

URUGUAY

1. Recent trends

Poverty in Uruguay increased from 3.6% in 2016 to 4.3% in 2022 but remains significantly below the Latin America and the Caribbean (LAC) average of 24.1%. Extreme poverty increased slightly from 0.2% in 2016 to 0.3% in 2022 but is well below the LAC average (8.3%). The Gini index increased from 39.7 in 2016 to 40.8 in 2021, remaining below the LAC average (44.8). Regarding investment and production transformation indicators, total investment in Uruguay increased from 16.9% of GDP in 2016 to 18.5% in 2022, following the LAC average trend, which increased from 20.8% to 21.3% over the same period. Private investment, however, decreased in Uruguay, from 15.0% of GDP to 12.0%, dropping further below the LAC average (15.8% in 2019). Uruguay's labour productivity, measured against output per employed person in the United States, decreased from 39.0% in 2016 to 38.0% in 2023, while remaining well above the LAC average of 27.1% in 2023. The share of exports of high-tech products in total exported manufactured goods declined from 10.6% in 2016 to 9.8% in 2020 but continues to be above the LAC average (7.2%). Positive perceptions of foreign direct investment (FDI), which declined across the region, dropped in Uruguay, from 74.3% in 2016 to 65.0% in 2020. The country's tax revenue increased from 25.6% of GDP in 2016 to 26.5% in 2021, above the regional average of 21.5%. Environment-related tax revenues remained almost unchanged, rising from 1.7% of GDP in 2016 to 1.8% in 2021, above the regional average of 0.9%.

2. Long-term policies to promote investment and production transformation

Uruguay has made significant efforts to attract and mobilise high-quality investment, focusing mainly on promoting science, technology, and innovation projects. It established the Uruguay Innovation Hub to attract high-value-added investment, promote venture acceleration, and develop open labs and an innovation campus. This platform aims to create a public-private financing fund to invest in high-potential startups. Since 1998, Uruguay has fostered investments through the Investment promotion law 16.906, with a total of 708 projects promoted by 2022, for about USD 1.2 billion. This law focuses mainly on mobilising investments in the industrial, trade and services, agriculture, and tourism sectors.


To advance an inclusive and sustainable production model, Uruguay is developing a National Circular Economy Strategy (ENEC) with three fundamental goals: define the vision of the ENEC; establish the strategic priorities of the ENEC and relevant indicators; and determine short- and medium-term action plans. Since 2011, Uruguay has implemented the public-private participation programme, created by Law 18786 and Decree 49/022. This programme seeks to improve the country's physical infrastructure to increase the factor productivity and consolidate social equity progress. As an example of multi-stakeholder partnerships for development, Uruguay is participating in the UN Global Compact, which gathers private sector institutions worldwide. The country created (in 2021) its national network to promote private sector involvement in policy making and promoting the UN Sustainable Development Goals (SDGs).

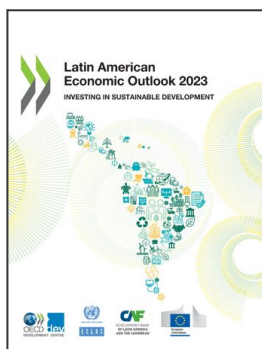
Uruguay is embarking on its second energy transition, after achieving its first energy transition, with over 95% of its electricity production coming from renewable sources such as hydro, wind, biomass, and solar. With a focus on decarbonising the transport and industrial sectors, the second transition is built upon three main pillars: continued integration of new renewable energy generation; promotion of electric mobility; and development of green hydrogen and its derivatives. In 2022, Uruguay established a roadmap for Green Hydrogen and its Derivatives, outlining short-, medium- and long-term goals. These goals include generating heavy-duty transport solutions for the domestic market; creating e-fuels; using methanol as a raw material; and producing green fertilisers for export markets. To guide the development of this roadmap, Uruguay established the H2U Programme.

In terms of regional and international partnerships to support the attraction of quality investments, Uruguay has established collaborative initiatives with partners both within and beyond LAC. **Within** the region, Uruguay is part of the investment promotion and border development programme with Paraguay, which promotes targeted investment attraction, evaluation and monitoring mechanisms while also identifying good practices for better-integrated border management (among other initiatives). Uruguay and Mexico are collaborating to increase research and development (R&D) investment and value added in local production chains, with an emphasis on sustainable development. With Ecuador, Uruguay is collaborating to establish territorial strategies to support micro, small and medium enterprises (MSMEs) and their entrepreneurship capacities. **Beyond** the region, Uruguay has collaborated with the United Nations Development Programme (UNDP) to support the implementation of the National Preinvestment Fund (FONADEP) and to improve the management, monitoring and evaluation of the Interior Development Fund within the Directorate of Decentralisation and Public Investment. In the field of renewable energy and the energy transition, Uruguay has also collaborated with the UN International Development Organization (UNIDO) through the Renewable Energy Innovation Fund (REIF). The project Strengthening the Energy Transition is an example of triangular co-operation with Germany and Bolivia. Uruguay has also developed multiple partnerships to strengthen the green and circular economy, such as: AL-INVEST green and CoopsUYxDS with the European Union; and the Knowledge Sharing Programme (KSP) with Korea.

	Key indicators – Uruguay					
	Uruguay		LAC		OECD	
	2016	2022	2016	2022	2016	2022
Social						
Extreme poverty	0.2	0.3	8.1	8.3	N/A	N/A
Poverty	3.6	4.3	25.9	24.1	N/A	N/A
	2016	2021	2016	2021	2016	2021
Share of internet users (% of population)	66.4	90.1	54.5	74.2	81.8	89.6
	2016	2021	2016	2021	2016	2020
Gini index	39.7	40.8	46.3	44.8	34.1	33.6
	2008	2018	2009	2021	2009	2021
Share of total population in informal households (%)	28.5	16.3	44.2	46.8	N/A	N/A
Share of total population in informal households, upper-income quintile (%)	12.9	1.2	23.9	21.3	N/A	N/A
Share of total population in informal households, lower-income quintile (%)	68.7	56.1	77.6	78.2	N/A	N/A
	2019	2023	2019	2023	2019	2023
SIGI index	22.2	19.4	25.4	21.6	17.5	15.3
	2015	2018	2015	2018	2015	2018
PISA score in science	435	426	411	407	489	487
Productivity and innovation						
	2016	2023	2016	2023	2016	2023
Labour productivity (% of the United States)	39.0	38.0	29.3	27.1	70.0	68.5
	2016	2020	2016	2021	2016	2021
High-tech exports (% of manufactured exports)	10.6	9.8	8.4	7.2	16.5	16.0
	2016	2019	2016	2019	2016	2019
R&D expenditures (% of GDP)	0.4	0.5	0.3	0.4	1.8	2.0
Investment and production transformation						
	2016	2022	2016	2022	2016	2022
Total investment, gross fixed capital formation (% of GDP)	16.9	18.5	20.8	21.3	21.9	22.8
Foreign direct investment (FDI), net capital inflow (% of GDP)	-0.9	13.2	4.4	4.6	6.8	3.5
	2016	2019	2016	2019	2016	2019
Private investment (% of GDP)	15.0	12.0	16.1	15.8	18.2	18.8
	2016	2021	2016	2021	2016	2021
Public investment in economic infrastructure (% of GDP)	1.9	1.3	2.3	1.6	N/A	N/A
Citizens' perceptions and institutions						
	2016	2020	2016	2020	2016	2020
Share of population who perceive FDI as beneficial (%)	74.3	65.0	70.9	53.9	N/A	N/A
	2018	2020	2018	2020	2018	2020
Share of population who consider that, in general, domestic products are of lower quality than imported ones (%) (agreeing or strongly agreeing)	27.4	26.5	44.6	42.7	N/A	N/A
	2016	2022	2016	2022	2016	2022
Corruption Perception Index (score on a scale of 0 [highly corrupt] to 100 [totally clean])	71.0	74.0	41.2	40.6	67.3	66.3
Security risks indicator (score from 0 [low security risks] to 10 [high security risks])	3.5	3.9	5.9	5.6	2.8	2.6
	2010-14	2017-22	2010-14	2017-22	2010-14	2017-22
Belief that science and technology will create more opportunities for the next generation (score on a scale from 1 [strongly disagree] to 10 [strongly agree])	7.6	7.4	7.3	7.2	7.6	7.2
Share of population who worry (very much or a great deal) about not being able to provide a good education for their children (%)	64.0	75.0	75.4	74.0	49.8	41.4
Fiscal position						
	2016	2021	2016	2021	2016	2021
Total tax revenues (% of GDP)	25.6	26.5	22.0	21.5	33.6	34.1
Environmentally related tax revenue (% of GDP)	1.7	1.8	1.1	0.9	2.4	2.0
Share of VAT (% GDP)	7.1	7.2	5.9	6.1	6.6	7.0
Share of PIT (% GDP)	3.0	3.8	2.0	2.0	7.8	8.3
Share of CIT (% of GDP)	2.6	2.8	3.2	3.4	2.9	3.1
Debt service (% of total tax revenue)	9.5	7.7	11.3	12.3	5.4	5.3
Social expenditure (% of GDP)	14.7	15.6	11.3	13.3	20.1	22.0
	2016	2020	2016	2020	2016	2019
Perception of tax evasion (%)	N/A	32.6	N/A	27.3	N/A	N/A

Note: See the Reader's Guide for definitions and sources.

StatLink  <https://stat.link/trlb4s>



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