

Colombia's new generation of toll roads

哥伦比亚的新一代收费公路

Although Colombia has dedicated approximately 1% of its GDP to road network infrastructure over the last decade, the government intends to invest up to 3% of the GDP by 2014 in order to build an extensive road infrastructure for an estimated total investment of USD 24.4 billion. This article describes the investment opportunities associated with that goal.

虽然在过去十年中哥伦比亚的国内生产总值约 1% 专门投资在道路网络基础设施，政府计划到 2014 年其百分比的投资将增加到 3%，以建立一个广泛的公路基础设施的投资，预计总投资额为 244 亿美元。本文介绍了与该目标相关的投资机会。

Colombia has faced major insufficiencies in its transport infrastructure since the early 1990s. Until now, the public sector was the only force that pushed and caused investments to be carried out across the country. However, the government's input lacked the necessary strength and caused the stagnation of the sector, discouraged citizens and investors¹, and generated overall concern over the limited options and the inability of local and national leaders to provide solutions.

After the 1990s, the sector's future was handed over to private investors. Through concession agreements, private investors were permitted to form part of the vision for Colombia's future, in which no limits would be placed on ground, air and river transportation.

Over the past two decades, guilds have been formed, companies have flourished, the previous concerns have been reduced and the number of projects proposed by public entities has risen in proportion to private parties' increasing interest in taking part of Colombia's economic growth.

At the same time, the infrastructure demanded by the different sectors has increased in recent years, forcing the government to drastically change its budget goals in order to include the construction of infrastructure required to meet the market's increasing demand.

¹ This is due to the high transactional cost related to goods and assets transportation throughout the country.

The current administration, under the leadership of the National Infrastructure Agency (ANI for its Spanish acronym), believes that the economy can be maximized by making significant investments in underperforming infrastructure. Over the last decade, Colombia has expended approximately 1% of its GDP on the road network's infrastructure alone. The government intends to increase such amount to 3% of the GDP by 2014 in order to build approximately 8,170 kilometers of road infrastructure for an estimated total investment of USD 24.4 billion².

With that goal in mind, and in order to face the challenges associated with being a country that has been considered as a CIVETS³, the government, has executed several Bilateral International Agreements and for the purposes of answering the main issues arising during the first⁴, second⁵ and third⁶ generations of road concessions, the government has launched a "Fourth Generation" of toll road concession projects; an ambitious program which is expected to address the previous shortcomings.

Briefly, the following are the most important projects to be announced by ANI⁷:

- Central-Southern Group

In this project, the government is planning to select an investor to construct 879 Km in the corridors of Ibagué- Puerto Salgar- Girardot (313 Km); Girardot-Neiva (166 Km) and Neiva - Mocoa - Santana (400 Km) for an estimated CAPEX of USD 1.23 billion.

- Central-Western Group

Through this project, the government plans to construct 783 Km in the corridors of Ibagué-La Paila (135 Km); Buga - Buenaventura (118 Km); Mulaló - Loboguerrero (90 Km) and Santander de Quilichao - Chachagüi/Pasto Rumichaca (440 Km) for an estimated CAPEX of USD 2.76 billion.

² Fitch Ratings. Colombia Infrastructure: Connecting the Dots: Challenges and Opportunities in Financing Transportation Projects. 17 September 2012.

³ Civets: Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa; the countries that according to Goldman Sachs' economist Jim O'Neill are the "second wave of emerging economies, which could offer excellent opportunities for global business" Search Engine Watch, Christian Arno, Published May 11, 2012, in: <http://searchenginewatch.com/article/2174005/CIVETS-New-Global-Marketing-Opportunities-in-Emerging-Economies> Reviewed: 29/11/12.

⁴ During the mid 1990's there were 13 different projects executed for over 2,400 Km with the object to construct, restore, maintain and repair the road infrastructure. The main characteristics of this scheme were the fixed term concession contracts and the issuing of guarantees by the central government to assure a minimum income and construction cost overruns. However, the lack of preparation and studies issued by the government led to many legal disputes and tight liquidity of the projects.

⁵ In 1998, seeking to answer to the many problems present during the first generation, the government issued 2 projects by which the risk allocation was assigned to the private sector. However this, the studies presented by the government were only in a II phase, causing difficult terrain and unpredicted technical requirements that caused delay and cost overruns.

⁶ After the problems presented in the second generation of road concessions, the Government issued a third generation of concession awarding 10 projects which encompassed 2,000 Km of maintenance and restoration and 700 Km of new road construction. Most of the conditions of the second generation were maintained, except for an increased risk transfer to the private sector. However, situations related to the mastering of adequate risk allocation, the project finance transactional costs and the need to establish conditions by which the structuring of the projects recognize a better alignment of incentives between sponsors and concession grantors made it necessary to come up with a new generation of road concessions.

⁷ Luis Fernando Andrade Moreno, ANI's President, "Fourth Generation of Road Concessions in Colombia" Powerpoint presentation prepared for different construction sector meetings.

- Central-Eastern Group

Through this project, the government plans to construct 1,389 Km in the corridors of Villavicencio Arauca (823 Km); Corredor Perimetral del Oriente (154 Km); Doble calzada Bogotá - Villavicencio (72 Km) and Malla Vial del Meta (340 Km) for an estimated CAPEX of USD 3.93 billion.

- Northern Group

Through this project, the government plans to construct 1,487 Km in the corridors of Cartagena - Barranquilla - Malambo (152 Km); Barranquilla - Santa Marta (93 Km); San Roque - Paraguachón (474 Km); Cauca - Cruz del Viso (434 Km) and Cereté - Ponedera (334 Km) for an estimated CAPEX of USD 2.91 billion.

- Eastern Mountain Range

Through this project, the government plans to construct a total of 2,266 km in the following corridors: Manizales-Honda-Villeta (220 Km); Bogotá - Bucaramanga - Pamplona (543 Km); Tunja - Chiquinquirá - Puerto Boyacá (315 Km); Puerto Gaitán - Puerto Araujo (571 Km); Duitama - Pamplona -Cúcuta (309 Km); Cúcuta - Aguacalara -Puerto Capulco (257 Km) and Cúcuta - Puerto Santander (51 Km) for an estimated CAPEX of USD 5.43 billion.

- Autopistas para La Prosperidad

Through this project, the government plans to construct a total of 1,160 Km for an estimated CAPEX of USD 7.25 billion.

Major infrastructure players from around the world are looking into Colombia because it has become one of the most important investment destinations in Latin America because of its legal stability and a society and government that understand the need to protect foreign investors and which recognize the important role that private investments represent in the economy.

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