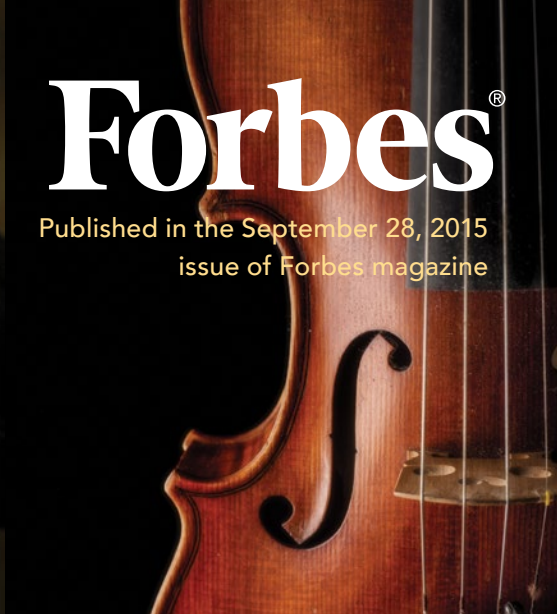




Forbes®

Published in the September 28, 2015
issue of Forbes magazine



Santa Cruz

SPIRIT OF SUCCESS



For more information please contact:

Gabriel Gutiérrez – g.gutierrez@forbes-cm.com
www.forbescustom.com/economicdevelopment.html

Santa Cruz

BOLIVIA'S BOOMING BUSINESS CAPITAL

Bolivia's biggest city, Santa Cruz de la Sierra, is the 14th-fastest-growing metropolis in the world, and home to more than 2 million people in a country with a population of 11 million. Commonly known as Santa Cruz, the city has become the nation's economic powerhouse and is one of South America's most successful and sustainable boom towns, fueled by profits from its fields, oil and gas deposits, and construction industry.

Bordering Brazil and Paraguay, the city lies in the Andean foothills in Bolivia's most eastern department. Settled by the Spanish at the end of the 1500s, Santa Cruz served as a colonial hub for Jesuit missionaries heading for the Moxos and Chiquitania regions, now recognized as UNESCO heritage sites. It experienced relative isolation for centuries thereafter, since its position was far removed from the western highlands and La Paz, the seat of government. Santa Cruz's fortunes began to change in 1952 after the revolution brought an end to feudal rule and ushered in democratic reforms. Central government spending and overseas aid flowed east toward the lowlands, boosting commercial agro-industry and hydro-carbon exploration as Bolivia sought to reduce reliance on the tin mining that historically dominated its economy. The city developed a modernist master plan in the 1960s around the colonial center, paving the way for rapid development.

The city has grown exponentially since the 1970s and particularly post-1985, bolstered by liberal reforms, migration from rural to urban areas and population growth. Under the leadership of Mayor Percy Fernandez—who was reelected to the post for the sixth time in March and will serve through 2020—Santa Cruz has rolled out more than 10,000 public works projects during his last two mandates, including new schools, hospitals, parks and transportation networks. The city now has 350,000 students enrolled in its 180 schools, invested \$70 million in 76 hospitals and health centers, laid 600 miles of new roads and paved 15,000 streets.

Recently elected president of the city council, Angelica Sosa was previously secretary of parks and gardens and an architect by profession. "Giving our citizens access to open space and greenery is a big priority for us," says Sosa. "We have planted more than a million trees in the last decade."

Bolivia's business capital is strategically



"Giving our citizens access to open space and greenery is a big priority for us."

—ANGELICA SOSA
CITY COUNCIL PRESIDENT

located in the center of South America. It is a regional hub and home to the country's busiest airport, Viru Viru International Airport, and high-quality hotels, including Los Tajibos and Camino Real. Global hospitality brands, such as Radisson and Sheraton, are now entering the market. Santa Cruz also regularly hosts major events. Last year the city hosted the G77+China summit, and this July it welcomed Pope Francis, who celebrated mass for over 1 million *Cruceños* (as locals are called) and attended the second World Meeting of Social Movements, inaugurated by Bolivian President Evo Morales.

Today, the capital city of the Santa Cruz Department, which accounts for a third of Bolivia's eastern territory and a similar share

WHY SANTA CRUZ DE LA SIERRA?

- Business hub of Bolivia and the region
- 14th-fastest-growing metropolis in the world
- Strategic location between the Atlantic and the Pacific
- Favorable business environment
- Direct flights to Europe and the U.S.
- Largest industrial park in South America
- High-end hotels and restaurants
- Rich and diverse culture and tourism

of the territory's GDP, has overtaken La Paz as a magnet for investment and opportunity. The 1990s discovery of South America's second-largest natural gas deposits in the eastern part of the country led to a new era of prosperity for the city of Santa Cruz, attracting multinational corporations and driving huge real estate developments, such as the

\$500 million, mixed-use Urubó Village project, which will create a new urban neighborhood across the Pirai River.

"Bolivia is just discovering its real potential, based on natural resources, which, per capita, could make us the richest country in the world," says Luis Carlos Kinn, one of the partners in Urubó Village, together with Cristóbal Roda and his Grupo Industrial Roda. "Santa Cruz has hydrocarbons, gold, iron and other minerals, as well as agriculture and forestry. We have political stability, which enables economic stability and results in investments," says Kinn.

But Santa Cruz is not all about business. "We have abundant tourism opportunities such as the Biocentric Park of Guembe and Semaipata," says Sosa. "It is a city of poetry and song," adds Fernandez. Since the 1990s, there has been a revival of 18th-century Jesuit missionary music, with more than 3,000 youth



© J. Enrique Molina / Alamy

performing in choirs and orchestras across Santa Cruz, Bolivia and the world. Santa Cruz is also home to the International Festival of American Renaissance and Baroque Music. Festival Director Maria Sarah Mansilla is the president of Asociación Pro Arte y Cultura (APAC), Bolivia's arts and cultural association, and also oversees the International Santa Cruz Book Fair and Theater Festival.

"The progressive development of Santa Cruz is not casual," Mansilla says. "There is a pattern we have followed—work and joy: the perfect balance. This is a region of opportunity, the land of dreamers that attracts locals and foreigners."

"Life is good in Santa Cruz," agrees local architect and entrepreneur Juan Carlos Menacho, who designed much of the minimalist-inspired Urubó area, as well as fashionable restaurants including Jardin de Asia and Piegari. Last April style bible *Monocle* magazine noted that the city's people—40% of whom are middle class in a country with historically high poverty rates—have access to U.S.-style malls, private universities and high-end homes, while luxury cars are common in the Equipetrol neighborhood.



Ban Ki Moon is welcomed to Santa Cruz de la Sierra for the G77+China summit.



Alain Roldan/AP/Photo Images

Q & A WITH MAYOR PERCY FERNANDEZ

In March 2015, Percy Fernandez won the Santa Cruz mayoral elections and once again took the office he has held on five previous occasions. He served for three two-year terms (the limit at that time) in 1990–95, and is currently serving his third consecutive five-year term with the Santa Cruz Para Todos (Santa Cruz for All) party. Educated at Argentina's Córdoba University and a civil engineer by training, he returned to Bolivia to work in his profession before taking on public positions on the Committee for Public Works and the Regional Development Corporation. Over the course of his political career, he has served as the president of the Pro Santa Cruz Committee, as well as a senator and minister of integration. In a recent interview, Mayor Fernandez spoke about what makes his city special, and described his vision and legacy.

On what makes Santa Cruz special

This city was a small village, away from other urban centers, and today it is a great Latin American metropolis, interconnected with the region, the country and the world. Since the 1950s, Santa Cruz has rapidly grown, thanks to the oil royalties, private investment and revenue sharing generated from the land and its enterprising inhabitants. My words to describe our city would be *home, beautiful, loved, ours*. The word "ours" is probably the most significant: It is the feeling of mutual ownership that makes it so special. Santa Cruz went for many years without an owner. There wasn't a representative government; it was always sovereign unto itself. We fought the national government for a bigger piece of the pie. This helped us get real representatives with constitutional power, chosen by the people.

On his vision for Santa Cruz

Our mission has always been to provide equal access to opportunities for everyone. We pride ourselves on providing the necessary public infrastructure to all—including the poorest—from parks and gardens to private spaces, schools, hospitals and private clinics. We have installed paved roads, public lighting and drainage canals. We have achieved a lot in this short growth spurt of the city, but still have a lot to do. This great city is still under construction. Progress is always feasible, and with my background as a builder, if I see that we need to build more hospitals, we build more hospitals. We get the job done.

Come to Santa Cruz and experience the Cruceño hospitality and the buzz of a city under construction. It has always been Bolivia's "El Dorado," whether people are looking for education, business opportunities or good living conditions. It is a city for everybody and everyone.



Q
&
A WITH
GOVERNOR
RUBÉN
COSTAS

Governor Rubén Costas swept to victory in March's local government elections to win a third term as the governor of the Autonomous Department of Santa Cruz. Governor Costas began his professional career as an agricultural engineer, rising to lead the Bolivian Cattlemen's Federation, Milk Producers' Association and Agricultural Business Chamber of the East (CAO), before becoming the head of the Pro Santa Cruz Committee. He has been instrumental in creating a modern autonomous Santa Cruz, and was commended by the World Bank for the department's development. He recently discussed his department's advantages, prospects and resources.

On the Department of Santa Cruz as a bridge for investment into Bolivia

Santa Cruz is among the 50 cities with the greatest potential for investment in Latin America. It had 800 buildings under construction a year ago, and 80,000 people migrate here every year. These are strong indicators of prosperity, and Santa Cruz is a center of attraction. Our entrepreneurial model is very successful, and it has a social aspect. This is the only Bolivian department with close to 100% drinking water coverage. When we arrived in office, this figure was only 45%. We have built 6,000 miles of power lines and doubled the road network. Santa Cruz has the best HDI (human development indicator) in the country. These are just some examples of our balance between the productive, economic and social aspects of our growth.

On the potential for future growth in economic sectors

Projections for the agricultural and livestock sector show this region as the most prominent. To move forward, we need to innovate, use technology and double productivity. We are going to work to advance agricultural frontiers, but always with respect for nature. Hydrocarbon production has historically been based here, and, as the government begins to explore, new discoveries will take place. In mining, Santa Cruz has extraordinary potential, with numerous previously unexplored reserves such as gold, uranium and the enormous El Muton iron ore deposit.

On managing resources sustainably

Water supply is one of the world's main challenges. In this regard, Bolivia—and Santa Cruz in particular—is one of the most important places globally, due to the Pantanal and its aquifers. We have large forest reserves, with 5 million acres of protected rainforest. Our Amboró National Park has more avian biodiversity than Costa Rica. This administration is focused on the preservation of forest reserves and natural parks. In order to go forward, we need to innovate and use the right technology and machinery, doubling our productivity, and comply with all applicable norms, such as windbreaks and natural drainage.

AUTONOMOUS DEPARTMENT OF SANTA CRUZ

Agribusiness Powerhouse

The Autonomous Department of Santa Cruz is the biggest of Bolivia's nine administrative divisions and the nation's breadbasket. It grows 57% of Bolivia's wheat and 70% of all agricultural output—including crops such as cotton, soybeans and sugarcane. The national government now aims to add 2.5 million acres of cultivable land to the department's total every year through 2020. Rich deposits of gas, oil, metals and minerals lie beneath Santa Cruz's fertile soils, including proven natural gas reserves of 25 trillion cubic feet, 465 million barrels of oil, and untapped veins of gold and uranium. The potential for new finds has attracted an influx of investment, including domestic hydrocarbons giant Yacimientos Petrolíferos Fiscales Bolivianos (YPFB). Multinationals such as Total, British Gas and Repsol—whose recent discovery of new gas reserves led to a \$218 million investment through 2018—will further secure Bolivia's gas exports to Argentina and Brazil.

Local entrepreneurs and international investors have helped leverage the department's resource wealth into region-leading economic expansion during the last quarter-century. Throughout the 1990s, Santa Cruz's economy grew by an annual average of 5.5%, outstripping the growth rate of the rest of Bolivia and its South American peers. Throughout the next decade, despite commodity price fluctuations, the department posted 3.4% growth, rising to 7% from 2011–13 and accounting for 28% of Bolivia's GDP. "Santa Cruz is always 1%-1.5% ahead of Bolivia's average," says businessman Carlos Paz.

"Santa Cruz and Bolivia are full of opportunities," says Fernando Tuma, the president of Grupo Tuma, a diversified business group active in agribusiness and construction. "We are building a country that needs hydroelectric plants, roads, ports and a considerable amount of infrastructure."

Tuma knows how to make the most of these opportunities, having set up successful partnerships with overseas investors such as Brazil's cement giant Votorantim, and he is bullish about the region's prospects. "Bolivia has oil, gas and minerals," he says, "but these are finite. The reforestation industry and renewable energy are infinite. My message to investors is: Come to Bolivia!"

According to Oswaldo Barriga, the general manager of CADEX, Santa Cruz's Chamber of Exporters, the department's total exports are already worth more than \$3.5 billion a year. "We have 350 affiliated companies," he says, "and we promote markets, handle government lobbying and look for ways to make companies more competitive so they can develop in the long term." Santa Cruz has long had a strong, independent spirit, which developed in response to its isolation from the traditional center of power in La Paz.

More recently, under Governor Rubén Costas, who was first elected to the post in 2006 and won his third mandate with 60% of the popular vote in March 2015, the departmental government is open to greater dialogue about cooperating on regional development initiatives with the central administration of President Morales. With Santa Cruz contributing 50% of the national government's tax revenues, one of Governor Costas's main goals is to see Santa Cruz gain a much larger share of the total national budget allocation.

Key infrastructure projects in the department include the 500-MW Rosita hydropower station and dam on the Rio Grande. Once completed, it will increase Bolivia's generation capacity by nearly 30% to 1.8 GW and irrigate almost a million acres of drought-prone land in Santa Cruz. The International Development Bank and European Union funded the \$600 million Central Bi-Oceanic Rail Corridor, which will connect South America's Atlantic and Pacific coasts via Santa Cruz and also transport the department's

food products to market more rapidly and cost-effectively. The Atlantic access project offers another potential way to transport landlocked Bolivia's goods to overseas markets, which would allow ships to sail from Puerto Busch on the Paraguay River to the ocean via a canal through Brazil and Argentina. "Our natural exit for all agribusiness and industrial exports from eastern Bolivia is the Atlantic," Fernando Tuma says.

FEXPOCRUZ

CELEBRATING 40 YEARS OF SUCCESS

In 1962, partners CAINCO and CAO set up Fexpocruz, Santa Cruz's trade fair and exhibition center. Today it is Bolivia's leading venue for business.

Every September, the center plays host to the Expocruz exhibit for ten days, attracting almost half a million visitors from all over the world. Thanks to an expanding U.S. exhibitor presence, this year the 8,000-square-foot U.S. pavilion will include approximately 160 exhibitors.

In 2014, Expocruz generated nearly \$300 million worth of deals. This year's 40th exhibit is expected to be the biggest and best yet.

"Expocruz is the most important showcase at the local, national and international level to get to know the production of our country," says Mario Herrera, Fexpocruz's managing director.

"Expocruz is the largest fair of its kind in Latin America," says Julio Roda, CAO's president. "Local people take pride in it. The spirit of innovation is what drives us in Santa Cruz, what differentiates us from the rest of the country. All of Bolivia's important businesses have moved some of their operations here. Ours is the most developed region in terms of consumers, workforce and the potential market." Looking forward, the center is focused on hosting more large international events, such as last year's G77+China.

www.fexpocruz.com.bo

THE PRIVATE SECTOR

Santa Cruz's Unique Business Model

The Cruceño economic model is fundamentally different from the typical path followed in the rest of Bolivia. As business leaders forged their own path to generate wealth and drive the Santa Cruz Department's development, many of them joined together to diversify and grow, finding strength and mutual benefit in unity. For the last century, the Chamber of Industry, Commerce, Services and Tourism of Santa Cruz (CAINCO) has helped local businesses combine their experiences for the common good. As the representative body for more than 2,000 Cruceño companies, CAINCO has played a vital role in giving the Santa Cruz Department a single voice by communicating on its behalf with La Paz and globally. CAINCO now operates internationally, working with European organizations to raise funding for Bolivian businesses.

"CAINCO's advantage is the fact it comprises all productive sectors," says Jorge Arias, CAINCO's president. "We represent industry, commerce, services and the financial sector. This allows us to have a broader perspective of problems and identify the region's and the country's development opportunities."

"Our society had to search for solutions itself," says Cristóbal Roda, one of Santa Cruz's most respected businessmen. "We had to associate to solve basic problems and we joined forces out of necessity. The population of Santa Cruz is very culturally mixed, very different ethnically from the other side of Bolivia. We are associative, straightforward, open and communicative. It is easy for us to reach agreement." Roda himself offers an example of those qualities. He owns a market-leading sustainable forestry and furniture business through Grupo Industrial Roda; holds a majority stake, along with 15 other agri-entrepreneurs, in the \$160 million Aguaí sugarcane, ethanol and power plant; and recently signed a deal with real estate developer Luis Carlos Kinn to build a new bridge over the Pirai River and develop the high-end Urubó Village project.

The 500-acre Urubó Village project is



strategically located, with beautiful views of the Pirai River and Santa Cruz, and will include a business area, equestrian center, country club, college, shopping center and five-star hotel. According to Kinn, an international judging panel held a national tender for the urban design. "The bridge over the river will be an icon. Each piece of land will have a lagoon and a little port. We have interested buyers from Argentina, Brazil and Japan."

Another Cruceño businessman who understands the importance of diversification in order to prosper is Carlos Paz, the owner of Automotive Grupo Nibol. Paz launched his business empire with a bank loan, enabling him to buy Parker pens and Ray-Ban sunglasses in Miami, Florida, to sell back home. But when the market quickly became saturated, he exchanged them for a Jeep Willy, triggering his interest in the automotive business. "I began my business trajectory in the early '80s, first forming the Nissan Vehicle Division, then the Truck Division with Volvo, Mack and UD Trucks, and later consolidating the Machinery Division with John Deere Construction & Forestry," says Paz.

In 2012, Grupo Nibol doubled its income over the previous year, and in 2014 it registered a business volume of \$180 million, which was fueled by the economic peak in Santa Cruz. Paz expects this number to continue growing. "Santa Cruz never stops," he says. "It is the productive engine for Bolivia; we are very entrepreneurial."

"There are plenty of opportunities for investment in Bolivia," Paz adds. "Foreign investment has great potential in our country, be it in the agriculture, real estate, mining or energy sectors, and even more so now that we see the government supporting the private sector."

Paz notes that he has always had two passions: vehicles and restaurants. "We have consolidated the vehicle business, and have now begun to dream about the restaurant business. We expect to announce our entry into the fast-food business in Bolivia shortly."



FEXPOCRUZ, THE BEST PLACE FOR YOUR EVENT IN BOLIVIA

Av. Roca y Coronado s/n • Tel. (+591-3) 353 3535 • Fax: (+591-3) 353 0888
E-mail: info@fexpocruz.com.bo • www.fexpocruz.com.bo • Santa Cruz - Bolivia

