

NOT EASY TO *START*

But Latin American economies are trying to change that by calling out to entrepreneurs

{ *Kamilia Lahrichi* }



Start-Up Chile offers qualified entrepreneurs worldwide \$40,000 in equity-free financing to relocate to the capital Santiago. It also grants them a one-year visa to develop their project



Sitting in his air-conditioned conference room in Palermo, a trendy neighbourhood in Buenos Aires, Agu de Marco keeps pouring hot water in his mate, a traditional tea with an astringently bitter taste, despite the suffocating heat.

The tattooed 32-year-old is the founder and Chief Executive Officer of Wideo¹, a platform to create online animated videos. He launched the first version in December 2012.

“I wanted to start a business linked with technology that would be global,” he explains; he sports the Wideo logo on his grey t-shirt.

Today, Wideo has more than 350,000 users across 200 countries. Agu often hops on a flight to the United States, Europe or Asia, to seek funding and speak at conferences. He first got investment from

500 Startups, a seed fund and accelerator in Silicon Valley. His 12-people team includes employees from the United States, Canada, Russia, Israel and Venezuela.

In 2005, the bubbly young entrepreneur founded Road2Argentina, immersion programs for foreign students and travelers in Argentina. Five years later, he launched EmprendING, a faculty program to foster an entrepreneurial culture in the South American nation, and interSpanish, a language school.

“My dream now,” he says, “is that Wideo becomes the first Argentine start-up known globally.” He cites the examples of Estonia’s Skype and Sweden’s Spotify.

Catalyst for the economy

Small and medium-sized companies (SMEs) in Latin America are key to the busi-

ness fabric.

They represent an overwhelming 98.7% of all businesses in Argentina, 98.9% in

Brazil and 99.4% in Chile, according to a report² by the United Nations Economic Commission for Latin America and the Caribbean (CELAC) titled “Latin American Economic Outlook 2013: SMEs policies for structural change”. They also employ about 67% of the region’s workforce.

“SMEs bring creativity to the economic system, always innovate, add value to production [and] create stable employment,” says Vicente Lourenzo, spokesman of the Argentine Confederation of Medium-sized Enterprises (CAME) in Buenos Aires.

While 15 years ago, successful companies like MercadoLibre – the local eBay – and Despegar – an online travel agency – adapted existing business models to the local market, Latin America has today more potential to innovate.

The main challenge is attracting the right talent, argues Agu. He takes pride in the fact he hired an American girl from San Francisco



69



The limits to be global are in people’s head rather than in reality

Agu de Marco,
founder and Chief Executive Officer of Wideo

¹ <http://wideo.co/>

² http://repositorio.cepal.org/bitstream/handle/11362/1464/S2012085_es.pdf?sequence=1



Employees of Wideo, working in their office

who preferred working for Wideo in Argentina than LinkedIn in California.

Beyond market conditions

Agu embodies Argentina's growing entrepreneurial spirit and resilience. The country has a high percentage of entrepreneurs per capita, despite the economic turbulence and political mayhem.

In 2001, the state defaulted on its debt, thereby becoming ostracized from international sources of capital. The economy now suffers from rampant inflation and the devaluation of the local currency, the peso. This has created uncertainty for investors.

"SMEs went through a period of strong growth between 2003 and 2012 but in the past two years, the economic context got

complicated and many companies are being affected by the fall in demand, both internal and external," says Mr. Lourenzo.

Latin America too is troubled with sluggish growth. Although it grew by about 4% a year³ between 2003 and 2012, the region is subject to the volatile price of raw materials – on which it depends.

In addition, investors fear risk in Latin America as they are used to investing in copycat projects rather than innovative ones.

"The main challenges facing Argentina and Latin America are the lack of successful cases entrepreneurs can use as a reference, as well as the lack of an active market for initial public offering that provide liquidity to the investment of venture capital," says Sebastián Ortega, Executive Director

of South Venture⁴, an online venture capital (VC) fund based in Buenos Aires.

South Venture gathers more than 5,000 investors from over 20 countries. It invested over \$3,000,000.

In other words, if a VC fund invests in a qualified start-up in Brazil or Argentina, it might not recover its investment.

Data from the International Labor Organization and the World Bank found that creditors in Latin America get back about 17% of their debt compared with 68% in countries of the Organization for Economic Cooperation and Development (OECD).

It also set out that businesses in Latin America need about four years to close down and liquidate their assets whereas companies in OECD countries need 1.7 years to do so.



In Latin America, the governments are increasingly dedicated to the start-up scene

Jacques Chauvin,
Director of Emprepar Business Angels, an investors' club in Buenos Aires that connects innovative and socially responsible projects with investors in Argentina and the region

³ http://www.keepeek.com/Digital-Asset-Management/oecd/development/latin-american-economic-outlook-2014_leo-2014-en#page6

⁴ <https://sthventures.com/about>

