ENERGY SECTOR REFORM

(TC-95-09-39-2)

EXECUTIVE SUMMARY

EXECUTING AGENCY:	Ministry of Industry, Energy and Mining – Department of Energy.
BENEFICIARY:	Eastern Republic of Uruguay
FINANCING:	Modality: Grant – Window I Beneficiary: US$310,000 MIF: US$630,000 Total: US$940,000
OBJECTIVES:	The general objective of the project is to help create conditions conducive to the participation of private investment in the energy sector. The specific objective is to develop the instruments needed to restructure the sector by establishing an appropriate regulatory and institutional framework and by strengthening the government agencies involved in sector regulation and oversight.
DESCRIPTION:	The program will provide the government with the technical support it needs to develop and implement new legislation and regulations in the energy sector, so as to create conditions conducive to participation by private enterprise, particularly in new projects, and help enhance the efficiency of the sector. It would, in addition, bolster initial efforts to organize the resulting new institutional structure. Execution of the program will also help strengthen the implementation of adequate standards in the areas of consumer and environmental protection, as well as of safety and quality in the energy sector. The operation consists of two subprograms. Subprogram I, support in preparing and implementing the new institutional and regulatory framework of the fuel sector, will include: (i) preparation of a proposal for the new fuel and natural gas regime, developing aspects of fuel sector deregulation that can be implemented in the short term and within the existing legal framework; and (ii) drafting a hydrocarbon sector bill (oil, natural gas and derivatives) based on the alternatives for reorganizing the sector developed during the earlier stage, in order to legally establish the essential features of the new normative and institutional

framework which has been mapped out, together with the resulting sector structure. Subprogram II, support for reorganization and institutional strengthening of the power sector, will include: (i) development of the sector's new organization and institutional mechanisms, establishing in detail the objectives, capacity and organization of the agencies specializing in the management of sector policy and in the regulation and control of the different sector activities; and (ii) financial support for establishment of the regulatory and oversight bodies in the power sector, especially with respect to training, technical assistance and the development of information systems.

The operation is associated with loan 903/OC-UR, which is financing the power transmission and distribution program approved by the Bank's Board of Executive Directors on November 29, 1995.

TIMETABLE FOR EXECUTION: The program execution period will be 18 months, with a disbursement period of 24 months.

ENVIRONMENTAL CLASSIFICATION: The Environment Committee, at its meeting of May 7, 1996, classified this as a Category III operation. The Committee asked that information be included on the context of the operation and that the plan of operations be distributed to its members to be processed by the short procedure, which was done. This memorandum was forwarded to the Bank's Public Information Center on June 6, 1996.

SPECIAL CONDITIONS: The beneficiary, through the executing agency, shall submit, to the Bank's satisfaction: (a) before the first disbursement of the contribution: (i) evidence that the project executing unit has been established and has been assigned staff with the necessary qualifications and experience to administer and coordinate program execution; (ii) the program's initial plan of execution with details of the activities to be carried out and the respective timetable; and (iii) the final version of the terms of reference to be used in engaging the consulting services for subprogram I; and (b) before the first disbursement under subprogram II: (i) evidence that the new regulatory framework for the power sector has been approved in accordance with the guidelines in the bill under consideration in the National Congress; (ii) the duly revised plan of execution of the program; and (iii) the final version of the terms of reference to be used in engaging the consulting services for subprogram II (paragraph 3.11).

I. COUNTRY ELIGIBILITY

1.1 On October 6, 1993 the Donors Committee of the Multilateral Investment Fund (MIF)declared the Eastern Republic of Uruguay eligible for all forms of MIF financing.

II. FRAME OF REFERENCE

A. The energy sector in Uruguay

2.1 Uruguay has an unusual energy profile in that virtually all its resources are renewable, with hydropower representing 59% of its energy reserves, wood 34% and biomass the remaining 7%. End-uses of energy, however, are dominated by hydrocarbons (57%), followed by wood (22%), electricity (19%) and others (2%). The country has no known hydrocarbon resources and no marketable coal reserves, while its hydropower potential is almost fully utilized and there is widespread commercial exploitation of timber.

2.2 The Ministry of Industry, Energy and Mining [Ministerio de Industria, Energía y Minas] (MIEM) is responsible, through the Department of Energy [Dirección Nacional de Energía] (DNE), for sector policy-setting and planning and for approving pricing proposals for the different forms of energy. Also reporting to the MIEM are the National Fuel, Alcohol and Cement Authority [Administración Nacional de Combustibles, Alcohol y Portland] (ANCAP) and the National Power Station and Transmission Authority [Administración Nacional de Usinas y Transmisiones Eléctricas] (UTE), state-owned enterprises that are the focal point of sector activity. The Technical Audit Unit [Organismo Técnico de Contralor] (OTC), which also reports to the MIEM, was set up when the Compañía del Gas de Montevideo was privatized, and is responsible for monitoring and overseeing the concession contract. The investment plans and international borrowings of the two authorities are approved by the Planning and Budgeting Office of the Office of the President [Oficina de Planeamiento y Presupuesto de la Presidencia] (OPP), with advisory input from the recently established Technical Commission on Energy [Comisión Técnica de Energía] (CTE).

1. Fuel and natural gas

2.3 The importation, refining and sale of oil and oil derivatives is a legal monopoly of the ANCAP, which is also involved in cement and alcohol production. Participation by private companies is limited to the distribution and marketing of fuel, but in an oligopolistic market entirely regulated by the ANCAP in terms of access, pricing and investment.

2.4 There is currently no supply of natural gas in Uruguay, and piped gas has only a marginal share in the end-consumption of energy; it is produced at high cost from petroleum derivatives and distributed in only one district of Montevideo by a recently privatized company. Liquefied petroleum gas (LPG) is marketed by private companies but in market conditions similar to those for other petroleum derivatives.

2.5 Within MERCOSUR, Uruguay has broadly speaking the highest markups in its end-prices for fuel and derivatives over and above border prices (international prices plus freight and other costs). This is because of the monopolistic nature of the supply and the high tax load.

2. Power sector

2.6 In the power sector, Uruguay has one of the region's highest coverage rates for electricity service (93% of the population), as well as one of the highest per capita consumptions. Public electricity service is provided as a monopoly by the UTE in the areas of generation, transmission and distribution. The only exception is the de Salto Grande hydroelectric plant on the Uruguay River, the largest in the system, which is shared with Argentina and operated by a binational utility.

2.7 Owing to the obsolescence of the distribution networks and the inadequacy of transmission facilities, the power service suffers from unreliability and excessive energy losses, which are reflected in high costs to the economy and a loss of resources for the sector. It is precisely the poor reliability of the power service that has been identified as one of the bottlenecks facing the productive sectors.

B. Restructuring of the power sector

2.8 In the medium term, Uruguay must address the problem that all its hydropower resources are already being exploited and that it lacks other potential sources of energy. Sizable investments are needed to modernize the power sector and, eventually, to install new generating capacity and international connections, within the context of an emerging regional power market. Development of the natural gas industry would also require major resources in the event that this form of energy is imported from Argentina. These prospects underscore the need to create conditions conducive to attracting private investment into the sector to supplement public sector resources, and at the same time to assign priority to more efficient use of existing resources.

2.9 In this context, the Uruguayan government's policy in the power sector is being developed along two strategic lines which are mutually complementary and reinforcing: (i) establishment of a regulatory framework that clearly segregates the State's regulatory

functions from its corporate functions, thereby allowing the introduction of competition and encouraging private utilities to enter the sector, especially for new projects; and (ii) integration with neighboring countries, so as to develop regional markets that will make it possible to enhance efficiency, optimize investments and gain access to new sources of energy.

1. Deregulation of the fuel market and development of natural gas

2.10 Greater fuel efficiency could be achieved by deregulating activities, introducing competition and correcting distortions in the pricing policy. This would permit more efficient use of currently installed capacity and eventually the expansion of business in the sector through the entry of new operators and the establishment of joint ventures with the ANCAP. In addition, in the long term structural changes and greater diversity in Uruguay's energy matrix could be expected to result from the possible introduction of natural gas, which will require the creation of an adequate framework for the development of this industry (*Subprogram I, Stage 1.1*). 1/

2.11 Eventual importation of natural gas from Argentina now appears more likely thanks to two essentially complementary projects to be carried out by private investors. The first is the construction of a gas pipeline between Buenos Aires and Montevideo, which would bring supplies to the latter market and for which the concession process has already been initiated by inviting interested parties to submit tenders (*Reference 1*). The second project is to exploit the so-called Santa Lucía Aquifers, a natural reservoir located near Montevideo, which would be used to store natural gas from Argentina during the summer so as to be able to meet peak demand during the winter in the Buenos Aires area. A contract was recently awarded for studies and possible exploitation of this reservoir, and the technical and economic feasibility study is expected to be available by the end of 1997 (*Reference 2*).

2.12 Through a bill being drafted specifically for the hydrocarbon sector, the government is planning to make changes in the sector's regulatory and institutional framework. As part of the process of integrating the regional energy market, the new legislation would promote growing deregulation and increased competition in fuels. It would at the same time lay the foundations for the development of the natural gas industry by private operators (*Subprogram I, Stage 1.2*).

1/ This reference and the similar ones that follow are to activities in support of Uruguay's energy sector by international agencies, of which the proposed program is part, and which are presented in summary form in Annex II.

2. New regulatory framework of the power sector

2.13 The government has sent to the Congress a bill on the regulatory framework of the power sector, based on studies carried out in cooperation with the Bank and the World Bank (WB) (*References 5 and 6*). The new regulatory framework would establish conditions in Uruguay's power sector that are compatible with those in the Argentine market, which has been extensively privatized and is marked by vigorous competition.

2.14 The new rules would make it possible to consolidate the integration of the Uruguayan and Argentine power systems into a single market, which is technically feasible given the extensive interconnection that already exists. Access to expanded supply would benefit Uruguay's power system in general and, in the early stages especially, major consumers, by providing them with additional alternatives for the purchase of energy (*Subprogram II*).

2.15 In the medium term, a regional power market would help to realize the government's desire to see generating capacity expanded by the private sector, thereby opening up greater scope for new projects. Potential projects for new natural gas-based thermal stations are now beginning to take shape. Also under study is a major extra-high-voltage power interconnection project with Brazil, which would be carried out by private investors in the form of a public works concession.

C. Background and relationship to other projects

2.16 The program complements other initiatives by multilateral banks to bolster investments needed in the energy sector and at the same time the reforms launched by the government. At the end of 1995 the Bank approved loan 903/OC-UR, for UTE investments in facilities for managing the interconnected system, the first high-voltage interconnection with Brazil, and for rehabilitation of the distribution networks in the principal cities of the interior (*Reference 3*). It also granted technical-cooperation funding to Uruguay under operation ATN/II-4399-RG for preliminary studies on the extra-high-voltage interconnection between Uruguay and Brazil. A second phase is currently under negotiation to complete the studies and devise alternatives for execution of the project (*Reference 9*). Moreover, a MIF technical-cooperation operation (MIF/AT-81) was recently approved for the preparation of bidding documents for the concession covering the Buenos Aires-Montevideo gas pipeline, a project that might eventually be supported financially by the Bank through the private sector window (*Reference 1*).

2.17 For its part, the World Bank also recently granted the UTE another loan for investments in power transmission and distribution in the Montevideo area (loan 3949-UR) (*Reference 4*), which includes a technical assistance component to support the reorganization of the

UTE (*Reference 10*). The World Bank is also preparing to provide technical assistance to the government using funds from the Japanese Grant Fund (JGF); it will finance a number of activities for implementation of the power sector reforms, notably development of the regulations for sector operation under the new regulatory framework (*Reference 7*). The Bank collaborated in drafting the terms of reference for these activities as part of the preparatory work for loan 903/OC-UR (*Reference 6*) and will finance several consultants to support the MIEM, using proceeds from loan 704/OC-UR (investment sector program) (*Reference 8*).

2.18 In this context, the Uruguayan government has requested MIF support, through the Technical Cooperation Facility, to deepen the reform of the energy sector through the proposed program, by developing and implementing regulatory and institutional instruments in the power, fuel and natural gas subsectors, so as to create conditions conducive to encouraging participation by private enterprise. Annex I presents a summary of the activities and expected outputs of the program, and Annex II a summary table showing the different activities being carried out by international organizations in support of Uruguay's energy sector.

III. THE PROGRAM

A. Objectives

3.1 The general objective of the project is to help create conditions conducive to the participation of private investment in the energy sector. The specific objective is to develop the instruments needed to restructure the sector by establishing an appropriate regulatory and institutional framework and by strengthening the government agencies involved in sector regulation and oversight.

B. Activities

3.2 The program comprises two subprograms, to be executed independently. Each subprogram in turn consists of two stages:

Subprogram I — Support in preparing and implementing the new institutional and regulatory framework of the fuel and natural gas sector

Stage 1.1: *Preparation of a proposal for the new fuel and natural gas regime*: this component consists of the hiring of consulting services to analyze and develop aspects of fuel sector deregulation that can be implemented in the short term under the existing legal framework. Special efforts will be made to make fuel marketing and distribution activities competitive and to establish adequate technical, quality, safety, and environmental protection standards.

In the case of the natural gas industry, conditions will be created whereby the transportation, distribution and marketing of this form of energy could be carried out according to principles of efficiency. Also included will be the development of specific consumer and environmental protection safeguards, as well as of safety and technical standards.

Stage 1.2: *Drafting of a hydrocarbon bill (oil, natural gas and derivatives):* this component is a natural continuation of the previous one and will be executed as part of the same consulting contract. The resulting proposal will be based on the alternatives for reorganizing the sector developed during the earlier stage. Its purpose will be to pass legislation on the essential features of the new regulatory and institutional framework which has been mapped out, together with the resulting sector structure.

Subprogram II – Support for reorganization and institutional strengthening of the power sector

Stage 2.1: *Development of the new organization of and institutional mechanisms for regulating and supervising the sector:* consulting services will be hired to establish in detail the objectives, capacity and organization of the agencies specializing in sector policy management and in the regulation and control of the different sector activities. Execution of this component will depend on passage of the new law on the regulatory framework for the power sector, which is expected to occur in the second half of 1996. The component will supplement the activities to be carried out with financial support from the JGF.

Stage 2.2: *Support for establishment of the new regulatory and oversight bodies, and other activities designed to strengthen the government agencies in charge of the power sector:* this component will include activities to provide support for the regulatory and oversight bodies during the startup stage, chiefly through the purchase of computer equipment and software, personnel training, and technical assistance. These activities will need to be spelled out in detail once the respective legislation has been enacted and the attendant regulations established.

C. <u>Cost and financing</u>

3.3 The budget for the program amounts to US$940,000, made up of US$630,000 from the MIF and a local contribution of US$310,000. The MIF financing would cover the expenses of the consulting services, part of the expenditures on information and training systems for the regulatory bodies, part of the expenses of the project executing unit (PEU), and part of the contingencies. The local counterpart will cover the bulk of the PEU's operating expenses, just under half of the computing and training systems, and part of the contingencies. The breakdown of the budget is as follows:

PROGRAM BUDGET (US$ thousands)			
COMPONENT	**MIF**	**LOCAL CONTRIBUTION**	**TOTAL**
Subprogram I: Fuel and natural gas sector	**375**	**173**	**548**
Stage 1.1 Proposal for new regime on fuels and natural gas industry	186	-	186
Stage 1.2 Hydrocarbons Bill	135	-	135
Coordination (project executing unit)	54	173	227
Subprogram II: Power sector	**198**	**107**	**305**
Stage 2.1 Implementation of new institutional framework for the sector	120	-	120
Stage 2.2 Establishment of regulatory bodies	60	50	110
Coordination (project executing unit)	18	57	75
Contingencies	**57**	**30**	**87**
TOTAL	**630**	**310**	**940**

D. <u>Administration and execution</u>

3.4 The program will be executed by the MIEM's Department of Energy (DNE) over a period of 18 months. Locating the project within the sphere of the government will provide adequate autonomy with respect to the UTE and ANCAP. However, the technical teams of the two utilities are expected to lend cooperation.

3.5 To carry out its functions, the executing agency will establish a project executing unit (PEU), responsible for administering the program, headed by a coordinator with the necessary qualifications and experience for an assignment of this kind.

3.6 The PEU, whose membership and functions are set forth in an already agreed upon plan of action, will provide technical support to the DNE and handle all matters concerning the organization, coordination, monitoring and oversight of the program, especially with respect to bidding, proposed amendments to the terms of reference, verifying the progress of tasks, authorizing payments, producing reports, and coordinating activities with consultants and with government officials and agencies directly or indirectly associated with the program.

3.7 The procurement of goods and services and the hiring of consultants shall be carried out in accordance with the applicable procedures

of the Bank and the MIF. In view of the nature of the activities involved, both subprograms will require the hiring of consulting firms.

3.8 The program will be presented to the Donors Committee in June 1996, and execution of subprogram I is expected to commence during the third quarter of 1996. Although the two subprograms are to be executed independently, subprogram I is expected to begin first. The terms of reference for the consulting services have already been agreed upon, and the bidding procedures should therefore begin shortly. Execution of subprogram II would begin as soon as the necessary legislation has been enacted. Both the plan of action and the terms of reference for subprograms I and II are available for perusal.

E. Disbursements

3.9 Disbursements will be made in accordance with the relevant Bank procedures. The disbursement period will be 24 months.

3.10 The beneficiary, through the executing agency, shall submit, to the Bank's satisfaction: (a) before the first disbursement of the contribution: (i) evidence that the project executing unit has been established and has been assigned staff with the necessary qualifications and experience to administer and coordinate program execution; (ii) the program's initial plan of execution detailing the activities to be carried out and the respective timetable; and (iii) the final version of the terms of reference to be used to hire the consulting services for subprogram I; and (b) before the first disbursement under subprogram II: (i) evidence that the new regulatory framework for the power sector has been approved in accordance with the guidelines in the bill under consideration in the Congress; (ii) the duly revised plan of execution of the program; and (iii) the final version of the terms of reference to be used to hire the consulting services for subprogram II.

F. Supervision

3.11 From the start of the program, the executing agency shall submit to the Bank semiannual progress reports that permit adequate monitoring of the program. The reports shall contain: (i) a review of the progress achieved in the activities to be carried out under the program and the extent to which the plan of execution has been accomplished; (ii) a comparison of actual disbursements with the original disbursement schedule and an account of the expenditures incurred against the counterpart contribution; (iii) a summary of the recommendations made by the consultants hired using program resources; (iv) any proposals for program changes or adaptations that the executing agency may feel should be submitted to the MIF, which may include changes in either the duration or the categories of recruitment; and (v) a summary of the activities to be carried out during the next six months. The executing agency

shall also deliver to the Bank a copy of the final reports by the consultants and interim reports and any other documents considered relevant for the purposes of analyzing their recommendations.

3.12 Within six months after program completion, the executing agency shall submit a final report with a summary of the activities carried out; the application of MIF resources and local counterpart funds; the results achieved; the decisions made as a consequence of the program; and the results expected to be achieved by implementing them. The technical-cooperation agreement will also stipulate that the executing agency shall submit the financial statements of the program, duly certified by independent auditors acceptable to the Bank and in accordance with standards satisfactory to it.

G. Feasibility and risks

3.13 The program will provide the government with the technical support needed to develop and implement new legislation and regulations in the energy sector, so as to create conditions conducive to participation by private enterprise, particularly in new projects, and help to enhance the efficiency of the sector. It would, in addition, bolster initial efforts to organize the resulting new institutional structure.

3.14 Successful implementation of the program will have a positive impact on the environment, considering the following: (i) competition will increase through gradual deregulation of the sector and the entry of private operators will lead to more efficient use of the sector resources (better use of the installed capacity in the fuel sector and optimal investments in the power sector, among the most significant improvements in the medium term); (ii) the separation of the roles of regulation and control and establishment of a hierarchy within them and implementation of the regulatory and institutional adjustments promoted by the program will at the same time strengthen the implementation of proper standards for environmental impact control, safety, consumer protection, and quality in the energy sector; and (iii) in the long term, eventual introduction of natural gas – the fuel of preference in terms of environmental protection – will tend to replace the use of other sources of energy with a more adverse impact on the environment.

3.15 Although there is a resolute desire among Executive Branch officials to carry out the proposed reforms, the power sector restructuring program requires the passage of legislation by the Congress. Parliamentary response to date on the power bill shows there is a strong likelihood that the bill will be passed with substantially the same wording as that proposed by the Executive. The fact that there are large-scale projects in the energy field that would have better chances of materializing, or might be expedited, if the country had a more appropriate sector framework is also a key incentive. Moreover, the progress made in the

process of integration within MERCOSUR and the prospects of extending further the deregulation of subregional energy markets constitute a climate that is highly propitious for the type of reforms which the project would help to institute.

IV. COMPLIANCE WITH ELIGIBILITY CRITERIA

A. General criteria for eligibility of the program

4.1 MIF financing to support the proposed operation is fully consistent with its overall objective of promoting private investment and expanding private-sector participation in the economy for the purpose of speeding the pace of economic and social development. The proposal is also compatible with the MIF guidelines for the Technical Cooperation Facility, which call for the priority allocation of MIF resources to projects that support expansion of private investment in infrastructure.

B. Criteria of the facility for the eligibility of projects

4.2 The project also meets the Technical Cooperation Facility's project eligibility criteria, pursuant to Article III, Section 2(d), of the Agreement Establishing the MIF, which provides that technical assistance funds may be granted to finance advisory services for the design and implementation of privatization programs, including advice on valuation and techniques for privatizing companies.

V. CONSISTENCY WITH THE BANK'S COUNTRY STRATEGY

5.1 The project is consistent with the Bank's priorities for the country, since it will: (i) help to increase the competitiveness of the productive sectors by enhancing the efficiency of the energy sector; (ii) promote institutional changes which would intensify Uruguay's integration into the regional market; and (iii) facilitate private-sector participation in the energy sector.

5.2 This operation is linked to loan 903/OC-UR for the power transmission and distribution program, which was approved by Bank's Board of Executive Directors on November 29, 1995.

VI. AVAILABILITY OF MIF RESOURCES

A. Modality of financing

6.1 The project will be financed with nonreimbursable funds based on the following considerations: (i) Section 3 of the Country Eligibility Memorandum states that Uruguay meets the eligibility criteria for obtaining grants at the national level; and (ii) the proposed project will have a catalytic effect on private investments in infrastructure, as required under Article III, Section (a), of the Agreement Establishing the MIF, since its objective is to stimulate the process of involving the private sector in the provision of infrastructure and in the management of the energy sector. The validity of these criteria was confirmed by the Donors Committee at the meeting held on March 30, 1994 (MIF/GN-23).

B. Allocation of MIF resources

6.2 The allocation of MIF resources to this project is justified because it enhances the Bank's support for the policy of stimulating private investment in the provision and operation of infrastructure works, and in the power sector in particular.

VII. EVALUATION

7.1 The program would be evaluated through the scheduled interim and final reports. As agreed with the executing agency and the beneficiary of the program, those reports and the others generated by the different activities will provide the necessary information and data to conduct an ex post evaluation of the operation.

LOGICAL FRAMEWORK

MIF — TECHNICAL COOPERATION FACILITY URUGUAY — ENERGY SECTOR REFORM (TC-95-09-39-2)		
General objective: to help create conditions conducive to the participation of private investment in the energy sector.		
Specific objective: to establish an appropriate regulatory and institutional framework, and to strengthen the agencies involved in sector regulation and oversight, in the oil and oil derivatives, natural gas and power sectors.		
Subprogram	**Activities**	**Expected outputs***
SUBPROGRAM I **Support for the implementation of a new regulatory and institutional framework for the fuel and natural gas sector**	Preparation of a proposal for a new fuel and natural gas regime, and development of sector regulation and oversight. Preparation of a proposal for a bill on the hydrocarbons sector (oil, natural gas and derivatives).	Definition and development of the new regime; detailed proposal in 4 months. Bill submitted to the Congress in 9 months.
SUBPROGRAM II **Support for the reorganization and institutional strengthening of the power sector**	Development of the new organization and institutional mechanisms for regulation and oversight of the power sector. Support for the installation of the new regulatory and oversight bodies, and other activities to strengthen the government agencies in charge of the power sector.	Detailed proposal available in 4 months. Entities operating satisfactorily in 9 months.

* The periods are reckoned from the startup date of the respective subprogram.

ACTIVITIES IN SUPPORT OF THE ENERGY SECTOR IN URUGUAY
ASSISTANCE FROM MULTILATERAL ORGANIZATIONS

SOURCE OF FINANCING	IDB	MIF	WB
R			
w regime (within current legal		**Subprogram I — Stage 1.1**	
ill		**Subprogram I — Stage 1.2**	
S			
erall framework for f natural gas industry		**Subprogram I — Stage 1.1**	
w regulatory and institutional t of Hydrocarbon Bill)		**Subprogram I — Stage 1.2**	
		Preparation of bidding documents for Buenos Aires-Montevideo gas pipeline, MIF/AT-81: approved in May 1996 **(Reference 1)**	
		Technical assistance to govt. for followup on technical and economic feasibility study on Santa Lucía Aquifers as natural gas storage reservoir — CT/Fondos Canada: to be approved III/1996 **(Reference 2)**	
OR			
TE investments	Transmission and distribution program — 903/OC-UR: approved in Nov. 1995 **(Reference 3)**		Power transmission and distribution loan 3949-UR: approved in Oct. 19 **(Reference 4)**
w regulatory and institutional			Preliminary studies on bill — loan 3 — PERL: completed in 1993 **(Refe**
f regulations for new regulatory	TOR for PPF consultancy ATN/SF-4699-UR: executed in IV/94 **(Reference 6)**		Consultancy studies (JGF): already execution 2nd half of 1996 **(Referen**
	Experts for MIEM counterpart (704/DC-UR: executed in 2nd half 1996 **(Reference 8)**		
f institutional aspects and sector		**Subprogram II — Stage 2.1**	
latory and oversight bodies		**Subprogram II — Stage 2.2**	
	Studies for EHV Uruguay-Brazil interconnection CT/Fondos Italy ATN/II-4399-RG: 1st stage executed in 1994-95, 2nd stage in course of approval (Reference 9)		Technical assistance for reorganizati — loan 3949-UR: startup scheduled **(Reference 10)**

PROPOSED RESOLUTION

URUGUAY. NON-REIMBURSABLE TECHNICAL COOPERATION FOR THE ENERGY SECTOR REFORM PROGRAM

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the Republic of Uruguay and to take such additional measures as may be pertinent for the execution of the plan of operations referred to in Document MIF/AT-__________ with respect to a technical cooperation for a program of reform of the energy sector.

2. That up to the sum of US$630,000 is authorized for the purposes of this resolution, chargeable to the Technical Cooperation Facility of the Multilateral Investment Fund.

3. That the above-mentioned sum is to be provided on a non-reimbursable basis.