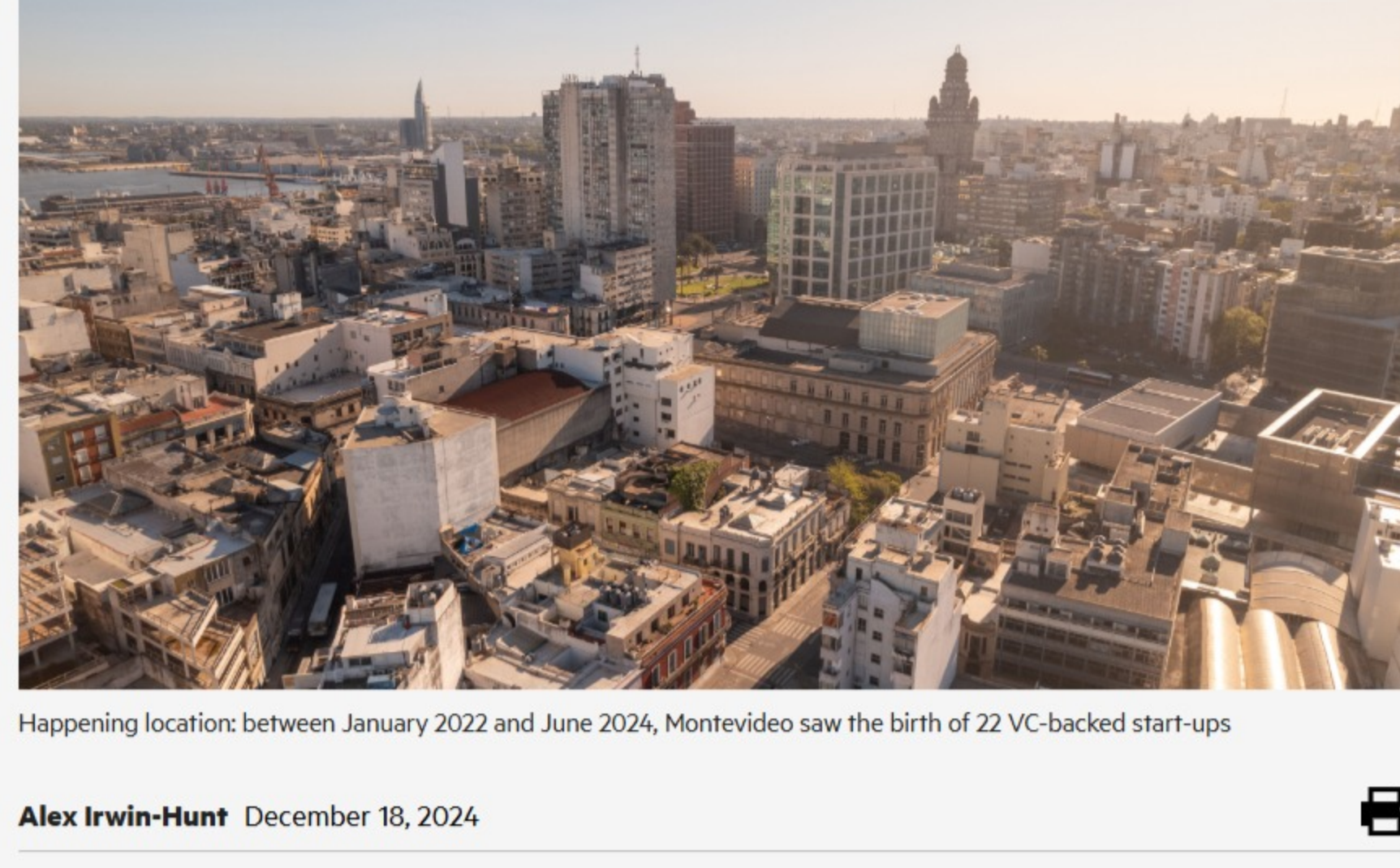


Uruguay's push as haven for Latam tech founders

The country's stability and targeted policy have been a fillip for local and foreign entrepreneurs



Happening location: between January 2022 and June 2024, Montevideo saw the birth of 22 VC-backed start-ups

Alex Irwin-Hunt December 18, 2024

Ximena Aleman recalls that venture capital (VC) used to be “something very exotic” in Uruguay. As a result, the Uruguayan entrepreneur and her co-founders decided in 2018 to join an accelerator program in Mexico City, where VC investors urged them to relocate from Uruguay to the city or another major Latin American tech hub.

Staying in Uruguay as a start-up was a relatively “unexplored” option at the time, says Ms Aleman, co-founder and co-CEO of Prometeo OpenBanking, which builds infrastructure to connect Latin American and US banks. Today the situation has changed for the better after a “cultural shift”, with VC firms making Uruguay “part of their agenda” when scouting for promising start-ups in the region.

Uruguay, a small country of 3.5 million people nestled between Argentina and Brazil, has become a tech haven in a region where entrepreneurs face uncertainty at every corner — including sky-high inflation (Argentina), political instability (Peru) and sudden changes to economic policy (Colombia and Chile).

Local success stories like payments firm dLocal, which listed on the Nasdaq in June 2021, have raised awareness of Uruguayan start-ups' potential, while regional champions like Buenos Aires-founded, Luxembourg-based software development firm Globant and Brazil's Nubank have set up major offices in the country. Tech leaders have also made Uruguay their inherited home and a base from which to run their regional operations, drawn by its high quality of life, political stability and favourable tax policies.

Round-up of Uruguay's tech ecosystem perspectives



Maria Eugenia Gonzalez Panuncio
Innovation manager, Hattrick IT

“Montevideo's startup ecosystem is tightly knit and highly collaborative. Being a small city, it's easy to connect with others in the industry. While Montevideo's ecosystem has flourished, challenges remain. Access to larger markets can be tough due to Uruguay's small...”



Juan Jose Behrend
CTO & Co-Founder, Akua

“Uruguay's startup ecosystem is flourishing. With only 3 million people, we have an impressive number of unicorns and regionally recognised companies. But Uruguay's small market size means that major VCs, particularly those in the US, and top tech companies often don't...”



Diego Szilagyi
Co-founder of nocnoc

“The ecosystem in Uruguay is relatively small compared to neighbouring countries like Brazil or Argentina, but it stands out for its high level of professional quality and a strong focus on internationalisation. Uruguay's stability, security, and clear regulations make it a magnet for major...”



Cande Lucas
Vice president, growth, I...

“When you come back you really do miss the quality of life we have in Uruguay. It's a mix of stability, here, [inaudible] here, [inaudible] a good place to live in Uruguay...”

FDI Intelligence

Argentine entrepreneurs, including well-known figures like Marcos Galperin, CEO of e-commerce tech giant MercadoLibre, have relocated en masse to Uruguay across the River Plate estuary, fleeing the social and economic instability at home.

As much as Uruguay's tech ecosystem has welcomed prominent tech leaders and gained recognition, it is still much smaller than major tech hubs like São Paulo and Mexico City. Entrepreneurs and investors argue the small country needs to attract and retain more tech talent and later-stage funding to continue its growth trajectory.

Consistent policymaking

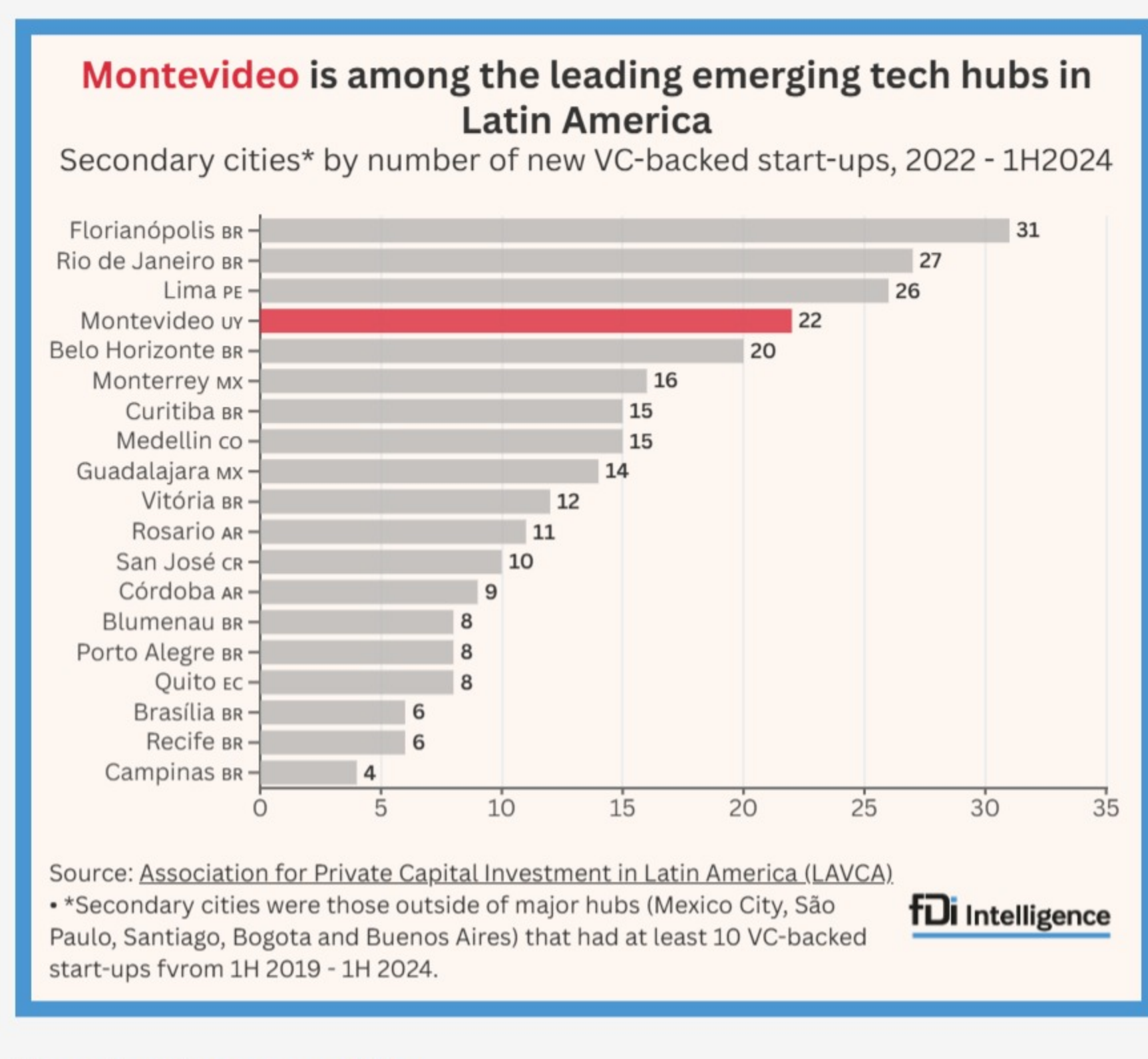
Uruguay's emergence as a tech hub follows years of targeted support from governments despite changes in ruling political parties. Institutions like the National Agency for Research and Innovation (Anii) established in 2006, the National Development Agency (Ande) and universities like ORT have provided start-up grants and fomented an entrepreneurial spirit in the country.

Maria Eugenia González Panuncio, innovation manager at Hattrick IT, a Montevideo-based software developer, says there are “higher levels of trust” in Uruguayan institutions than in other Latin American countries, making it easier for tech companies to partner, collaborate and make projections about their business.

Sebastián Riso, executive director of Uruguay XXI, the country's investment and export promotion agency, notes that IT exports have been exempt from tax since 2000 providing stability for tech companies. “We want to transform Uruguay from a business hub to an innovation hub,” he says. In 2023, Uruguay had the second-highest software exports per capita in Latin America, according to Uruguay XXI.

Sergio Fogel, co-founder of dLocal, tells FDI that decades of consistent policymaking, high levels of education and internet infrastructure provided the foundations for Uruguay's growing tech industry. But it is the relative safety of the country that has made it the preferred choice for prominent Latin American founders, who feel at ease to walk the streets and send their kids to school on a bike.

Between January 2022 and June 2024, Uruguay's capital city Montevideo birthed 22 new VC-backed start-ups, according to data from the regional private capital association, Lavca, which shows this was the highest increase of innovative companies from the corresponding previous period among what Lavca classifies as secondary tech hubs in Latin America.



Founders' communities

While Uruguay's tech industry is concentrated in Montevideo, including Microsoft's artificial intelligence co-innovation lab at the Latu Technology Park, entrepreneurial hubs have sprung up elsewhere, including the MásColonia smart city project, which aims to become a major innovation hub at a regional level, about 40km from Argentina's capital Buenos Aires.

An emerging tech hotspot is Punta del Este, a popular luxury holiday destination for wealthy South Americans that has become a remote working hub. Tomas Braun, an Argentinian partner at VC firm Boost Capital Partners who now lives in Punta del Este, has co-created a tech co-working space in a rented hotel in the town, where about 35 founders and investors work and collaborate.

“Uruguay's tech scene is in size still far from being in the centre of Latam's ecosystem, like Mexico City, Sao Paulo or even Buenos Aires, but it has an outstanding quality of founders,” he says. Despite its appeal as a place to live, entrepreneurs say Uruguay's market is way too small to launch a start-up concept — with entrepreneurs needing to put their ideas into practice in larger cities in other Latin American countries.

Scaling challenge

Juan Jose Behrend, co-founder of fintech Akua, agrees that Uruguay's “main challenge is scale”. He says this means “start-ups must think globally from day one” and that despite “strong local talent, recruiting for niche roles sometimes requires looking internationally.”

The need to think globally from the get go “makes Uruguayan start-ups more adept at understanding and adapting faster to new markets than those in some other countries,” argues Diego Szilagyi Russo, co-founder of nocnoc, an e-commerce start-up.

Despite the ecosystem's notable successes, Dealroom data shows VC funding to Uruguayan start-ups in 2023 was \$62m, down by 66% from a year earlier. This is barely a drop in the ocean compared to Brazil (\$2bn) and Mexico (\$835m), and about half of Argentina (\$134m). Mr Fogel of dLocal lauds the government's consistent efforts to attract more tech workers and liberal policies to encourage inward migration, but says there is a need to get “more people educated in tech, more emphasis on AI and English education.”

Uruguay has welcomed prominent tech leaders and laid the groundwork to support continued growth in its IT industry. For Ms Aleman of Prometeo, the sky is the limit: “We are not Silicon Valley or even Brazil yet. Hopefully in five years, you will have more news about unicorns (or start-ups valued above \$1bn) in Uruguay, and I will be able to say we've done it.”

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This article first appeared in the December 2024/January 2025 print edition of FDI Intelligence

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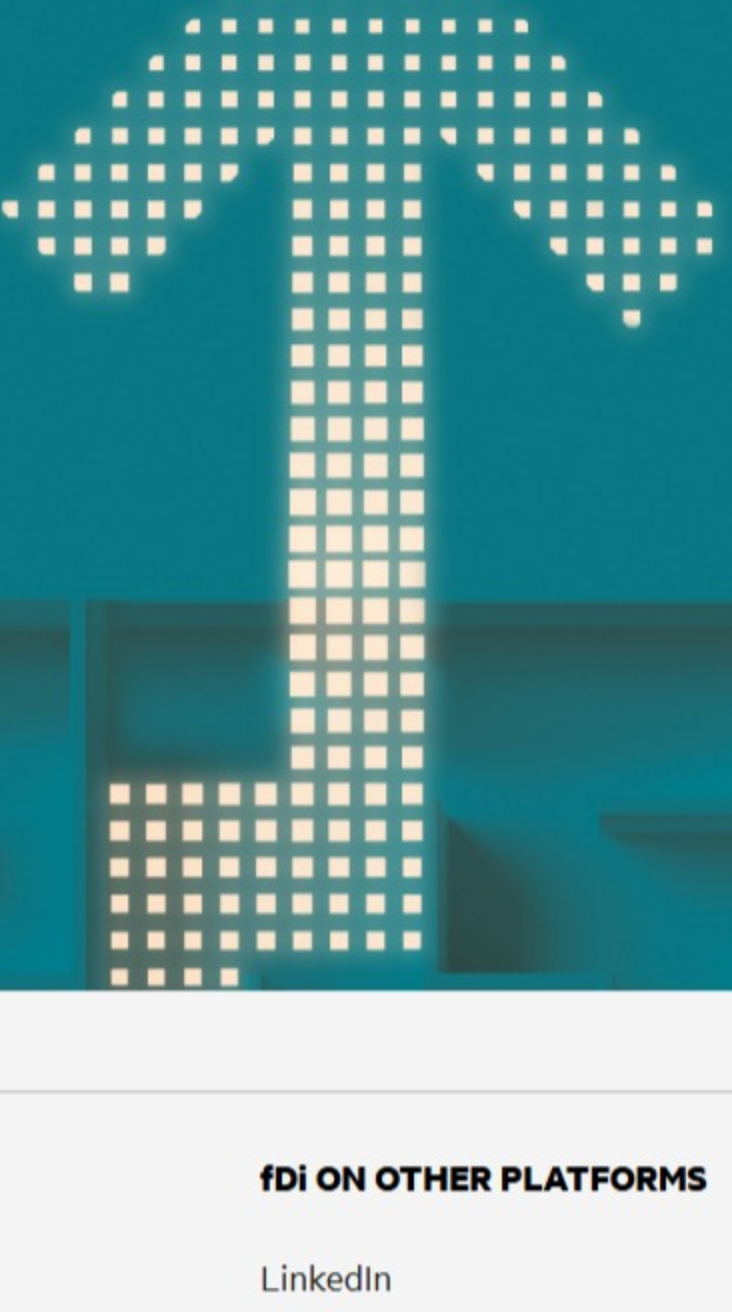
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