

Uruguay ramps up PPP

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The Uruguayan government has kicked off the year with the launch of tenders for two transport PPPs. President Tabaré Vázquez's administration expects to award a rail PPP and three highway projects by the end of the year. The projects are components of a \$12 billion infrastructure programme to be rolled out over his administration (2015-2019).

Nascent PPP

In contrast to Uruguay's renewable energy sector, which has attracted ample international investment into projects benefitting from long-term power purchase agreements (PPAs), the country's infrastructure has seen limited private sector participation.

To date Uruguay has procured just two PPPs: the Punta de Rieles prison project in La Libertad in 2014 and the Corredor Vial 21-24 highway project in November 2015 (the first under Vázquez).

Spain's Abengoa partnered with local catering firm Goddard, on the winning bid for the Punta de Rieles concession. The consortium closed a \$90 million equivalent non-recourse bond issue in the local capital markets in mid-2015 to fund the project's design, build, finance, operation and maintenance.

[The government has also provisionally awarded a 24-year concession for the restoration of the Corredor Vial 21-24](#) to a group comprising Sacyr and local firm Grinor, of Grupo Saceem in November 2015. The contract entails the reconstruction, rehabilitation and maintenance of an existing 120km road located in the west of the country.

Transportation push

The government plans to launch the procurement of a further four transportation projects worth a combined \$800 million in the first semester of 2016.

As reported by *IJGlobal* earlier this week, the Ministry of Transport and Public Works (MTOP) has invited bids for the [30-year concession to restore a railway between Algorta and Fray Bentos](#). Works will cost around \$110 million, according to the government. The concessionaire, which will receive availability payments for the operation and maintenance of the project, does not assume demand risk under the terms of the contract.

Uruguay's Ministry of Finance has additionally approved tender drafts for the Corredor Vial Circuito 1 and 2 highways. The MTOP issued a tender notice inviting bids for the projects yesterday (27 January 2016). The projects are expected to be procured under 20-year concessions. Proposals are due by 26 April.

Circuito 1 entails construction works along route 12, between the port of Nueva Palmira and Florencio Sánchez-Cardona, route 54 between Juan Lacaze and route 12, routes 55, 21, 12 and 57 between Cardona and Trinidad, and finally connecting the Carmelo bypass. Circuito 2 entails the remodelling of route 9 between Rocha and Chuy, and between route 15 between Rocha until route 13 in Velázquez. Works are slated to last between 30 and 48 months.

The MTOP estimates that Circuito 1 and 2, along with [Corredor Vial 21-24](#), will require combined investments of around \$800 million. The rail and road sectors are due to receive total investments amounting to \$2.7 billion over the five-year period. The government has also pledged investments of \$1.7 billion into social infrastructure project such as education and health, as well as \$550 million into water and sanitation.

The government has pledged to provide the bulk (66%) of the proposed \$12 billion of investment, and private funds would make up the balance.

Financing success

Uruguay's investment grade status, coupled with a proven track of project finance transactions in the renewables sector, and an increasing participation from institutional investors, could make the infrastructure market attractive to further international developers.

According to MEF's website, financiers have already expressed an interest in supporting these projects. The International Finance Corporation (IFC) indicated that it would consider direct financial support from its own account as well as mobilising alternative funds to complete the financing for the Corredor Vial routes 21 and 24 projects, if requested by the concessionaire. JP Morgan has provisionally expressed an interest in participating in either the structuring or financing of the PPP pipeline.

Uruguay's institutional investors are also demonstrating a growing interest in both debt and equity products to support projects. In addition to the closed Punta de Rieles project bond, a number of wind projects are known to be mulling a refinancing in the capital markets in the short-medium term. And in 2015 two UTE-sponsored wind farms, the [141.6MW Pampa and the 70MW Colonia Arias](#) raised project equity with local investors through IPOs.

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