



ENVIRONMENT

FOR BUSINESS OPPORTUNITIES IN COLOMBIA

2021



El futuro
es de todos

Gobierno
de Colombia



PROCOLOMBIA
EXPORTS TOURISM INVESTMENT COUNTRY BRAND



COLOMBIA

OFFERS:



A responsible Government committed in promoting public health and economic growth



Political stability in Latin America thanks to its government's commitment to develop private entrepreneurship, protect public institutions and promote democracy



A strategic point for regional supply, due to its geographic location and its network of free trade agreements



A developed and tech-savvy ecosystem and society that meets the standards of the "new normality" created by the COVID-19 pandemic

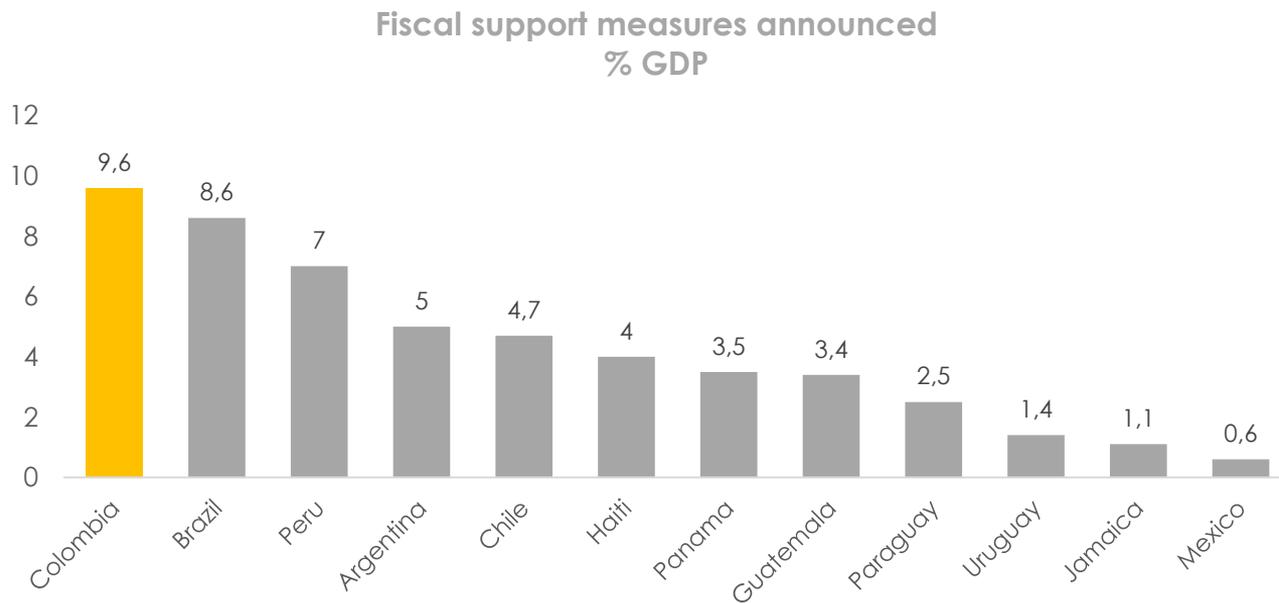


A leading country in receiving FDI in the region

Fiscal stability allowing to be the only country in Latin America to meet all its debt obligations in the last century

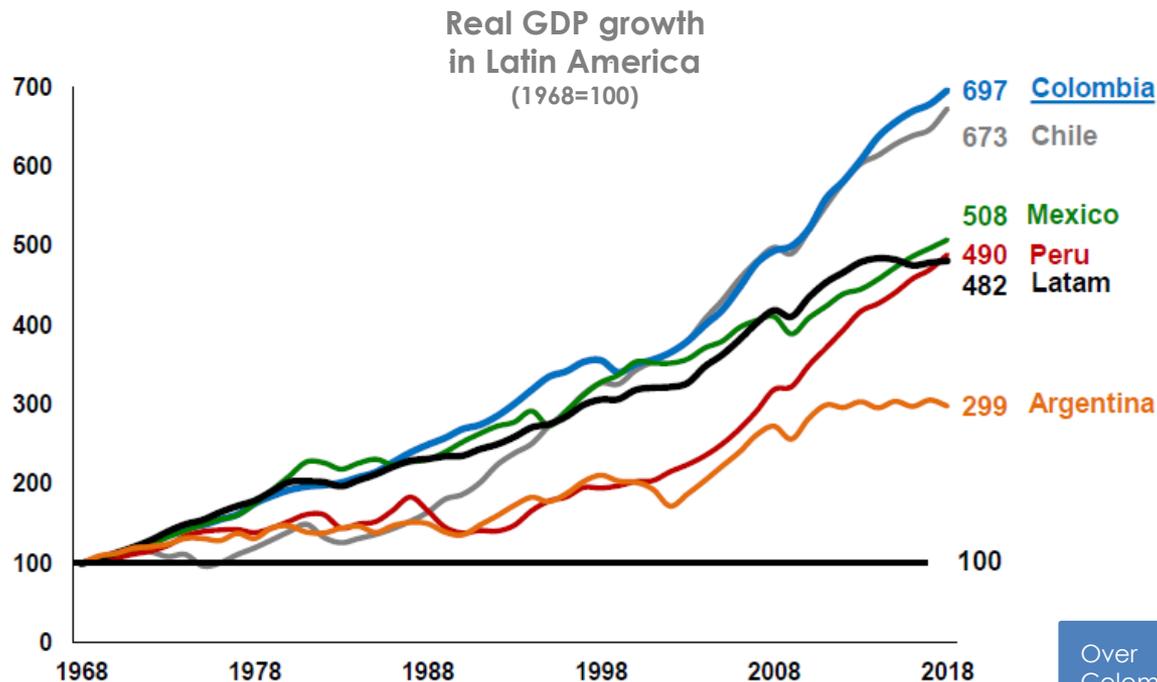


Colombia has been the country in Latin American that has invested most, in proportion to its GDP, to tackle and mitigate the pandemic's effects



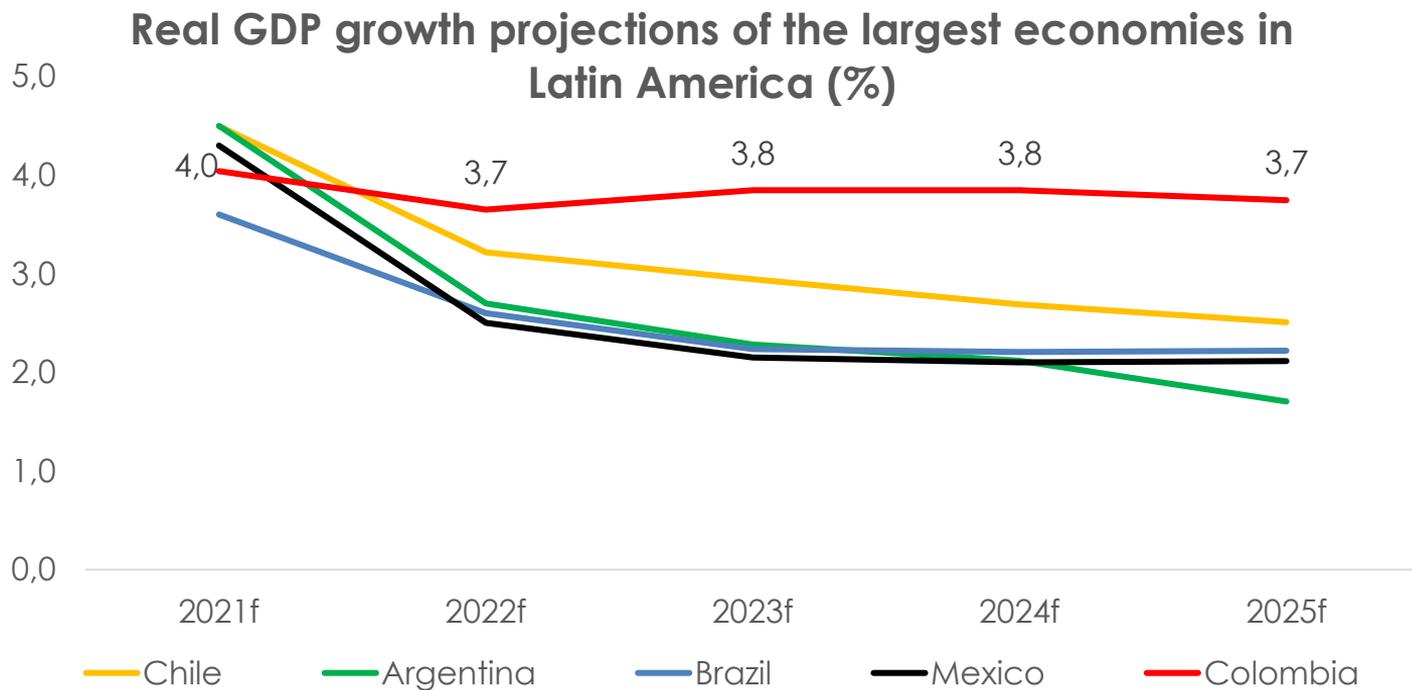
Note: Measures are the total amount announced, including discretionary spending, loan guarantees, and other credit measures. Data are as of May 29, 2020 and are subject to change.

The global pandemic was the vector to momentarily slow down 50 years of exemplary economic growth



Over the past 50 years, the Colombian economy has been the fastest growing in the region.

Colombia is projected as the most stable economy in the region.



Source: IMF (World Economic Outlook, October, 2020 and January 2021).

Its economy's Dynamic nature allows the country to project strong indicators, despite the global impact of COVID-19

4.6% - 4.9% Growth

is predicted for the **the Colombian economy in 2021**, according to the IMF and the World Bank, respectively

2.4%

Is predicted to be the **Inflation rate in 2021** according to IMF

A remaining low inflation rate

US \$4,093 millions

received in **non-mining FDI**, between January and September 2020

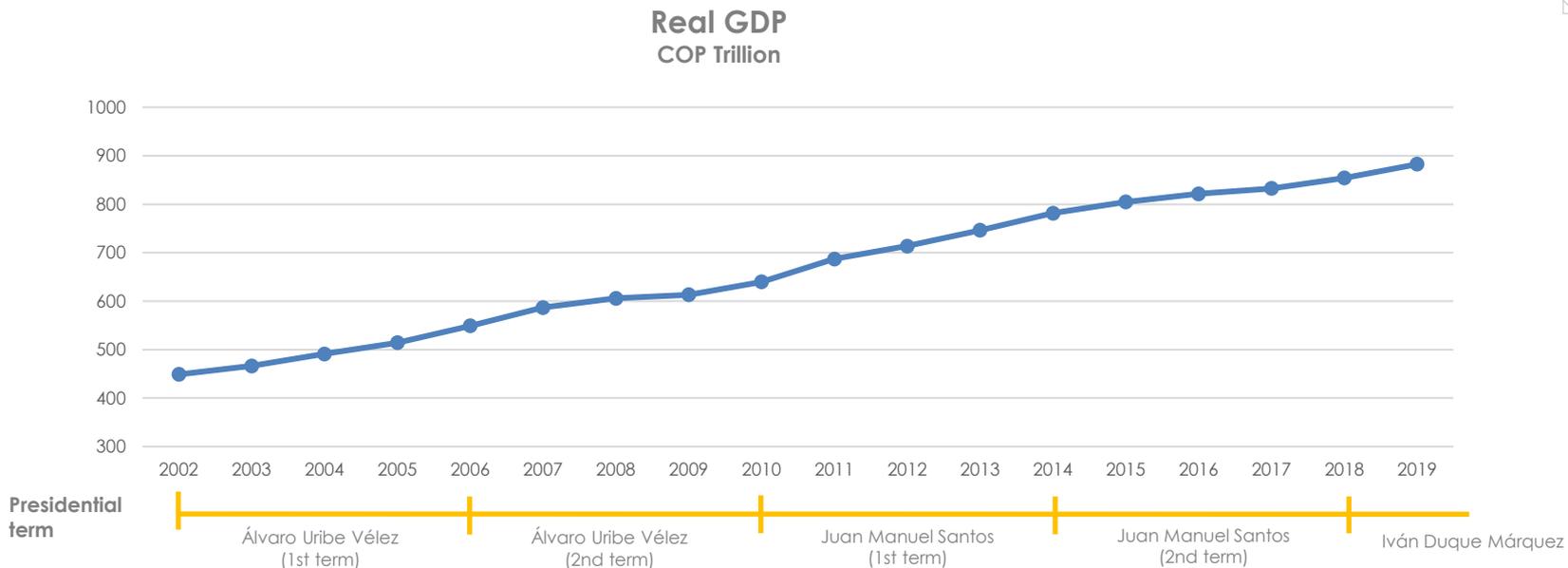
75.1%

Of participation in total investment



Colombia stands out in the
region for its political
stability and solid
institutions

The country has excelled in maintaining political stability regardless of the presidential administration, proof of Colombia's resilient economy



Governments, regardless of presidential administration, have been committed to the country's economic development.

Source: IMF, GDP constant prices.

Furthermore, Colombia has strong institutions which have allowed to position itself in the international context



According to the Global Competitiveness Report:



Corporate government
1st in Latin America



Business dynamism
2nd in Latin America



Financial system stability
2nd in Latin America

Global Competitiveness
Report 2019



33



48



54



57



65



71



83

Due to the country's solid economy and political stability, Colombia was officially accepted by the OECD

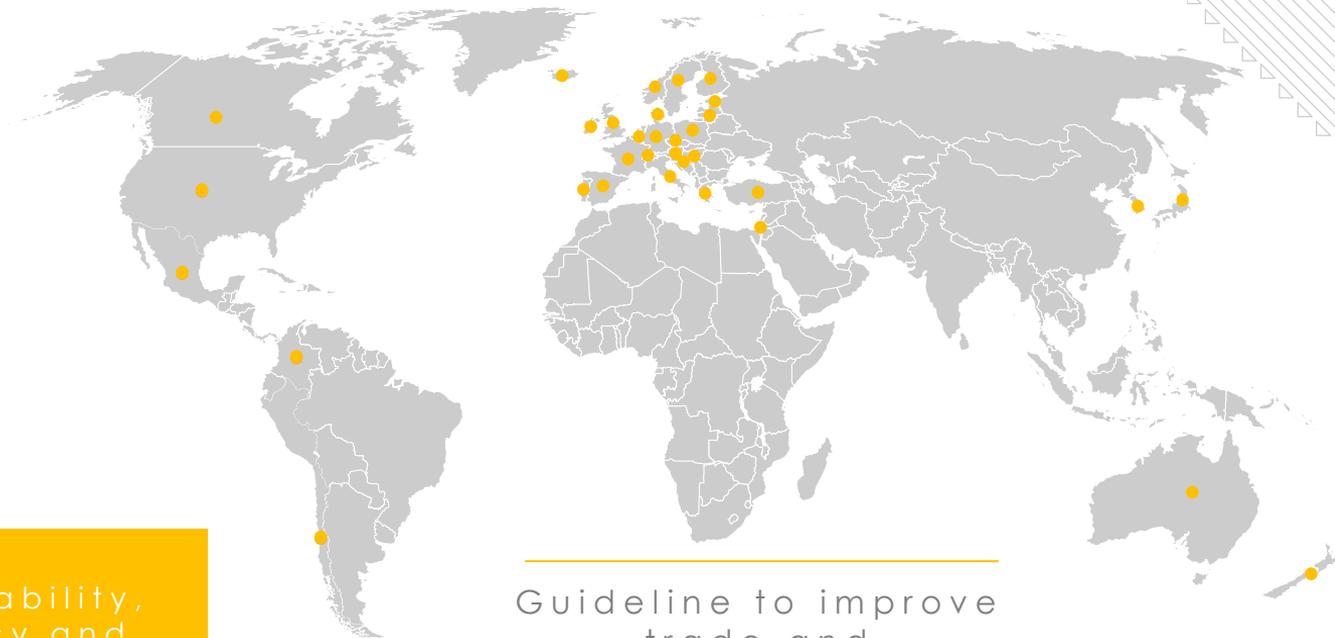
CANADA
UNITED STATES
MEXICO
CHILE
COLOMBIA

AUSTRIA
BELGIUM
CZECH REPUBLIC
DENMARK
ESTONIA
FINLAND
FRANCE
GERMANY
GREECE
HUNGARY
ICELAND
IRELAND
ISRAEL
ITALY

JAPAN
SOUTH KOREA

LITHUANIA
LATVIA
LUXEMBOURG
NETHERLANDS
NORWAY
POLAND
PORTUGAL
SLOVAK REPUBLIC
SLOVENIA
SPAIN
SWEDEN
SWITZERLAND
TURKEY
UNITED KINGDOM

AUSTRALIA
NEW ZEALAND



Economic stability,
transparency and
government discipline

Guideline to improve
trade and
investment barriers



The country stands out amongst the economies of the region, for having a **government committed to the private sector**



THE WORLD BANK

According to Doing Business:



In getting credit
1st in Latin America



In protecting minority investors
1st in Latin America

Doing Business 2020 *World ranking 2020*

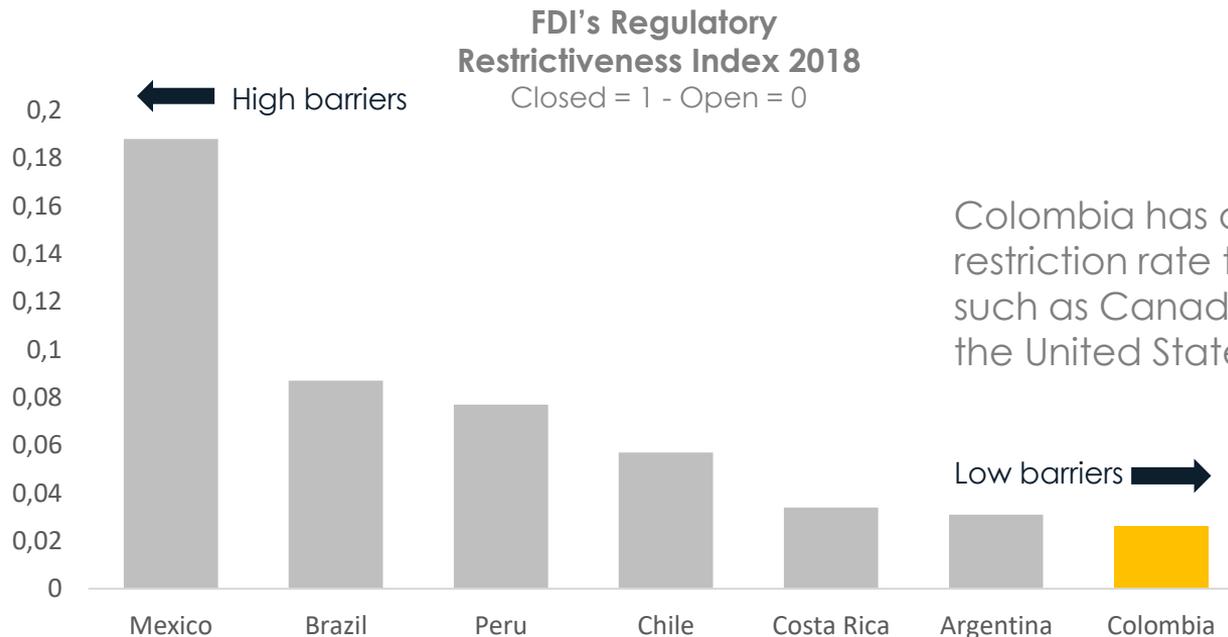


Source: Doing Business 2020, World Bank.





According to OECD, **Colombia has the lowest FDI barriers of Latin America**



Colombia has a lower FDI restriction rate than countries such as Canada (0.16) and the United States (0.09).

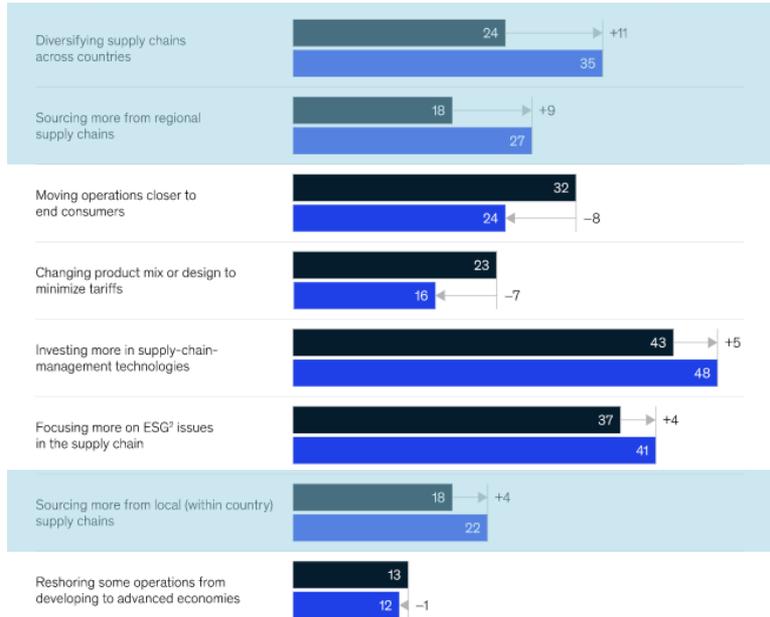


The new dynamics of global trade
represent opportunities for
Colombia as **a regional
supplier**



The pandemic's outbreak has led to a **reorganization of global supply chains, which are moving towards regionalization**

Biggest changes to companies' globalization strategies in the next 3 years,
% of respondents¹



¹The online survey was in the field from March 2 to March 6, 2020. Respondents who said "other" or "don't know" are not shown. In Dec 2019, n = 60; in Mar 2020, n = 235.
²Environmental, social, and governance.

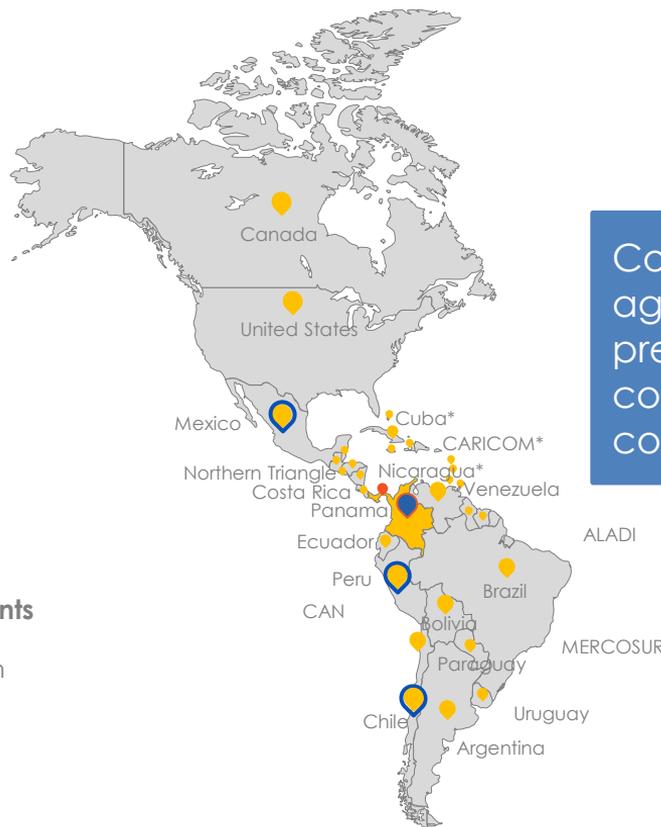


More than 80% of the 3,000 companies surveyed in 12 global sectors, in North America, Europe, and Asia Pacific (ex-China), have implemented or announced **plans to relocate** at least part of their supply chains from current locations. **Back Shoring & Near Shoring -Bank of America**



Companies will be increasingly inclined to **spread their risks rather than "putting all their eggs in the lowest-cost basket"**. The threat of a future crisis will force companies to structure their global supply chains, looking for greater resilience, as well as lower risks and costs. **-Re-shoring index, Kearney**

Colombia is ready to address the relocation challenge, offering preferential access to 97%* of the regional economies



Colombia has 17 free trade agreements in force, allowing preferential access to 60 countries and 1.5 billion consumers

Regional agreements

- Andean Community
- Pacific Alliance
- Chile
- Mexico
- Canada
- United States
- Northern Triangle
- Costa Rica
- Mercosur
- Cuba
- Caricom
- Nicaragua
- Venezuela

Other agreements

- EFTA
- European Union
- South Korea
- Israel

Signed agreements

- Panama
- United Kingdom

- In force
- Signed
- Pacific Alliance

Within the region, **Colombia enjoys the best access conditions to the United States, thanks to its FTA**

Preferential access to the world's largest importing market

13.5%

U.S. market share in the world's imports



- Average tariff of 0% from Colombia to the U.S.
- 2,157 (96%) of the subheadings that Colombia exports to the United States, entered the market with a 0% tariff.
- Convenient regional content value rules.

Colombia has a free trade zone regime with one of the region's most attractive incentive packages

Benefits within the Free Trade Zones



20% income tax rate
in free trade zone



Exemption of customs
duties (i.e. VAT and
tariffs) for goods
imported from
abroad to the Free
Trade Zone



The sale of raw materials,
parts, inputs and finished
goods to industrial users
of goods and services is
exempted from VAT,
provided that these
goods are necessary for
the execution of the
user's corporate purpose



The merchandise within
a Free Trade Zone may
remain inside such zone
indefinitely



The sale and shipment
of goods abroad which
are located within the
Free Trade Zone is
exempted from VAT



These Free trade zones are located throughout the country, **especially close to the country's main seaports and airports**

Free trade zones* map

Free trade zones* by department

- Bogota
- Cundinamarca
- Santander
- Norte de Santander
- Atlántico
- Bolivar
- Magdalena
- Risaralda
- Quindío
- Antioquia
- Valle del Cauca
- Huila



Thanks to its location, Colombia offers direct access to the two main continental oceans.

Source: Free trade zone directory 2019, ProColombia.
*Permanent free trade zones



The combined incentives position Colombia as **the country with the best tax regime for investors in Latin America**



Tax burden	COLOMBIA	CHILE	PERU	MEXICO	ARGENTINA	BRAZIL
Income tax	31% - 2021 30% - 2022	25% a 27%	29,5%	30%	25%	34%
Special benefits	Mega investment - 27% FTZ - 20%	Exempts in FTZ of Iquique and Punta Arenas	Exempt in 4 operative FTZ	20% in the Northern Border Free Zone	No	- 75% in FTZ of Manaus
VAT	Exempt from FTZ	Exempt From FTZ	Exempt from FTZ	8% in the Northern Border Free Zone	Exempt from FTZ	55% to 100% reduction
Custom Duties	Exempt in FTZ	Exempt in FTZ	Exempt in FTZ	No (Only IMMEX)	Exempt in FTZ	- 75% on supplies
Accelerated Depreciation	In 2 years for mega investment	50% snapshot until 2021	No	No	No	No
Dividend Tax	10% (DTA) Mega investment 0%	5% to 10 %	5%	10%	13%	No
Legal Stability Contract	In mega investment projects	Yes	Yes	No	Yes	No



All these
conditions **place**
the country as a
regional leader in
receiving FDI

Colombia ranks 9th among developing countries in receiving FDI

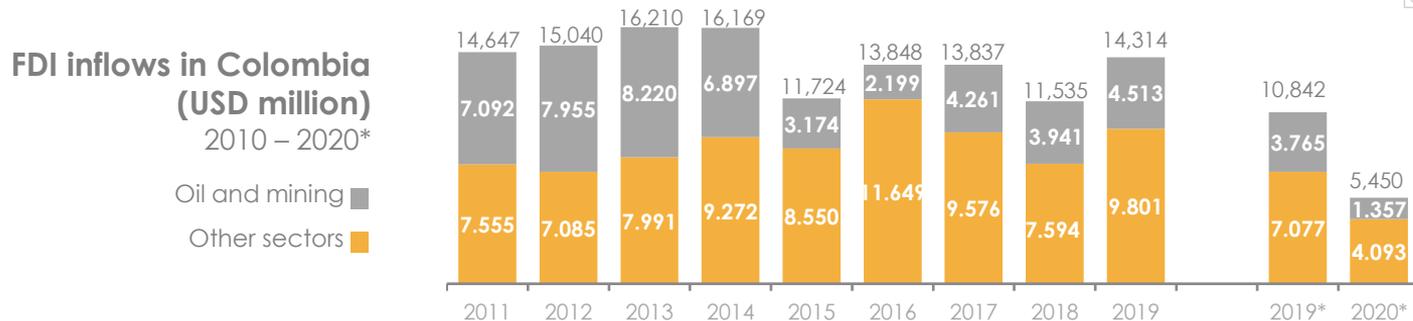
Top 10 developing economies
in receiving FDI in 2019
(USD billion)



Source: UNCTAD, 2020.

*Cayman Islands and British Virgin Islands are not included.

Since 2014 non-mining sectors have registered a major participation in Colombia's FDI



In 2019, investment flows **grew by 24.1%** compared to 2018, meanwhile investment in **non-mining sectors grew by 29.1%**

Top investors in Colombia, by country**

2015-2019



United States
USD 11.61 billion
17.8%



Spain
USD 9.58 billion
14.7%



United Kingdom
USD 5.22 billion
8.0%



Canada
USD 3.84 billion
5.9%

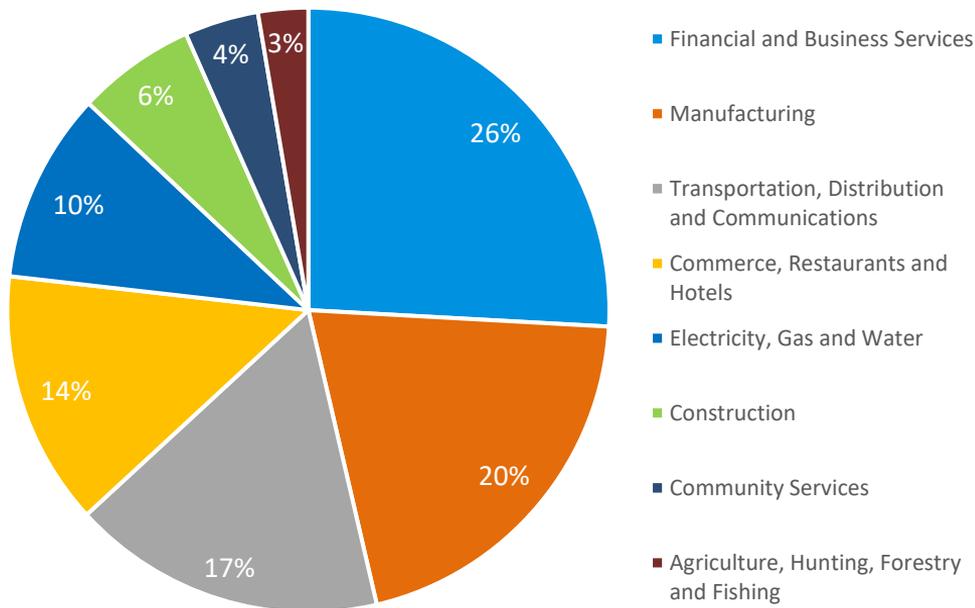
Source: Balance of Payments – Banco de la República.

* January-September.

**Panama and Switzerland are not included

Investment in Colombia spreads across various sectors of the economy

FDI by economic activity*
2015 – 2019



Between 2015 and 2019, a total of US\$47.17 billion in non-mining FDI arrived to the country

Source: Banrep.
*Mining-energy investments are excluded.

National Development Plan 2018 – 2022 “Pact for Colombia, pact for equity”



LEGALITY



EQUITY



ENTREPRENEURSHIP