

Financing Projects that will Generate Strategic Competitiveness – Key Players and Absolute Requirements

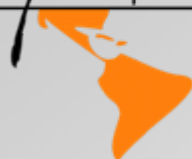
Colombia: Infrastructure Investment Opportunities

CAROLINA RENTERÍA
National Planning Department - Colombia

6th Latin American Leadership Forum

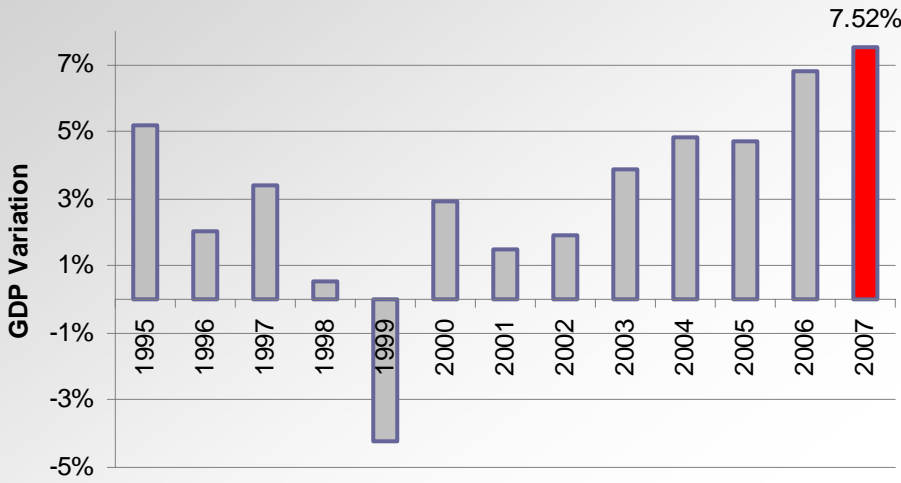
Miami, Florida
April, 2008

1. Economic Outlook
2. Principal Infrastructure Projects Portfolio
3. Investment Benefits in Colombia



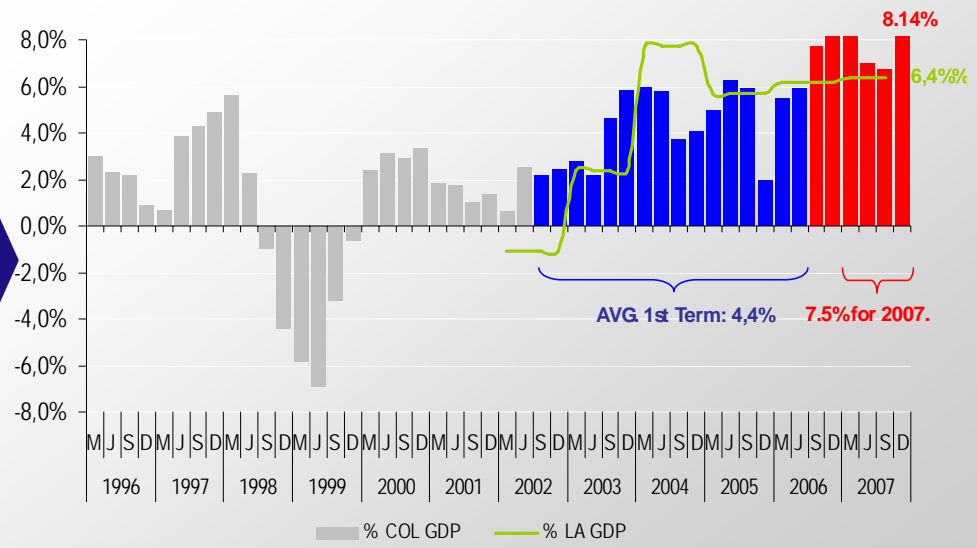
1. Economic Outlook

GDP



Colombian GDP has grown steadily in the last 7 years. For 2007, GDP grew 7,5%, which is the greatest growth in the last 30 years.

In the last two government periods, GDP variation has been positive.



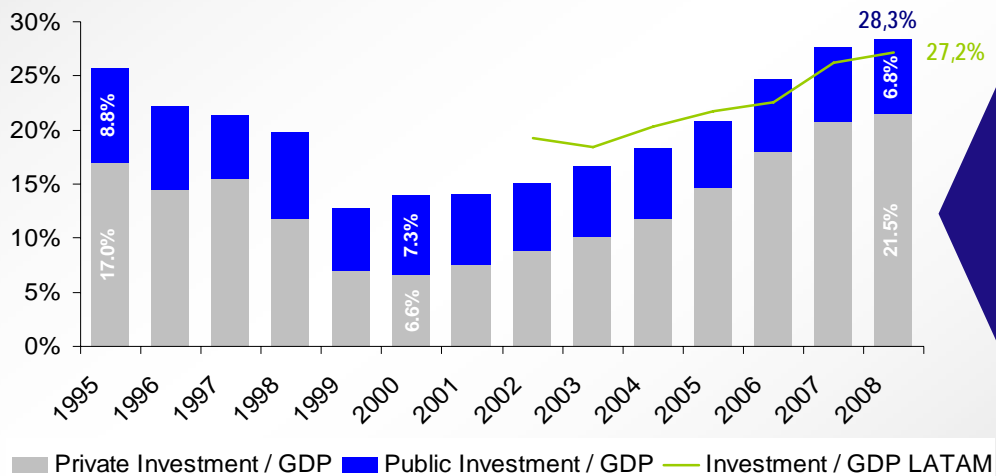
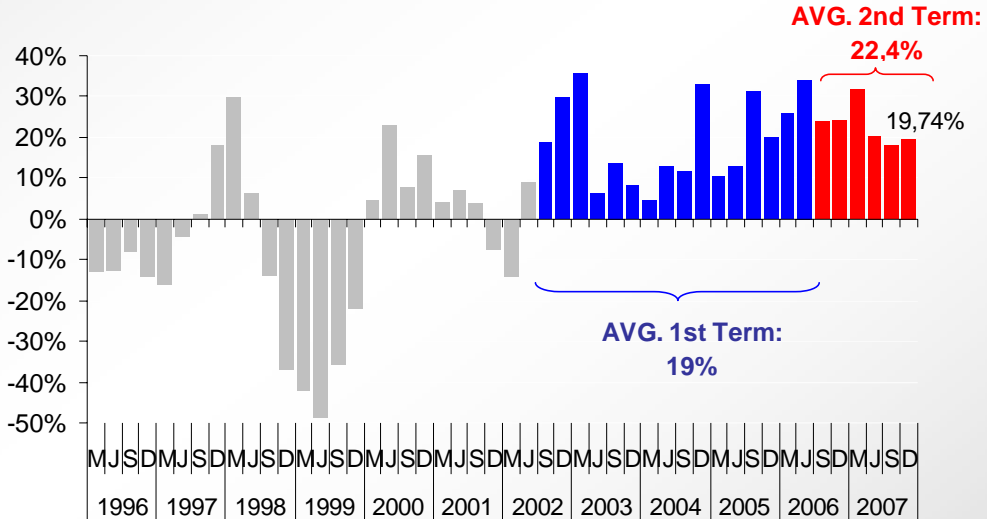


1. Economic Outlook

Investment vs GDP

Investment Growth

Investment growth has been positive and constant in recent years.



Investment vs. GDP

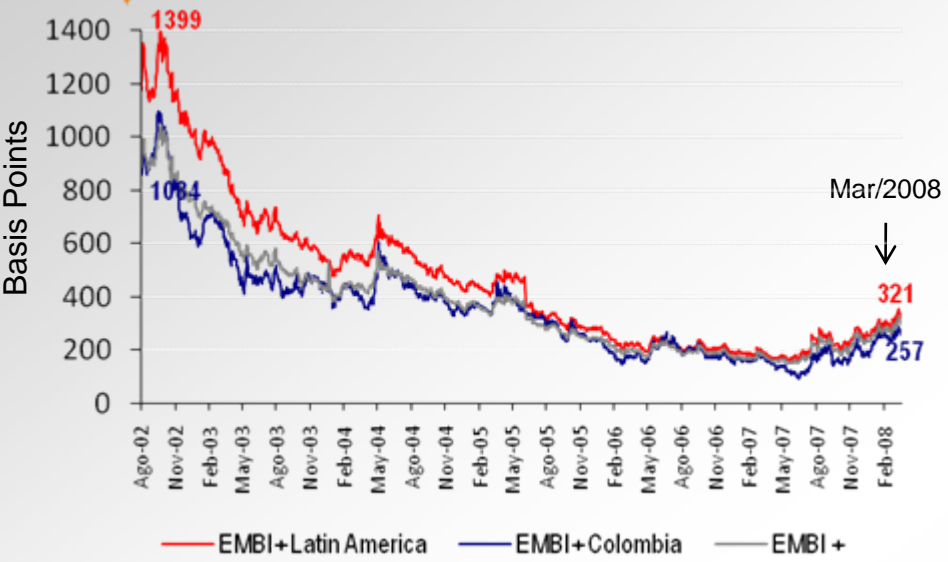
Private Investment/GDP is the highest in recent years.

Since 2006, Colombia's Investment/GDP has been higher than LatAm's.



1. Economic Outlook

Country Risk & Local Stock Exchange

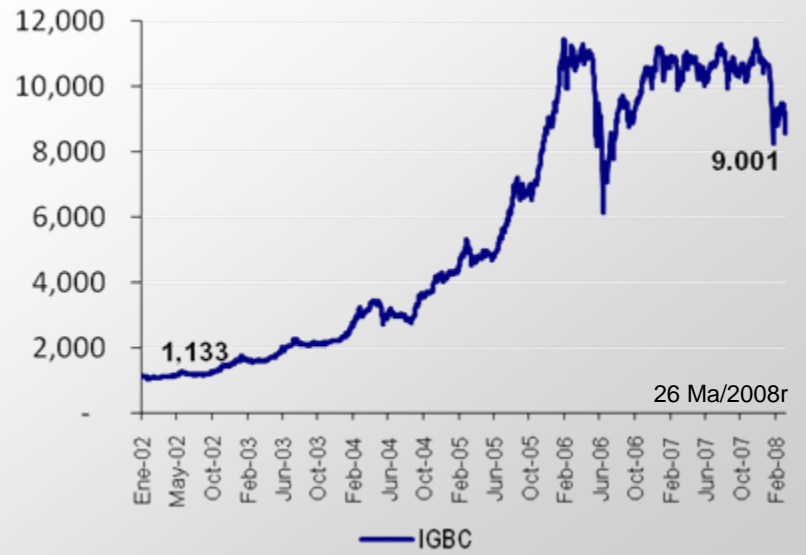


EMBI

EMBI shows Colombia as a safer investment opportunity than LatAm's average. Today, EMBI+Colombia is under 300 bps.

IGBC – (Colombian SE Index)

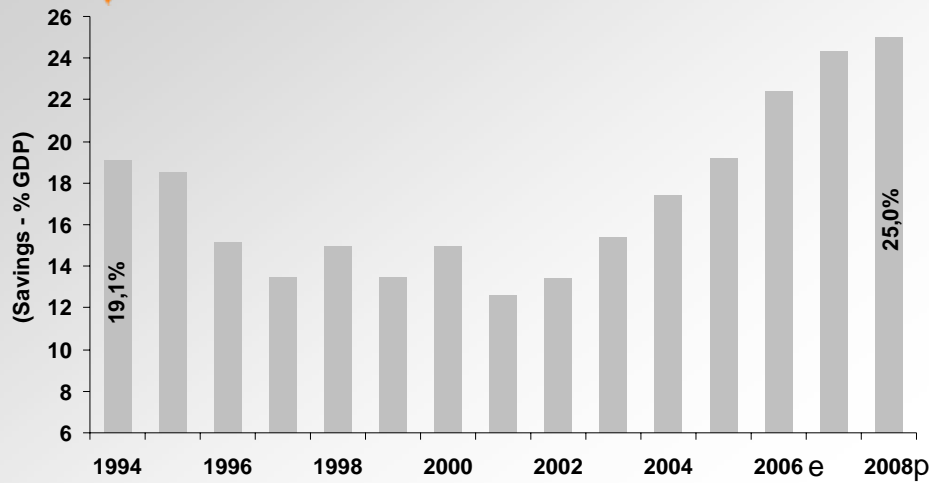
Local stock exchange index has grown over 800% in the last 6 years.





1. Economic Outlook

Savings and Pension Funds

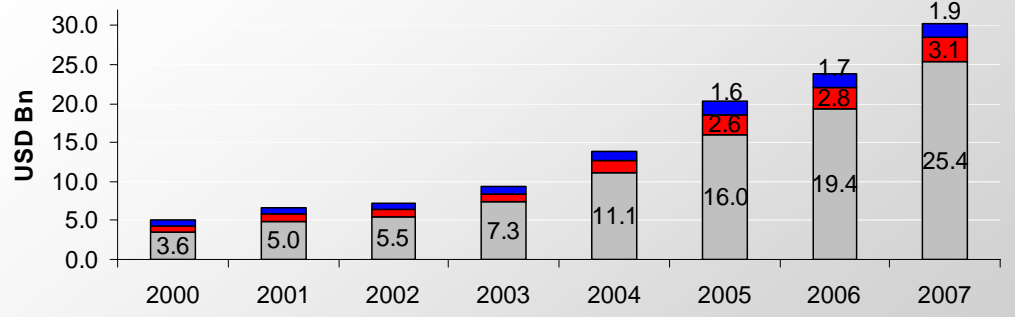


Savings

National Savings, as a proportion of GDP has had a positive trend.

Pension Funds

Pension Funds have grown exponentially, constituting an important potential source of funding for new projects in Colombia.

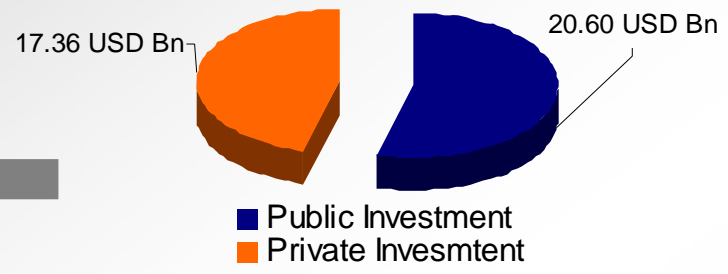


■ MANDATORY PENSION FUNDS ■ VOLUNTARY PENSION FUNDS ■ CESANTIAS FUNDS

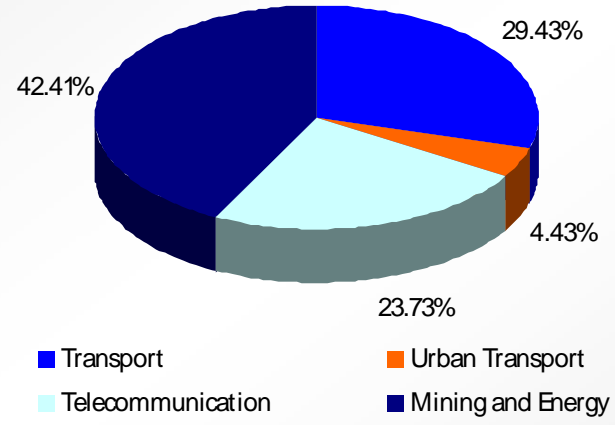


1. Economic Outlook

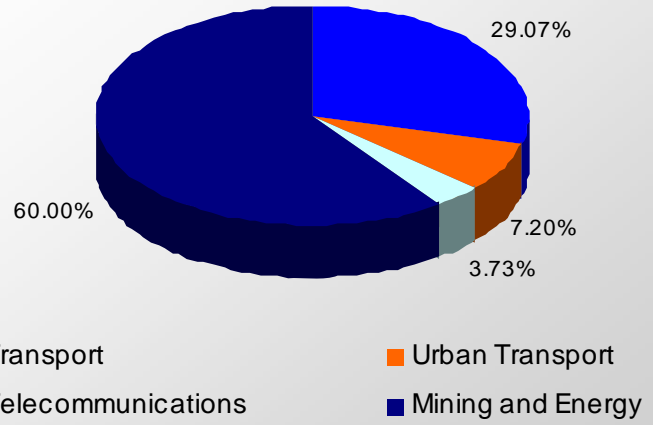
Estimated Investment in Infrastructure in the *National Development Plan 2007-2010*



Private Investment
17.36 USD Bn



Public Investment
20.6 USD Bn



2. Principal Infrastructure Protects Portfolio



2. Principal Infrastructure Projects Portfolio

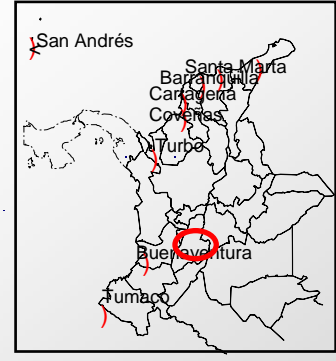
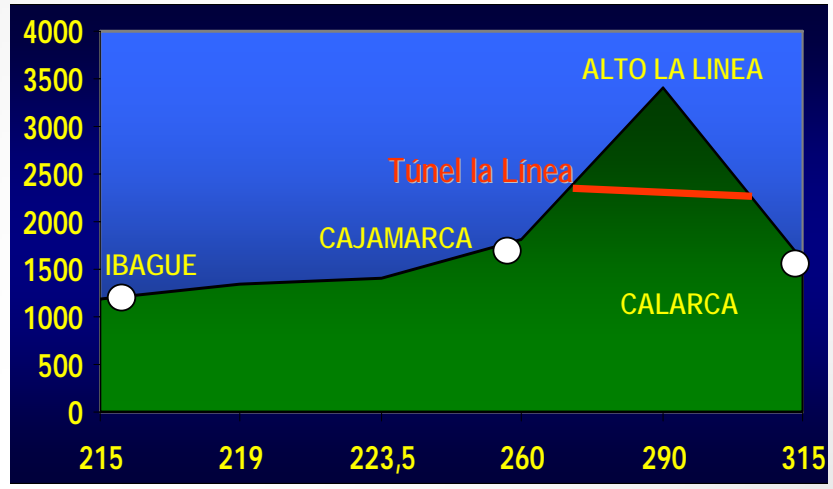
“Túnel Segundo Centenario (La Línea)”

The Project consists in the construction of a 8 km tunnel and 23 km of double lanes.
Phase 1(2008 – 2012)

Activity	Investment * (in Millions)
First One-way Tunnel Construction (8.8 km)	USD \$ 235
Studies, Designs, and estates acquisition(4%)	
Civil Works (83%)	
Electromechanical Equipment (13%)	USD \$ 108
Second lane Construction (23 Km)	
Operation and Maintenance	USD \$ 19
Total Investment Phase 1	USD \$ 362


Phase 2 (Starting date to be defined)

Activity	Investment* (in Millions)
Exploratory tunnel expansion – Second One-way tunnel (8.6 Km)	USD \$ 137



Status: Exploratory Tunnel progress (88%).
Bidding process: 2nd Q 2008

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* Estimated Investment

2. Principal Infrastructure Projects Portfolio

Ruta del Sol Road Concession

This road connects the capital city (Bogotá) with the Atlantic Coast (Sta Marta).

Estimated investment: USD \$ 2.0 Bn – USD \$ 2.5 Bn

Estimated term: to be defined

Length: 942 km.

Rehabilitated: 810 Km. (Villeta – Y de Ciénaga; Valledupar)

Double lane construction: 75 km Tobia – Pto Salgar

Double lane Enhancement: 840 km (Puerto Salgar – Y de Ciénaga; Valledupar)

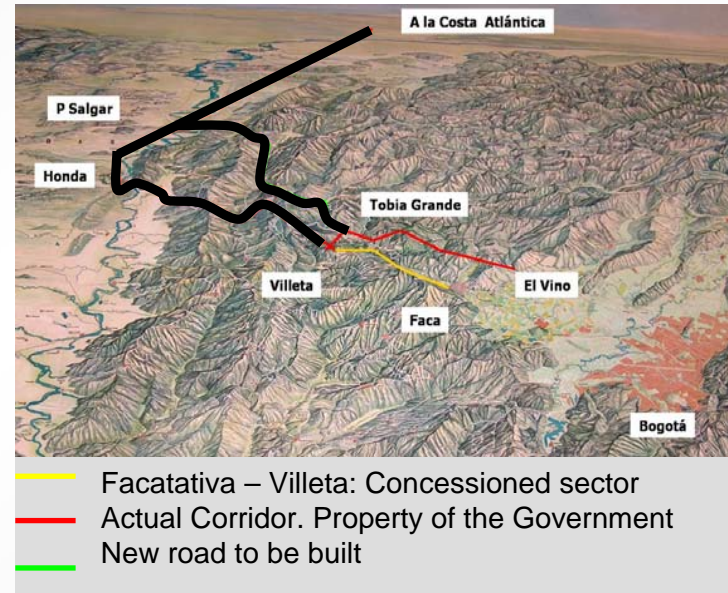
Daily Transit:

La Dorada (max): 5.000 (36% vehicles, 12% buses, 52% trucks)

Valledupar – Bosconia (min): 1.500 (48% vehicles, 20% buses, 32% trucks)

Status: IFC is leading the structuring process

Bidding process: Starting in 4Q 2008

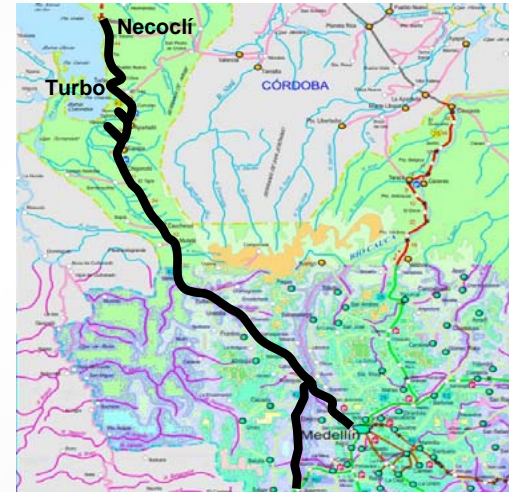


Contact: Alfredo Pérez
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2. Principal Infrastructure Projects Portfolio

New Independence Road Concession (Valle de Aburrá – Urabá)

- **Estimated Investment:** US\$ 703 MM.
- **Estimated term:** To be defined.
- **Length:** 441 km.
- **Rehabilitation existing roadway:**
Santafé de Antioquia – Turbo – Necoclí (324 km)
and Santafé de Antioquia – Bolombolo (72km).
Double lane construction: Chigorodó–Turbo (52 km).
- **New Roadway construction:**
Medellín - Santafé de Antioquia (67 km).



Status: Agreement between IDEA, INCO, INVIAS and Antioquia's Governor to structure the project.

Bidding process: Starting in 3Q 2008



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2. Principal Infrastructure Projects Portfolio

Ruta de la Montaña Road Concession

- **Estimated Investment:** US\$ 660 MM.
- **Estimated term:** To be defined.
- **Length:** 426 km.
- Rehabilitate existing road Primavera – Bolombolo – La Pintada (76 km).
- Second Lane construction Barbosa – Puerto Olaya (144 km).
- Operation and maintenance Medellín – Primavera – Santa Barbara - La Pintada – La Manuela (176 km).

Status: Elaborating terms of reference to hire the investment bank that will structure the process.



Bidding process: Starting 1Q 2009.



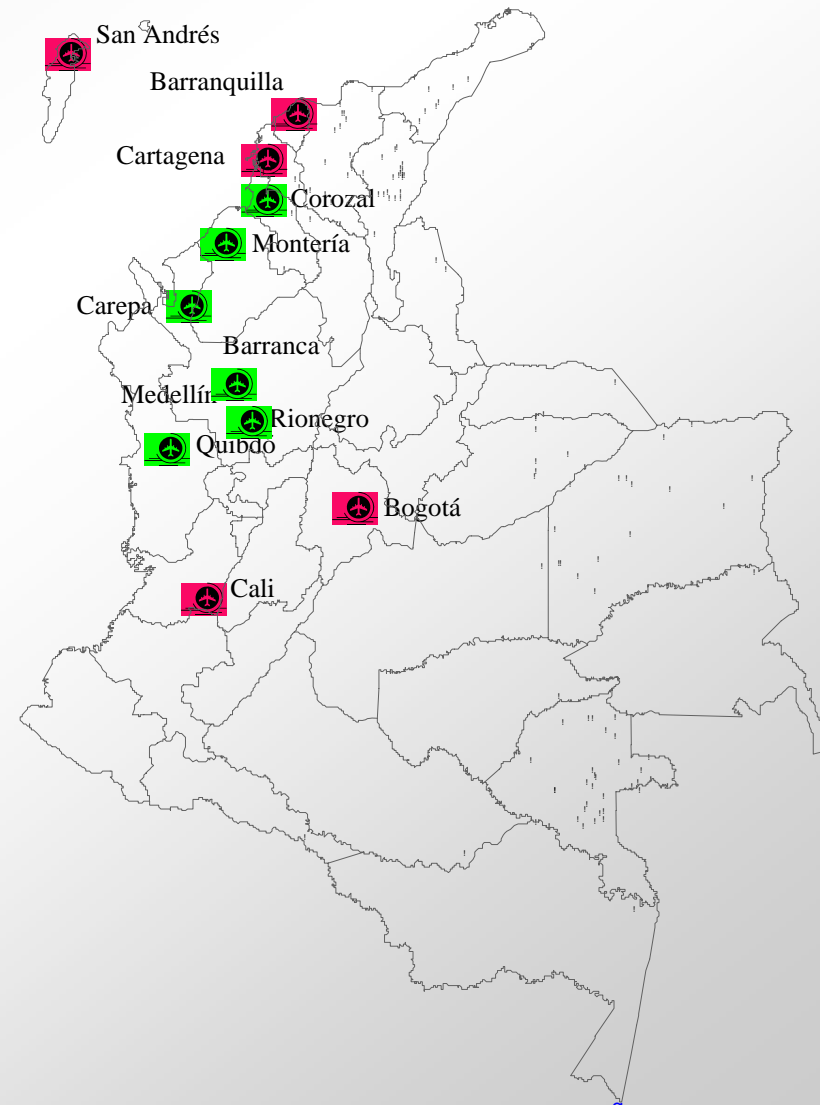
Contact: Alfredo Pérez
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2. Principal Infrastructure Projects Portfolio

Airports

-  Airports granted in Concession
-  Group of airports granted in Concession (2008)

- Granted to: Colombo-Chinese Consortium (Mar/2008).
- Participants: 6.



2. Principal Infrastructure Projects Portfolio

Airports



Group of airports to be granted in a second round of concession and/or integration

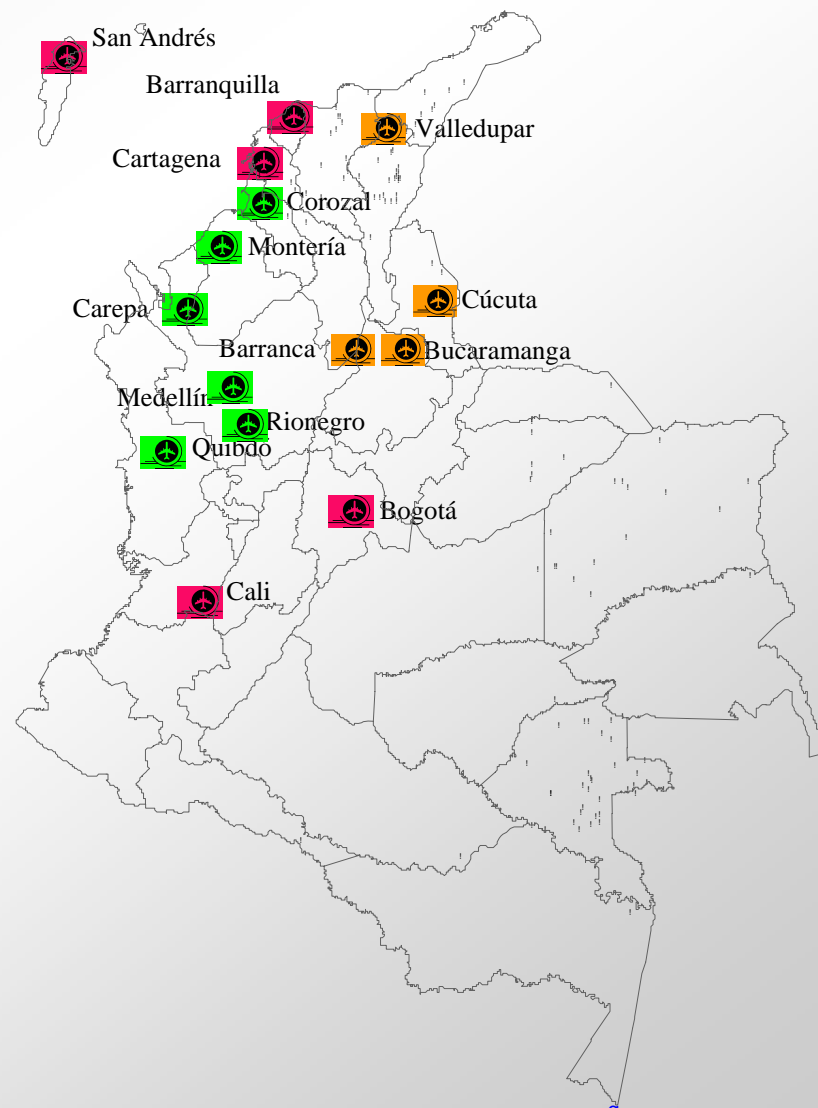
- **Estimated Investment:** To be defined.
- **Estimated Term:** To be defined.

Status: The process to select the investment bank that will structure the project will begin 2Q 2008.



Contact: Miguel Acosta
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2. Principal Infrastructure Projects Portfolio

Ports

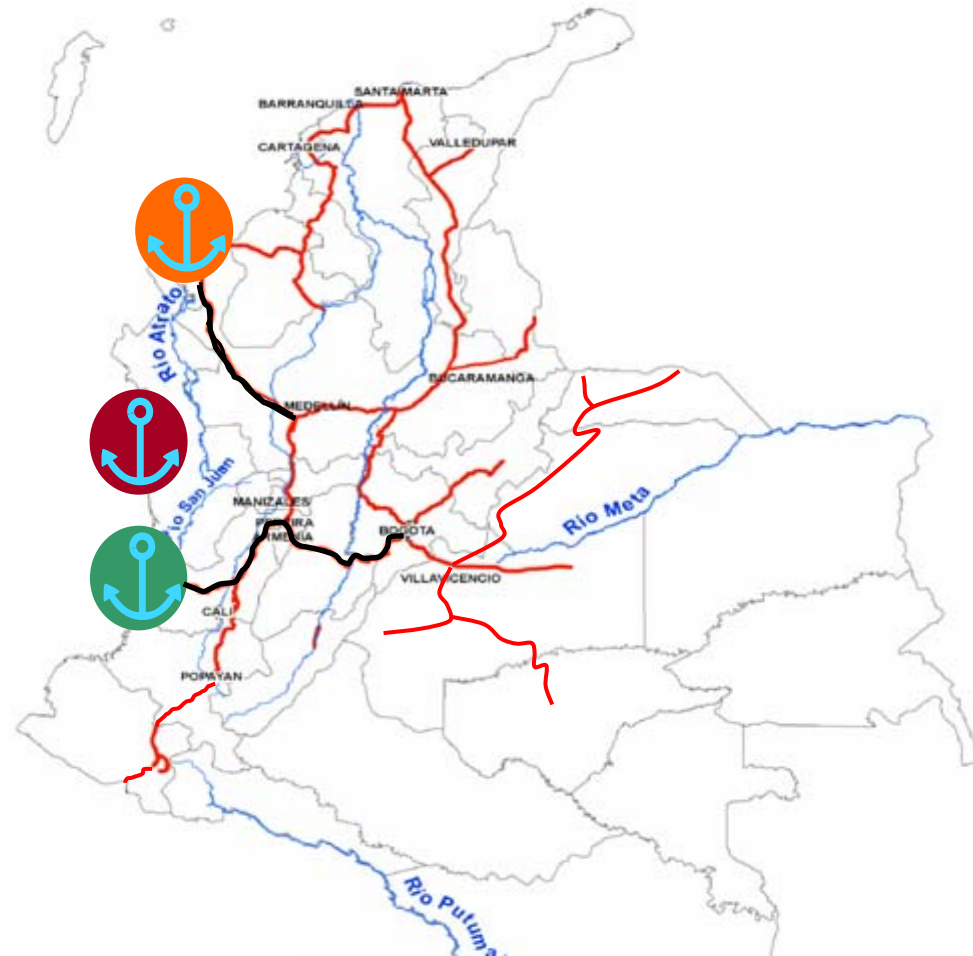
Future port developments in Colombia will become a reality by private sector initiatives.

Government role is to promote the private investment in this Greenfield projects.

Port Development	Capacity MM ton/Year
 Bahía Málaga	12
 Tribugá	8.7
 Turbo	To be Defined



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Infrastructure for Competitiveness

1. Main Roads Development (Double Lanes)
2. Airport Concessions
3. Ports

Strategy:
Integration and Concession of Cucuta Valledupar, Bucaramanga and Barrancabermeja Airports (operation and maintenance and enhancement)

Autopista de la Nueva Independencia
Estimated Investment: USD \$ 703 Millions
Status: Structuring Process
Medellín – Santafé de Antioquia
Santafé de Antioquia – Turbo –

Autopista de la Montaña
Estimated Investment: USD \$ 660 Millions
Status: Structuring Process
Barbosa – Puerto Olaya
Medellín – Primavera – La Pintada – La Manuela
Primavera – Bolombolo – La Pintada

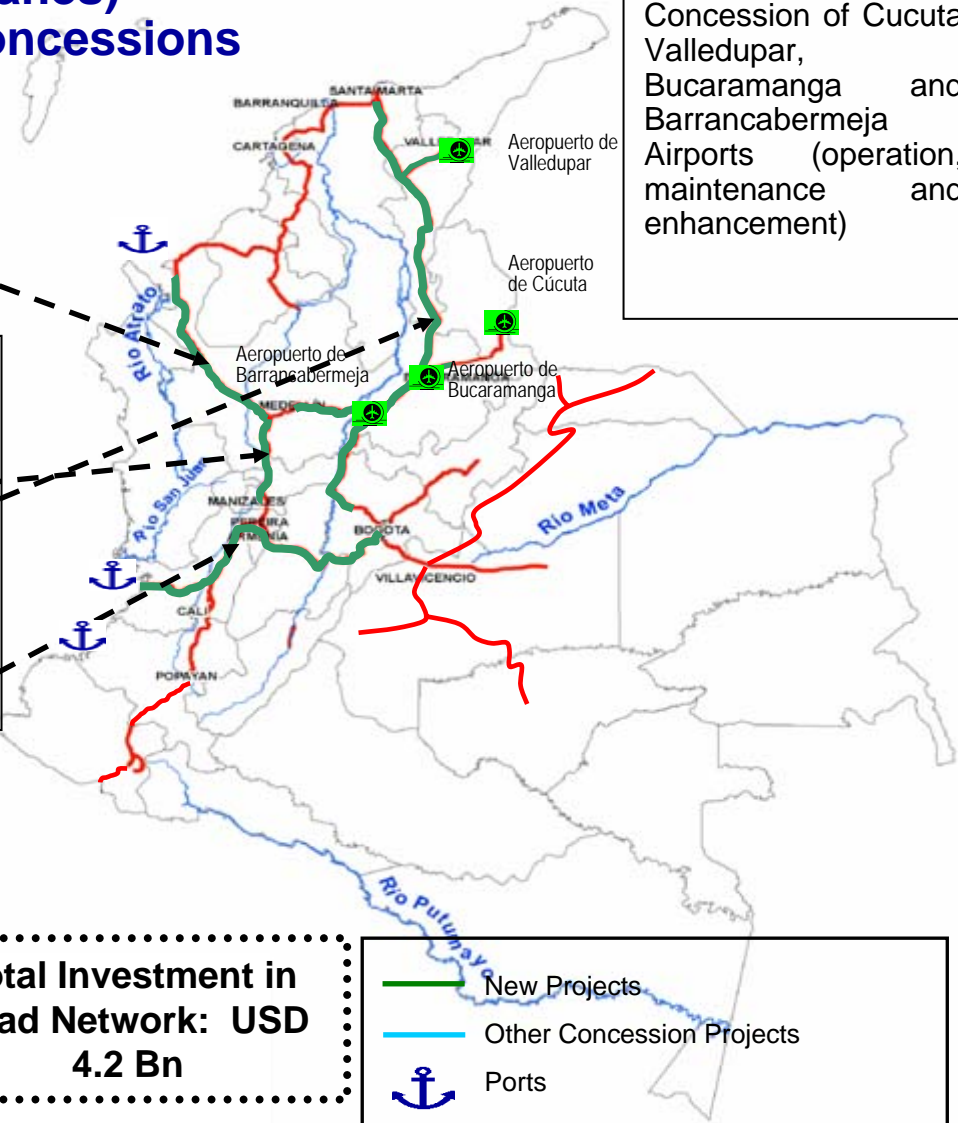
Ruta del Sol
Estimated Investment: USD \$ 2.500 Millions
Status: Structuring Process per IFC
Tobia Grande – Yé de Ciénaga
Villeta – Puerto Salgar
Bosconia – Valledupar

Bogotá – Buenaventura Corridor
Túnel II Centenario (Túnel de La Línea)
Estimated Investment: USD \$ 362 millones – Phase 1

Strategy:
Strengthen and Consolidation of Country's Ports

Strategy:
Consolidation of Competitiveness Corridors in Colombia

Total Investment in Road Network: USD 4.2 Bn



Legend for the map:

- Green line: New Projects
- Red line: Other Concession Projects
- Blue anchor: Ports

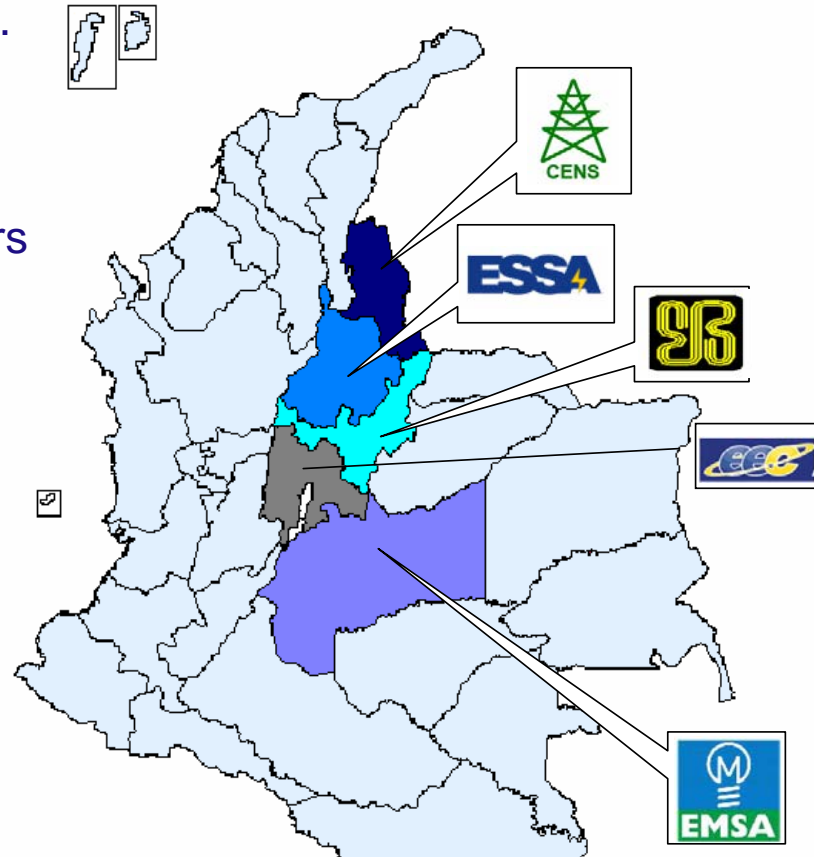
2. Principal Infrastructure Projects Portfolio

Central Electricity Companies Sale

- Electric energy distributors and commercializers.
- Serving over 1,5 millions users.
- Annual Sales of 3,883 GWh.
- Annual Revenue: US \$ 604 MM.
- These five companies hold a 15.8% of total users in Colombia.

- **Estimated Equity Value:** US\$ 700 MM.
- Sale of Nation's shares in five electric energy utility companies:

Cundinamarca:	88.1%
Boyacá:	99.4%
Norte de Santander:	79.0%
Santander:	82.0%
Meta:	55.7%
- **Status:** In study for reopening bidding process.




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- Empresa de Energía de Cundinamarca – EEC
- Electrificadora del Meta – EMSA
- Empresa de Energía de Boyacá – EBSA
- Electrificadora de Santander – ESSA
- Centrales Eléctricas del Norte de Santander – CENS

2. Principal Infrastructure Projects Portfolio

Southern Electricity Companies Sale

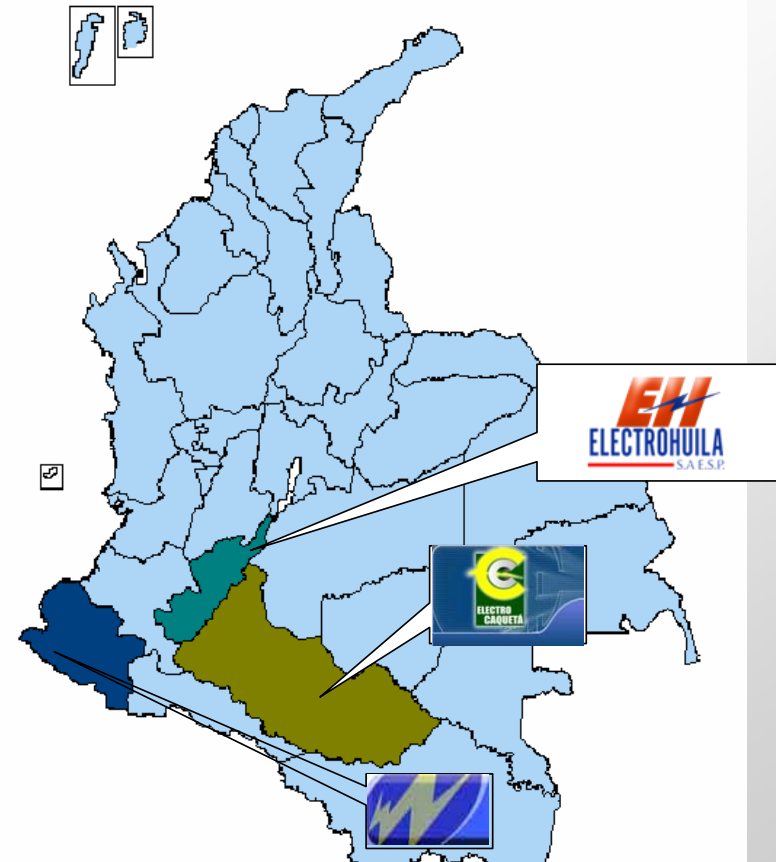
- Electric energy distributors and commercializers.
- Serving over 513.000 users.
- Annual sales of 1,080 GWh.
- Annual revenues of US \$ 192 MM.

- **Estimated Equity Value:** to be defined.
- Sale of Nation's shares in three electric energy utility companies:

Nariño (CEDENAR):	99%;
Huila:	83%;
Caquetá:	72,3%;
- **Status:** In due diligence by an Investment Bank.



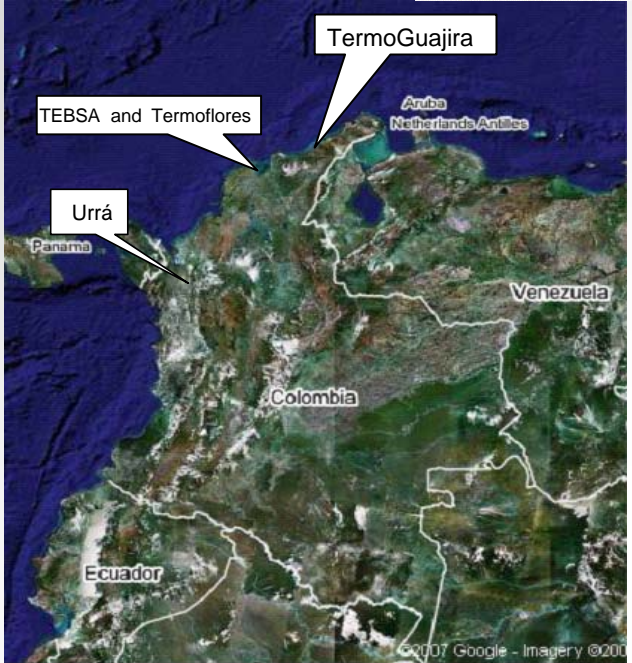
Contact: Manuel Maiguashca
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CEDENAR, S.A. E.S.P (Nariño)
Electrificadora del Huila, S.A., E.S.P
Electrificadora del Caquetá, S.A., E.S.P

2. Principal Infrastructure Projects Portfolio

Generators Sale – Gecelca and Urrá



- Nation's shares accounting for 99% of Gecelca and 99.7% of Urrá.
- Largest thermal generator: 31% of installed thermal capacity.
- Hydraulic generation capacity: 3.9% of country's generation.

Generation

GECELCA	<ul style="list-style-type: none"> •TermoGuajira (302 MW effective capacity) •TEBSA (750MW - Combined Cycle and 120 MW Steam turbine) •Flores 1 (150 MW - Combined Cycle) (PPA Agreements)
URRA	335 MW - hydraulic generation



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Status

Government is in the process of hiring the structuring Investment Bank.



3. Investment Benefits in Colombia

Investment Benefits in Colombia

<p>TAXES</p> <p>More</p>	<ul style="list-style-type: none"> • Tax Reform • Industry Exemptions • Investment in Science and Technology
<p>INTERNATIONAL TREATIES</p> <p>More</p>	<ul style="list-style-type: none"> • Active Treaties • Treaties in Negotiation
<p>FREE TRADE ZONES</p> <p>More</p>	<ul style="list-style-type: none"> • Income tax Benefits • Customs Benefits • 10 Free Zones in Operation
<p>LEGAL STABILITY CONTRACTS</p> <p>More</p>	<ul style="list-style-type: none"> • Regulatory Stability when signing contracts • 1% fee over investment value • 6 contracts signed up to date

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Why Colombia?

- **Democratic Security** consolidation has brought back investment trust and improved macroeconomic figures.
- In the short term, Colombia's goal is to obtain **Investment Grade**.
- Macroeconomic figures show that this is the **right moment** to invest in Colombia.
- Multiple reforms have improved **investment stability**.



Libertad y Orden

National Planning Department
República de Colombia

www.dnp.gov.co

THANK YOU!

Income Tax Rate

- Reduced from 38.5% in 2006 to today's 33%.
- Presumptive revenue decreased from 6% to 3%.
- No taxes when transferring dividends abroad.

Deductions

- 25% deduction in lieu of financial transactions.
- 40% deduction of the value of investments made in real productive fixed assets acquired.
- Deduction for investments in agricultural corporate shares without exceeding 1% of the liquid taxable revenue .
- Taxes paid by a branch, a subsidiary, or an agency in Colombia to its foreign parent company due to management and Board of Directors expenses .
- Salaries and remunerations paid to the employees.

Benefits for specific industries

Some industries have income tax exemptions for limited terms, for new enterprises, such as:

- Hotel construction and remodeling (30 years).
- Eco-tourism services (20 years).
- New software (10 years)
- Publishing companies (20 years).
- Wind or bio-mass electric generation (15 years).
- River transport (15 years).
- Forestry plantations (permanent).
- New medical products.
- Seismic services (Until 2008).



Example: 40% deduction benefit when investing in real productive fixed assets.

Without Benefit

Revenues	1000
Operational Margin	25%
Operating Profit	250
Net Margin (before taxes)	15%
Benefits before Taxes	150
Tax Base	150
Income Tax Rate	33%
Income Tax	49.5
Net Profit	100.5

With Benefit

Revenues	1000
Operational Margin	25%
Operating Profit	250
Net Margin (before taxes)	15%
Benefits before Taxes	150
Real productive fixed assets investment	250
% to deduct	40%
Value of deduction	100
Tax Base	50
Income Tax Rate	33%
Income Tax	16.5
Net Profit	133.5

Equivalent to an Income Tax Rate of 11%

LAW 633 of 2000, ART. 12°

- ❖ Direct Investment, or through Investigation Centers, Technologic Development Centers of Research Groups of Superior Education Institutions.
- ❖ Projects classified by the CNC&T.
- ❖ 125% deduction of liquid income in same period.
- ❖ Must be under 20% of liquid income.
- ❖ Applies for donations to Investigation Centers for projects previously classified by the CNC&T.

Tax Term 2006	
Colombia	
Investment in D+I in 2003	\$ 100,000
Investment in D+I in 2006	\$ 300,000
=> 125% income deduction (300,000 X 125%)	\$ 375,000
Total available deduction => benefit(375,000 X 35%)	\$ 131,250
Final cost of investment in D+I (400,000 – 131,250 = 268,750)	67.19%

LEGAL STABILITY CONTRACTS

Frequent change of regulations and laws may affect future business projects of investors. Aware of this challenge, Colombia has Legal Stability Contracts – LSC, which investors can subscribe. In the event of an adverse amendment, these Contracts ensure the permanence of the rules which constituted a determining factor for the investment.

LSCs are signed between the Government and the investor. The term of the contracts is between 3 and 20 years.

The investor must pay 1% premium of the overall investment value. If the investment has an initial period without profits, the amount of the premium within that period of time will be 0.5% of the investment value.

Regulatory stability allows to forecast growth in investment projects:

		Covered Investment *	Direct employment created*
6 stability contracts signed to date	→	US \$222 millones	3.439
14 stability contracts approved	→	US \$2.700 millones	14.825
5 stability contracts in admission	→	US \$4.508 millones	1.082



ACTIVE TREATIES

- **CAN – Comunidad Andina de Naciones**
Economic Integration – Bolivia, Ecuador and Perú
- **TLC 3G**
Custom Tariff reduction - Colombia, Venezuela and Mexico
- **Economic Complementation**
Custom Tariffs Reduction – Chile
- **ALADI**
Free Commercialization for goods – LatAm
- **CARICOM**
Commerce Liberalization – Trinidad and Tobago, Jamaica, Barbados, Guyana, Antigua and Barbuda, Monserrat and others (12 countries)
- **CAN – MERCOSUR Agreement**
Free circulation of goods and services
- **BITS**
Spain
Perú

TREATIES IN NEGOTIATION

- **TLC**
Custom Tariffs Reduction – EEUU
Pending approval by US Congress
- **TLC North Triangle**
Custom Tariffs Reduction – Honduras, El Salvador and Nicaragua
Pending approval by different Congresses
- **PERU/COLOMBIA - CANADA**
Free Trade
In Negotiation
- **PERU/COLOMBIA - EFTA**
Free Trade
In Negotiation
- **BITS**
Switzerland



FREE TRADE ZONE

- Limited geographic area.
- Placed within the Nation's territory.
- Industrial activities involving goods and services or commercial activities taking place in FZ.
- Regime grants benefits in customs, taxes and international trade.

BENEFITS

- Singular tax fee on taxable income: 15%.
- Custom taxes are neither generated nor paid. (VAT, TARIFFS). Raw materials, and final goods that are sold from any National customs territory to industrial users of the FZ shall not be subject to VAT.
- Exports made from the FZ to other countries obtain benefits from international trade agreements.
- The goods entering these zones are considered to be outside of the country, for import and export tax purposes.
- The introduction to the FZ of foreign goods is not considered an import.

