



Joint Programme 2023 Annual Progress Report SDG Financing Portfolio - Component 2

Cover page

UNCT/MCO: Uruguay

Reporting Period: 1 January - 31 December 2023

JP title: SDG Financing- Catalytic Investments

Thematic SDG Areas: Energy Transitions; Climate change, biodiversity loss and pollution;

Gender Marker: Gender-responsive (for example, the JP aimed to respond to specific gender needs, such as linking social assistance with GBV response services or maternal health support)

Engine Room Activities: Building capacity at scale; Developing the 'deal room' (financing mix) ; Devising a market-ready pipeline;

Total estimated expenditures: USD \$3,282,512.00

Total estimated commitments (including expenditures): \$3,668,904.00

Executive Summary

Leveraging private investment is critical for the realization of the SDGs, as long as it has a triple impact, allowing to make good business sense for investors and having a positive effect on people and the environment.

Catalytic investment, through instruments like blended finance, is a new financing model through which development finance mobilises public and private sector investments (being also a key element to implement the Addis Ababa Action Agenda for the financing of sustainable development).

In this sense, the mix of development, public, and private capital into one 'fund of funds' helps to mitigate private investors' concerns over lack of business opportunities and high investment risks.

The Renewable Energy Innovation Fund (REIF) in Uruguay is an example of a catalytic investment tool that represents a new way of doing business in the context of the UN reform and that uses blended finance to support Uruguay in its second energy transition.

As can be seen from the 2023-2024 projects pipeline, the REIF, through its initial portfolio of catalytic financial instruments, has opened new opportunities for private investors to access concessional capital, unlocking a massive potential to redirect private financing towards the energy, industrial, transportation and housing sectors. After structuring the REIF trust fund and developing its investment policy and impact strategy, a detailed impact assessment methodology and tools were developed building on the Impact framework, including social and gender-related indicators. Seven cooperation agreements have been signed with the major commercial banks in Uruguay, namely BBVA, Heritage, Santander, Itau, HSBC, BROU and Scotiabank. These banks make up 80% of the relevant segment in the banking sector. This cooperation agreements set the foundation for collaboration in identifying, evaluating and co-financing energy transition projects that contributes to SDG achievements.

In September 2023, the REIF approved the first three financial operations for a total amount of US\$ 924.520 of reimbursable financing leveraging US\$ 2.907.853 of bank lending, for supporting the transition to sustainable mobility and energy efficiency. These companies access to individual technical assistance to support project impact measurement, gender perspective analysis and recommendations, technical and prefeasibility studies.

Aiming at strengthening the regulation, capacities and technologies of the second energy transition, actions to address information gaps for private sector as well as for policy makers, in energy transition related topics, are under implementation, including electric mobility analysis, technologies and business models for improving energy demand flexibility, studies to support to national green hydrogen roadmap in export logistics, among others. In addition, a Gender Gap analysis in STEM sectors is being developed with the support of the Ministry of Industry and Energy.

To support the transition process, several capacity building activities for government staff and financial institutions were carried out, reaching over 400 people. Activities include training on impact assessment, REIF trust fund guidelines and procedures and a training on REIF Impact methodology and templates for bank staff. In addition, REIF staff participated in different outreach events, including Sustainable Uruguay Expo, Latam Renewables Congress, IRENA- OLADE Energy Week, COP 28 and the KPN Energy Solutions event (Implementation of JP Communication Strategy).

Annual Progress

Main results achieved by the joint programme in 2023:

After structuring the REIF trust fund and developing its investment policy and impact strategy, an Investment Committee was set up, integrated by the Chairperson, an Operation Manager, an Energy Expert, and an Impact Expert, to evaluate all investment projects. During 2023, with the Investment Committee fully onboard, detailed procedures were defined and reflected in the Operations Manual for the trust fund in collaboration with the fiduciary. Also, the project impact assessment methodology was developed, including social and gender-related indicators.

Seven cooperation agreements have been signed with the seven major banks in Uruguay, namely BBVA, Heritage, Santander, Itau, HSBC, BROU and Scotiabank. In September 2023, the REIF approved the first three financial operations for a total amount of US\$ 924.520 of reimbursable financing leveraging US\$ 2.907853 of bank lending, for supporting the transition to sustainable mobility and energy efficiency. (Output 1.1 Investment mobilized by

REIF to GHG reducing assets/ Output 5.1 - Co-financing with REIF - Financing leveraged by REIF from local financial institutions). In addition, a pipeline was developed with eight projects under assessment, for an additional REIF contribution of around US\$ 3 million that could leverage over US\$ 30 million through bank financing during 2024.

Companies working with REIF financing will have access to individual technical assistance. A technical assistance strategy was developed collaboratively by REIF institutions, to support project impact measurement, gender perspective analysis and recommendations, technical and prefeasibility studies. Implementation will be carried out by participating UN agencies. (Output 4.1 - Strengthen capacities and knowledge of companies in the priority sub-sectors to develop and implement gender equality practices and increase the job prospects of women)

Aiming at strengthening the regulation, capacities and technologies of the second energy transition, actions to address information gaps for private sector as well as for policy makers, are under implementation. A study on electric mobility light trucks for logistics was developed to support interested firms in the analysis of transitioning to electric mobility. (Output 1.4 - Enhanced regulation, capacities and knowledge for 2ET technologies reducing GHG emissions). A REIF technical Assistance was included as part of the Sectoral Energy Fund, implemented by National Agency for Innovation and Research (ANII), to support companies and institutions in low-variable-cost interruptible electricity utilization projects, with a REIF contribution of USD 35.000. This Fund has a total Budget of USD 587.000. Two proposals have been selected to commence execution in January 2024. (Output 2.2 - Increased penetration of technologies offering demand flexibility)

During the second half of 2023, Terms of References for several studies, including analysis on technologies and business models for improving energy demand flexibility, studies to support to national green hydrogen roadmap in export logistics, electric mobility for waste management (Output 1.4 - Enhanced regulation, capacities and knowledge for 2ET technologies reducing GHG emissions) were prepared and procurement is underway. In addition, a Gender Gap analysis in STEM sectors is being developed with the support of the Ministry of Industry and Energy (Output 4.2 - Collection of gender-specific data and development and implementation of action plan to increase women's ability to access finance in the priority sub-sectors).

To support the transition process, several capacity building activities for government staff and financial institutions were carried out. Activities include training on impact assesment and REIF impact framework and methodology for REIF Government , UN institutions and banking partners, (Output 5.1 - Co-financing with REIF). In addition, REIF staff participated in different outreach events.

Main Challenges, adjustments and lessons:

- The inter-institutionalism created by REIF is one of its strengths, becoming an opportunity to build new agendas to contribute to the country development challenges. However, different timing among institutions, communication difficulties and change in teams has generated some implementation challenges and delayed execution.
- As mitigation measure, communication among agencies has been strengthened. Regular follow-up meetings at different levels (technical staff / head of agencies) are carried out. The Annual work plan is decided through an interinstitutional process that end up in an annual planning workshop, contributing to strengthen commitment and ownership. The inter-institutionally agreed annual planning, the end-of year stock take meeting and the upcoming mid-term evaluation are good practices that account for management decisions that were taken to meet the objectives agreed within the results framework.
- At political level, maintaining active involvement of the four government institutions participating in the project has been challenging. Several changes in government authorities as well as low political involvement in certain project components has delayed definitions and execution. At this level, the support from the RCO and the lead agency has significantly contributed to smooth the process.
- Finally, the project is focused on Energy transition. As a traditional very masculine sector, it has been difficult to

be ambitious on gender targets. Though the lead of UN Women, and in collaboration with the other participating UN Agencies, gender related technical assistance has been designed to overcome this challenge.

Priority Cross-cutting Issues

Cross-cutting results/issues

Each REIF investments aim to contribute to gender equality and greater participation of women at the workforce and in decision making spaces in the green economy and renewable energies, raising awareness, and implementing trainings for companies to increase women participation. To this aim, technical assistance for companies accessing to REIF' financing is available to mainstream gender across their organization and projects, opening an opportunity to bridge the gender gap and accelerate sustainable development (executed by UN Women).

How did the JP apply the Gender Marker

The JP is Gender-responsive (for example, the JP aimed to respond to specific gender needs, such as linking social assistance with GBV response services or maternal health support).

SDG Transitions Acceleration

Each REIF investment represent an opportunity to accelerate the achievement of the SDGs:

- Projects co-financed by REIF implement technologies that contributes to energy transition. The three approved operations (as well as projects in pipeline) contribute to decarbonize the transport (electric mobility), decarbonize the industry (efficient equipment) and contribute to sustainable energy systems (including green hydrogen, and waste management) (SDG 7/ SDG 9)
- Projects approved by REIF are assessed in terms of impact, including GHG emission reduction, environmental impact and social impact. In addition, technical assistance for measurement and improvement of project impact is provided. (SDG 13)
- Special focus is placed on advancing SDG 5 by bridge the gender gap, advance gender equality and women's empowerment, through technical assistance to firms in the REIF prioritized sectors for incorporating gender perspective and adhere to WEPS, and by conducting specific studies to generate information to evidence gender gaps. (SDG 5)
- Consultancies to strengthen capacities in financial sector and to promote regulatory frameworks that enhance sustainable finance for development (SDG 9 / SDG 17)

Annual Reporting on Results

Exit strategy, scaling, sustainability and next steps

- Capacity Building for financial Sector
Training in REIF impact framework and assessment methodology for the financial sector in underway. Financial institutions will learn through case studies, the key aspects for identifying, measuring evaluating and reporting impact projects related to energy transition.
- Key partners: the Uruguay sustainable Finance Table
As part of the stakeholder engagement activities, opportunities for collaboration with the Sustainable Finance

Table were identified. Through this collaborative work, the REIF will strengthen both Demand and Supply for impact investment, not only related to Energy Transition, but also for investments in other areas for achieving the SDG.

- Strategy for capitalizing the financial instrument – REIF trust fund.

A strategy for capitalizing the REIF is being developed. For that purpose, a task force was formed, including National Coordinator, UNIDO staff (as lead agency and responsible for the trust fund) and a sustainable finance advisor supporting the REIF. This task force is preparing an action plan.

As part of the deliverables expected from the Director of the Investment Committee, a capitalization strategy report, including the preparation of a work plan that includes milestones, actions to be executed, key stakeholders, means of implementation and schedule of activities according to the transactions already executed and performance of the first months of the REIF, is expected.

Measuring and reporting on impact

1. Private sector companies have access to credit operations tailored to their needs, allowing firms to transition to new / sustainable technologies. This might also reflect additional gains for firms in cost reductions, innovation and market positioning.

2. Firms have access to technical assistance to measure and report business impact, to incorporate gender perspective and to promote innovation, promoting active impact management among firm employees.

3. Training on impact assessment for energy transition projects for bank staff build capacities in financial institutions to identify and actively seek impact operations, fostering funds channeled to impact projects.

4. Investments support by REIF implies GHG reductions and gender -equality commitments from firms.

Overview of progress toward Financial Instrument(s)

Financial Instrument

The Renewable Energy Innovation Fund (REIF trust fund) was structured 2022 (including legal registration in the Central Bank of Uruguay). Following the structuring, several guidelines and procedures were developed to frame the trust fund activities. An investment policy was approved by the Program Steering Committee, an operation manual with detailed procedures was prepared in collaboration with investment Committee and the fiduciary, and a Technical Assistance Strategy was developed collaboratively with the participating UN agencies.

Collaboration between REIF and major commercial banks in Uruguay was established through Individual Framework Cooperation Agreements, which have fostered a seamless partnership between the REIF and the banks. This collaboration not only involves a streamlined referral mechanism but also entails shared risk analyses and a proactive approach to knowledge-sharing through capacity-building initiatives.

Key Components of Collaboration:

1. Referral Mechanism: The collaboration's success is evident in the execution of three credit operations in 2023. These operations have been made possible through clients referred by Heritage, BBVA, and Banco ITAU, showcasing the effectiveness of the referral mechanism outlined in the Cooperation Agreements. The streamlined process facilitates the identification and referral of potential clients, paving the way for joint co-financing initiatives.

2. Shared Risk Analysis: The credit operations executed in 2023 have benefited significantly from the collaborative risk assessment facilitated by the partner banks. Heritage, BBVA, and Banco ITAU have actively contributed their credit risk analyses, ensuring a thorough evaluation of the proposed projects. This shared risk analysis not only expedites the credit approval process but also strengthens the overall risk management framework of the REIF.

3. Capacity Building Initiatives: The proactive approach taken by the REIF in conducting training sessions for bank executives has proven instrumental in enhancing the partnership's effectiveness. These sessions have equipped banks' executives with a nuanced understanding of the REIF's investment policies and focus sectors. This shared knowledge fosters a cohesive approach, aligning all stakeholders with the fund's mission and objectives.

Structured Financial Products in 2023:

In 2023 the REIF has successfully structured three credit operations with clients referred by Heritage, BBVA, and Banco ITAU. These operations have utilized amortizable credit products, demonstrating the adaptability and effectiveness of the collaborative financing approach. The financial products structured include:

1. Amortizable Loans for Electric Vehicle Purchases: A remarkable product is the amortizable loans designed to facilitate the purchase of electric vehicles. This aligns with the REIF's commitment.

2. Credit Line Agreement for Companies Supplying Heat Pumps: Another significant financial product structured in collaboration with the partner banks is a credit line agreement tailored for companies supplying heat pumps and other related products. This versatile credit facility supports businesses engaged in providing innovative and energy-efficient solutions to end consumers.

The year 2023 stands as a testament to the successful collaboration between the REIF and major commercial banks in Uruguay. As the REIF continues to deploy resources in support of sustainable initiatives, these achievements exemplify the positive impact of strategic partnerships in driving meaningful and impactful financing solutions in Uruguay.

Completed transactions

Please consider the following information as confidential

DEAL APPROVED #1

CLIENT: Red Uruguay de Auxilio S.R.L. / www.rua-auxilios.com.uy

Red Uruguay de Auxilio (RUA) is a company with more than 25 years of experience in providing mechanical assistance, home services, among others, to the main insurance companies. Direct affiliates of the company, and financial companies, which hire their services as a way to build customer loyalty. Currently, it provides services throughout the country, its main headquarters is located in the Department of Canelones (Lagomar). It has more than 40 tow vehicles and its intention is to transform its fleet into 100% electric.

Total investment (Deal Size): USD 330.000

REIF participation: 30%

REIF disbursement: USD 99.000

REIF product: Amortizable Loan

Currency: Local currency indexed

Term: 60 months

Interest annual rate: 3,623%

Financial institution: Heritage

Investment: purchase of electric tow trucks

DEAL APPROVED #2

CLIENT: Alternativas Sustentables S.A. / <https://www.sustentables.com.uy/>

Alternativas Sustentables S.A. is a company with vast experience in the field of corporate solutions that includes technical advice and sale of various equipment: Biodigesters, Water treatment plants, Lithium Batteries, Electric car chargers, Heat pumps, among others.

Total investment (deal size): USD 750.000

REIF participation: 20%

REIF commitment: USD 150.000

REIF product: Credit Line agreement

Currency: USD

Term: maximum 60 months

Interest annual rate: CUD + 25%

Financial institution: ITAU

Investment: purchase of electric heat pumps

DEAL APPROVED #3

CLIENT: Celmu S.A. / <https://www.multicar.com.uy/>

MULTICAR is dedicated to leasing vehicles without drivers. Market leading company, focusing its activity on the corporate segment (70%) and the State (30%) through Autonomous Entities.

Total investment (Deal Size): USD 2.500.000

REIF participation: 30%

REIF disbursement: USD 750.000

REIF product: Amortizable Loan

Currency: USD

Term: 24 months

Interest annual rate: 5,1076%

Financial institution: BBVA

Investment: purchase of electric vehicles

Strategic Partnerships, Documents and Communications

Multi-stakeholder engagement

National government; Commercial banks;

How did the JP facilitate collaboration with diverse stakeholders

Collaboration between REIF and major commercial banks in Uruguay was established through Individual Framework Cooperation Agreements, which have fostered a seamless partnership between the REIF and the banks. This collaboration not only involves a streamlined referral mechanism but also entails shared risk analyses and a proactive approach to knowledge-sharing through capacity-building initiatives. As a result, three credit operations were approved and a significant project pipeline is being developed.

National Government institutions are highly engaged in the JP activities. Technical staff from REIF Government institutions (Ministry of Industry, Energy and Mining, Ministry of Environment, Office of Budget and Panning, and Electric Utility Company) participate in the collaborative construction of REIF annual workplan, as well as in its implementation as part of the counterpart technical team for different consultancies. In addition, authorities participate in the annual Steering Committee meetings.

Other government stakeholders with engagement with REIF are the Central Bank of Uruguay, through the Sustainable Finance Round Table, the National Agency for Research and Development through the Energy Sector Fund and the National Agency for Development, through the management of the National System of Guarantees, with which REIF trust fund is exploring dedicated energy transition guarantees.

Financial leverage

\$2,907,853.00

Donor and Strategic events attended by JP in 2022

Kick-off meeting	JP steering committee/ programme board meeting	Strategic partners/ donors event
	No, but planned in late 2024	No, but planned in late 2024

Focus on LNOB cross cutting principles

Human Rights	Persons with disabilities	Youth	Environmental and social standards
No	No	No	Yes

Beneficiaries

Number of beneficiaries

\$436.00

Percentage (%) of women benefited among the total number	Percentage (%) of children & youth (0-24 years of age) benefited among the total number	Percentage (%) of older persons (age 60 and above) benefited among the total number	Percentage (%) of persons with disabilities benefited among the total number
47	0	0	0

Communications

Voices from the field

- “REIF is a model that generates success and one we want to see multiplied. It aligns global and national objectives of decarbonization, with the objective of private businesses to survive, grow, and be profitable, all while targeting triple impact; environmental, social, and economic.” - Minister of Industry, Energy, and Mining of Uruguay, Omar Paganini
 - “Following a successful first energy transition, mechanisms like REIF consolidate the country's mission to advance towards decarbonization, involving key stakeholders in the pursuit of a more sustainable Uruguay.” Deputy Minister of Industry, Energy and Mining, Walter Verri.
 - "The REIF was envisaged to catalyze triple impact private financing and break with the traditional cooperation model that is no longer applicable to middle and high-income countries like Uruguay. It is a new way of creating public-private partnerships for development financing.", Representative of UNIDO's office for the Southern Cone countries, Manuel Albaladejo.
 - "REIF is an unprecedented programme for it brings UNIDO close to the needs, interests and opportunities offered by the big financiers. This opens the door for other players, like development banks, to capitalize REIF and turn it into a massive fund of funds." Representative of UNIDO's office for the Southern Cone countries, Manuel Albaladejo.
 - “Uruguay is an important country for us. UN agencies consider it for experimental projects due to its strong institutional setting stability, and reputation as a serious country” UN Resident Coordinator in Uruguay, Pablo Ruiz Hiebra.
 - “It is a joy to sign this Cooperation Agreement where different actors join forces and generate synergies to provide more and better financing to ensure access to renewable energies and stimulate innovation and environmental sustainability in our country. The agreement aims to co-finance renewable energy projects as a first step but does not rule out expanding it in the future to more projects with a positive impact. Today, we celebrate, and we are very excited to move forward in this initial stage.” Pablo Muró, Manager of Corporate Banking at Banque Heritage
 - "The agreement with REIF reaffirms our commitment to sustainable development and creating a positive impact. We understand that the joint work is key to drive innovation in technology, the transformation of the industry and ensure affordable access to renewable energies. We believe that this agreement not only encompasses the energy transition and a focus on project sustainability but also importantly signifies a spill-over effect in our country's productive sector and the improvement of people's lives." Agustin Tafnaberry, Director of Wholesale Banking and Treasury at Itaú
 - "This agreement allows us, on the one hand, to further the achievement of a key objective for the bank: working towards having a positive impact on people's well-being and the sustainability of the planet. On the other hand, it drives investment in renewable energies that possess a high degree of innovation and scalability. The agreement is aligned with the objectives of decarbonization and energy transition in Uruguay and it is another step for Santander in Uruguay to accompany our customers in the transition to a more sustainable economy." Pablo Gaudio, Commercial Director of Santander Uruguay.
 - "In terms of sustainability, we have taken on the responsibility of being the first ones to step onto the playing field and take concrete actions to drive the market forward. In fact, we were the first to issue a sustainable bond in the Uruguayan financial system and to offer customers loans for sustainable mobility to finance electric vehicles; we were the pioneers in launching an 'efficient' mortgage; we have been drivers of new certificates for construction, and today, we take great satisfaction in being the first Uruguayan bank to sign an agreement for the trust with REIF. BBVA CEO Alberto Charro.

Declaration

We hereby confirm that the information provided in this update is duly reviewed and approved by the RC and all PUNOs involved in the Joint Programme.