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Brazil: Minas Gerais Propels Brazilian and U.S. Entrepreneurship

Minas Gerais state is emerging as a tech powerhouse, recently overtaking Rio de Janeiro to rank second on new tech startups in Brazil. According to the Brazilian Association of Startups, Minas Gerais has 591 startups, defined as small, tech-based businesses with growth potential, second only to Sao Paulo's 1,324. The state's capital, Belo Horizonte, has a startup community,

the so-called “San Pedro Valley,” that aims to model Silicon Valley. Minas Gerais is currently Brazil's second most prolific producer of software, and hosts more than a third of Brazil's biotechnology businesses. The Federal University of Minas Gerais (UFMG),



the largest federal university in Brazil, has an active partnership with the University of California, Berkeley to collaborate on innovation entrepreneurship. The state sits among Rio de Janeiro (to the south), Sao Paul (to the southwest), and Brasilia (to the north). In a commit-

ment to diversify its economy away from traditional iron ore mining, coffee, and agribusiness, Minas Gerais has provided about \$7 million in startup funds to innovation entrepreneurs, including two American companies, through its Startups and Entrepreneurship Ecosystem Development (SEED) program. SEED advertises funding opportunities twice a year worldwide

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Honduras: National Energy Company Solicits Bids for 820MW

On September 14, Honduras' state-owned electric utility, the National Energy Company of Honduras (ENEE), announced a tender, ostensibly open to international bids, for the purchase of 820 megawatts (MW) of electricity, ENEE's larg-

est-ever solicitation. Offers on the tender were due October 13. The tender was divided into three blocks: bunker (690 MW), diesel (40 MW), and mixed renewable and non-renewable (90 MW). Honduran officials explained that 820 MW of

existing power supply contracts, originally awarded in 2001, would expire between the end 2017 and early 2018. This represents a very significant portion of supply to Honduras' daily peak electricity demand of approximately 1500 MW

(and 2300 MW of installed generation capacity). In accordance with Honduran law stemming from 2014 energy sector reforms, specifically the General Law of the Electric Industry, a tender must be issued for new energy investment pro-



Honduras (continued)

jects. Due to the less than one-month turnaround required for submissions, the contracts will likely be awarded to the existing, locally-owned, energy companies, though suppliers in other countries may also submit bids. Local officials said future tenders to con-

tract new generation capacity should include adequate time to attract the most cost-competitive international bids.



Wake up and Smell the Honduran Coffee Boom

The Instituto Hondureño del Café (IHCAFE) announced that Honduran coffee exports increased by 94 percent in August 2017 compared with the same period the previous year. Driven by a strong recovery in local production and entry of new plantations, exports of Honduran coffee climbed from 235,811 100-pound (quintal) bags in August 2016 to 456,903 bags in August 2017. In total, exports through the first 11 months of the current 2016/2017 harvesting season totaled 7.08 million bags, up 38 percent compared to the same 11-month period in the



previous cycle.

IHCAFE reported that as a result of this growth, Honduras has become the leading exporter of coffee in Central America and the fifth leading exporter in the world behind Brazil, Vietnam, Colombia, and India. Central American countries produce nearly 20 percent of the world's Arabica beans. According to the Central Bank of Honduras, a 13.5 percent growth in the coffee sector during the first quarter of 2017 contributed to a 9.3 percent growth in the overall agriculture sector during the same period. The Central Bank cited increased investment and the use of more modern technology in agriculture practices as reasons for the growth. Coffee accounts for more than five percent of the Hon-

duran gross domestic product and about 30 percent of agricultural output.

Domestic coffee specialty companies in Honduras have demonstrated strong growth. Market research indicates at least 10 new independent shops opened in Tegucigalpa since 2016. The largest and most successful coffee chain in Honduras has grown exponentially since its establishment in 1994, now operating 180 stores in Honduras with over 1,200 employees.

U.S. foreign assistance has had a direct impact on the growth of the Honduran coffee sector. USAID's Feed the Future program supports the coffee value chain as part of an effort to reduce extreme poverty and stunted growth in children in western Hon-

duras. In fiscal year 2016, USAID Honduras assisted over 34,000 families, benefiting more than 170,000 people. USAID currently works with over 21,000 coffee farmers on a total production area of more than 22,600 hectares. The farmers receive direct technical support to improve productivity, quality, and access to markets.

The U.S. Department of Agriculture completed a five-year \$11 million Food for Progress project to provide technical assistance, training, and access to credit for farm improvements to over 25,000 bean and coffee farmers in 620 communities across five departments in Honduras. The project improved crop quality, raised yields by 64 percent, and increased incomes by 40 percent.



Argentina Seeks Transparency on Infrastructure Bidding

As part of the Macri administration's policy to increase transparency and reduce corruption in the public sector, the Ministry of Modernization launched a website

(<https://contratar.gob.ar>) on August 28 to advertise information related to the tender process for public works projects, including the money allocated for each project, tender re-

quirements, and the list of companies that have submitted proposals. The government of Argentina implemented this initiative to reduce anticompetitive practices

among bidding companies as the value of each bid will be published online.

Ecuador Begins Construction of First Deepwater Port

Ecuador is developing the country's first deepwater port in Posorja, a small coastal town located roughly 70 miles southwest of Guayaquil. Guayaquil, currently the main port for shipping into Ecuador, has a limited draft that necessitates the use of smaller ships or feeder services from other ports in the region. A public-private partnership with the national government will invest \$1.2 billion in the construction project and receive a 50-year concession to operate the port.

The government's objective is for the port to become a regional hub for maritime com-

merce. When complete, Posorja will be one of only three Pacific coast ports in South America capable of receiving "post-panamax" giant container ships, which can carry up to 15,500 TEUs. The other post-panamax ready ports are Callao in Peru and Valparaiso in Chile.

The development of Posorja is part of an ambitious ports expansion plan underway in Ecuador. In 2016, the government signed \$927 million in investment and concessions agreements to expand ports in Puerto Bolivar and Mantta. Now that the Posorja project is underway, the government is looking for private investors to

expand and operate the Esmeraldas port, the last of Ecuador's publicly operated major ports. The government seeks to increase traffic at Esmeraldas, which is currently used almost exclusively to process crude palm oil shipments.



Brazil (continued from page 1)

and emphasizes the business-friendly environment in Minas Gerais. Among its selling points, Minas Gerais officials highlight the state's 38 tech-savvy and tech-friendly investment banks. In addition, direct flights from Belo Horizonte are available to the

United States and Europe and the cost of living in Belo Horizonte is significantly below that of Sao Paulo or Rio de Janeiro.

Since 2013, SEED has selected 26 international and 86 Brazilian startups for a six-month accelerator program. The program in-

cludes assistance with Brazilian work visas, personalized mentorship, co-working space, and Brazilian market access. In the current class, 20 SEED-funded startups are run by *mineiros* (people from Minas Gerais), 14 by Brazilians outside of Minas Gerais, and six by foreigners.

Startup Funding Prospering in Brazil

The community of angel investors continues to grow in Brazil, providing funding and expertise to the robust local startup environment. Angel investors and venture capital (VC) firms say the Sao Paulo startup scene is reaching a defining moment as nearly two dozen firms in which they have invested have passed the \$100 million valuation mark. They credit the successful startup market to their efforts in bringing a “Silicon Valley mindset”—and American investment dollars—to Sao Paulo. From 2011-2015 Sao Paulo-based VC firms secured 21 deals worth \$747 million, comprising one-third of total VC fundraising for Latin America. In Brazil, there are three funds with more than \$100 million invested all based in Sao Paulo. Fintech and e-commerce account for almost half of VC investments in Brazil. Partnerships between local and foreign funds remain the favored approach, ac-

counting for the majority of Brazil's top deals over the past few years.

For the most part, tech investors in Brazil have few specific requests for federal and state government other than improving the overall business climate. Angel investors would like to see more tax breaks and stronger alliances with researchers at public universities—sentiment that is shared among scientists and entrepreneurs who point to the “valley of death” between research and commercialization. Data protection legislation currently pending in Brazil's congress could place strict, European-style regulations on privacy protection and cross-border data flows, with impacts on the profitability, competitiveness, and international expansion of tech firms operating in Brazil.

One new law that went into effect in January reduces liabilities for investors in small and micro enterprises. Previously, passive investors could be personally liable for all the debts of a failed startup, not just the amount they had invested in the company. Now liability is limited to only the amount invested if an investor owns less than half of the startup and is not represented on the board of directors. However, this explicit legal protection only lasts for five years.



Other resources for anyone interested in overseas business news:

For **Caribbean and Latin American Markets**, the Department of Commerce has many resources to assist U.S. firms including market research, trade show calendars, trade delegation calendars, etc. Check out their “Trade Americas” and “Look South” websites:

<http://export.gov/tradeamericas/index.asp>

<http://export.gov/tradeamericas/looksouth/index.asp>



The U.S. Government’s main website to assist U.S. businesses at home and abroad. URL at <http://business.usa.gov/>

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The Business Information Database System (BIDS) is a portal built to help U.S. businesses learn about significant international commercial opportunities. The site connects U.S. business to detailed information about each project as well as information to contact U.S. embassies overseas. URL at <http://bids.state.gov/>



The Direct Line program provides a unique opportunity for American businesses, particularly small- and medium-sized enterprises, to engage directly via webcast with U.S. Ambassadors overseas. The program is open to U.S. companies – whether they are already in the country where the Ambassador serves or if they are interested in expanding their businesses there. Webcasts will vary in topic according to the specific needs for business in a given country. URL at <http://www.state.gov/directline/>

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