



Colombian Experience: Mobilizing Capital Markets

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MinHacienda
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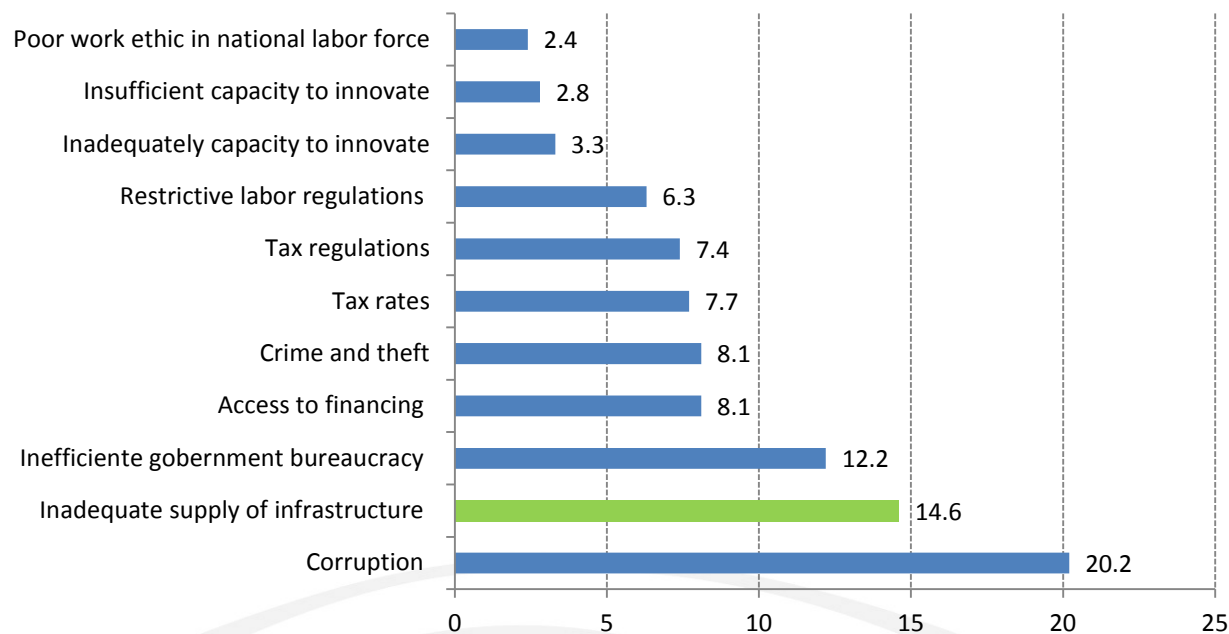
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Entidad vinculada al Ministerio de Hacienda y Crédito Público.

Top-of-the-line infrastructure program

Colombia's infrastructure ranks poorly...

The most problematic factors for doing business



Source: The Global Competitiveness Report 2013-2014 © World Economic Forum


The Global Competitiveness Index

Indicator	Rank/148
Quality of overall infrastructure	117
Quality of roads	130
Quality of railroad infrastructure	113
Quality of port infrastructure	110
Quality of air transport infrastructure	96

...but we are implementing an ambitious infrastructure program



- Strengthening of ANI and FDN
- PPP law and CONPES (4G)
- Anti-corruption and Infrastructure law



- Regulatory changes
- Capacity building
- Financial products (FDN + MFI's)

Capital markets mobilization

Pipeline of Bankable projects

Institutional framework development

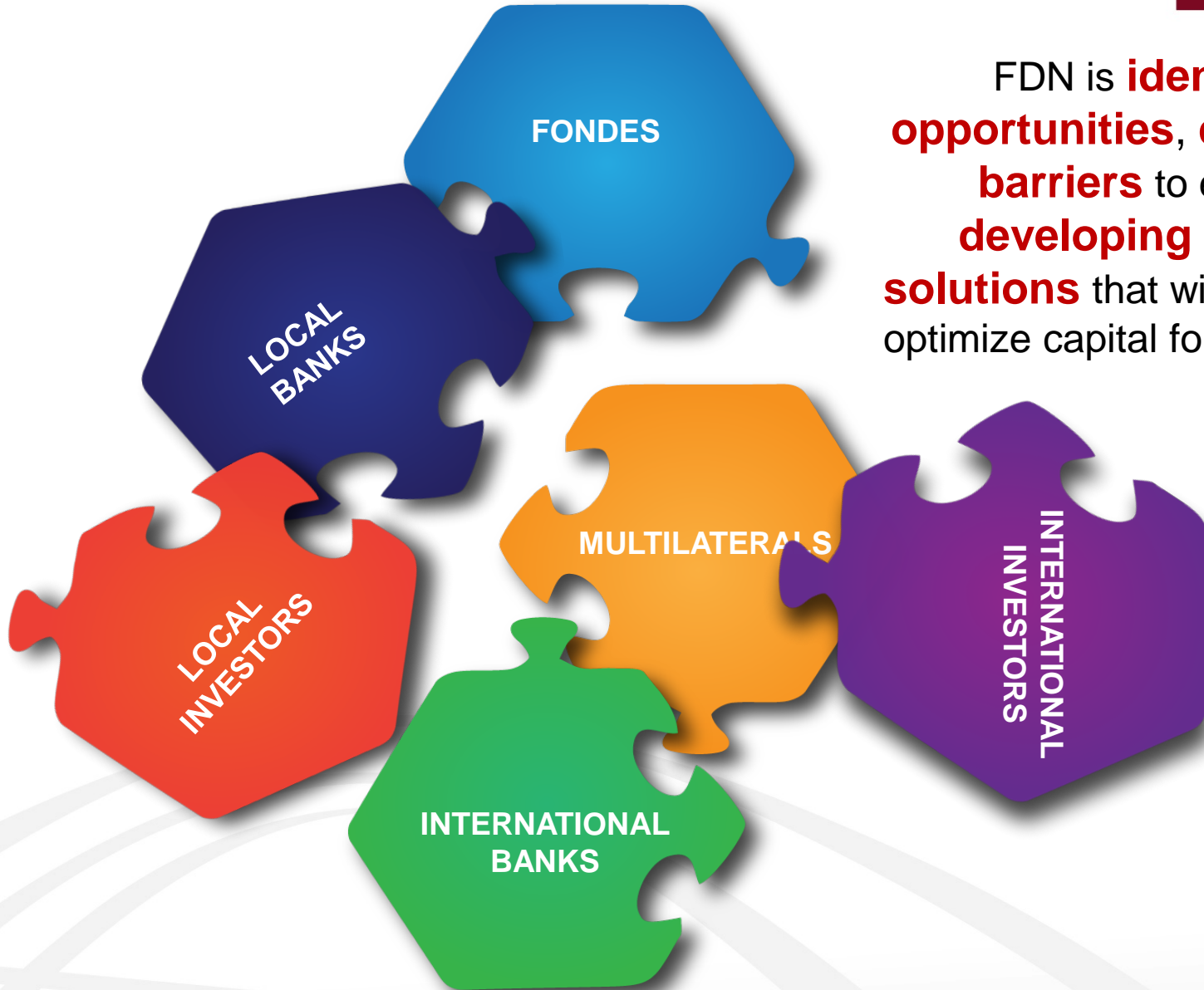
- Standard agreement (availability payment)
- Bankable pipeline:
 - * 4G road program: 40 projects for US\$27 billion
 - * Other sectors pipeline:
 - Railways: US\$6bn
 - Ports: US\$ 1bn
 - Rivers: US\$1bn

Conducive macro environment

- Continuous growth
- Fiscal consolidation
- Controlled inflation
- Stable democracy
- Respect for property rights
- Investment grade (BBB)

Mobilizing capital for infrastructure

FDN's catalytic role



FDN is **identifying opportunities, determining barriers** to entry and **developing financial solutions** that will mobilize and optimize capital for infrastructure

FDN's integrated approach for mobilizing financial and capital markets



- 1. Mobilizing financial products:**
 - O&M bond (partial guarantee)
 - Construction bond (full wrap)
 - Debt fund(CAF)
- 2. Regulatory changes:**
 - Creation of a infrastructure asset class
 - Revision of “minimum return” rules
 - Decree to upgrade QIB (Qualifying institutional buyers)
- 3. Innovative training programs:** increasing institutional investor know how

FDN's innovative solutions for infrastructure financing

O&M bond: refinancing solution

Financial closure

Construction

Operation and maintenance

Loans

- Local and global banks Loans
- A/B loans through multilaterals
- Guarantees

Securitization of the project upon completion

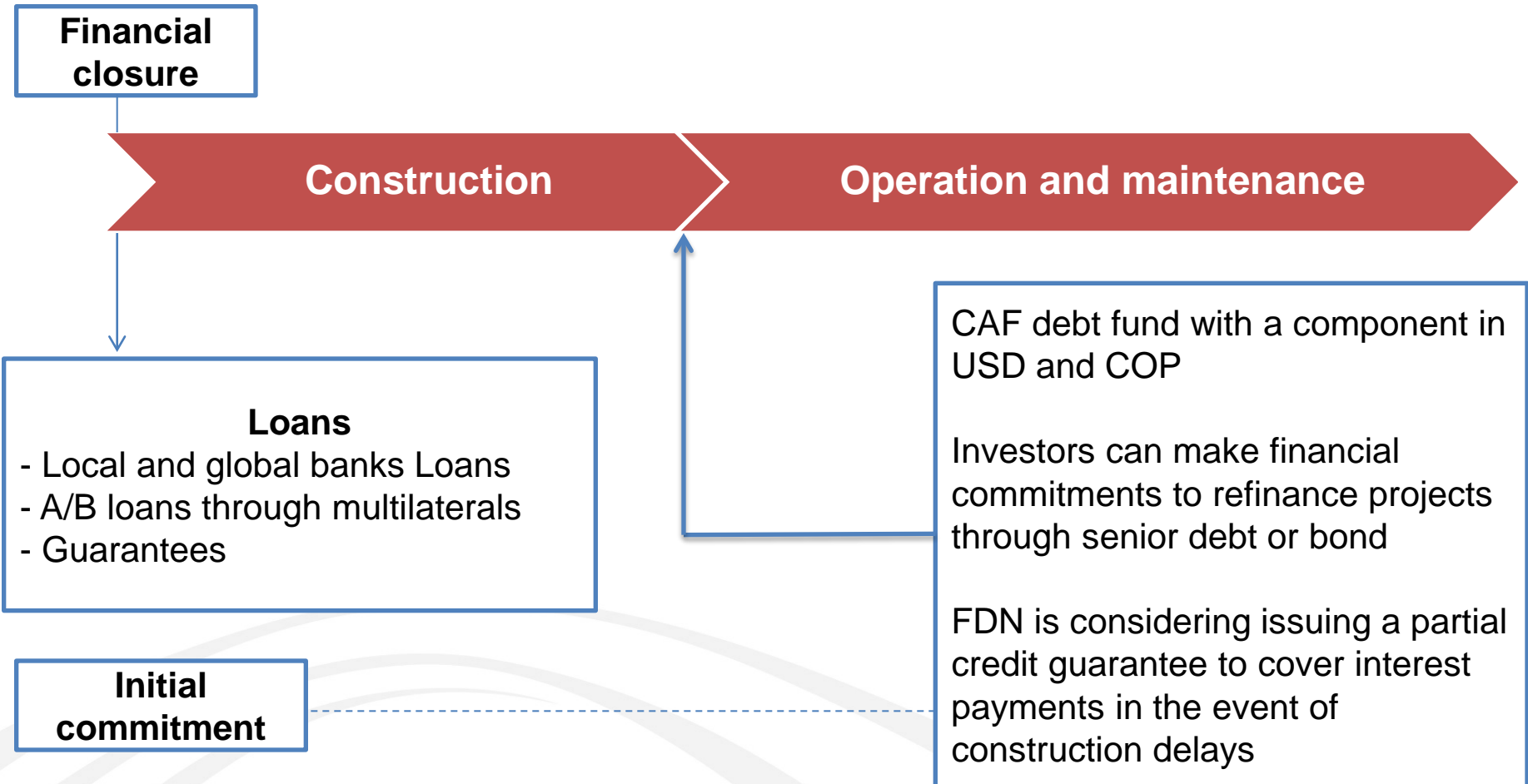
- Senior: institutional investor engagement
- Subordinated: FDN + multilaterals

Benefits:

1. Structures can be standardized and replicated
2. Competitive rates
3. Low credit risk
4. Issuance in tranches

Project cash flow better aligned with liabilities

Debt fund: Institutional investor participation from day one

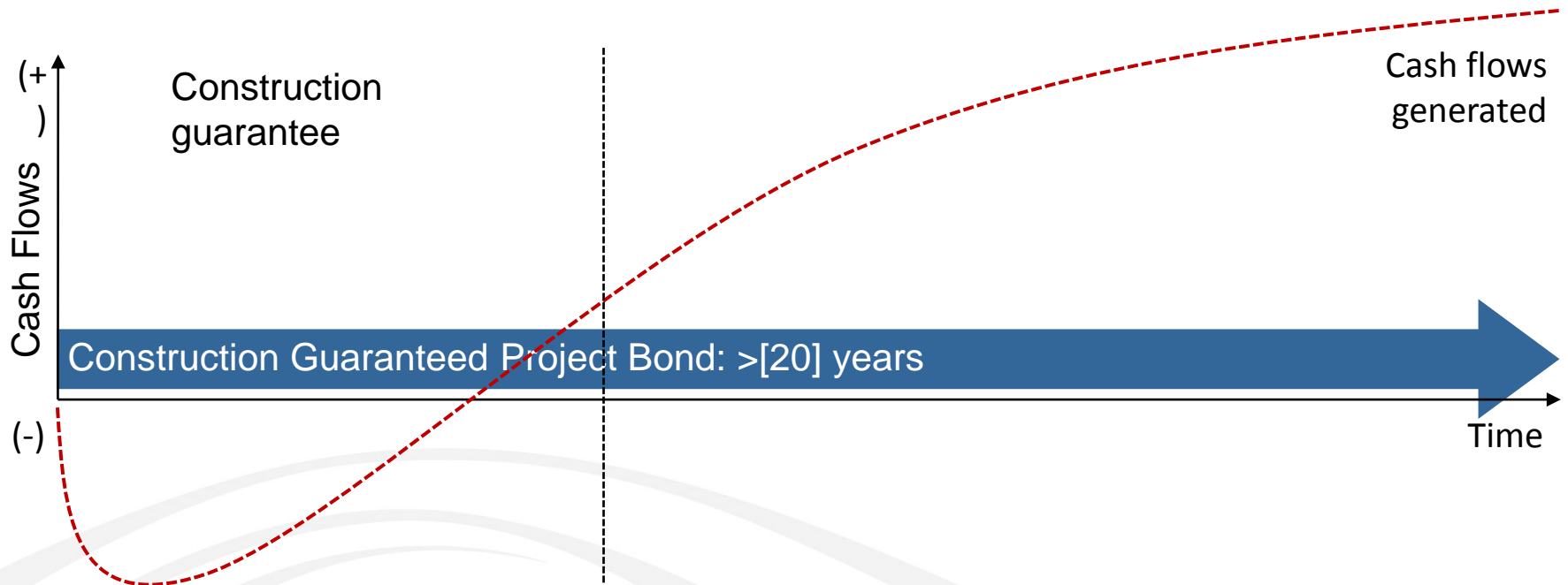


Construction bond: Another solution from day one

Financial closure

Construction

Operation and maintenance



BENEFITS TO INVESTORS:

- ✓ Long-dated inflation-linked COP asset
- ✓ Opportunity for yield pick up during O&M phase
- ✓ Limited counterparty risk (triple-A rated guarantors)

FDN/WB's innovative training plan builds investors capacity

Learning-by-doing program for investors to get acquainted with infrastructure financing

Step 1: Pilot project identification and structuring

- Identified bankable projects for first transactions: debt and equity recycling
- Structured financing products ready to be offered to investors
- Shadow rating for selected project/s

Step 2: Institutional investors engagement

- Document describing capacity building program, lesson learned and actions required
- Best practice guide
- Strategy to engage institutional investors
- Ad-hoc dissemination

Conclusions

- 1.** We are pushing the envelop in mobilizing capital for infrastructure
- 2.** Government (FDN + ANI) leads the way to build high standards of project finance
- 3.** Our experience in developing infrastructure solutions will benefit other countries with the same challenge

THANK YOU



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