ICT Market study in Chile and Costa Rica for Baltic companies

20-09-2017, Tallinn

Giedrė Gatelytė

Macro environment

- **Both countries can be characterized as the best investments and trade profiles in South and Central America**:
- Political, financial stability, a vast network of free-trade agreements.
- High economic, trade freedom, low corruption.
- However business freedom in both countries is lower than in the Baltics. Ease of starting a business, doing business and enforcing contracts are more difficult than in the Baltics.

Business freedom index 2017

Attribute / Country	Chile	Costa Rica	Estonia
Business Freedom	72.3	68.1	**77**
Labour Freedom	**64.3**	53.9	56.9
Monetary Freedom	82.2	80.8	**85.7**
Trade Freedom	86.4	84.7	**87**
Investment Freedom	85	70	**90**
Financial Freedom	70	50	**80**

Attribute / Country	Chile	Costa Rica	Estonia
GDP per capita (PPP)	$23,460	$15,482	$28,592
Inflation	4.3%	0.8%	0.1%
Unemployment	6.4%	8.6%	5.9%

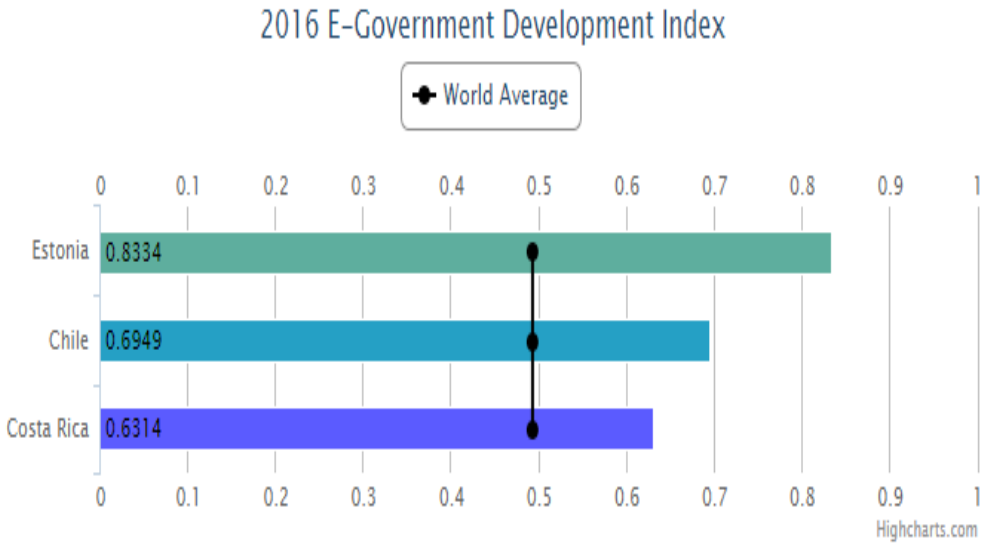
ICT development

- Chile has the third most developed ICT sector in all of South America. Costa Rica - most developed and the most progressive ICT sector amongst Central America.
- Both governments state that the ICT sector is a priority in the country.
- Costa Rica is strong in mobile infrastructure (the cheapest mobile-cellular services in Americas and widespread).
- Costa Rica has the highest percentage of IT professionals in Latin America.
- However both countries have lower percentage of households with Internet access and individuals using the Internet comparing to the Baltics.
- Both countries have the demand for ICT specialists much higher than the supply.

Attribute / Country	Chile	Costa Rica	Estonia
2016 ICT development index (Rank out of 175 countries based on overall)	56	57	**18**
2016 Mobile-cellular telephone subscriptions per 100 inhabitants	129.47	**150.66**	148.69
2016 Percentage of households with computer	63.62	53.16	**67.64**
2016 percentage of households with Internet access	59.70	60.18	**87.73**
2016 percentage of individuals using the Internet	64.29	59.76	**88.41**
2016 fixed (wired)-broadband subscriptions per 100 inhabitants	15.17	11.17	**28.68**
2016 active mobile-broadband subscriptions per 100 inhabitants	57.61	95.52	**114.27**

E-government

- Leaders in e-government and e-participation in South and Central America.
- Chile has roadmap of how to achieve e-government success.
- Costa Rica lacks a valid e-government strategy.
- Both countries have some weaknesses with the regulation of e-government.
- Both countries have implemented dozens of e-services for citizens and business.



E-government in Chile: customer

- Responsible: the Ministry General Secretariat of the Presidency (SEGPRES) is responsible for developing e-government
- Budget: no centralised management; finances from the yearly budget.
- Selling to government: public tendering using official portal for public procurement www.chilecompra.cl
- Difficulties to participate in tenders for European company
- Criticism: lacks a long-term view for the development of e-government and projects in the public sector

E-government in Chile: roadmap

- Development of smart cities (network, street sensors, earthquake monitoring and alarm systems. E-transport has already been implemented in the capital, other smart city technologies are planned to be further developed).
- Development of network infrastructure, expand the availability of high-speed internet in all of the country and not only in and around Santiago.
- Development of open data, big data and data analysis, currently there is a lack of competency in this field.
- The transfer of e-services to mobile phones.
- Development of interoperability, to improve the current system which would ensure fast and safe data exchange between institutions and between different applications.
- Further development of e-health, especially integrations of systems, electronic health records and telemedicine.

E-government in Chile: competitors

	Chile	Estonia
ICT companies	4.700	2.828
The number of ICT employees	n.d.	28.500
Percentage of the ICT sector on GDP, %	3,4	4,91

- 1.6% of companies in Chile are ICT companies, 85 % are SMEs.
- IT companies usually operate in a few vertical sectors, lack of specialisation.
- Latin America and the U.S. are the main markets for Chilean ICT companies to export their services and products, the biggest focus in Latin America - Mexica, Brazil and Peru.
- Average hourly rate of an IT specialist is about 40-60 USD; IT architect-80 USD, IT Project manager–100 USD.
- Chile has well educated, skilled IT specialists, however there is a workforce deficit.
- Chile provides "Visa Tech" - an opportunity for foreign ICT specialists to work in Chile for an indefinite period.
- There is a lack of skilled English-speaking IT professionals, skilled Project managers and highly experienced IT architects.
- E-government's main projects are executed mostly by very large, international companies, which have strong human resource capital and competencies. Also, these companies use local SMEs as subcontractors.

Opportunities to enter Chile‘s market: partnering

Find a partner	• Search for an ICT company with residency in Chile to enable participation in public tenders
Participate in public tenders	• Participate in public procurement using portal ChileCompra
Collaborate with Chilean Economic Development Agency (CORFO)	• Supporting grant for strategic projects at the pre-investment stage. • Dialogue between the public and private sectors when forming and implementing e-government initiatives
Use "Visa Tech"	• Work in Chile for an indefinite period

- Smart cities
- Open data/ big data/ analytics
- Apps
- Interoperability/ integration
- Electronic health records/ telemedicine

Opportunities to enter Chile‘s market: setup of an entity

Registering a company	• It takes 5.5 days and can be done online
OR participate in the Start-up Chile program	• Competition that selects suitable candidates three times a year. Founders and their teams receive about $33,000 USD, a working visa for a year and access to one of the largest startup communities
Participate in public tenders	• Public procurement portal ChileCompra. • Potential suppliers’ registry for simplified purchasing procedures
Collaborate with Chilean Economic Development Agency (CORFO)	• Support grant for strategic projects at the pre-investment stage. • Dialogue between the public and private sectors when forming and implementing e-government initiatives
Use "Visa Tech"	• Work in Chile for an indefinite period

- Smart cities
- Open data/ big data/ analytics
- Apps
- Interoperability/i ntegration
- Electronic health records/ telemedicine

E-government in Costa Rica: customer

- Important player - Radiográfica Costarricense (RACSA): responsible for the most of e-government projects
- Selling to government: public tendering using official portal for public procurement www.sicop.go.cr
- No restrictions to participate in tenders for European companies

E-government in Costa Rica: roadmap

- Create a smart city (firstly e-transport).
- Develop Open data platform.
- Develop data centre for governmental institutions.
- Integrate systems by creating a standard and platform for data exchange between institutions and between different applications.
- Improve current e-services, especially for the use of mobile phones.
- Optimise processes in public sector, including their automatization.
- Further develop e-health, especially the National EHR system, e-learning in health, integrate current systems and create an m-health system.
- Develop cyber security.

E-government in Costa Rica: competitors

	Costa Rica	Estonia
ICT companies	900	2.828
The number of ICT employees	88.300	28.500
Percentage of the ICT sector on GDP, %	12,5	4,91

- Main international ICT giants such as Intel, IBM, Microsoft, Cisco Oracle, Amazon and about 200 other multinational companies have established themselves in Costa Rica.
- 53% of ICT companies have formal alliances with international companies like Microsoft, HP, Cisco, Dell, WM Ware, IBM, Intel, SAP. Microsoft (53%), Oracle-Sun (26%), IBM (18%), CISCO (17%) and SAP (16%) are the main technology brands compatible with the products and services of ICT companies in Costa Rica.
- The most ICT companies are vertical sector orientated.
- 67% of sales abroad went to North America, 20% to Central America, 8% to South America, 4 % to Europe and 1% to the rest of the world.
- Costa Rica has well educated, skilled IT specialists, including English-speaking skills.
- There is a workforce deficit, although universities are strongly focused on preparing ICT specialists.
- E-government's main projects are executed mostly by large, international companies, which have strong competencies. To win contracts in Costa Rica a company must demonstrate the experience, know-how and get confidence.

Opportunities to enter Costa Rica‘s market: direct exporting

Collaborate with RACSA

- Provide a profile of the company, its competences and financial information
- Get a digital signature

Participate in public tenders

- Register to the Registry of suppliers
- Participate in public procurement using the SICOP portal

Use Free Trade Zone Regime

- Get benefits from tax initiatives

- Smart city
- Open data platform
- Data centre for governmental institutions
- Integration platform and standard
- E-services in mobile phones
- Process automatisation and optimisation in public sector
- National EHR system, e-learning in health, integrate current systems and create an m-health system
- Develop cyber security

Opportunities to enter Costa Rica‘s market: partnering

Find a partner	• ICT company with residency in Costa Rica and experience in e-government
Collaborate with RACSA	• Provide a profile of the company, its competences and financial information. • Get a digital signature
Participate in public tenders	• Register to the Registry of suppliers • Participate in public procurement using the SICOP portal
Use Free Trade Zone Regime	• Work in Chile for an indefinite period

- Smart city
- Open data platform
- Data centre for governmental institutions
- Integration platform and standard
- E-services in mobile phones
- Process automatisation and optimisation in public sector
- National EHR system, e-learning in health, integrate current systems and create an m-health system
- Develop cyber security

Both Chile and Costa Rica have a high degree of competition in e-government ICT and a relatively small market size, however there are open business opportunities in e-government and both countries can be valuated as hubs for expanding services in other Latin American and U.S. markets.

Questions?