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STRATEGIC AGREEMENT BETWEEN URUGUAY AND THE IDB GROUP COUNTRY STRATEGY

2026 - 2030

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This document was prepared by Luiz Ros (CSC/CUR), Arturo Galindo (CSC/CSC), Marisol Rodríguez Chatruc (CSC/CUR), Belén Sotto (CSC/CUR), Julieth Santamaría (CSC/CSC), Alejo Estavillo (CSC/CUR), Maria Cecilia Acevedo Villalobos (GEN/SPK), Marcelo Paz (GEN/SPK), Paula Castillo Martinez (GEN/SPK), Adriana Valencia (GEN/SPK), Juan Flores (GEN/SPK), Ana Castillo (LAB/SKI), Ana Luisa Albarran Velasco (LAB/SKI), Erika Molina (LAB/EBA), Carolina Lustosa (LAB/VCI), Oscar Farfan (LAB/SKI), María Florencia Attademo-Hirt (VPC/VPC), Alejandro Quijada (CSC/CSC), Rafael Cavazzoni Lima (CSC/CUR), Antonio Ansoleaga (CSC/CSC), Gastón Rodríguez (CSC/CUR), Ana Santiago (CSC/CSC), with contributions from: Hugo Flórez (VPC/VPC), Priscilla Gutiérrez (VPC/VPC), Rodolfo Gomes (CSC/CSC), Vanessa Callau (CSD/BNC), Juan Manuel Murguía (CSD/BNC), Sofia Polcaro (CSD/CCS), Felipe Vera (CSD/HUD), Sergio Mota (IFD/FMM), Fernando Cafferata (IFD/CIS), Sandra Bautista Naranjo (IFD/ICS), Edgardo Mosqueira (IFD/ICS), Daniela Dborkin (IFD/ICS), María Inés Vasquez (IFD/ICS), Cecilia Correa (INE/ENE), Andrés Pereyra (INE/TSP), Nicolás Rezzano (INE/WSA), Álvaro García (PTI/ARD), Marieke Gottsch (PTI/CTI), Federica Gómez (PTI/TIN), Andrea Bergamaschi (SCL/EDU), Andrea Monje (SCL/GDI), Pablo Orefice (SCL/HNP), Ana María Saiz (SCL/MIG), Verónica Alaimo (SCL/SPL), Allizon Milicich (VPC/FMP), Willy Bendix (VPC/FMP), Jorge Seigneur (VPC/FMP), Daniela Carrera (VPC/FMP), Alfredo Rodríguez (RMG/RMG), Ginés Suárez (CSD/DRM) and Victoria Laporte (VPS/ESG).

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ELECTRONIC LINKS

1. [Diagnóstico País para el Impacto \(CDI\)](#) (Country Diagnostics for Impact)
2. [Nota Técnica Fiduciaria](#) (Fiduciary Technical Note)
3. [Resumen de Cartera](#) (Portfolio Summary)
4. [Consulta con la Sociedad Civil](#) (Civil Society Consultation)
5. [Posicionamiento Estratégico](#) (Strategic Positioning Analysis)
6. [Prioridades de Gobierno](#) (Government Priorities)
7. [Presupuesto Nacional](#) (National Budget Law)
8. [Monitoreo y Evaluación](#) (Monitoring and Evaluation Capacity Analysis)
9. [Matriz de Efectividad del Desarrollo](#) (Development Effectiveness Matrix)
10. [Referencias](#) (References)

ABBREVIATIONS

AGESIC	Agency for Electronic Government
AI	Artificial Intelligence
AJSD	Alliance for Security, Justice and Development
AMEPP	Agency for Monitoring and Evaluation of Public Policies
AMM	Metropolitan Area of Montevideo
ANEP	National Administration of Public Education
ANII	National Agency for Research and Innovation
ARCE	National Regulatory Agency for State Procurement
ASSE	State Health Services Administration
AUME	Uruguayan Association of Women in Energy
BCU	Central Bank of Uruguay
BROU	Bank of the Oriental Republic of Uruguay
CAF	Development Bank of Latin America
CCLIP	Conditional Credit Line for Investment Projects
CDI	Country Diagnostics for Impact
CEIAR	Center of Excellence in Agricultural Innovation and Irrigation
CERES	Center for the Study of Economic and Social Reality
CINVE	Center for Economic Research
CPA	CPA FERRERE Consulting Firm
CPR	Country Program Review
CS	IDB Group's Country Strategy
ECH	Continuous Household Survey
FDI	Foreign Direct Investment
GRP	Government Resource Planning
GRPUy	Government Resource Planning Uruguay
HPC	High Performance Computing
IDB	Interamerican Development Bank
INE	National Institute of Statistics
INIA	National Institute of Agricultural Research
INV	Investment loan
IRAE	Corporate Income Tax (CIT)
IRI	International Regularity Index

IRPF	Personal Income Tax (PIT)
LAC	Latin America and the Caribbean
LBR	Loan Based on Results
MEF	Ministry of Economics and Finance
MGAP	Ministry of Livestock, Agriculture, and Fisheries
MIDES	Ministry of Social Development
MIEM	Ministry of Industry, Energy, and Mining
MIPYME	Micro, Small, and Medium-Sized Enterprises (MSMEs)
MPAS	Environmental and Social Policy Framework
MTOP	Ministry of Transportation and Public Works
NDC	Nationally Determined Contribution
NSGO	Non-sovereign guaranteed operations
OECD	Organization for Economic Cooperation and Development
OPP	Office of Planning and Budget
OSE	State-Owned Water Company
PBL	Policy-Based Loan
PBP	Programmatic series in Support to Policy Reforms
PISA	Program for International Student Assessment
PPA	Power Purchase Agreement
PPO	Principal Payment Option
PPP	Public-Private Partnership
R+D / R+D+i	Research and Development (and Innovation)
SIA	Survey on Innovation Activities
SIIAS	Integrated Social Services Information System
SIIF	Integrated Financial Information System
SNCP	National Public Procurement System
SPE	Strategic Planning System
STEM	Science, Technology, Engineering, Mathematics
TFP	Total Factor Productivity
TIC	Information and Communication Technologies
TOCAF	Consolidated Text on Accounting and Financial Management
UTE	State-Owned Power Plants (public energy company)
VUCE	Foreign Trade Single Window
VUI	Investment Single Window

INTRODUCTION

A NEW APPROACH FOR IMPACT

Uruguay's potential **Uruguay is uniquely positioned to become a regional hub for innovation and a reference in security,** thanks to its high-income level, institutional and macroeconomic stability, highly digitized society, and achievements in renewable energy. Building on this foundation, the country can catalyze private investment in strategic sectors—technology, clean energy, agribusiness, biotechnology, and the knowledge economy— while also pioneering advances in security, with significant demonstration effects and positive externalities for the region. The 2026–2030 Country Strategy proposes to boost sustainable and inclusive growth through a financing framework that addresses the structural challenges the country faces in productivity, social inclusion, and infrastructure, while incorporating mechanisms to mitigate risks arising from the international context in order to realize these opportunities.

A New Country Strategy Approach **The IDB Group's Strategy for Uruguay 2026–2030¹ channels this momentum through a selective and programmatic approach that positions innovation as the central driver of development.** The IDB Group will support the country in fostering innovation, strengthening private-sector leadership, developing human talent, improving the security and well-being of vulnerable population, and expanding mobility and basic services through resilient infrastructure. This Strategy focuses on the priorities established in the IDB Group's institutional strategy (Strategy+) and aligns with national priorities—including the five priority programs², the 63 Government Commitments, and the 2025–2029 National Budget. Its design integrates lessons learned, an analysis of the IDB Group's positioning relative to other multilateral institutions, and a risk assessment to ensure maximum impact. Interventions will be designed to capitalize opportunities for public-private partnerships and strategic alliances that expand knowledge and mobilize additional financing.

Identified Pillars of Intervention and Expected Impact **The IDB Group's new Country Strategy (CS) sets out three strategic pillars:** (i) Innovation and business climate, (ii) Security and well-being and (iii) Mobility and basic services.

Pillar 1: Innovation and Business Climate aims to drive enabling conditions and foster innovative practices with the goal of: (i) boost productive modernization, trade openness, and skills development; (ii) promote regulatory simplification, competition, and access to finance; and (iii) enhance fiscal management.

Pillar 2: Security and Well-being aims to ensure greater security and well-being for vulnerable population groups with the objective of: (i) improve citizen security; (ii) increase well-being for childhood and vulnerable youth.

Pillar 3: Mobility and Basic Services aims to improve mobility and strengthen the provision of essential services with the goal of: (i) promote mobility solutions and urban development, and (ii) enhance basic services through efficient, resilient infrastructure.

The expected impact of the interventions will be measured using a set of indicators

¹ The IDB Group's Strategy for Uruguay 2026–2030 will be in effect from the date of its approval by the IDB Group's Board of Directors until June 1, 2030.

² The five priority programs are: development, security, social cohesion and care, housing, and infrastructure.

presented in the Results Matrix³, which are part of the IDB Group's 2024–2030 Impact Framework.⁴

In addition, **three crosscutting issues** are established: 1) **Strengthen institutional capacity** to improve public sector efficiency; 2) **Integrate a gender and diversity perspective** into development efforts to close gaps, reduce poverty, and ensure the inclusion and safety of woman and diverse populations, including migrants; and 3) **Integrate climate and environmental action** into development through comprehensive strategies that promote greater resilience and more efficient use of biodiversity and natural capital.

Partnership Uruguay–IDB Group

In recent years, Uruguay and the IDB Group have deepened a strategic partnership that has proven to be key for the country's sustainable development, making headway in areas such as energy, water and sanitation, State modernization, trade, transportation, education, MSMEs, urban development, and social investment, while responding swiftly to challenges such as the pandemic. Within these sectors, IDB Invest and IDB Lab adapted their portfolio of financial solutions for the private sector to meet market needs, with a special focus on segments facing the greatest credit constraints and, in the case of IDB Lab, addressing cutting-edge issues.

The Country Strategy (CS) 2026–2030 deepens and renews the long-standing cooperation between Uruguay and the IDB Group, prioritizing innovation and focusing the IDB Group's contribution on technical value added, support for reforms, and private investment mobilization. The CS 2026–2030 builds on the long-standing cooperation between Uruguay and the IDB Group, bringing renewed momentum by placing innovation at the center of the agenda, adopting more robust selective and programmatic approaches, and focusing the IDB Group's contribution on technical value added, support for transformative reforms, the mobilization of private investment, and generating lessons learned. Supported by regional initiatives such as South Connection, Prepared and Resilient in the Americas, the Alliance for Security, Justice, and Development, and IDB Cares, as well as the new business models of IDB Invest and IDB Lab, the Strategy expands the expected impact. The IDB will also offer financial and technical cooperation to further deepen Uruguay's relationship with the OECD as well as to ratify and implement trade agreements. To support this transformative agenda, the IDB Group will expand its financial and mobilization efforts. The 2026–2030 Country Strategy enhances its technical value through public-private solutions, strategic partnerships, and innovative financial mechanisms. At the same time, it maintains the IDB Group's historic hallmark: strategic support with high technical value added aligned with national priorities, capable of generating scalable lessons for the region.

³ See Annex I.

⁴ See the Development Effectiveness Matrix link.

I. BUILDING A NEW COUNTRY STRATEGY: PURPOSE AND APPROACH

A. CONTEXT AND OUTLOOK

- 1.1 Uruguay stands out in the region for its institutional and macroeconomic stability, its digitalization, and its achievements in renewable energy.** The country ranks first in Latin America and the Caribbean on the Democracy Index, the Corruption Perceptions Index, and the Rule of Law Index.⁵ In 2025, the major credit rating agencies affirmed Uruguay's sovereign debt at investment-grade levels, in all cases with a stable outlook. The country's sovereign risk has remained below the LAC average since 2009 and, since 2020, below the Asian average.⁶ Inflation has remained within the BCU's tolerance range for more than two consecutive years. In terms of digital government, Uruguay ranks 25th among 193 countries.⁷ Furthermore, the country's electricity grid consists of more than 98% renewable energy, because of its successful energy transition.⁸
- 1.2 Although Uruguay's income level is relatively high compared to the rest of the region, the country has experienced moderate economic growth over the past decade, accompanied by a decline in productivity and a slowdown in social progress.** The country achieved high-income status according to the World Bank's classification in 2012 and currently has a per capita income of US\$21,650, which is higher than the average for Latin America and the Caribbean (US\$11,275), although significantly below the average for OECD countries (US\$44,781).⁹ Between 2016 and 2025, the economy grew at an average annual rate of 1.3¹⁰, in an adverse environment marked by the end of the commodities boom¹¹, lower foreign investment, economic hardship in neighboring countries, the pandemic's impact, and a historic drought in 2023. During this period, GDP trend growth was driven primarily by physical capital accumulation and, to a lesser extent, by human capital growth, while total factor productivity made a slightly negative contribution (see CDI). On the social front, Uruguay managed to reduce poverty by more than half between 2006 and 2016; however, since then the poverty rate has remained relatively stable, while there has been a significant deterioration in citizen security indicators.
- 1.3 To speed up growth, it is necessary to stimulate innovation, promote trade liberalization and competition, improve the business climate, and continue to strengthen macroeconomic stability.** Uruguay is uniquely positioned to become a regional innovation hub, thanks to its institutional stability, highly digitalized society, achievements in renewable energy, and well-established scientific capabilities in strategic areas such as biotechnology, agri-innovation, and digital technologies. These strengths are complemented by recent institutional advances aimed at placing innovation at the center of the country's growth strategy. The country also has leading companies in dynamic sectors such as technology, global services, and agribusiness. However, there are opportunities to achieve higher levels of investment and effort in research and development, to expand internationalization, improve access to financing, strengthen the entrepreneurial and venture capital ecosystem, reduce the costs of doing business, and promote more robust competitive conditions, contributing to a more innovative, productive business ecosystem that is integrated into global markets. In turn, to improve the business climate, it is essential to continue strengthening fiscal management, as this promotes macroeconomic stability, reduces uncertainty, and allows for a more efficient allocation of

⁵ EIU, Transparency International and World Justice Project, respectively.

⁶ Uruguay's EMBI spread closed 2025 at 68 basis points, its lowest year-end level since 2011.

⁷ 2024 E-Government Development Index, United Nations.

⁸ Ministry of Industry, Energy, and Mining, National Energy Balance, 2025.

⁹ World Development Indicators, World Bank. This is based on the Gross National Income per capita in current dollars (Atlas Method) for the year 2024.

¹⁰ Annual simple average of the GDP growth rate at constant prices (source: BCU, Quarterly National Accounts)

¹¹ That boom (2003–2014) was characterized by a sustained rise in commodity prices driven by demand from emerging economies.

resources.¹²

- 1.4 To strengthen social cohesion, it is crucial to improve citizen security, sustain social progress made in recent decades, and close persistent gaps.** Citizen security has deteriorated: homicides nearly doubled between 2011 and 2018, and the prison population has also doubled over the past 20 years. Thirty-two percent of children under the age of six live in poverty—nearly twice the global rate of 17%. One in four young people is unemployed, and only half of those aged 21 to 23 complete high school, with marked disparities based on income level and ethnic-racial factors¹³. Furthermore, four in ten companies report insufficient workforce training as a severe constraint, highlighting the importance of developing human capital to stimulate private investment.¹⁴
- 1.5 It is necessary to create the conditions for expanding transportation infrastructure and other basic services that can drive economic growth and improve the well-being of the population.** Uruguay faces challenges in ensuring a resilient and efficient infrastructure in the face of climate-related shocks, such as droughts and floods, exacerbated by biodiversity loss and the degradation of natural capital. Metropolitan public transportation shows a downward trend in demand (CINVE, 2023), and there are opportunities for electric mobility expansion. In housing, overcrowding affects 29% of households in the first income quintile and 11% in the second, compared to less than 5% in the rest.¹⁵ Half of the distributed drinking water is not billed, a higher rate than in comparable countries in the region (Aderasa, 2025). Following the first energy transition, the country must consolidate a second phase¹⁶, in which it will be essential to invest public and private funds in generation infrastructure and in strengthening electrical grids to transport renewable energy to major consumption centers and to guarantee a quality supply.
- 1.6 Uruguay's achievements position it to further deepen its relationship with the OECD, which poses an opportunity to address the identified challenges.** Uruguay is already actively participating in OECD initiatives, including investment assessments, multidimensional development studies, membership in the Development Centre, and the co-chairmanship of the new Regional Program for Latin America and the Caribbean 2026–2029. A closer relationship with the OECD represents an opportunity for Uruguay to advance reforms grounded in international standards, strengthen governance and institutional frameworks, build national consensus, and increase public trust. Furthermore, this process would better position the country in the eyes of international investors and markets, enable it to participate in setting global standards, and strengthen collective action to address shared challenges.
- 1.7 The economy is expected to grow moderately over the next five years, against a backdrop of balanced risks.** Average real GDP growth for 2026–2030 is projected at 2.2% (IMF, 2026). In 2026 and 2027, economic dynamism is expected to be driven by private consumption, and to a lesser extent, by public consumption and gross fixed capital formation (BCU, 2026). Upside risks include favorable commodity prices, expanded access to new markets and higher-than-expected impacts of structural reforms. In a small, open, and highly dollarized economy like Uruguay's, much of the downside risk stems from the international environment, which is subject to shocks in trade policies, commodity prices, and financing costs, as well as geopolitical tensions, climate disruptions, and regional uncertainty—all of which could affect the exchange rate, exports, private consumption, and capital flows, in addition to the risks that climate shocks pose to agricultural production. Although these risks are tempered by the growing proportion of domestically issued debt, ample liquidity, long-term debt maturities, and sovereign risk at historic lows, it is crucial to incorporate mitigation mechanisms into operational design and execution (see Section V.E).

¹² Barro (1990); Easterly and Rebelo (1993).

¹³ Only 33% of people of African descent aged 21 to 23 complete high school, and although 77% are in the workforce, they have a higher unemployment rate (14% versus 10%).

¹⁴ IMF, based on World Bank Enterprise Surveys Uruguay, 2024.

¹⁵ MIDES.

¹⁶ [Estrategia Climática de Largo Plazo](#) (Long-Term Climate Strategy)

B. MAIN LESSONS LEARNED FROM THE PREVIOUS COUNTRY STRATEGY 2021–2025

- 1.8 The lessons drawn from the last Strategy will contribute to a more effective implementation of the 2026–2030 Strategy.** Based on operational portfolio monitoring, client engagement, and lessons from the 2021–2025 Country Program Review (CPR pilot), it is important to maintain close dialogue with the client to define adaptable medium-term objectives and instruments, leveraging PBL and CCLIP to drive structural reforms and ensure continuity in key sectors; strengthen coordination with the private sector and synergies within the IDB Group—in transportation, education, and energy—which have strengthened public policy design, institutional capacities, and the structuring of bankable projects; align programming toward infrastructure and productive development projects with greater scale and flexibility; use technical cooperation in a more focused and strategic manner to address implementation challenges and optimize processes; apply lessons learned by generating evidence and knowledge that support strategic dialogue; as well as strengthen efforts to generate more and better evidence to demonstrate and increase our impact. Finally, it is important to continue applying the knowledge gained from the IDB and IDB Invest’s value proposition, emphasizing technical and operational expertise, and positioning Uruguay as an innovation and regional public policy dialogue hub.
- 1.9 At the strategic level,** a key lesson is the need to continue working closely with clients to define medium-term objectives and instruments that—by being able to respond swiftly to changing circumstances—offer a better chance of achieving the expected development outcomes. Adaptability and flexibility in programming are critical in the face of fiscal constraints, external shocks, and climate emergencies. Therefore, it is important to continue expanding the use of PBL and CCLIP to further drive structural reforms and ensure continuity in key sectors such as the energy transition and the efficient management of water and waste. During the 2021–2025 CS, there was a growing emphasis on the importance of coordination and private sector participation. It is necessary to strengthen the synergistic use of the IDB Group’s windows, taking into account the instruments and new business models of IDB Invest and IDB Lab, promoting upstream work and the use of combined public-private risk management mechanisms to address structural and market failures, enabling the gradual participation of IDB Invest and other private actors in new sectors. Additionally, it is important to support the Ministry of Economy and Finance in its role as a facilitator with the private sector.
- 1.10 At the operational level,** to maintain adequate disbursement levels for sovereign-guaranteed operations, it is advisable to orient the pipeline toward infrastructure and productive development projects that are larger in scale and offer greater flexibility in implementation. The strategic use of technical cooperation is key to supporting executing agencies and generating knowledge, reinforcing its use during the project preparation and implementation phases, especially in contexts of lower demand for financing. The importance of multisectoral approaches to address complex problems was reaffirmed, along with combining financial and non-financial instruments within a long-term strategic vision. The use of instruments such as PBL and CCLIP lines has been essential to support structural reforms and ensure programmatic continuity in strategic sectors such as energy, water resources, and solid waste. **IDB Invest** played a key role in creating and deepening markets—particularly in energy infrastructure—by structuring and financing pioneering projects, supported by synergistic work with the IDB, the development of innovative financial contracts, and the continuous improvement of ESG standards. This process yields important lessons: the greatest impact is achieved when operations focus on sectors with clear regulatory frameworks and well-structured projects; **IDB Invest’s** added value extends beyond direct financing, particularly its ability to structure and mobilize private capital, including capital market issuances; and in productive financing, scale and continuity are decisive factors. Finally, to expand financing in underserved sectors and accelerate technology adoption, it is essential to have appropriate financial mechanisms—including subordinated debt—and to strengthen the clarity of the theory of change, ensuring coherence between design, scale, and expected impact.

1.11 In terms of development effectiveness, challenges persisted in the implementation of certain operations and in the availability of sufficient evidence to measure the impact and contributions toward specific objectives or expected results, underscoring the need to improve the evaluability and timely monitoring of operations. It is essential that the CS defines clear criteria for selecting expected outcomes, ensures that operations have a direct and measurable impact on expected results, and prioritizes indicators with frequent updates that are specific and achievable. In this regard, it is important to strengthen efforts to generate more and better evidence—such as results-based portfolio reviews and additional impact evaluations—to demonstrate and improve our impact.

C. FOCUS ON SELECTIVITY TO DELIVER TANGIBLE IMPACT

HOW DO WE SHARPEN FOCUS?

1.12 Priority Alignment. An assessment was carried out of the intersection between the government's objectives—outlined in the document “Government Priorities” (published on March 25, 2025)¹⁷ and the draft 2025–2029 Budget Law¹⁸ — and strategic documents, regional programs, and the principles of the IDB Group's New Institutional Strategy (IDBStrategy+)¹⁹. The starting point was the IDB Group's diagnostic study on development gaps (see CDI), which identified a set of twelve priority areas²⁰. As a result of aligning these areas with the government's priorities and through dialogue, nine areas were identified to be the focus of this CS: innovation, trade openness, business climate, competition, fiscal management, citizen security, child and youth well-being, mobility and urban development, and basic services. This selection reflects the IDB Group's strategic selectivity approach, prioritizing those areas with the greatest potential for impact, the Group's comparative advantage, and opportunities to generate synergies.

1.13 Strategic Positioning. Historically, the IDB has been the primary source of sovereign financing from multilateral organizations in Uruguay, accounting for an average of 55% of multilateral debt between 2012 and 2024.²¹ It is followed by the World Bank with an average share of 25% and CAF with 16%, while other organizations accounted for less than 4% on average during the same period. Between 2021 and 2024, the IDB was a leading partner in education, energy, MSMEs, government modernization, social investment, trade, transportation, urban development, and water and sanitation, and was also present in the agricultural sector.²² IDB Invest is the leading institution for private sector financing, with over 80% market share, supporting investments in clean energy and power grids, transportation and education infrastructure, trade logistics, and private sector competitiveness, while IDB Lab remained active in agriculture, innovative public procurement, and the development of the entrepreneurial ecosystem with a focus on cutting-edge topics such as the silver economy. This analysis reinforced the selection of the nine priority areas mentioned in paragraph 1.12.

1.14 Operational evidence. Three dimensions were analyzed for IDB operations in Uruguay authorized since 2010: 1) sectoral performance (efficiency in implementation); 2) programmatic vision (each sector's contribution to the country's needs and the Bank's responsiveness); and 3)

¹⁷ The government identified five priority programs—development, security, social cohesion and care, housing, and infrastructure—and made 63 commitments to manage them.

¹⁸ In Uruguay, the budget is a five-year plan that serves as the quantitative expression of the government's program and the fiscal summary of the priorities and commitments it aims to implement, within the context of a defined revenue and expenditure plan.

¹⁹ This also includes the IDB Invest New Vision and Business Model (IIC/CCA-221) and the IDB Lab Business Plan (MIF/GN-270-1).

²⁰ The areas were: Early childhood well-being and development; Continuous, complete, and high-quality educational pathways; Skills for improved employability; Peaceful social coexistence; Efficiency and soundness in fiscal management; Provision of efficient and sustainable infrastructure services; Innovation for sustainable productive transformation; Sustainable productive development of the agricultural sector; Facilitation and promotion of trade and investment in knowledge-intensive sectors; Conservation of natural capital, environmental commitments, and fair decarbonization; Disaster risk management and investment in infrastructure for resilience; Sustainable and resilient cities.

²¹ See the link titled “Strategic Positioning.”

²² During that period, the IDB granted sovereign-guaranteed loans in 10 sectors (out of a total of 14), the World Bank authorized operations in 4 sectors, and CAF in 3 sectors. The IDB was the primary partner in 8 of the 10 sectors (except for Environment and Agriculture, where the World Bank held the leading role), accounting for nearly 90% of the three agencies' total disbursements in those sectors. The World Bank focused on environmental, agricultural, educational, and government modernization issues. CAF concentrated particularly on energy, urban development, and education.

intervention impact (ability to contribute to development objectives), demonstrating strength across all three dimensions. The main strengths were concentrated in productivity and international trade, financial markets, connectivity and technology, education, energy, fiscal management, institutional capacity, citizen security, health, and transportation. Water and Sanitation showed average performance, mainly due to the duration of extensions, which, although significant, did not affect its programmatic vision or impact.²³ IDB Invest's performance and impact analysis suggests that the project portfolio yields favorable results that exceed the regional average. Operational strengths are highlighted in the financing of renewable energy, transmission and transportation infrastructure, agribusiness, and education. This analysis reinforced the selection of the nine priority areas mentioned in paragraph 1.1.

1.15 Risk Analysis. On the political front, the lack of a ruling party majority in the lower house could slow down the passage of bills. In terms of implementation, prolonged pre-contractual cycles for large-scale projects, a shortage of planning staff in implementing agencies, reliance on budgetary supplements from the Ministry of Economy and Finance (MEF), PPP commitments nearing the legal threshold, and the absence of a long-term infrastructure plan are sources of risk. At the socio-environmental level, exposure to droughts and floods and more frequent extreme events threaten infrastructure and housing. On the macroeconomic front, current levels of deficit and public debt could increase vulnerability should more adverse external scenarios materialize. To mitigate risks, it is recommended to provide and disseminate technical evidence to facilitate dialogue and consensus in support of strategic priorities and to maintain continuous communication channels with clients (government and private companies). This will help anticipate and identify changes in priorities and fiscal pressures, leverage IDB public-private platforms, define clear pre-contractual timelines, allocate technical and financial resources early, promote PPPs and multilateral best practices, integrate climate risk criteria into design and implementation, mobilize resources for adaptation, use contingency instruments and flexible loan structures, and support the strengthening of fiscal management and governance in the long-term planning of infrastructure projects.

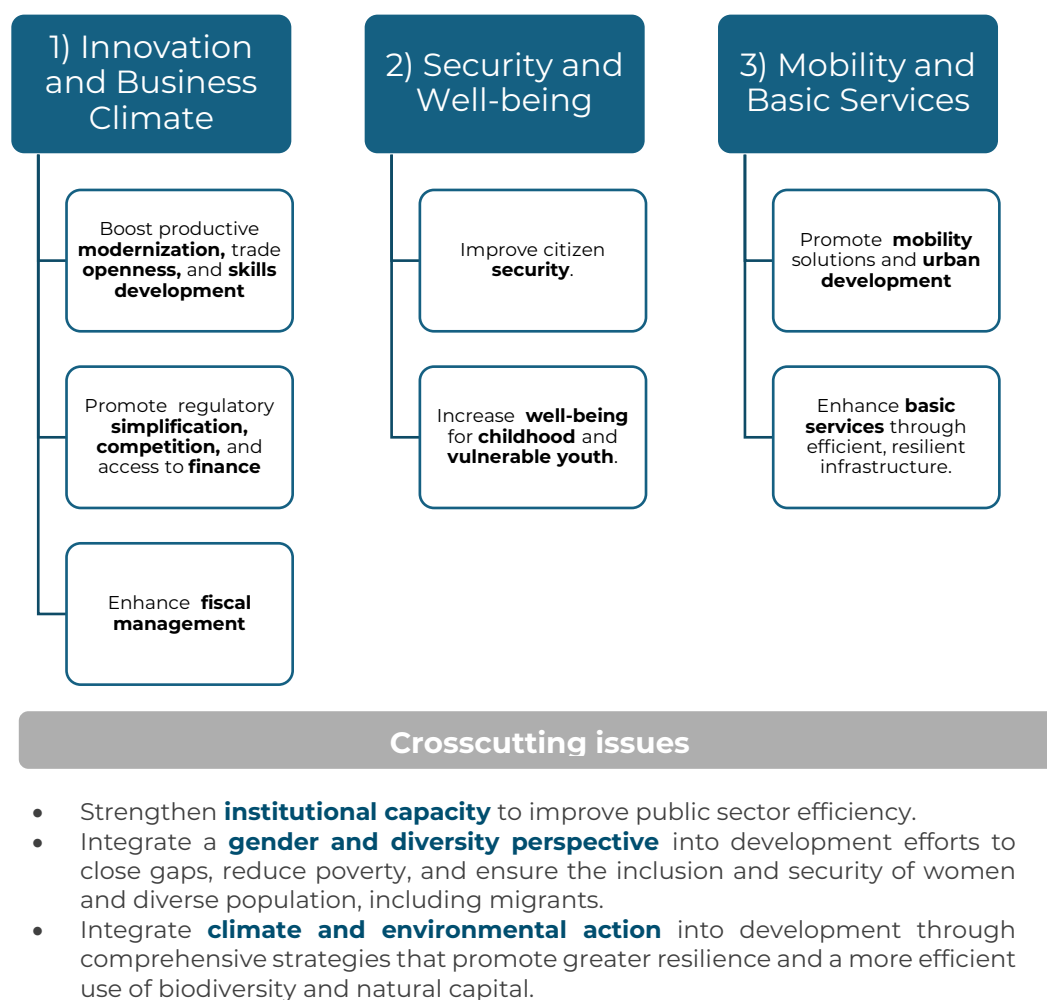
1.16 Results of applying the strategic selection framework. The strategic alignment between government priorities, the development gap analysis (CDI), and the IDB Group's strategic documents made it possible to identify nine priority areas (innovation, trade liberalization, business climate, competition, fiscal management, citizen security, child and youth well-being, urban mobility, and basic services). The IDB Group's long-standing position as the leading multilateral source of financing, combined with its leadership in strategic sectors and the operational strength of its portfolio, reinforced the importance of focusing efforts on these areas. The analysis of political, executive, socio-environmental, and macroeconomic risks also underscored the need to maintain selectivity, anticipate challenges, and promote public-private coordination to maximize impact and ensure successful project implementation. The application of the four criteria of the selectivity framework made it possible to define the pillars and crosscutting issues presented below, where IDB Group windows, acting in a coordinated manner, can maximize their impact.

²³ The comparatively poor performance of Water and Sanitation projects is mainly due to lengthened timelines—averaging more than 24 months—and the fact that 24% of project management reports (PMRs) have been rated as unsatisfactory. Despite this, Water and Sanitation projects show a solid programmatic impact and well-evaluated results. The main cause of the extensions is the complexity of the bidding processes for infrastructure projects, which are particularly demanding in Uruguay. In Water and Sanitation, these extensions are primarily due to the fact that, during the preparation phase, there were no timely and advanced detailed designs available for the infrastructure planned in the operation. As a lesson learned and mitigation measure, the early development of preliminary designs, engineering, and preparatory studies is being promoted through Technical Committees (TCs), which will allow for advancing the engineering work and adjusting the bidding processes from the onset of operations, facilitating more agile implementation. In specific cases, work is underway—through Technical Committees—to strengthen the management capacities of the Implementing Unit to accelerate implementation.

II. MAIN PILLARS OF ACTION AND EXPECTED IMPACT

2.1. This Strategic Agreement supports Uruguay’s efforts to boost economic growth through innovation and improved business conditions, the strengthening of citizen security and the social protection system (with special focus on children), and the upgrading of transport infrastructure and basic services. In line with the implementation of the strategic selection framework and ongoing operations, the 2026–2030 Economic Program is organized into three pillars: 1) Innovation and business climate; 2) Security and well-being; and 3) Mobility and basic services (see Figure 1). In addition, the CS will implement actions in three crosscutting issues: 1) Institutional capacity; 2) Gender and diversity; and 3) Climate and environmental action.

FIGURE 1. IDB GROUP’S STRATEGIC PILLARS AND OBJECTIVES

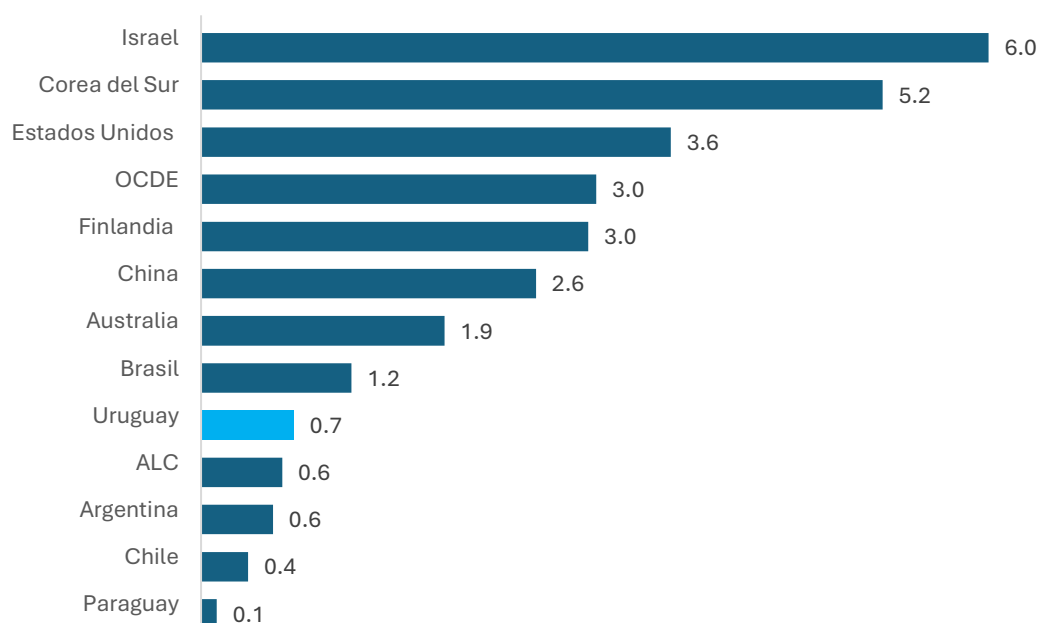


A. PILLAR 1. INNOVATION AND BUSINESS CLIMATE

WHY IT MATTERS

2.2. This Pillar addresses key areas for revitalizing the private sector, which is essential for accelerating economic growth. The trend growth of the Uruguayan economy over the past decade, at 0.9%, was mainly driven by the expansion of capital investment (0.94 percentage points); the human capital contribution was moderate (0.22 percentage points), and the productivity contribution was slightly negative (-0.26 percentage points).²⁴ Private investment in Uruguay—three-quarters of total investment—accounts for 12% of GDP, below the 17% average in LAC²⁵, indicating untapped potential. An innovative, competitive, resilient, and efficient business environment is essential for attracting investment, boosting productivity growth, and enhancing the country’s competitiveness.

FIGURE 1. R+D INVESTMENT (GDP PERCENTAGE)



Source: World Bank.

Notes: The data are for the most recent year since 2020.

2.3. Uruguay has the structural and institutional conditions to become a regional innovation hub, with positive spillover effects for the region. The country combines macroeconomic and institutional stability, high digitalization levels, a clean energy mix, and well-established scientific capabilities in strategic areas such as biotechnology, agro-innovation, and digital technologies. In addition, recent institutional advances reflect an explicit commitment to placing innovation at the center of the strategy for growth, competitiveness, and productivity. The creation of the Uruguay Innova Program²⁶, along with its associated Fund, introduces a new approach to the strategic coordination of the ecosystem, aimed at aligning national actors, instruments, and priorities. Furthermore, the establishment of the National Secretariat for Science and Knowledge Valorization (SENCI) strengthens the government’s capacity to coordinate science, technology, and innovation policies,

²⁴ The analysis covers the period 2015–2023; see CDI.

²⁵ [Banco Mundial, 2024](#). (World Bank, 2024)

²⁶ Uruguay Innova (U+) is a strategic program led by the Presidential Office and set up by the National Budget Law for 2025–2029, with the mission of organizing, coordinating, and strengthening the innovation ecosystem, including the monitoring and evaluation of its results and impacts.

promote advanced human capital, and enhance the transfer and capitalization of knowledge. This set of assets and reforms suggests that Uruguay is in an opportunity window to evolve from a solid but fragmented innovation system toward an integrated platform, with the potential to attract talent, investment, and technology projects on a regional scale. Uruguay's consolidation as a regional innovation hub would generate positive effects for Latin America and the Caribbean by serving as a platform for technology dissemination, regulatory experimentation, human capital development, and the coordination of innovation ecosystems at the regional level, thereby helping to accelerate productive transformation processes beyond its borders.

2.4. To boost innovation, it is essential to continue increasing investment in R&D, promote digitalization, and foster greater collaboration between academia, industry, and an entrepreneurial ecosystem that is still emerging.

Total R&D investment accounts for 0.7% of GDP (2023), a level that, while similar to the regional average and below the OECD average (3%), has been on an upward trend and is at an all-time high. Private-sector R&D investment stands at 0.3% of GDP²⁷ compared to 2% in OECD countries, but its share of total R&D has been growing, rising from 21% of the total in 2018 to 44% in 2023. Although recent innovation policies have made progress, only 13% of innovative firms receive grants or loans and 11% receive tax exemptions (Bukstein, et al., 2024)²⁸ and technology adoption among MSMEs is low²⁹. Sixty-two percent of manufacturing firms, 58% of trade firms, and 38% of service firms do not have a technology department, just like 70% of those with 20–49 employees, 56% with 50–99, and 23% with more than 100 (AGESIC, 2023). Only 8% of Uruguayan manufacturing firms (vs. 16% of Argentine and Brazilian firms) use advanced digital technologies (IAP, 2022).³⁰ In addition, there is a digital infrastructure lag, underequipped to support advanced AI applications due to scalability, parallel processing, and high-speed network limitation.³¹ Initiatives to promote joint R&D and technology transfer projects between academia and industry have yielded limited results due to poorly efficient collaboration structures and scarce incentives (Amestoy and Barrios, 2022)³². The innovative entrepreneurship ecosystem is still in its emergence phase.³³ The venture capital market is underdeveloped by regional standards and is concentrated in initial stages (Gigli, 2025).

2.5. Likewise, it is also essential to ensure better alignment between professional training and the skills required by the private sector.

Most corporate R&D professionals hold a bachelor's degree (85%), 12% hold a master's degree, and 3% hold a doctoral degree; half have a background in engineering or technology. Only 6% of graduates from domestic doctoral programs and 2% of master's graduates have a background in engineering or technology.³⁴ Most researchers remain in academia (more than 80% in higher education, 15% in public administration, and 1% in companies), and these gaps are exacerbated when considering regional³⁵ and gender³⁶ inequalities (Bianchi and Baptista, 2024). Forty-two percent of companies identify inadequately trained workforce as a major constraint to doing business (vs. 21% regionally).³⁷

2.6. As a small economy, Uruguay relies on foreign markets for growth, but it still has room to

²⁷ ANII (National Agency for Research and Innovation), 2025.

²⁸ Public R&D can have significant effects at both the local and aggregate levels (Kantor and Whalley, 2023; Gross and Sampat 2023) and generates technological spillovers to the private sector (Azoulay et al., 2019; Moretti et al., 2023; Myers y Lanahan, 2022; Rodrik et al., 2023).

²⁹ In the [Network Readiness Index 2024](#), Uruguay ranks 53rd out of 133 countries, first in Latin America and the Caribbean in terms of ICT access and use by citizens and the government, but 75th in terms of ICT use by businesses.

³⁰ The reasons for low adoption lie in demand (lack of information, lack of technical skills, and limited access to credit), in supply (market fragmentation, information asymmetries, geographic concentration, and a lack of management capabilities among service providers), and in their interaction (Barafani et al., 2020).

³¹ A 1% increase in the digitalization index—considering infrastructure, service connectivity, technology use, and the regulatory framework—is associated with a 0.23% increase in total factor productivity (TFP) (Katz, 2025).

³² Uruguay has 1.4 researchers per 1,000 people in the Economically Active Population (UNESCO-RICYT, 2021)

³³ The IDB Lab Diagnostic Tool assesses the maturity of entrepreneurial ecosystems in Latin America and the Caribbean across five key dimensions: access to financing, entrepreneurial human capital, government support, technical expertise, and enabling networks. Ecosystems are classified into three categories: nascent, emerging, and maturing.

³⁴ [PRISMA](#) (Portal of Science, Technology and Innovation Indicators of Uruguay) and EAI (Innovation Activities Survey 2019-2021 (ANII)).

³⁵ Despite decentralization efforts, higher education enrollment stands at a 3-to-1 ratio between Montevideo and the rest of the country, in addition to inequalities among inner-country regions (Baptista, 2020).

³⁶ In STEM degree programs, 12% of graduates are women (World Bank, 2020).

³⁷ [IMF](#) based on World Enterprise Survey, World Bank, 2024

become more open and diversified. Exports and imports account for 50% of GDP³⁸, below the LAC average (72%) and the OECD average (122%). Export concentration has increased over the past two decades (2003–2025): the Herfindahl-Hirschmann Index (HHI) for destinations rose from 0.079 to 0.11³⁹, and that for products rose from 0.19 to 0.25⁴⁰, with a growing predominance of low-tech products, which reached 74% of total exports in 2024⁴¹. Only 30%⁴² of goods exports are made under trade preferences, below the LAC average (57%) and the OECD average (74%). Despite these gaps, the country has the potential to improve its internationalization by diversifying markets and products and expanding its network of agreements. Service exports represent an opportunity, particularly in the tourism sector, which has greater impact on employment than other sectors.⁴³

2.7. The agricultural sector, key to the country's external integration, requires an innovation boost.

Between 2019 and 2022, the agricultural sector accounted for between 6% and 8% of GDP⁴⁴, reaching between 14% and 16% of GDP when considering the agro-industrial chain as a whole; the agro-industrial sector accounts for 80% of exports (Uruguay XXI, 2024). The sector's total factor productivity (TFP) grew by 2.3% annually between 2003 and 2014 during the commodities boom, exceeding the LAC average (1.2%). However, between 2015 and 2021, its growth turned negative (-0.56% annually) and was lower than the LAC average (-0.47%).⁴⁵ Although innovation in agriculture is about three times higher than the economy-wide average⁴⁶, there are limitations in the design of R+D+I institutions (INIAs) that hinder their ability to adapt to challenges such as market dynamics, new biotechnologies, and ICTs (Nin-Pratt et al., 2023). In turn, small-scale producers focused on the domestic market are the least innovative (MGAP-OPYPA, 2016 and ANII, 2013). Furthermore, irrigation—key to improving productivity and building climate resilience—remains limited in scope⁴⁷ despite its potential profitability (CERES, 2023; Capurro et al., 2017; Giménez, 2019). The main constraints to its development are: lease terms and related uncertainty (80% of the land is leased), low electrical capacity (MGAP, 2015)⁴⁸; small and medium-sized producers' exclusion from tax incentives⁴⁹; and long-term financing shortages.

2.8. Competition, a key driver of innovation and business environment improvement, faces restrictions.

More competitive markets foster innovation and productivity and boost the economy.⁵⁰ In turn, they reduce inequality and increase wages and tax revenues.⁵¹ In Uruguay, pricing in relevant markets is distorted by high regulatory and distribution costs, high logistics and final-sale margins, administrative restrictions, and exclusivity agreements, which encourage non-competitive practices.⁵² Although the country has made progress, there is room to strengthen its institutional framework to protect competition. Compared to other countries in the region, Uruguay's Commission for Competition Promotion and Protection has a low budget, an understaffed workforce, and limited legal independence.⁵³

2.9. The business climate in Uruguay offers opportunities for improvement in access to financing and in administrative procedures for exports and foreign direct investment.

Domestic credit to the private sector accounts for 31% of GDP, a figure lower than the LAC average (52%) and the OECD

³⁸ Source: BCU, National Accounts, 2025.

³⁹ IDB estimates based on Uruguay XXI.

⁴⁰ [UNCTAD, 2025](#) (United Nations Conference on Trade and Development)

⁴¹ Annual Report on Industrial Goods Exports by the Chamber of Industries of Uruguay.

⁴² IDB estimates based on Uruguay XXI.

⁴³ [CERES \(2022\)](#) (Center for the Study of Economic and Social Reality)

⁴⁴ Source: BCU, National Accounts, 2025

⁴⁵ IDB calculations based on USDA data and Nin-Pratt et al. (2023). TFP growth during the commodities boom coincided with soybean cultivation expansion. In the subsequent period, TFP was negatively impacted by the COVID-19 pandemic in 2020 ([Salazar et al., 2025](#)).

⁴⁶ R&D investment/GDP ratio for Uruguay was estimated for 2013 to be between 1.4% (Stads et al., 2016) and 1.6% (Bervejillo et al., 2016).

⁴⁷ Only 3% of the area under summer rain-fed crops is irrigated (CERES, 2023; and MGAP, 2023), far below its potential (MGAP, 2015; and CERES, 2023). Despite recent tax incentives to promote reservoir and irrigation system construction, costs and land ownership have limited their implementation to 10% of suitable areas.

⁴⁸ [Ministerio de Industria, Minería y Energía](#) (Ministry of Industry, Mining, and Energy)

⁴⁹ Comisión de Aplicación de la Ley de Inversiones, Ministerio de Economía y Finanzas (Commission for Investment Law Application, Ministry of Economics and Finances).

⁵⁰ Aghion and Griffith (2008) and Bloom, Draca and Von Reenen (2016).

⁵¹ [Alvarez et al. \(2025\)](#).

⁵² Aguiar, Fleitas, Marchesano, Oddone and Umpiérrez (2020).

⁵³ [Alvarez et al. \(2025\)](#).

average (91%).⁵⁴ Only 17% of MSMEs obtained a bank loan in recent years, and 73% had no access to credit from any source.⁵⁵ BROU comprises half of the financial sector and plays a developmental role. Women-owned businesses face greater barriers: only 15% of them applied for bank financing (vs. 22% of men-owned businesses) (Azar et al., 2024). The contribution from the capital market is marginal: private-sector issuances in the primary market account for an average of about 1% of the issuance total, and the secondary market is concentrated on public-sector securities transactions. In addition, state-owned companies and their subsidiaries do not regularly tap into the capital market for funding, which limits financing diversification and long-term instruments development for productive investment.⁵⁶ While the Uruguayan government has solid access to international markets, underdeveloped foreign exchange hedging and private financing in local currency limit private sector access to these benefits, hindering compatibility between foreign capital attraction and financial de-dollarization.⁵⁷ Although Uruguay performs well in the Global Competitiveness Index for Latin America and the Caribbean⁵⁸, some of its weakest components are the governmental regulatory burden and the cost of starting a business (ranking 111th out of 141 countries in both categories). In particular, the high trade costs linked to customs delays have a negative impact on firms' exports.⁵⁹ Uruguay has made some progress by implementing the Single Window for Foreign Trade (VUCE) and the Single Window for Investment (VUI). However, there has been a slowdown in VUCE's expansion, and VUI faces coordination issues, lacks harmonization, fails to process applications from abroad, and faces duplicated requirements.⁶⁰ Limited interoperability across the VUCE, VUI, and national agencies hampers trade facilitation. Greater access to financing and more streamlined procedures would also contribute to a greater influx of firms into the market and the growth of firms currently restricted, leading to increased competition.

2.10. Uruguay could achieve greater efficiency in its fiscal management, on both the spending and revenue sides. Uruguay's public spending structure is rigid: in 2025, more than 85% of Central Government and BPS primary spending went toward pensions, transfers, and wages (MEF, fiscal statistics).⁶¹ Leakage in targeted transfers—social programs, energy, and tax expenditures—amounts to 1.6% of GDP; when public procurement and wages are included, the figure rises to 2.7%⁶². Healthcare spending exceeds 9% of GDP (MSP, 2024), with opportunities for efficiency improvement (Goyeneche and Bauhoff, 2024). Fiscal pressure (27%) exceeds ALC average. VAT, corporate income tax (IRAE), and personal income tax (IRPF) account for 78% of tax revenue, and tax expenditure (6.6% of GDP) has not been proven effective (DGI, 2025). There are still inefficiencies in resource and budget management: despite progress in modernizing the SIIF, 30% of accounting records and payments are not automated, and integration with financial institutions is limited. The government accounting module does not generate financial statements or allow for automated reporting. Human Resources management uses fragmented systems, and public procurement remains largely under-digitized. Integrated management systems (GRP) cover only a portion of government entities and have limited interconnection with the SIIF⁶³ (IDB, 2022). The 2020 fiscal rule was amended in 2025, and although the country has made significant progress in this area, there is a need to strengthen the fiscal framework and institutions—such as the Fiscal Council—and to improve operational capabilities, macro-fiscal projections, and the monitoring of prudent debt levels and the structural balance.⁶⁴ Public enterprises, with assets exceeding 20% of GDP and liabilities nearing 10%⁶⁵, are key to service provision but also a potential source of fiscal contingencies, highlighting the importance of

⁵⁴ World Bank, World Development Indicators, 2024.

⁵⁵ National Survey of MSMEs (MIEM, 2017)

⁵⁶ National Institute of Statistics (INE, 2025)

⁵⁷ Vargas, M. and Sanchez, J. (2023).

⁵⁸ Uruguay ranked 54th out of 141 countries in the World Economic Forum's 2019 Global Competitiveness Index (GCI), with an overall score of 63.5 (on a scale of 0 to 100), slightly above the LAC average (57.4) but below the OECD average (75.7).

⁵⁹ Volpe et al (2015)

⁶⁰ Investment promotion agencies with better monitoring and evaluation systems show improved performance in terms of attraction of foreign companies (Carballo et al., 2021).

⁶¹ Pension spending (8.8% of GDP) is among the highest in the region, exceeding the OECD average (Tapia et al., 2023).

⁶² IDB calculations based on 2022 data using the methodology in Ayres, Izquierdo, and Parrado (2025). In both cases, improvements were recorded compared to 2015–2016, when these items accounted for 2.2% and 3.7% of GDP, respectively (Izquierdo, Pessino, and Vuletin, 2018).

⁶³ Operación UR-L1193/UR, Programa de Transformación Digital de la Gestión Fiscal. (Operation UR-L1193/UR, Tax Administration Digital Transformation Program)

⁶⁴ González and Rodríguez (2025).

⁶⁵ Musacchio and Pineda (2019).

strengthening governance and the regulatory environment, aligning with corporate structures and market practices, and promoting transparency, monitoring, and integration into the fiscal management framework. Public debt management can still be improved in terms of developing domestic and external markets, as well as managing public sector assets and liabilities (Accountability Report 2024). Subnational governments (SNGs) account for approximately 30% of consolidated public investment (0.7% of GDP); however, their investment spending represents about 16% of their total spending, below the regional average (31%) (Radics et al., 2022). At the subnational level, there are still accounting deficiencies, no inventories, lack of debt registration, and high tax delinquency (14% for rural property taxes and 28% for urban and suburban property taxes) (OPP, 2022), services with savings potential (street lighting and waste management), and duplicated procedures.

WHAT WE WILL DO

2.11. The IDB Group will boost innovation and improve the business climate by: 1) boosting productive modernization, trade openness, and skills development; 2) promoting regulatory simplification and access to finance; and 3) enhancing fiscal management.

2.12. The IDB Group will support Uruguay in consolidating a development model based on innovation, internationalization, and the strengthening of human capital, aimed at positioning the country as a regional innovation hub, through a multisectoral strategy designed to leverage existing strengths, scale up capabilities, and generate new knowledge-based growth opportunities. Specific actions will include continued strengthening of Uruguay through public-private co-investment, open R&D infrastructure, and acceleration programs. The scaling and internationalization of technology firms will be supported, and instruments to promote innovation, knowledge transfer, and technological development will be strengthened, improving coordination among science, business, and the public sector. The integration of artificial intelligence and the development of advanced human capital will be promoted, as will MSME competitiveness through improved services, diagnostics, technological tools, and STEM talent. Targeted instruments to finance innovation—such as technological risk mitigation schemes, guarantees, co-investment, and demand-side mechanisms— will be advanced and the venture capital industry will be strengthened as a means of channeling financing to technology startups through IDB and **IDB Lab**. At the regional level, the IDB Group will strengthen enabling digital infrastructure, AI skills, and high-performance computing capabilities, along with interoperability guidelines and specialized training. It will also promote trade facilitation and sophisticated sector exports, by identifying new market niches, and it will develop a strategy focused on international tourism positioning. Likewise, it will support the modernization of the institutional framework to leverage trade agreements such as Mercosur-EU and to deepen the relationship with the OECD. The IDB Group will seek to narrow the digital divide outside Montevideo through demand- and supply-side interventions, while **IDB Invest** will offer financing to technology and manufacturing companies, support industrial parks and logistics infrastructure, and promote regulatory and institutional reforms to encourage investment. Finally, **IDB Invest** and **IDB Lab** will promote job training, upskilling, and reskilling, along with the development of digital and AI skills, targeting women, older adults, and automation-affected workers.

2.13. Productivity and climate resilience in the agricultural sector will also be promoted through technological innovation and the development of irrigation systems. INIA's capabilities will be strengthened through advanced equipment and human capital, and strategic partnerships with agencies, producers, and companies will be consolidated to promote innovation and new forms of collaboration with the productive sector and other industries. The adaptation and diversification of agricultural exports will be facilitated in response to high external dependence, and trade agreements will be promoted, including the mutual recognition of sanitary protocols and food safety measures. The IDB Group will promote investments in productive infrastructure, particularly irrigation, through public-private partnerships, specialized operators, institutional strengthening, technical assistance in R&D and project implementation, and the analysis of reforms to streamline processes. **IDB Invest** will support agricultural productivity in sectors with comparative advantage and strengthen relevant value chains. **IDB Invest** and **IDB Lab** will continue to promote good agricultural practices (precision agriculture, regenerative livestock farming, and agrifoodtech) by strengthening agricultural innovation,

investment in R&D, and the scaling up of successful models. **IDB Lab** will support the responsible adoption of AI among SMEs and startups and accelerate the development of agrifoodtech, facilitating its adoption by small producers and anchor companies, thereby boosting productivity, climate resilience, and sustainability.

2.14. Efforts will be made to improve the business climate by streamlining and digitalizing foreign trade and investment procedures, and by strengthening regulatory governance, promoting competition, and improving access to financing. Efforts will be made to streamline and digitalize foreign trade and investment processes. The institutional framework for promoting and defending competition will be strengthened by fostering greater independence and autonomy and by bolstering its financial and human resources. Access to financing will be expanded through deeper capital markets, innovative instruments such as green and social bonds, and greater regional integration of stock exchanges. Support will be provided for structuring vehicles and instruments to strengthen public companies' access to capital markets and expand the availability of longer-term foreign exchange hedging. The Central Bank's independence will be promoted, along with prudential supervision aligned with international standards. **IDB Invest** will foster new issuers, long-term debt, and alternative vehicles such as trusts and debt funds; and **IDB Lab** will support regional venture capital funds and governance improvement. There will be a focus on expanding MSME access to financing through guarantees such as SIGA, value chain-based financing, and non-bank financial institutions reinforcement. Additionally, a modern regulatory framework for Fintech will be developed to spur competition, alongside financial education, credit technology upgrades, and partnerships with BROU and commercial banks to share risks and scale innovative solutions.

2.15. The strengthening of fiscal management will be supported through its modernization at the national and subnational levels, by enhancing tax and customs administration, public financial management, and related institutions. Priority will be given to expanding human and technical capacities, implementing risk-based tax compliance models, modernizing technology and processes, and updating tax and customs systems. Likewise, the scope of financial management systems (SIIF, GRPUy) will be expanded, statistical records and data generation will be improved, and public accounting, budget and debt management, national systems, investment, procurement, and public enterprise management will be strengthened, promoting reforms focused on governance, efficiency, transparency, a strengthened regulatory environment, corporate and financing structures, the promotion of economic growth, and fiscal discipline. Macroeconomic and fiscal management will be enhanced, along with capacities for planning and administering the public budget and the strategic management of government priorities, supporting fiscal consolidation. Institutional strengthening of oversight, monitoring, and integrity bodies for public institutions and finances will be promoted through the adoption of best practices, international standards, and digital solutions, ensuring technical interoperability and cybersecurity. The intensive use of data, modern management standards, and best practices in transparency and financial integrity will be promoted to prevent risks and strengthen accountability. Finally, the institutional capacity of the public health sector will be strengthened by creating an integrated healthcare map, enhancing the Ministry of Public Health's information systems, transforming the Hospital de Clínicas into a digital hospital, and optimizing ASSE's administrative and financial processes.

2.16. A programmatic approach will be consolidated to accelerate innovation and improve the business climate by integrating previous experience in innovation, productivity, sustainable finance, capital market development, and access to financing for startups with new interventions aimed at positioning Uruguay as an innovation hub, strengthening agricultural research and exports, improving irrigation governance, and expanding financing and acceleration for technology companies, along with advances in digital infrastructure, connectivity, and productivity. The new operations incorporate CCLIPs for productive development, long-term financing for the industrial sector, and increased financing for technology startups; while the CTs prioritize public innovation, digital transformation, adaptive climate fiscal policy, and irrigation. Among the operations currently underway, the first two operations of a CCLIP for productive development through internationalization, innovation, and

talent⁶⁶—approved in 2025—stand out, as well as operations in development with ANII⁶⁷ and UTEC⁶⁸. The implementation will combine CCLIP, INV, Grants, PBL, LBR, non-sovereign loans and guarantees, debt securities, equity, and quasi-equity, aligned with South Connection—through the optimization of logistics and trade facilitation and the strengthening of digital infrastructure—and with Ready and Resilient in the Americas—by building greater resilience in agricultural production and mobilizing private capital for investments in resilient infrastructure—and the OECD-Uruguay agenda. The selective use of multisectoral CCLIPs will make it possible to address cross-cutting and complex challenges—such as productivity, innovation, and citizen security—through unified frameworks when inter-institutional coordination is required. Sectoral CCLIPs will continue to be used in areas where institutional frameworks are well-defined and sectoral specialization provides technical depth and operational efficiency.

EXPECTED RESULTS

- **Higher private R&D investment** with higher proportion of companies investing in R&D and a more innovative production structure.
- **Enhanced business sophistication** through digitalization and technology adoption.
- **Higher simplification in processes and regulations to facilitate exports** by increasing interoperability of foreign trade windows.
- **Increased number of graduates in STEM fields** by raising the annual number of science and engineering graduates.
- **Expansion of crop irrigation and agro-industrial productivity, while strengthening the provision of ecosystem services** by improving the provision of ecosystem services and agro-industrial yields.
- **Reduction in time and costs for companies in government procedures** by streamlining regulations, digitizing procedures, and promoting competition.
- **Increased access to financing for businesses and entrepreneurs** by increasing the percentage of MSMEs with access to financial services.
- **Improved efficiency of tax collection** by increasing compliance and reducing tax evasion.
- **Improved efficiency of public spending, transparency, and oversight** through better resource allocation and expenditure management, with special focus on health.

⁶⁶ The Uruguay Innovation Promotion Program (UR-L1208), aimed at contributing to the growth of business productivity by increasing business innovation; and the Uruguay Internationalization Promotion Program (UR-L1204), aimed at contributing to the growth of business productivity by enhancing internationalization.

⁶⁷ Business Innovation and Entrepreneurship Program III (UR-L1187), aimed at increasing business productivity through greater investment in knowledge, human resources, innovation, and entrepreneurship.

⁶⁸ Uruguay Global II: Promoting Advanced Digital Skills for Internationalization (UR-L1197), with the aim of fostering international integration by developing skills in new technologies within knowledge-intensive goods and services sectors (SBIC).

B. PILLAR 2. SECURITY AND WELL-BEING

WHY IT MATTERS

2.17. Insecurity is the public’s primary concern and one of the greatest challenges to social cohesion, as it is intertwined with poverty, education, and unemployment. While in 2006, 7% of the population identified insecurity as one of the main national problems, by 2024 that figure had risen to 43%, surpassing economic and educational concerns (Equipos Consultores, 2024). The homicide rate has shown an upward trend over the past decade, rising from nearly 6 per 100,000 inhabitants in 2011 to 12 in 2018, and after a decline during the pandemic, rising again to 11 in 2024 (Ministry of Internal Affairs, 2024) while the prison population has doubled over the past 20 year⁶⁹. Violence is geographically concentrated: one-third of homicides occur in fifteen neighborhoods of Montevideo, where 10% of the national population resides (Ministry of Internal Affairs, 2025); these areas are characterized by high rates of child poverty, youth unemployment, educational attainment gaps, overcrowding, and a limited institutional presence (Rojido et al., 2023; Tenenbaum et al., 2023; Calvo et al., 2013). Young men are the primary actors in crime and violence, both as victims (85%) and as perpetrators (92%), with the latter group predominantly consisting of those with criminal records and low job qualifications (Rojido et al., 2023; Sanjurjo and Arigón, 2020). Domestic violence is the second most commonly reported crime in the country, with a 32% increase in reports between 2014 and 2024,⁷⁰ while more than 3 in 4 women (77%) aged 15 or older report having experienced gender-based violence (psychological, physical, economic, or sexual) at some point in their lives, with higher prevalence among people of African descent (86%), young people (82% among those aged 15 to 18 and 84% among those aged 19 to 29), and migrants (82%).⁷¹ The annual rate of femicide stands at 1.3 per 100,000 women, the eighth highest in Latin America and the Caribbean.⁷² Although innovations such as the High Operational Dedication Program (PADO) have been implemented, gaps persist in police professionalization, the use of evidence, and inter-institutional coordination (Sanjurjo and Trajtenberg, 2022). The prison system suffers from overcrowding (123% occupancy) and a lack of effective reintegration programs (Ministry of Internal Affairs, 2023a; Uruguayan Parliament, 2024). Uruguay has the highest incarceration rate in South America (449 per 100,000 inhabitants).⁷³

⁶⁹ The rise in homicides is attributable to the expansion of organized crime—a widespread phenomenon in Latin America and the Caribbean—and to local criminal fragmentation, while the growth of prison populations reflects harsher criminal policies and the increased use of incarceration as a tool for crime control since the 2000s (Rojido et al. 2023; Vigna, 2024; Home Affairs Ministry, 2025; Croci, 2026).

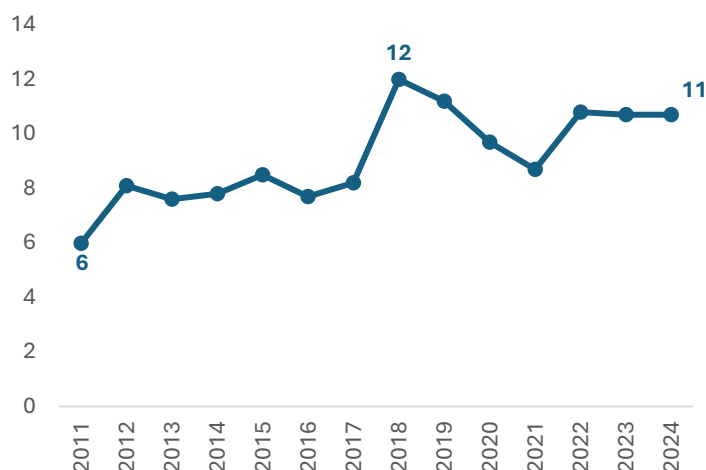
⁷⁰ [Observatorio Nacional de Violencia y Criminalidad](#). (National Observatory on Violence and Crime)

⁷¹ MIDES, [Segunda Encuesta Nacional de Prevalencia Sobre Violencia Basada en Género y Generaciones](#), 2019 (MIDES, Second National Prevalence Survey on Gender-Based and Intergenerational Violence, 2019)

⁷² [CEPAL, Observatorio de Igualdad de Género](#) (ECLAC, Gender Equality Observatory)

⁷³ Since 2020, the female prison population has grown by an average of 18% annually, twice the growth rate recorded for the total prison population (source: [Parlamento de Uruguay, 2025](#)). (Uruguayan Parliament, 2025)

FIGURE 1. HOMICIDE RATE (HOMICIDES PER 100,000 INHABITANTS)



Source: Ministry of Internal Affairs

2.18. Uruguay offers a particularly favorable environment for implementing citizen security reforms, with positive spillover effects for the region. Thanks to its democratic stability, high level of institutional development, extensive government digitization, and strong track record of innovation in public policy, Uruguay is particularly well-equipped to tackle reforms that require institutional coordination, data systems, and continuity across different administrations. This positioning aligns closely with the IDB’s Alliance for Security, Justice, and Development, which emphasizes evidence-based solutions, institutional strengthening, innovation, and knowledge sharing to address organized crime. Effective interventions in Uruguay can contribute to the design of scalable and transferable models, particularly in the Southern Cone, given that the dynamics of organized crime (such as drug trafficking routes, firearms flows, and criminal networks) generate cross-border effects. Uruguay is developing its National Public Security Plan 2025–2035 through a process based on democratic participation, long-term planning, and the systematic use of scientific evidence. Its thematic approach, which covers homicides, firearms, drug trafficking, cybercrime, criminal justice, and prevention systems, positions the country as a valuable platform for implementing integrated, evidence-based approaches.

2.19. Uruguay has achieved poverty and extreme poverty rates below the regional average and near-universal school enrollment, but there are still gaps that particularly affect vulnerable children and youth. Poverty is concentrated among children and adolescents: 29% of children under six are poor—70% higher than the overall rate, at 17%—and 70% of poor households include at least one child or adolescent, with female-headed⁷⁴ and Afro-descendant⁷⁵ households predominating. Eighteen percent of children under five display developmental delays in at least one area, with marked socioeconomic disparities. These inequalities deepen throughout the educational and labor cycles (Attanasio et al., 2024), with negative consequences for productivity and social cohesion.

2.20. Access to social protection and care remains unequal. Although Uruguay has a robust social safety net, challenges remain regarding the targeting and adequacy of cash transfers: 18% of children and adolescents in poor households do not receive cash transfers⁷⁶, and the amount covers only 31% of the poverty gap (UNICEF, 2024). Coverage of early childhood centers rose from 50% to 60% over the past decade, but a 19-percentage-point gap persists between the poorest and richest quintiles (Ministry of Social Development, 2018). Nineteen percent of children of African descent aged 2 to 6 have never attended an educational center, and 6.5% of school-age children with disabilities do not

⁷⁴ 71% of poor households with children are headed by a woman, compared to 58% of non-poor households with children and 57% of poor households without children (IDB estimates based on the 2025 ECH survey).

⁷⁵ In these households, 67% of caregivers work in the informal sector, and 60% earn less than \$350 a month (UNICEF, 2024)

⁷⁶ IDB estimates based on 2024 ECH survey.

attend school (World Bank, 2020a; García Mora et al., 2021).

2.21. The fragmentation of educational pathways and high youth unemployment—two closely related problems—reflect deep socioeconomic inequalities. Although primary school enrollment is nearly universal, 75% of students miss more than 13% of their classes (ANEP, 2024), and only 52% of young people aged 21 to 23 complete secondary school (INEEd, 2023), below the regional average of 67% (Arias Ortiz et al., 2024), with disparities based on income (82% in the highest quintile versus 23% in the lowest), race (33% of Afro-descendants), and gender (43% of males)^{77 78}. 57% of 15-year-old students do not meet the minimum proficiency level in mathematics, and 41% in reading and science, double the OECD average (Arias Ortiz et al., 2024). Educational gaps are reflected in the labor market: youth unemployment stands at 25%—five times that of adults⁷⁹ and disproportionately affects women, people of African descent, and people with disabilities, who also face higher rates of informal employment and lower incomes. (World Bank, 2020b). Women, despite their higher levels of education, face wage gaps ranging from 13% to 30% and are overrepresented in low-productivity jobs.⁸⁰ People of African descent, while participating in the labor force at a rate of 77%, contribute to social security at a lower rate (66% versus 77% in the total population) and have a higher unemployment rate (14% versus 10%)⁸¹.

WHAT WE WILL DO

2.22. The IDB Group will help ensure safe communities and the well-being of the most vulnerable by: 1) improving citizen security and 2) increasing the well-being for childhood and vulnerable youth.

2.23. Citizen security will be improved through a comprehensive, multisectoral approach that combines prevention, institutional strengthening, and rights protection. The IDB Group will promote a long-term strategy to modernize the security and justice system, prioritizing government coordination and efficiency. Police, prison and judicial subsystems governance and integration will be strengthened, in coordination with key entities involved in crime prevention, criminal prosecution, and financial oversight. Joint planning among sectoral agencies will be promoted to develop a portfolio focused on citizen security, police modernization, justice, violence prevention, and social reintegration, aligned with the 2025–2035 National Public Security Plan. The adoption of modern management standards, data use, and digital transformation will be encouraged, ensuring sustainable and results-oriented investments. **IDB Invest** could support private investment in citizen security through public-private partnerships in prison infrastructure. At the same time, actions will be promoted to prevent and respond to gender-based violence, especially among young people, through programs for men and the strengthening of specialized institutions, tailoring responses to diverse populations (people of African descent and the migrant population). Initiatives will also be promoted to foster the economic autonomy of women survivors, helping them break the cycle of violence and protect their children. Finally, efforts will be made to modernize employment and vocational training policies in strategic regions, connecting vulnerable young people with formal jobs and reducing their exposure to crime.

2.24. Education will be improved through a multidimensional approach that combines school infrastructure, teacher training, and strategies to improve educational progression and attendance, focused on equality and diversity. Support will be provided for school infrastructure expansion and modernization, teaching training improvement, and the design of strategies to enhance educational progression and attendance among vulnerable students—particularly those of African descent, migrants, boys, and people with disabilities—through scholarships, extended school hours, and nutrition initiatives..⁸² The quality, relevance, and equality of learning will be encouraged,

⁷⁷ IDB calculations based on ECH 2024.

⁷⁸ These disparities are more pronounced among migrating population: 3.9% of those aged 12 to 14 are not enrolled in school, compared with 1.8% of the native-born population (INE, 2023, based on the Census).

⁷⁹ INE, ECH 2025.

⁸⁰ Newly arrived migrant women face an unemployment gap of 24.5% compared to Uruguayan women (Prieto, 2025).

⁸¹ INE, ECH 2023.

⁸² Scholarship programs will be based on a comprehensive approach that simultaneously addresses students' socioeconomic, socioemotional, and academic dimensions.

emphasizing foundational, social-emotional, and workplace skills, including technical and vocational education. The ethical and inclusive use of artificial intelligence and digital technologies in education will be supported, expanding access to resources and programs that strengthen digital and STEM competencies, addressing socioeconomic and gender gaps. There will be a stronger focus on using data and evidence in educational management. Efforts will be made to support the system for safeguarding educational pathways by strengthening registration and attendance monitoring systems in secondary education, educational assessments, and the modernization of institutional management—covering human resources, infrastructure, and scholarships. Artificial intelligence and behavioral sciences will be incorporated to encourage school attendance and improve learning outcomes.

2.25. Support will be provided to strengthen social protection and employability policies targeting vulnerable children and youth, through the optimization of cash transfer systems and the modernization of training and employment services. Priority will be given to actions aimed at improving the effectiveness of social protection policies in reducing poverty, by strengthening the targeting and adequacy of cash transfer programs and improving interoperability and management. These actions will enable timely coordination with health, education, care, and early childhood development services, as well as enhance the programs' capacity to adapt and respond to adverse events. Likewise, institutional and territorial coordination of employment and vocational training policies will be promoted, along with the strengthening of training offerings and links with the productive sector, targeting low-income populations, women, and Afro-descendants. Across the board, support will be given to digital transformation initiatives in institutions responsible for employment and vocational training policies. **IDB Lab** will pilot innovative solutions—such as Social Impact Bonds and WorkerTech services—to improve educational completion rates, employability, and working conditions for young people.

2.26. A programmatic approach will be consolidated to improve citizen security and enhance the well-being of the most vulnerable children and youth, building on the existing portfolio—including teacher training to improve high school graduation rates, primary education infrastructure through public-private partnerships (PPPs) via **IDB Invest**, and secondary school completion and employability of vulnerable youth through a Social Impact Bond—and expanding it with continuity and new interventions: scholarships for vulnerable students, violence reduction through strengthening police investigations and the National Security Plan, expansion of primary education infrastructure, and innovative upskilling/reskilling solutions to improve employability and working conditions. The new interventions incorporate CCLIPs for citizen security and school scholarships. The CTs focus on digital education, skills development and employability, strengthening the care system, and the prevention and response to GBV. Two ongoing operations deserve special mention: one aimed at improving the effectiveness of the prison system and police investigative capabilities⁸³; and the fourth CLIPP operation, Support for Secondary Education and Teacher Training, designed to improve retention, progression, and graduation rates in secondary education, targeting the most vulnerable students⁸⁴. The implementation will make use of CCLIP, INV, Grants, PBL, LBR, non-sovereign-guaranteed loans through **IDB Invest**, and guarantees, in alignment with the agenda of the *Alliance for Security, the agenda of the Alliance for Security, Justice, and Development (AJSD)*—through the strengthening of police investigations and the development and implementation of the National Security Plan—and with the agenda of IDB Cares—through the strengthening of the care system and better targeting of services to priority and vulnerable populations.

⁸³ Greater Security I: Progress in Key Areas of Public Security Management (UR-L1206), aimed at improving the effectiveness of prison management, the National Police's capacity to investigate crimes, and police training; and the Comprehensive Public Security Program II (UR-L1194), aimed at increasing the prevention of homicides and gender-based violence.

⁸⁴ Program to Strengthen School Attendance in Secondary Education (PASEEM) (UR-L1209).

EXPECTED RESULTS

Increased homicide resolution rates through enhanced police investigations and information systems.

Reduced incidence of violent crime by strengthening law enforcement and crime investigation, expanding services to combat gender-based violence, and improving prison conditions.

Improved prison conditions by enhancing the system's capacity to generate data on Liberty-deprived Individuals.

Improved cash transfers adequacy and scope, with more accurate targeting and effective coverage, including greater participation by female-headed households and Afro-descendants.

Improved graduation rates and learning outcomes in secondary education among low-income students by increasing access, attendance, and graduation rates, along with academic achievement upgrades.

Improved employability for low-income youth, women, and Afro-descendants by reducing youth unemployment and increasing labor market integration and skills.

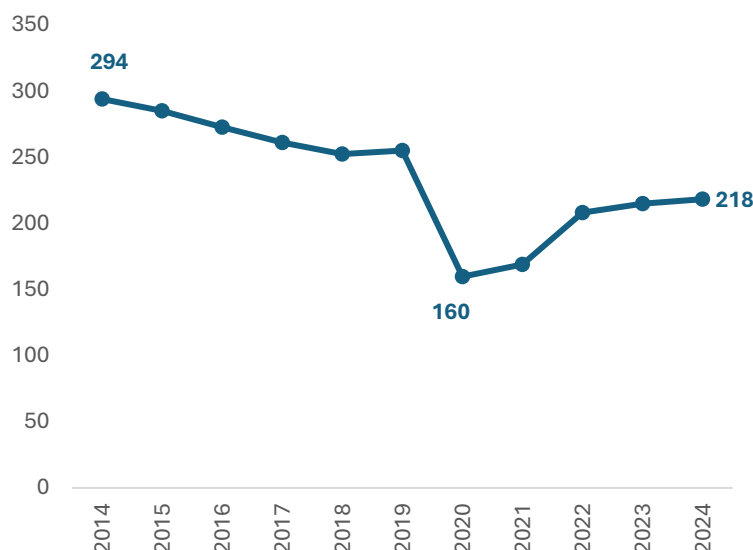
C. PILLAR 3. MOBILITY AND BASIC SERVICES

WHY IT MATTERS

2.27. Uruguay is well-positioned in terms of regional infrastructure, but it faces gaps that limit sustainable development. The country has total investment needs of US\$13.2 billion through 2030, representing 1.3% of its GDP each year until 2030 (Brichetti, et al. 2021), compared to 3.1% for LAC. However, persistent infrastructure gaps limit productivity, social inclusion, and climate resilience. The country lacks an infrastructure plan to facilitate the identification and prioritization of medium-term strategic projects (including those under private-sector participation schemes). Furthermore, the shallow capital market and short-term bank financing restrict infrastructure funding.

2.28. In the Montevideo Metropolitan Area (AMM), public transportation faces structural problems that affect quality of life and productivity. Ticket sales in the AMM have fallen by 26% over the past decade, resulting in 25% of commutes being made by public transportation, compared to 32% by car. The average travel time in Montevideo is 24.3 minutes, with significant variation by mode: 46 minutes by public transit and 21 minutes by car or motorcycle (Mauttone and Hernández, 2017). The lack of integration between urban and suburban systems, coupled with limited metropolitan planning, increases congestion and discourages the use of public transportation, exacerbating sustainability and equality issues. It is estimated that approximately one-third of buses in Montevideo are accessible, falling short of legal requirements (World Bank, 2020).

FIGURE 3. TICKET SALES AT THE METROPOLITAN AREA OF MONTEVIDEO (MILLIONS)



Source: 2025 National Statistical Yearbook, based on data from the Municipality of Montevideo

2.29. The transition to cleaner transportation is a strategic opportunity that has not yet been fully realized. Uruguay has a renewable energy mix that facilitates transportation electrification, thereby reducing emissions and operating costs. However, uptake of electric buses and sustainable technologies remains limited. Montevideo’s electric fleet consists of 177 buses, out of a total of 1,547.

2.30. Gaps in transportation infrastructure limit competitiveness and social inclusion. Although the country has achieved service levels and road network conditions for its main highway system that exceed the regional average, nearly 5% of the population lives in rural areas with limited access to services and markets, which affects agro-industrial productivity and social mobility. Rural roads’ low resilience to extreme weather events exacerbates the vulnerability of production chains and of communities. Railway infrastructure deficiencies reinforce dependence on road transport and drive up logistics costs.⁸⁵ In addition, there are challenges in port infrastructure and operational performance: the country ranks in the lower-middle range in terms of regional maritime connectivity and has experienced recent decline in cargo volume, linked to capacity constraints, high logistics costs, and operational delays, which undermine its competitiveness vis-à-vis other ports in the region.⁸⁶ To fully leverage agreements such as MERCOSUR–European Union, priority logistics investments and institutional upgrades are needed to strengthen multimodal connectivity. Although Uruguay has a solid regulatory framework and experience with PPPs, institutional weaknesses persist in project preparation and management, limiting new initiatives under this scheme (Economist Impact and IDB 2025).

2.31. There are still challenges regarding adequate housing and the urban environment. 37% of households in the first- and second-income quintiles face housing quality deficits, primarily due to poor-quality materials, overcrowding, and deficiencies in basic infrastructure. In addition, 5% of the population lives in informal settlements, facing lack of basic services, low coverage of social services, insecure land tenure, and greater exposure to climate risks. While some neighborhoods have a poverty rate of 1.2%, others reach 27.9% (CED, 2023). Meanwhile, Montevideo’s historic district (Ciudad Vieja) has lost population in recent decades and has more than 23,000 vacant homes. In addition, there is lack of access to financing, as vulnerable households face significant barriers to obtaining mortgage

⁸⁵ 57% of the network’s tracks are inactive (NGE, 2024; Bloomberg, 2022). . Although recent investments have made it possible to increase the speed of freight trains to 40 km/h (up from 10 km/h in 2017, see NGE, 2024), delivery delays and derailments persist, which has reduced the network’s effective capacity to half of its potential capacity of 1.4 million tons (Bloomberg, 2022).

⁸⁶ UNCTAD, 2026 and Visión Marítima, 2025.

credit through the traditional banking system. These gaps widen among diverse and vulnerable populations: 67% of Afro-descendant people live in housing considered unsafe; people with severe disabilities often live in crowded, substandard housing (World Bank, 2020); and 76% of migrants live in improvised shelters, informal settlements, on the streets, in boarding houses, or in hotels⁸⁷.

2.32. Reliable and continuous access to safe drinking water is essential for public health, social equality, climate resilience, and biodiversity and natural capital protection, but Uruguay faces critical challenges in managing its water resources.

Although the country has achieved nearly 99% coverage in drinking water, the AMM's supply depends on a single source and a single water treatment plant⁸⁸, which creates risks in the face of droughts and floods, which are becoming increasingly frequent and intense. Floods also affect plants outside the AMM, causing service interruptions. Water quality is at risk in over a hundred localities in the south and west with arsenic levels exceeding legal limits, and in vulnerable neighborhoods illegal connections degrade service quality (Pittamiglio Study, 2022). Non-revenue water accounts for over 51% of the total volume supplied to the network, placing OSE among the companies with the highest losses in the region (Aderasa, 2023). Lack of information to conduct a hydrological balance prevents distinguishing between physical and commercial losses. This increases operating costs and limits the ability to respond to water stress scenarios. In addition to these factors, there is environmental pressure such as wetland degradation, changes in land use, and pollution, as well as governance challenges such as incomplete inventories, gaps in standardized monitoring, and institutional dispersion, all of which compromise hydrological regulation and water quality in priority watersheds.⁸⁹

2.33. Uruguay has displayed leadership in the energy transition, but faces the challenge of moving forward with the electrification of the economy.

The 2008–2030 Energy Policy enabled the transformation of the electricity mix by incorporating renewable sources such as biomass, wind, and solar power. However, more than a third of the primary energy mix (36%) remains non-renewable. In this regard, Uruguay's Long-Term Climate Strategy (2021)⁹⁰ proposes a second transformation that, together with the National Policy on Sustainable Urban Mobility currently under development, will enable the electrification of sectors such as transportation and industry. In turn, to make progress on electrification, it will be necessary to strengthen the electricity grids to keep pace with growing demand and to bring renewable generation from the center and north of the country to the main consumption areas in the south, as well as to ensure the incremental supply of renewable energy. The wholesale electricity market has low levels of competition, which raises production costs and affects the industrial sector's competitiveness. Historically, the cost of energy in Uruguay has been high compared to other countries in the region.⁹¹ These high costs are due, in part, to the limited competition resulting from the sector's structure. Although a 2023 decree opened the possibility of power purchase agreements between private entities, there has not yet been an increase in transactions under this new framework, in part due to high medium-voltage transmission rates.

WHAT WE WILL DO

2.34. The IDB Group will drive better mobility and basic services by: 1) promoting mobility solutions and urban development; and 2) strengthening basic services through efficient and resilient infrastructure.

2.35. The IDB Group will collaborate on long-term infrastructure planning exercises to identify, prioritize, and structure projects, and to serve as a basis for identifying private investment opportunities, in line with the country's sectoral needs. Support will be provided for regulatory reviews, capacity-building, and governance improvements to enable a new cycle of investment in mobility, logistics, and urban services through PPP schemes. **IDB Lab** will promote GovTech solutions in areas such as water and sanitation, and electrification to improve efficiency and foster innovation in public service delivery.

⁸⁷ MMC, 2025.

⁸⁸ OSE.

⁸⁹ Convention on Biological Diversity (2026) "Uruguay - Country Profile" (consulted on 12/2/2026).

⁹⁰ Ministerio de ambiente. (Ministry of the Environment).

⁹¹ As of November 2025, medium-voltage industrial rates stood at US\$142/MWh in Uruguay, higher than in Brazil (US\$119/MWh), Argentina (US\$86/MWh), and Paraguay (US\$41/MWh), while residential rates were US\$271/MWh in Uruguay, higher than in Brazil (US\$211/MWh), Argentina (US\$111/MWh), and Paraguay (US\$72/MWh) (SEG Ingeniería, 2025).

- 2.36. Comprehensive solutions will be promoted to achieve more efficient, accessible, and sustainable mobility.** The IDB Group will support a transportation transformation in Uruguay's Montevideo Metropolitan Area through investments aimed at improving service quality, infrastructure, and institutional coordination. It will also promote more efficient management of transportation spending by strengthening multimodal planning, management capabilities, and road asset management systems modernization. Improvements to productive rural roads will continue, especially the “last mile” segments that connect collection centers and markets. Likewise, the transition toward cleaner transportation will be deepened through regulatory updates, institutional strengthening, and new investments focused on electrification, cleaner fuels, and greater energy efficiency. **IDB Invest** will finance road, rail, and port projects under concession schemes, reinforcing regional connectivity, integration with Brazil, and the Port of Montevideo's capacity and efficiency.
- 2.37. A comprehensive strategy will be implemented to improve the urban environment and ensure access to housing.** Efforts will be made to revitalize Montevideo's historic district through a master plan that encourages repopulation and coordinates the private sector and government to promote sustainable initiatives. Interventions will be carried out in informal settlements to improve public spaces, community facilities, mobility, and housing, alongside initiatives that strengthen livelihoods and reduce intergenerational poverty. The approach will prioritize children and adolescents, as well as Afro-descendant families, people with disabilities, and migrants. Additionally, support will be provided to strengthen cooperative intermediaries, key for their solidarity and proximity to communities. The IDB Group will promote access to housing finance through alternative channels by promoting the role of cooperatives in facilitating financing, and **IDB Invest** will analyze opportunities to support private investments in public social housing programs, wood construction, and financing for real estate developers⁹² and the forestry-timber sector.
- 2.38. Efficient and resilient infrastructure, as well as nature-based solutions, will be promoted to ensure universal and safe access to basic services such as water** through strategic investment to strengthen sustainability, operational management, resilience to extreme events, and efficient ecosystem management. The AMM's Drought Protocol will be promoted, along with arsenic removal systems and a roadmap to reduce physical and commercial losses by optimizing water use. Additionally, support will be provided for a new system on the Costa de Oro to diversify water sources and address climate variability. Support will be provided for water resource management improvement at the Ministry of the Environment, including stronger monitoring and ecosystem data, progress on policy and planning instruments for wetland conservation and management, and financial mechanisms that mobilize public and private resources for the restoration and protection of watersheds and aquatic ecosystems. IDB Invest will explore private resource mobilization for projects that integrate resilience and sustainability, including loss reduction schemes, in coordination with OSE and other stakeholders, to ensure operational improvement and better supply quality.
- 2.39. Support will be provided for energy infrastructure modernization and expansion,** by promoting public and private investment and assisting the country in its strategic planning through 2050, incorporating sector diversification, women's inclusion, innovation, digitalization, and cybersecurity. We will continue to strengthen critical generation and transmission infrastructure—including the Salto Grande Hydroelectric Plant, which is key to regional integration and part of the Southern Integration Initiative—and promote participation in schemes such as the Southern Energy Integration System (SIESUR). Likewise, electricity transmission and distribution networks will be upgraded to enable the electrification of the economy, ensuring more efficient and resilient services. Furthermore, network strengthening for productive uses (e.g., irrigation) will be encouraged through innovative financing schemes (see Section II.A). Additionally, **IDB Invest** will seek to promote the system's digitalization and support a transition aligned with industrial electrification and green hydrogen development goals as PPA contracts expire.
- 2.40. Efforts will be made to promote the electrification of the economy and the adoption of clean technologies,** accompanied by incentives and planning to address additional electricity demand. The

⁹² Amendments to the Subsidized Housing Act (No. 18,795) aim to facilitate access to housing for middle- and lower-middle-income households. The goal is to use incentives to promote private investment in the construction, refurbishment, or expansion of housing units that may be sold or rented.

IDB Group will support sustainable mobility investment through private-sector partnerships, and **IDB Invest** will seek to provide financing for the electrification of metropolitan fleets and urban corridors through long-term loans, guarantees, and mechanisms that integrate charging infrastructure, storage, and smart management systems. Likewise, green hydrogen will be promoted as an energy vector for heavy transport and industry through regulatory reforms, innovative financial schemes, and logistics infrastructure designed to attract private investment. **IDB Invest** will complement regulatory framework actions with its active portfolio of wind, solar, and transmission projects and with innovative financing modalities such as operating leases and capital market operations for new renewable generation investment.

2.41. A programmatic approach will be consolidated to make progress on mobility and basic services, combining previous experience in water security, environmental sustainability, energy transition, and long-term capital mobilization with new interventions such as mobility in Montevideo, non-revenue water reduction (an initiative stemming from one of the policy measures of the PBP approved in 2025), greater electrification, expanded critical infrastructure, affordable housing, and GovTech solutions. **IDB Invest** will seek to structure projects in water, energy, housing, and mobility through corporate and project finance, and **IDB Lab** will promote GovTech, regulatory innovation, technology, and pilots for climate resilience and operational efficiency. New operations include the CCLIP for Metropolitan Transportation Reform, road infrastructure with the Uruguayan Road Corporation, affordable housing, and GovTech for the public sector; technical cooperation will prioritize urban mobility, metropolitan transportation reform, and climate resilience in water and sanitation. Among the active portfolio projects, the first two operations of the CLIPPs stand out: one that improves the quality of transportation infrastructure spending in Uruguay and another that transforms the Montevideo Metropolitan Transportation System, which lay the groundwork for future work and the historical continuity of urban sanitation programs.⁹³ The implementation will combine CCLIP, INV, Grants, PBL, LBR, NSG, guarantees, debt securities, equity, and quasi-equity, in alignment with South Connection—through urban mobility interventions that improve territorial integration and logistics efficiency, and water, energy, and housing infrastructure investment to strengthen the resilience of critical assets supporting strategic corridors and regional production chains—and with Prepared and Resilient in the Americas—through climate risk analysis, protocols for droughts and floods, and building drinking water system resilience.

⁹³ Through the Urban Sanitation Program, Phase VI, which aims to improve the living conditions of the population of the Department of Montevideo by enhancing access to and the quality of sanitation services, stormwater drainage, and flood protection.

EXPECTED RESULTS

Improved sustainable mobility in the Montevideo Metropolitan Area by increasing public electric transit ridership and system efficiency.

Greater access to adequate housing for low- and middle-income populations by expanding access to financing and housing solutions.

Improved quality and efficiency of road, port, and rail infrastructure through rehabilitation and performance-based maintenance and optimize rail operations.

Improved resilience and efficiency of water supply systems by reducing non-revenue water, water losses, and vulnerabilities.

Increased sustainable electrification of the economy and transmission lines capacity, while improving the service's affordability by expanding electrification in various sectors and regions, upgrading transmission capacity, and seeking to ensure that the service remains affordable for users.

D. CROSS-CUTTING ISSUES

WHY THEY MATTER

2.42. The cross-cutting themes of this agreement are essential for addressing structural challenges and maximizing the impact of interventions across the three strategic pillars. The focus will be placed in three priority areas: institutional capacity; gender and diversity; and climate and environmental action.

➔ **2.43. Institutional capacity.** Uruguay stands out for its institutional development, democratic stability, and low levels of corruption.⁹⁴ However, the country faces gaps in the regulatory burden and the government's long-term vision.⁹⁵ This is reflected in specific challenges across the three proposed pillars of action. In pillar 1, these challenges relate to the costs and time involved in doing business, as well as inefficiencies in public resource and budget management, both at the national and subnational levels. In pillar 2, they concern the scope of cash transfers to marginalized groups and gaps in interagency coordination regarding citizen security. In pillar 3, in the lack of long-term infrastructure planning and in inefficiencies in water management.

➔ **2.44. Gender and diversity.** Uruguay has made progress in creating legal and institutional frameworks to close gender gaps (UN Women, n.d.) and in implementing reforms to promote social inclusion and the rights of Afro-descendants, people with disabilities, and other diverse populations.⁹⁶ The country has closed the gender gap in literacy and enrollment at all educational levels, and maternal mortality is among the lowest in the region. However, the homicide rate for women in Uruguay exceeds that of the OECD, although it is lower than in LAC, and the rate of homicides of women by their partners is higher than in LAC.⁹⁷ Since 2015, Uruguay has had an Affirmative Action Law (No. 19,122). However, these policies have not succeeded in reducing poverty among diverse populations, who remain the most

⁹⁴ See section I.A.

⁹⁵ Uruguay ranks highly in the Institutions pillar (40th out of 141 countries) of the 2019 Global Competitiveness Index but lags behind in indicators such as the government's responsiveness to change (ranked 112th), the burden of government regulations (ranked 111th), and the government's long-term vision (ranked 93rd).

⁹⁶ The Afro-Uruguayan population accounts for 11% of the total population (INE, ECH 2023).

⁹⁷ 7% of women aged 15 and older reported having experienced some form of gender-based violence (GBV) at some point in their lives (Inmujeres, 2022).

vulnerable in the country.⁹⁸

➔ **2.45. Climate and environmental action.** Uruguay's economy is based on sectors that are highly dependent on nature (agriculture and livestock, electricity generation, which is mostly hydroelectric and wind-powered, and tourism); this underscores the importance of prioritizing the conservation, restoration, and sustainable use of nature and its ecosystem services.⁹⁹ Uruguay faces natural, hydrometeorological, and climate-related threats¹⁰⁰ with floods and droughts being the most frequent and impactful phenomena, leading to evacuation and economic losses.¹⁰¹ Uruguay's electricity mix is over 90% renewable, but it still needs to advance its second energy transition by electrifying sectors such as transportation and industry.¹⁰²

WHAT WE WILL DO

2.46. The IDB Group will mainstream institutional capacity, gender and diversity, and climate and environmental action across all its operations. These lines of action will help maximize the impact of the three strategic pillars and better address the country's structural challenges.

2.47. Strengthen institutional capacity to increase public sector efficiency. A Government Center management model will be implemented, strengthening the strategic management of government priorities across all sectors to ensure their effective delivery. Support will be provided for the digital transformation of the government and the strengthening of cybersecurity to contribute to the efficiency and resilience of the public sector. Efforts will be made to simplify regulations and procedures related to foreign trade and investment, as well as those affecting citizens, to strengthen and better target cash transfer programs, and to integrate them with early childhood care and development services. Additionally, a regulatory institutional framework will be promoted, focused on improving the performance of regulatory agencies and institutional mechanisms to reduce bureaucratic barriers. In addition, the security and justice system will be modernized through improved governance, integrating the police, prison, and judicial subsystems, and coordinating with key actors in crime prevention, criminal prosecution, and financial oversight. The IDB Group will support long-term infrastructure planning to identify and structure strategic projects. **IDB Invest** will support regulatory review and governance improvements to enable new investments in mobility, logistics, and urban services through PPPs. **IDB Lab** will promote GovTech solutions in mobility, housing, water and sanitation, and electrification, improving efficiency and innovation in public services.

2.48. Promote initiatives that increase the inclusion of women and diverse groups, such as migrants, to enhance equality. The IDB Group will support initiatives to improve attendance, retention, and graduation rates among Afro-Uruguayan students in secondary education, considering ethnic, socioeconomic, and gender factors. It will also continue to support the inclusion of children with moderate or severe disabilities in public schools. Social protection and employability policies for vulnerable children and youth—including the migrant population—will be strengthened, with a focus on Afro-Uruguayans and female heads of household, by optimizing cash transfers and modernizing training, employment, and childcare services. The IDB Group will promote the generation of data disaggregated by race, ethnicity, nationality, and disability to highlight inequalities and inform public policy. In addition, it will provide technical assistance to the National Institute for Women to strengthen the mainstreaming of a gender perspective in public administration and, through loans, will continue to incorporate actions to close gender and diversity gaps.

2.49. Integrate climate and environmental action into development through comprehensive strategies that build resilience, protect biodiversity and ecosystem services, and promote the

⁹⁸ The poverty rate among people of African descent is 20% (2.5 times higher than the national rate), and only 5.4% of people with disabilities have completed tertiary education (World Bank, 2020).

⁹⁹ The National Biodiversity Strategy, revised in 2020, acknowledges that progress has been unsatisfactory (Ministry of the Environment, 2020).

¹⁰⁰ Climate projections for Uruguay in the 21st century indicate a gradual trend toward an increase in extreme events associated with La Niña, such as three-month droughts and a rise in highly variable precipitation (CDN2).

¹⁰¹ The 2022–2023 drought caused direct gross losses of \$1.883 billion in agricultural and livestock activities—the highest in the past three decades—accounting for 3% of the national GDP and nearly 39% of agricultural value added (MGAP, 2023).

¹⁰² An orderly and fair transition can generate economic benefits for countries in the region, such as the creation of 15 million net jobs in agriculture, forestry, the food supply chain, renewable energy, construction, and manufacturing (Saget, Vogt-Schilb, and Trang, 2020). To maximize these benefits, training and reskilling the workforce is essential.

efficient use of natural capital. The IDB Group will continue to promote initiatives focused on climate action and the conservation of biodiversity and natural capital. It will support the implementation of actions under the NDC, sectoral National Adaptation Plans, and the Long-Term Climate Strategy. In addition, institutional capacities will be strengthened to develop tools that integrate climate action into decision-making. Progress will be made on studies to reduce flood risk, analyze vulnerable energy infrastructure, and establish early warning systems. Support will be provided for sustainable irrigation initiatives and improvements in waste management, as well as actions to advance the second energy transition. **IDB Invest** will promote models that integrate private investment, technological innovation, and environmental sustainability, improving urban sanitation and the protection of biodiversity and natural capital. Furthermore, climate innovation will continue to be promoted by supporting specialized government agencies, the development of corporate green taxonomies, and new thematic financial instruments.

III. HOW WILL WE ACHIEVE THIS?

A. PROGRAMMATIC APPROACH

- 3.1 The 2026–2030 CS focuses on priority sectors with a long-term perspective, using a programmatic approach that combines continuity and innovation.** Under **Pillar 1**, Continued support for innovation is maintained—aiming to position Uruguay as an innovation hub through a multisectoral approach—as well as for SMEs’ access to financing, capital market development, and improved fiscal management. Concurrently, new initiatives are being introduced, such as promoting research, boosting agricultural productivity, and establishing governance frameworks to expand irrigation and improve the health sector’s efficiency by strengthening the sector’s digital transformation. **Pillar 2** continues to strengthen secondary education, teacher training, and educational infrastructure, incorporating interventions to reduce violence, strengthen police investigations, and develop the National Public Security Plan, as well as developing scholarships for vulnerable students. Under **Pillar 3**, the energy transition continues to be deepened, with projects to improve mobility in Montevideo, reduce water losses, and expand affordable housing. This will be implemented through a multisectoral and synergistic approach, leveraging investment loans, CCLIPs, PBLs, and LBRs—in which Uruguay is a pioneer—NSG loans through IDB Invest, guarantees, debt securities, equity, and quasi-equity, along with strategic technical cooperation and advisory services to private-sector clients. Adopting programmatic and scalable interventions in Uruguay is essential given the country’s institutional and macroeconomic stability and predictable budgetary framework, which enable long-term planning, facilitate innovation and regional replication, reduce operating costs, consolidate lessons learned, strengthen implementing partners, leverage synergies within the IDB Group, and structure larger-scale operations to sustain financial flows and maximize impact.
- 3.2 The IDB Group will offer comprehensive financial solutions to support financial and risk management capabilities in both the public and private sectors.** Through the Flexible Financing Facility (FFF), tools will be provided to strengthen financial resilience by mitigating vulnerabilities arising from exchange rate fluctuations, interest rate changes, commodity price volatility, and the impacts of natural disasters.¹⁰³ **IDB Invest** will support implementation by developing investment platforms and replicable mechanisms that catalyze long-term financing and sustainably expand private sector participation in the Country Strategy’s priorities.

B. SYNERGIES

- 3.3 The goals of the 2026–2030 CS will be pursued through a range of public-private solutions in Uruguay.** The IDB Group’s public-private synergy framework identifies joint support mechanisms to advance the priorities of this Strategy. IDB Invest’s new business model will provide innovative tools to scale the development impact of its transactions, with a focus on capital mobilization, continuous innovation, and greater local presence. IDB Lab’s new business model prioritizes greater synergies with the rest of the IDB Group through increased use of repayable instruments that strengthen the continuum with IDB Invest and more targeted technical assistance to strengthen entrepreneurial innovation ecosystems, complementing the IDB. In turn, this framework aligns with initiatives such as IDB for the Americas, which promotes large-scale projects, raising quality and innovation standards and creating an opportunity to attract greater foreign investment.
- 3.4 Under Pillar 1, the IDB Group will strengthen agribusiness, manufacturing, and financial inclusion through public-private synergies.** In manufacturing, risks will be mitigated through

¹⁰³ This provides a strategic approach that allows the country to benefit from the IDB’s AAA credit rating. The Bank can assist the country in managing these tools, which do not represent additional debt nor require an ISDA (International Swaps and Derivatives Association) agreement. It also offers the Government and the Central Bank the option to enter into ISDA agreements to execute derivatives on exposures not related to existing debt with the Bank.

reforms and financing, promoting innovation in pharmaceutical biotechnology, forest products, and technology. In agribusiness, financial instruments, technical assistance, and expertise will be combined to attract private investment, strengthen institutions, advance sustainability, and prepare export sectors for greater trade liberalization, including the Mercosur–EU agreement. In financial inclusion, there will be expanded access to local-currency funds, microloans, guarantees, and vehicles such as trusts and securitizations, complementing traditional banking. Efforts will focus on strengthening financial frameworks and reforming capital markets, expanding instruments and market depth to channel savings toward private investment and venture capital. Partnerships with financial institutions will also be promoted to share risks and diversify financing products and channels. The IDB Group could coordinate interventions in which the IDB promotes the use of new trade agreements through reforms and investment, and IDB Invest finances exporting companies to adopt new technologies and processes, thereby increasing their efficiency.

3.5 Under Pillar 2, existing public-private partnership (PPP) schemes relating to educational infrastructure will be further developed. IDB Invest will continue supporting upgrades to full-time elementary school infrastructure and educational and sports facilities, as well as to secondary schools, creating more suitable learning environments that are essential for strengthening educational pathways.¹⁰⁴ In addition, new schemes will be promoted, aligning strategic planning with fiscal sustainability. Regulatory frameworks and institutional capacities for project preparation will be strengthened by simplifying processes and fostering competitiveness in financing. Support for citizen security projects under PPP schemes will also be considered.

3.6 Pillar 3 will foster synergies to accelerate the second energy transition, improve infrastructure, and expand access to dignified housing. In the energy sector, regulatory reforms and financing schemes will be promoted for power grids, battery storage, and the development of green hydrogen. Regional integration will be strengthened through hydroelectric modernization and cross-border coordination. Public transport electrification will be promoted through incentives and private sector participation, to overcome cost barriers and technological gaps. High-impact projects will be prioritized through PPPs, and efforts will be made to support the country in streamlining processes and fostering competitive financing. The IDB Group could coordinate an initiative to support UTE in renegotiating the power purchase agreements (PPAs) for the first wave of wind and solar projects, which expire by 2030. The IDB would provide technical and analytical support to evaluate regulatory and contractual alternatives for redefining the post-PPA framework, including standardized options that avoid individual negotiations and help reduce costs for the public sector, while IDB Invest would lead the financing of the new frameworks, facilitating mechanisms that maintain the bankability of renewable assets, preserve private participation, and enable competitive instruments that attract private investment under sustainable conditions for UTE. This would reduce risks, keep renewable assets operational, and ensure an orderly transition in the electricity market. Finally, in the housing sector, efforts will be made to channel private capital into industrialized housing and urban renewal projects, capitalizing on public demand.

C. SUPPORT TO REFORMS

3.7 The IDB Group will continue providing specialized support and fostering technical dialogue related to policy reform agendas in various areas. The selection is the result of a process of thematic maturation, driven by the Bank's ongoing support, and takes into account the following criteria: (i) relevance and impact for the country and the Bank; (ii) the opportunity to implement policy measures; (iii) the scope and robustness of the evidence-based analysis and the proposed policy recommendations; (iv) complementarity with previous efforts; and (vi) the track record of previous reform programs. Uruguay needs to advance key reforms to boost private investment and enhance economic growth, while ensuring social inclusion and sustainability. The

¹⁰⁴ These schools serve nearly 7,000 students, including 32% in areas with at least one factor contributing to educational vulnerability. (Country Progress Report, IDBG, 2025).

dialogue on these reforms is more advanced in strategic areas such as citizen security, energy, and social protection, which opens opportunities to accelerate their implementation.

- 3.8** Under **Pillar 1**, the IDB Group will seek to support reforms addressing gaps identified in thematic assessments, including those by the OECD (for example, in structural improvements, institutional capacity, and economic competitiveness), as well as reforms necessary for the ratification, implementation, and full utilization of trade agreements, such as the Mercosur-EU agreement and others. Specifically, the Bank will support the modernization of the institutional and regulatory framework to bring the country closer to international standards regarding international integration, strengthening the government's capacity to provide simpler, more predictable, and digital services. It will also seek to support financial and capital market reforms, in coordination with the Central Bank of Uruguay (BCU) and the Uruguayan Government Debt Office (UGD), to promote financial inclusion, deepen markets, and strengthen regulation, which will enable the expansion of market participants for the purpose of financing SMEs. In addition, the Bank will seek to support the reform of fiscal management and the fiscal framework, aimed at improving the efficiency of public revenue and expenditure and ensuring long term sustainability, in coordination with the MEF. Of the aforementioned reforms, those with the highest degree of maturity are: the international integration reforms associated with the Mercosur-EU agreement and the OECD, the reform of the BCU, and the possibility of empowering the MEF's Debt Management Unit with local currency within the framework of financial sector reform.
- 3.9** **Pillar 2** will prioritize the implementation of the National Public Security Plan, which aims to improve crime prevention and strengthen institutional capacity to ensure citizen security—an area where dialogue is well established. This reform stems from technical (through TC) and operational work involving specific investments in violence reduction and a CLIPP. Given the importance of this issue for the country and the sustained progress in this process, it is expected that this reform can move forward immediately. Also included are reforms aimed at expanding the coverage and adequacy of cash transfers and ensuring that families with children and adolescents living in poverty have access to comprehensive services. In both areas dialogue maturity is high.
- 3.10** In **Pillar 3**, the priority is innovation for the energy transition, supporting technologies and efficiency to move toward a more sustainable model. The energy dialogue is one of the most advanced, as the first phase of the reform has already been implemented through a PBP, and work is underway to ensure the continuity of these reforms in their second phase. At the same time, efforts will be made to transform the management of the Public Housing System to improve the targeting of the Promoted Housing Act, response times, and the quality of the housing stock, incorporating digitalization, energy efficiency standards, international best practices, and integrated data systems to enhance targeting, monitoring, and transparency. This reform process is in its initial phases, but it is grounded in prior analytical and operational work that involved knowledge generation through TC and financing through investment loans and LBR.

D. REGIONAL INITIATIVES

- 3.11** **The Country Strategy is aligned with South Connection**, which promotes resilient logistics corridors, physical and digital infrastructure, trade facilitation, and the optimization of logistics services to enhance competitiveness and attract private investment. This program is linked to Pillar 1 of this Country Strategy through the optimization of logistics and trade facilitation to improve the business climate and strengthen global and regional value chains, the strengthening of digital infrastructure, capacity building, and digital integration, and through GovTech solutions that reinforce state modernization and regulatory quality—central elements for sustainable regional integration. It also aligns with Pillar 3 through interventions in urban mobility and metropolitan transportation that contribute to improving territorial integration and logistics efficiency, while investments in water, energy¹⁰⁵ and housing strengthen the resilience of critical

¹⁰⁵ In particular, the modernization of the Salto Grande binational power plant, which is key to regional energy integration.

assets that support strategic corridors and regional production chains.¹⁰⁶

- 3.12 The CS is aligned with the Alliance for Security, Justice, and Development (AJSD).** Strengthening police investigations and the development and implementation of the National Security Plan (Pillar 2 of the CS) align with Pillar 2 of the AJSD, which promotes institutional capacity-building, management modernization, and the strategic use of evidence and intelligence to improve citizen security.
- 3.13 The CS is aligned with the Prepared and Resilient in the Americas initiative.** This regional program aligns primarily with Pillar 3 of the CS by incorporating climate risk analysis and protocols for preparedness and response to droughts and floods, and by strengthening the resilience of drinking water supply systems through the reduction of unaccounted-for water, digitalization, and efficiency improvements. It also aligns with Pillar 1 of this CS by strengthening productive modernization and capacity building, and it is linked to the cross-cutting area of climate and environmental action.
- 3.14 Finally, the CS is aligned with the pillars of IDB Care,** which addresses the growing demand for care services in the region. The CS aligns with the governance and financing of the care system by promoting its strengthening and coordinating it with other social programs, and with the coverage and quality of services by better targeting services toward priority and vulnerable populations.

E. STRATEGIC ALLIANCES

- 3.15 Through partnerships, the IDB Group enhances the impact of its program in the country,** by promoting the mobilization of resources for technical assistance, knowledge generation, and co-financing opportunities—with or without a sovereign guarantee.
- 3.16 Pillar 1: Innovation and Business Climate.** In science, technology, and innovation (STI), it will collaborate with UNESCO and conduct studies with the OECD, Santander, the Technological University (UTEC), and ORT University, as well as pilot projects on entrepreneurship with the University of the Republic (UdelaR) and the University of Montevideo (UM). In agriculture and rural development, it works with the World Bank on AgIncentives, with the Food and Agriculture Organization (FAO) and the UN on risk management, and with CERES on irrigation. It also promotes regulation and talent alongside Agora and CERES. IDB Lab promotes entrepreneurship and venture capital with Endeavor and Urucap. In governance and cybersecurity, it cooperates with the OECD and the Ricaldoni Foundation. In digital infrastructure, it collaborates with the World Bank (WB) and the International Telecommunication Union (ITU). In health, it works with the WB on the Primary Care Alliance, with the Panamerican Health Organization (PAHO) on digital health initiatives and the Pan-American Route (ph4h), with UdelaR on the digitization of health, and with the Latin American and Caribbean e-Health Network (RACSEL) to facilitate regional learning in digital health.
- 3.17 Pillar 2: Security and Well-being.** In education, it collaborates with the World Bank and Ceibal on the EDUIA event and project financing, with UNICEF on school attendance, and with Agora on teacher incentives and compulsory primary education. It also works with ORT on secondary education and with UdelaR, UTEC, and UM on training and technical cooperation. In gender and data, it partners with UMAD. **IDB Lab** collaborates with the UN and funds projects with UTEC. **IDB Invest** collaborates with UN Women on financial inclusion and sustainability, with ORT on training in multilateral financing, and with UdelaR and UM on sustainable finance.
- 3.18 Pillar 3: Mobility and Basic Services.** In the transportation sector, it will co-finance the reform of the metropolitan transportation system alongside the World Bank and CAF. In water and sanitation, it is working with CAF and FAO on the National Strategy for Reducing Food Losses and Waste, and with the UN on sectoral coordination, in addition to partnerships with CINVE,

¹⁰⁶ The program also aims to identify opportunities to increase the social impact of these investments in border areas, fostering economic opportunities for local communities.

Alianza Uruguay por el Agua (AUA), and universities for tariff studies and pilot projects. In energy and electromobility, it collaborates with UNDP (MOVES project), UN Women (AUME), with Korea Eximbank on zero-emissions consulting, and with GIZ on training talent in green hydrogen. Together with ORT and IDB Lab, it develops energy management software. Universidad Católica del Uruguay (UCU) contributes studies on fiscal impact and energy monitoring. In housing and habitat, it explores synergies with Udelar and Centro de Estudios Metropolitanos (CEMET), and with UCU-Centro Hábitat in the construction sector; in sustainable finance, the IDB supports the MEF and BCU alongside the UNDP in the Sustainable Finance Roundtable and the BIICC Bond. Additionally, **IDB Invest** co-financed the Blue Bond with Itaú Brazil, the World Bank, and the International Finance Corporation (IFC).

IV. GUIDELINES FOR IMPLEMENTATION AND CAPACITY BUILDING

A. KNOWLEDGE

- 4.1 The IDB Group will develop a strategic knowledge agenda in collaboration with local academic institutions.** During the development of the CDI and this Strategy, the IDB Group identified the most significant knowledge gaps affecting the proposed program, so that the knowledge agenda can address these gaps and maximize the program's impact. Under Pillar 1, the impact of innovation on productivity, the infrastructure required for AI, and barriers to technology adoption by MSMEs will be analyzed. Investment promotion regimes will be evaluated, and incentives for the tourism sector will be studied. The determinants of financial development and liquidity constraints in firms will be examined, along with ways to deepen the capital market. Human capital gaps will be identified, and training proposals for the Economy 4.0 will be developed. Additionally, the agrifoodtech ecosystem, agricultural innovation, and the tax costs of imports in the sector will be analyzed. **IDB Invest** will contribute applied knowledge to modernize business models and achieve sustainability and diversity goals. Under Pillar 2, security programs (including dating violence) will be designed and evaluated and the implementation of the Third National Prevalence Survey on Gender-Based and Intergenerational Violence will be supported. The causes of school dropout and skills relevant to working with new technologies (including AI) will be studied. Under Pillar 3, the status of wastewater treatment systems, the challenges and opportunities related to water and waste, and the strengthening of regional bio economies will be examined. In crosscutting issues, work will focus on the use of open climate data, the mainstreaming of gender in climate policies, and an analysis of the fiscal impact of transport electrification. **IDB Invest** will conduct case studies and provide recommendations to meet the requirements for the Cardal-Punta del Tigre-Salto green transmission line.

B. MONITORING AND EVALUATION CAPACITY

- 4.2 Monitoring and Evaluation (M&E) systems in Uruguay are characterized by a robust regulatory framework and a long-standing tradition of initiatives that have strengthened a culture of monitoring and evidence-based decision-making in public administration.** The Office of Planning and Budget (OPP) has gradually taken on key M&E functions, complementing its traditional role in planning and providing budgetary advice for the five-year budget. The recent creation of the Agency for Monitoring and Evaluation of Public Policies (AMEPP) has expanded the government's capacity to coordinate and monitor policy priorities and is in the process of establishing itself as an increasingly relevant enforcement unit. Added to this is the development of heterogeneous but significant sectoral capacities, notably MIDES, with the Integrated Social Services Information System (SIAS) and its robust monitoring unit, and the education sector through the National Institute for Educational Evaluation (INEEd) and Ceibal, which have generated valuable lessons and innovative practices. This set of advances has enabled Uruguay to now have important institutional and technical foundations to continue strengthening its national M&E system. Key tools exist, such as the Strategic Planning System (SPE), the National Public Investment System (SNIP), and various sectoral systems that provide relevant information for management. While challenges remain regarding evaluability, coordination, interoperability, and the comprehensive use of information, these represent opportunities to modernize the existing ecosystem and enhance the use of evidence in decision-making, especially in a context that calls for the efficient allocation of public spending. The National Data Strategy 2030, together with the institutional commitment to greater transparency and results-based management, provides a framework conducive to consolidating a more integrated, collaborative M&E system focused on generating public value.
- 4.3 The IDB can provide technical assistance to strengthen M&E practices in Uruguay through three strategic areas:** (i) strengthening AMEPP in its role of monitoring the 63 government priorities

by providing support in defining targets, indicators, and monitoring procedures; (ii) supporting OPP in developing a national evaluation agenda that includes mapping capacities within sectoral agencies, standardized methodologies aimed at improving the quality of interventions, and effective mechanisms for following up on recommendations, contributing to better coordination between planning, M&E, and the five-year budget; and (iii) improving the flow and quality of information by leveraging the implementation of the GRPs, already supported by the Bank, and promoting interoperability between systems such as SPE, SIIF, and SIIAS. This technical assistance could also include strengthening the monitoring of public enterprises—a key sector currently facing limitations in its information systems—building capacity to better link sectoral planning with the five-year budget, and creating a network of M&E units to facilitate the exchange of best practices and joint learning.

C. NATIONAL FIDUCIARY SYSTEMS

4.4 Financial Management. The IDB will continue working with the government to support the process of centralizing funds for all projects financed by multilateral organizations into a single account at BCU. It will also continue to support the implementation of the data management framework and the use of new data-driven technologies. This process aims to assess institutional maturity in data management, evaluate the use of digital technologies in key areas, and design an improvement plan aligned with the Uruguay Digital Agenda 2025, in close coordination with AGESIC as the governing body. In addition, plans are in place to assist the MEF in its efforts to implement the International Public Sector Accounting Standards (IPSAS), contributing to convergence with international standards and the modernization of public financial management.

4.5 Procurement Management. The consolidation of the National Public Procurement System (SNCP) is essential for strengthening fiduciary management in Uruguay. According to MAPS assessments and recent evaluations, the SNCP is aligned with international standards of transparency, efficiency, and integrity, supported by a robust legal framework (TOCAF), a modern institutional structure (ARCE), and a comprehensive electronic platform (SICE). Uruguay has competitive procedures, clear rules, and effective control mechanisms, although it still faces challenges such as the professionalization of its workforce. This CS aims to further modernize and strengthen the SNCP in coordination with the Bank's sector team, through interventions agreed upon with the government, focused on: (i) supporting the implementation of a new technological platform fully integrated into the Integrated Financial Information System (SIIF); (ii) updating model bid documents to incorporate international best practices, including clauses on dispute resolution; (iii) professionalizing procurement units through ongoing training and the development of operational guidelines; (iv) promoting inclusion and diversity in public procurement; and (v) conducting a new MAPS assessment to reflect progress and adjust improvement plans. These actions will directly contribute to the objectives of the National Systems Strategy.

D. DISASTER AND EMERGENCY RESPONSE

4.6 The Country Strategy helps strengthen resilience and improve disaster management capabilities. Planning for emergency preparedness, response, and recovery will be integrated into project design and implementation, in accordance with the IDB's MPAS. Under Pillar 1, investment in efficient irrigation systems will be promoted, prioritizing technologies that optimize water use and reduce vulnerability to droughts. Under Pillar 2, social protection against climate shocks in vulnerable contexts will be strengthened through the National Care System. Pillar 3 will establish a roadmap to reduce drinking water losses, strengthen institutional capacity for disaster preparedness and planning, and develop guidelines for resilient infrastructure with an emphasis on floods, in coordination with the National Public Investment System.

4.7 These actions are complemented by specific measures. The Contingent Credit Facility provides immediate post-disaster liquidity (in the event of heavy rains, wildfires, droughts, and future pandemics) to protect public finances, while strengthening resilience and preparedness for natural

disasters and building knowledge and capacity at the government level. In turn, through the Principal Payment Option (PPO), catastrophic risk coverage will complement portfolios of risk retention and risk transfer instruments to address emergency situations arising from natural disasters. Technical cooperation is also available to build knowledge and preparedness regarding natural risks.

E. MULTI-RISK ASSESSMENT

MACROECONOMIC FACTORS

- 4.8 Risks:** Uruguay faces risks stemming from the fiscal deficit, the trajectory of public debt, and exposure to foreign currency, which increase its vulnerability to external shocks. Volatility in commodity prices and potential adverse conditions in the global economy associated with high global interest rates and disruptions to international trade could affect fiscal capacity and put pressure on project financing, compromising the sustainability of investments.
- 4.9 Mitigation:** Compliance with the fiscal rule and liability management strategies will be monitored. Flexible financial structures, financing mechanisms for disaster risks, and capital market development will be incorporated. In addition, the portfolio of non-sovereign-guaranteed (NSG) loans will be continuously monitored, and an active dialogue will be maintained with the authorities to anticipate macroeconomic impacts on debt service capacity.

ENVIRONMENTAL, CLIMATIC AND SOCIAL RISKS

- 4.10 Risks:** The country is vulnerable to extreme weather events such as droughts and floods. Climate projections indicate an increase in the frequency and intensity of extreme events, higher temperatures, and variability in precipitation, which threatens infrastructure, water, sanitation, and housing. These risks compound social vulnerabilities in critical areas (such as informal settlements and vulnerable neighborhoods), where the lack of basic services and high population density amplify the impacts.
- 4.11 Mitigation:** Practices and criteria for identifying, assessing, and managing climate and disaster risks will be integrated into project design and implementation, based on but not limited to compliance with the IDB's MPAS, with the aim of incorporating the highest standards of resilience and sustainability. Resources will be mobilized to enhance resilience, both for projects with and without sovereign guarantees, including contingency instruments and parametric insurance. Support will also be provided for institutional strengthening in risk management, the use of financial instruments such as contingent loans, and disaster clauses.¹⁰⁷ In addition, risk-informed spatial planning and inter-institutional coordination will be promoted to strengthen emergency response.

EXECUTION RISKS

- 4.12 Risks:** Lengthy pre-contractual cycles, a lack of clear roles in planning, and reliance on budgetary supplements from the Ministry of Economy and Finance (MEF) can delay implementation. The complexity of PPP commitments close to the legal limits and the lack of a long-term infrastructure plan increase the risk of delays and cost overruns, affecting efficiency and the achievement of goals. Institutional changes resulting from the Budget Law (new units, sectoral restructurings, etc.) may affect the continuity of implementing agencies, alter responsibilities, and require contractual adjustments to portfolio operations and a longer technical maturation period before initiating new operations. In turn, the new fiscal framework could reduce the scope for investment loans and slow down portfolio execution.
- 4.13 Mitigation:** A clear roadmap will be established from the initial stages, with technical and fiduciary resources allocated early on. Loans Based on Results (LBRs), ex-post reviews of PPPs, and multilateral best practices will be promoted, in addition to evaluating the expansion of private-sector

¹⁰⁷ Through the Flexible Financing Facility (FFF)

participation in PPP commitments and long-term infrastructure planning. Early monitoring systems and institutional capacities will be strengthened to ensure more agile and efficient implementation. Early technical dialogue with counterparts responsible for reforms will be strengthened, and institutional transition plans and training for new implementers will be promoted to maintain operational continuity; flexible designs that allow for programmatic adjustments without affecting expected results will be prioritized. Efforts will be made to design mechanisms to help sustain public investment under budgetary constraints, including the use of trusts and other financial vehicles. Technical support to public enterprises could also be strengthened to achieve improvements in operational efficiency that contribute to freeing up resources.

POLITICAL RISKS

- 4.14 Risks:** The fragmentation of Congress and the lack of a majority in the lower house could hinder the passage of policies and bills, creating uncertainty regarding investments and shifts in sectoral priorities.
- 4.15 Mitigation:** Technical dialogue with the government will be promoted, supported by evidence of the expected benefits of the programs. The opportunity for public-sector dialogue will be used to anticipate and manage adjustments to government priorities.

ANNEX I – RESULTS MATRIX

Government Priority	Strategic Pillar	Strategic Objective	Expected Result	Indicator	Baseline	Source
Development	1. Innovation and Business Climate	Boost productive modernization, trade openness, and skills development	Increased private investment in R&D and business sophistication*	Percentage of companies that invested in R&D	29.8 (2024)	World Bank Enterprise Surveys
				Business sophistication index	22.1 (2025)	Global Innovation Index
			Greater process and regulatory simplification for export facilitation	Number of sectors ¹⁰⁸ with foreign trade procedures that are interoperable between VUCE (Single Window for Foreign Trade) Uruguay and other countries' foreign trade portals	7 (2025)	VUCE
			Higher number of STEM graduates	Percentage of science and engineering graduates	14.8 (2025)	Global Innovation Index
			Irrigation and agro-industrial productivity expansion, reinforcing ecosystem service provision	Percentage of soybean area under irrigation	2.2 (2024/25 harvest)	Ministry of Livestock, Agriculture and Fisheries (MGAP)
		Average soybean yield: Kilograms per hectare		3,121 kg per hectare (2024/25 harvest)	MGAP	
		Promote regulatory simplification, competition, and access to finance	Time and cost reduction for companies completing government-related procedures	Number of days required to process export-related paperwork for priority sectors under the VUCE (Single Window for Foreign Trade)	17 (2025)	VUCE
			Expanded access to financial resources for businesses and entrepreneurs*	Percentage of micro and small businesses that were granted a loan ¹⁰⁹	18.4% micro 40.4% small (2023)	National Development Agency (ANDE)
		Enhance fiscal management	Improved tax collection efficiency	Cost of Tax Collection (as a percentage of Gross Revenue)	0.7 (2024)	Tax Administration (DGI)
			Improved public spending efficiency	Budget execution rate	96 (2024)	MEF
Primary care visits vs. specialized care visits ¹¹⁰	53% (2015)			Uruguay Health System Observatory		
Security Cohesion and Care	2. Security and Well-being	Improve citizen security	Increased homicide clearance rate	Homicide investigations with perpetrator identified by the National Police	59%	Reports from the Statistical and Applied Criminology Division of the Ministry of Internal Affairs
			Reduced violent crime incidence	Rate of violent crime reports (homicide, robbery, and domestic violence) per 100,000 inhabitants	1,661 (2024)	Ministry of Internal Affairs
			Improved prison conditions	Persons deprived of liberty assessed at the new CED (Evaluation and Diagnostic Center) who are admitted to the prison system with a complete evaluation, in relation to total admissions	49% (2024)	INR reports

¹⁰⁸ A sector is considered interoperable if there is at least one operational module for that sector (base sectors: Beef, Chicken, Pork, Milk, Fisheries, Vegetables, Beverages); i.e., if at least one export product from any of these sectors is interoperable.

¹⁰⁹ This includes bank loans for businesses, supplier credit, credit from microfinance institutions, and consumer credit (used for business purposes)

¹¹⁰ In an efficient healthcare system, most problems are resolved at the primary care level, reducing the need for referrals to specialists or emergency departments. *The ratio of visits to basic specialties versus visits to other specialties is used to assess the balance between care levels. Basic specialties* include General/Family Medicine, Pediatrics, and Obstetrics and Gynecology, while "other" specialties include internal medicine, surgery, cardiology, etc. This ratio is calculated by dividing the number of outpatient visits in basic specialties by the number of visits in non-basic specialties.

Government Priority	Strategic Pillar	Strategic Objective	Expected Result	Indicator	Baseline	Source
		Increase wellbeing for childhood and vulnerable youth	Improved targeting and adequacy of cash transfers to poor households	Transfers-covered poor households ¹¹¹ (% of poor households) Transfers-covered poor households headed by women (% of poor households headed by women)	70% (2025) 62% (2025)	ECH-INE (Continuous Household Survey – National Institute of Statistics)
			Improved graduation rates and learning outcomes in lower-income secondary school students*	Percentage of a cohort of young people who are 3 to 5 years older than the expected age for finishing secondary school and who have completed that level of education	22.3% total 26.0 % women 18.2% men (2023)	CIMA based on ECH
				Percentage of third-year secondary school students who achieve at least Level 3 performance in reading and mathematics	Total, Reading: 75.2 % Quintile 1, Reading: 56.6 % Total, Math: 33.8 % Quintile 1, Math: 13.7 % (2022)	INEE (National Institute for Educational Evaluation)
			Improved employability for low-income youth	Employment rate among young people in the first- and second-income quintiles	Total: 53.7% Men: 62.3% Women: 43.7% (2024)	ECH-INE
Infrastructure Housing	3. Mobility and basic services	Promote mobility solutions and urban development	Increased mobility in the Montevideo Metropolitan Area	Percentage of electric buses in the total urban transport fleet in the Montevideo Metropolitan Area	15% (2025)	Montevideo City Council, Canelones and National Transportation Agency (MTO).
				Percentage of public transportation demand met by the high-capacity urban transit system in the Montevideo Metropolitan Area	n.d.	Metropolitan Transport System Agency
			Greater access to adequate housing for low- and middle-income populations	Percentage of households living in overcrowded conditions in the first three income quintiles	Quintile 1: 29.2% Quintile 2: 11.1% Quintile 3: 4.4% (2023)	MIDES (Ministry of Social Development)
			Improved quality and efficiency of road, port, and rail infrastructure*	Average IRI (International Regularity Index) for the National Highway network	2.86 (2022)	MTO 2022 Annual Report 2022
			Logistics Performance Index, infrastructure component	2.7 (2023)	World Bank	
		Enhance basic services through efficient, resilient infrastructure	Improved resilience and efficiency of water supply systems	Population served by water systems with drought response protocols	1.9 million (2025)	2023 Census
			Increased sustainable electrification of the economy and power line capacity, with improved service affordability*	Percentage of renewable energy in the primary energy matrix	64% (2024)	National Energy Balance – Ministry of Industry, Energy and Mining (BEN-MIEM)
				Transmission network extension	5.901km (2024)	UTE

Note: Color code and symbols in the chart:

- The blue shading indicates results or indicators supported primarily by **new operations** scheduled during the CS period.
- The green shading indicates results or metrics supported by a **combination** of existing portfolio investments and new investments (including those from IDB Invest).
- The asterisk ****** indicates results or indicators that are driven by existing (portfolio) transactions of IDB Invest.

Source: Prepared by the IDB.

¹¹¹ Poverty line defined following the National Institute of Statistics methodology.

ANNEX II – PORTFOLIO ALIGNMENT AND INDICATIVE PROGRAM 2025–2026

Strategic Pillar	Strategic Objective	Portfolio Operation	Indicative Program Operation
Innovation and business climate	Boost productive modernization, trade openness, and skills development	IDB: UR-L1162; UR-L1164; UR-L1174; UR-L1183; UR-L1185; UR-L1187; UR-L1189; UR-L1193; UR-L1207; UR-L1208; UR-T1294; UR-T1297; UR-T1299; UR-T1305; UR-T1312; UR-T1315; UR-T1316; UR-T1335; UR-T1343; UR-T1344; UR-T1345; UR-T1346; UR-T1347; UR-T1349; UR-T1350; UR-T1353; UR-T1356; UR-T1357 IDB Invest: 12077-02, 13004-01, 13004-02 IDB Lab: UR-G0002; UR-G0003; UR-G0005; UR-G0006; UR-T1287; UR-T1306; UR-T1329	IDB: UR-L1214 IDB Invest: 15907-01
	Promote regulatory simplification, competition, and access to finance	IDB: UR-L1155; UR-L1197; UR-L1204; UR-L1205; UR-L1208; UR-T1235; UR-T1275; UR-T1282; UR-T1300; UR-T1312; UR-T1316; UR-T1333; UR-T1343; UR-T1350; UR-T1357 IDB Invest: 12665-01	IDB: UR-L1218, UR-L1219; UR-T1372; UR-T1375
	Enhance fiscal management	IDB: UR-L1111; UR-L1136; UR-L1152; UR-L1155; UR-L1157; UR-L1159; UR-L1163; UR-L1164; UR-L1176; UR-L1183; UR-L1185; UR-L1188; UR-L1189; UR-L1190; UR-L1193; UR-L1198; UR-L1201; UR-L1205; UR-L1207; UR-T1231; UR-T1248; UR-T1268; UR-T1275; UR-T1279; UR-T1281; UR-T1293; UR-T1297; UR-T1299; UR-T1310; UR-T1312; UR-T1315; UR-T1318; UR-T1319; UR-T1323; UR-T1324; UR-T1327; UR-T1328; UR-T1330; UR-T1333; UR-T1335; UR-T1337; UR-T1346; UR-T1347; UR-T1349; UR-T1350; UR-T1357	IDB: UR-J0006; UR-L1217; UR-L1213; UR-L1221; UR-T1365; UR-T1377; UR-T1363; UR-T1378; UR-T1368; UR-T1369; UR-T1373; UR-T1374
Security and well-being	Improve citizen security	IDB: UR-J0002; UR-L1178; UR-L1194; UR-L1206; UR-T1262; UR-T1285; UR-T1308; UR-T1312; UR-T1318; UR-T1348; UR-T1350 IDB Lab: UR-T1285	IDB: UR-T1379; UR-T1369; UR-T1373; UR-T1374
	Increase wellbeing for childhood and vulnerable youth	IDB: UR-J0001; UR-J0003; UR-L1169; UR-L1176; UR-L1183; UR-L1188; UR-L1196; UR-L1203; UR-L1206; UR-L1207; UR-L1209; UR-T1252; UR-T1265; UR-T1268; UR-T1275; UR-T1285; UR-T1286; UR-T1292; UR-T1293; UR-T1294; UR-T1295; UR-T1304; UR-T1309; UR-T1312; UR-T1318; UR-T1320; UR-T1324; UR-T1332; UR-T1333; UR-T1335; UR-T1340; UR-T1348; UR-T1349; UR-T1350; UR-T1355; UR-T1358 IDB Invest: 12340-01, 12957-01 IDB Lab: UR-T1321	IDB: UR-J0005; UR-L1211; UR-L1216; UR-L1217; UR-L1218; UR-T1361; UR-T1362; UR-T1379; UR-T1363; UR-T1364; UR-T1372; UR-T1374; UR-T1366
	Promote mobility solutions and urban development	IDB: RG-L1167; UR-J0001; UR-L1136; UR-L1146; UR-L1164; UR-L1182; UR-L1183; UR-L1188; UR-L1189; UR-L1190; UR-L1201; UR-L1202; UR-L1207; UR-L1210; UR-T1252; UR-T1268; UR-T1281; UR-T1282; UR-T1286; UR-T1292; UR-T1304; UR-T1305; UR-T1311; UR-T1312; UR-T1313; UR-T1314; UR-T1315; UR-T1319; UR-T1324; UR-T1327; UR-T1330;	IDB: UR-J0005; UR-L1211; UR-L1213; UR-L1215; UR-L1218; UR-L1219; UR-L1220; UR-L1221; UR-T1371; UR-T1365; UR-T1359; UR-T1377; UR-T1376; UR-T1363; UR-T1364; UR-T1372; UR-T1366; UR-T1375; UR-T1352
Mobility and basic services	Promote mobility solutions and urban development	IDB: RG-L1167; UR-J0001; UR-L1136; UR-L1146; UR-L1164; UR-L1182; UR-L1183; UR-L1188; UR-L1189; UR-L1190; UR-L1201; UR-L1202; UR-L1207; UR-L1210; UR-T1252; UR-T1268; UR-T1281; UR-T1282; UR-T1286; UR-T1292; UR-T1304; UR-T1305; UR-T1311; UR-T1312; UR-T1313; UR-T1314; UR-T1315; UR-T1319; UR-T1324; UR-T1327; UR-T1330;	IDB: UR-J0005; UR-L1211; UR-L1213; UR-L1215; UR-L1218; UR-L1219; UR-L1220; UR-L1221; UR-T1371; UR-T1365; UR-T1359; UR-T1377; UR-T1376; UR-T1363; UR-T1364; UR-T1372; UR-T1366; UR-T1375; UR-T1352

Annex II
Portfolio Alignment

		<p>UR-T1334; UR-T1335; UR-T1337; UR-T1340; UR-T1349; UR-T1350; UR-T1355; UR-T1357</p> <p>IDB Invest: 12278-01, 12278-02, 12986-01, 12988-01, 13502-01</p>	<p>IDB Invest: 14945-01</p>
	<p>Enhance basic services through efficient, resilient infrastructure</p>	<p>IDB: RG-L1167; UR-J0001; UR-L1136; UR- L1146; UR-L1164; UR-L1182; UR-L1183; UR-L1188; UR-L1189; UR-L1190; UR-L1201; UR-L1202; UR-L1207; UR-L1210; UR-T1252; UR-T1268; UR-T1281; UR-T1282; UR-T1286; UR-T1292; UR-T1304; UR-T1305; UR-T1311; UR-T1312; UR-T1313; UR-T1314; UR-T1315; UR-T1319; UR-T1324; UR-T1327; UR-T1330; UR-T1334; UR-T1335; UR-T1337; UR-T1340; UR-T1349; UR-T1350; UR-T1355; UR-T1357</p> <p>IDB Invest: 11466-03, 11467-03, 11624-02, 12077-03, 12220-01, 12309-01, 12309-01, 12309-01, 13377-01, UR-L1080, UR-L1086, UR-L1092, UR-L1103, UR-L1105</p> <p>IDB Lab: UR-T1322</p>	<p>IDB: UR-J0005; UR-L1211; UR-L1213; UR-L1215; UR-L1218; UR-L1219; UR- L1220; UR-L1221; UR-T1371; UR- T1365; UR-T1359; UR-T1377; UR- T1376; UR-T1363; UR-T1364; UR- T1372; UR-T1366; UR-T1375; UR- T1352</p>

ANNEX III – NATIONAL SYSTEMS MATRIX

Strategic Objective	Expected Outcome	Indicator	Measurement Unit	Baseline	Base Year	Main Objective	Time Allocation
Increased Use of National Systems	Increased Use of the Information Subsystem	Active Portfolio using the Information Subsystem	Percentage of the active portfolio	97%	2025	100%	At the end of the Country Strategy
	Increased Use of the Price Comparison Subsystem	Active Portfolio using the Price Comparison Subsystem	Percentage of the active portfolio	95%	2025	100%	At the end of the Country Strategy
	Increased Use of the Individual Consulting Subsystem	Active Portfolio using the Individual Consulting Subsystem	Percentage of the active portfolio	95%	2025	100%	At the end of the Country Strategy
	Increased Use of the National Public Bidding Subsystem	Active Portfolio using the National Public Bidding Subsystem	Percentage of the active portfolio	95%	2025	100%	At the end of the Country Strategy
National Systems Strengthening	Implementation of the action plan resulting from the MAPS assessment	Progress in implementing the action plan	Advancement rate of the implementation plan	0%	2025	50%	At the end of the Country Strategy

ANNEX IV – ESTIMATED FINANCE FRAMEWORK

The 2026–2030 Country Strategy projects a cumulative range of sovereign-guaranteed approvals between US\$1.850 billion and US\$2.678 billion. The key assumption is the approval, in 2026, of two major investment projects considered flagship initiatives by the government, which set the stage for a high level of approvals at the start of the period. This projection is regarded as feasible due to the programming agreement signed in early December 2025; however, given the complexity of some projects, delays could occur into 2027 if approval is not secured in 2026. There are different scenarios: the baseline scenario assumes lower resource availability for PBL (US\$100 million annually for 2026–2027) and tighter fiscal constraints, where the focus would be on prioritizing flagship projects. The maximum scenario anticipates greater availability of funds for policy reforms (US\$150 million for 2026 and US\$200 million for 2027), which would make it possible to meet the demand expressed by the government, particularly for 2026/2027, while also reinforcing the authorities' stated interest in investment projects during this period. Additionally, it is assumed that the 2030 level of approvals will be the same as in 2029, in line with the dynamics of the five-year budget.

Estimated finance framework – sovereign guaranteed portfolio

US\$ millions	2021-2025 Strategy						2026 - 2030 Strategy													
	2021	2022	2023	2024	2025	Total	2026*		2027*		2028		2029		2030		Total			
							Min.	Max	Min.	Max	Min.	Max	Min.	Max	Min.	Max	Min.	Max		
Approvals	340	372	413	301	415	1841	600	878	300	450	350	550	300	400	300	400	300	400	1850	2678
Disbursements	247	471	661	132	315	1826	213	232	269	349	270	400	294	379	368	465	1414	1825		
Repayment (principal)	117	113	156	191	285	862	228	228	260	260	272	272	300	300	310	310	1370	1370		
Net Capital Flows	123	349	489	-63	28	963	-15	4	9	89	-2	128	-6	79	58	155	44	455		
Subscriptions and Contributions																				
Interests and Charges	88	96	158	194	167	703	97	97	151	151	147	147	137	137	126	126	658	658		
Net Cash Flow	35	253	331	-257	-139	223	-112	-93	-142	-62	-149	-19	-143	-58	-68	29	-614	-203		

IDB debt	3034	3383	3914	3696	3838		3833	3882	3945	3981	4088	
Multilateral debt	4838	5143	5988	6313	6463		6463	6463	6463	6463	6463	
External debt	20762	21357	22979	23195	24697		24697	24697	24697	24697	24697	
Total debt	37928	43472	49663	50749	56459		56459	56459	56459	56459	56459	
IDB debt / Multilateral debt (%)	63%	66%	65%	59%	59%		59%	60%	61%	62%	63%	
IDB debt / Foreign debt (%)	15%	16%	17%	16%	16%		16%	16%	16%	16%	17%	
IDB debt / Total debt (%)	8%	8%	8%	7%	7%		7%	7%	7%	7%	7%	



Instrument

Investment Loans
Policy Based Loans

Project pipeline of 2026–2030 CS

2026	2027
728	250
150	200

All reported amounts correspond to the maximum scenario.

Amounts associated with Policy-Based Loans (PBLs) are subject to the availability of resources for policy reforms and compliance with the new financing framework.

A Contingent Credit Facility for Natural Disasters (CCF) of US\$200 million is available and may be accessed by the country during the strategy period.

IDB Invest estimates an indicative level of support for Uruguay during the 2026–2030 programming period of approximately US\$1.5 billion. This amount reflects IDB Invest's level of ambition in the country for the coming years, which is based on expected higher demand, increased levels of available capital following IDB Invest's recent capital increase, the strengthening of the programmatic approach resulting from the implementation of the institutional matrix within IDB Invest, greater coordination and synergies with the public sector for transaction origination, as well as the implementation of IDB Invest's New Vision and Business Model, which promote a greater risk appetite and additional mobilization of third-party resources. The fulfillment of this ambition is also

subject to external factors beyond IDB Invest's scope, the main ones of which are described in the risk section of this document.

IDB Lab's ambition is to approve up to US\$60 million during the 2026–2030 programming period, including reimbursable and non-reimbursable operations and regional projects in which Uruguay is a beneficiary. This level of ambition reflects a more proactive agenda to support the ecosystem of innovative startups and impact capital investments, and is subject to the replenishment of resources under FOMIN IV and the mobilization of additional financing. The realization of this ambition is subject both to factors external to IDB Lab and to the nature of its business model; therefore, the actual level of approvals may differ substantially from the stated ambition.

ANNEX V – DEVELOPMENT EFFECTIVENESS MATRIX

COUNTRY STRATEGY DEVELOPMENT EFFECTIVENESS MATRIX

Country Strategy for Uruguay

STRATEGIC ALIGNMENT

This refers to the level of consistency between the design and objectives of the Country Strategy (CS) and the country's development challenges, as well as the government's development plans and priorities.

EFFECTIVENESS

This measures the likelihood that the country strategy will achieve its intended objectives by examining three dimensions:

- (i) the quality of the assessments on which the Bank's activities in each area of work are based;*
- (ii) the quality of the strategy's results matrix;*
- (iii) the use and strengthening of the country's systems.*

Effectiveness Dimensions	
I. Country Diagnostic – Country Diagnostic for Impact (CDI)	100%
- The CDI clearly identifies the key development challenges prioritized by the CS.	Yes
- The CDI's main development challenges are based on empirical evidence.	Yes
II. Country Strategy Priority Areas Assessment**	100%
- They identify the main constraints and challenges in the priority area.	Yes
- They identify the main factors and causes contributing to these constraints and challenges.	Yes
III. Results Matrix *	100%
- The strategic objectives are clearly defined.	Yes
- The expected outcomes are clearly defined.	Yes
- The strategic objectives and expected outcomes are directly linked to the main constraints identified in the diagnosis.	Yes
- The indicators are outcome indicators and are SMART.	Yes
- The indicators have baselines.	Yes
IV. Vertical logic	
- The CS** uses vertical logic.	Yes

* The Results Matrix consists of key indicators that track progress toward the expected results. The expected results are derived from the strategic objectives.

** CS includes CDI