

# INVESTMENT ENVIRONMENT AND BUSINESS OPPORTUNITIES IN COLOMBIA

2017



# Colombia Offers:



**PROCOLOMBIA**  
EXPORTS TOURISM INVESTMENT COUNTRY BRAND



*A dynamic and stable economy*



*A growing market located strategically to facilitate business transactions with the region.*



*A trade platform with over 10 Trade Agreements enabling investors to reach third markets with preferential access*



*Multiple development centers and regions coupled with a growing middle class securing greater product and services demand.*



*A growing pool of qualified Colombian companies able to partner with international investors to reach out to regional markets.*

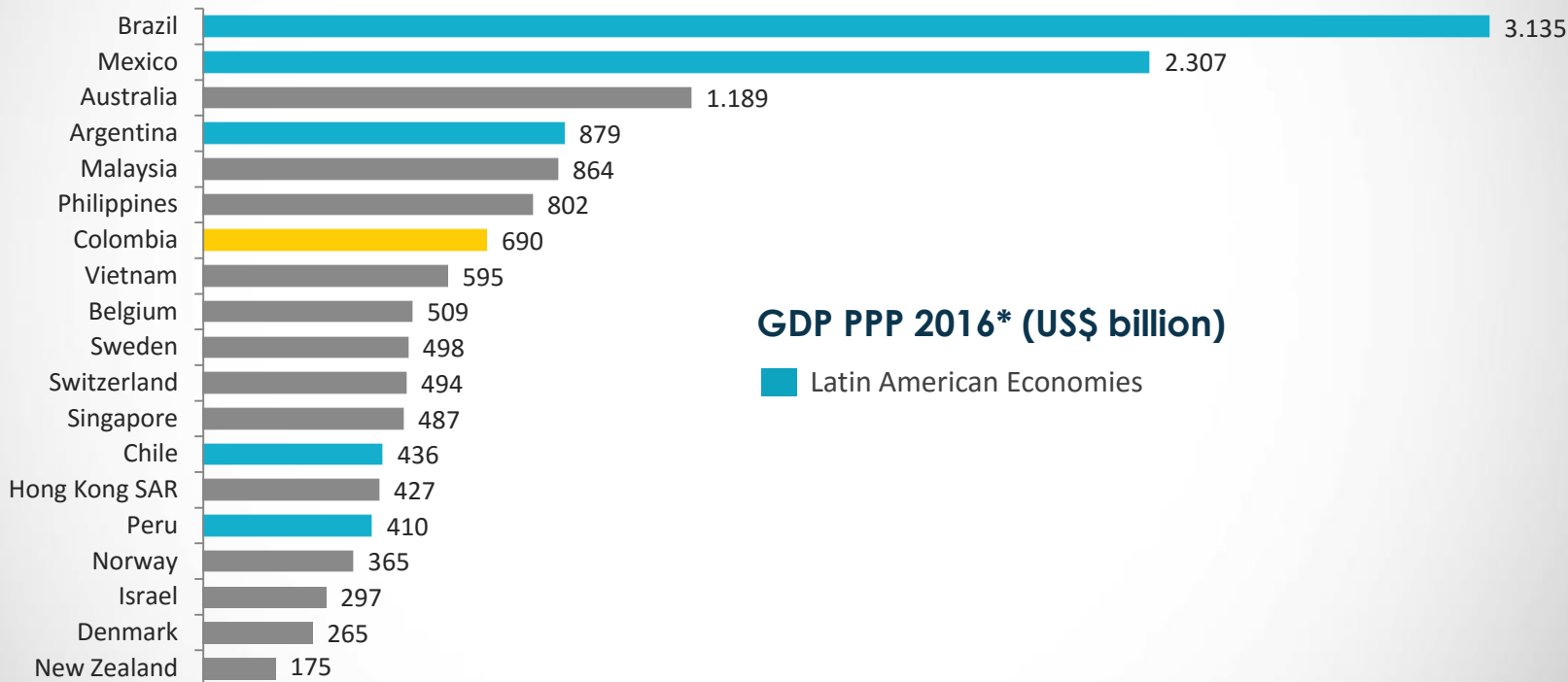


*Diverse Opportunities for investment in a wide variety of sectors*

**Colombia** is the **31th** largest economy in the world  
and the **4th** in **Latin America**

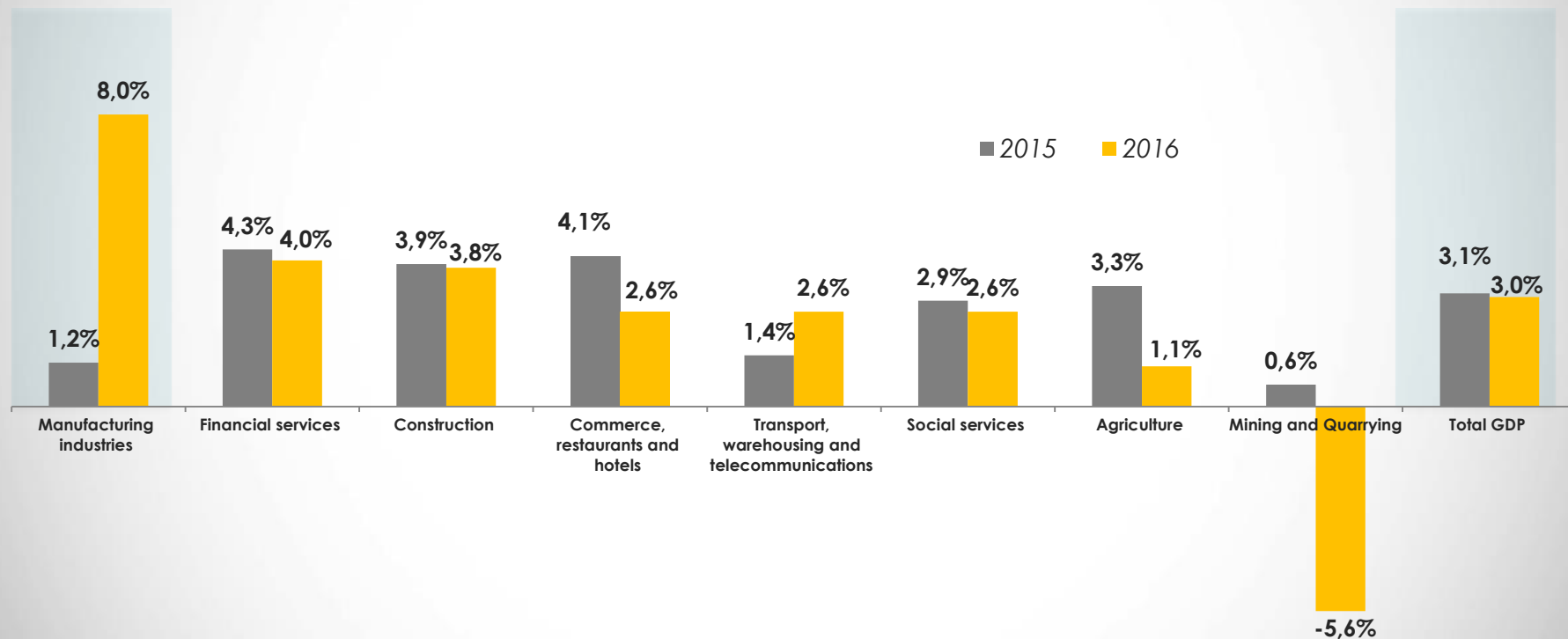


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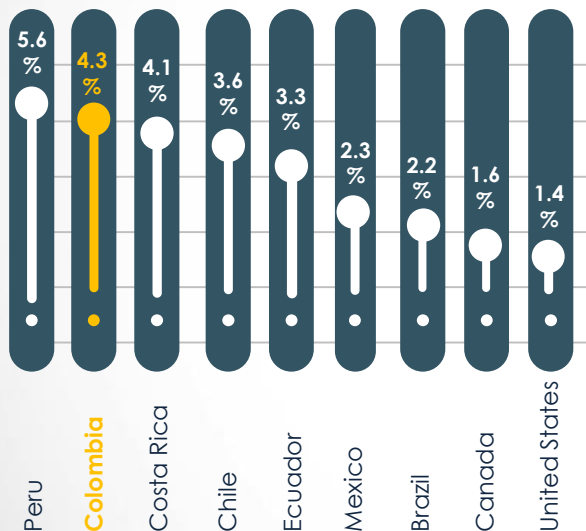
\*Estimated.  
Source: IMF, 2016

# Dynamic growth driven by its manufacturing industry



# Colombia – A dynamic and stable economy

**Gross Domestic Product, Annual growth rate  
2005-2016**



Source: IMF, 2016

**Macroeconomic stability index  
World ranking 2016-2017**



Source: Global competitiveness Index, 2016.

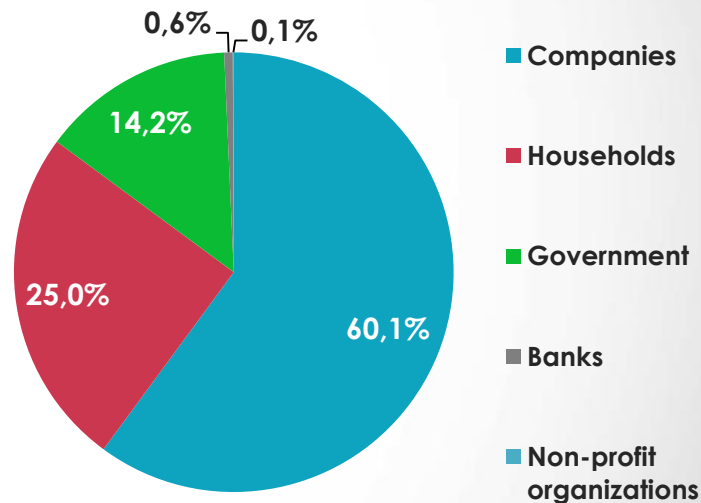
# With a constant gross fixed capital formation, where the companies are the most willing to invest in fixed capital

## Gross fixed capital formation

(Investment as GDP %)



## Investment sources 2015 (%)\*

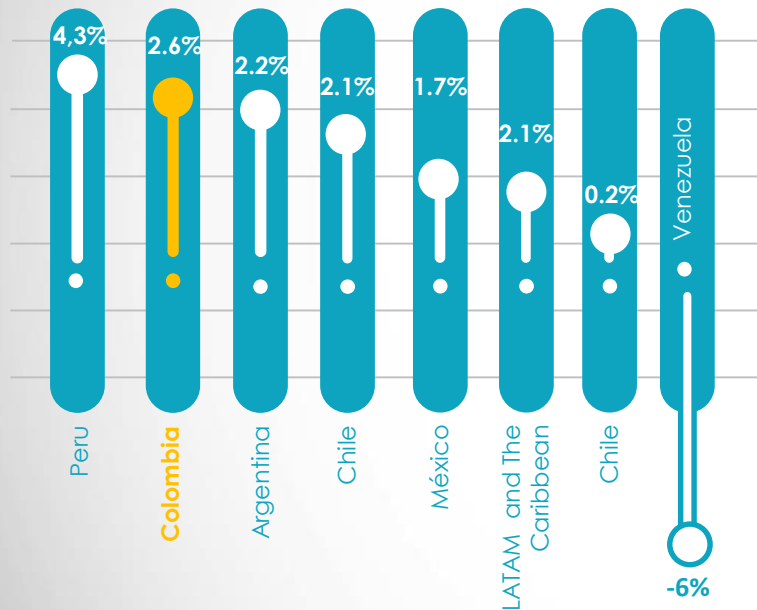


Gross fixed capital formation 2015  
US\$ 78 billion



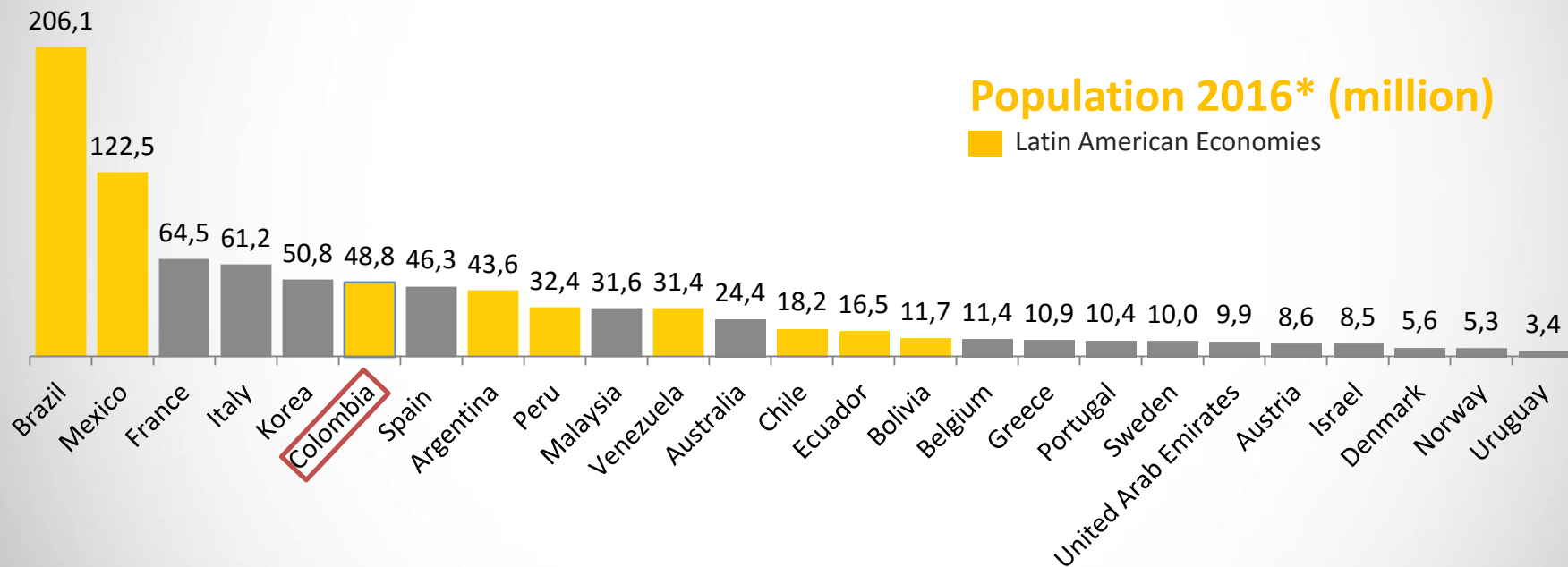
# Gross Domestic Product

## Estimated growth 2017



Colombia, **one of the top growing economies in 2017** among the largest Latin American countries

Colombia is the 27<sup>th</sup> most populated in the world  
and the 3<sup>rd</sup> in Latin America

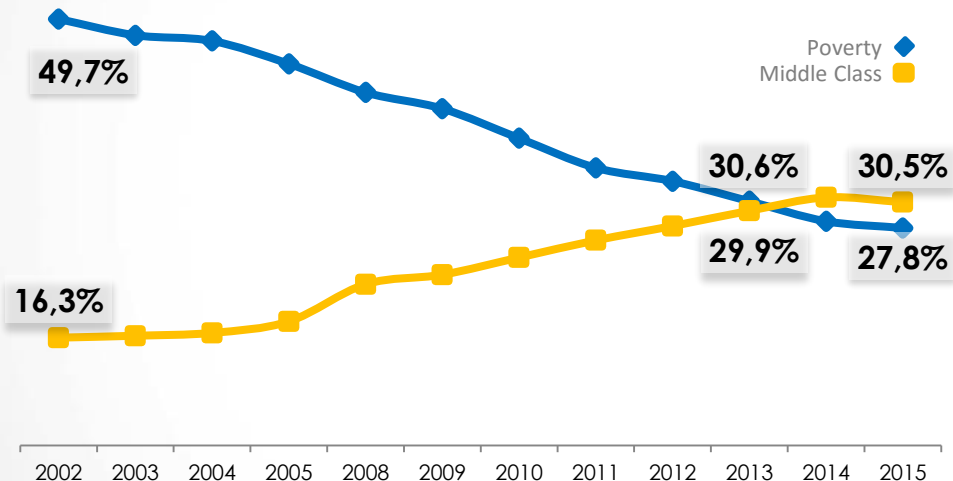




# Remarkable reduction in poverty rates and strong growth of the middle class

## Percentage of people in poverty

2002 – 2015



Colombia has continuously decreased its poverty levels

Source: Poverty: National Administrative Department of Statistics – DANE  
Middle class: The gained decade: the evolution of the middle class in Colombia between 2002 and 2011. Document CEDE # 50. Universidad de los Andes. And RADDAR for 2013 data.  
Middle class 2015: DNP

# COLOMBIA, an investment grade country

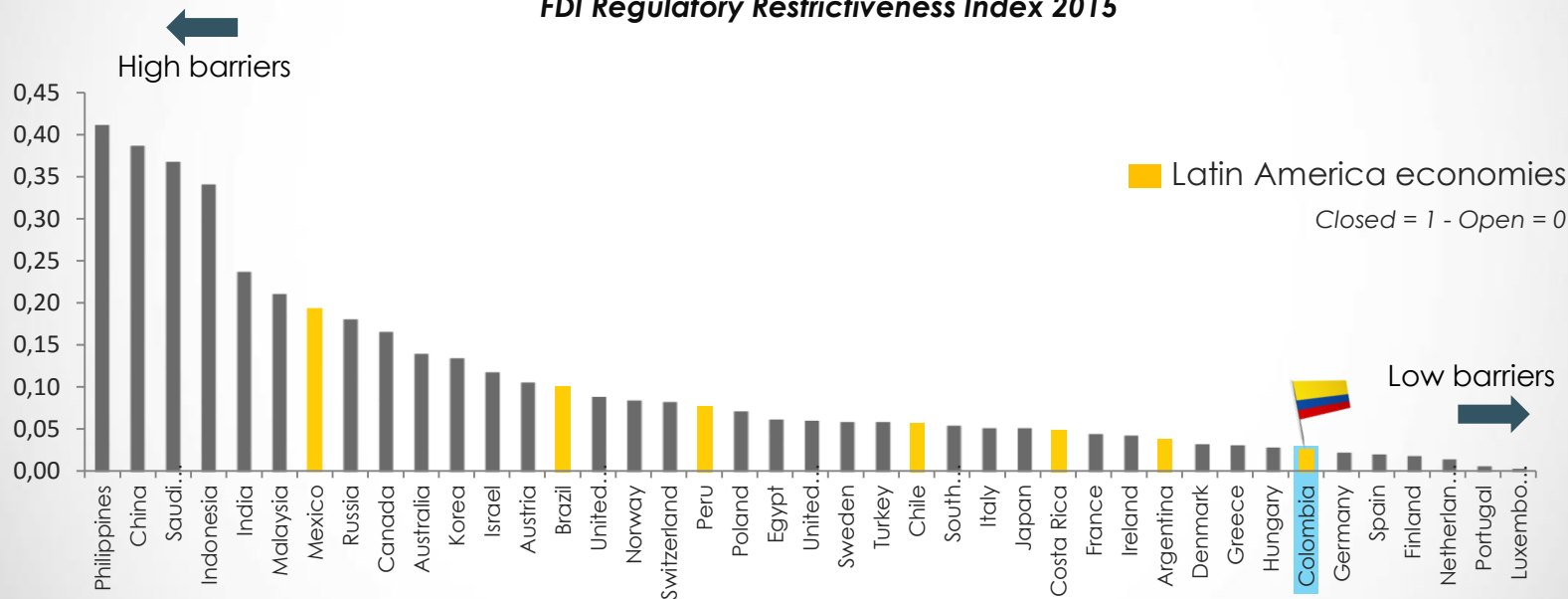
	<b>STANDARD &amp; POOR S</b>	<b>FitchRatings</b>	<b>MOODY'S</b>
Term	Long Term – Foreign currency	Long Term – Foreign currency	Long Term – Foreign currency
Rating	BBB	BBB	Baa2

In July 2014, Moody's was the last rating agency in improving Colombia's rating due to two key drivers:

1. Positive growth forecast thanks to 4G infrastructure.
2. A sound fiscal management that will continue in the future.

# Colombia has the **lowest barriers** for FDI in LAC

**FDI Regulatory Restrictiveness Index 2015**



Source: OECD

*Colombia is implementing the roadmap to become full member of the OECD*

**Colombia** was officially invited on may 2013 to initiate the process to become full member of the **OECD**

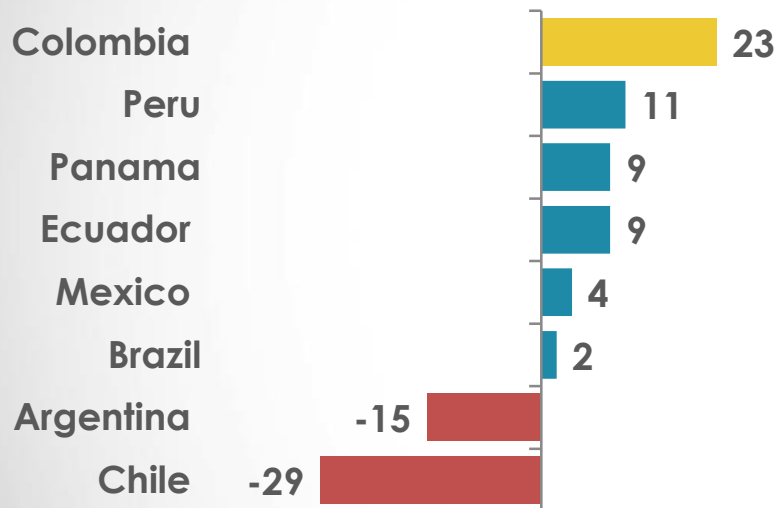
"The OECD investment policy review examines Colombia's achievements in developing an open and transparent investment regime and its efforts to reduce restrictions on international investment" OECD

### OECD already approved **16 out of 23 Colombian committees**

- Agriculture
- Competition
- Statistics
- Health
- Consumer policy
- Financial markets
- Scientific and Technological Policy
- Regulatory Policy
- Fiscal Affairs
- Fishing
- Education
- Territorial Development Policy
- Information, Computer and Communications Policy
- Working Group on Bribery in International Business Transactions
- Investment Corporate Governance

# Ranking Doing Business\* 2007-2017

## Change in positions



## Colombia

Has the most reforms in Latin America to improve business Environment

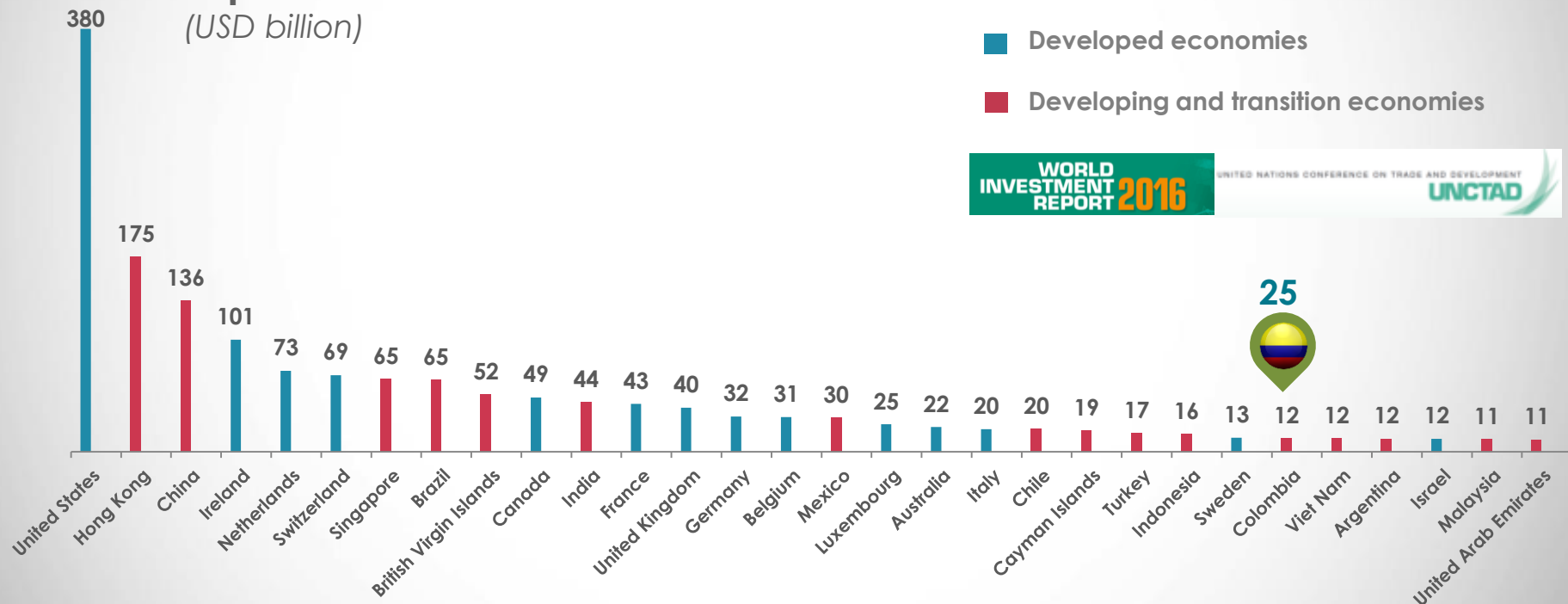
Country	Ranking 2017	# reforms 2006-2017
<b>Colombia</b>	<b>53</b>	<b>34</b>
Mexico	47	5
Ecuador	114	13
Peru	54	24
Chile	57	8
Panama	70	17
Brazil	123	4
Argentina	116	10

Source: World Bank. Doing Business 2017.

\*Positive numbers indicate an improvement in the business environment

# Colombia is part of the top 30 destinations for FDI

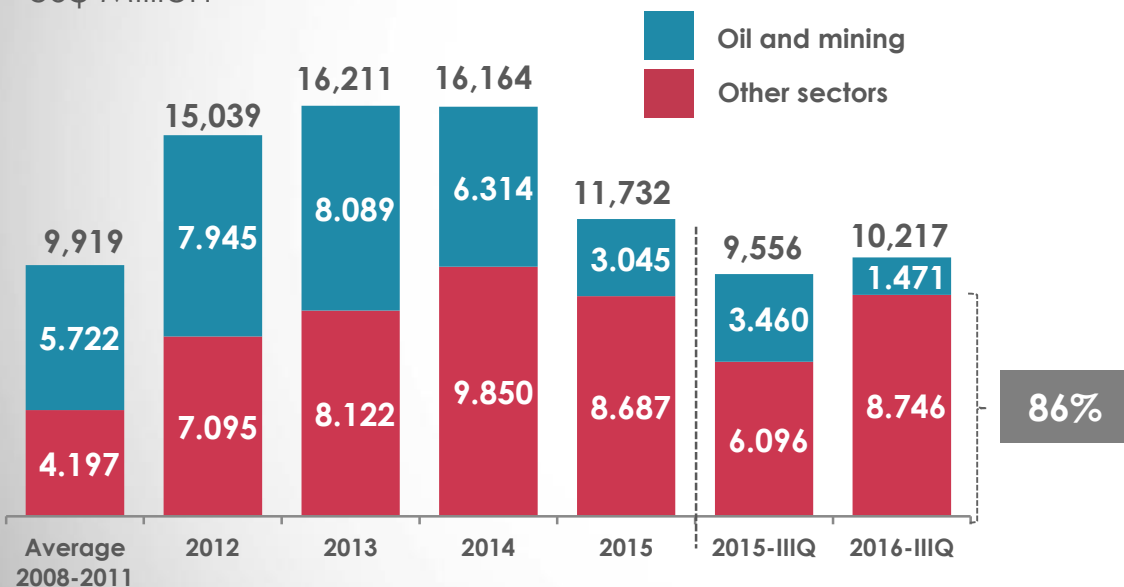
## Top 30 host economies in 2015 (USD billion)



# FDI is largely driven by non-mining sectors during the last 2 years

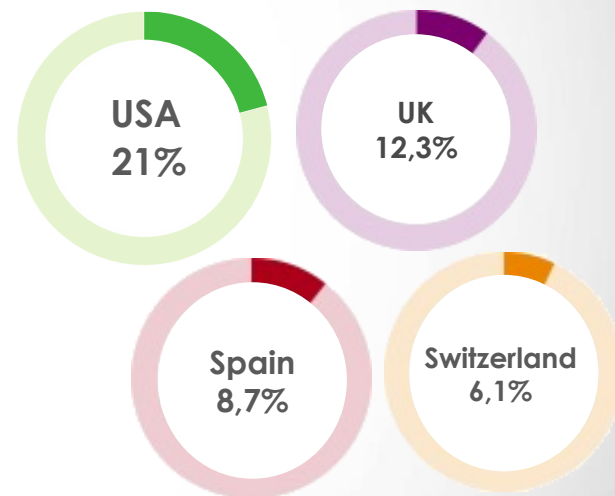
## FDI Inflows. 2008 to 2016-III Q

US\$ Million



## Top Investing countries in Colombia

2000 – 2016 III Q



**Total 2000 - 2016-III Q**  
**US\$146,860 M**

Source: Balance of Payments - Banco de la Republica.

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Share of all countries with positive cumulative investment, The information includes reinvested profits or investments in the oil sector

Note: the list of the top countries investing in Colombia does not include Panama. Last values available by country at 2014



# Reduced Income tax and VAT Exemptions allowing **access to local market**

No import duties. VAT exemption for goods sold from Colombia to FTZ.

*Benefit from international trade agreements.*

*Free trade zones for different investor styles.*

*Allows sales to the local market.*

Number of Special Standing  
Single enterprise:

**62**

**Total number  
Free Trade**

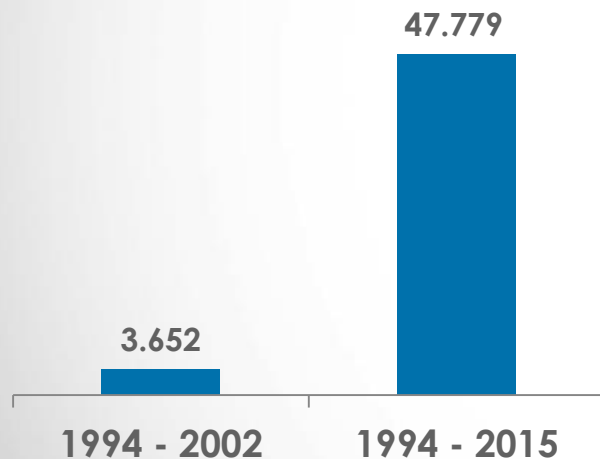
**100**

Number of permanent  
Free Trade Zones

**38**

# The stock of investment flows from Colombia to the world has grown 12-fold since 2002

**Stock of outward FDI**  
1994 – 2015 US\$ million



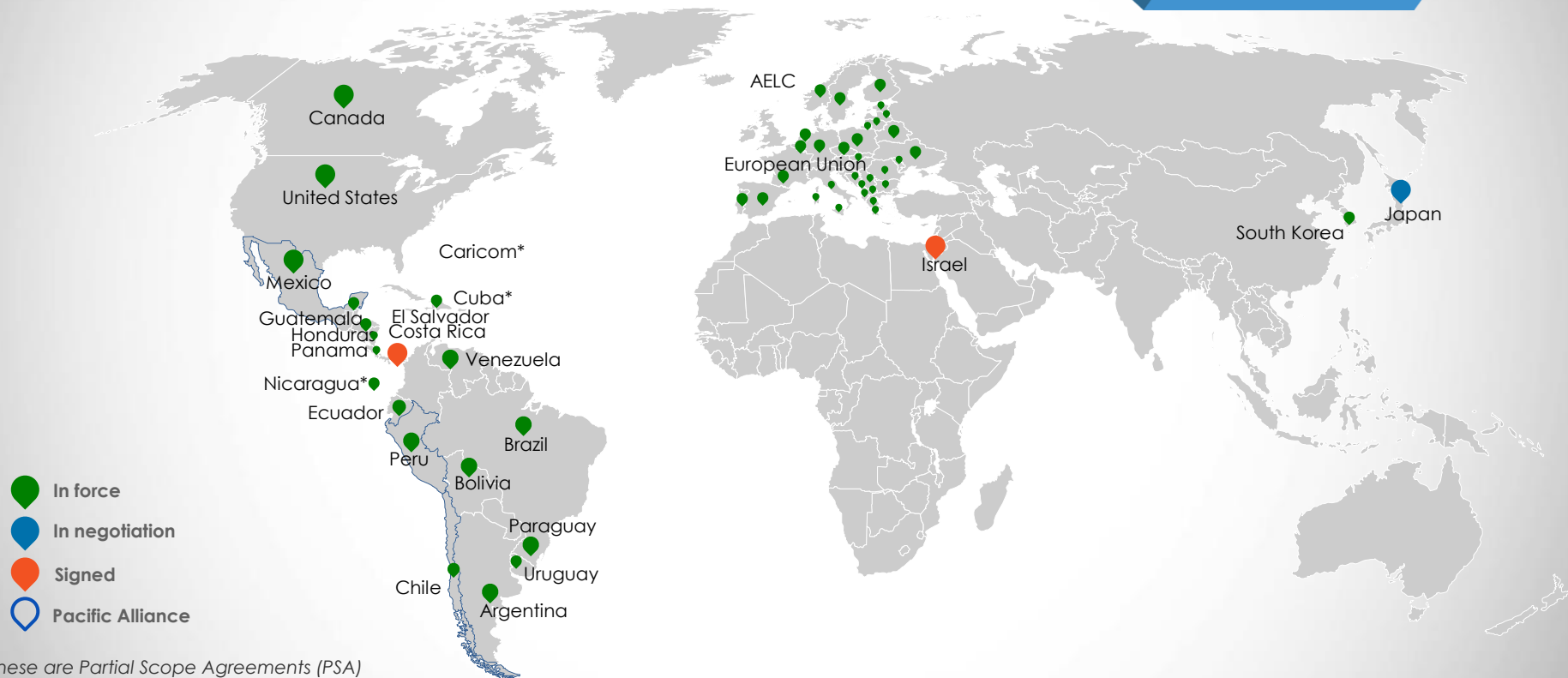
Source: Banrep, 2015.  
Source Top Latin American investors: EIU, 2015.



# Colombia has access to 47 countries and more than 1.5 billion consumers through its network of trade agreements



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\*These are Partial Scope Agreements (PSA)

--- The dotted line refers to member countries of The Pacific Alliance other than Colombia. -- Chile, Peru and México.

- Source: Colombian Ministry of Commerce, Industry and Tourism. 2015

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# Colombia, less than 6 hours away by airplane from the main cities in the americas



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**1,017** international direct frequencies  
per week.

More than  
**6,052** domestic frequencies per  
week



\* This information takes into account the routes departing from international airports in Barranquilla, Bogotá, Cali, and Medellín.  
Source: Routes and Tariffs - Tools for the Colombian Exporter, processed by ProColombia.

# Colombia: A gateway to the Pacific Alliance



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**Alianza del  
Pacífico**

**Population of 218 million**  
More than Brazil's population



**FTAs with 60 countries**  
Access to 86% of the World GDP

MILA is the first cross border initiative to integrate equities markets.

Listed companies up to December 2015: **608**

Market capitalization: **US\$771 billions**

**43% of the regional FDI**  
Total FDI of US\$69,054 million (2015)

**GDP (PPP) of US\$3,710 million**  
The members generate 41% of the region's GDP



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EXPORTS TOURISM INVESTMENT COUNTRY BRAND

## Colombia compared with...

# Colombia – first destination for safe investment

**Legal rights  
index  
(0-12 best)**



Colombia ranks:

First in the Legal  
rights index  
(Worldwide)



First in the strength  
of investor  
protection Index  
(LAC region)

Source: Global competitiveness Index , 2016.



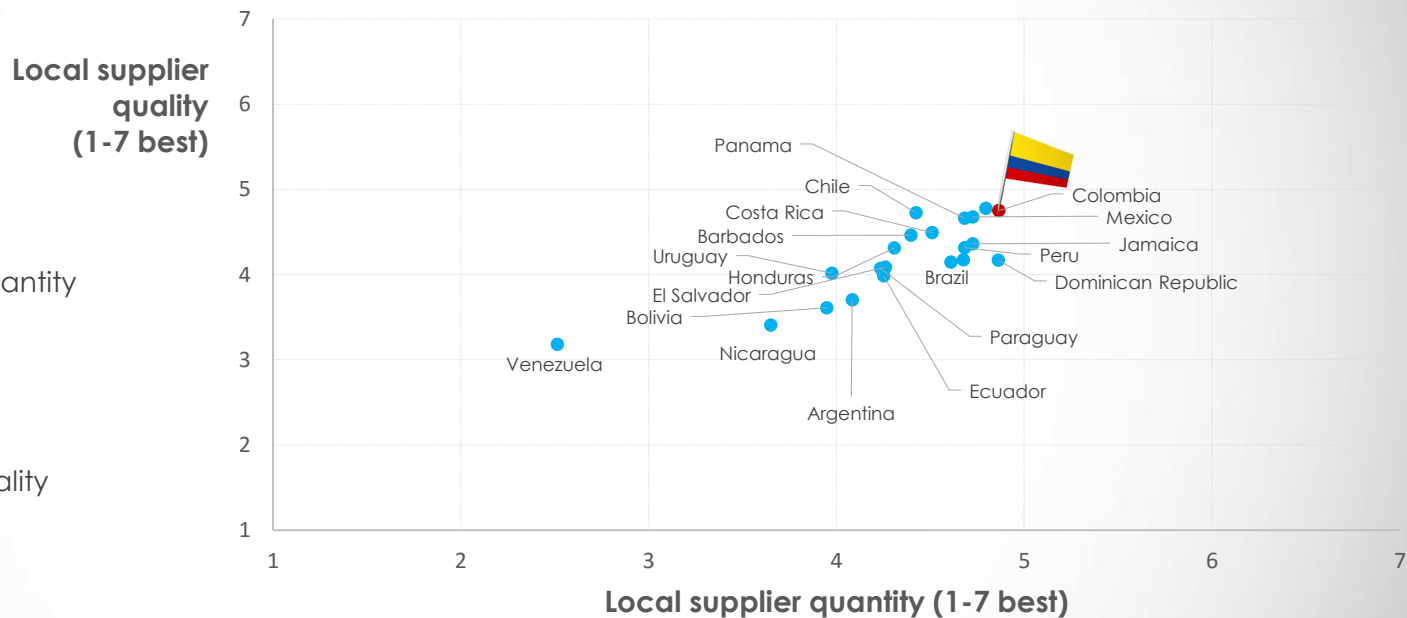
# Colombia – A destination with **outstanding local suppliers** in the LAC region



Local Supplier Quantity

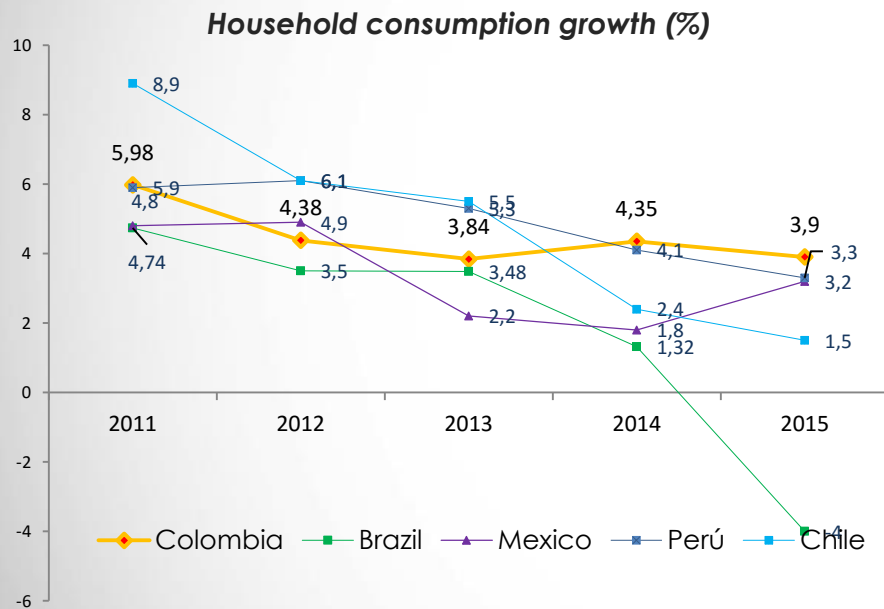


Local supplier quality

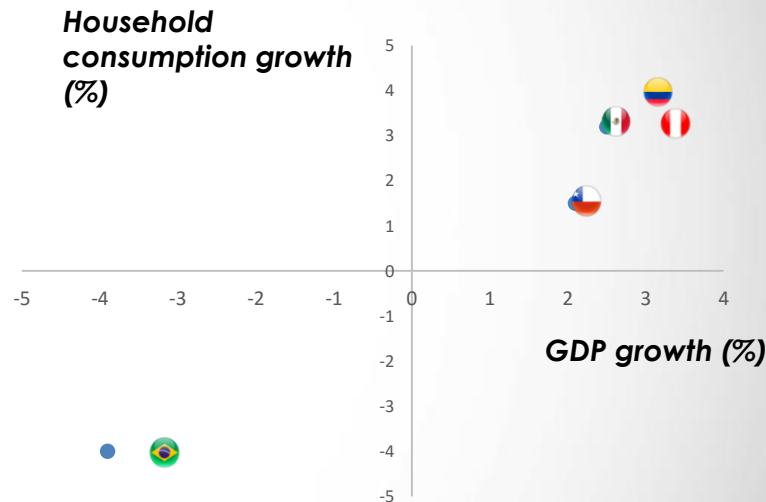


Global competitiveness Index , 2016.

# Colombia – A growing market in the LAC region

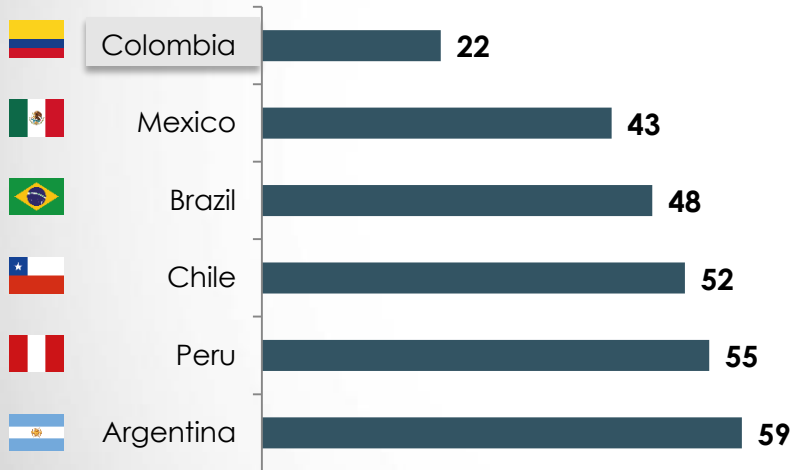


Source: World Bank



# Colombia – Committed to invest in human capital

*Employee training in Latin American Countries  
(Worldwide ranking)*



Source: IMD







*Colombia was ranked third in Latin America  
by the Human Talent Report*

# Colombia – Highest enrolments rates to education



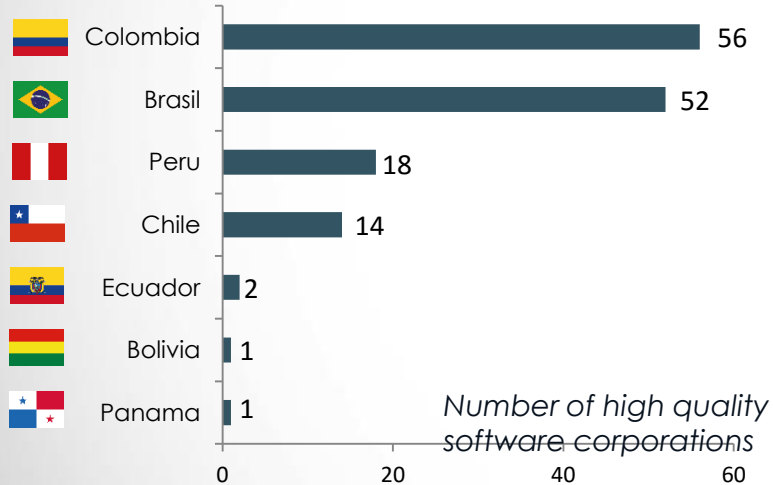
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Working age population rate (15-684 years) 	68,5%	65,6%	68,9%	65,1%
Enrolment secondary education 	97,5%	87,0%	96,5%	95,6%
Enrollment tertiary education 	51,3%	29,2%	25,6%	40,5%

Source: FDI Benchmark 2015

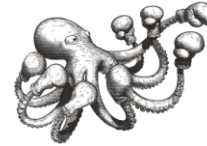
# Colombia – A key destination for investing in tech products

## Colombia is the largest producer of quality software in LAC



Source: Software Engineering Institute (SEI)

## Success Case



MULLENLOWE  
U. S.

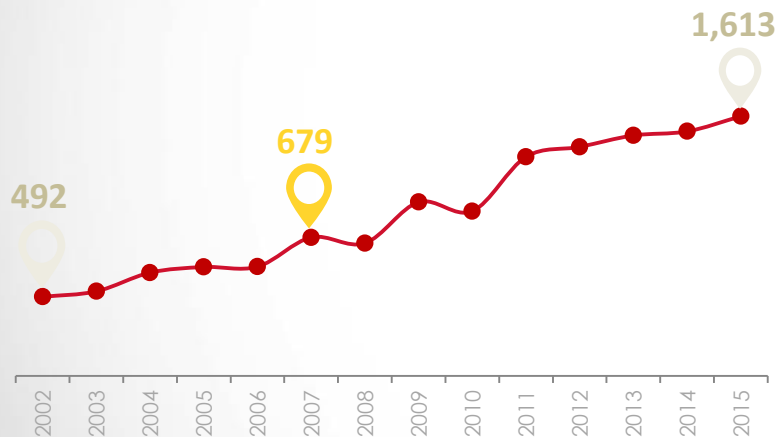
# USD25 MM

"Colombia is a **fascinating market** in an incredible moment in time, with a **rapidly advancement of digital transformation.**"

Aaron Reitkopf,  
MullenLowe Regional Manager

# Bogota – Seen as an investment destination for 94 out of the Fortune 500 companies (2016)

## Number of companies investing in Bogota



Source: Invest in Bogotá – Ministry of Education

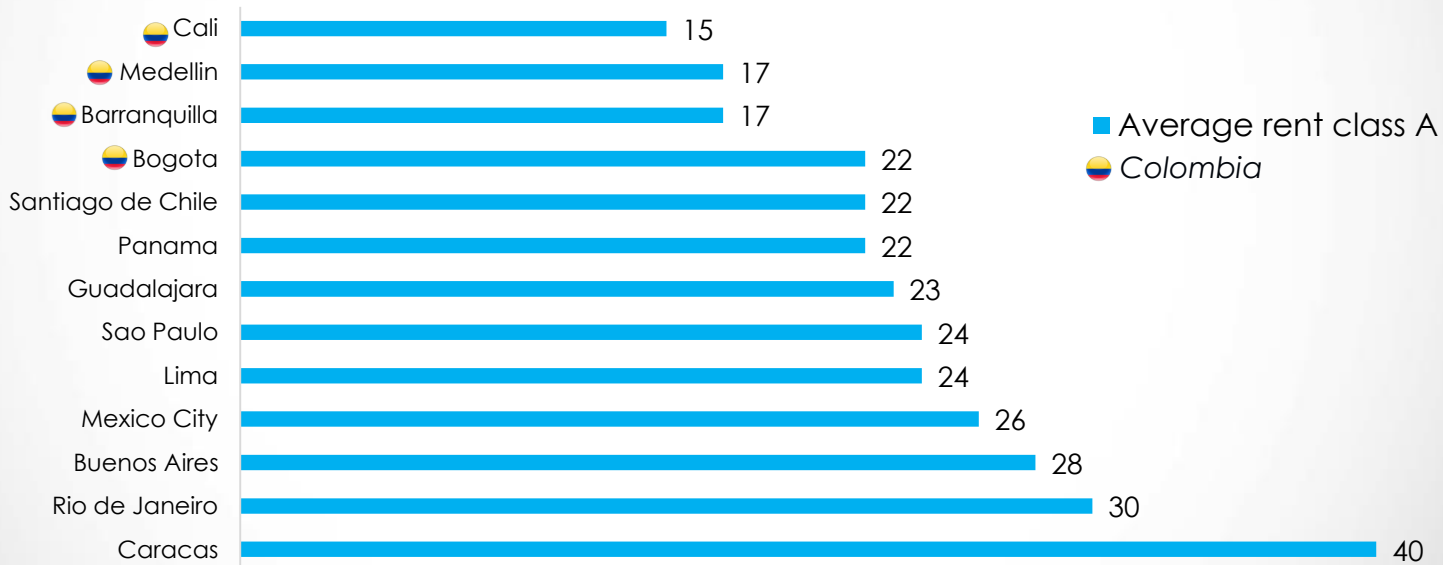
## Bogota as one of the cities of the future



2016-2017  
Ranked **4<sup>th</sup>** South American  
cities of the Future

# Colombia – A destination to find the lowest leasing costs in the LAC region

**Average monthly leasing rate (USD/m2) 2015**



Source: Jones Lang Lasalle





## Major multinational corporations have chosen Colombia as an investment project destination

# Sectors of opportunity - Infrastructure: A major driver for growth

## Some niche opportunities:



Airports



Ports



Roads



Step railways



Fluvial National  
plan

- ❑ **US\$900 million** in rehabilitation, expansion and modernization of **47 airports** (2015 – 2018)
- ❑ **The Fluvial National Plan** consists of 13 river projects with an investment of **US\$2,660 million**
- ❑ Until 2021, **US\$17 billion will be invested** to increase road infrastructure:

**7,000 kms of highways**  
**1,400 kms of double lane highways**  
**141 tunnels**  
**1,300 viaducts**

- ❑ **US\$1.8 billion** to improve the navigability of Magdalena river
- ❑ **US\$53 million** investment to recover more than **990 kms of railways network**

# Sectors of opportunity - Infrastructure: A major drive for growth



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Spain



In 2014, Iridium awarded two road concession projects in the government's "highway concession program (4G)". Those projects total 78Km.



Austria

**STRABAG**

Strabag will be in charge of 75 Km of new highways, the modernization of a 65 km section



Israel



Shikun & Binui awarded the project "Corredor Perimetral de Oriente de Cundinamarca = 153 km length "



China



HEC will build "The mar 2 highway" that will improve the logistic development at the northeast region of the country. Total project length 246 km.

## Sectors of opportunity - Energy: a diversified source base and a pivotal location in the Americas

Colombia was ranked first in Latin America and seventh in the world according to the “Energy Architecture Performance Index 2014”. WEF, 2014.

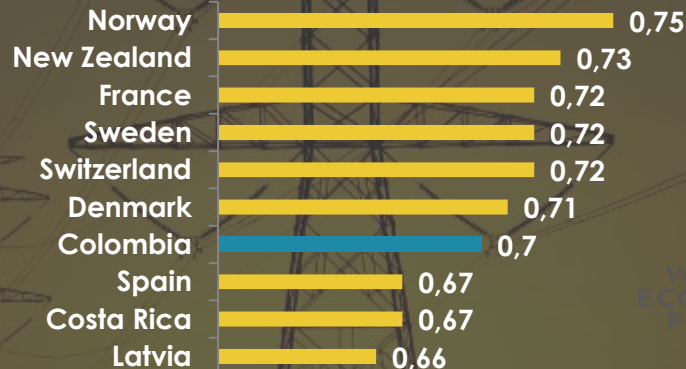
**103** Power Generation projects in different stages:  
Installed capacity of 4,974 MW\*

**13** power transmission projects in different stages\*

High potential in Biofuels and alternative energies

Projects focus on renewable energy will have special VAT exemptions, deduction from taxable income and customs exemptions

### The Global Energy Architecture Performance Index 2014



WORLD  
ECONOMIC  
FORUM

**Some niche opportunities**



Wind



Solar



Geothermal



## Sectors of opportunity - **Energy:** **A diversified source base and a pivotal location in the Americas**



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Spain

# endesa

Endesa, the subsidiary of the Italian group Enel, acquired participation in Emgesa and Betania power generation companies with 2,895 MW of installed capacity.



Spain



# UNION FENOSA

Union Fenosa bought "Electricaribe and Electrocosta" and became the main power distribution and trading company in the North coast of Colombia.



United States



# AES

Colombia subsidiary of AES Corporation (Applied Energy Services). Chivor is one of the country's largest generator with a total effective installed capacity of 1,000 MW.



Germany

# steag

The low-grade coal-fired power plant Termopaipa in Paipa (Colombia) was the first power plant abroad which was planned, financed and built by Steag.

# Some key facts about Manufacturing in Colombia

manufacturing for the local and foreign markets

## Some niche opportunities:



*Fertilizers*



*Plastic Packaging*



*Natural ingredients for cosmetics*



*Pesticides*



*Automotive*



*Ceramics*



*Metalworking*



*Architectural glass*

- ▣ **3<sup>rd</sup>** largest labor force in Latin America.
- ▣ **2<sup>nd</sup>** in the region for competitive industrial labor (US\$1.6/hour)
- ▣ **0%** import tariff relief for key industrial inputs
- ▣ **75%** indirect financial support for Innovation and R+D+i projects
- ▣ **102** Free Trade Zones with **15%** corporate tax
- ▣ Colombia is **40%** more competitive and **60%** faster than many ports in the Americas

# Sectors of opportunity - Manufacturing



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Switzerland

**ABB**

Its factory in Colombia is listed as one of the 'flagship factories' in the group, which has operations in more than 130 countries.



Netherlands &  
United Kingdom



Unilever

The new factory is one of its three most modern factories in the world, due to its modern approach and care for the environment.



China



**FOTON**

Foton invested more than US\$12 million in its new assembly plant for its SUV and 4x4 models



United States



Whirlpool had a joint venture with Haceb to produce washing machines.

Manufacturing plant:  
US\$ 70 million



# Sectors of opportunity - Services

## IT, BPO, ITO, Shared Services, Apps

Colombia is one **the three major providers** of IT services in the region.

- **The broadband connections increased** from 2.2 to 10.1 million between 2010 and 2015.
- In the next 4 years, **broadband connections will be triple** reaching 27 million connections.
- **Available labor force of more than 1,200,000 professionals** graduated in fields related to financial and value added shared service operations.
- VAT exemption for service exports.

Source: MinTic and IDC

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## Some niche opportunities



Cloud computing



Software development



Aggregated shared services centers for diverse industries



Big data



Innovation and development centers

## Sectors of opportunity - Services IT, BPO, ITO, Shared Services, Apps



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United States



IBM opened its third Data Center in Colombia offering a processing power of 5 petabytes.

It's one of the most advanced centers for Cloud Computing and Big Data Analytics companies in the country.



Spain



It has two operations centers in Bogotá where it manages a diversified portfolio of blue ribbon clients, with the capacity for up to a thousand positions.



United States



AT&T acquired DirecTV Colombia and it'll increase the telecoms offer Colombia through new services and packages.



Japan



Its BPO operation currently has more than 1,400 credit processes, customer service, and document management active positions.

# Sectors of opportunity

## Agribusiness

### Some niche opportunities



Aquaculture



Cocoa



Cereals



Fruits and  
vegetables



Meat



Processed food



Rubber



Biofuels



Forestry

### Investment Opportunities

- ▣ Colombia is the 2<sup>nd</sup> largest flowers exporter worldwide, with around U\$1.285 million
- ▣ Colombia is the 3<sup>th</sup> largest coffee producer worldwide and the 2<sup>nd</sup> of Latin America.
- ▣ Colombia is the 4<sup>th</sup> largest producer of oil palm over the world, with around 1 million tonnes.
- ▣ Colombia has one of the largest biodiversity by km<sup>2</sup> in the world.
- ▣ In 2018, there will be one million more hectares due to “Colombia Siembra Plan”

# Sectors of opportunity

## Agribusiness



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United States



Dole invested US\$ 15 million in a salad plant and a distribution center



Ireland



Smurfit Kappa is the larger provider of corrugated paper in Colombia.

They will invest US\$ 60 million in a new plant in Tocancipa



France



Established in 2007 as a result of a joint venture with the Colombian company Alquería.



# Sectors of opportunity - Tourism Infrastructure, real estate and retail

## Some niche opportunities



Nature &  
Adventure



Wellness

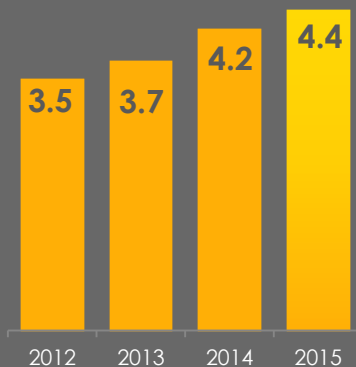


Entertainment



City Hotels

## Inbound tourists\* 2012 – 2015 (million of people)



\*Inbound tourist includes: resident Colombians abroad, foreign non resident in Colombia, special cross borders, and cruise visitors.

Source: Migration Colombia and MinCIT. ProColombia calculations.

## Investment Opportunities in:

- ▣ Colombia ranks 25th in the ICCA ranking (International Congress and Convention Association)
- ▣ Luxury and wellness hotels can take advantage of the Colombian biodiversity to offer high quality services.
- ▣ Corporate Tax Exemption for hotels with more than 61% of their building by December 2017
- ▣ VAT exemption for health tourism services

# Sectors of opportunity

## Tourism infrastructure, real estate and retail



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United States



This American chain has 15 hotels in Colombia with more than 1,850 rooms



United Kingdom



Holiday Inn hotels opened in Bogota and Cartagena, totaling 331 rooms.



Spain



NH Hotels has 15 hotels in Colombia, with more than 1,600 rooms



Canada



This luxury chain has 2 hotels in Bogota with 126 rooms in the more exclusive locations in the city

# Sectors of opportunity

## Services Capital Funds

Colombia offers several benefits to invest in capital funds.

- ▣ Colombia was ranked fourth in Latin American and the Caribbean due to its favorable conditions for development of the PEF industry.
- ▣ 19 International General Partners in Colombia.
- ▣ Capital funds such as Advent International and Victoria Capital **have chosen the country as a hub to service other countries in the region**

Source: MinTic and IDC

## Algunos nichos de oportunidad



Real Estate



Health



Banking



TIC



Biotechnology



Energy



Agribusiness



Infrastructure

# Sectors of opportunity

## Services Capital Funds



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Canada

### Brookfield

Investments mainly in the sectors of infrastructure, energy and real estate.

Investments in the Colombian power company SA as part of its expansion plan in the region.



United States



### BRICAPITAL

Firm focused on investing in the category of hotel assets in Colombia.

Its largest investment in Colombia has been the Hyatt Regency Hotel in Cartagena.



United States

### DARBY PRIVATE EQUITY FRANKLIN TEMPLETON INVESTMENTS

Mainly infrastructure investments.

In Colombia its investments have been focused in companies such as Intertug and Ocenca.





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**PROCOLOMBIA** ready to assist you in assessing  
**investment opportunities**

[PROCOLOMBIA.CO](http://PROCOLOMBIA.CO)



# PROCOLOMBIA

EXPORTS TOURISM INVESTMENT COUNTRY BRAND

We promote  
exports



We promote  
tourism

We promote  
investment and  
industrial  
expansion for  
internationalization



We promote  
country brand

# ProColombia around the world



PROCOLOMBIA  
EXPORTS TOURISM INVESTMENT COUNTRY BRAND



**26**

commercial offices

**30**

countries

United States / Canada / Mexico / Guatemala / Costa Rica / Caribbean / Venezuela / Brazil / Ecuador / Chile / Peru / Argentina / Spain / Germany / Portugal / United Kingdom / France / Turkey / United Arab Emirates / India / China / South Korea / Russia / Japan / Singapore / Indonesia

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TAIKU PALDIES ΕΥΧΑΡΙΣΤΩ TANAN благодаря  
SHUKRAN DANKE TERMA KASSIH DÍKY  
GRATIAS 감사합니다 MATONDO MAAKE NANNI DIAKUIU  
HVALA GRACIAS  
TÄNAN DIAKUIU MERCI MOCHCHAKKERAM DIOLCH  
SPASIBO дякую FALEMINDERIT

THANK YOU

הודות ASANTE CHOKRANE ESKERRAK MISAOTRA GRAZIE  
谢谢 OBRIGADO ARIGATO VINAKA  
SULPÁY SPASIBO  
DIOLCH ACIU DIOLCH WELALIN TAK KÖSZÖNÖM  
EKELE NGIYABONGA MATUR NUWUN KIITOS DZIEKUJĘ