

BOLIVIA

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Special Report

Bolivia, the heart of South America

"Bolivia is not only a beautiful place with geographical contrasts and a very old and diverse culture, it has also become the country of opportunities", affirmed Vice-President Álvaro García Linares, proud to see indigenous people at the country's helm. He wants to see "Bolivia become a peaceful power, open to the world".

The outlook is bright indeed: The Bolivian Central Bank expects the country's economic growth to reach 5 percent in 2016, despite the overall slowdown in Latin America. The year 2015 ended with a GDP growth of 4.8 percent, ranging highest in the region for the third time since 2009. As outlined in its Economic and Social Development Plan, the Bolivian government estimates that the average GDP growth rate will be 5.8 percent between 2016 and 2020. The per capita income is also expected to rise by 66 percent over the next five years, climbing from US\$ 3,000 in 2015 to US\$ 5,000.

One of the world's fastest-growing cities, Santa Cruz de la Sierra, has become a vibrant business hub with a relaxed tropical feel and epitomizes Bolivia's aspirations. The country holds 60 percent of worldwide supplies of lithium, the "fuel" of the future.

As Vice-President García Linares said, "The country seems to have woken up from its sleep, now there is potential everywhere, which the private sector should not miss out on".

Official name: Plurinational State of Bolivia

President: Juan Evo Morales Ayma

Capital: Sucre

Seat of Government: Nuestra Señora de La Paz

Population (2015): 10.73 million

Surface: 1,098,580 sq. km

Official languages: Spanish, Aymara, Quechua, Guaraní and a variety of indigenous languages

Currency: Bolivian Peso (BOB)

GNI per capita 2014: \$ 2,870

GDP at market prices 2014: \$ 33 billion

Unemployment rate: 2.2%

Annual Growth 2015: 4.8%

Human Development Index: 0.662

Member of: UN, OAS, UNASUR, CAN, Rio Group, WTO, LAIA, WB, IDB, CAF, ALBA, FLAR, SELA, CIN, OEI, IUCN, Latin Union, NAM.

Very attractive for investments

Over the past decade, the Bolivian financial sector has grown in an upbeat context. Foreign investors are taking notice of the 5.8 percent annual economic growth projection for 2016-2020. Mr. Arce Catacora, Minister for Economic Affairs and Public Finances, pointed out that "Bolivia has been receiving a great amount of foreign investment in mining, the oil industry, manufacturing, tourism and other areas. The next big investments regard hospitals, roads and energy". For the second year in a row, Bolivia has maintained its credit default rate at 1.5 percent, the lowest rate in the country's history and the lowest in Latin America. The deposits in the banking system reached USD 21,000 million, which is 20.4 percent more than in 2014. Savings are 85% in bolivianos, a sign of trust in the local currency.

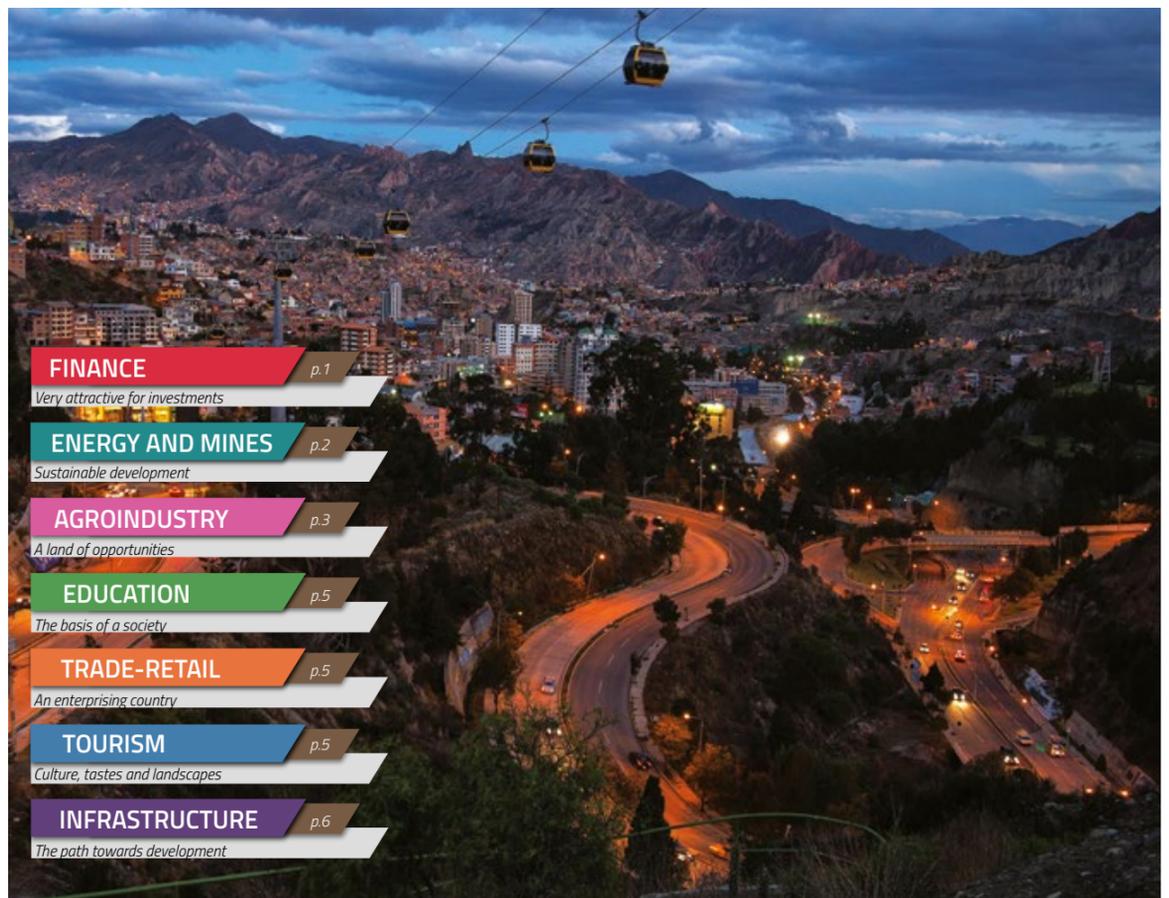
Foreign investors will find competent local partners to structure their projects in accordance with Bolivian legislation, in particular **Banco Económico**, a full service bank that attends to all segments of clientele. Ever since it was founded 25 years ago in Santa Cruz de la Sierra, it has always focused on small and medium sized enterprises, because this segment of clientele was usually not covered by traditional banks.

Banco Económico operates in the most populated states of the country, such as La Paz, Cochabamba, Santa Cruz and Tarija, and will soon start operations in Sucre.

The bank closed the business year 2015 with a credit portfolio of US\$ 831 million, which represents an annual growth rate of about 16%, reaching a market share of 5.4%. Only 1.4% of the whole loan portfolio is in arrears, which is less than the average rate of the banking system and indicates a good management of credit risk. Deposits amount to US\$ 997 million with an annual growth rate of 8%. Over the last three years, the Bank maintained an average profitability of 20%.

Banco Económico recently ranked third in the CAMEL Ranking of all Bolivian banks, which was prepared by the financial team of El Deber, one of the main newspapers in Bolivia.

For 2016, the bank's goal is to reach a growth rate similar to the average of the banking system in order to defend its market share. In terms of profitability, the bank expects to remain amongst



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exotic & idyllic retreat
...where life is a private celebration

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FINANCE



Sergio Asbún Saba
General Manager, Banco Económico

the three most profitable banks in the country, as it has been for the last three years.

The insurance sector is currently very dynamic in Bolivia, having grown faster than the national average, in the double digits, with a number of big players leading the way.

One of them is the group formed by parent company **Grupo Empresarial de Inversiones** and five companies: Nacional Seguros Vida y Salud, Nacional Seguros Patrimoniales y Fianzas, Tecorp, Conecta and Xperience.

Thanks to confidence in the Bolivian economy, the financial sector was able to grow significantly over the last years

This group is currently investing in four big projects, the first one in respect to health policy. At present, public health protection needs to be improved in Bolivia, public hospitals need to offer a wider variety of services, which the private sector could be offering. This is where insurance companies can step in, channeling those services towards the private sector.

In this context, the group is developing one of the biggest private hospital complexes in Bolivia, an investment of USD 50 million, completely financed with Bolivian capital, with European and American advice. José Luis Camacho Miserendino, the group's CEO, explained that "We are building partnerships with Austrian and Spanish companies in order to hand over the keys to the hospital".

This project is managed by Grupo Empresarial de Inversiones Nacional Vida S.A., which is promoting and



José Luis Camacho Miserendino
President, Grupo Nacional Vida

driving it forward. This will allow a vertical integration into the insurance company. "In our health insurance line, we want to offer a complete high quality service at a reasonable cost. In Bolivia the relationship between the quality and the cost of care in private hospitals needs to be improved", said Mr. Camacho.

The group is also investing in tall office buildings. It has acquired a piece of land in an excellent location in the city of Santa Cruz, where they will build three towers, investing USD 80 million;

The group has decided to invest in the real estate sector because its growth has been remarkable in Santa Cruz. Mr. Camacho was confident that "Our towers will be the tallest in Bolivia and all of Latin America".

Over the coming 6 months, the group will enter into the Paraguayan market with Vida investing between USD 3 and 5 million. They have also contacted several Spanish groups specializing in cemeteries and funeral homes to develop a project amounting to almost USD 1 million.

Altogether, over the 5 years the group intends to invest USD 150 million into those four projects.

But the group is also interested in the technological sector, in particular in the development of apps. This is another area where they would like to find the right international partner, as well as their existing call center activity. With



Patricio Hinojosa Jimenez
General Manager, Fortaleza Seguros y Reaseguros.

adequate flexibility in the labor market, Mr. Camacho believes his group could be competing internationally with Peru, Colombia, Argentina, and even the United States and Europe.

Mr. Camacho is confident about the potential of Bolivians to be entrepreneurs, and passionate about the need for better insurance cover in his country: "We believe that there should be a public policy regarding tax incentives for certain types of insurance policies, such as health, farming and personal accident coverage, which we consider to be three basic sectors for the protection of life and the development of society".

Patricio Hinojosa, General Manager of a real Bolivian household name in the insurance sector, **Seguros Fortaleza**, agrees that the country needs a "culture of insurance" with increased awareness for the different types of insurance policies people need: Personal, professional, health and vehicles. He is confident that this will lead to growth in his industry.

Seguros Fortaleza is the leader in the bonds market, which is a relatively new niche they have been focusing on for the last 10 years. It also specializes in retained premiums, where they hope to achieve a growth rate above 15%.

This former cooperative became a limited company in 1999 after a change in national legislation. It receives excellent marks by Fitch Ratings and closed the year 2015 having invoiced USD 24 million. With central offices in Santa Cruz, it specializes in small and medium enterprises as well as individuals. From the start, it has always worked with the world's largest reinsurers, which are essential partners they hope to cooperate more with as they keep expanding.

The financial teammate you need to grow in Bolivia

Banco ECONOMICO

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Insurance Company

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Sustainable development

During the presentation of the Economic and Social development plan for 2016-2020, Bolivian President Evo Morales announced that USD 12,681 million would be invested into the fossil fuel sector. Taking into account the low price of oil on the world market at present, the plan also includes industrialization projects for further natural resources such as lithium, natural gas and iron, as well as significant investments into exports of gas and electricity, aiming to turn Bolivia into a major player of South American energy production.

According to **Luis Alberto Arce Catacora, Minister for Economic Affairs and Public Finances:** "Since 2006 we have been applying a new economic model in Bolivia which aims to use our natural resources to generate development by distributing wealth amongst all Bolivians, reducing poverty and creating opportunities. This is working and is one of the basic reasons why Bolivia is doing well".

The Bolivian government has been developing the basic heavy industry,



Jorge A. Urcullo Cossio
General Manager, SAExploration

mainly petrochemicals, but also steel. There are projects to industrialize lithium and gas, and a new urea plant.

Regarding lithium, Bolivian Vice-President García Linares had his facts ready: "Bolivia holds the world's largest reserves, we are the Saudi Arabia of lithium, and this commodity's price keeps rising whilst others like tin and oil are falling drastically. Lithium prices have risen from USD 5 thousand to USD 11 thousand per ton and will keep going up, because there is an increasing generalization of lithium consumption for several appliances we use in our daily

lives. Bolivia will only produce 99.6% pure lithium carbonate which is needed for cathodes and batteries, from there it will be the private sector's role to increase the added value. They know that we hold the world's largest lithium stocks but they don't know that we have been investing and investigating for the past 7 years to prepare for market launch from 2018 onwards. This is when the State's mission will end and the private sector will have to use those intermediate products to add some more value".

Economic Affairs Minister Arce Catacora explained that "What Bolivia needs, to keep going forward in this context, is a private sector which understands that the State is leading economic growth by promoting interest rates of 6% for productive projects, tourism and more. The private sector needs to invest in the Bolivian industry, in the transformation towards producing added value products which can be exported as well as consumed locally".

Meanwhile, the State will keep investing in infrastructure (roads, electricity, railways) to create optimal conditions for investors. Bolivia holds three big assets for entrepreneurs: Political stability, legal certainty and rapid growth.

Minister Arce Catacora showed himself to be convinced of his country's assets: "Anybody who comes to live in Bolivia has a future here, which you cannot see in other countries at the moment because of their political, economic and social complications. Bolivia is an oasis in the desert, a fountain of opportunities".

One international corporation that has found its way to Bolivia is **SAExploration**, whose corporate head office is currently located in Houston, Texas.



Luis María Villar
General Manager, Técnicas Reunidas

"We work in the seismic sector, we are explorers, looking for the potential of the areas we work in. As one of the few North American companies to be established here, we are betting on Bolivia, we believe in this country". This is how General Manager Jorge Urcullo described **SAExploration**. When the company arrived in Bolivia, their first contract represented USD 6 million. The second was already USD 32 million, then came the landmark project, Huacaya, with USD 54 million. "We have always been growing, this also has to do with new projects" said Mr. Urcullo. SAExploration prides itself in using state of the art technology in its work.

From 2013 to 2014, SA Exploration took on Huacaya Norte 3D and 2D in the Subandean lowlands for Repsol. They managed to reach up to 21,000 recorded channel counts per record with the wireless Geospace GSX system, which they were the first ones to use in Bolivia. The Huacaya project alone needed 7 helicopters and over 2000 people to be completed.

"We always want to exceed our clients' expectations", said Mr. Urcullo, "Whilst keeping our workers' health and safety in mind. We use the latest technology, and

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NUESTRA PASIÓN ES LA EXPLORACIÓN

La pasión de SAExploration por la exploración sísmica, ha llevado a la compañía a trabajar en algunos de los entornos más exigentes a nivel operativo y ambiental en el planeta. Desde Alaska y Canadá hasta las selvas de Sur América y el Sudeste de Asia, SAExploration hace frente a este desafío.

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Carlos Ortiz Mercado
General Manager, Servipetrol

where necessary we'll bring in expertise from abroad".

At the moment, SA Exploration is rising to a new challenge by undertaking a project for over USD 70 million for an English company with the highest standards in terms of security and quality, which he hopes will give them a competitive edge for further projects in the coming years. "There is only one way forward for Bolivia, and that's exploration" said Mr. Urcullo, adding enthusiastically: "This is a very mystic country, maybe the Himalayas of this region, it's well worth discovering".

Técnicas Reunidas is a Spanish multinational corporation present on every continent. It has been working in Bolivia for 7 years and specializes in engineering and infrastructure construction for the oil and gas industries. It counts most National Oil Companies and multinational corporations amongst its clients.

The first Bolivian project, in 2009, was for Repsol, on the Margarita oil fields. So far Técnicas Reunidas has accomplished 7 major projects, all related with the oil industry. They also took part in the largest Bolivian industrialization project to date, the Gran Chaco natural gas liquids separation plant, inaugurated in 2015, and in the modernization of two refineries.

Despite being part of a major corporation, Técnicas Reunidas takes pride in its local anchoring. It finances a community-based social program aimed at indigenous populations. Also, the company's policy is not to take away any work from qualified local companies - they prefer to hire them as subcontractors. In busy times, their own workforce has risen to 400 employees, 90% of which were Bolivians. Some projects can employ over 8000 people, such as the Gran Chaco site.

According to Luis María del Villar, the General Manager: "Our main objective is to bring industrialization to Bolivia. By contributing our main assets, our employees, we offer a service with



Miguel Castedo Suárez
Chairman, CRE

good engineers and technology, for the country's benefit". Being the only Spaniard in the company, he added that "this has been a fantastic and enriching experience, a lot more so here in Bolivia, which is a unspoilt country with everything left to explore".

The country keeps discovering the great potential this sector holds, which is attractive both for local entrepreneurs and foreign investors

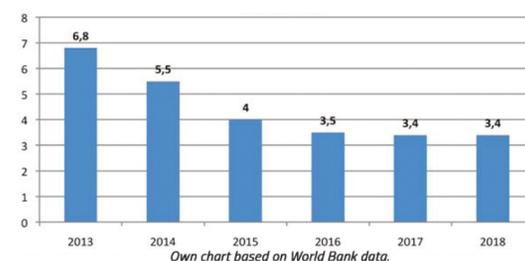
he team at **Servipetrol** would certainly agree - they have been serving the Bolivian oil industry for over 50 years, headed for 38 years by Carlos Ortiz Mercado, now retired, followed by his son, present General Manager Juan Carlos Ortiz.

The company rests on three pillars: Selling material such as pipes and valves to the oil industry represents 90 percent of its activity. The second pillar is non-destructive testing, which they carry out for YPF, Repsol and Petrobras. The third one is plants and construction, mainly of drilling rigs.

In the coming years, Servipetrol will maintain its focus on oil whilst exploring new opportunities like mining and industry, which are expanding in Bolivia. As Juan Carlos Ortiz said: "Servipetrol is certainly amongst the ten major players of the oil industry and has to keep growing, it can do so because Bolivia has everything that's needed. It has access to the two biggest markets in Latin America, it's connected via pipelines, holds known stocks and a vast potential still left to be discovered. Big industrialization projects are under way in areas such as urea and polypropylene". The Ortiz family is ambitious and far-sighted: Servipetrol aims to grow in a sustainable way.

Another major player in the energy sector is **Cooperativa Rural de Electrificación, CRE**, which distributes electricity to over 1 million people. It participates in generating electricity for the national grid and holds a market share of 30 percent.

CRE's peculiarity lies in the fact that it is a very large cooperative, comprising 680 thousand members. It began 53 years ago with 10 thousand members. Its market value is over 500 thousand USD. Today, CRE is the main electricity provider (by far) in 14 of Santa Cruz' 15 provinces and in the city itself. Booming Santa Cruz consumes 40 percent of Bolivia's energy, with a 7 percent annual growth rate, requiring CRE to anticipate future needs.



Electrifying the provinces matters - bringing energy to remote areas prevents villagers from migrating to cities. People are at the heart of CRE's mission - besides producing energy, it finances over 20 social programs.

has a close relationship with the US, as they helped found it with training and funding. CRE is an honorary member of the National Rural Electric Cooperative Association (NRECA), the organization that represents the interests of over 900 electric cooperatives in the United States. Miguel Castedo, chairman of CRE's board, told us that "NRECA are proud of us because in terms of members we are one of the largest rural electric cooperatives worldwide. Usually when a cooperative reaches 70 thousand members, it closes, because it becomes unmanageable, but we are still doing well. Our reward is to give back to people, we turn our benefits into social programs".

CRE is considered the best cooperative in Bolivia and one of Latin America's best companies. Mr. Castedo's goal for the future is clear: "My main objective is for every inhabitant of Santa Cruz and every Bolivian to have electricity".

We are the biggest electrical utility company in Bolivia demanding 40% of the country's total electrical demand. We serve 587,489 associate members for whom the Cooperative executes 15 social responsibility programs.

www.cre.com.bo

A land of opportunities

Bolivia's varied geography means that it has three different types of landscapes with three different agricultural profiles. In the west of the country, stretching between the two Andean mountains, is the vast semi-arid *Altiplano* (= high plain), the largest plateau in the Andes, with an average altitude of 4,000 meters. Almost 60 percent of Bolivia's farmers live in the *Altiplano*, but farming is difficult there because of less fertile soils and little rain. Farmers in this region generally practice very traditional farming methods; fields are terraced and many still use foot ploughs. Most farmers have small plots of between one and three hectares where they grow staples and vegetables, predominantly potatoes, maize, beans and quinoa, the highland cereal crop developed by the Incas. According to government data, Bolivians consume over 90 kg of potatoes each year, and over 30 different varieties are grown locally.

According to the United Nations' Food and Agriculture Organization (FAO), markets for camelid meat (Bolivia has the second largest population of South American camelids after Peru), fibre and leather are currently small but hold potential to benefit the population of the Andean highlands. Interest in quinoa is also growing, due to its high nutritional value; Bolivia is currently the largest producer and exporter in the world. In 2012, the country produced around 58,000 tons, including over 26,000 tons for export, generating revenue of USD80 million. Increased international demand for quinoa has boosted prices, from USD12 in 2000 to USD115 per 100 kg.

To the east of the Andes, semi-tropical and relatively fertile valleys (*Los Yungas*) run down to the major river basins, such as the Amazon. These are home to around 20 percent of the country's farmers. Both food and cash crops are grown on plots averaging between five and ten hectares, and the milder climate



Kiyotaka Ota
Chairman, CAICO LTDA.

can allow two crops per year. In the low-lying regions to the east, sugarcane and tropical fruits, including pineapples and papayas, are grown. Slightly higher up the altitude is right for coffee, cacao and coca, whilst corn, wheat, rye and oats are popular crops in higher elevations.

Finally, the vast Eastern lowlands account for 65 percent of Bolivia's land area, with dense rainforests in the north and grasslands in the south. The region produces the vast majority of Bolivia's agricultural exports, grown principally on large commercial farms (50-75 hectares) and with modern methods. The lowland departments of Beni, Santa Cruz and Pando account for 54.2 percent of the ruminant stock. In the northern areas, rice, cattle and timber are the main agricultural products, while further south cattle, soybeans, coffee, rice and corn dominate. Infrastructure improvements, land reform and better access to credit have helped make the thriving department of Santa Cruz, which represents a third of the Bolivian land area, the central power base for agricultural interests. Many farms in this area exceed 5,000 hectares.

Since 2010, Bolivia's "Law of Mother Earth" has been protecting natural resources and biodiversity. The government is also encouraging small-scale farming communities to form economic organizations to achieve food sovereignty and reduce reliance

on imports. For subsistence farmers, the development of the transportation, storage and communications infrastructure will be vital.

The government aims to expand the "agricultural frontier" by ten million hectares by 2025 and to increase agricultural and cattle production four-fold, making Bolivia a net exporter of agricultural produce. The aim is for agricultural GDP to reach USD 10.0 billion, compared to the current figure of USD 3.0 billion.

Nowadays, out of 3.1 million hectares of cultivated land, 1.5 million (48%)

produce industrial crops (soybean, sugar cane, cotton, sunflower...) and 1.6 million (52%) staple foods from smallholders and indigenous people (cereals, vegetables, fruits and root vegetables).

Bolivia's main agricultural exports are soybeans and soy products, quinoa, almonds, ethyl alcohol and refined white sugar. According to the Bolivian institute of foreign trade IBCE, quinoa and almonds are the two primary products exported to the United States.

Agriculture is the main resource around Santa Cruz. The soil and the climate

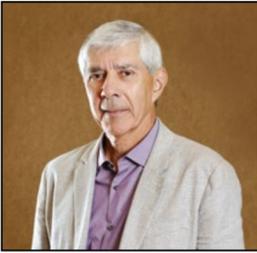
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Santa Cruz - Bolivia

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Agriculture is the main resource around Santa Cruz. The soil and the climate



Mario Anglarill Salvatierra
CEO, Granja Avícola Sofia

to convince potential partners of his family's adopted country's assets: "Bolivia's agriculture is an opportunity to be explored, the recent growth has its roots in the 1980s, before that there was no agribusiness to speak of. Ours is practically a new sector, where there is still much to do, because there is enough land, you just need to know how to manage it and to plan its use. This is a country of opportunities".

Also in Santa Cruz, the poultry sector has consolidated itself into a leading productive activity for the country, generating over 10,000 direct jobs and 50,000 indirect ones. It also consumes 665,026 metric tons of agricultural products and mobilizes over 100 high tonnage trucks per day between silos and farms.

Sofia Ltda. was created in 1976 with a strict focus on poultry production for the Santa Cruz area. In 1986, after a major growth process, it developed into an integrated and interdependent company coordinating its work with different providers and agricultural producers, such as reproduction farms, pork farms and cattle ranches, as well as poultry incubation sites.

Sofia currently spreads over five sites: farms, cooling houses, sausage processing and frozen-food factories. It is one of the country's biggest poultry and pork producers with 4200 employees.

The agro-industry is one of the Bolivian economy's main motors, more investments and more confidence are needed to develop this sector even further

Mr. Mario Anglarill Salvatierra, Granja Avícola Integral Sofia's Executive President, told us that he and his wife started the company from scratch: "At first we were part of another company where we produced fertile eggs and then chicks. Then we had the opportunity to become independent and were lucky that the bank trusted us and financed what we needed to begin with bird reproduction. Then we expanded into fattening the birds. One thing led to another and soon we were producing chickens and keeping the meat cool, but in the beginning we weren't processing the meat, which is where the added value comes from, and we soon understood that this was where we had to go in order to be independent of price fluctuations on the poultry market. In 2000, we started to produce stuffed chicken, fillets, ham, sausages and more. Then we expanded

CAICO stands out in the agribusiness as a company founded by Japanese-Bolivian immigrants in 1971. Before other industries reached Santa Cruz, they were pioneers. Until the mid-1980s they dominated the seed production market, then came the soybean boom, which also attracted Brazilians. CAICO had started off with rice and corn, but with the introduction of machinery, they were able to switch to soybeans.

CAICO commercializes most of its production in the country, and whatever surplus arises is exported to Peru. At the moment, CAICO is looking for investors to accompany their expansion in oil and soybeans. As Mr. Kiyotaka Ota, president of the board, explained, "It's quite hard to grow alone, with a strategic partner we can develop our plan more quickly". He is eager



José Luis Suarez
General Manager, CISA (Pollos Chriss)

into some products which are only sold deep-frozen, like hamburger meat and nuggets, all of this happened over time".

With sausages came the need to buy different meat, and since pork was difficult to source, Sofia began to produce their own, which went very well. "Commercially, we would like to expand and export not only poultry, but also pork and beef. We are eager to meet potential partners, we are experienced and open to foreign capital to help us grow". Mr. Anglarill believes that Santa Cruz, with its tropical climate and its soil, has great production capacity, and he points out that there are guarantees and incentives for people who want to work the land, transform it and add to its value.

Likewise, Santa Cruz' gastronomical industry has experienced a dynamic growth of 20 percent in 2014, with 100 new restaurants and franchises. Of the roughly 380 gastronomical enterprises the country holds, around 300 are now based in Santa Cruz.

One of the local brands is **CISA Ltda., better known as "Pollos Chriss"**, founded in 1991. It now counts 16 retailers in the city, offers 17 types of mostly poultry-based products and employs between 400 and 500 people, with seasonal fluctuations. Pollos Chriss currently numbers 33 franchised outlets all over the country, but its goal is to reach 150. They are planning to expand internationally to Colombia, Chile and Peru. As founder José Luis Suárez Yamal explained, "The arrival of the international big players has been great for the national brands because it has helped us improve, at the moment we



Ana María Bauer
Deputy General, Stege

are in a fair and healthy competition and this benefits the clients".

This competitive environment has allowed the Bolivian food industry to grow an average of 5.1 percent annually over the past ten years.

Some traditional household brands go back a long way, such as **Stege**, founded in 1910 by the family of the same name which began selling its sausages in La Paz, initially focusing on clients of German origin. The brand name was kept even after 1980, when the company was bought by Tusequis Ltda. "Having celebrated our 105th birthday is already an accomplishment in itself", affirmed Ana María Bauer, proud Deputy General Manager of this still family-run business. "Maintaining an excellent quality has made the difference for us", she explained, adding that "we began as a very small company, and now we have 250 employees. There have been many investments".

At present, Stege and the Torito Brand produce 200 tons per month, and they wish to grow by 5% every year. There are shops all over the country and a new factory is planned for Santa Cruz de la Sierra next year. La Paz is still the main market for Stege and Torito, with 70%, the remaining 30% coming from Santa Cruz, Cochabamba and the rest of the country.

The company is interested in expanding towards other markets, given that they fulfill all the international quality standards. They are currently analyzing regulations in Chile and Peru to begin close to home, but are open to the United States as well, with whom they enjoy excellent relations, having bought various pieces of equipment there.



The basis of a society

The Bolivian tertiary education sector is currently experiencing a boom: the country now boasts over 60 universities (both public and private) and over 500,000 students, 30 percent of which are registered at private institutions. Over 80 percent of young Bolivians currently study in their home country, for various reasons, one of them being that they start creating a network in their student days which will then help them throughout their careers. This being said, interinstitutional partnerships with North American, Latin American and European universities play an important role, enabling exchanges for students and faculty as well as ensuring international recognition to their diplomas.

At the moment, the public sector is receiving help from the government to improve its equipment, technologies, internationalization and research. Private institutions are calling for



Lauren Müller de Pacheco
Dean, UPSPA

more state support, but in Santa Cruz, businesses are also taking things into their own hands to educate the specialists they need.

Universidad Privada de Santa Cruz de la Sierra (UPSPA), inaugurated in 1984, was created by Santa Cruz' Chamber of Commerce Santa Cruz emerges as a hub for tertiary education, with a total of around 157,000 students registered this year in public and private institutions. UPSPA educates young professionals in business sciences, engineering,

architecture, design and urban planning, humanities and communication, as well as legal sciences.

"Our close link to the business world is one of UPSPA's strengths", explained Dean Lauren Müller.



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Santa Cruz de la Sierra - Bolivia

An enterprising country

Over the past ten years, Bolivia has been awakening to entrepreneurship. The creation of new companies between 2005 and March 2015 reached an impressive growth rate of 661%. In 2005 there were 19,774 registered businesses and by March 2015 their number had soared to 150,535, of which 85 percent are individual enterprises.

Bolivian companies have their eyes on neighboring countries, but also on the North American market, especially Los Angeles, San Francisco and Miami, where significant Latin American communities live. According to the Office of the US Trade Representative, Bolivia is currently The United States' 79th largest goods trading partner with USD 1.9 billion in total (two way) goods trade during 2015. Bolivia mainly exports precious metal and stone (gold), tin, cereals (quinoa), edible fruit & nuts (brazil



Juan Pablo Jiménez
General Manager, CEMTER

nuts), and miscellaneous grain, seeds, and fruit to the United States, whereas the latter send machinery, aircraft, electrical machinery, optical and medical instruments as well as mineral fuels to Bolivia.

Some companies, like **Casa Real**, are

managing to expand internationally despite the fact that they offer a niche product. Such as winemaker Casa Real, from the Santa Ana region, which commercializes its typically Bolivian white Muscat spirit, the singani, in New York, Los Angeles, San Francisco and even Virginia. "Small volumes so far, but important for our industry", commented General Manager Luis Pablo Granier.



Luis Pablo Granier
General Manager, Casa Real

The service sector is also expanding. **CEMTER**, which specializes in Business Process Outsourcing (BPO), offers a wide array of services from human resources to catering, transportation, health, bodyguards, payroll, branding and more. Over the last 3 years, CEMTER has grown by 400% and they are projecting a further 110% for this year. 70% of its clients are international companies. Most of CEMTER's clients belong to the industrial sector, but consumer products and the oil industry are also well represented. General Manager Juan Pablo Jimenez' goal is that both national and

international entrepreneurs operating in Bolivia will adopt the culture of outsourcing for their business model. "The service provider sector used to be monopolized", he explained, "And we managed to change that with our integrated services, so we are now experiencing significant growth"

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Bolivia is a destination for adventure seekers and anybody curious about unusual sights like Lake Titicaca, the world's largest high-altitude lake, with 3,232 square miles of water. Seldom visited Inca ruins are scattered around the lakeside town of Copacabana. On the southern shore of Lake Titicaca lies Tiwanaku, a large ceremonial area constructed over 1000 years ago.

Located in the southwest, the world's largest salt flats, the Salar de Uyuni, encompass 4,086 square miles and account for 50 to 70 percent of the world's lithium reserves. The stunning view of the white landscape keeps changing with the light of day. Close by is Laguna Colorada, a fiery red lake with flocks of pink flamingos.

The picturesque town of Rurrenabaque is the gateway to the rainforest of Madiidi National Park whilst Santa Cruz, in the tropical region of the country, boasts Bolivia's best nightlife and international cuisine, with a small-town feeling, despite being Bolivia's largest city.

Thanks to its cultural, geographic and climatic diversity, Bolivia is a unique tourist destination which can cater to any type of interests

Bolivia also enjoys colorful cultural traditions, especially in La Paz ("the city that touches the clouds"), such as the parades of the Oruro carnival, the Fiesta del Gran Poder and the Feria de Alasitas. The Bolivian government has overhauled its touristic development strategy to attract 7.1 million visitors per year by 2020. It will invest USD 400 million and is offering incentives to attract another 400 million in private investments. In 2015 the tourism sector was included in the "National productive industry", which means that banks offer credit rates of maximum 6.5 percent per



Marko Machicao
Minister of Culture and Tourism

annum, a great improvement compared to the former 17 to 24 percent.

"The idea is to diversify the touristic offer, to move away from classic package tours and bring visitors to other areas", said Marko Machicao Bankovic, Minister of Cultures and Tourism.

The government is targeting several areas simultaneously: infrastructure (roads, equipment, restaurants), a ski resort in the Altiplano, jet-skiing in the Amazonian basin, and visits to the indigenous nations with their own particular way of life and local development.

Promoting Bolivia as an international destination is taking many forms - from being part of the Dakar rally to receiving Pope Francis, the idea is for Bolivia to appear more often in international news, which is already happening through the media attention dedicated to President Evo Morales and his management of the country's economy.

Between 2010 and 2015 incoming tourism has been growing at a rate of around 13.5 percent per year, above the Latin American and worldwide average. Airlinks have improved, there are now daily flights to the United States with American Airlines and with BOA.

The United States are Bolivia's third commercial partner and therefore represent an investment potential for Bolivia. American corporations Marriott and Starwood and the French Accor are currently building hotels in the country. Bolivia offers stability and an interesting destination for investors looking for strategic partnerships in tourism. It is

still relatively unknown and investors won't find too much competition.

"I invite the LA Times readers to come and visit Bolivia," said Mr. Machicao Bankovic. "It's an incredibly diverse, multicultural country. What you will encounter here is not your usual tourism, it's really a life experience"

Ministerio de Culturas y Turismo

Bolivia
te cipepa

Bolivia & The tourism

Bolivia, is recognized in the international context as an experiential destination for having an integrated, innovative and authentic tourist offer with self-identity based on the management model of community-based tourism which contributes to the socioeconomic development of the country.

The path towards development

The Bolivian government has recognized the importance of providing the country with the best possible infrastructure to create the conditions for economic growth and to reach out to its neighbors Brazil, Argentina and Peru. One focus is to build new bridges, which cost between USD 30 million and USD 40 million each, due to the magnitude of the country's rivers, especially in the Beni region. Beni and Pando, which previously tended to be forgotten, hold vast amounts of natural resources and these regions are now being integrated through a new network of roads which is currently under construction. Over the next five years, around USD 11,000 million are earmarked for roads, which Bolivian as well as Spanish, Italian and possibly North American companies will be building.

Railways are another focus, one major initiative being the "bi-oceanic railway" in which German and Chinese companies are showing great interest. It seems to be the continent's only viable railway, since 95% of tracks already exist, whereas other projects imply starting from scratch. Bolivia is showing itself to be central, not only to the continent, but also to the perspectives for public-private partnerships in the region.

Improving existing airports and possibly building new ones is another focal point, with the one in Uyuni already operating, the one in Copacabana soon to be finished, and the one in Sucre pinpointed for expansion.

Several locally-based businesses are promising potential partners for international investors, such as **COBOCE**, from Cochabamba, which exports its products to Chile, Peru and Argentina and has plans to expand to all of South America. It received a price as the best exporter for stones, cement and ceramics.

The cooperative was created in 1966, so it celebrates its 50th anniversary this year. It has 28 000 members, currently holds over USD 200 million in assets, employs 900 people permanently, and generates direct work for over 1500 people.

This is how Javier Flores, General Manager, presented the cooperative: "We take part in the Bulo Bulu complex, which has the urea and ammonia transformation plant the government is working on with Samsung. We also built the Quimome - Tinto bridge, which completed the bi-oceanic corridor between the ports of Santos and Arica.



Carlos Rupay
General Manager, Gladymar



Javier Flores
General Manager, COBOCE



Nancy Campero de Gonzáles
Executive VP, Monterrey Srl

At the moment we are building the UNASUR parliament in San Benito. With all these projects, we contribute to Bolivia's development".

Also in the ceramics industry, Cerámica **Gladymar S.A.** is a Bolivian Company dedicated to the production and commercialization of all kinds of ceramics products (decks, coatings, ornaments) for any type of setting.

Gladymar belongs to Grupo Roda, which

Over recent years the construction sector has displayed strong growth, with large-scale works and projects being undertaken in the country.

has a long tradition in the country with a strong presence in diverse sectors of the economy. Gladymar itself is over 30 years old and its philosophy is based on innovation, growth and team work. As General Manager Carlos Rupay said, "Many of our workers have been employed by the company for a long time and feel committed to us because they are treated with much dignity here. We combine a mix of people who have been here forever with some new professionals that give our company a breath of fresh air and will allow us to take things to the next level".

Gladymar is always at the forefront of the market's evolution, with a special focus on Europe and the intention to innovate, because their philosophy is to show new developments at competitive prices.

They employ over 500 workers at the national level, working in five cities through their show rooms. They are well positioned in La Paz, Cochabamba, Santa Cruz, Tarija, Sucre and Potosí. They also cooperate with some distributors where they generate indirect employment. The group is betting on new technologies and innovation.

Family-run construction company **Constructora Mancilla** is another

forward-looking company, this one focusing on Santa Cruz, where they have been building and commercializing property for the past 9 years, as the city was expanding. Ten years ago there were hardly any new buildings rising, but that has definitely changed, and Mancilla keeps its finger on the pulse of the market to offer solutions that match clients' and the city's needs. They aim to keep innovating constantly and want to grow sustainably.

As General Manager Giovanni Mancilla described it, "We are a family-run business with over 25 years' experience in the construction sector, and we are currently looking for strategic partners to build residential estates and serviced apartments. At the moment, Santa Cruz is a pioneer in residential and office construction, we are using state-of-the-art technologies, but we also recognize that there is much work left to do to consolidate this process, because in recent years there have been significant

changes in building systems, in the choice of materials used, the designs, etc".

In 2016 the company is going through a reorganization process which is specifically geared towards allowing the incorporation of strategic partners. One of their main strengths is that they manage almost the entire process from buying the land to building the property, selling it, and handing over the keys. Right now they are hoping to diversify, as the market for both public and private construction projects is set to keep growing.

Monterrey is also a family-run business. It specializes in steel-based solutions for the private building industry, priding itself in providing high quality products and expert advice, as well as having a major supporter, global player ArcelorMittal.

Nancy Campero de Gonzales, the executive vice-president, explained that the landmark step for her company was when they decided to expand to Peru, where they are now amongst the top three distributors. They are still expanding in the North, deemed most promising for their objectives, with

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Ricardo Fernández Durán
General Manager, Ferrovial Oriental S.A

networks opening in Trujillo, Pucallpa and Tarapoto. Next, they are working on entering the Colombian market, despite the uncertainties due to the exchange rate issue: all business in Colombia needs to be conducted in the local currency. They are receiving help from Arcelor Mittal, who are pushing them to expand there.

In 2015, they exceeded USD 100 million in sales and are currently employing around 400 people directly. They are also present in Trinidad and Beni and about to open in Sucre and Tarija, because they want to operate at the national level in Bolivia.

But their biggest project at the moment is Torres Monterrey, through which

Mrs. Campero's husband wants to accomplish his dream of a building that would challenge everything Bolivia has known so far. The project has been well received, is currently in the planning stages and will be launched at Expocruz in September.

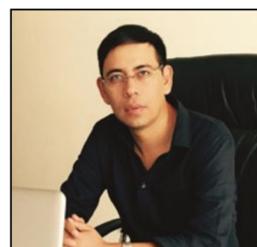
The Torres buildings will be mixed-use, with the lower floors dedicated to shops and offices and the higher ones reserved for flats. The idea is for people to buy fully furnished flats in which they could move in as if they were in a hotel.

The highest floor will be a viewing platform from which visitors will be able to admire the panorama of Santa Cruz. The same floor will also hold a restaurant, and Mrs. Campero hopes it will become a must-visit landmark for anyone coming to the city.

Apart from this mega-project, the company is focusing on opening new branches all over Bolivia and consolidating growth in Santa Cruz.

Regarding the country's new focus on railroads, Ricardo Fernández, General Manager of **Ferrovial Oriental**, described how the provider has grown into an integrated logistics operator of international standards.

"In recent years, Ferrovial Oriental has evolved from a railroad in the heart of South America to a large-scale integrated logistics operator,



Giovanni Mancilla Suárez
General Manager, Constructora Mancilla

implementing the vision of connecting Bolivia to the world", mentioned Mr. Fernández Durán. Their main offices are located in Santa Cruz.

The railway has invested over USD 100 million in the past five years to increase its transport capacity by acquiring new locomotives and wagons. It supports the growth of Bolivia's production and foreign trade. The modernization of the technological platform and different areas of the supply chain will help the company to consolidate as an integrated logistics operator.

Thanks to these investments, the cargo capacity will exceed three million tons per year in the near future. "We will be prepared to face the challenges created by ongoing major national projects, such as the production of cement, urea, minerals and fuels. Last year, we transported over 1.6 million tons".

As for short and medium term plans, the general manager said that in the past four years they have worked intensively on integration with Argentina and Brazil. They spoke with the Argentinian government to rehabilitate the branch connecting with Bolivia, and this is now under way, which will allow the rail traffic between Bolivia and Argentina to continue. Through a trade agreement with the Belgrano Cargo Railway and Logistics, Ferrovial Oriental currently manages and operates the entertainment station on the Argentine side, where it has built a central cargo transfer from wagon to truck.

In Brazil, at the railway station in the border city of Corumbá, the terminal cargo transfer was developed in agreement with the Brazilian Railway Rumo -ALL and in partnership with the Transaco company. The terminal has the infrastructure and equipment needed for the operation of transshipments of steel products.

"We have developed trade agreements



Jorge Chaparro
President, GSA

with International Freight Forwarders, specialists in general cargo, project cargoes and leading companies for river waterways, which guarantee our services door to door", commented Fernández.

"Our goal is to provide products with high added value that contribute to the competitiveness of our customers in the demanding international markets, the vision of Ferrovial Oriental is to be a true ally in integrated logistics", concluded the General Manager.

Indeed, there is no lack of ambitious Bolivian businesses who need a logistics ally. One of them is **Grentidem S.A.**, the company which invested into building recreational megacenters all over the country.

Grentidem covers real estate, advertisements, cash administration, maintenance and construction.

In April this year, a multiplex Cine Center opened in Tarija, representing a USD 14 million investment. It is built on three levels, with ten movie screens, food courts, a mall and a gym.

President Jorge Chaparro José reminisced: "When I arrived in this country, there were 15 movie theaters. The first one we built was in Santa Cruz in 2004, everybody told me we were crazy but it worked out fine. I am proud of having brought the entertainment industry to Bolivia, there used not to be any. In all of Santa Cruz you could see three movies in three months, and there was nowhere for kids to play. It was the situation of a country with no right to recreation. That Cine Center was a huge success, and the one in Cochabamba too; when I presented the one for La Paz, I was told it was very big and that Bolivians are used to smaller venues, but it is now full".

At the moment his company holds 5 malls, the sixth one opened in June, and

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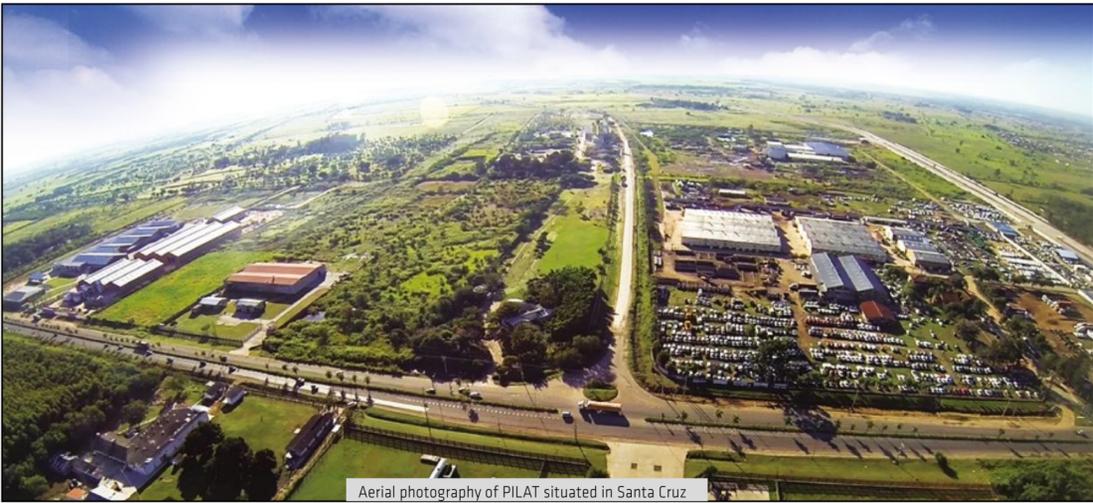
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Aerial photograph of PILAT situated in Santa Cruz



Julio Novillo Lafuente
CEO, LaFuente Grupo Empresarial

labor and the fiscal pressure are equally low. There is also a culture of excellent relations between entrepreneurs and the local government.

Santa Cruz is ten minutes away from Viru Viru international airport, has a railway, a gas network, good telecommunications and lies in the "bi-oceanic corridor" linking the country's three main cities Santa Cruz, Cochabamba and La Paz.

There has been a remarkable expansion of residential estates and housing projects. Grupo Lafuente's industrial complex Parque Latinoamericano Industrial (PILAT) is leading this trend. The group's two present projects, the PILAT complex and the Nueva Ciudad, are high-intensity investments. PILAT and the group's other projects consolidate the concept of a productive and self-sustaining city.

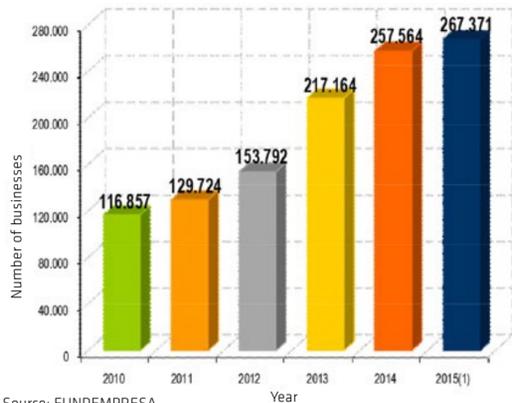
PILAT offers plots for 1,500 industrial companies, with several plot-sizes available, from 1,750 square meters to 150,000 square meters for small, medium and large enterprises. Altogether this project represents an investment of around USD 180 million.

Over 70 percent are already built and the rest will be finished this year, including all services like surfacing, sewerage systems, gas, drinking water and telecommunications.

Bolivia, being in the heart of South America, is strategically well located to be the logistical center of the continent.

The plot sales for PILAT are subject to two conditions: The first one is that buyers need to build their enclosure within a year of buying; the second is that within seven years the business needs to be functioning. This was imposed to avoid speculation. As Julio Novillo, the Executive President of Grupo Empresarial Lafuente explained, "Without those conditions, sales would have gone much faster, but now we can safely estimate that within 7 or 8 years the industrial complex will be 100 percent up and running". Mr. Novillo is a self-made entrepreneur who saw the potential in Santa Cruz at a time when he was managing the water cooperative in the south of the city.

Many years ago he started small, borrowing money to acquire 15 hectares of land which he developed himself and turned into a success, selling 254 plots



Source: FUNDEMPRESA
Data from August 2015

in under two months.

PILAT's concept is meant to attract a diverse local, national and international population. Foreign buyers are already proving that this is realistic.

Over 50 percent of the 600 industries that have already bought a plot in PILAT are foreign - from Peru, Brazil, Ecuador, Argentina and Germany. A German

"The other day I was talking to a Chinese foundry," said Mr. Novillo, "It needs a whole army of people to collect scrap metal and other material, which will then be sent to the processing plant. So on top of it, this type of industrial project will contribute to the environment, because it will clean up the city".

He truly believes in the environmental benefits of the project: "We are offering the companies a sustainable, ecologic complex, with a treatment system for liquid and solid waste. We are taking great care of every aspect of the environmental side of things, we have a large perimeter of 80 m width where we will plant trees, there will be a green curtain around the complex, every avenue will be tree-lined. At the moment we already have around 40 000 palm trees that we will be transferring this year. We want this complex to be an ecological benchmark for the region, with a guaranteed energy supply for large industrial plants". The implementation of the Warnes thermoelectric plant next to PILAT, which currently functions at 200 MW and has received authorization to expand to 480 MW, will be pivotal for the local energy supply to the project.

Grupo Lafuente is in permanent contact with entrepreneurs in Bolivia and abroad. Mr. Novillo and his team have visited potential partners in the US, Brazil, Argentina, Peru and other countries, and have received visitors curious to know more about their plans. The group is very interested in possible joint ventures as it firmly believes in the potential of its projects.



The PILAT's thermoelectric plant

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