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In the hierarchy of the economies across the globe, Latin America is not often mentioned, the potential of the region and its constituent countries drowned out by other global developments. Part of the Pacific Alliance Trade Bloc, the strongest economic bloc in the region, Colombia is one of the countries that contributes with policies and proposals towards innovation. Is in its own interest to change the perception. After years of internal wars and other conflicts, Colombia has been working hard to change that reality contributed to create a negative image of the country.

This report gives an overview of Colombia as a country, from its geography, to its people and finally to its economy before presenting a very vibrant startup ecosystem that has been growing and launching new exciting technology companies to the region and the world. This report present updates and future projections to represent international sentiments towards Colombia. This document explores characteristics of the Colombian market, such as demographics and behavioural preferences, challenges that plague the current system, and from it, identify 3 interesting key sectors of growth in recent times.

The analysis presented sheds much positive light on the potential of Colombia, although we recognize that the country has to improve some policies and the way to support innovation and new technologies towards the creation of new small and medium businesses locally. By no means the information presented in this report is conclusive or representative of everything that Colombia could offer. However, we hope it would gives the reader a glimpse of Colombia to consider business expansion, opportunities of partnership or any other projects related with new technologies as Colombia is one of the most important early adopters in Latin America.

¡Viva Colombia!
Colombia Talent Source & Creativity
Introducing Colombia: “The Potential Of This Country”

In the last two-decades Colombia has steadily growing, showing a more solid and attractive economy. With a friendly environment Colombia always receives with open arms foreign people visiting and investing in the country. The simplicity of its people is always well perceived by foreigners.

Population
Over 50 million people lives right now in Colombia, 80% in urban areas. One of the most relevant characteristics is that Colombia is that the country has a very young population, the median age is 29.8 years. Colombia’s capital is Bogota, and besides is the largest city in the country, Colombia has some other main competitive and attractive cities with important population. Cities like Medellin, Cali and Cartagena offer different business environment and opportunities for both local and foreigns.

Literacy rates
According with UNESCO the literacy rate in Colombia is above 94%. The country offers free and private options for education from elementary school to university. The quality of the public education specially in elementary and high-school has been always a concern. Colombia has good university institutions with good reputation in the region, graduating very talented professionals.

Language
Spanish is the national language used in Colombia. In the English proficiency Colombia’s score is 48.90 considered low under the EF EPI. Although this fact maybe perceived as a challenge, professionals in Colombia may show a higher level to communicate in this language.

Economy
Colombia is an emerging market part of the Pacific Alliance Trade Bloc. Colombia is the fourth largest economy in Latin America, its economy depends in commodities. From the 90’s Colombia has shown an historic economic boom in the region, the production projects a new focus in industries related with electronics, automobile, tourism, construction and mining. Colombia is the second largest producer of domestically-made electronics and appliance in Latin America only behind Mexico. The last governments have been strongly interested in promote creative industries as a way to diversify the economy.
In today’s globalized market, businesses constantly seek profit maximizing opportunities without sacrificing talent. Here are 5 lesser known advances Colombia offers:

**No1.**

**Geographic Position In The Region And Time Zone**

Colombia has an unique geographic position in the region, connecting Central and South America, the country has coast in both the Pacific and the Atlantic Ocean, this aspect helps the country to have a good advantage trading goods between countries in the region. Colombia is near by any important city in Latin America by air. The time zone is also an attractive point to work with other countries including North America where the difference could be between 0-3 hours.

**No 2.**

**Part of the Pacific Alliance Trade Bloc**

The Pacific Alliance is a strategic platform, this dynamic initiative aims to potential business between the four founding countries (Mexico, Colombia, Peru and Chile), represents the 8th greatest economy in the world, 38% of the GDP in Latin American and the Caribbean, 50% of the trade in the region and 45% of the foreign direct investment in Latin America.

**No 3.**

**Low Cost Of Living**

Colombia has been considered one of the most affordable destinations in the world. Most foreign spend in average USD 1,000 to USD 2,500 a month in living, including rent, food, transportation, utilities and some entertainment.

**No 4.**

**Entrepreneurial Environment**

Colombia is one of the great early adopters in the region, in terms of technology the government wants to have over 65% of the country working online, Colombia has already a smartphone adoption rate of 69%. Most of the adoption in new technologies are related with Fintech and Creative Industries. In terms of social media, Facebook and WhatsApp are the most use tools for locals.

**No 5.**

**Technology Early Adopters**

Colombia ranks fourth on the list of countries with the greatest number of innovative ventures in an early stage, also ranks fourth with the best system conditions for entrepreneurship in Latin America. Colombia also ranks 5th in the region and 22nd in the world in future favorable to entrepreneurship.
Economic outlook for Colombia: Growth and new leadership in the region driven by the Orange Economy

Overview
Colombia is the fourth largest economy in Latin America accordingly with its GDP. The economy in Colombia has been improving since the end 90’s. Between 2002 and 2015 the poverty rate fell from 50% to 28%. Colombia has a track record of prudent management of the economy, despite the downturns it has maintained the investment grade rating since 2013. Petroleum is Colombia’s main export, representing 45% of the Colombia’s exports. Manufacturing is second with a 12% of the exports.

Recent updates
After a small slow down in 2017, the economic growth accelerated to 3% in the first half of 2019, driven by private consumption and strong investment. In 2019 the growth is projected in a 3.3% and by 2020 in a 3.6% having lower effective corporate taxes and expected recovery in residential investment, plus an improvement in the budget execution at the national level.

Recently investors in Colombia have not necessary shown further interest in continue funding traditional projects—they are biding on bonds to build cultural infrastructure, anything between loans to jewelry makers and software developers to fibre-optic networks. This is one of the motivations from the new government under president Ivan Duque to create a good environment for companies related to creative industries, what is now called Orange Economy.

The Colombian Orange Economy
What is called the Orange Economy is related with goods and services based on intellectual property, estimated to make up around 6% of the world’s GDP. The Colombian government will work in areas supporting companies to drive the future economy of the company. Sectors that are going to be considered in this new phase of the Colombian economy are: 1) traditional creative segments as books, newspapers, magazines, libraries, film, television, photography and radio; 2) advance experience in segments as: visual and performing arts, dance, opera, fashion, design, museums, architecture, gastronomy; 3) new advance technology related with segments as: video gaming, software, advertising and new media.

President Duque’s vision and proposal is based in the acknowledge that the region cannot compete at the same level with China’s cheap labor force, and also due the high rates of Latin American urbanization, given that city residents tend to be better connected digital.

Colombia is moving towards a leadership in this industry in the region and one of the unique cases working with creative industries in the world arena.
Colombia’s main economic indicators show a steady growth in the economy in 2019, a good perspective for foreign investment and trust in the market.

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<th>2.7%</th>
<th>3.6%</th>
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<td>Is the GDP growth in 2018, is projected by the end of 2019 the GDP will be 3.3% as per the World Bank projections</td>
<td>Expected GDP growth by the end of 2020 as per the World Bank projections</td>
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<th>26.7 Million</th>
<th>3.82%</th>
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<td>People are part of the labor force in Colombia, 17% work in agriculture, 21% in industry and 56% in services</td>
<td>Is the inflation rate in Colombia</td>
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<tr>
<th>10.3%</th>
<th>USD 3.9 B</th>
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<td>Is the currently 2019 unemployment rate</td>
<td>Is Colombia’s increased foreign direct investment in June 2019, compared with the increase of 3.4 USD billion in the previous quarter.</td>
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<th>USD 39,48 B</th>
<th>11.5</th>
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<td>In exports by 2017, having the main export goods as: petroleum, coffee, coal, nickel, emeralds, apparel, bananas, cut flowers</td>
<td>Is the industrial index confidence in Colombia by September 2019, hitting its highest level since February 2011. Sentiment improved regarding current level of orders and stock of finished products</td>
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Colombia faces some domestic and international challenges, the country is working towards to improve in this areas.

Besides the advances in the economy, Colombia still faces some challenges and requires improve in different areas. There are different considerations that affect the good performance of the country, direct and foreign facts can hit the economy. Venezuela’s crisis is one of the challenges that Colombia as a close neighbour is facing, other internal challenges are related with the way to doing business in the country, the lack of transparency in certain areas and still some of the effects from the past year of violence in the country. Some indicators Colombia is working to improve:

**Safety**
Still a problem specially in the rural areas, while visiting or working in urban areas consider tips like: Call for a cab instead of take a taxi in the street; Keep money, cellphones or any values well saved while walking in the street.

**Taxes**
Still a problem specially in the rural areas, Colombia ranks #139 in doing the Doing Business Report for paying taxes and very low #174 for enforcing contracts. This fact leads to underinvestment in infrastructure and distrust of companies.

**Intelectual Property Rights**
Colombia is still in the list of countries with insufficient copyright legislation and enforcement. Is recommended while doing business in the country to keep the IP in your own original country.

**Transparency**
Colombia's rank in this matter is still relatively high, accordingly with Transparency International, bravery is still part of doing business in certain sectors of the economy.
Startup Ecosystem In Colombia

Government and private institutions are working towards support innovation in the country.

The Colombian government is working in a strong campaign to be known as a tech center. The campaign includes to attract IT service with professional training programs and tax incentives at the initial stage. Most of the 1,800 companies registering are technology-related industries as IT services and software development.

Beside working in this campaign the Colombian government is also addressing the lack of venture capital. In 2012 created INNpulsa, which is the country’s management institution for business growth. Their mission is to promote and support new ventures and tech innovation. Back in 2013 INNpulsa started with the provision of some funding to support investors groups that are willing to establish their operations in the country.

Another initiative but more tech-focus is apps.co, this government institution is aim to work in partnership with universities and accelerators. apps.co supports startups from the develop of ideas into businesses. Most of the initiatives are in the software and mobile applications. AppsCo was created in 2012 and to date, it has helped 137,000 people and provide support to over 2,000 companies and teams.

Angel Investment and Venture Capital
Right now Colombia has 38 seed funds, venture capital and private equity firms. The plan from the government to create a good environment to fund companies have resulted in Colombia turning into a tech hub in the region attracting quality investors.

The First Unicorn
Rappi became the first Colombian unicorn, one of the 11 in the region. Rappy is currently vaulted in USD 1.1 Billion, this on-demand delivery app has partnered with Avon in Brazil, and has growth rapidly in neighbour countries as Uruguay, Peru, Mexico, Chile and Brazil

Not Just Bogota
A good entrepreneurial environment is not just seen in Bogota, Medellin is one of the most attractive cities for startups and usually competes with Bogota for the attention of investment.

The local government in the city has invested in innovation, one of the biggest examples is Ruta N, a hub supporting early stage businesses via networking, opportunities for promotion and finance.
Currently Colombia ranked 34th out of 202 countries in the world for the strength of its startup ecosystem, the entrepreneurial scene in Colombia is thriving.

246 startups are in the Colombian startup map, main sectors represented are Fintech, Mobile and E-commerce.

1 Unicorn
Rappi became the first unicorn in Colombia operating in several other countries, this company has been an example for other startups in the country looking to grow and success in the market.

60% of Colombians are potential entrepreneurs. The country welcomes new ideas and talent.

By 2025
the goal from the government is to positioning Colombia as one of the three most innovative economies.

2,175 companies have been supported by the government program of apps.co

137,000 people has been helped by apps.co since the creation of this institution in 2012

27 crypto ATMs in Colombia companies such as Athena Bitcoing have moved into Colombia.

USD 3.1 B
was the Colombia's e-commerce revenue in 2015, although since that date the numbers have declined a bit, this sectors keep as one of the most active between startups.
Colombia
Talent Source & Creativity
Fintech Sector in Colombia

Colombia is the third largest Fintech ecosystem in Latin America. According with Finnovista, the country grew 45% in a year and half with 78 new Fintech companies.

124 startups are in Fintech in the country consolidating Colombia as the third largest Fintech ecosystem in the region.

2 times larger than Chile and 1.5 larger than Argentina, Colombia has a great ecosystem for Fintech companies in compare with other countries.

27% of the Fintech companies represents Payments and remittances.

50% was the growth rate in the personal financial management segment.

20% of the total startups in Fintech in Colombia are working the lending segment.

36% was the decreased in founding initiatives related with crowdfunding.

14% of the companies represent Enterprise Financial Management in the Fintech sector in Colombia.

61% of the Fintech startups in Colombia are located in Bogota.

Bogota is the city with the most number of Fintech startups followed by Medellin with a 29%. The market is still conservative, Fintech companies in Colombia are doing business outside of the country just in a 29%, the others remain with operations locally.
E-commerce sector in Colombia

The e-commerce market in Colombia started to grow in 2015, just in one year it grew 64% and the revenue was around USD 3.1B.

32.7 Million internet connections register in the last quarter of 2018

B2B
E-Commerce in Colombia is becoming more popular, there are some challenges due poor infrastructure

20% Annual rate in 2017 representing 1.5% of Colombian GDP

In 2016
The new electronic invoicing model was adopted officially in Colombia

Payments
Colombias prefer to pay by credit card or bank account debit but cash on delivery is also another method they are using in the country.

17% Financial
Is the most popular transaction made through e-commerce platforms

74th
Ranks Colombia out of 151 countries in internet use, secure serves and credit card penetration

31 Million
Users in Facebook in Colombia, e-commerce founders use this platform to promote their businesses

15% Retail
Is the second most popular transaction through e-commerce

The most common e-commerce challenges companies are failing while entering in the Colombia market are local regulation and local payment methods. Intellectual property is another challenge trying to be improved by the government.
Creative industries in Colombia

The government of Colombia is working to support more companies in the creative industries being a world leader in the orange economy. The country’s film, art, music and gaming industries can help to diversify the economy from the oil industry.

**Bogota**
- Has worked into promote the capital as the place for creative industries companies
- **23.3%** Of the country’s creative businesses are based in Bogota
- **33%** Will be the exempt in taxes for creative industries based in Colombia
- **322** Audiovisual projects were produced in Colombia from 2013 to 2016
- **92%** Of the country’s creative services are produced in Bogota
- **6%** Of the Colombian GDP is the plan from the government to have creative industries participating in the economy by 2022

**4th**
- Market in Latin America is considered Colombia in the video game industry
- **USD 499M** Was the total number of Greenfield FDI in Creative and Cultural industries in Bogota in June 2018

One of the biggest challenges that creative industries face is scalability, besides that Colombia has a great number of talented people working in this industry and it will become one of the most important engines of the economy in the near future.
Conclusion

Colombia has a great potential for international companies to expand in this market. As the white paper shows despite the challenges the country may have there are more opportunities that can be taken due the good environment to grow companies there and the early adoption of new technologies.

We hope this white paper highlighted one of the most important aspects of the startup ecosystem and the economy in the country.

About LatAm Startups

LatAm Startups is a non profit corporation based in Toronto supported by the City of Toronto, members of NACO and designated company for the Startup Visa program. We support international startups with bootcamps and softlanding programs to grow global from Canada.

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