



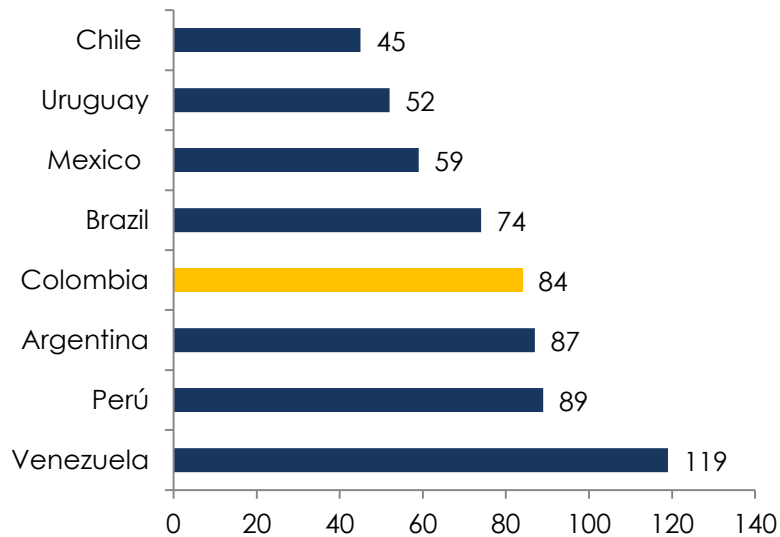
The role of FDN as a specialized and innovative development bank

CLEMENTE DEL VALLE
PRESIDENTE

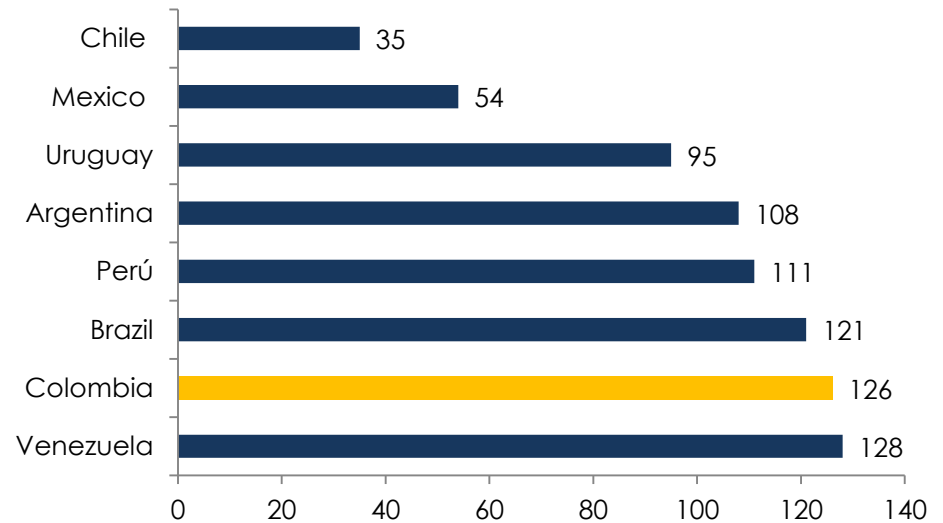
Acces to infrastructure is a critical challenge for Colombia

RANK/140

Quality of overall infrastructure



Quality of Roads



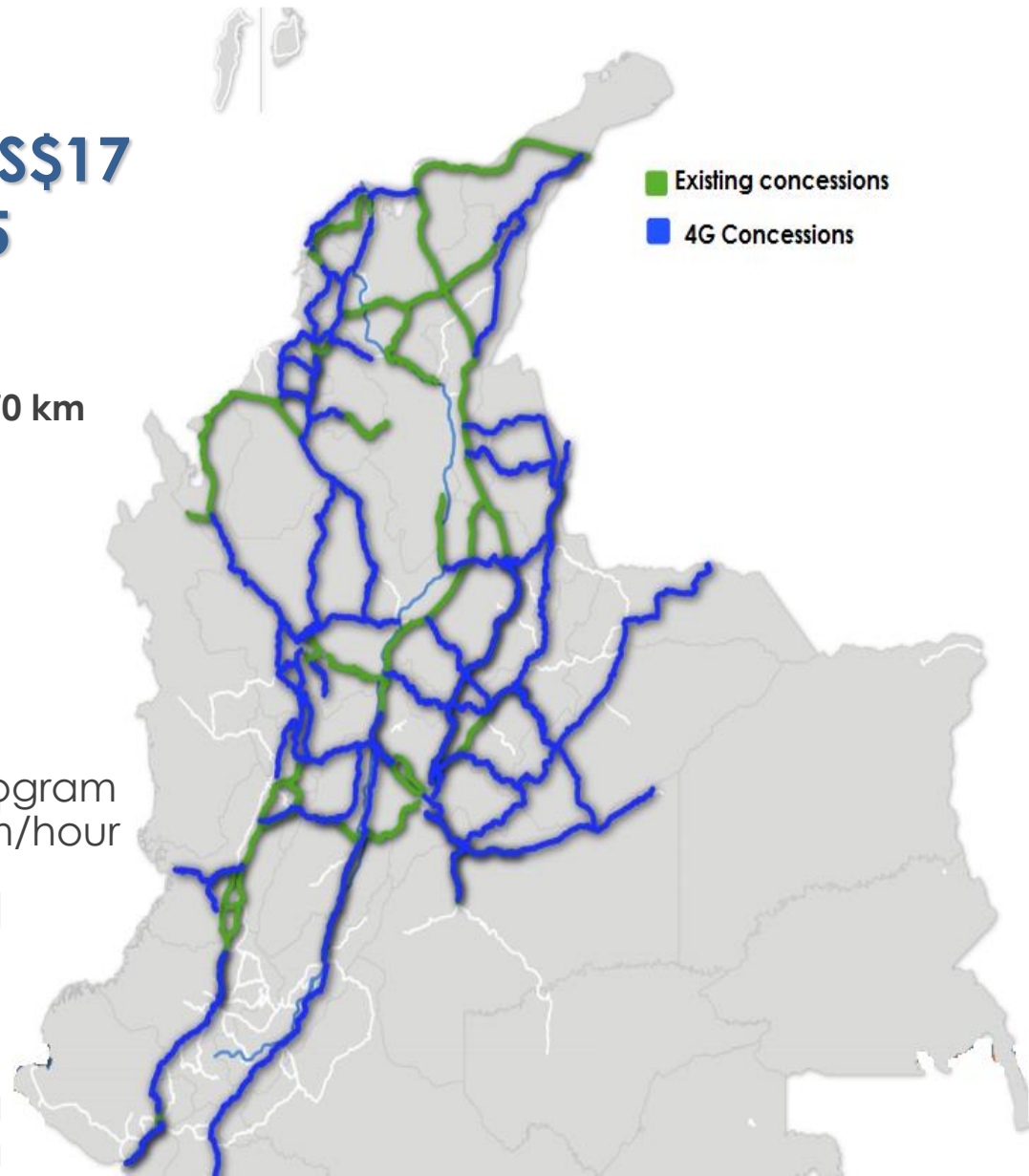
Source: World Economic Forum, 2015 - 2016
Competitiveness Report

Ambitious infrastructure program – 4G Program

✓ Covers **8,100 km** and over **US\$17** billion in investments divided in **45 projects**

- Four lane highways: **Over 1,370 km**
- Number of tunnels: **141**
- Km of tunnels: **125 km**
- Number of viaducts: **1,300**
- Km of viaducts: **146 km**

✓ Technical specifications of the program allow for average speeds of 80 km/hour in most corridors




Main changes in PPP framework

LAW 1508/12

- 
- No advances
 - Payment is made according to the performance of the service



Maximum term of 30 years and limited additions to 20% (CAPEX and OPEX)



Value for Money to analyze and justify the way to implement the project



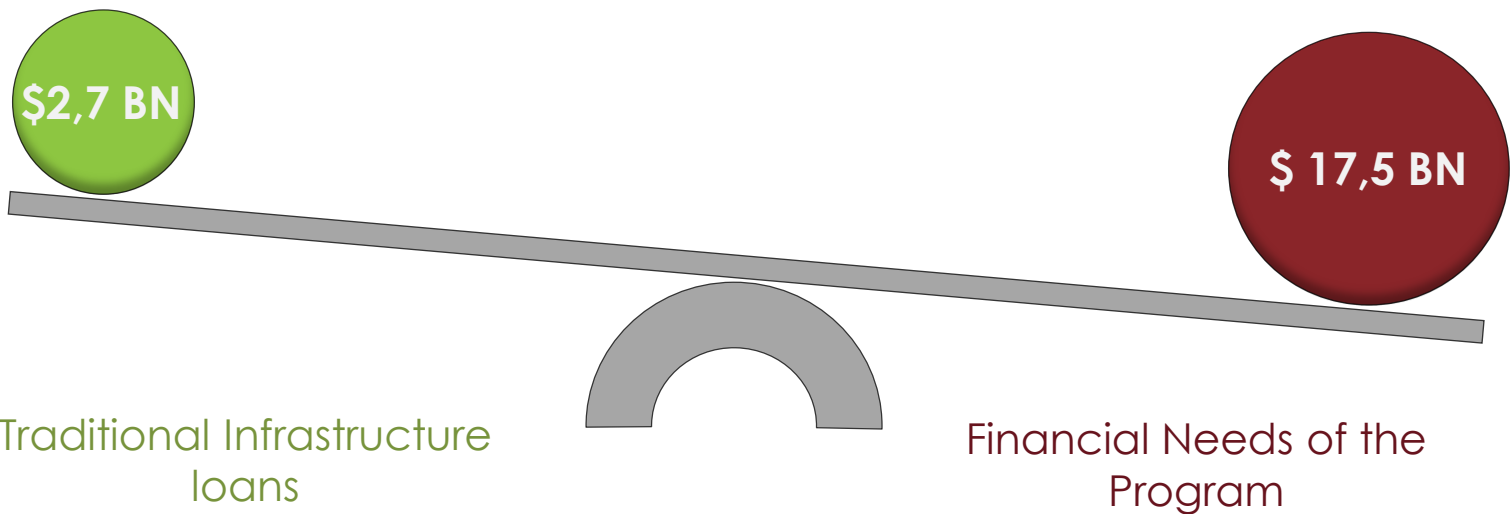
Better risk allocation during the structuring phase of the project



Specialized institution in PPP and specialized development bank

The challenge to address in Colombia

The financial resources needs and its conditions



- Traditional Infrastructure loans
- Corporate financing
 - Medium - term (8 years)
 - Bank Financing
 - 82% concentrated in 5 banks
 - Conservative risk profile from institutional investors

- Financial Needs of the Program
- Project Finance
 - Long-term (20 years)
 - Multiple financial sources
 - Financial closings concentrated in a 2 to 3 year term

FDN Strategy and its role as Development Bank



FDN catalyst role

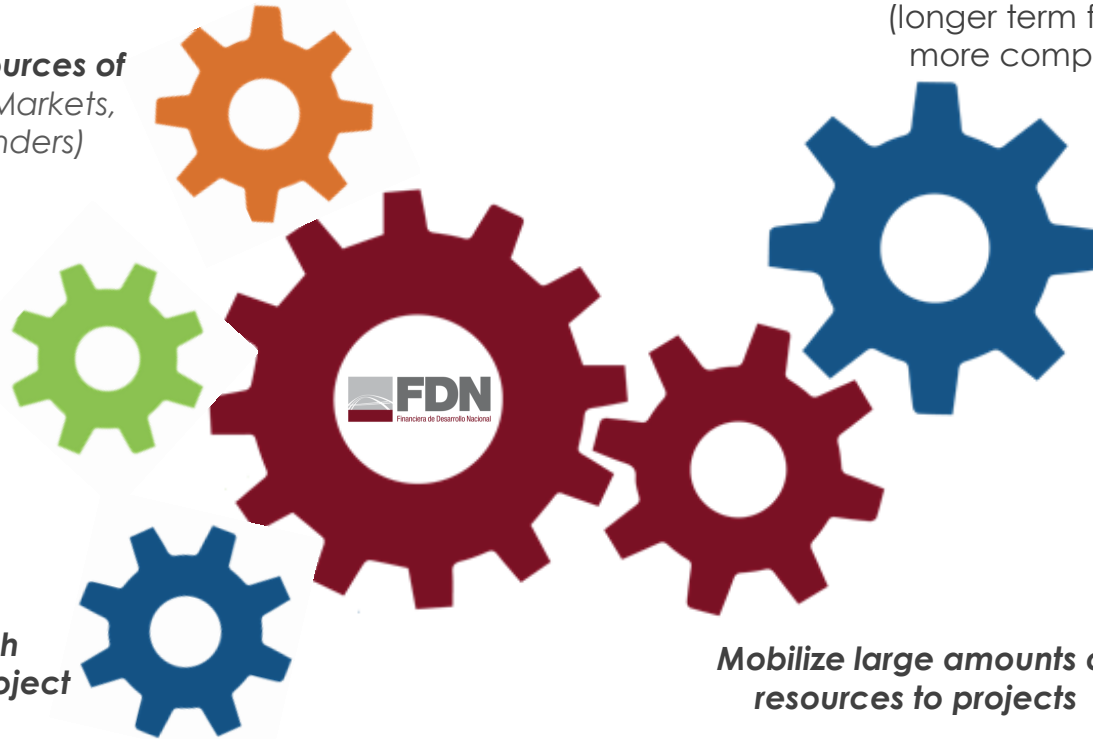
STRATEGY

OBJECTIVE

Attract different sources of finance (Capital Markets, international lenders)

Properly risk management in projects

Promote high standards in project financing



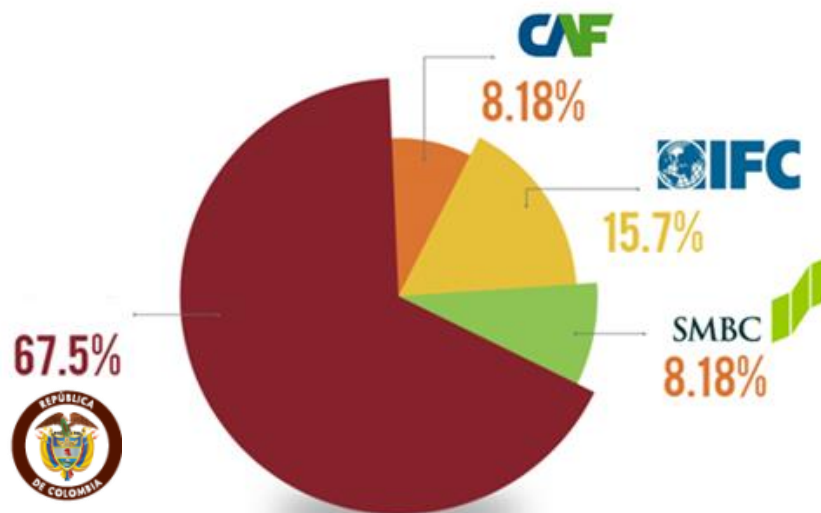
Better financial conditions
(longer term financing and more competitive rates)

Mobilize large amounts of resources to projects

FDN: Development Bank specialized in infrastructure

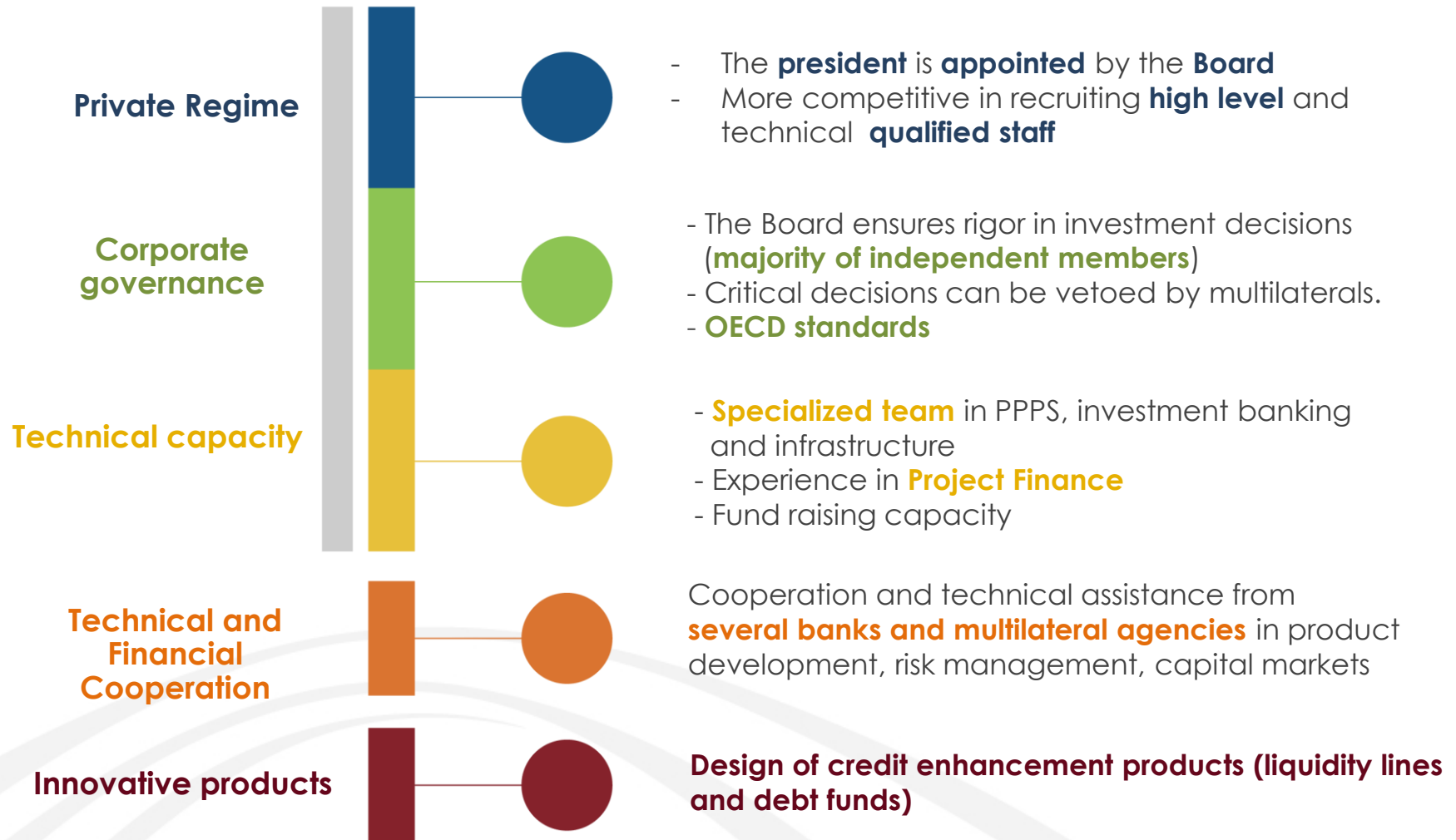
FDN's **goal is to bring together the interest of key international and local players** in the infrastructure markets. It is highly interested in developing a close relationship with international banks and investors in order to mobilize local and foreign capital

To achieve this goal, an innovative structure was needed:



- Mixed capital institution linked to Ministry of Finance and Public Credit
- Private regime Institution
- First floor financial institution
- Supervised by the Superintendency of Finance
- Financial Institution capable to offer debt, equity and investment banking
- Possibility to make fiduciary operations and manage funds

Institutional strength



29 Projects Approved by the Ministry of Finance

ROUNDS	NO. OF PROJECTS	EQUITY	CAPEX	DEBT
FIRST ROUND	9	\$1,17	\$4,26	\$4,46
SECOND ROUND	9	\$1,01	\$3,84	\$4,03
THIRD ROUND	2	\$0,16	\$0,65	\$0,68
PRIVATE INITIATIVE	9	\$0,88	\$3,58	\$3,48
TOTAL	29	\$3,06	\$12,39	\$12,69

16 Projects under study

	NO. OF PROJECTS	EQUITY	CAPEX	DEBT
PRIVATE INITIATIVE	16	\$1,20	\$4,55	\$4,78

TOTAL

45

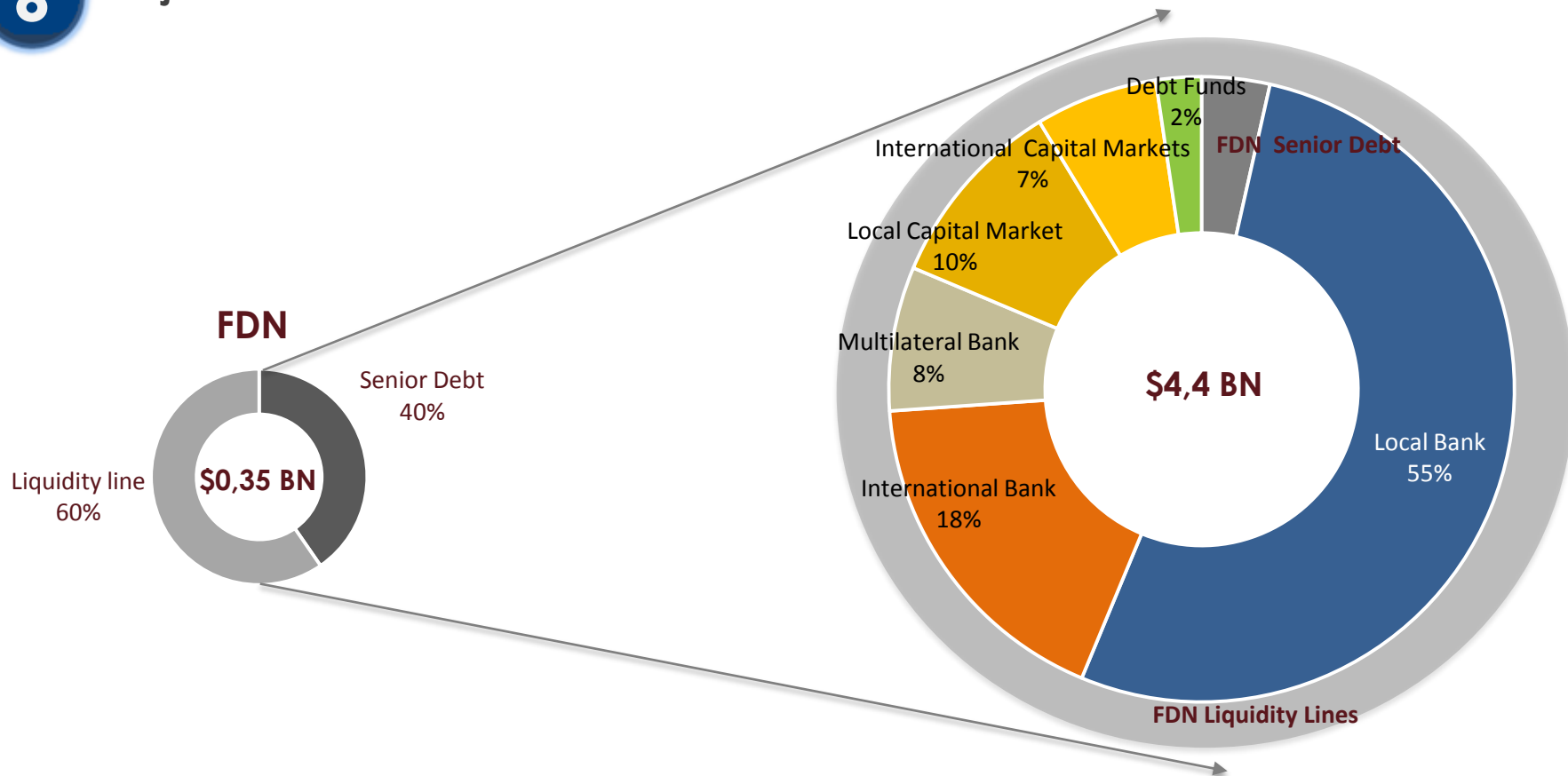
\$4,3

\$16,9

\$17,5

8

Projects with Advanced Financial close

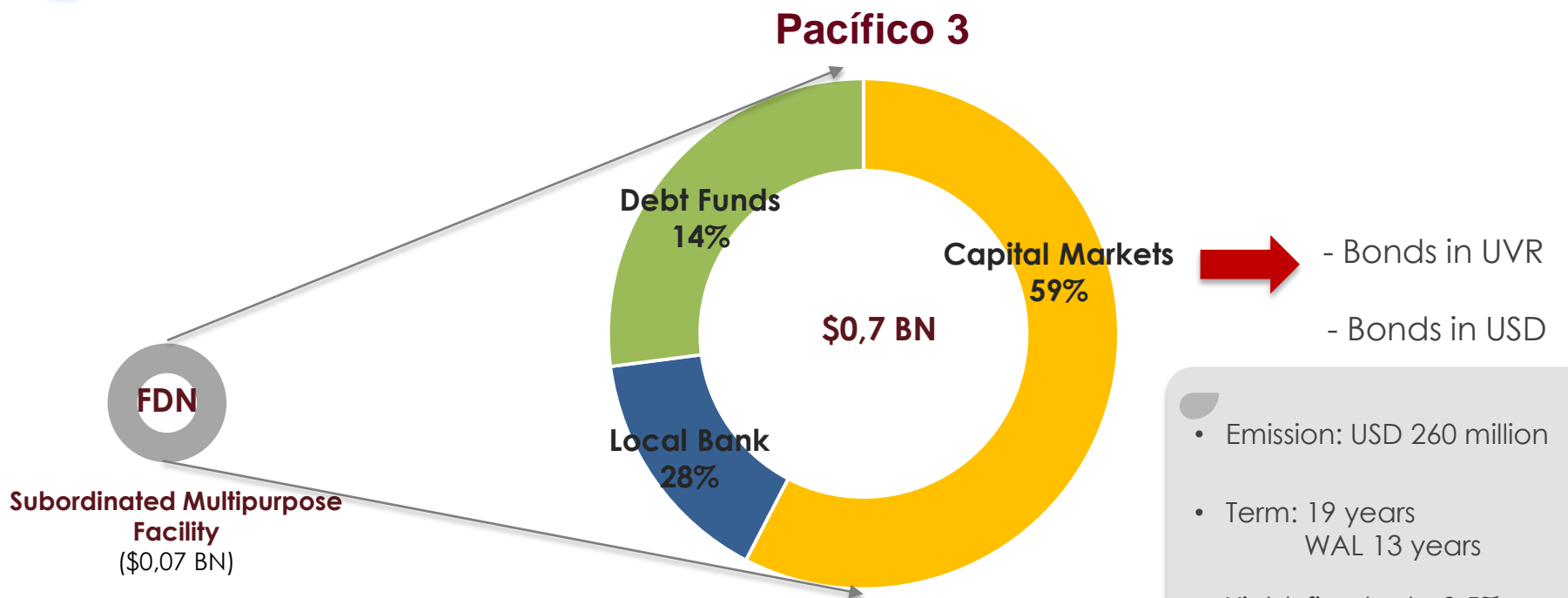


RESOURCE MOBILIZATION FROM MULTIPLE SOURCES (more than 10 times)

4G Program update



1 Project with **Final Financial close** using **capital markets**



Financial structuring led by Goldman Sachs

RATING: International BBB-

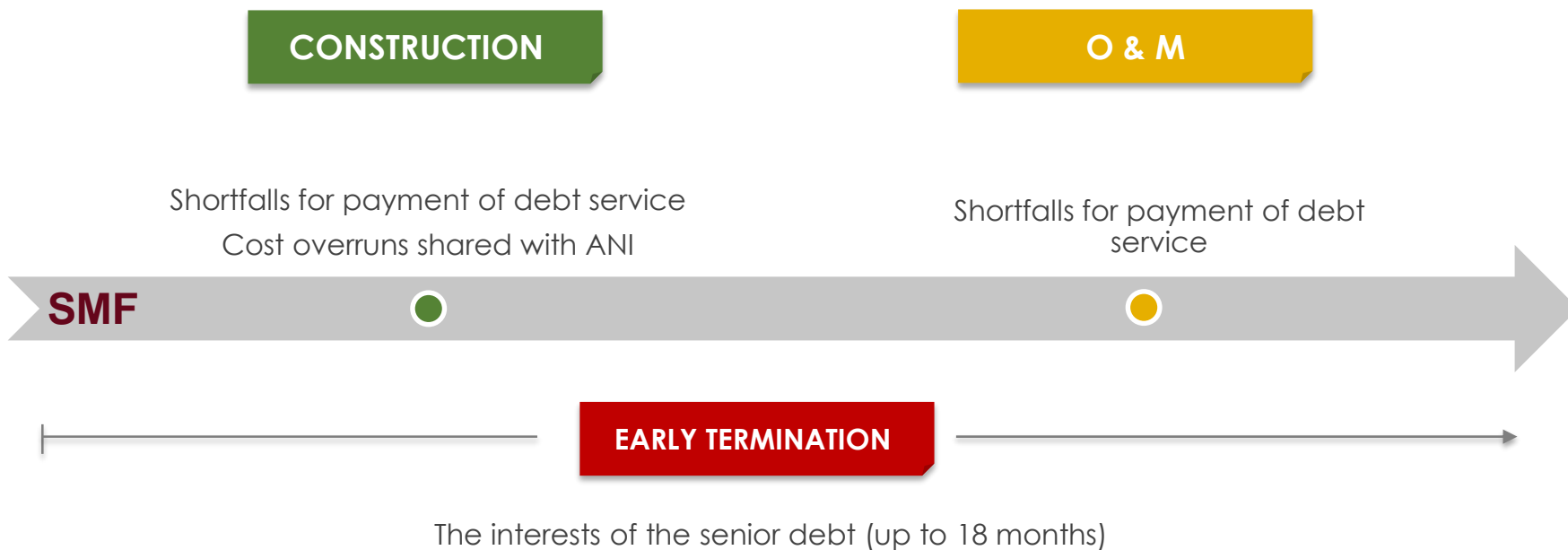


- Emission: USD 260 million
- Term: 19 years
WAL 13 years
- Yield: fixed rate 8,5%
Coupon: fixed rate 8,25%
- 285 basis points over USD Colombian Bonds

Innovative approach



Subordinated Multipurpose Facility - SMF



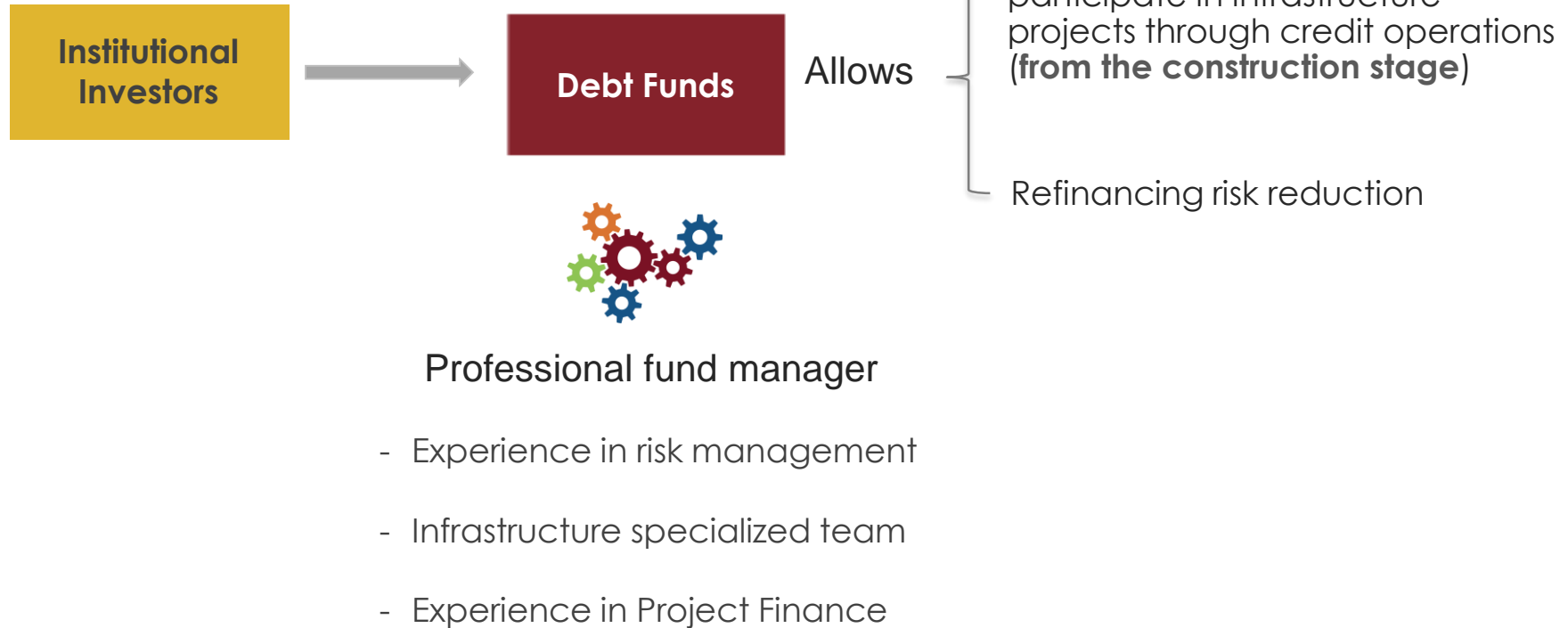
➤ Additional liquidity reserve

➤ Mitigates the principal risks of the projects

➤ Improves the credit rating

Innovative approach

Debt Funds



FDN: Support in the constitution of Debt Funds

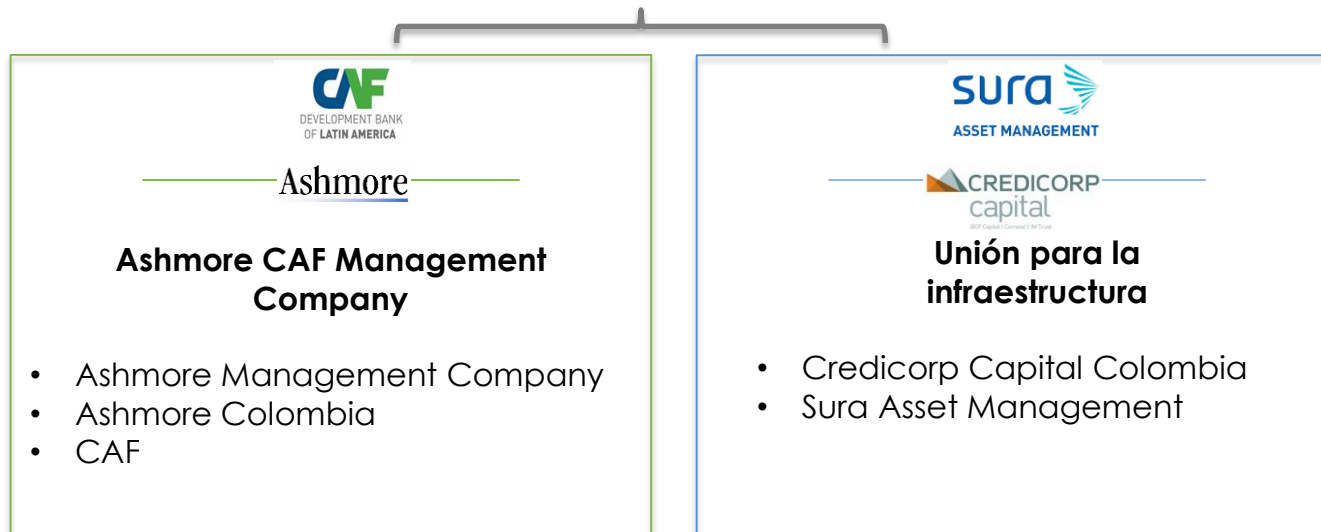


Through **seed capital** in order to encourage resources **mobilization from institutional investors**



With an active role in the structuring process, **strengthening the institutional conditions**

Almost USD \$1 billion



Conclusion

The success of a development bank to boost the financing of major infrastructure projects relies on:



Being a mobilizer to ensure crowding in instead of crowding out of other sources



Have the ability to develop innovative and flexible products that complement the existing offer, generating confidence in the project structuring



A corporate government to ensure independence and rigor in investment decisions and stability of the entity



Thanks