

# INVESTMENT PROJECT PUBLIC - PRIVATE PARTNERSHIP



Uruguay

# WHY INVEST IN URUGUAY?

Uruguay has gained international recognition as a reliable country, with high transparency, where there is continuity in priority projects, thanks to its solid political and social stability, supported by a long-established democracy and strong legal certainty. Thus, Uruguay consistently remains at the top of the main rankings.

RANKING	URUGUAY IN LATIN AMERICA
<b>Democracy Index</b> (Economist Intelligence Unit, 2015)	#1
<b>Low Corruption</b> (Transparency International, 2015)	#1
<b>Prosperity Index</b> (Legatum Institute, 2015)	#1
<b>Rule of Law Index</b> (World Justice Project, 2015)	#1
<b>Press Freedom Index</b> (Reporters without borders, 2015)	#2
<b>Worldwide Governance Indicators</b> (World Bank, 2014)	#2
<b>Global Peace Index</b> (Institute for Economics & Peace, 2015)	#3

## 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.

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



Equal treatment for foreign and local investors



Single tax system throughout the country

No local partner, authorization or prior registration is required



There are no restrictions for the repartition of profits



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 weigh employment creation (30%), decentralization (15%), increase in exports (15%), cleaner production and/or R+D investment (20%) 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 / 24-48 h
- **Santiago**  
1,900 km / 72-96 h
- **Asunción**  
1,350 km / 72-96 h
- **Buenos Aires**  
250 km / 24 h

- 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

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- 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
<b>Total</b>		<b>12,370</b>

## 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.

## 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

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

# REGULATORY FRAMEWORK

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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
- **Prisons** (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 corresponding 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

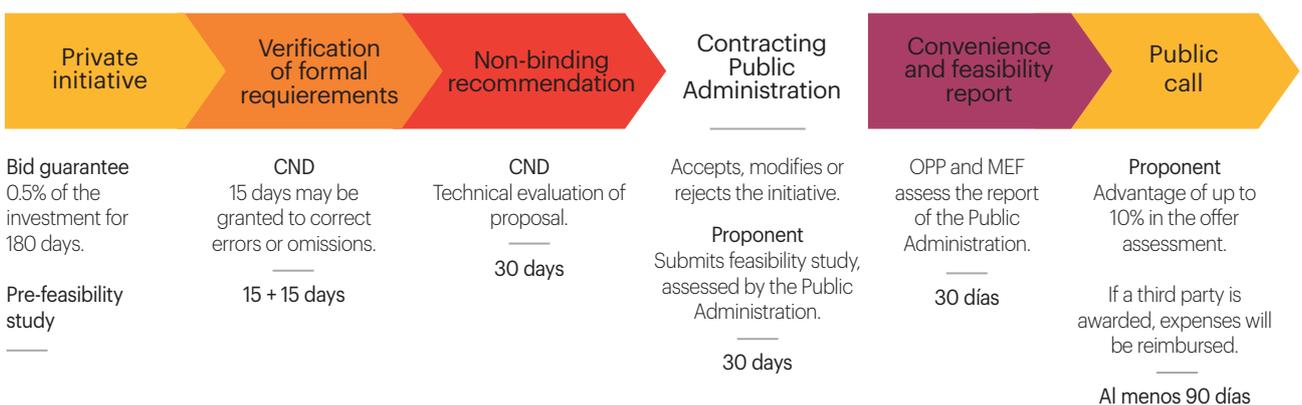
A Public-Private Partnership Contract may be initiated by an official determination through a public initiative, or arise from a private initiative.

### Public initiative

Contracting Public Administration



### Private initiative



## PPP PROJECTS' PORTFOLIO

Project	Description	Term	Estimated amount (millions)	Estimated date of the public call
Algorta – Fray Bentos railway section	Overhaul and maintenance of 141 km of railway line	30 years	USD 110	January 2016
Road infrastructure projects	Six roadway corridors: reconstruction, improvement and development	20 years	USD 550	January 2016 (2 proj.) April 2016 (2 proj.) June 2016 (2 proj.)
Early, primary and secondary education	Construction of 165 centers		USD 400	2017
Early childhood	Construction of 60 centers		USD 32	2017
Energy infrastructure	In the exploration stage			2016-2017
Hospital infrastructure	In the exploration stage			2017

## PPP PROJECTS UNDERWAY

Persons deprived of liberty unit N° 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 Catering Group

## PPP PROJECTS UNDERWAY

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### 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)

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### More details about public calls

Check the website [www.comprasestatales.gub.uy](http://www.comprasestatales.gub.uy) > Compradores > Contrataciones del Estado

# INVESTMENT OPPORTUNITIES INFRASTRUCTURE

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Uruguay

# CONSTRUCTION OF TRANSMISSION LINE TACUAREMBÓ-CERRO LARGO

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- **Project description:** Close the 500 kV Melo-Salto Grande ring. This project will be executed using the operational leasing mechanism.

The project seeks to improve the transmission infrastructure of the National Interconnected System (SIN, in Spanish), given the anticipated increase in demand and the possibility of failures in the existing supply lines, in order to provide a higher-quality service at a lower cost. It also seeks to increase the capacity and reliability of the electrical supply in the southern and eastern regions of the country, as well as to transmit and distribute the renewable energy generated in the north of the country.

- **Project Sector:** Supply of electricity, gas, steam, and air conditioning
- **Location:** Tacuarembó and Cerro Largo
- **Total investment:** US\$ 80,000,000
- **Start date:** 2017
- **Execution period:** 24 months
- **Operation period:** 40 years
- **Current stage:** Ongoing tender
- **Award:** via tender
- **Entity:** National Electric Company (UTE)

## Contact information:

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# STATION CONSTRUCTION

## JOSÉ IGNACIO

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- **Project description:** Construction of the José Ignacio Station and a 150 kV line between José Ignacio and San Carlos; renovation of the Punta del Este-Maldonado connection.

The project seeks to improve the capacity, quality, reliability, and infrastructure of the electrical transmission and supply in the eastern region of the country (Maldonado - Punta del Este).

- **Project sector:** Supply of electricity, gas, steam, and air conditioning
- **Location:** Maldonado
- **Total investment:** US\$ 20,000,000
- **Start date:** 2017
- **Execution period:** 24 months
- **Operation period:** 30 years
- **Current stage:** pre-investment
- **Award:** via tender
- **Entity:** National Electric Company (UTE)

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# CONSTRUCTION OF TRANSMISSION LINE SAN JOSÉ - FLORIDA

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- **Project description:** Construction of a 500 kV transmission line from Punta del Tigre to Cardal, using a trust with participation from UTE and private parties.

The project seeks to make the connection more reliable and expand the capacity to transport electricity of the new thermal generation node located in the Punta del Tigre plant.

- **Project sector:** Supply of electricity, gas, steam, and air conditioning
- **Location:** San José and Florida
- **Total investment:** US\$ 18,000,000
- **Start date:** 2017
- **Execution period:** 24 months
- **Operation period:** 40 years
- **Current stage:** pre-investment
- **Award:** via tender
- **Entity:** National Electric Company (UTE)

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# CONSTRUCTION OF CONNECTION CARDAL STATION - FLORIDA

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- **Project description:** Construction of the 500 kV Cardal station in Florida, using a trust with participation from UTE and private parties.

The project seeks to make the connection more reliable and expand the capacity to transport electricity of the new thermal generation node located in the Punta del Tigre plant.

- **Project sector:** Supply of electricity, gas, steam, and air conditioning
- **Location:** Florida
- **Total investment:** US\$ 30,000,000
- **Start date:** 2017
- **Execution period:** 24 months
- **Operation period:** 30 years
- **Current stage:** pre-investment
- **Award:** via tender
- **Entity:** National Electric Company (UTE)

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# CONSTRUCTION OF TRANSMISSION LINES

## MALDONADO - LAVALLEJA

## CERRO LARGO - DURAZNO - SORIANO

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- **Project description:** Construction of 150 kV transmission lines in: Carapé - R del Sur - Minas (Maldonado - Lavalleja), Melo - Plácido Rosas (Cerro Largo) and Palmar - Baygorria - Terra (Cerro Largo - Soriano - Durazno) using the operational leasing mechanism.

The project seeks to strengthen the network's reliability and capacity to supply and transport electricity in the eastern and northeastern regions of the country, given the anticipated increase in demand, as well as to execute new generation projects that will be incorporated to the network.

- **Project sector:** Supply of electricity, gas, steam, and air conditioning
- **Location:** Maldonado, Lavalleja, Cerro Largo, Durazno and Soriano
- **Total investment:** US\$ 48,000,000
- **Start date:** 2017
- **Execution period:** 24 months
- **Operation period:** 40 years
- **Current stage:** pre-investment
- **Award:** via tender
- **Entity:** National Electric Company (UTE)

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# CONSTRUCTION OF TRANSMISSION LINE MONTEVIDEO - SAN JOSÉ - SALTO

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- **Project description:** Construction of a 150 kV transmission line in Salto Grande - Salto, SGU - Palomas, and renovation of the crossing over the Santa Lucía river, using the operational leasing mechanism.

Given the anticipated increase in demand, the project seeks to strengthen the network's reliability and capacity to supply electricity in the northeastern region of the country, as well as to execute new generation projects for the network and renovate the line section that is obsolete.

- **Project sector:** Supply of electricity, gas, steam, and air conditioning
- **Location:** Montevideo, San José, Salto
- **Total investment:** US\$ 12,000,000
- **Start date:** 2017
- **Execution period:** 24 months
- **Operation period:** 40 years
- **Current stage:** pre-investment
- **Award:** via tender
- **Entity:** National Electric Company (UTE)

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# CONSTRUCTION OF NEW ACCESS PORT OF MONTEVIDEO

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- **Project description:** Construction of a new main access to the port of Montevideo.

The project seeks to enhance the operation of the port of Montevideo and the circulation of trucks and heavy-duty vehicles in port facilities, as well as clear the entrance from the Rambla.

In addition, it seeks to have cargo vehicles using the North Entrance to optimize procedures to obtain permits and avoid the interference of main traffic on railroads.

- **Project sector:** Logistics
- **Location:** Montevideo
- **Total investment:** US\$ 62,595,000
- **Start date:** 2016
- **Execution period:** 48 months
- **Current stage:** pre-investment
- **Award:** via tender
- **Entity:** National Port Authority (ANP)

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# CONSTRUCTION OF DRAINAGE NETWORKS AND WASTE MANAGEMENT PLANTS

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- **Project description:** Construction of drainage networks and wastewater management plants in Santa Lucía, Fray Marcos, San Ramón, Florida, and Casupá.

The project's objectives are: To help improve the environmental quality of the Santa Lucía river's drainage basin by reducing the concentration of organic material (mainly the biological oxygen, nitrogen, and phosphorus demand) in its mainstream, thus mitigating the risks to human health and the quality of ecosystems. This will have an impact on the population's quality of living and will lower the risks of contamination in the area.

- **Project sector:** Public administration and defense - Social Security
- **Location:** Canelones and Florida
- **Total investment:** US\$ 32,377,000
- **Start date:** 2016
- **Execution period:** 48 months
- **Current stage:** pre-investment
- **Award:** via tender
- **Entity:** State Water Company (OSE)

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# CONSTRUCTION OF PUMP IN FLORES

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- **Project Description:** Construction of a water pump in Trinidad, Flores, to increase efficiency and guarantee the sustainability of the water supply to the population.
- **Project sector:** Water supply, sewer network, and drainage
- **Location:** Flores
- **Total investment:** US\$ 3,500,000
- **Start date:** 2017
- **Execution period:** 24 months
- **Current stage:** pre-investment
- **Award:** via tender
- **Entity:** State Water Company (OSE)

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