

4G Colombian road sets new financing standard

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The financing of the Ruta al Mar road, linking Antioquia to Bolívar, in Colombia, has broken new ground for the nationally important Fourth Generation (4G) road infrastructure programme.

Through a combination of bonds and loans, sponsor [Construcciones El Cóndor raised \\$708 million](#) in local currency. It was the first private initiative to obtain international financing under the 4G programme. The deal was also the first international infrastructure financing closed in Colombia during 2017, after the country was hit by corruption scandals involving Brazilian construction companies implicated in the *Lava Jato* investigation.

Financing structure

Clifford Chance, which acted as legal adviser on the deal, sees the bond/loans trend as an evolution of the Colombian market. “We anticipate that there will be more bond and loan hybrid financings in other jurisdictions throughout the region,” said Gianluca Bacchiocchi and Guido Liniado, Clifford Chance partner and senior associate, respectively.

Goldman Sachs was the arranger of the overall financing, the initial purchaser of the bond and the organizer of the syndicated loan with local banks. The total debt/equity ratio of the project was roughly 70:30. Goldman Sachs helped raise \$520 million, divided into \$170 million from bonds issued in the capital markets, \$210 in equity and \$140 million in bank loans provided by local players.

The syndicate of Colombian lenders included:

- FDN
- Bancolombia
- CAF-AM Ashmore Debt Fund

Construcciones El Cóndor, sponsor and EPC contractor, contributed with \$188 million. The deal allows (with no obligation) another financial sponsor to assume roughly 50% of the company, and InfraRed Capital Partners has now signed a purchase and sale agreement to take 50% interest in the 34-year concession for the design, construction, finance, operations, and maintenance of the toll road project.

Local bonds

The 26-year bond, with a 6.75% annual coupon, was denominated in units of real value (URV), a sort of local currency created in 1999 to finance long-term projects that allows price adjustments according to local inflation.

The use of local currency, even with international players involved, is growing not only in Colombia but in Latin America in general. IDB Invest is [already financing](#) in Mexican pesos, Brazilian reals, and Paraguayan guaranies and expects to add

Colombian and Dominican pesos in 2018.

No guarantees

There is no governmental guarantee on the revenue side with debt providers relying solely on the concessionaire's ability to generate revenue by using tolls on the highway. It is not supported by government contributions or traffic top-up payments, known for its Spanish name *vigencias futuras* and *diferencias de recaudo*, respectively, in contrast to other toll roads projects financed to date under the 4G programme.

Ruta al Mar is a 491km toll road, developed as a private initiative. It aims to develop a fast and efficient route that will link two major economic centers in Colombia. Central and Southern regions, that concentrate manufacturing and consumer centers, will be better connected to the country's Northern region. The North coast serves as a hub for several strategic ports connecting the Colombian departments of Antioquia, Córdoba, Sucre, and Bolívar.

With a total cost estimated at \$1.27 billion, the project is expected to reach construction completion by year-end 2020. The sponsor will build 11km of new roads, will improve 226km, and operate and maintain another 154km. The highway currently generates revenues from seven toll stations and an eighth one will become operational in 2018.

El Condor published on its Investor Relations' website on 15 December 2017 that it will execute construction associated with the Ruta al Mar concession for Ps\$1,338,888,412,199 (\$4,583,490).

Clifford Chance and Philippi Prietocarrizosa Ferrero DU & Uría were legal advisers to lenders, who had Arup and Goldman Sachs as technical and financial advisers.

The sponsor's advisers were Steer Davies Gleave (technical), BTG Pactual (financial), Posse Herrera & Ruiz Abogados (legal) and Paul Hastings (legal).

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