PUBLIC
SIMULTANEOUS DISCLOSURE

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

URUGUAY

BUSINESS INNOVATION AND ENTREPRENEURSHIP PROGRAM III

(UR-L1187)

THIRD INDIVIDUAL OPERATION UNDER THE CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP) TO PROMOTE INNOVATION, ENTREPRENEURSHIP, HUMAN CAPITAL, AND RESEARCH

(UR-O1153)

LOAN PROPOSAL

This document was prepared by the project team consisting of: Marieke Goettsch (IFD/CTI), Project Team Leader; Gustavo Atilio Crespi (IFD/CTI), Alternate Project Team Leader; Edwin Antonio Goñi (IFD/CTI); Carlos Guaipatin (IFD/CTI); Vanderleia Radaelli (IFD/CTI); Matteo Grazzi (IFD/CTI); Sandra López (IFD/CTI); María Alejandra Galeano (IFD/CTI); Federica Gómez Decker (INT/TIN); Ana Castillo Leska (DIS/CUR); Federico Brusa (CSD/CCS); Emilie Chapuis (VPC/FMP); Allizon Patricia Milicich Nieto-Polo (VPC/FMP); Andrea Monje Silva (SCL/GDI); Jacqueline Bueso-Merriam (SPD/SDV); Carolina D'Angelo (CSC/CUR); María Sofia Larralde Camacho (CSC/CUR); Luis Gastón Rodríguez Cabrera (CSC/CUR); Guillermo Antonio Eschoyez (LEG/SGO); and Cristina Celeste Marzo (LEG/SGO).

CONTENTS

APPENDICES

ANNEXES	
Annex I	Summary Development Effectiveness Matrix
Annex II	Results Matrix
Annex III	Fiduciary Agreements and Requirements

REQUIRED LINKS	
1.	Multiyear execution plan
2.	Monitoring and evaluation plan

OPTIONAL LINKS	
1.	Economic analysis document UR-L1187
2.	Bibliography
3.	CCLIP theory of change UR-O1153
4.	Theory of change and estimated cost UR-L1187
5.	Program Operating Regulations UR-L1187
6.	National Strategic Plan for Science, Technology, and Innovation
7.	Annex on climate change
8.	Climate finance spreadsheet
9.	Environmental and social policy filter

ABBREVIATIONS

ANII	Agencia Nacional de Investigación e Innovación [National Research and Innovation Agency]
CCLIP	Conditional credit line for investment projects
EAI	Encuesta de Actividades de Innovación [Survey of Innovation Activities]
ERP	Enterprise resource planning
LBR	Loan based on results
OECD	Organisation for Economic Co-operation and Development
PENCTI	Plan Estratégico Nacional de Ciencia, Tecnología e Innovación [National Strategic Plan for Science, Technology, and Innovation]
R&D	Research and development
SOFR	Secured Overnight Financing Rate
TFP	Total factor productivity

PROJECT SUMMARY

URUGUAY

BUSINESS INNOVATION AND ENTREPRENEURSHIP PROGRAM III

(UR-L1187)

THIRD INDIVIDUAL OPERATION UNDER THE CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP) TO PROMOTE INNOVATION, ENTREPRENEURSHIP, HUMAN CAPITAL, AND RESEARCH

(UR-O1153)

Financial Terms and Conditions				
Borrower:			**Flexible Financing Facility**[a]	
Eastern Republic of Uruguay			**Amortization period:**	24.5 years
Executing agency:			**Disbursement period:**	5 years
National Research and Innovation Agency			**Grace period:**	6 years[b]
Source	**Amount (US$)**	**%**	**Interest rate:**	SOFR-based
			Credit fee:	[c]
IDB (Ordinary Capital):	45 million	100	**Inspection and supervision fee:**	[c]
Total:	45 million	100	**Weighted average life:**	15.25 years
			Approval currency:	U.S. dollar

Project at a Glance

Project objective/description: The program's general objective is to improve businesses' productivity through increased investment in knowledge, human resources, innovation, and entrepreneurship. The specific objectives are to: (i) increase investment in and the generation of applied knowledge in the productive sector and society; (ii) expand the supply of advanced human capital and its link with the productive sector and government; (iii) leverage private investment in innovation activities; and (iv) promote private investment in quality innovative ventures.

The program is the third individual operation under the CCLIP, approved by the Board of Executive Directors via Resolution DE-58/17.

Special contractual conditions precedent to the first disbursement of the loan proceeds: (i) the entry into effect of the agreement between the borrower and executing agency for the execution of program resources and activities, in terms satisfactory to the Bank; (ii) presentation of evidence that the program Operating Regulations have entered into effect, in accordance with the terms previously agreed upon with the Bank; and (iii) the contracting of the consulting firm tasked with the external and independent validation of the program's outcomes, in accordance with the terms agreed upon with the Bank (paragraph 3.5).

Exceptions to Bank policies: None.

Strategic Alignment			
Challenges:[d]	SI ☐	PI ☒	EI ☐
Crosscutting themes:[e]	GE ☒ and DI ☐	CC ☒ and ES ☐	IC ☐

(a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

(b) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life or the last payment date as documented in the loan contract.

(c) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable policies.

(d) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

(e) GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

1.1 **Background.** Uruguay faces the challenge of resuming and sustaining the economic growth seen prior to the COVID-19 pandemic. To this end, it must focus on closing the productivity gap separating it from the more advanced countries.[1] Addressing this challenge calls for implementing initiatives that promote sustained productivity growth, which is partially achieved by stepping up promotion of business innovation through long-term science, technology, innovation, and entrepreneurship policies focused on the needs of the productive sector.

1.2 To encourage businesses to innovate more, the Uruguayan government arranged a conditional credit line for investment projects (CCLIP) with the Bank in the context of the National Strategic Plan for Science, Technology, and Innovation (PENCTI). The CCLIP, for US$100 million over the period 2017-2027 (UR-O1153), will provide technical and financial support to the National Research and Innovation Agency (ANII).[2] This program, for US$45 million, is the third and final individual operation under the CCLIP and is a loan based on results (LBR).

1.3 This third individual operation under the CCLIP will address the gaps constraining private investment in research and development (R&D), thus complementing the efforts of the two prior operations (paragraphs 1.15, 1.16, and 1.22). The first operation (4329/OC-UR, approved in 2017 for US$25 million) focused on closing gaps through early financing for innovation and advanced human capital, and the second operation (4847/OC-UR, approved in 2019 for US$30 million, 91.67% disbursed) focused on financing to expand scientific and technological knowledge and on improved incentives for individual and collaborative innovation for Uruguayan companies. In line with the Bank's continued support for ANII and covering all its areas of work, the challenges to be addressed in this operation fall into four areas: (i) research; (ii) human capital; (iii) business innovation; and (iv) innovative entrepreneurship.[3]

1.4 **Economic context.** The Uruguayan economy grew at a continuous annual average of 3.9% from 2003 to 2019. Exports and investment drove this growth: exports of goods and services rose at an average annual rate of 5.7%, and investment grew at an average rate of 5.3% from 2003 to 2019.[1][4] TFP also posted annual growth of 1.5% between 2005 and 2019.[2] However, given the less favorable external context, from 2014 onwards GDP growth slowed (from 4.6% in 2013 to 0.2% in 2019), investment contracted (-5.8% annual average between

---

1 In 2014, Uruguay's total factor productivity (TFP) was 67% of TFP in the United States, which is seen as the benchmark for the technological frontier. This gap has grown in recent years, given TFP stagnation in Uruguay and continued growth in the United States (*Penn World Table 10. Groningen Development Center*). Measured in terms of labor productivity, Uruguay's value added per worker was 19% that of the simple average of Germany, France, the United Kingdom, and the United States in 2017 (ILO, 2018, "Políticas de Desarrollo Productivo en Uruguay", Informes Técnicos 2018/11).

2 ANII is a public, nonstate agency that provides funds for research, human capital, innovation, and entrepreneurship for the private and public sector.

3 Evidence of the effectiveness of interventions is based on existing evaluations, and information is provided on the applicability of the intervention in the country (see Section 3.B of the monitoring and evaluation plan).

4 See optional link 2.

2015 and 2019), exports of goods and services fell (-3.5% annual average between 2014 and 2019), and TFP growth stagnated (0.3% annual average between 2015 and 2019).[3]

1.5 In 2020, as a result of the external shock brought by the COVID-19 pandemic, the Uruguayan economy experienced a sharp fall in domestic (-5.9%) and external (-10.7% in exports and -8.3% in imports) activity. While cushioned by the country's social protection system and containment measures introduced in response to the pandemic, the national poverty rate rose from 8.8% in 2019 to 11.6% in 2020, and unemployment peaked at 11.2% in October 2020 (Instituto Nacional de Estadística [National Institute of Statistics], 2021). The Uruguayan economy started to recover in the second quarter of 2021 (growing by 11.3% over the same period in 2020) and closed 2021 with an expansion of 4.5%.

1.6 In order to resume and sustain prepandemic economic growth, it is critical for Uruguay to resume and maintain TFP dynamism. Indeed, international evidence indicates that while the correlation between productive factor accumulation and GDP growth is 0.46, the correlation between TFP growth and GDP is 0.94.[3] One of the challenges for sustaining TFP growth is to increase the contribution from innovation. The share of R&D investment in TFP growth is 8% in Uruguay, compared to a share of 40% previously attained by successful countries when they were at a stage of development comparable to Uruguay's.[4][5]

1.7 **The problem.** Uruguay has a modern legal and institutional framework, as well as various research and innovation support programs. The national innovation system has been strengthened over the last 15 years but still has significant weaknesses. Domestic investment in R&D quadrupled between 2006 and 2019 (from US$72 million to US$296 million), reaching 0.53% of GDP in 2019, which is in line with the Latin American and Caribbean average of 0.56%.[5] However, it still invests between two and four times less in R&D relative to its GDP when compared to other countries in the Organisation for Economic Co-operation and Development (OECD) with similar characteristics.[6][6]

1.8 Public investment has largely driven the growth of R&D/GDP investment in Uruguay. Private investment has grown at a slower pace, and its share of total investment has even fallen from 37% in 2008 to 25% in 2018 (OECD average: 66%). In economies with accelerated productivity growth such as South Korea, Finland, and Israel, after an initial big public push, the growth of private investment underlies a country's R&D investment; however, in Uruguay, private R&D investment has not yet taken off, and the figures for private R&D investment correlate with the level of investment in innovation activities by companies.

1.9 Several weaknesses of the Uruguayan national innovation system help explain the private R&D investment gap, such as: (i) market failures that inhibit both private R&D and innovation efforts by established companies and the creation and growth of new innovative companies; (ii) limited supply of advanced human capital and mismatch with demand from the productive sector; (iii) quality science and

---

5 The comparators are South Korea, Finland, Israel, and Singapore (IDB, 2016).

6 The references are Estonia, Lithuania, Australia, New Zealand, Greece, and Portugal; these are countries with small economies strongly based on their natural resources where, like Uruguay, business investment in R&D is lower than public sector investment. OECD, consulted on 27 January 2022.

technology research misaligned with productive needs; and (iv) a worsening business climate mainly due to external shocks (optional link 3).

1.10 **Research.** The growing public investment effort in R&D, in which ANII played a very important role, was supported by a process to professionalize research activity in the country.[7] This led to an increased generation of knowledge, reflected in a strong growth of number of publications. However, there is no evidence of growth in technical production over the same period (in Uruguay it takes 55.5 publications to produce a patent, compared to an average of 2.2 in OECD countries[7]). The low rate of conversion of scientific publications into patents is a symptom of the poor alignment of the knowledge supply with the productive sector's demands and needs along with weaknesses in the technology transfer process. While changing the general incentive arrangement governing scientific research is a long-term policy falling outside the purview of this CCLIP, scientific research can be better aligned with the productive sector's knowledge needs through more targeted use of public research funding. At the same time, creating the space for more private funding of scientific research would also help align it with the productive sector's needs.

1.11 **Human capital.** A country's investment in innovation depends crucially on the supply of available human resources. Although in the last 15 years Uruguay has borne witness to a major strengthening of its postgraduate training system, the number of graduates is still low regionally and very low compared to other more developed countries.[8] In addition, there is a mismatch between the areas and disciplines in which human resources are trained and the training required by the productive sector in the framework of its innovation projects (53% of professionals employed in R&D at companies are trained in engineering and technology, but only 6% of graduates of local PhD programs and 2% of master's degree graduates are trained in this area). This is reflected in a very low insertion of human resources with advanced science and technology training in companies and, more generally, outside academia (more than 80% of Uruguayan researchers work in the higher education sector, 15% in public administration, and only 1% at companies). Increasing the number of researchers in business or government requires not only improving the training of human capital but also adapting the supply of skills to the productive and social sector's demand and encouraging postgraduate students to carry out part of their training outside academia.

1.12 **Innovation.** Investment in innovation by companies in Uruguay remained stagnant during the period 2009-2018.[9] There is also no evidence of an increase in the number of innovative companies in absolute terms or in their propensity to innovate. These results can be associated with the low knowledge absorption capacity of Uruguayan companies: 6 out of 10 do not have professionals on staff, which limits their understanding of the potential role of science, technology, and

---

7 While the number of researchers did not grow significantly, full-time researchers increased by 77% between 2008 and 2019. In parallel, their level of training changed significantly, with more than two thirds of researchers holding PhDs in 2019 (Red de Indicadores de Ciencia y Tecnología [Network for Science and Technology Indicators], 2021).

8 In 2018, Uruguay saw 216 PhDs graduate per 100,000 inhabitants, which is between two and five times less than in other countries such as Chile, Argentina, Mexico, and Brazil. Network for Science and Technology Indicators, consulted on 27 January 2022.

innovation in their business and the use of the country's resources in this area.[9][10] At the same time, the lack of professionals is not filled in by links with external national innovation system agents: only 5% of manufacturing companies and 3% of service firms maintain links with universities in the framework of their innovation activities, and only 1.7% of companies' investment is in external R&D, whereas it is 10 times higher in OECD countries. There are several market failures that explain why private investment in innovation has not shown the expected dynamism in Uruguay (externalities, high investment risk, information asymmetries). One way to alleviate these obstacles is through collaboration with other national innovation system actors. Indeed, collaborative innovation and open innovation processes make it possible to absorb risk and internalize externalities.

1.13 **Innovative entrepreneurship.** Uruguay has been strengthening an entrepreneurship ecosystem over the last decade, but there are still unmet needs, especially in relation to financing the early stages of innovative startups.[11] The private supply of seed capital originating from angel investment networks is still incipient and slowed down during the pandemic, the participation of institutional investors in venture capital funds is still highly limited in the country, and its regulatory framework needs to be strengthened.[12] While there are incubators that provide advice to entrepreneurs, there is a gap in terms of business acceleration services. Every year approximately 27,000 new companies are created in Uruguay, but only 51% survive into the third year because they face financing, knowledge, and management difficulties.[13] Consistent with these results, the difficulty of access to finance was identified as one of the main conditioning factors for entrepreneurship in Uruguay, [14] along with the (limited) ease of entry to market dynamics. To help overcome the various market failures inhibiting productivity gains and greater private investment in innovation, support for innovative ventures at the seed capital stage needs to be strengthened and progress made in the acceleration phase.

1.14 **Bank experience in the region and country and lessons learned.** The design of this program incorporates the Bank's lessons learned in entrepreneurship, innovation, and human capital formation operations in the region. More specifically, the Bank has implemented CCLIP operations in innovation: in Argentina, the General Innovation Program (AR-X1015, approved in 2009), in Peru, the Sector Innovation Program (PE-O0006, approved in 2021), and in Brazil, the Innovation for Growth Program (BR-O0004, approved in 2017). The design reflects the results of the evaluations, taking into account the following lessons learned: (i) the partial nonreimbursable contribution corrects for market failures (paragraphs 1.24, 1.32, and 1.36); (ii) lending boosts private investment in innovation (paragraph 1.32); and (iii) correcting adverse selection problems spurs the growth of innovative entrepreneurship (paragraphs 1.35 and 1.36). In particular, the first individual operation of PE-O0006 (5287/OC-PE, approved in 2021) is a chief point of reference for integrating environmental sustainability and climate change considerations (paragraph 1.19).

[9] Of the companies with no such professionals, only 12% engaged in innovation activities between 2016 and 2018; this proportion rose to 30% at companies with these professionals in their workforce (ANII: Survey of Innovation Activities (EAI) 2016-2018).

1.15 The design of this program also took into account ANII knowledge and lessons learned in managing, monitoring, and evaluating its instruments promoting research and innovation, which have been supported by the Bank. The program design also draws on experience with the first operation under the CCLIP (4329/OC-UR), which recently closed with a "satisfactory" performance rating in December 2021, and the second (4847/OC-UR), which has a current closing date in July 2023 (paragraph 1.16).

1.16 The third operation looks to sustain the policies financed by the foregoing programs and, given the gaps identified during execution, the following considerations are also added: (i) expand the supply of applied research and advanced human capital to respond to the needs of the productive and governmental sectors (paragraphs 1.24 and 1.27); (ii) strengthen the system for awarding and managing grants (paragraph 1.27); and (iii) strengthen ventures in the acceleration phase (paragraph 1.38). This will be achieved through instruments that, inter alia, foster the insertion of researchers and grant holders in companies and the marketing of research-based products and services. The third operation under the CCLIP also integrates more ambitious climate change (paragraph 1.19) and gender (paragraph 1.20) objectives.

1.17 **Complementarity with other IDB Group operations.** The operation is complemented by loan 5294/OC-UR (approved in 2021 for US$15 million, 8.57% disbursed), on the digitalization of micro, small, and medium-sized enterprises with a gender approach, and with business climate programs 3792/OC-UR (approved in 2016 for US$75 million, 50.33% disbursed), 4705/OC-UR (approved in 2018 for US$17 million, 28.39% disbursed), and 5034/OC-UR (approved in 2020 for US$350 million, 0% disbursed), by strengthening public-private dialogue. In addition, the program is complemented by the innovation and human capital incentive activities under the new Program to Modernize the Regulatory Framework for Internationalization and the Program to Promote the Adoption of Digital Technologies in Uruguay's Agriculture Sector, which are both in preparation, and the IDB Lab projects with ANII that continue driving and scaling up several of its areas of work (e.g. public innovation[10] (paragraph 1.35) and female entrepreneurship[11] (paragraph 1.37)).[12] Lastly, it should be noted that this program's thematic approach complements ANII sector funds supported by other areas of the Bank (e.g. Green Hydrogen Fund, Energy Division; Circular Economy Fund, IDB Lab).

1.18 **Strategic alignment.** The operation is aligned with the Bank's second Update to the Institutional Strategy 2020-2023 (document AB-3190-2), and in particular the productivity and innovation challenge, since it seeks to continue helping to increase business productivity by promoting investment in knowledge, human

[10] With ANII, IDB Lab has a pilot that seeks to attract private innovation to improve public services. This has made it possible to build capacity at ANII and validate the interest of contracting public authorities and the startups providing solutions (ATN/ME-17790-UR, approved in 2019 for US$780,000).

[11] With Endeavor Uruguay, IDB Lab implemented the Más Emprendedoras program, promoting female entrepreneurship and identifying the multiple barriers that women face as entrepreneurs (ATN/ME-13610-UR, approved in 2012 for US$742,280). At the regional level they are implementing a program to promote women's startups in STEM (ATN/ME-16116-RG, approved in 2017 for US$2.3 million).

[12] Coordination takes place at the operational and government level (mainly through our liaison body, the Multilateral Agencies team from the Ministry of Economy and Finance).

resources, innovation, and entrepreneurship. This operation is directly aligned with the crosscutting themes of: (i) climate change, by including measures that foster the mainstreaming of climate change mitigation and adaptation in ANII activities. According to the joint methodology of the multilateral development banks for climate finance, an estimated 15.58% of IDB resources will be invested to support scientific and technological research activities, human capital strengthening, innovation, and climate change mitigation and/or adaptation ventures;[13] and (ii) gender equality, by promoting the participation of: (i) women in research projects; (ii) female grant holders in postgraduate calls in engineering and technology, mathematics, computer and information sciences, and the physical sciences; and (iii) women's ventures (paragraph 1.20). The operation contributes to the Corporate Results Framework 2020-2023 (document GN-2727-12) indicators on: (i) micro, small, and medium-sized enterprises financed (2.9); (ii) companies receiving technical assistance (2.10); (iii) students benefiting from education projects (2.1); and (iv) women benefiting from economic empowerment initiatives (2.16). The operation is also aligned with the Bank's Vision 2025 (document AB-3266) regarding the strategic goal of reactivating the productive sector. It is also consistent with the guidelines for updating the Innovation, Science, and Technology Sector Framework Document (document GN-2791-8) and is aligned with the priority area of the Sector Strategy: Institutions for Growth and Social Welfare (document GN-2587-2) concerned with strengthening institutional capacity to implement innovation policies, and with the IDB Group's Climate Change Action Plan 2021-2025 (document GN-2848-8). Lastly, this program is aligned with the strategic objective of increasing innovation contained in the IDB Group's Country Strategy with Uruguay 2021-2025 (document GN-3056) and is included in the 2022 Operational Program Report (document GN-3087).

1.19 **Climate change.** The Economic Commission for Latin America and the Caribbean estimates that the economic costs of climate change in Uruguay could cost the country up to 10% of GDP. As it stands, 70% of the country's exports are agroindustrial in nature, thus highly vulnerable to climate fluctuations. Also, although the country successfully made its first energy transition, the challenge is now to make the second transition by decarbonizing the productive sectors to decouple economic growth from greenhouse gas emissions. The program will include funding for scientific and technological research activities, human capital strengthening, innovation, and climate change mitigation and/or adaptation ventures. In addition, activities to promote and evaluate the project will be supported, with an emphasis on climate change-related activities to support the transition towards clean growth. To this end, priority will be given to activities that contribute to national climate change mitigation and adaptation targets, while at the same time generating greater economic growth (see optional links 7 and 8).

1.20 **Gender.** Although 42% of researchers in the Sistema Nacional de Investigadores [National Researchers System] are women, [15] evidence still shows that women researchers hit a "glass ceiling" and have less access to resources to fund their research. Women are 7.1% less likely to join the National Researchers System, and this difference increases when analyzing access to the highest levels.[16] In parallel, the actual distribution of men and women within the National Researchers

[13] This target will be monitored annually to verify compliance or incorporate adjustments as necessary.

System means that approximately 70% of the System's budget goes to male researchers.[16] As regards human capital, in STEM areas, women take longer to complete PhD studies. While 33% of male researchers complete this level within three years, this figure drops to 15% for female researchers, with the burden of care being an important factor in this lag. Only 1% of female master's or PhD graduates complete studies in engineering and technology compared to 4% of male graduates.[17] Lastly, in Uruguay, only 35% of micro, small, and medium-sized enterprises had women participating in company management; male entrepreneurial activity was double that of female entrepreneurial activity.[18] With this in mind, the project will include a suite of activities for women to increase their participation in research, access postgraduate grants, and support their ventures.

B. Objectives, components, and cost

1.21 The program's general objective is to improve businesses' productivity through increased investment in knowledge, human resources, innovation, and entrepreneurship. The specific objectives are to: (i) increase investment in and the generation of applied knowledge in the productive sector and society; (ii) expand the supply of advanced human capital and its link with the productive sector and government; (iii) leverage private investment in innovation activities; and (iv) promote private investment in quality innovative ventures. The program Operating Regulations detail the specific mode of operation of each component.

1.22 **The CCLIP's theory of change.** The theory of change comprises the analysis and connection of factors influencing the achievement of the expected policy changes. The conceptual basis of the CCLIP's interventions aims to effectively address the obstacles to increasing investment in innovation and, in particular, boosting businesses' contribution to innovation: (i) low public and private funding for innovation and entrepreneurship; (ii) relative shortage of personnel with advanced technology and science skills; (iii) limited capacities to perform targeted R&D; and (iv) partially developed institutional capacities. These obstacles arise, inter alia, from problems relating to information asymmetries, externalities, supply restrictions, and technological equipment. To address these challenges, financial and nonfinancial instruments have been deployed throughout the CCLIP to comprehensively and synergistically address these constraints with both supply- and demand-side interventions, which were organized into four main components, aimed at supporting business innovation and innovative entrepreneurship, strengthening the supply of human capital, and supporting the generation of new applied scientific and technological knowledge. In order to address the failure brought about by knowledge externalities, partial subsidies for business innovation and innovative entrepreneurship were set up. To address the problem of the relative shortages of personnel with advanced science and technology skills, grant and talent circulation programs were deployed. To build capacity to carry out targeted R&D, sector research funds were strengthened, and to improve institutional capacities, the ANII strategic focus and information platform was strengthened (for more details see optional link 3).

1.23 **Theory of change of the third individual operation.** The program uses a result-based financing model in which the expected changes are achieved with financial support (nonreimbursable contributions for research and innovation projects) and technical support (awareness-raising and advisory services for researchers and

businesses).[14] The third operation spans the four policy areas described in the foregoing paragraph and proposes the following causal chain: (i) competitions will be held for the competitive selection of sector and applied science and technology research projects, which will generate new knowledge and inventions and leverage additional resources by boosting domestic R&D and innovation-related investment; (ii) competitions will be held for postgraduate, postdoctoral, and talent circulation grants where there are open positions in the productive sector, which will result in the insertion of grant holders in productive sector activities and/or the government; (iii) competitions will be held for business innovation projects; and (iv) competitions will be held for the selection of seed capital projects, and a project will be developed to finance the acceleration of innovative ventures, which will leverage private investment and accelerate the development of the companies supported. The details of the theory of change are specified in optional link 4.

1.24 **Component 1. Support for generating new scientific and technological knowledge (US$3,627,045).** This component seeks to increase the generation of new scientific and technological knowledge and the application of that knowledge to the productive sector and society. The costs of achieving results will be financed for the following types of science and technology research projects: (i) sector and (ii) applied. In addition, a better gender balance in the composition of research teams (in the key roles of leader, co-leader, and researcher) will be fostered in the disciplines of engineering and technology, mathematics, computer and information sciences, and the physical sciences, and the gender dimension will be assessed as a variable of analysis in all research projects, considering, for example, that there may be additional points included in the evaluation or other ratings.[15]

1.25 **Subcomponent 1.1. Sector science and technology research projects (US$1,382,768).** This subcomponent will promote the generation of new scientific and technological knowledge geared toward resolving the challenges identified by the sector agenda committees.[16] Nonreimbursable contributions of up to US$100,000 per project will be awarded through competitive selection. The projects will have implementation periods of up to 48 months. The beneficiaries must be researchers affiliated with Uruguayan public or private science and technology nonprofit institutions. This subcomponent is expected to support an estimated 59 projects aimed at challenges identified in the sector agendas developed by ANII and its partner organizations, including at least 8 climate change-related projects.

[14] To assess demand, the information gathered in the 2016-2018 EAI is used, which reveals that more than 15% of the companies (1,712) state that the scant possibilities of cooperation with other companies and institutions are a major obstacle to the performance of their innovation activities. Accordingly, it has been interpreted that at least these companies constitute a demand base for initiatives aimed at greater coordination of the national innovation system.

[15] With respect to projects with execution periods that extend past the loan disbursement period, the project designs will consider the need to achieve the results on which disbursements are based within the loan disbursement period. Once the loan disbursement period has ended, the remaining ANII contributions to those projects will be made with its own resources. Further details in this regard are provided in the program Operating Regulations.

[16] The agenda committees, consisting of representatives of ANII and its partner organizations that contribute resources to each sector fund, are the entities that establish the thematic agendas to be addressed by the projects financed. A number of agenda committees have already been established in sectors including agriculture, energy, health, and education (PENCTI-prioritized sectors).

1.26 **Subcomponent 1.2. Applied science and technology research projects (US$2,244,277).** This subcomponent will promote the generation of new applied scientific and technological knowledge to help solve social and production-related problems. Nonreimbursable contributions of up to US$50,000 will be offered on a competitive basis in two modalities that alternate each year for different profiles of researchers: established researchers and those becoming established as independent researchers from public and private nonprofit science and technology institutions. Projects will have an implementation period of up to 36 months. It is estimated that 96 applied research projects will be supported, including at least 25 climate change-related projects.

1.27 **Component 2: Strengthening the supply of human capital (US$17,354,382).** This component seeks to increase the supply of highly skilled human resources in areas of strategic relevance to foster research and business innovation. The following lines of support will be financed: (i) local postgraduate grants; (ii) postgraduate grants abroad; (iii) postdoctoral grants; and (iv) talent circulation grants. Priority will be given to women for postgraduate grants in engineering and technology, mathematics, computer and information sciences, and the physical sciences. In addition, the basis of ANII's human capital programs will be redesigned to include incentives for training activities outside academia.

1.28 **Subcomponent 2.1. Local postgraduate grants (US$8,818,931).** This subcomponent will support the completion of master's and PhD degrees at Uruguayan universities within the PENCTI's strategic areas.[17] Candidates eligible for financial support will be Uruguayan nationals or residents who are university graduates or have completed equivalent tertiary education. Nonreimbursable contributions of up to US$40,000 per beneficiary will be offered on a competitive basis. Up to two years will be funded for master's degrees and up to three years for PhDs; in duly justified exceptional cases, studies lasting up to four years may be financed for PhDs. Priority will be given to funding postgraduate dissertations at companies. An estimated 486 professionals selected through public competitions will be funded, of which at least 90 will be focused on climate change.

1.29 **Subcomponent 2.2. Postgraduate grants abroad (US$5,775,157).** This subcomponent will support the completion of master's degrees and PhDs at foreign universities of international prestige within the PENCTI's strategic areas. Candidates eligible for financial support will be Uruguayan nationals or residents who are university graduates or have completed equivalent tertiary education. Nonreimbursable contributions of up to US$80,000 per beneficiary will be offered on a competitive basis. Up to two years will be funded for master's degrees and up to three years for PhDs; in duly justified exceptional cases studies lasting up to four years may be financed for PhDs. An estimated 123 professionals selected through public competitions will be funded, of which at least 25 must have a postgraduate project related to climate change.

---

[17] The PENCTI defines the following sectors/problem clusters: software; computer services and audiovisual production; human and animal health; agricultural and agroindustrial production; environment and environmental services; energy; education and social development; logistics and transportation; and tourism (see details: www.conicyt.gub.uy/pencti).

1.30 **Subcomponent 2.3. Postdoctoral grants (US$1,208,891).** This subcomponent will support postdoctoral studies in the PENCTI's strategic areas at an institution linked to research activities in Uruguay, thereby strengthening its research teams in specific areas in the medium term. Research groups belonging to national, public, or private nonprofit institutions involved in research activities and looking to recruit a postdoc are eligible for financial support. Nonreimbursable contributions of up to US$40,000 per grant will be offered on a competitive basis, and the maximum implementation period for the grants will be 24 months. This ANII contribution will be 80% of the total grant, and the applicant institution will have to cover the remaining 20%. Support for an estimated 30 professionals selected through public competitions will be funded, of which at least 4 must have a project related to climate change.

1.31 **Subcomponent 2.4. Talent circulation grants (US$1,551,403).** This subcomponent will support projects to facilitate the mobility of Uruguayan researchers (including master's and PhD students) and technologists abroad and of Uruguayan or foreign researchers to Uruguay. Specifically, funding will be provided for: (i) training stays of researchers and technologists who are Uruguayan residents at technology centers, universities, or companies abroad so as to acquire skills to be applied in their area of specialization in Uruguay; and (ii) stays in the country by researchers and technologists from abroad to conduct novel innovation, research, and training projects. In addition, a pilot test will be carried out through a new instrument[18] to place researchers and technologists at companies or other local or foreign public or private organizations (paragraph 3.11). Nonreimbursable contributions of up to US$40,000 per project will be offered on a competitive basis, which will go directly to the beneficiary entity, with a maximum duration of 24 months. An estimated 325 projects will be funded, of which at least 100 will be related to climate change.

1.32 **Component 3. Support for business innovation (US$15,517,950).** This component seeks to leverage private investment in innovation activities. Costs will be financed to achieve results in the following lines of support: (i) business innovation projects; (ii) innovation coordination initiatives; and (iii) open innovation challenges.

1.33 **Subcomponent 3.1. Business innovation projects (US$8,268,599).** This subcomponent will finance four types of projects: (i) the procurement of trained human resources; (ii) the attraction of experts to the country to solve problems in the productive sector;[19] (iii) the technological validation of different solutions to generate innovation capacities at companies; and (iv) the creation of innovative prototypes at the local level. The projects will be linked to the energy and beef sector funds, which are partnerships that develop lines of research and innovation in different priority areas in the sector. Comprising the Administración Nacional de Usinas y Trasmisiones Eléctricas (state-owned power company), Dirección Nacional de Energía [National Energy Department], and Administración Nacional de Combustibles, Alcohol y Pórtland (state-owned company involved in fuel,

[18] Consulting services will be procured to identify international good practices and incentives to encourage such stays.

[19] For type (i) and (ii) projects, companies apply with identified consultants, and both the project and the consultants' profiles are evaluated.

alcohol, and Portland cement production), the energy sector fund deals with challenges to identify solutions for the country's energy transition. The beef sector fund is run in partnership with Instituto Nacional de Carnes [National Beef Institute] and seeks out solutions to optimize the electronic control of the industry in terms of meat slaughtering, deboning, and marketing. The resources will be awarded to companies through annual competitive calls for proposals, and it is expected that 193 projects will be financed, of which at least 64 must be related to climate change.

1.34 **Subcomponent 3.2. Innovation coordination initiatives (US$6,422,734).** This subcomponent will finance three types of projects: (i) innovation coordination projects between academia and the productive sector that seek to augment the innovative effort of companies through better coordination between companies and the local knowledge supply. The selected projects will be supported through a nonreimbursable contribution covering up to 70% of the recognized project amount with a maximum of US$100,000; (ii) technology linkage projects that will be supported through a new instrument[20] to be designed during program execution, targeting applied research projects that are close to the market. The selected projects will be supported through a nonreimbursable contribution covering a maximum of US$60,000; and (iii) projects to support patenting abroad aimed at private companies and public or private institutions that will receive financial support to cover a portion of the investment required for the preparation and filing of patent and utility model applications abroad. Projects will be funded at 80% with a maximum amount of US$11,000 in the form of a nonreimbursable contribution. An estimated 115 projects will be funded, of which at least 15 will be related to climate change.

1.35 **Subcomponent 3.3. Open innovation challenges (US$826,617).** This subcomponent will fund selected projects that address open innovation challenges in both the public and private sectors so as to be solved by the business and entrepreneurship ecosystem. This subcomponent includes Newlab Studios Uruguay,[21] which seeks to generate open innovation capsules and apply the Newlab methodology to develop them. The selected projects will be presented in a competition. ANII's maximum contribution will be up to 70% financing with a maximum of US$100,000. An estimated six projects will be financed, of which at least one must be related to climate change.

1.36 **Component 4. Creation and development of innovative ventures (US$7,154,473).** This component seeks to promote private investment in quality innovative ventures. Costs will be financed to achieve results in the following activities: (i) seed capital for the development of innovative ventures with a validated minimum viable product, seeking a triple impact;[22] and (ii) design of an

[20] Consulting services are expected to support the design of this new instrument, including an analysis of good practices to support the market entry of applied research projects.

[21] Newlab Studios Uruguay is a partnership between the Ministry of Industry, Energy, and Mining, ANII, and Laboratorio Tecnológico del Uruguay [Technological Laboratory of Uruguay] with the US organization Newlab, which, with the support of Mercado Libre and Globant, will foster innovation in Uruguay's productive sectors.

[22] Within the program's framework, triple impact companies are defined as those that aim for: a profitable business, integrating social development, and seeking to contribute to climate change mitigation or adaptation following the joint methodology of the multilateral development banks.

acceleration instrument for ventures. Special support will be given to women entrepreneurs by providing them with individual mentoring tailored to their needs, to increase their chances of growing and accelerating their ventures.

1.37 **Subcomponent 4.1. Seed capital (US$6,371,987).** This subcomponent will provide funding to promote the creation and development of young ventures or companies marketing innovative products or services. Funding will be provided to projects aimed at the creation, start-up, and launch of a new or young company based on innovative products (goods and services) and/or business processes, validated with a minimum viable product, with a focus on triple impact and internationalization intentions. Nonreimbursable contributions will be offered on an open window or competitive basis for up to 80% of project costs up to a maximum of US$60,000. An estimated 100 projects will be funded, of which at least 20 must be related to climate change.

1.38 **Subcomponent 4.2. Venture acceleration (US$782,486).** This subcomponent will finance the design and implementation of a new instrument to support the acceleration of ventures so as to strengthen the beneficiaries' capacities, providing venture capital and creating the necessary networks to scale up internationally (paragraph 3.11). In addition, the possibility of having a fund for coinvestment with accelerated ventures will be analyzed along with all funds and angel investors looking to coinvest with ANII. It is expected that one acceleration instrument will be financed.

1.39 **Thresholds per subcomponent.** The support thresholds under each subcomponent, which in no case exceed US$100,000 per project, have been established on the basis of ANII's experience and evaluations and the amounts of support from prior operations. In addition, for Component 3 support, a detailed analysis was conducted on the basis of the EAI and the General Agricultural Census. Further details are provided in the program Operating Regulations (see Table 3. Financing thresholds by subcomponent).

1.40 **Administrative and management activities (US$1,346,150).** The following activities will be financed in this connection: (i) continuity of the ANII team to coordinate the entrepreneurial ecosystem; (ii) project evaluation procurement; (iii) technical audits to verify disbursement milestones; (iv) automated management of the evaluator system, including monitoring of indicators relating to climate change and environmental impact; and (v) the EAI, as part of the impact assessment by ANII (paragraph 3.10). Further details are provided in the program Operating Regulations.

C. Key results indicators

1.41 **Expected outcomes and impacts.** The program will produce positive impacts on total factor productivity (TFP). Specifically, it is anticipated that the beneficiary business will boost TFP by 13% in comparison with a control group.

1.42 In line with these impacts are a set of expected outcomes, some of which will serve as triggers for program disbursements and others for monitoring purposes. The indicators for disbursement are as follows: (i) leveraged investments made by ANII for beneficiary research projects; (ii) beneficiary postgraduate grant holders; (iii) leveraged investments in innovation made by program beneficiary companies; and (iv) leveraged investments in program beneficiary ventures. Additional

monitoring indicators are: (i) papers by beneficiary researchers published in science and technology journals; (ii) graduate grant holders working in the productive sector and government; (iii) investment in innovation activities at companies; and (iv) proportion of companies reporting sales from new products. See Annex II and monitoring and evaluation plan.

1.43 **Economic evaluation.** A cost-benefit evaluation was conducted over a 10-year horizon on an aggregate basis and by component. The evaluation identified a positive net present value of US$16.9 million for the program and an internal rate of return of 21.6%, which is above the 12% annual discount rate used by the Bank. The evaluation by component identified an internal rate of return of 21% for Component 1, 21.1% for Component 2, 22.8% for Component 3, and 24.2% for Component 4. The results are robust to sensitivity analyses for the key program parameters, namely: time that researchers spend producing studies, expected wage increases for graduate grant holders, business survival rate and markup for micro, small, and medium-sized enterprises and ventures, and the program's social discount rate (optional link 1).

1.44 **Beneficiaries.** The program has four main groups of beneficiaries: (i) approximately 155 researchers from Uruguay's public and private science and technology institutions who will benefit from the various instruments under Component 1; (ii) students and scientists who will benefit from the approximately 964 grants under Component 2; (iii) approximately 313 companies interested in pursuing innovation activities that will benefit from the instruments under Component 3; and (iv) approximately 100 entrepreneurs or young companies that will benefit from the instruments under Component 4.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

2.1 The amount of this third and final individual operation under the CCLIP (UR-O1153) is US$45 million, to be financed with resources from the Ordinary Capital. As with the previous two operations under the CCLIP, the funding instrument for the program will be an LBR, the use of which is justified given that it will support the achievement of outcomes of an existing state plan, the PENCTI, in accordance with the policy applicable to the LBR instrument (document GN-2869-3).

2.2 The budget by component is presented in Table 1, and the disbursement schedule is shown in Table 2. The program will have a five-year disbursement period. In view of ANII's institutional capacity and previous experience with Bank-financed operations (paragraphs 2.3 and 2.4), this period is considered sufficient to implement the planned activities and achieve the program's expected outcomes. Disbursements will be based on verification of the results indicators described above (paragraph 1.42) as detailed in Annex II and the monitoring and evaluation plan. The Bank will make an initial disbursement of up to US$4.5 million (10% of the loan amount) to cover the financing needs to achieve the most immediate results. This disbursement will be fully discounted in the last year of the loan.

Table 1. Estimated program costs (US$)[23]

Components	IDB	%
Component 1: Support for generating new scientific and technological knowledge	**3,627,045**	**8.06**
1.1. Sector research projects in science and technology	1,382,768	3.07
1.2. Research projects in applied science and technology	2,244,277	4.99
Component 2: Strengthening the supply of human capital	**17,354,382**	**38.57**
2.1. Local postgraduate grants	8,818,931	19.60
2.2. Postgraduate grants abroad	5,775,157	12.83
2.3. Postdoctoral grants	1,208,891	2.69
2.4. Talent circulation grants	1,551,403	3.45
Component 3: Support for business innovation	**15,517,950**	**34.48**
3.1. Business innovation projects	8,268,599	18.37
3.2. Initiatives to promote coordination of innovation	6,422,734	14.27
3.3. Open innovation challenges	826,617	1.84
Component 4: Creation and development of innovative ventures	**7,154,473**	**15.90**
4.1. Seed capital	6,371,987	14.16
4.2. Venture acceleration	782,486	1.74
Administrative and management activities	**1,346,150**	**2.99**
Total	**45,000,000**	**100.00**

Table 2. Disbursement schedule (US$ millions)

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Advance (10%)	4.50	-	-	-	-	4.50
Net results-based disbursements (retroactive funding Year 1 of 15%)	6.75	9.00	9.00	8.00	12.25	45.00
Value of advance discount	-	-	-	-	-4.50	-4.50
% advance discount	0	0	0	0	100	
Total	**11.25**	**9.00**	**9.00**	**8.00**	**7.75**	**45.00**

23 The amounts listed under each component of the table are indicative.

2.3 **Eligibility criteria for the third operation under the CCLIP.** It was determined that the third operation satisfactorily meets the eligibility requirements established in the policy governing the CCLIP instrument (document GN-2246-9)[24] and related operational guidelines (document GN-2246-11), inasmuch as: (i) the operation is included in the Bank's 2022 Operational Program Report (document GN-3087); (ii) it is consistent with the CCLIP's sector and objective (UR-O1153); (iii) the executing agency is the same one that executed the first and second operation under the CCLIP (4329/OC-UR and 4847/OC-UR, respectively) and has maintained its capacity and performance; (iv) the first operation (4329/OC-UR) has disbursed all of the loan proceeds, its performance is satisfactory, and although the project completion report has not yet been completed, it can be confirmed that the operation has achieved the development objectives; (v) the second operation (4847/OC-UR) has disbursed 91.67% of the loan proceeds, its performance is satisfactory, and it will likely achieve the development objectives; and (vi) the financial reports from the previous operations were submitted properly to the Bank, and the contractual conditions and the Bank's financial and procurement policies were observed.

2.4 **Compliance with requirements for use of the LBR instrument.** The analysis of ANII's institutional capacity conducted during the preparation of the first operation under the CCLIP found that the executing agency had the necessary legal capacity, governance, and institutional environment, as well as sufficient management and technical capacity to administer an LBR. Evaluations were also conducted of its procurement and financial management systems, which found they were compatible with fiduciary principles and good practices applicable to procurement. In preparing this operation, the institutional capacity assessment was repeated, confirming that the executing agency's institutional capacity and procurement systems continue to be appropriate for an LBR. It was also determined that ANII has the appropriate regulations and mechanisms in place to ensure institutional integrity.[25] In light of the above institutional aspects, it was determined that ANII meets the requirements for use of an LBR (document GN-2869-1 and related guidelines, document GN-2869-3).

B. Environmental and social safeguard risks

2.5 Since the operation will have minimal or no environmental and social impacts, no substantial or high socioenvironmental risks are involved, and the risk of natural disasters and climate change is low, it was classified as category "C"; and there are no specific requirements derived from the Environmental and Social Policy Framework (document GN-2965-23). For energy sector fund projects under Subcomponent 3.1 (paragraph 1.33), the potential financing of solar panels will be analyzed on a case-by-case basis prior to incorporation into the program, ensuring full alignment with: (i) the IDB Group's Measures to Address Risk of Forced Labor in the Supply Chain of Silicon-based Solar Modules (document GN-3062-1); (ii) the new requirements of the IDB's Environmental and Social Policy Framework

[24] This operation has been prepared in accordance with the eligibility criteria set out in document GN-2246-9, following the provisions of paragraph 3.12 of document GN-2246-13.

[25] The ANII and the country in general have performed very well as regards integrity, and Annex IV of the program Operating Regulations includes the list of actions and measures to implement to manage integrity risk management.

(document GN-2965-3); and (iii) the IDB's procurement and contracting policies (documents GN-2349-15 and GN-2350-15).

C. Fiduciary risks

2.6 During program preparation, no fiduciary risks were identified that might adversely affect program execution. The risk identification and management process will be maintained during the operation's execution period.

D. Other key issues and risks

2.7 Two medium/high-level risks were identified: (i) the first is related to the operation's technical design. Since adding a selection criterion linked to climate change for the competitive processes may not be a sufficient incentive to stimulate applications that qualify as climate change, the achievement of outputs linked to climate change and the 15% funding target may be affected; this risk will be mitigated by reinforcing messaging to prioritize proposals targeting climate change in the competitive processes and evaluating alternatives after the first round of competitive processes; and (ii) the second is related to the economic and financial environment. The persistence of the economic crisis could affect business liquidity to finance innovation projects, thus jeopardizing the program goals. This will be mitigated by adjusting the minimum required amount of cofinancing to the economic cycle.

2.8 **Sustainability of the intervention.** Measures to ensure medium-term sustainability were identified along two dimensions. The first relates to the continuity of the lines of work or instruments proposed for the program's components. The second refers to the projects to be financed through the program, where one of the evaluation criteria for these projects will be the inclusion of an appropriate sustainability strategy based on the sale of services, R&D management, and beneficiary contributions. A strong country commitment to the science, technology, and innovation agenda driven through the CCLIP is identified (UR-O1153) and evident in the country's current efforts for the systematization and evaluation of the PENCTI.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

3.1 **Borrower and executing agency.** The borrower will be the Eastern Republic of Uruguay, and the executing agency will be ANII, a nongovernmental public-law entity created under Article 256 of Law 17,930 of 19 December 2005. ANII's responsibilities and areas of authority are established by Law 18,084 of 28 December 2008. Its functions include implementing the government's policy strategies for research and innovation by promoting, coordinating, and strengthening the capacities of the national innovation system. ANII has experience executing Bank-financed programs. Since 2008, it has executed the Technology Development Program II (2004/OC-UR, approved in 2008 for US$34 million), the Program to Support Future Entrepreneurs (2775/OC-UR, approved in 2012 for US$8 million), the Innovation Program for Productive Development (3315/OC-UR; 3316/CH-UR, approved in 2014 for US$40 million), the Business Innovation and Entrepreneurship Program (4329/OC-UR), and the

Business Innovation and Entrepreneurship Program II (4847/OC-UR), posting strong performance in all projects in terms of achievement of the results indicators and financial execution.

3.2 **Program execution mechanism and administration.** The ANII professional team will be responsible for executing all program activities. The operational areas will be in charge of: (i) opening the competition and windows; (ii) providing advice to beneficiaries; (iii) coordinating the evaluation of proposals submitted by the beneficiaries; (iv) formalizing the contracts governing the transfer of resources to the beneficiaries; and (v) monitoring the projects financed. All projects will be evaluated by committees of experts independent of ANII and approved by ANII's board. The project activities will be conducted by the beneficiaries. The administration and finance area will be responsible for program fiduciary management, including payments to the beneficiaries.

3.3 **Institutional coordination.** ANII, working through its team of professionals and instruments, will promote coordination among the various stakeholders of the national innovation system to ensure that program activities are effectively implemented. ANII's coordination role in each of the program's subcomponents and instruments is defined in the program Operating Regulations. At the highest level, interagency coordination is tasked to ANII's board, which comprises five members representing the public, academic, and private sectors, one of whom serves as chairperson. For coordination activities, the project relies on ANII's currently existing coordination capacities, which have been strengthened with Bank support over time. These include the steering committees of the sector funds in which an agenda committee is agreed between the supply and demand of knowledge aligned with each sector's socioproductive challenges (paragraph 1.33).

3.4 **External verification of outcomes.** A specialized consulting firm (or consultants) will independently evaluate the achievement of outcomes. It will be responsible for submitting to the Bank a report verifying program outcomes prior to each disbursement request. The verification of attainment of outcomes will focus on two objectives: (i) issuing an opinion on the accuracy, reliability, validity, and consistency of information on outcomes; and (ii) determining the values of the results indicators established for each disbursement tranche. The firm or consultants must be experienced in project monitoring and evaluation, the use of results indicators, and evaluating the reliability of information sources and methods used to produce them.

3.5 **Special conditions precedent to the first disbursement of the loan proceeds. The first disbursement will be subject to the following special contractual conditions: (i) the entry into effect of the agreement between the borrower and executing agency for the execution of program resources and activities, in terms satisfactory to the Bank; (ii) presentation of evidence that the program Operating Regulations have entered into effect, in accordance with the terms previously agreed upon with the Bank; and (iii) the contracting of the consulting firm tasked with the external and independent validation of the program's outcomes, in accordance with the terms agreed upon with the Bank.** The first condition is justified in view of the need to ensure that the loan proceeds are available to the executing agency. The second contractual condition

aims to ensure that the various competitive processes are conducted under the terms agreed upon with the Bank, as described in detail in the program Operating Regulations. Lastly, the contracting of external consulting services is considered essential in order to verify program outcomes and the retroactive recognition of expenditures.

3.6 **Fiduciary arrangements and requirements.** Annex III reflects the financial management and procurement guidelines to be applied for program execution. Procurement carried out directly by ANII—the executing agency—will be guided by its own systems, policies, and procedures. The policy set out in document GN-2350-15 will be applied in the processes identified in Annex III. Financial management will be subject to the Financial Management Guidelines for IDB-financed Projects (OP-273-12). Transfers of the program's proceeds will be governed by the procedures set out in the program Operating Regulations and any ANII procurement directives included therein.

3.7 **Direct contracting.** In the framework of the first phase of the CCLIP, KPMG was hired through a competitive process to independently verify outcomes. It is anticipated that the same firm will be directly contracted for US$72,000 (covering the operation's execution period), in line with the provisions of paragraph 3.11(a) of the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15), which provides for direct contracting in cases of natural continuity of services previously performed by the firm (see Annex III).

3.8 **Retroactive financing of outcomes.** The Bank may retroactively recognize, against the loan proceeds, up to US$6.75 million (15% of the loan amount) in outcomes achieved by ANII between the date of the project's official entry into the Bank's operational pipeline (11 November 2021) and the loan eligibility date, provided that the expenses accrued in attaining the outcomes are eligible in accordance with the scope of the project and were incurred in achieving the corresponding development outcomes, which will be subject to an independent external evaluation. In no case may expenses incurred more than 18 months prior to the date of loan approval by the Bank's Board of Executive Directors be included. This financing is justified based on the need for the window of financing for projects supporting the generation of new scientific and technological knowledge and business innovation to remain open prior to the overall start of the program.

B. Summary of arrangements for monitoring results

3.9 **Monitoring.** ANII's monitoring and evaluation unit will monitor the program. ANII will present semiannual reports to the Bank documenting the progress made in terms of the intermediate outcome indicators included in the results matrix and monitoring and evaluation plan. Reports corresponding to the second half of each year will include an annual work plan and, as applicable, revised targets for the remainder of the program.

3.10 **Evaluation.** During program implementation, the monitoring and evaluation unit will assess the impact of the instruments supporting innovation and ventures, according to the guidelines set out in the monitoring and evaluation plan. The evaluation will focus on the achievement of the results indicators described in the

results matrix. The schedule for the impact evaluation by the monitoring and evaluation unit is subject to the availability of information from the EAI (a triennial survey), as described in the monitoring and evaluation plan. A project completion report will be prepared at conclusion of the operation and will describe the project achievements, lessons learned, and sustainability.[26]

C. Post-approval design activities

3.11 The main post-approval design activities will focus on: (i) the design of the pilot test to support the stay of researchers or technologists in companies or other public or private organizations (paragraph 1.31); and (ii) the design of a new instrument to support the acceleration of ventures (paragraph 1.38).

[26] Given: (i) the importance of evaluating achievement of the program's overall development objective; (ii) the evidence shown in this document on the maturity period necessary to detect impacts on productivity from treatments such as those contained in this program; and (iii) the phased roll-out of the treatments during the execution period which may be timed differently to achieve outcomes leading to disbursements and other development outcomes, and under the terms of paragraph 1.20 of the project completion report principles and guidelines (Annex 1 of document OP-1696-6), the project completion report will be prepared using ANII inputs and completed up to 24 months after the final disbursement of resources for individual projects.

Development Effectiveness Matrix		
Summary UR-L1187		
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	**-Productivity and Innovation -Gender Equality and Diversity -Climate Change**	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	**-Students benefited by education projects (#) -Micro / small / medium enterprises financed (#) -Enterprises provided with technical assistance (#) -Women beneficiaries of economic empowerment initiatives (#)**	
2. Country Development Objectives		
Country Strategy Results Matrix	**GN-3056**	**Increase innovation**
Country Program Results Matrix	**GN-3087**	**The intervention is included in the 2022 Operational Program.**
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		**Evaluable**
3. Evidence-based Assessment & Solution	**10.0**	
3.1 Program Diagnosis	**2.5**	
3.2 Proposed Interventions or Solutions	**3.5**	
3.3 Results Matrix Quality	**4.0**	
4. Ex ante Economic Analysis	**10.0**	
4.1 Program has an ERR/NPV, or key outcomes identified for CEA	**1.5**	
4.2 Identified and Quantified Benefits and Costs	**3.0**	
4.3 Reasonable Assumptions	**2.5**	
4.4 Sensitivity Analysis	**2.0**	
4.5 Consistency with results matrix	**1.0**	
5. Monitoring and Evaluation	**10.0**	
5.1 Monitoring Mechanisms	**4.0**	
5.2 Evaluation Plan	**6.0**	
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood	**Low**	
Environmental & social risk classification	**C**	
IV. IDB´s Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	**Yes**	**Financial Management: Budget, Treasury. Procurement: Information System, Price Comparison, Contracting Individual Consultant, National Public Bidding.**
Non-Fiduciary	**Yes**	**Strategic Planning National System, Monitoring and Evaluation National System, Statistics National System, Environmental Assessment National System.**
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	**Yes**	**ATN/OC-17764-UR: Open Data Portal of the Uruguayan National Innovation System**

Evaluability Assessment Note: Uruguay experienced continual average annual economic growth of 3.9% between 2003-2019, with growth drivers being exports and investment. Notwithstanding, the corresponding growth in total factor productivity (TFP) was only 1.5% between 2005-2019, having further stagnated at 0.3% per annum between 2015-2019. To foment and sustain TFP innovation is needed. In Uruguay, it is estimated that TFP contribution from innovation is only 8% due to innovation and development (I+D), while in similar countries this contribution can reach 40%. Uruguay invests 2-4 times les in I+D than comparable countries, and private sector participation is low. The average Uruguayan firm invests only 1.27% in innovation, but even then, it is mainly in the form of capital goods and only a small fraction stems from I+D. To better support Uruguayan economic growth, these trends must be reversed and investment in I+D must be promoted. In this context, the general objective of this third operation under the CLIPP is to increase firm productivity via greater investment in knowledge, human resources, innovation, and entrepreneurship.

The specific objectives are: (i) to increase investment in and generation of applied knowledge in the productive sector and society; (ii) to increase the supply of advanced human capital and its link to the productive sector and government; (iii) to leverage private investment in innovation activities; and (iv) to promote private investment in innovative quality early-stage ventures. Moreover, the cost benefit analysis demonstrates the project is of net benefit to society with an ERR of 21.6%. A quasi-experimental impact evaluation is programmed at closure to measure two of the main results indicators – (i) the one that measures investment in innovation in beneficiary companies vis-à-vis a control group and (ii) the proportion of companies that declare sales due to new products in beneficiary companies vis-à-vis a control group.

RESULTS MATRIX

Project objective: The specific objectives for this operation are to: (i) increase investment in and the generation of applied knowledge in the productive sector and society; (ii) expand the supply of advanced human capital and its link with the productive sector and government; (iii) leverage private investment in innovation activities; and (iv) promote private investment in quality innovative ventures.[1] Achieving these objectives will contribute to the general objective of improving businesses' productivity through increased investment in knowledge, human resources, innovation, and entrepreneurship.

GENERAL DEVELOPMENT OBJECTIVE

Indicators	Measurement unit	Baseline value	Baseline year	Expected year achieved	Target	Means of verification	Comments
General development objective: Improve businesses' productivity through increased investment in knowledge, human resources, innovation, and entrepreneurship.							
Total factor productivity (expressed as the ratio of the average of beneficiary companies to the average of comparable nonbeneficiary companies)	Percentage	100	2021	2027	113	Survey of Innovation Activities (EAI)	See monitoring and evaluation plan.

[1] Quality means ventures that have validated their solution with their target market, have the potential to scale up globally, and seek an economic, social, or environmental impact for their surroundings. Taken from the call for proposals of the ANII seed capital instrument.

SPECIFIC DEVELOPMENT OBJECTIVES

Indicators	Measure-ment unit	Baseline	Baseline Year	End of the project (2027)	Means of Verification	Indicator for disbursement (Yes/No)	Comments
Specific development objective 1: Increase investment in and generation of applied knowledge in the productive sector and society.							
1.1 Papers published in science and technology journals by beneficiary researchers (annual average)	Number	0.925	2015-2017	1.06	CVUy (Uruguayan platform for uploading CVs)	No	See monitoring and evaluation plan.
1.2. Leveraged investments made by ANII for beneficiary research projects (annual amount)	US$	2,000,000	2021	6,242,224	ANII accounting records + GESPRO (for project counterpart)	Yes	
Specific development objective 2: Expand the supply of advanced human capital and its link with the productive sector and government.							
2.1 Beneficiary postgraduate grant holders	Number	85	2021	559	GESPRO	Yes	See monitoring and evaluation plan.
2.2. Graduate grant holders working in the productive sector and government	Number	53	2021	80	CVUy	No	
Specific development objective 3: Leverage private investment in innovation activities							
3.1. Leveraged investments in innovation made by program beneficiary companies (annual amount)	US$	1,500,000	2021	6,688,097	Project status and completion reports	Yes	See monitoring and evaluation plan.
3.2. Investment in innovation activities at companies (expressed as the ratio of the average of beneficiary companies to the average of comparable nonbeneficiary companies)	Percentage	100	2021	387	EAI	No	

Indicators	Measure-ment unit	Baseline	Baseline Year	End of the project (2027)	Means of Verification	Indicator for disbursement (Yes/No)	Comments
Specific development objective 4: Promote private investment in quality innovative ventures							
4.1. Leveraged investments in program beneficiary ventures (annual amount)	US$	220,000	2021	1,062,903	Project status and completion reports	Yes	See monitoring and evaluation plan.
4.2. Proportion of companies reporting sales from new products (expressed as the difference between the proportion of beneficiary enterprises and the proportion of comparable nonbeneficiary enterprises)	Percentage	0	2021	31	EAI	No	

The table of outputs can be found in the monitoring and evaluation plan as set out in the Guidelines for the Preparation of Loans Based on Results (document GN-2869-3).

MATRIX OF DISBURSEMENT INDICATORS

Indicators[2]	Baseline[3] (Year)	Year 1		Year 2		Year 3		Year 4		Year 5		Total	
		Target[3]	Amount (US$)	Target[3]	Amount (US$)	Target[3]	Amount (US$)	Target[3]	Amount (US$)	Target[3]	Amount (US$)	Target[3]	Amount (US$)
Leveraged investment for research projects (U.S. dollars) (Outcome associated with specific objective 1)	2,000,000 (2021)	1,385,426	1,500,000	1,303,710	1,000,000	1,236,939	1,500,000	1,183,576	1,000,000	1,132,573	1,000,000	6,242,224	6,000,000
Postgraduate grant holders (outcome associated with specific objective 2)	85 (2021)	55	4,000,000	84	4.000,000	84	3,500,000	168	3,000,000	168	3,000,000	559	17,500,000
Leveraged investments in innovation made by program beneficiary companies (U.S. dollars) (outcome associated with specific objective 3)	1,500,000 (2021)	1,484,385	3,000,000	1,396,832	2,250,000	1,325,292	2,250,000	1,268,117	2,250,000	1,213,471	2,250,000	6,688,097	12,000,000
Leveraged investments in program beneficiary ventures (U.S. dollars) (outcome associated with specific objective 4)	220,000 (2021)	166,113	2,750,000	240,725	1,750,000	228,396	1,750,000	218,543	1,750,000	209,125	1,500,000	1,062,902	9,500,000
Total			**11,250,000**		**9,000,000**		**9,000,000**		**8,000,000**		**7,750,000**		**45,000,000**

[2] The indicators are described in detail in the program's monitoring and evaluation plan.

[3] To convert the Uruguayan peso to the U.S. dollar, the average US$ exchange rate from the survey of economic expectations of the Central Bank of Uruguay at May 2022 and projections were used.

VERIFICATION PROTOCOL FOR DISBURSEMENT INDICATORS

Indicator	Definition/Estimation methodology	Means of Verification	Verifying entity	Verification protocol
Leveraged investment for research projects (in U.S. dollars) (outcome associated with specific objective 1)	The indicator is the result of the sum of the contributions made by the institutions participating in sector funds, together with the counterpart contributions made during execution of the projects, both by institutions engaging in R&D and participating companies.	ANII accounting records + GESPRO (for project counterpart)	External firm to be contracted	Contributions from partners in sector funds: proof of bank transactions made to ANII, verifiable in ANII's accounting system. Project counterpart contributions: project financial reports, status and completion reports, available on the GESPRO platform.
Postgraduate grant holders (outcome associated with specific objective 2)	The indicator reports the number of program-financed beneficiaries of postgraduate grants (master's and PhDs locally or abroad) who manage to complete the academic degree financed by these grants.	GESPRO	External firm to be contracted	Completion reports for the grant projects, available on the GESPRO platform.
Leveraged investments in innovation made by program beneficiary companies (in U.S. dollars) (outcome associated with specific objective 3)	The indicator is the result of the sum of the counterpart contributions made by companies benefiting from innovation projects.	Project status and completion reports	External firm to be contracted	Project financial reports, status and completion reports, available on the GESPRO platform.
Leveraged investments in program beneficiary ventures (in U.S. dollars) (outcome associated with specific objective 4)	The indicator is the result of the sum of the counterpart contributions made by beneficiaries of venture projects, together with the amounts of private investment or other private contributions made.	Project status and completion reports	External firm to be contracted	Entrepreneurship contributions: project financial reports, status and completion reports, available on the GESPRO platform. Private investment or other private contribution: private investment or fund channeling contracts.

Country: Uruguay **Division:** IFD/CTI **Operation number:** UR-L1187 **Year:** 2022

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing agency: National Research and Innovation Agency (ANII)

Operation name: Business Innovation and Entrepreneurship Program III. Third Individual Operation under the Conditional Credit Line for Investment Projects (CCLIP) to Promote Innovation, Entrepreneurship, Human Capital, and Research (UR-O1153)

I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

1. Use of the country system in the operation

☒ Budget	☐ Reports	☒ Information system	☒ National competitive bidding
☒ Treasury	☐ Internal audit	☒ Shopping	☐ Other
☐ Accounting	☐ External control	☒ Individual consultants	

2. Fiduciary execution mechanism

☒	Specific aspects of fiduciary execution	Third operation under the CCLIP (US$100 million) under the loan based on results (LBR) modality for US$45 million.

3. Fiduciary capacity

Fiduciary capacity of the executing agency	The borrower is the Eastern Republic of Uruguay, and the executing agency will be the National Research and Innovation Agency (ANII). ANII has an adequate organizational and administrative structure for program execution. The fiduciary agreements and requirements established for the program are based on ANII's experience as the executing agency for loans 2004/OC-UR, 2775/OC-UR, 3315/OC-UR, 3316/CH-UR, 4329/OC-UR, and 4847/OC-UR, the latter of which is being executed as an LBR and corresponds to the second operation under the CCLIP in effect. In February 2022, the Bank conducted an institutional capacity analysis that yielded satisfactory results. In addition, as required for an LBR, fiduciary evaluations (financial management and procurement) were performed, and the results show that ANII has sufficient, developed fiduciary systems in place to ensure management that supports achievement of the expected results. ANII has maintained a satisfactory level of fiduciary performance in execution of the previous operations, as evidenced by audited financial statements with an unqualified opinion and the results of the Bank's supervision activities applied to such operations. In conclusion, it is considered that for the current operation, the institutional and operational conditions for fiduciary management reflect a high level of fiduciary capacity at the executing agency and present a low level of risk.

4. Fiduciary risks and risk response

Area (financial management/ procurement)	Risk	Risk level	Risk response
Internal processes	If ANII did not have other sources of funding, at the beginning of each year, to mitigate the timing mismatch of the budget allocation for the source of IDB funding, it would not be able to meet the payment schedule for the first quarter of the operation.	Low	In recent years, the ANII has maintained sufficient availability of other sources of funding.

5. Policies and guidelines applicable to the operation

Based on the evaluation performed for the first operation under the CCLIP, the executing agency's own procurement and contracting systems will be used for LBRs. The executing agency's procurement system was evaluated by the Bank and deemed compatible with internationally accepted principles, practices, and standards for all procurement methods, and open to bidders from all countries. The system will be used for the procurement of goods, nonconsulting services, and consulting services (firms and individuals). Only the selection of the team of independent verification consultants or firm will be subject to the procedures established in the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15). On financial management: Financial Management Guidelines for IDB-financed Projects OP-273-12, as updated.

6. Exceptions to policies and guidelines

Not applicable.

II. Considerations for the Special Provisions of the Loan Contract

Exchange rate: For the purposes of Article 4.10 of the General Conditions, the parties agree that the applicable exchange rate will be the rate indicated in Section (b)(ii) of the Article. For such purpose, the agreed exchange rate will be the exchange rate on the date on which the borrower, executing agency, or any other individual or legal entity to which the authority to incur expenditures is delegated effectively makes the respective payments to the contractor, supplier, or beneficiary.
Audit: The executing agency's audited financial statements will be submitted within 120 days after the end of the fiscal year of the executing agency, duly issued by an independent audit firm acceptable to the Bank. The last of these audited financial statements will be submitted within 120 days after the date of the last disbursement or extensions thereto.

III. Agreements and Requirements for Procurement Execution

☒	Bidding documents	The selection and contracting of consulting services subject to Bank policy will be carried out in accordance with the Policies for the Selection of Consultants (document GN-2350-15), and the standard request for proposals issued by the Bank or agreed upon between the executing agency and the Bank for the selection in question will be used. The project's sector specialist is responsible for reviewing the technical specifications and terms of reference for procurement during preparation of the selection processes. This technical review may be ex ante and is independent of the procurement review method.
☒	Use of the executing agency's system	The executing agency's procurement system was evaluated by the Bank and deemed compatible with internationally accepted principles, practices, and standards for all procurement methods, and open to bidders from all countries. The system will be used for the procurement of goods, nonconsulting services, and consulting services (firms and individuals). Only the selection of the team of independent verification consultants or firm will be subject to the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15).
☒	Single-source selection	In the framework of the first phase of the CCLIP, KPMG was contracted through a competitive process to independently verify results. It is anticipated that the same firm will be directly contracted for US$72,000, covering the execution period of the operation, in line with the provisions of paragraph 3.11(a) of the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15), which provides for single-source selection in cases of natural continuity of services previously performed by the firm. This request is based on the following: (i) the executing agency finds the work performed by KPMG to be satisfactory and believes that the knowledge acquired will help maintain an efficient degree of execution in the framework

		of this operation; (ii) continuity will help maintain the technical approach; and (iii) the nature of the services to be provided is similar, as are the associated economic conditions.
☒	Retroactive financing of results	The Bank may retroactively finance, against the loan proceeds, up to US$6.75 million (15% of the loan amount) for results achieved by ANII between the date of the project's official entry into the Bank's operational pipeline (11 November 2021) and the loan eligibility date, provided that the expenditures incurred to achieve the results are eligible in accordance with the scope of the project and can be attributed to achievement of the corresponding development outcomes, which will be subject to an independent external evaluation. In no case may expenditures incurred more than 18 months prior to the date of loan approval by the Bank's Board of Executive Directors be included.
☒	Supervision	Procurement will be supervised through the program's planned audits.
☒	Records and files	ANII has a records management system in place for supporting documentation for procurements and contracts that makes it possible to directly identify the procedures followed during the opening of bidding, directly identify completed transactions, monitor goods received, and record them in its inventory system, and it is available for review. ANII outsources its recordkeeping to a third-party records management firm.

<u>Main procurement items</u>

Description of the procurement	**Selection method**	**Justification**	**Estimated date**	**Estimated amount (US$000)**
Independent verification firm	Direct contracting	Paragraph 3.11 (a) GN-2350-15	S1 2023	72

IV. Financial Management Agreements and Requirements

☒	Programming and budget	ANII receives an annual budget appropriation from the Ministry of Economy and Finance, and an agreement is required between the borrower and ANII to execute the resources. ANII has a budget management system, which is integrated with resource planning, and in 2017 it adopted an enterprise resource planning (ERP) system to fully systematize its processes. Since ANII maintains separate budget revenue and expenditure records for each project, program-specific budget records will be available. Uruguay's country system records both the allocation of the budget by the Ministry of Economy and Finance and its execution. See Section I.4.
☒	Cash flow and disbursements	The loan proceeds will be made available to ANII, to facilitate the linking of intermediate outcomes and achieve the targets proposed in the disbursement indicators matrix. ANII's ERP system includes the cash management module that tracks the inflow and execution of funds through the use of distinct budget items, projects, and accounts. ANII will open separate bank accounts to administer the financing for this program. According to the program's disbursement schedule, in the first year, a disbursement for retroactive financing of results for up to 15% of the loan amount and the disbursement of a 10% advance that would be fully discounted in the last year of the operation are both anticipated.
☒	Accounting, information systems, and reports	ANII monitors the projects for which it is responsible using a project management system known as GESPRO, and ANII's accounting is performed using the Odoo module of the integrated ERP system. That agency's accounting is governed by the International Accounting Standards and Ordinance 81 of the Auditor General's Office. The system of codes used in the chart of accounts is linked to the budget items and projects defined in the budget execution system. As a result, a transaction entered to the accounting system that identifies the corresponding appropriation will be reflected in the execution of the project budget in the budget management system. This process is fully automated through the ERP system. ANII will define subledgers (accrual basis) to record the use of resources provided by the Bank, and therefore the institutional financial statements will include the balances of the accounts used in the context of execution.
☒	Internal control and internal auditing	ANII maintains a control environment focused on the systematization of its processes and the definition of formal internal control procedures that are published on its intranet portal. Its board of directors is involved at different points in the project evaluation and approval process. ANII also has a procedures review committee, made up of experts with proven experience.
☒	External control and financial reporting	ANII undergoes an annual financial audit conducted by an independent audit firm, contracted through a competitive process for a term of at least three years. The audit reports, which are submitted to the board for consideration and approval during the first quarter

		of each year, have always resulted in unqualified opinions. In addition, at the request of the parties funding the projects it implements, ANII has submitted the financial statements of those projects for independent review, the results of which have not revealed any qualifications or material issues. For purposes of the program, it has been agreed that ANII's audited financial statements will suffice for the contractual compliance required by the Bank, provided that: (i) the audit firm is deemed eligible by the Bank; (ii) the terms of reference were agreed upon with the Bank; (iii) international audit standards are applied in the audit of financial statements; and (iv) the report contains a section on the balances of accounts that record the uses made of the proceeds of the Bank loan. The Auditor General's Office of the Republic may also audit the program.
☒	Financial supervision of the operation	Adjustments may be made in accordance with the execution of the program and the external audit reports. Planned activities include monitoring of program progress and instruments, review of disbursement requests, and visits (in-person or virtual) to ANII.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/22

Uruguay. Loan ____/OC-UR to the Eastern Republic of Uruguay. Business Innovation and Entrepreneurship Program III. Third Individual Operation under the Conditional Credit Line for Investment Projects (CCLIP) UR-O1153

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Eastern Republic of Uruguay, as Borrower, for the purpose of granting it a financing aimed at cooperating in the execution of the Business Innovation and Entrepreneurship Program III, which constitutes the third individual operation under the Conditional Credit Line for Investment Projects (CCLIP) UR-O1153 approved on October 11, 2017 by Resolution DE-58/17. Such financing will be in the amount of up to US$45,000,000, from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ___ ____________ 2022)

LEG/SGO/CSC/EZSHARE-1028536987-12224
Pipeline No.: UR-L1187