

# Latin America Entry Points

Startup Ecosystem- Brazil  
2018

The LATAM logo is a yellow circle with the word "LATAM" in black capital letters inside it, set against a dark blue background.

LATAM



# Content

## **Executive Summary** 03

## **Getting to know Brazil** 04

The Land  
The People  
The Economy

## **Key Sectors** 12

FinTech  
EdTech  
Health Care  
E-commerce  
AgTech

## **Getting Started** 18

Challenges  
Advancements  
Resources

## **Conclusion** 23

End Notes  
Contact Us

# Olá!

In the hierarchy of economies across the globe, Latin America is not often mentioned, the potential of the region and its constituent countries drowned out by other global developments. The largest country both geographically and economically in Latin America, Brazil presents itself as an influential player. Notorious for its poor bureaucracy, corruption, economic and political instability, Brazil has had its fair share of struggles since its hype at the turn of the century. What is less reported is the recovery of the economy, political reforms and resourcefulness of its people in these tough situations.

This report gives an overview of Brazil as a country, from its vast geography, to its diverse people and finally its resilient economy before diving into the very exciting start up ecosystem that has been brewing in the region. Present updates and future projections are included to represent international sentiments towards Brazil. We explore characteristics of the Brazilian market, such as demographics and behavioural preferences, challenges that plague the current system, and from it, identify 5 interesting key sectors of growth in recent times. Finally, we share 3 challenges that startups face when trying to penetrate the market and based on our experience in bridging the Toronto - Brazil ecosystems, we offer some advice to partake in this venture.

Our analysis sheds much positive light on the potential of Brazil, although we recognise that the country has ways to go in terms of its development and friendliness towards business. Optimism towards the progress that has been made as well as support for the capabilities of the new government to continue transforming the country would help to sustain the fighting spirit of this nation. By no means is the information presented in this report conclusive or representative of everything this country has to offer. However, we hope it would give you a glimpse of Brazil and a starting point to consider this beautiful country as a potential market to explore.

# Vamos lá!



# BRAZIL

## Passionate People, Endless Possibilities

Brazil's history of colonialism and immigration, coupled with tumultuous periods of political and social change, has produced a country with diversity woven into all aspects ranging from its people to its culture to its economy. Vast in land and resources, Brazil holds much potential to be a leading powerhouse both regionally and globally.

In spite of their economic and political woes, constant reforms and the people's entrepreneurial spirit have kept Brazil on the path of progress in pursuit of its full potential. Here's a deeper look into the biggest country in Latin America.



# PANORAMIC BRAZIL THE LAND

The vastness of Brazilian territories is often underappreciated. Home to a population of roughly 208 million people, Brazil is the largest and most populous country in South America and the 5th largest country in the world. Geographically, Brazil presents itself as one country. However, the reality is that its 26 states are much more diverse, unique and complex than that. Since the 1970s, Brazil has been divided into 5 regions: north, northeast, midwest, southeast and south. Each state is fully autonomous, with its own governing body, legislations, customs and economic activity. Of the 5, there are 3 regions with significant economic activities.

## **NORTH REGION**

Estimated GDP contribution:  
5.3%\*

Main activities: Technology  
Manufacturing, Trade

Despite its vastness (45% of Brazil's territory), most of this region is covered by the Amazon Rainforest, hence it has the lowest population density in Brazil. Its economy is driven by the extraction of raw materials from the Amazon forest and by mining (city of Pará).

This region also has the Largest Free Trade Zone in Brazil, resulting in a huge industrial concentration, with 600 plants producing high-technology goods. Tax incentives are provided to foreign and domestic companies in the region which have turned the place into manufacturing hotspot.

## **SOUTH REGION**

Estimated GDP contribution:  
16.4%\*

Main activities: Education,  
Agriculture

This may be the smallest area of Brazil, but its population is twice as large as the number of inhabitants of the North and Center-West regions. With a relatively equal development across primary, secondary and higher education sectors, this population presents the highest literacy rates recorded in Brazil, which explains the social and cultural development of the region.

The south region is also characterized by medium-sized farms used for extensive livestock production. Agricultural innovations have taken off in this area, leading to an increase in land use.

## **SOUTHEAST REGION**

Estimated GDP contribution:  
54.9%\*

Main activities: Finance,  
Commerce, Technology

Home to Brazil's 2 biggest cities, São Paulo and Rio de Janeiro, this region has the highest population density, largest infrastructures (e.g. rail network, ports) and most diversified economy. It is the most important industrial, commercial and financial region of Brazil, employing 70% of the Brazilian working class.

While São Paulo, the largest city in Latin America, is the financial center of Brazil, Campinas is the regional ICT hub and a key industrial center. Belo Horizonte is another important industrial center, famous for its textile, automobile and mining industries.

# PANORAMIC BRAZIL THE PEOPLE

As diverse as its geography, waves of immigration and cultural mingling have contributed to the melting pot of nationalities and cultures today, making Brazil one of the most ethnically diverse nations on earth.<sup>1</sup> Not only that, social, political and infrastructural developments have led to rapid developments in the country, drastically improving the way people live, work and interact. Here are some of the latest developments.



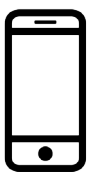
## Trend 1 Educating the Talent of Tomorrow

Brazil ranks number two out of all major emerging markets in terms of annual talent pool growth (5.6%).<sup>2</sup> However, the current skill gap in the workforce is very prevalent and businesses struggle to find appropriate talent. This presents ripe opportunities for the entrance of EdTech firms, which have since focused on improving the quality of education and technical skills training such as coding, data management.



## Trend 2 Rising Socio- economic Status

In the past decade, Brazilians have enjoyed a noticeable rise in purchasing power and consumption. Decades of economic growth and public policies have reduced the percentage of Brazil's population in extreme poverty down to 7.4 in 2018. Since 2012, more than half of Brazilians were classified as middle class, expanding the domestic market and offering investors a significant potential customer base.<sup>3</sup>



## Trend 3 Smart Phone and Internet Penetration

With an estimated 66% internet penetration rate (123 million people) in 2017, Brazil is the largest internet market in Latin America and the fourth largest market in the world. Not only that, smart phone penetration has climbed to above 40% in 2018. The monthly internet usage in Brazil averaged 25.7 hours per user in 2016, much higher than the regional average of 18.6 hours.<sup>4</sup>



## Trend 4 Social Media Usage

Up from 40% in 2016, the social media penetration rate in Brazil is expected to jump to 50% by 2021, amounting to about 114 million users. WhatsApp is the most popular communication platform while Facebook is the leading social platform in Brazil (third biggest Facebook market in the world). Other leading social networks in Brazil include YouTube and Instagram.<sup>5</sup>

# PANORAMIC

# BRAZIL

## THE ECONOMY

Brazil today is very different from the Brazil of the early 1970s when the country was buffeted by a series of international debt crises. The country has since grown tenfold (in terms of real GDP and PPP) to be ranked as the 9th biggest economy in the world, successfully reducing poverty in the country by the millions. Backed by strong macroeconomic and market fundamentals, as well as the development of its industrial, agricultural and service sectors, it was an era of economic and social progress.

However, Brazil was hit by the worst recession in its history from 2015 and 2016, made worse by the then growing political disenchantment, weak commodity prices, credit restrictions and rising interest rates. Since then, extensive economic reforms to boost foreign investment and measures to reduce government spending have paid off. In 2017, the economy resumed its growth trajectory, officially lifting the country out of the recession. Most recently at the end of 2018, the newly elected president Jair Bolsonaro brings with him renewed optimism for economic growth because of his pro business policies, push for privatisation and support for the experienced ministers in his government, in particular the well-respected finance minister, Paulo Guedes.



# PANORAMIC

# BRAZIL

## THE ECONOMY

Brazil's main economic indicators have continued to grow in the third quarter of 2018, showing a strong recovery from its recession.

**0.8%**

of GDP growth was reported in the third quarter of 2018 which is the highest growth rate since 2017 Q1

**11.6%**

is the 2018 unemployment rate, which is down from 11.8% in the previous year

**6.5%**

is the Selic rate, the annual benchmark interest rate, since March 2018, which is a record low for Brazil

**114.3**

is the consumer confidence, 2018 which is the 6th consecutive increase and the strongest since 2013

**10888.98**

USD GDP per capita was reported at the end of 2017 and expected to further increase in the coming years

**2,055B**

USD GDP of Brazil was reported at the end of 2017, representing 3.32% of the world economy

**3.45%**

is the average inflation rate for the year of 2018 (3.75% in December) which is lower than the market expectations of 3.7%

**8950M**

USD was the increase in Foreign Direct Investments in December 2018, giving a raw amount of 10.3 billion USD

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**Inflation is under control, the Brazilian currency is getting stronger, the markets are moving, unemployment has been reduced. People are starting to come back to work.**

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**Sergio Frias, President and CEO  
Federation of  
Canadian-Brazilian  
Businesses (FCBB)**



# PANORAMIC BRAZIL THE ECONOMY

Moving forward, both domestic businesses and international investors share an optimistic outlook towards the Brazilian economy for 2019 and beyond. President Jair Bolsonaro, while somewhat controversial, has garnered support by promising to tackle corruption in the government and elect ministers based on their technical competency instead of political popularity. He has also inspired domestic and international investor confidence with his talks of pro-business policy reforms, reflected in the opening of the São Paulo stock exchange with an all time high of above 97,000 points. While it is early days in his term still, 2019 is off to a promising start for Brazil's economy.

**+ 1.8%**

growth in GDP is forecasted for whole 2019, reaching a raw amount of 2200 billion USD

**6.5%**

is the current interest rate and is expected to hold steady throughout the rest of 2019

**11200**

USD as the projected GDP per capita at the end of this quarter in 2019 and 11730 USD by the end of 2020

**12%**

is the current unemployment rate in 2019 and is projected to decrease to 11.1% in 2020

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**I remain optimistic about the future, maybe not in the immediate future because it takes time for the economy to fully recover. It's going to take time to change the 9th biggest economy in the world into the 5th biggest, as it used to be before the economic crisis. Things won't get perfect in the short run but there's progress.**

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**Sergio Frias, President and CEO  
Federation of  
Canadian-Brazilian  
Businesses (FCBB)**

# PANORAMIC BRAZIL

## THE STARTUP ECOSYSTEM

The Latin American startup ecosystem is just starting to transform the way people look at it, with increasing number of startups making waves in international markets while creating a positive impact on local communities and businesses. Innovative solutions from startups in this region are tackling problems surrounding financial transactions, education and agriculture that have been impeding prosperity for generations.

In particular, Brazil's startup ecosystem is vibrant with interest, ideas and investments. Many startups are carving niches for themselves in the domestic market or have gone on to be backed by prominent venture capitalists. At the same time, traditional investors, companies and governments are showing interest in ecosystem participation through mentorship, funding and partnership opportunities. With the maturation of the ecosystem and a promising market to capture, major international players from established markets such as the US and China are jumping into this scene, creating headquarters and funding innovation hubs like the Google campus in São Paulo.



# PANORAMIC BRAZIL

## THE STARTUP ECOSYSTEM

Currently ranked 39th out of 197 countries in the world for the strength of its startup ecosystem,<sup>7</sup> the entrepreneurial scene in Brazil is fast expanding. Forced to innovate, Brazilian entrepreneurs and their ideas are in the frontline to tackle societal problems inspite of the economical and political challenges of the country.

**> 10,000**

startups are currently listed in Brazil. Based on an estimate by Europartner, this number increases by 20% on a yearly basis.<sup>8</sup>

**> 238**

coworking spaces are active across Brazil with ever increasing numbers. Popular places include WeCompany, Impact Hub and Tribo Coworking.<sup>9</sup>

**7**

unicorns emerged from Brazil in 2018, backed by investors mainly from China and USA. 2019 is poised to welcome more start ups into this Hall of Fame.<sup>10</sup>

**32%**

of technology investments came from the US, with growing regional involvement. Tiger Global Management, 500 Startups and Endeavor Catalyst were the most active VC firms.

**546M**

USD of VC Investments was pumped in in 1H2018. Brazil raised more VC financing in the first semester of 2018 than the entire region's startups in 2016.

**721**

deals were closed with Brazilian companies, which is over triple the number of deals as Mexico, ranked second in the region.

**4.2B**

USD was raised in Brazil since 2012, almost 7 times as much as Mexico and Argentina (ranked 2nd and 3rd).

**50%**

of all investments came from investors within the region. Out of these, 60% were Brazilian investors.

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Brazil is a vibrant, complex market abound with opportunity. When looking to do business in Brazil, it is important to invest time in finding the right partners on the ground and in understanding the regional differences.

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Ines Gomes, Consul Commercial and Senior Economic Officer  
Government of Ontario  
at Consulate General of  
Canada in São Paulo (2017 - 2018)

# KEY SECTORS

## Riding the waves of **potential**

Latin America is becoming a place where startups are flourishing, and there are increasingly more reasons why it makes sense for budding entrepreneurs to set up shop there. An unthinkable prospect just a few years ago, new opportunities, mentorship potential and funding initiatives are arising in many countries in South America, making the region very attractive for startups.

Late to the scene but by no means an insignificant player, Brazil's vast land and population size has captured international interest as the country develops its startup ecosystem. In a country with creativity woven into its culture, Brazil has already seen its fair share of successes as it continues to push its development. Here are some sectors making great strides.



# FinTech

## THE STARTUP ECOSYSTEM

Brazil is the most active country in Fintech in Latin America. With 377 start-ups listed as of May 2018, Brazil holds the honor of being the largest Fintech ecosystem in the region, 1.5 times larger than Mexico and 3 times larger than Colombia, the next two largest Fintech ecosystems in Latin America.

### CONTEXT

Infamous for its messy bureaucratic systems, Brazil's banking infrastructure is no better, with 80% of the credit market being controlled by the five largest banks in the country. As a result, negative customer experiences are common due to difficulties in accessibility, regulational barriers, lack of transparency and extremely high annual percentage interest rates, which can go up to 450%. Combined with high smartphone and internet penetration rates and a technologically savvy population, Brazil's financial system is ripe with opportunities for the adoption of financial services technology.

### SECTOR BREAKDOWN\*

#### Top Cities

São Paulo is the epicenter of the sector, with over 71% of startups based there. Rio de Janeiro and Porto Alegre are a distant 2nd and 3rd hubs.

**257m**

was invested in the first half of 2018, compared to 137 million USD invested for the whole 2017. The lion's share of this (150 million) went to Nubank.

#### Top Events

Fintech Venture days, CIAB, São Paulo Fintech Summit or InnovationPay

**30%**

out of 189 startups has confirmed operations beyond national borders, most of it to other Latin American regions.

#### Top Segments

Payments and Remittances, Enterprise and Financial Management, Lending, Personal Finances, Crowdfunding and Wealth Management

**35%**

of businesses are targeting unbanked consumers and SMEs by offering technological solutions that enable wider access to financial services dominate the market.

#### Top Players

NuBank: the first Fintech unicorn in Brazil.  
Good Credit: an online credit market place  
PagSeguro: an online payment service platform

**188**

new fintech businesses were launched from 2017 to 2018 Q1, further solidifying Brazil's position as the leading fintech Hub.

\* Source: Data is taken from Fintech Radar Brazil published by Finnovista unless otherwise stated

# EdTech

## THE STARTUP ECOSYSTEM

In the 2018 OECD report, Brazil invested 6% of its GDP in education, higher than the average of other OECD countries (~5%). This percentage is set to almost double to 10% of GDP by 2024, as 21 measures under the Plano Nacional de Educação program (PNE) were announced in 2014 in order to boost the educational system performance.<sup>11</sup>

### CONTEXT

Composed of both private and public schools, education is a fast growing and high priority sector in Brazil. Poor infrastructure, limited resources and lack of teacher training are some longstanding challenges plaguing the public education system. Policies such as Bolsa Familia (provision of cash incentives to families to keep children in school) and more recently, the Program of Connected Educational Innovation plan to improve pedagogical use of technology in Brazilian public schools, propelling the growth of the Edtech landscape in public schools. Concurrently, the private education sector is burgeoning due to a combination of higher incomes and a want for quality education. An increasing number of entrants are harnessing technology to bring about solutions such as personalised curriculums and distance learning.

### SECTOR BREAKDOWN\*

#### Top Cities

São Paulo is the leader in the number of Ed-Tech firms, with 43% operating there. Minas Gerais, Rio de Janeiro e Santa Catarina are active locations too.

#### > 80%

of students are enrolled in public schools. However, enrollment in private schools increased by 14% from 2010 to 2013 according to a census survey by INEP.

#### Top Funds

Bozano, a Brazilian investment firm, has invested close to 1 billion USD in Education, partnering with Bertelsmann to create a dedicated fund to EdTechs.

#### 61.6%

of startups surveyed are in Content Production, significantly more than Data Collection (18.95%), followed by Virtual and Augmented Reality (1.92%).

#### Top Segments

Basic Education - Elementary and middle school (47%), Free courses (19%), Corporate upskilling (8%), Higher Education (6%), Language Teaching (4%)

#### 49.2%

of startups surveyed implement systems for administrative and operational matters. 14.8% are in content distribution and 11.8% in educational games.

#### Top Players

Mosyle: improves student engagement with the use of mobile devices  
Descomplica: online classroom  
Platzi: teaching students to code

#### 73%

of Brazilian states had at least 3 EdTechs operating in it, which is testament to the pervasiveness of this industry. Only the state of Tocantins did not have any.

\* Source: Data is taken from Mapeamento-de-Edtechs 2018 published by Centre de Inovação para a Educação Brasileira (CIEB) unless otherwise stated



# Healthcare

## THE STARTUP ECOSYSTEM

In 2018, healthtech was labelled the second-fastest growing tech sector in Latin America by LAVCA.<sup>13</sup> In particular, Brazil spends 9.1% of its annual GDP on healthcare and is the largest healthcare market in Latin America. From 2016-2020, healthcare spending has been projected to grow at a current adjusted growth rate (CAGR) of around 5.8%.<sup>14</sup>

### CONTEXT

Out of 56 countries, Brazil ranked 51 in Bloomberg's health-efficiency index, which tracks medical costs and value, that drive the rising popularity of health startups as alternative care providers with higher quality of care.<sup>15</sup> Contributing to this, too, are increasing household incomes driving a willingness to pay for better services, prevalence of diseases and a fragmented and inefficient free public health system, System Unified Health System (SUS). Brazil's healthcare costs have doubled in the past five years and over \$18 billion is estimated to be wasted annually due to healthcare inefficiencies. The Ministry of Health has been promoting foreign investments into this sector through the new Brazilian Health Sector Law in 2015 and has launched initiatives to promote the adoption of new technologies such as electronic medical records.

### SECTOR BREAKDOWN\*

#### Top Cities

Large concentration of firms are located in the Southeast region, especially in São Paulo. Minas Gerais and south region are active locations too.

**> 250**

health focused startups have been listed in the Brazilian Startups Association Database, making up 6% of the 4,200 listed companies.

#### Top Funds

Berrini Ventures is a pioneering healthcare accelerator in Brazil have partnered with Bossa Nova Investimentos to provide capital for health startups.

**~ 75%**

of the population (~ 150 million people) only have access to the public healthcare system, which is poorly managed and inefficient, with wait times of weeks.

#### Top Segments

Telehealth services (23.8%), clinical administration (20%), digitalising medical records and prescription, predictive and preventive healthcare (8%)

**> 50%**

of pharmacies are concentrated in the south-east region, creating an accessibility gap for the remaining unserved areas.<sup>16</sup>

#### Top Players

Dr Consulta: a network of physical clinics in Brazil offering top quality healthcare at an affordable price

**47%**

of the healthcare industry in Brazil comprises of digital health and this is projected to grow at least 28% in the upcoming years.<sup>17</sup>

\* Source: Data is taken from the article O cenário das healthtechs no Brasil: quem movimenta este mercado? by Startupi unless otherwise stated

# E-commerce

## THE STARTUP ECOSYSTEM

Brazil is the largest e-commerce market in Latin America, accounting for over 38% of the 47 billion USD market in 2017, and is one of the fastest growing markets globally.<sup>18</sup> While online shopping in Brazil represented about 3% of total retail sales, it is estimated to grow at a compound annual rate of about 11% between 2018 and 2022, and set to exceed 38 billion USD by 2022.<sup>19</sup>

### CONTEXT

Younger consumers make up the bulk of online shoppers in Brazil. According to Worldline's research, the average age in Latin America is under 30 and people are characteristically very receptive to new technologies, increasing the potential for mobile commerce. In 2018, 27.5% of all online retail purchases were done via mobile (m-commerce) and revenue is set to grow from 5 to 10 billion USD by 2021, indicating that m-commerce is growing at a faster rate than e-commerce in general in Latin America. For now, infrastructural limitations, limited transport networks to certain areas and high import tax (anywhere from 40-120%) need to be improved so as to support this massive growth and allow the sector to reach its full potential.

### SECTOR BREAKDOWN\*

#### Browsing Platforms

78% of Brazilian shoppers prefer apps over mobile browsers when shopping on their smartphone and many won't buy if there is no app.<sup>20</sup>

**16%**

is the projected growth rate of Brazil's e-commerce sales in 2019, the highest rate since 2015, according to estimates from sector association ABComm.<sup>21</sup>

#### Payment Services

69% of Brazilian shoppers use credit cards when shopping online. Only 24% prefer Boleto Bancário.<sup>20</sup>

**19%**

increase in online sales is expected in the next 5 years, which is 8% above the global average, according to Worldpay's annual Global Payments Report.

#### Top Segments

Fashion is the leading product category in Brazil (6.36 billion USD market share) followed by Electronics and Media (5.16 billion USD).

**~ 68%**

of home appliances, electronics and cosmetics purchases were made in Brazil. As well, sales of online entertainment ticket are booming.

#### Top Players

B2W Digital, Magazine Luiza and Buscapé are amongst the top e-commerce players which are Brazilian companies.

**155.5M**

people in Latin America are buying online goods and services in 2018, with Brazil being the biggest consumer followed by Argentina and Mexico.

\* Source: Data is taken from the article The future of e-commerce in Latin America in 2019 and beyond by BoaCompra unless otherwise stated

# AgTech

## THE STARTUP ECOSYSTEM

According to a study headed by the Brazilian Confederation for Agriculture and Animal Production (CNA), the share of agribusiness in Brazil's GDP reached 24%. Projections for the coming years are very optimistic, with a 2% year on year increase in growth rates.<sup>22</sup> This indicates that this sector continues to play a fundamental role in the Brazilian economy.

### CONTEXT

The backbone of Brazil's economy has traditionally been agribusiness. Dynamic and booming, it accounts for roughly 50% of the country's exports. The sector has become so important to the domestic economy that it is rather immune to the region's economic and political volatilities; while Brazil faced one of its worst recessions, seeing a drop in GDP by over 3.3% in 2016, agribusiness GDP contributions had instead expanded over 3%. This is largely due to the payoffs in investment in research and development capabilities, giving rise to technology that enabled Brazil to convert unfarmable land in places like Cerrado into an agricultural center. Continuous government support in the form of research facilities such as EMBRAPA and close collaboration between organisations have attracted top talents into this sector.

### SECTOR BREAKDOWN\*

#### Top Cities

Piracicaba is a key pillar of Brazil's agtech ecosystem. Londrina and Cuiabá are other clusters that are up and coming.

**> 20%**

of Brazilian agtech startups already make more than 330M USD. In total, 182 agtechs startups are listed to be in operation in Brazil.

#### Top Funds

Raízen, SP Ventures and NXTTP Labs have created an agtech accelerator called Pulse. ESLAQ and AGTech Garage are big hubs and think tanks in this sector.

**> 120M**

USD across 39 deals was the total capital invested in Latin America AgTech sector, with a lion's share going to CargoX, a Brazilian trucking platform.<sup>23</sup>

#### Top Segments

Input manufactures, digital procurement, fintech, management and pest monitoring, remote sensing, distribution and trading, traceability

**> 75%**

of deals financed in 2018 are early stage. However, most capital (> 85%) is allocated to late-stage VC, suggesting that the market is on its way to maturation.<sup>23</sup>

#### Top Players

Indigo: plant microbiome technology  
Aegro: the leading farm management system in Brazil

**> 65%**

of respondents either manually perform financial and inventory management on paper or have no such processes, indicating a lack of technological solutions.

\* Source: Data is taken from the article Brazil Agtech Market Map: 338 Startups Innovating in Agricultural Powerhouse by AgFunder unless otherwise stated

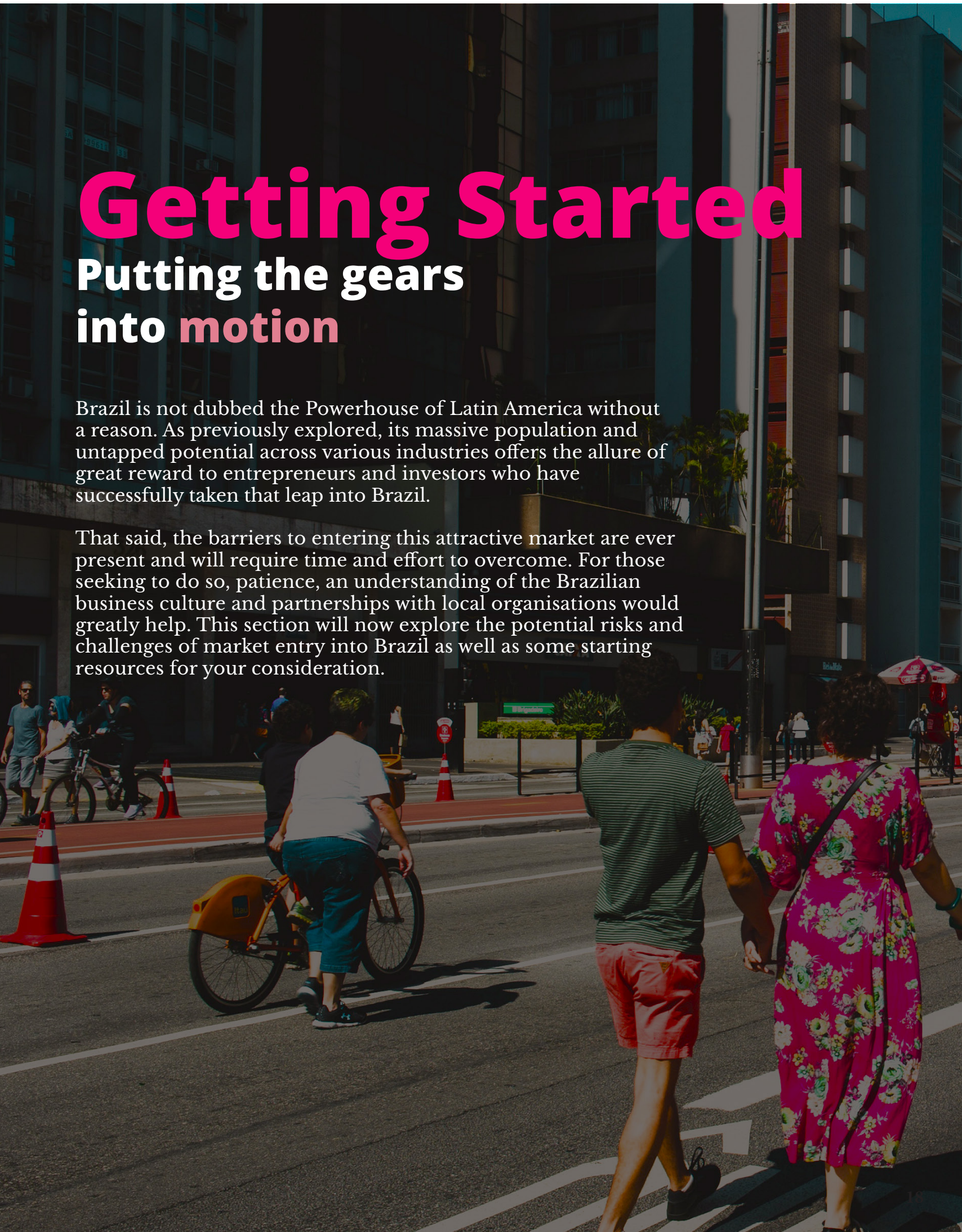


# Getting Started

## Putting the gears into motion

Brazil is not dubbed the Powerhouse of Latin America without a reason. As previously explored, its massive population and untapped potential across various industries offers the allure of great reward to entrepreneurs and investors who have successfully taken that leap into Brazil.

That said, the barriers to entering this attractive market are ever present and will require time and effort to overcome. For those seeking to do so, patience, an understanding of the Brazilian business culture and partnerships with local organisations would greatly help. This section will now explore the potential risks and challenges of market entry into Brazil as well as some starting resources for your consideration.





# Considerations

## Potential challenges

While there has been governmental efforts to improve regulations and policies for starting and operating a business, the pace of improvements has not kept up with the rate of economic growth and foreign interest in Brazil, presenting a maze of challenges to navigate through.

### Complex bureaucracy

Out of 190 countries, Brazil ranked 125 in the World Bank's 2018 Doing Business global report, which evaluates the ease of starting a business across factors such as dealing with getting credit, listing a company, and paying taxes. In the past, it took an average of 185 days to get a business started in Brazil and around 4 years to close it because of high levels of bureaucracy. However, these days, the numbers stand at around 11 procedures and around 100 days of work, which is still significantly higher than most countries. In Canada, only one document is needed to open a new business. By comparison, in Brazil there are 15 mandatory legal procedures to be fulfilled.

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Over the years, I've brought hundreds of canadian companies to Brazil. The bureaucracy is huge, there's a lot of different barriers and many times, you have to keep going back. But, its a market of 200 million people.

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Paola Saad, Founder  
The Mandala Group Inc

### Tax

Brazil's tax regime is not only complex, it is costly too. More than 90 taxes, duties and contributions are charged in Brazil, and there are different taxes for different government spheres: federal taxes, state taxes and municipal taxes. If unaware, these "hidden" costs can add up to disproportionately high amounts and cause financial problems, especially for small companies.

### Labour

Extensive labor laws, notoriously inflexible and expensive, can pose a huge burden to unfamiliar newcomers. For example, employees in Brazil are entitled to vacation pay, which must be paid before the employee takes the vacation. Unions in Brazil have a lot of influence and employees generally are expected to have access to significant employment-related benefits. They have been known for internal corruption as well. Hiring reliable people into the business can be tricky too as newcomers into the scene would not have an existing network to tap into. Overall, the labour laws in Brazil are very different compared to Canada and are difficult to navigate, considering that they are set out across 900 articles. Non-compliance can lead to hefty fines and potentially a failed venture.

# Considerations

## Advancements

In tandem with the slew of reforms promised, the Brazilian government has been taking steps to improve the situation by removing unnecessary barriers. Across the board, efforts such as a push towards privatisation, improved labour laws to reduce corruption and consolidation of tax reporting are all indications of positive change.

### Labour Laws

New laws now allow companies to hire freelance workers, increases the ease of easier terminating employees and removes the previously compulsory union contributions.

These labor reforms are expected to reduce costs and offer more protection for employers whilst increasing productivity.

### Taxation System

In 2018, in an attempt to simplify the reporting of tax and human resource related information, the government launched a platform called eSocial. This aims to function as a single common digital book keeping system so that companies no longer need to send separate reporting to Social Security, the Internal Revenue service and Brazil's Ministry of Labour and Employment.

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Nothing is certain but I definitely think Brazil is moving in the right direction by focusing on promoting transparency. In talks with government officials, they've laid out their plans and phase 2 of those plans. You can see how earnest they are in convincing people of this mindset change and that this change is going to work.

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Paola Saad, Founder  
The Mandala Group Inc



# Considerations

## Getting the right support

Nonetheless, the lengthy, costly and mandatory procedures necessary to start a business have not stopped 22.7% of the economically active population from becoming entrepreneurs, with more joining the ranks every year.

If you're considering expanding into Brazil, this journey can be very daunting. Here are some tips to set you up for success.

### Personal Touch

Close relationships permeate all aspects of Brazilian society and doing business is no different. Building strong personal connections with your business partners, especially before negotiations take place, is often a vital element of success. Brazilian business relationships are built on trust so dedicate some time to get to professionally and personally know your Brazilian partners. Face-to-face meetings or calls are preferred over emails. Conversations are often animated (interrupting is common and seen as engagement) and can become lively rambling sessions. It's all part of getting to know each other!

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Canadians go to Brazil by themselves, partner with the wrong company and they run into problems. If you can connect with the right partners, you can do business well.

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Sergio Frias, President and CEO  
Federation of Canadian-Brazilian  
Businesses (FCBB)

### Understanding your needs

Brazil as a market presents many opportunities, hence it is easy to get carried away with the possibilities and lost in the process of navigating your way in. Before entering, it would be wise to narrow down what your goals would be. Here at LatAm Startups, we have been bridging the Toronto - Brazil Startup ecosystem since 2013, informing and advising startups who want to expand into Brazil. From our experience of bringing startups, we would always start with understanding the stage the startup is in and its current needs so as to come up with a sound expansion plan and direct our clients to the right resources.

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Brazil is a vibrant, complex market abundant with opportunity. When looking to do business in Brazil, it is important to invest time in finding the right partners on the ground and in understanding the regional differences.

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Ines Gomes, Consul Commercial  
and Senior Economic Officer  
Government of Ontario Consulate  
General of Canada in São Paulo (2017  
- 2018)

# Considerations

## Getting the right support

### Collaborating with locals

Given the complexity and intricacies of the market, we often advise our members to establish a partnership with local people who are familiar with the environment. Failure to do so could result in frustrating roadblocks and unsuccessful ventures because of the unfamiliar context.

Over the last 6 years, we have established a network of trusted, reliable experts on the ground with a range of expertise such as lawyers, accountants, interpreters etc. Because every startup is different, one of our directors based in Brazil works closely with the team to understand their goals and needs and match it to the appropriate resource.

As part of our efforts to bridge these two ecosystems, we will be hosting a bootcamp in Brazil this November. [Click here](#) for more information.

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We need to get Canadians to understand that doing business in Brazil doesn't mean corruption. They need to start thinking about opportunities and available resources now. They need to start studying the market now. If you wait till the economy is already recovered, then you might miss out. I think this is the right time.

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Sergio Frias, President and CEO  
Federation of Canadian-Brazilian Businesses (FCBB)

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Both Canada and Brazil are two of the largest countries in the Western Hemisphere, and therefore this opens up a huge opportunity for further cultural and business developments between their populations and economies. In trade, technology, agriculture, tourism, innovation, and in other areas, both countries have a lot of space to learn from each other, and to increase interactions between its people and companies.

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Rafael Pinto, Director  
LatAm Startups

# End Notes

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## About Latam Startups

LatAm Startups is a non-profit corporation based in Toronto, Canada. We're supported by the City of Toronto, we're members of the National Capital Angel Organization and recently, we have been named as a designated organization for the Canadian Startup Visa Program. We offer programs for international startups expanding business globally from North America. We also support Canadian tech companies entering to the Latin American emerging market. To learn more about LatAm Startups visit <https://www.latamstartups.org/>

## About Occasio

Occasio International Advisory Services (Occasio) brings together professionals with experiences working in Brazil and internationally. Working closely with the contacts in its strong business ecosystem, Occasio offers business opportunities and support of new and ongoing innovative projects.