |

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### Relevant UNDAF Outcome/s and Output/s

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UNDAF 2016-2020

#### OUTCOME 1: SUSTAINABLE DEVELOPMENT WITH INNOVATION

The country has strengthened its capacities and institutional framework to ensure the preservation of the natural resources including water, echo systemic services, pollution prevention and generation and sustainable use of energy, promoting local development and

creation of livelihoods.

Sustainable Development with Innovation / Effect 1.2 / Product 2. Development and Innovation total expenditures as percentage of GDP; Product 3. Researchers as percentage of EAP; Product 4. Percentage of companies that carry out innovation activities; Product 5 Number of public organizations and inter-institutional mechanisms supported for the implementation of national policies, strategies and legislation for the development of agricultural production and sustainable resource management.

Sustainable Development with Innovation / Effect 1.3 / Product 2. Emission Intensity of CO<sub>2</sub> of the energy sector (grams CO<sub>2</sub>/ USD GDP).

## OUTCOME 2: INCLUSIVE AND EGALITARIAN SOCIAL DEVELOPMENT

The country has strengthened its capacities and institutional framework to ensure the preservation of the natural resources including water, eco systemic services, pollution prevention and generation and sustainable use of energy, promoting local development and creation of livelihoods.

Inclusive and egalitarian social development / Effect 2.1 / Poverty gaps: women and men. Product 2. Inclusive and egalitarian social development

## OUTCOME 3: DEMOCRATIC DEVELOPMENT

Democratic development based on institutional quality, political decentralization and the exercise of rights / Effect 3.2 / Product 1. Percentage of horizontal, south-south and bilateral cooperation projects offered by Uruguay to Latin American countries and the Caribbean on the total number of projects between countries in the region.

## Relevant objective/s from national strategic document/s

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### NATIONAL DEVELOPMENT STRATEGY 2050

1. Sustainable productive transformation / Environment /

Sustainable productive transformation / Circular Economy /

Sustainable productive transformation / Science and Technology /

3. Transformation of gender relations / Gender equity / Facilitate access to infrastructure, technology, credit and commercialization of women entrepreneurs.

### NATIONAL CLIMATE CHANGE POLICY

\*Improve conditions and inter-institutional articulation for the best-taking advantage of international financing opportunities, technology transfer and capacity building in the framework of the UNFCCC, to support the lines of action and institutions related to this Policy, seeking a more significant impact on mitigation and adaptation to climate change and variability.

\*Promote the reduction of GHG emissions of transport systems, through increased efficiency and combination of energy sources, modes and technologies of lower gas emissions from greenhouse effect, taking advantage of infrastructure, territory, logistics and other

favourable conditions.

\*Deepen the diversification of the energy matrix in low-intensity sources of GHG emissions and extend the promotion of efficiency and responsible use of energy.

i. Promote strategies to maintain the participation of renewable energies in the electric energy matrix, in particular through the incorporation of energy storage systems in the variable power source management.

ii. Deepen the participation of renewable energies and other clean sources in the energy matrix.

\*Promote industrial, mining, commercial and service production systems with greater adaptability and resilience to climate change and variability, and with a low carbon development.

#### NATIONAL DETERMINED CONTRIBUTION (NDC)

Energy and transport are among the NDCs' main priorities. On conditional specific means of implementation, a reduction of 29% in CO<sub>2</sub> emissions intensity per GDP unit in the Energy sector, including transport, and industrial processes, has been proposed.

Main measures of climate change mitigation in implementation or to be implemented that contribute to the unconditional objectives

##### Energy Sector

- Electric vehicles introduced in public transport: 15 buses and 150 taxis by 2025.

- Electric vehicles introduced in utility fleet: 150 vehicles by 2025.

- First electrical route in Latin America developed, covering the national routes that connect Colonia-Montevideo-Chuy with electric vehicle power systems.

List of the main measures to be implemented that contribute to the achievement of Uruguay's mitigation objectives conditional on specific additional means of implementation.

##### Energy sector-Transport

- Extension of introduction of electric vehicles in public transport: 110 buses and 550 taxis by 2025.

- Extension of electric vehicles introduced in utility fleet: 900 by 2025.

- Substitution of 5% of the private light vehicle fleet by 2025.

- Extension of the charging grid in the main route axes of the country.

- Fast charging network: installation of fast charging points in direct current.

Main priorities, implementation and support needs, adaptation plans and measures in the face of the adverse effects of climate change.

- By 2025, the implementation of a National Energy Adaptation Plan has been formulated, approved and initiated.

- By 2025, the electricity matrix has diversified into sources, reducing vulnerabilities from the dependence of climatic factors on hydroelectric generation, with at least 1,700 MW installed from at least three non-traditional sources, and with the option of power accumulation plants electric.

#### **SDG targets on which the progress will be accelerated (includes targets from a range of SDGs and development pillars)**

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#### **Goal 1: End Poverty**

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**Goal 2: Zero Hunger**

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**Goal 3: Good Health and Well-Being**

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**Goal 4: Quality Education**

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**Goal 5: Gender Equality** 5.5  
5.a

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**Goal 6: Clean Water and Sanitation**

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**Goal 7: Affordable and Clean Energy** 7.b

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**Goal 8: Decent Work and Economic Growth** 8.2  
8.3

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**Goal 9: Industry, Innovation and Infrastructure** 9.4

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**Goal 10: Reduced Inequalities**

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**Goal 11: Sustainable Cities and Communities** 11.2

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**Goal 12: Responsible Production and Consumption**

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**Goal 13: Climate Action** 13.2  
13.3

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**Goal 14: Life Below Water**

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**Goal 15: Life On Land**

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**Goal 16: Peace, Justice and Strong Institutions**

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**Goal 17: Partnerships for the Goals** 17.3  
17.5  
17.6  
17.14  
17.16

## Self-Assessment

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The proposal reflects the integrated nature of the SDGs Yes

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The proposal is based on an inter-agency approach (two or more UN entities involved), with RC coordinating Joint Programme preparation and implementation Yes

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The proposed results are part of the UNDAF and aligned with national SDG priorities Yes

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The proposed Joint Programme will be led by government and include key national stakeholders Yes

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The proposal is based on country level consultations, as explained in the Concept note, and endorsed by the government (the letter of endorsement) Yes

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The proposal is based on the standard template for Concept Notes, it is complete, and it includes: Yes

- Theory of Change demonstrating contribution to SDG acceleration and transformation to implement the 2030 Agenda and awareness of relevant financial policy efforts at regional or national level,
  - Results-oriented partnerships, including a strategy to engage and partner with IFIs/MDBs,
  - “Quick wins” and substantive outcome-level results, and
  - Initial risk assessment and mitigation measures.
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The proposal is expected to leverage resources for the SDGs at scale Yes

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## Proposal for Joint Programme

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### 1. Summary of the Joint Programme

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Uruguay is a world leader in renewable energy – a staggering 98% of its power comes from renewable sources compared to the worldwide average of 22%. This first energy transition towards renewables (henceforth 1ET) was facilitated by the Government’s forward-looking legislation and incentive schemes that led to public-private investments of about US\$7.8 billion between 2010 and 2016. This milestone has placed Uruguay in a selected group of countries exploring innovative energy solutions for a renewable-powered

future (IRENA, 2019). The newly elected Government also expects to boost competitiveness and innovation by capitalizing on Uruguay's renewable energy investment opportunities and expertise.

Nonetheless, Uruguay still faces crucial energy-related challenges: a strong fossil-fuel dependency in industry and transport, vulnerable groups without access to safe and clean energy sources, the highest electricity prices in all South America and unequal access to the socio-economic opportunities created by the growth of the renewable energy sector.

The purpose of this joint programme (henceforth JP) is to support Uruguay's 2nd energy transition (2ET), and aligned with the 2030 Agenda and the principle of LNOB, focus on making the renewable energy sector a driver of inclusion across the economy. This JP seeks to decarbonize the industry and transport sectors; secure universal access to renewable sources; and increase the innovation and competitiveness of the energy sector through decreased energy costs and increased participation of women in the clean energy economy. Beyond Uruguay, this program is expected to have a strong demonstration effect on innovative financing for developing countries.

The JP proposes an innovative financial mechanism and supporting actions to leverage public-private financing. Uruguay's Renewable Energy Innovation Fund (REIF) will provide financing for a range of new and emerging renewable energy technologies, ventures and activities aligned with its funding scope.

This initiative builds on Uruguay's unparalleled conditions for a 2ET: Uruguay's structural renewable energy surplus, a strong ICT sector underpinned by very high level of digital connectivity (Uruguay is the only LAC country member of the Digital 9), strong government support (including from the government-owned power company), private sector appetite for clean-tech investment with gender lens, and the interest and financing of the Development Bank of Latin America (CAF) and the Inter-American Development Bank (IADB).

The UN's value added is to help unleash untapped financing and strengthen the innovation ecosystem through public-private partnerships, and in so doing showcase how a 2ET can be critical to overall SDG acceleration, in Uruguay and beyond.

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## **2. Thesis and theory of change of the Joint Programme**

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Uruguay sees a 2ET as a catalyst for competitiveness and better living standards and a strategy to advancing with three clusters of SDGs:

- Competitiveness cluster: SDGs 9, 17
- Inclusiveness/gender cluster: SDGs 5, 8
- Environmental sustainability cluster: SDGs 7, 11, 13
- Partnership for action on sustainable development: SDG 17.

Despite the high renewable content of its energy matrix, Uruguay still faces some energy-related challenges:

- Industry and transport, which combined account for 70% of energy consumption, still rely extensively on fossil-fuels and are major CO2 polluters;

- Renewable supply/demand imbalances in the power network affect the quality and availability of energy, which creates significant inefficiencies for business;
- Households in the lower income decile, women-led and/or in remote rural areas, still depend on unsafe, unhealthy and polluting energy sources and cannot afford cleaner ones;
- Women face barriers to enter and advance in the energy sector due to persisting cultural and social norms and the absence of a gender perspective in the sector's corporate policies and practices.

Nonetheless, a set of enablers can be leveraged to move towards Uruguay's 2ET:

The 1ET put Uruguay at the forefront of renewable energy and resulted in a structural renewable energy surplus that has not been used at its fullest (2,000 GWh/year or 18% of Uruguay's current energy demand);

- Uruguay's 1ET was financed by the public/private sectors (US\$7.8 billion between 2010 and 2016) with a strong participation of foreign investors. Experience in public-private financing is an asset for the 2ET;
- Uruguay's growing ICT sector has found a niche in the renewable energy sector. Thus, the 2ET can strengthen the country's ICT innovation capabilities through the development and application of smart grid technologies and industry 4.0 solutions (i.e. internet of things, big data, blockchain);
- The 2ET is a priority in the government's development agenda. Uruguay's National Determined Contributions propose a reduction of 29% in CO2 emissions intensity by GDP unit in the energy sector, including transport and industry.

Drawing on these enablers, the JP proposes four activities to unblock a financing potential to overcome the aforementioned challenges and accelerate SDG achievement:

1. The Renewable Energy Innovation Fund (REIF): to trigger large-scale financing for new and emerging renewable energy technologies, ventures and activities aligned with its funding scope –aiming for gender responsiveness and promoting gender impact investment in the renewable energy sector. These include:
    - a. Energy storage & demand management through smart grid technologies
    - b. Energy as a service
    - c. Other relevant technologies & applications (e.g. Power to X mainly for industry & electric mobility)
    - d. Waste management & treatment technologies
  2. Technical Assistance and Feasibility Studies: to support firms' access to the REIF, to validate new technologies and business models (considering the differentiated impact on women-led/women-owned businesses and the differentiated challenges they face to access capital).
  3. Regulatory Framework Adjustment and Institutional Capacity Building: to guarantee that the use of the energy surplus is inclusive and its price preferential for certain groups.
  4. Knowledge Development, Sharing and Technology Transfer by creating public-private partnerships for knowledge generation, promoting south-south and triangular cooperation.
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### 3. What are the expected results of the proposed Joint Programme?

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(Immediate) Outputs:

- Decarbonization of key economic sectors, primarily industry and transport, reducing dependency on fossil fuels. Quick wins will be achieved through incentives to industrial sectors willing to adopt clean technologies;
- Giving the most vulnerable groups access to renewable energy, by removing specific technical and economic barriers. This would make Uruguay the first country in Latin America with universal energy access – and a champion of the LNOB principle;
- Improving the efficiency of the power network, through smart grid technologies. Quick wins will be achieved by mainstreaming energy demand management practices so that the energy provider can predict energy demand and supply, hence making better energy-efficiency choices, which will impact quality and cost;

(Medium/long term) Outcomes:

- Enhanced private sector competitiveness. Energy quality will increase and costs will likely decline, which will improve the competitiveness of the private sector. Uruguay will also have in place a stronger innovation ecosystem for the renewable energy sector, translating into more business opportunities and demand for STEM professionals;
- Social/gender inclusiveness, through increased access to renewable energy for vulnerable groups due to reduced residential energy costs; socio-economic opportunities created by the growth of the renewable energy sector (in terms of job-creation, skill development, entrepreneurship and investment); and greater participation of women in the renewable energy economy, its labor market (in particular STEM occupations) and financial ecosystem.
- Environmental sustainability. While keeping its energy matrix clean, Uruguay will use its renewable energy surplus and clean tech innovation to decarbonize sectors such as industry and transport thus reducing GHG emissions. As Uruguay's 2ET will call for the substitution of obsolete and polluting technologies, the adoption of waste management and treatment technologies and legislation will decrease pollution derived from hazardous waste.
- Scalability and replicability of catalyst funds for SDG financing. A catalyst fund will incentivize public-private financing and improve market conditions for impact investment beyond Uruguay's renewable energy sector. It will also be a testing ground for a financial instrument with great potential for SDG financing that might be replicated internationally.

Sustainability of results will be achieved by emphasizing the development of institutional capacities, the improvements of the regulatory framework, the strengthening of the private sector, the development of an innovation ecosystem and the replicability of the financial instruments by engaging the private commercial banking system. All these, and Uruguay's 2ET, will be priority areas in Uruguay's next Cooperation Framework (2020-2025) under development.

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### 4. Describe the innovative nature of the Joint Programme

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This JP is innovative because:

- The link between the achievement of the SDGs with the specific theme of Uruguay's 2ET showcases how to pursue the 2030 Development Agenda in a country that has already transitioned to a green energy matrix. This proposal aligns the objectives of policymakers, private sector, DFIs/IFIs, academia and the UN around a strategic national vision that will set Uruguay aside as one of the few countries to have completed two energy transitions in two decades. Pilot testing innovative solutions, learning lessons and adapting

this experience to conditions in other countries is by itself a major innovative spinoff of this JP.

- Linking Uruguay's growing digital capabilities to provide technical solutions to the renewable energy sector is another innovative feature of the JP. This guarantees not only the desired environmental impact of decarbonization, but it also boosts Uruguay's ICT innovation ecosystem, which is mainly led by SMEs.
  
- The financial instrument proposed is an innovative solution that has a sectoral focus yet it leverages existing public-private investments made during the 1ET, responds to the government's current policy priorities, makes use of available incentives (renewable energy surplus) and serves the interests of the private sector. The financial instrument is indeed the missing piece, yet it would not function alone.
  
- The REIF is a catalyst investment fund that aims to bring together multilateral funding sources to finance intermediaries, other funds, specific projects and triple bottom line companies:
  - o It has the flexibility to invest indirectly in funds and other intermediaries, as well as to invest directly in companies or impact investment instruments such as Social Impact Bonds. The REIF can nurture a wider range of investment tools available to triple bottom line companies, whether by investing their own equity through a range of tools (private equity, debt, quasi-equity, convertible debt) or by fostering a market that offers a range of investment options ranging from market returns to patient capital including non-refundable inputs;
  
  - o It acts as a catalyzer to attract other investments (public, private and multilateral), making capital available to intermediaries and companies that would not have access without the support of the fund;

It is large enough in terms of assets under management (AUM) and broad enough in its impact approach to justify its economic viability, demonstrate commitment to long-term market development, and act as a multi-actor funding platform.

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## **5. Expected added value of the UN and the Joint SDG Fund**

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After 70 years in the country the UN system remains a strong and credible partner in Uruguay. The UN is perceived as an impartial and trusted ally, backed up by a global network of experts and international standards. The UN retains a strong convening power among national actors, an asset that has brought to the table not only political parties, or civil society but more recently business interests and the innovation ecosystem. This is reinforced by the public perception of the UN as the guardian of the SDG agenda in Uruguay. As such, the UN is sought after by all stakeholders to legitimize and enable the much-needed public-private collaboration and co-creation that the Global Agenda requires.

Overall there is a myriad of initiatives run by the government, the private sector, the DFIs and the UN in Uruguay. This JP offers to serve as a platform to structure them all and to leverage investment opportunities. Therefore, the UN's value added is to 'connect the dots', change collaboration practices and unleash untapped financing. While Uruguay's 2ET may happen without this JP, with it, we can ensure that the transition accelerates the achievement of the SDGs beyond the energy sector, securing and adhering to the principle of

LNOB.

The UN system has been actively providing technical expertise and funding on energy matters for some 20 years, mostly through UNDP, UNIDO and FAO's programmes on: wind energy, electricity from biomass, clean transport, agro-waste for bioenergy, global clean tech innovation in the food and energy sectors, open source spatial electrification tools, among others. Similarly, the UN team has been actively involved regarding gender equality and the empowerment of all women with programmes on gender equality in business, women in STEM, and over 100 Uruguayan companies' signatory to the Women Empowerment Principles in last 18 months.

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## **6. Leadership and implementation of the Joint Programme**

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The JP will bring together and will require the cooperation of a number of stakeholders:

- It will be led by the Ministry of Industry, Energy and Mining (MIEM) who will act as the main government counterpart for it defines and leads the implementation of the National Energy Policy;
  - The Office of Planning and Budget in the Presidency, in charge of SDGs and PPPs, will bring other sectoral ministries to bear and ensure policy coherence between public and private efforts;
  - The efforts of the Executive branch will be supported by the National Administration of Power Plans and Electrical Transmissions (UTE), the public company with the monopoly for electric energy distribution and commercialization. UTE will have a key role in establishing the market conditions, economic incentives and develop infrastructure and technology systems allowing energy surplus usage;
  - UNIDO will be the lead UN agency in the implementation of the JP and will be seconded by UNDP. UNWomen will ensure the mainstreaming of the gender dimension throughout the program. The RCO will coordinate among implementing UN agencies and between the UN system and the government;
  - The Development Bank of Latin America (CAF) and the Inter-American Development Bank will be key partners in the operationalization and co-funding of the RIEF as well as providing technical assistance and other financial products (e.g. loans) for energy infrastructure;
  - The private sector (mainly industry and transport) and individual energy users will be among the beneficiaries of this program. They are expected to co-finance the necessary investment required for the adoption of new clean technologies or processes;
  - Technology suppliers and ICT firms will support in providing clean tech solutions;
  - The academic sector will contribute in the generation and sharing of new knowledge with a particular focus on its application to promoting sustainable energy business models.
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## **7. Expected period of implementation**

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The expected period of implementation of the JP will be four years (2021-2024), which coincides with the beginning of the next UN's Cooperation Framework in Uruguay (2020-2025) and falls squarely within the newly elected Government's five-year term, avoiding government transitions during its implementation.

The program will start with a six-month inception/planning phase in which the following milestones will be achieved:

- The structure, scope and criteria of the financial instrument REIF will be designed;

- Agreement on the program governance structure;
- Elaboration of baselines for project impact assessment;
- Agreements with partners including DFIs and definition of responsibilities among UN implementing agencies;

The execution phase will take 3.5 years and will see the deployment of REIF and the other supporting activities. The independent mid-term evaluation will be done in year 2 and a final evaluation in year 4. Ongoing monitoring will be carried out by UN implementing agencies with the overall coordinating role played by the RCO.

The JP will generate synergies with UNIDO's forthcoming GEF7-funded project on 'Promoting the Circular Economy Transition in Uruguay' in which the energy sector is priority; and with UNDP's GEF-6 funded project "Promoting a Transition towards an efficient, inclusive and low emissions mobility" currently under implementation.

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## **8. Cost, co-funding, and co-financing of Joint Programme**

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The REIF is conceived as a pilot which structure and learning's can then be replicated and used for the private / public co invest into other issues linked to SDGs.

The estimated size of the JP is US\$80,000,000, of which US\$10 million are requested to the Joint SDG Fund and US\$70 million will be mobilized from public sector, DFIs, and the private sector partners with a 40/60 split (40% of the funding will be contributed by the SDG Joint Fund, Public Sources, and DFIs and 60% by the private sector).

The SDG Joint Fund contribution to the JP will be allocated as follows:

- US\$100,000 on legal and structuring costs for the fund.;
- US\$7,500,000 allocated to the catalyst investment fund REIF to support co financing for a range of new and emerging renewable energy technologies, ventures and activities;
- US\$2,135,000 allocated to support the other three initiatives, namely technical assistance and feasibility studies; regulatory framework and institutional capacity building, and knowledge generation and sharing through south-south and triangular cooperation;
- US\$700,000 will be project administrative costs by the implementing UN agencies (assuming a flat admin cost of 7%);

Please note that if invited to submit a full proposal for this JD, it is estimated that US\$165,000 will be needed for the development of a full program proposal (see details in chapter 12).

Through REIF the JP aims at raising private sector/ multilaterals co-financing of around US\$54,000,000 mainly in the industry and electric mobility sectors through investments in innovation and clean technologies. Specific financial instruments and operative mechanisms for the private sector will be established in the project design phase.

Public sector co-financing is expected to reach US\$16,000,000 (over the overall lifespan of the program) through two main means: a) US\$4,000,000 (4-year period) through the Ministry of Industry, Energy and Mining's Sectoral Energy Fund (SEF). The JP will coordinate actions and generate synergies with the SEF to leverage results; and b) estimated US\$12,000,000 (4-year period) through UTE's

investment in special tariffs and energy packages, smart grid technologies, energy as a service using ICTs, and R&D projects.

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## 9. Risk assessment

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There are some risks associated to the implementation of the JP, yet the proposal includes accompanying mitigation measures to address them:

- Low demand for the REIF. The establishment of a catalyst investment fund may suffer from private sector's lack of interest or low accessibility, particularly by MSMEs. Low demand may have to do with the fund's sectoral focus, co-financing and/or technical requirements as well as firms' limited capacity to apply. To counter this the JP will do two things: On the one hand, the REIF's criteria and requirements will be fine-tuned to meet demand for clean technology innovation in the energy sector. While industry and transport seem the obvious sectors, the technologies to focus on (both in terms of performance and costs) need further analysis. On the other, the JP will provide technical assistance to support firms' accessing the REIF;
- Slowness in adjusting/modifying the regulatory and normative framework. The REIF requires a strong government's buy-in for the whole duration of the JP. While we know that the program lifespan coincides with the new administration and the theme is highly strategic, delays in passing/executing laws and decrees may however compromise the impact of the REIF. At the same time UTE's preferential use and price for the renewable energy surplus needs to be agreed upon. Understanding that this is a major risk factor, the JP contemplates supporting institutional capacity in key government agencies and setting a reform team of legal experts to work closely with the government;
- Scalability and replicability of the REIF inside and outside Uruguay. Given that the REIF is a new funding instrument that has no precedence in the developing world, there is the risk that the REIF, if successful, only applies to Uruguay's particular conditions and only to the renewable energy sector. This concern can partly be mitigated in three ways: a) the JP uses the REIF and the renewable energy sector to showcase the overall shift towards catalyst impact investment funds to leverage multi-stakeholder financing and how it applies to other sectors; b) the knowledge development platform proposed in the JP will shed light on drivers, lessons learned, state-of-the-art technologies to promote south-south and triangular cooperation; c) the engagement of regional leading DFIs such as CAF/IADB will facilitate the replicability of novel funding instruments in Latin America;

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## 10. Convening the private sector and engaging IFIs/DFIs

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This JP builds on the UN's strong track record of engagement with the private sector in the country, Uruguay's private sector investment opportunities in the energy sector and good private sector co-funding record within UN-led GEF programs (i.e., UNIDO's US\$600,000 GEF funded Biovalor project raised US\$1,3 million in private co-funding).

The UN has been an active member of Uruguay's Task Force on Impact Investment and the National Advisory Board of the GSG over the last two years. This has allowed early discussions with CAF and the IADB and both institutions have shown interest on the theme as well as the financial instrument. We envisage their engagement via: a) straight financial contributions to the REIF; b) leveraging the REIF to anchor other financial instruments (e.g. loans) for energy infrastructure (electric mobility is of particular relevance); and c)

contributions to the knowledge development platform for experience sharing and transfer within Latin America.

Moreover, together, our component 1 proposal under this call and the sector-specific financial instrument proposed in this JP, set the multi-stakeholder impact investment framework for SDG financing in Uruguay and consolidates the UN's role in attracting private sector financial, human and innovation capacities in support of the 2030 Agenda.

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## **11. Leverage and catalytic function**

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The Office of the Resident Coordinator together with UNDP have commissioned a study on impact investment market conditions in Uruguay that provided us with clear evidence that this initiative could leverage high scale capital. In the study, key public and private stakeholders express their strong interest and commitment to invest in Uruguay's 2ET. First, the incoming government stresses the importance to invest in clean tech renewable energy, the conversion of fuel-based transport to electro-mobility, the energy inclusion of underserved communities, and smart grids. Second, multilateral agencies such as the IADB and CAF share their plans to invest in developing the impact investment framework for Uruguay's renewable energy sector. Finally, intermediaries such as accelerators and incubators are interested in investing in technology-driven start-ups to provide advanced solutions (e.g. blockchain) for the renewable energy sector.

The REIF will be designed to have 40% of its funding coming from the Joint SDG Fund together with public sources at below market prices or collateral to incentivize private sector investment and reduce risk. The rest 60 % is expected from the private sector and multilateral agencies that seek market or slightly below market / riskier investment returns. This represents a 1.66 multiplier to be leveraged by the UN, the public sector and multilateral investment through private financing. Overall the private finance leverage is estimated at 62.5%, which includes market return investments from multilaterals as well as private.

The REIF intends to bridge the financial gap between firms seeking capital, investors, financial institutions, multilateral agencies and the government seeking impact in the context of Uruguay's 2ET. While the REIF focuses on clean-tech innovation in the renewable energy sector, it will foster the development of financial instruments and practices for other sectors. It will do so by: a) providing the scale and expertise to build investors' confidence to shift to impact investment; b) developing and spreading impact measures and management; and c) strengthening intermediary capacities.

If successful, the potential of regional replicability increases given the engagement of the two largest DFIs in Latin America (the IADB and CAF) and the UN's big push for innovative clean-tech solutions to combat climate change, where the energy sector plays a major role. At the moment, the REIF stands alone as an innovative sector-specific financial instrument not yet tested in Latin America that follows the success and catalytic effects of Big Society Capital (BSC) in the UK.

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## **12. Technical support and seed funding**

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The JP and the design and implementation of the REIF will require the following technical assistance and seed funding:

- a) Technical support to design and anchor "The Renewable Energy Innovation Fund (REIF)" considering the following:
- Anchoring REIF's legal status and purpose to Uruguay's regulatory framework and existing initiatives;

- Establishing its governance & administration, defining stakeholders' roles and institutional commitments;
- Refining its financial structure & instruments taking into account the private sector and investors' needs for short, medium- and long-term impact;
- Defining the sustainability strategy to guarantee long term impact;
- Establishing preliminary agreements between the financial instrument and Uruguay's National Administration of Power Plans and Electrical Transmissions (UTE) to create synergies between UTE's commercial strategy in the energy sector and the REIF's support instrument for private sector investment;

This will require an interdisciplinary technical team composed by legal, financial and energy experts for an estimated cost of US\$60,000.

b) Technical support to develop technical and economic feasibility studies with the aim to validate REIF's sector initial prioritization (transport and Industry), size and externalities:

- Determine the viability and market demand for clean technologies in energy storage, smart grid, energy as a service, power-to-X and waste management and treatment technologies;
- Fine tune the investment allocation in the REIF based on its capacity to leverage untapped funding potential;
- Assess public infrastructure for the renewable energy sector;
- Assess the social and environmental impact of the REIF, with particular emphasis on reduction of CO2 emissions and improved living conditions of underserved groups, particularly women in precarious conditions;

This will require an interdisciplinary technical team composed by financial, waste management and energy experts for an estimated cost of US\$ 40,000.

c) Technical support to develop a roadmap for the establishment of a clean tech innovation renewable energy knowledge platform. Assistance should first be focused on identifying key players (both nationally and internationally), new opportunity sectors, technologies and ICT applications.

This will require an expert from international energy think-tank for an estimated cost of US\$30,000.

d) Technical support to develop the full project document taking into account all studies mentioned above.

This will require an international consultant for an estimated cost of US\$35,000

The total seed funding required is US\$165,000.

## Signatures

Signed Signature Form

[Signature Page & TOC Uruguay\\_0.docx](#) 192.21 KB

## Government Endorsement

## Letter of Endorsement

[Letters of endorsement \(SDG fund Uruguay\).docx](#) 182.78 KB