Why invest in Uruguay?

Uruguay has gained international recognition as a reliable country with high transparency. Thanks to its solid political and social stability, supported by a long-established democracy and strong legal certainty, Uruguay consistently remains at the top of the main rankings.

RANKING	URUGUAY IN LATIN AMERICA
Democracy Index (Economist Intelligence Unit, 2017)	#1
Low Corruption (Transparency Internacional, 2017)	#1
Prosperity Index (Legatum Institute, 2017)	#1
Rule of Law Index (World Justice Project, 2017)	#1
Press Freedom Index (Reporters without borders, 2017)	#2

Ease of doing business

The favorable investment environment and its sustained economic growth in the past 12 years have positioned Uruguay as a reliable and attractive destination for foreign investors. In addition, the legal and regulatory framework offers multiple facilities for investors

Human resources are multilingual and qualified, with highly competitive wages. Uruguay stands out for its high quality and accessibility to basic, technical and university level education; as well as for the flexibility and ease of Uruguayan workers to adapt to new production and technology processes.

Uruguay has the highest literacy rate in Latin America reaching 98%. The State guarantees free access to education, from preschool to university.

There are no limits for foreign capital endowment in companies

No local partner, authorization or prior registration is required

Equal treatment for foreign and local investors

There are no restrictions for the repartition of profits

Single tax system throughout the country

Free foreign exchange market

Incentives to the investor

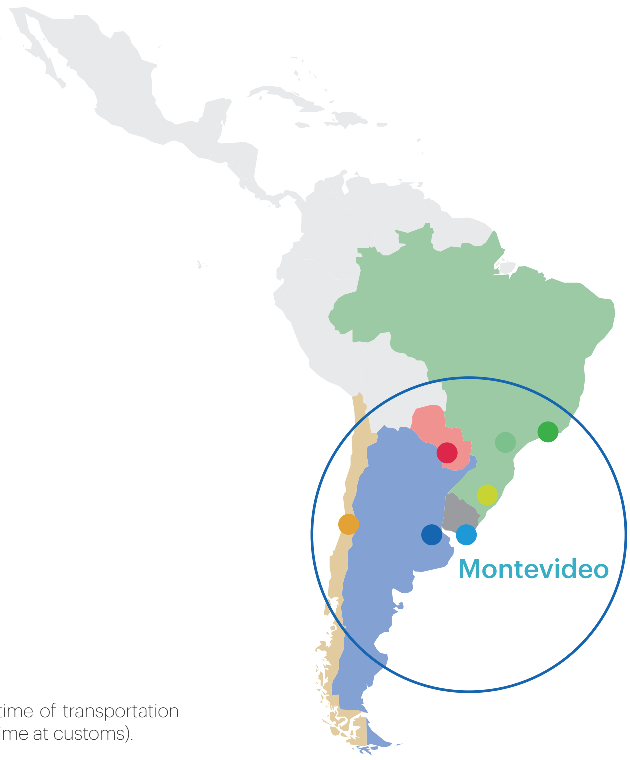
Uruguay has a wide range of incentives which adjust to different types of activities, from industrial to commercial and service activities intended to be performed in the country. The main incentives are the Investment Law, industry incentives, free zones, free port and free airport schemes, public-private partnership agreements, industrial parks and temporary admission.

Benefits offered by the Investment law

Companies operating in any sector of activity that submit an investment project which is further promoted by the Executive Branch will be eligible for additional benefits:

- Wealth Tax exemption: during service life of movable assets, for eight years in the case of civil works intended for Montevideo, and ten years for civil works intended for the rest of the country.
- Exemption from duties or taxes on the import of machinery and equipment (new or used) declared to be non-competitive with the domestic industry. This is in addition to the benefits of Temporary Admission.
- VAT refund for exporters who acquire materials and services in the local market intended for civil works.
- Corporate Income Tax (IRAE) exemption for a maximum amount and term which will result from applying an array of indicators, which weight employment creation (40%), decentralization (10%), increase in exports (15%), cleaner production (20%), R+D investment (25%) and industry indicators (20%). The exempted tax will be between 20% and 100% of the amount which was actually invested in the fixed or intangible assets included in the declaration of promotion. The exemption period is established according to a predetermined formula and cannot be less than 3 years.

Gateway to the Latin American market



- Río de Janeiro
  2,400 km / 72-96 h
- São Paulo
  1,970 km / 72-96 h
- Porto Alegre
  840 km / 48-72 h
- Santiago
  1,900 km / 72-96 h
- Asunción
  1,350 km / 72-96 h
- Buenos Aires
  250 km / 48 h

Distance in kilometers and time of transportation by road (including average time at customs).

- Its strategic location in a regional market of over 250 million people allows Uruguay to promote itself as the best entrance and distribution option of the Atlantic coast of Latin America.
- The main production and consumption centers are interconnected by the densest national road network in Latin America. A regional system of modern waterways, port and airport terminals ease the international transit of goods.

Infrastructure and logistics features

- The thrust of the value-added services in the logistics industry comprises traditional warehousing, packaging, labeling, assembly and installation activities, among others.
- Modern service platforms in warehouses allow the incorporation of value in the supply chain, keeping inventories nearby consumer markets.

Competitive advantages

- Modern port, airport infrastructure and competitive facilities make Uruguay an excellent choice for the transport of cargo destined for the Mercosur and the region.

- Favorable legal framework for transportation and logistics activities, including free zone, free port and airport, customs warehouses and temporary admission regimes.

- Uruguay has streamlined its international trade operations through the adoption of the "customs without paperwork" port system and the Single Window for Foreign Trade (VUCE, for its Spanish acronym), thus speeding up and simplifying customs procedures.

- The National Institute of Logistics (INALOG, for its Spanish acronym) meets and coordinates the public and private community in order to help consolidate the country as an international logistics platform.

- The high quality of the logistic services supply chain reduces transit times, cutting inventory costs with a lower turnover of stock, optimum delivery times and competitive international freight.

- In the PPP modality, the Public Administration entrusts a private entity (transferring certain risks according to a criterion of efficiency) for a specified period, the design, the construction and the operation of infrastructure or any service thereof and eventually its funding. Other modalities include the concession and hiring of private entities by way of tender, calls for bids, trusts and other modalities with which Uruguay has vast experience. In all of the above, the definition and management of each risk is key in the same way the financial structuring is a crucial chapter.

Investment in infrastructure in Uruguay

The Uruguayan government has established the investment in infrastructure as a priority, in order to ensure the sustainability of growth and productivity levels of the Uruguayan economy. This will be undertaken with both Public Budget and private funding. The reported plan has been included below:

INVESTMENT PLAN FOR 2015-2019

		Million USD
Energy	Regasification plant; electricity transmission grid; wind, solar and biomass generation	4,230
Roads	Reconstruction, rehabilitation and development of national highways	2,360
Social infrastructure	Early childhood centers, schools, improvement of hospital and prison infrastructure	1,870
Housing	Social housing	1,320
Communications	Telecommunications network	750
Water and sanitation facilities	Sewerage system, drinking water, wastewater treatment	550
Ports	Wharves, dredging, port terminals	550
Rail	Tracks and rolling stock	360
Others	Development fund for the inland provinces of the country, cement plants, other works	380
Total		12,370

INVESTMENT MODALITIES

It is estimated that 1/3 of these investments will be made through Public-Private Partnership (PPP) Contracts. For the remaining 2/3, entering into contracts with private entities, under other modalities, will be also possible.

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FUNDING AVAILABILITY

Among the stakeholders who provide funding are:

- **Institutional investors:** the Administrators of Social Security Savings Funds (AFAPs) have steadily grown in terms of membership and savings and they need to diversify their investment portfolio in long-term assets and securities with high credit ratings.

- **Infrastructure funds:** funds of USD 500 million managed by the CAF, who provides 10% of the funding for public projects with private sector involvement.

- **Commercial banks:** interested in financing infrastructure projects. They have the soundness, liquidity and also the experience in similar infrastructure projects (e.g. Energy projects in Uruguay).

- **Multilateral organizations:** they include the funding in infrastructure projects within a broader framework of support for structural reforms in the country (IDB, World Bank, CAF).

- **Local retail market:** expressed interest in channeling public savings towards stock market instruments (Montevideo Stock Exchange, Bolsa Electrónica de Valores SA, Private equity funds, others).

- **Foreign investors:** great interest in investing in Uruguay, a stable country with investment grade rating.

LONG-TERM PUBLIC SUSTAINABILITY (only for PPP projects)

Two tax rules are required by law for PPP contracts:

- The net present value of the payments cannot exceed 7% of the GDP
- Annual payments cannot exceed 0.5% of the GDP

Sustainability for projects executed under traditional modalities is also guaranteed by the five-year budget passed by Law.

Regulatory framework I
Public-Private Partnership

PUBLIC-PRIVATE PARTNERSHIP CONTRACT REGIME

Law No 18,786 of July 19th, 2011 establishes the regulatory framework applicable to the Public-Private Partnership Contract regime (PPP). The Law is regulated by Decree No. 17/012 and Decree No. 280/012. Based on the first experiences gathered the regulation was improved by Decree No. 251/015.

SCOPE OF APPLICATION

The law allows contracts to be executed in the following areas:

- Infrastructure: road, ports, airports and railway works
- Prisions (excluding security, health and prisoner rehabilitation)
- Educational centers (excluding educational services)
- Health centers (excluding health services)
- Social housing
- Energy infrastructure and waste management

MAJOR STAKEHOLDERS IN THE PUBLIC SECTOR

Contracting Public Administration: public entity interested in undertaking the project.

Public-Private Partnership Projects Unit - Ministry of Economy and Finance (MEF): office responsible for the registration, evaluation, control and monitoring of the PPP projects.

National Development Corporation (CND): non-state legal entity of public law in charge of the support and advice in the structuring stage of contracts and of the promotion of the PPP projects.

Office of Planning and Budget (OPP): executing unit of the Presidency of the Republic responsible for the National System of Public Investment which coordinates all public sector investment.

State Audit Court (TC): Body responsible for monitoring the implementation of budgets and the control function of all management of public finances.

MAIN FEATURES

Best practices : A convenience and feasibility assessment of the project should be undertaken, including technical, legal, economic and financial analysis. Proof must be supplied to show that the proposed contracting model is the one that allows the State to obtain the best value for money, in compliance with the methodology suggested in the Guidelines for Best Practices, prepared by the CND based on the best international standards.

Public call for interested parties : The contracting Public Administration may employ any competitive method to conduct the public call: tender, bidding, competitive dialog.

Awarding of offers: The contracting Public Administration will stipulate the provisional award, which will be notified to all bidders and will establish the final terms of the contract. The final award will be granted once the terms of the financial structure are confirmed. The bidders must submit a letter of commitment stating that they will form an exclusive purpose entity after the award has been granted. The provisional successful bidder will submit the bylaws in order to be approved by the contractor within 30 working days.

Required guaranties: The amounts and characteristics will be set forth in the call. A guarantee that the bid made will not be withdrawn and that the contract will not be breached is required.

Contract amendment and renegotiation: The contract may include the power held by the Public Administration to amend it. Required new investments must not exceed 20% of those in the original contract. OPP, MEF y TC will have 45 days to issue a decision on this amendment. The contractor will be entitled to the correspon - ding financial compensation. Renegotiation may be required if the Public Administration significantly amends the contract, for reasons of force majeure or if any of the cases provided for in the contract that allow a revision take place and the parties do not reach an agreement on the amendments to be made.

Outsourcing: Contractors may subcontract third parties, except when the contract or the bidding terms and conditions provide otherwise.

Transfer of the contract: The contractor must request the contracting Public Administration prior express authorization to completely or partially transfer the PPP contract.

Settlement of disputes: Disputes will be settled by arbitration. The arbitrators will be appointed by mutual agreement between the parties. In case of failure to reach an agreement, the hearing judge will appoint an arbitration court. The award of the court is not open to appeal.

Tax benefits: Decree 045/013 stipulates that the tax benefits set forth in the Investment Promotion Law (Law No. 16,906) may be granted to PPP contracts by the executive branch. Decree 181/015 establishes criteria for the amortization of intangible assets.

CONTRACTING PROCEDURE

Beginning of the process

A Public-Private Partnership Contract may be initiated by an official determination though a public initiative, or arise from a private initiative.

Public initiative

Contracting Public Administration

Private initiative

Private initiative	Verification of formal requierements	Non-binding recommendation	Contracting Public Administration	Convenience and feasibility report	Public call
Bid guarantee 0.5% of the investment for 180 days.	CND 15 days may be granted to correct errors or omissions.	CND Technical evaluation of proposal.	Accepts, modifies or rejects the initiative. Proponent Submits feasibility study, assessed by the Public Administration.	OPP and MEF assess the report of the Public Administration.	Proponent Advantage of up to 10% in the offer assessment. If a third party is awarded, expenses will be reimbursed.
Pre-feasibility study	15 + 15 days	30 days	30 days	30 days	At least 90 days

I. PPP PROJECTS' PORTFOLIO

Project	Description	Term	Estimated amount (millions)	Estimated date of the public call
Road infrastructure projects	Four roadway corridors: reconstruction, improvement and development	20 years	USD 348	2016
Early childhood and Early, primary and secondary education	Construction of: 44 kindergartens, 60 CAIF- INAU centers, 33 schools, 58 high-school and technical-professional education centers, 6 technology parks and 10 gymnasiums.	20 years	USD 400	2017
Energy infrastructure	In the exploration stage	-	-	2016-2017
Hospital infrastructure	In the exploration stage	-	-	2017

II. PPP PROJECTS AWARDED

Persons deprived of liberty unit Nº 1

Contracting Public Administration	Ministry of the Interior
Project description	Design, construction, equipping and financing of a new prison for 1,960 inmates and the provision of services such as maintenance, cleaning, feeding, laundry and sale of grocery goods.
Type of contract	Design, construction, finance, operation and transfer
Bidding process	International
Awarding variable	Availability payment weighed by technical bid
Contract term	27.5 years
Initial estimated investment	USD 87 million
Method of payment	Quarterly payment in inflation-indexed local currency
Contract regulation	Based on availability and quality of available spaces and services
Date of signing of contract	June 9, 2015
Awardee	Consortium: Teyma Uruguay, Instalaciones Inabensa and Goddard Cattering Group

II. PPP PROJECTS AWARDED

Roadway corridor 21-24

Contracting Public Administration	Ministry of Transport and Public Works
Project description	Works of reconstruction, restoration and development of 170 km of road: • Route 21 from the city of Nueva Palmira to Mercedes. Traffic: bulk trucks. • Route 24 between route 2 and route 3. Traffic: logging industry trucks.
Type of contract	Design, construction, finance, operation and transfer
Bidding process	International
Awarding variable	Availability payment and shadow toll
Deadline for the execution of works	36 months
Contract term	24 years
Total estimated investment	Between USD 165 million and USD 235 million
Method of payment	Quarterly and annual availability payment in inflation-indexed local currency
Contract regulation	By service standards
Date of signing of contract	November 3, 2015
Awardee	Consortium: SACYR (Spain) and SACEEM (Uruguay)

III. CLOSED PPP TENDERS

Project	Description	Term	Estimated amount (millions)
Algorta – Fray Bentos railway section	Overhaul and maintenance of 141 km of railway line	30 years	USD 110
Road infrastructure projects	Two roadway corridors: reconstruction, improvement and development	20 years	USD 117

More details about public calls

Check the website *www.comprasestatales.gub.uy* > Compradores > Contrataciones del Estado

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Educational infrastructure

Uruguay is the country with the highest income per capita in Latin America, and it has had a sustained level of development over the last decade. That is why it has made a strong bet on education and equity as pillars of society, which translates into a structural improvement of education in the universalization of new technologies, digital inclusion, investments, and infrastructure.

To that end, the government will implement a plan for new facilities and expansions, a plan for facility maintenance resulting from a national survey, and a georeferencing system to prioritize the work to be done based on several indicators.

Number of construction projects: 211 in several contracts.

Types of construction projects:
- CAIF-INAU centers· 300 m2 c/u
- Kindergarten: 575 m2 c/u
- Schools: 1.400 m2
- High school and technical-professional education centers: 1.300 m2
- Technology parks: 2.500 m2 c/u
- Gymnasiums

Location: The facilities included in the project would be located throughout the country, although almost half of them will be located in the capital.

Estimated total investment: Total: 400 million USD.

Initial investment: 50-150 million USD per contract.

Duration of PPP contracts:: 20 years (estimated)

Upcoming bids:
- Bid 1: Fourth quarter 2016 – 44 kindergartens and 15 care centers for infants
- Bid 2: Second quarter 2017
- Bid 3: Fourth quarter 2017
- Bid 4: Second quarter 2018

CONTRACTING BIDS

- The **National Administration of Public Education (ANEP)** is the entity in charge of creating, implementing, and developing educational policies. It currently involves over 67,000 people who work at public educational facilities.

- The **Uruguayan Institute for Children and Adolescents (INAU)** is the governing body for social policies aimed at protecting families, children, and adolescents. Its goals are promoting, protecting, or restoring the rights of children and adolescents.

- The **Care Centers for Children and Families (CAIF Plan)** are an interagency public policy where the State, Civil Society Organizations, and Municipalities come together in urban and rural settings to promote and ensure the protection of the rights of children (from the moment they are conceived and until they are 3 years old) and families who live in poor or socially vulnerable contexts.

Educational infrastructure

ACTIVITIES TO HIRE

Executive design: Produce an appropriate and efficient executive design for each construction work, based on:

- draft provided by ANEP and INAU.
- characteristics of the land and other special features of the location.

It must take into consideration technical aspects and the maintenance period set forth in the bidding documents.

Funding: Bear all costs of studies, design, construction, and equipment, as well as all costs resulting from complying with the contract.

Construction: Do all the work related to all of the plans, designs, and projects indicated in the contract.

Maintenance: Complete all preventive and corrective maintenance tasks for the approved work and all equipment that is part of the contract, according to the conditions set forth in the bid specifications.

Other services: (Routine and deep) cleaning, plague control, gardening.

COMPENSATION FOR CONTRACTORS

As compensation for the investment made, contractors will receive:

- An availability payment for facilities and services.
- Availability payment = value of the offer, adjusted based on the level of effective availability and quality of the infrastructure's condition.

Contractors will be paid in indexed units (local currency adjusted by inflation), and payments will be made proportionally for each building as of the moment it becomes operational.

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Regulatory framework II
Other contracting modalities

INFRASTRUCTURE PROJECTS:
OTHER CONTRACTING MODALITIES

Beyond the new PPP legislation, private parties can participate in investments with the State under other contracting modalities. The most important are:

Traditional public work

TOCAF (Harmonized Text of the Law on Accounting and Financial Administration)
The State is in charge of investments and hires services provided by private parties.

Leasing

Leasing Law (No. 15,637)
Through traditional bids or auctions of the leasing partnership.

Trust

Trust Law (No. 17,703)
A trust is created to manage and use the infrastructure.

Other

Direct contracts with public entities
- PPA (Power Purchase Agreement): The State agrees to purchase energy at a certain price.
- Leasing
- Trust

Construction of the transmission network
500 kw –Northern Area of the Country

- **Project Description:** Construction of the 500 KV transmission line between Salto Grande Uruguay and Tacuarembó, of 500/150 KV Tacuarembó power station, and of expansions at 500 kv Melo power station, through the modality of trust with UTE and private participation.

  The project aims to reinforce the reliability and capacity of supply and transportation of electric energy in the country.

- **Location:** Cerro Largo, Tacuarembó, Salto
- **Total Investment:** US$ 230,000,000
- **Start Date:** 2019
- **Contract date**: 2020
- **Execution Period:** 36 months
- **Operation duration:** 30 years
- **Entity:** National Administration of Power Plants and Electrical Transmissions (UTE)

Terminal National Module
Fishery Area in Capurro

- **Project Description:** Build piers, fill the retro area, dredge the basins, pave and build land access.

- **Project Sector:** Port infrastructure
- **Location:** Montevideo
- **Total Investment:** U$$ 140,000,000
- **Start Date:** To be determined
- **Execution Period:** 24 months
- **Current Stage:** Revision and Adjustment of Basic Engineering Project
- **Entity:** National Ports Administration (ANP)

Logistics Port
Punta Sayago
- Logistics Area -

- **Project Description:** It integrates the expansion strategy of the National Ports Administration to complement the land area of the Port of Montevideo. The objective of the project is to achieve the expansion of the port infrastructure capacity by improving the logistics efficiency of the national and regional port system. In a space of 100 hectares, connected by sea and road, some activities are projected to be developed under the Free Port regime, in operations such as: repackaging, rebranding, classification, grouping and unbundling, consolidation and deconsolidation of containers, handling and fractioning and other related services and / or under the logistic deposit scheme. It is an opportunity for investors and logistics companies to set up in a new distribution center that will facilitate the entry and exit of regional or international merchandise through Uruguay, thus enhancing the Port of Montevideo as a Hub Port.

- **Project Sector:** Logistics / Infrastructure

- **Location:** Montevideo. Located at the western end of the bay of Montevideo is part of the logistic and port hub of Montevideo

- **Total Investment:**

  1st phase:
  New streets and improvements of the existing one, sanitation, rainwater drainage, drinking water (high reserve tank), electric power and lighting: 20 million dollars.-

  2nd phase:
  Works in the rest of the port complex to complete the first 100 hectares: 42 million dollars.-

  3rd phase:
  New zone adjacent to the port area, surface of 100 more hectares, with similar characteristics to those existing: 71 million dollars.-

- **Start Date:** 2017

- **Current Stage:** First phase: Elaboration of Executive project of works

- **Award:** Decree 412/992. Private Initiative Law- Law 17,555 and Decree 442/002 PPP (Public-Private Partnership) - Law 18,786

- **Entity:** National Ports Administration (ANP)

Logistics Port
Punta Sayago - Dock-

- **Project Description:** It integrates the strategy of expansion of the National Ports Administration to complement the maritime and terrestrial area of the Port of Montevideo.

  The objective of the project is to achieve the maritime connectivity of Punta Sayago Port, expanding its berthing capacity.

  It is planned to build a breakwater shelter and a new dock for ships of 110 meters in length.

- **Project Sector:** Logistics / Infrastructure

- **Location:** Montevideo. Located at the western end of the bay of Montevideo is part of the logistic and port hub of Montevideo.

- **Total Investment:** US$ 100,000,000

- **Start Date:** 2020

- **Current Stage:** Operative Feasibility Study

- **Award:** Set forth in: Decree No. 412/992 Private Initiative Law, Law No. 17,555 and Decree No. 442/002 PPP (Public-Private Partnership) - Law No. 18,786

- **Entity:** National Ports Administration (ANP)