

Latin America

Entry Points

Startup Ecosystems

Argentina & Uruguay

2021



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¡Hola!

Latin America is often overlooked when discussing global economies. The potential of the region and its countries are often dampened by other global trends. Argentina and Uruguay are two fascinating Latin American countries featuring strong political, economic, and cultural ties, but they also have significant differences. The two countries' connections have increased greatly since the end of the 19th century, owing to their shared European past. Economic flows, political influences, immigration, and cultures all play a role in shaping the development of two countries.

Before presenting a dynamic startup ecosystem that has been growing and continuously unveiling new technology start-ups to the region and the world, this study provides an overview of Argentina and Uruguay as countries, from their topography to their people and lastly to their economies. This study provides recent information as well as projections for the future to reflect international views regarding Argentina and Uruguay. This research examines demographics and behavioural preferences in the Argentinian and Uruguayan markets, as well as issues that plague the current system, to highlight three interesting important growth sectors in recent years.

The studies and articles presented magnify the opportunities in these two countries even in the middle of pandemic. How these two countries became resilient. Explore the 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 Argentina and Uruguay could offer. However, the authors hope it would give the reader a glimpse of these two economies to consider business expansion, opportunities of partnership or any other projects related with new technologies as Argentina and Uruguay are considered early adopters in the region and an alternative point of entry in Latin America.

Argentina and Uruguay ¡Genial!

Economic Outlook of Argentina and Uruguay: The Pros and Cons of the Economy

Overview Argentina

1st In terms of English skills, Argentina is the strongest in Latin America.

In the English Proficiency Index 2020, Argentina achieved a score of 566 out of a possible 800.

8th largest country in the world with 53% arable land.

Argentina is also Latin America's third-largest economy.

Argentina's GDP declined from \$445.5 billion (2019) to **383 B** GDP Dec 2020

45 million people live in Argentina.

About 92 percent of the Argentine population is concentrated in urban areas, with 38 percent living in Buenos Aires.

Unemployment rate improved from 10.2% to **9.6%** by Jun 2021

0.84% is the population growth rate.

Argentina's population accounts for 0.59 percent of the world's total population, suggesting that one out of every 171 persons on the earth calls Argentina home.

Inflation Rate in Argentina decreased to 52.10 percent in October from **52.50** percent in September of 2021.

Overview Uruguay

8th In terms of English competence, among all Latin America.

The English Proficiency Index 2020 gave Uruguay a score of 494 out of a possible 800.

2nd smallest country in Latin America with 176.215 km². Interestingly, more than 90% of the country's land area is suitable for agricultural use.

Uruguay's GDP declined from 61.23 B to **53.63 B** Dec 2020

3.54 million people live in Uruguay.

The largest urban concentration is in the capital, Montevideo.

Unemployment rate improved from 9.5% to **9.40%** by Sep 2021

0.33% is the population growth rate.

Uruguay has a population of 0.05 percent of the world's total population, which indicates that one person in every 2070 persons on the earth lives in Uruguay.

The annual inflation rate in Uruguay accelerated to **7.89** percent in October of 2021 from 7.41 percent in the previous month, marking the inflation recorded since March.

OVERVIEW



Argentina

1st

in Latin America in English proficiency

8th

largest country in the world

383 B

GDP 2021

45 million

inhabitants

9.6%

Unemployment rate

0.84%

Population growth rate

52.1%

Inflation Rate

Mercosur

Canada is negotiating a free trade agreement with Mercosur.

Uruguay

8th

in Latin America in English proficiency

2nd

smallest in LatAm

53.63 B

GDP 2021

3.54 million

inhabitants

9.40%

Unemployment rate

0.33%

Population growth rate

7.89%

Inflation Rate

Mercosur

Also, has separate trade agreements with Bolivia, Chile, Colombia, Ecuador, and Peru.

Startup Ecosystem in Argentina

Argentina is considered to be one of the fastest growing ecosystems in the region, taking a respectable 3rd place after Brazil and Chile.

The Argentina Startup Ecosystem is a regional Leader in innovation, ranked at number 39 globally, and shows a negative momentum -1 spots since 2020. Argentina also ranks at number 3 for startups in South America.

Biotechnology and knowledge-based services are some of the most rapidly expanding sectors. Argentina's principal exports include steel pipes, agricultural machinery, hospital equipment, and automobiles.

Companies in the software, nanotechnology, biotechnology, audiovisual, aerospace, and satellite industries, as well as engineering for the nuclear and robotics industries, are eligible for various tax benefits such as reduction of income tax.

Argentina is an ideal place to locate for Fintech, Ecommerce & Retail and Energy & Environment startups. As the most popular industries in the country, there is a sample of 108 Fintech startups in Argentina, 57 Ecommerce & Retail startups in Argentina and 55 Energy & Environment startups in Argentina

Among their notable startups we find: RSKlabs, Emilabs, and Afluenta

RSKlabs is the first opensource smart contract that allows users to mine crypto coin while also mining bitcoin. Has a total \$7.3M USD of funding

Emilabs is a recruitment assistant with high employee turnover. Has a total of \$2M USD of funding

Afluenta is a marketplace lending company with a total of \$25.5 M USD of funding.

Top industries:

Fintech #23 worldwide

Ecommerce & retail #26 worldwide

Energy & Environment #26 worldwide

There are 5 cities ranked in the top 1,000 in Argentina and the top ranked city in Argentina is Buenos Aires at 60 globally.

Startup Ecosystem in Uruguay

Uruguay is an ideal location to innovate and test new technologies because of its qualities as a small, orderly, open, and transparent country with access to superior technology.

The Uruguay Startup Ecosystem is a regional Leader in innovation, ranked at number 51 globally, and shows a positive momentum 15 spots since 2020. Uruguay also ranks at number 5 for start-ups in South America.

The country jumped 15 places to 51st position in the international Startup ecosystem rating and is ranked 50th in the world in the e-commerce and technology and retail sectors.

Uruguay became the first per capita software exporter in South America as a result of its early internationalization.

Uruguayan IT companies sell to more than 50 countries, with the United States topping the list of software export destinations, accounting for 65 percent of all placements.

Among the notable start-ups in Uruguay are: **Meitre**, an online reservations management platform.

Zyte, a platform to deploy and run web crawlers.

GeneXus, a company that develops state-of-the-art proprietary technology.

Uruguay is an ideal place to locate for Fintech, Ecommerce & Retail and Software and Data start-ups.

Montevideo was ranked #165 in the world's top 1,000 cities for start-ups.

The top industries in Uruguay by 2021 are:

Fintech #27 worldwide

Ecommerce & retail #50 worldwide

Software & data #65 worldwide

It is important to highlight the Proyecta Uruguay acceleration initiative, which aims to attract international creative businesses with the potential to expand and scale globally, is being reissued by Uruguay's National Agency for Research and Innovation (ANII).

Workshops will be provided to selected companies, and they will be eligible for up to US\$70,000 in non-refundable funding.

The changes in international trends resulting from the health crisis may represent an opportunity for Uruguay, which thanks to its resilience, macroeconomic stability, institutional quality and quality of life, continues to be an attractive destination for FDI.

KEY SECTORS



Argentina: Finance and Ecommerce

Argentina's booming fintech industry boasts over 300 companies that employ nearly 15,000 people. This year, the sector is expected to create more than 5,600 positions, reflecting on the industry's massive growth and traction. There are **223** FinTech startups in Argentina

20% of all Argentine fintech companies currently in operation were founded just last year

Between 2017 and 2020, direct employment in the fintech sector grew at a sustained rate of 40% year-on-year, a trend that's projected to continue in 2021.

two-thirds of banked Argentines increased their use of digital wallets since the beginning of the pandemic.

6.5 million Argentines to download one or more digital wallets

showcasing Argentina's vibrant and fast-growing crypto space, digital asset company Ripio, formerly BitPagos, is today one of the country's biggest fintech startups.

The company serves more than 1 million users in Argentina, Brazil, Mexico, Uruguay and Spain

Argentine fintech companies had attracted investments of **US\$194 million as of December 2020,**

The Digital Investment segment is expected to show a revenue growth of 50.0% in 2022

The market's largest segment will be Digital Payments with a total transaction value of **US\$27,440m in 2021.**

Argentine FinTech Ualá Attains \$2.45B Valuation After Investment Round

Revenue in the eCommerce market is projected to reach US\$7,465m in 2021

In the Digital Payments segment, the number of users is expected to amount to 29.48m users by 2025

In 2021, 95% of total eCommerce purchases in the country will be domestic.

In the eCommerce market, the number of users is expected to amount to 29.2m users by 2025.

Argentina: Agriculture Technology Sector

Abundant, fertile land and ample water resources have positioned Argentina among the top countries in the world for the production and export of key agricultural commodities. There are 87 Agricultural Tech startups in Argentina in 2021. More than 450 businesses are projected to be operating in Latin America to meet some need in the industry. Argentina is the second-most interested country in these types of ideas, according to research produced by the Inter-American Development Bank.

Top 3 Agricultural Exports

49% Soybean
11% Corn
6% Wheat

Primary crops by production quantity

Soybean 55.0 million tonnes/year
Corn 49.5 million tonnes/year
Sugar cane 19.2 million tonnes/year

The government is working on a 10-year project called the National Promotion of Investment and Agricultural Exports to increase the volume of exports by approximately 35 percent and create new jobs for the sector.

60 percent of exports come from the agricultural and agro-industrial sector

Incutex announces the opening of the first Agro-Investment Fund. This vertical is attracting an increasing number of startups. Even during a pandemic, Argentina's countryside was one of the fastest-growing areas.

The Buenos Aires-based startup recently announced it had raised \$1.1 million in a seed round. **Argentine ag blockchain platform ucrop.it raises seed funding.** Ucrop.it aims to connect producers with downstream players and enables them to agree on sustainable crop production objectives. The app-based platform uses blockchain technology for traceability and confidential cryptographic storage to protect producers' information.

Uruguay: Fintech, Ecommerce & Retail, and Agricultural Tech Sectors

Uruguay is a world-class business center with significant technological advancements. The country has excellent Internet connectivity and penetration.

Fixed broadband connectivity (Internet via fiber optics or ADSL) is available to 85 percent of households, with 75 percent having fiber optic access to the home with download speeds ranging from 30 to 120 Mbps.

Over 40 million Latin Americans got access to banking services during the pandemic, and millions more adopted fintech tools.

The emergence of Latin American fintech is perhaps most noticeable in Uruguay, where dLocal, a cross-border payment services company and the country's first technological unicorn, has a market valuation of more than \$15 billion.

Uruguay has 63 fintech companies, making it a regional leader in fostering digital start-ups. Technology businesses, especially those in fintech, have grown in Uruguay, which is known as the "Silicon Valley of South America," thanks to favorable banking legislation, a competent workforce, and a range of incentives.

Except for food and beverages, e-commerce penetration has always been low in the retail industry, but it is already growing at about 25% per year.

Food delivery, on-demand transportation, financial services, audiovisual services (usually by subscription), ticket purchases, restaurant reservations, flight reservations, and hotel reservations are the most popular e-commerce applications.

Today, worldwide corporations consider Uruguay as a destination for developing technical products and services as well as launching regional operations throughout Latin America.

Uruguay has a large region that is suited to produce high-performance food.

The country now feeds 30 million people and can feed 50 million people.

The country's determination to produce safe food has propelled it to the forefront of modern geo-referencing and traceability systems development.

From the beginning of the production cycle until it reaches the consumer's table, these ensure the origin and safety of food products.

In 2019, the agro-industrial sector alone contributed 11% of Uruguay's GDP.

Some Startups to keep an eye on are:

Chipsafer, this startup allows its users to monitor livestock remotely, helping rural producers to know where the animals are, receive alerts, or detect behavioral anomalies.

Nocnoc – This Uruguayan startup aims to facilitate e-commerce by connecting international sellers to Latin American marketplaces.

Paganza, a mobile application that allows its users to pay all bills from their smartphone.

NudaProp, an app that allows its users the possibility of selling a property without leaving home and generating additional income.

Conclusion

Argentina is a country rich in natural resources with huge development potential.

The country possesses the world's second and fourth-largest shale gas and oil reserves, as well as abundant solar and wind energy resources.

Argentina is the world's third-largest producer of lithium, with ambitions to expand mining exports over the next ten years.

Argentina's proven lithium resources account for more than 70% of the country's total.

With significant internet penetration and widespread smartphone use, the country is digitally competent.

Uruguay is a democratic country with a strong rule of law and strong respect for international agreements and standards.

Uruguay functions as a regional distribution platform through its free trade zones, thanks to its advantageous customs regimes with Mercosur and its strategic location between Argentina and Brazil.

Uruguay can serve as a test market for foreign businesses with little or no prior experience in the region due to the country's size (3.4 million inhabitants) and relatively high per capita GDP.

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