



UNASUR
South American Infrastructure and Planning Council – COSIPLAN

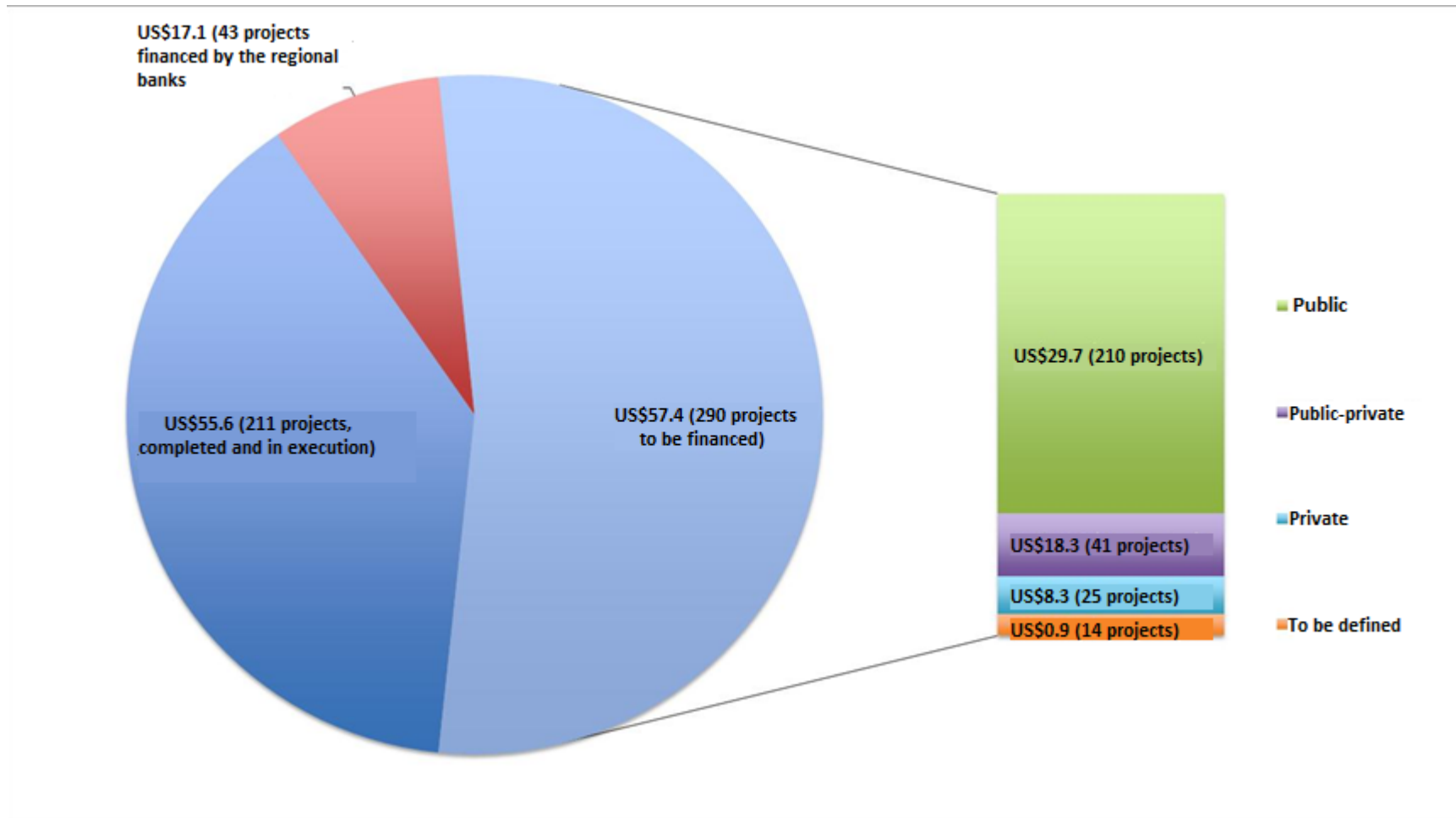


IV ORDINARY MEETING OF THE COUNCIL OF MINISTERS

**FINANCING OF INTEGRATION INFRASTRUCTURE PROJECTS:
(REFLECTIONS FROM THE MEETING OF THE WORKING GROUP ON FINANCING
AND GUARANTEE MECHANISMS)**

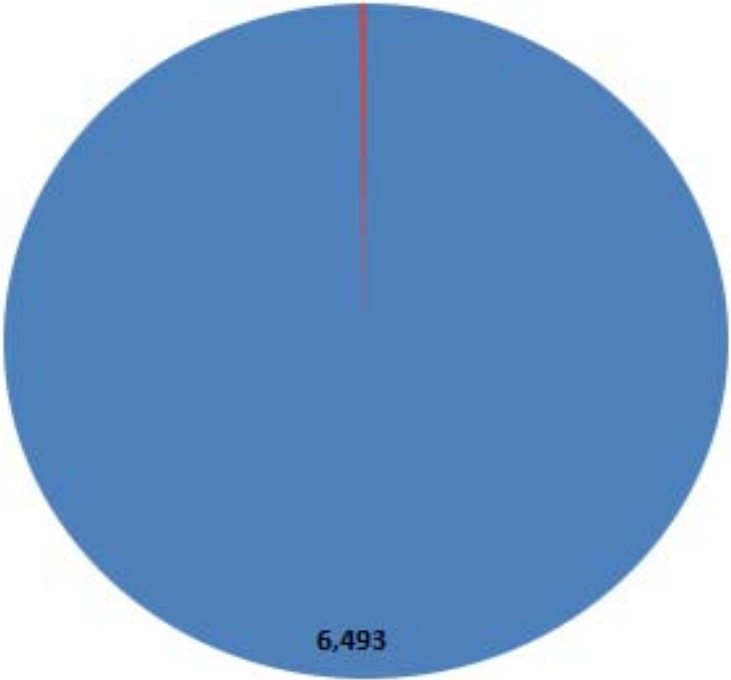
Santiago, November 29, 2013

Sources of Financing of the Total COSIPLAN Project Portfolio (2000-2012) – US\$130 billion



Source: Project Database (2012) and Regional Banks

Sources of Financing of the Individual Projects within the Integration
Priority Project Agenda (API) – US\$17 billion
(2012 Status)



Financial Requirements for Integration Infrastructure – 2012 Status

- The COSIPLAN Project Portfolio is made up of 290 projects, with an investment amount of US\$57.4 billion yet to be funded.
- Sixty of them are the individual projects that belong to API, still requiring an investment of US\$8.0 billion.

Funds Supplied for South American Integration Infrastructure Projects – Historical

- The IDB financed in the 2000-2012 period 30 integration infrastructure projects,* 25 of which are within the COSIPLAN Project Portfolio and involve investments of **US\$10.5 billion**. The IDB financed **US\$4.2 billion**.
- CAF financed, during the 2000-2012 period, 57 integration infrastructure projects,* 17 of which are within the COSIPLAN Project Portfolio and involve an investment of **US\$5.5 billion**. CAF financed **US\$2.2 billion**.
- FONPLATA financed, in the 2000-2012 period, 17 integration infrastructure projects,* three of which are within the COSIPLAN Project Portfolio with investments of **US\$270 million**.

* As defined by the Banks.

Funds Supplied for South American Integration Infrastructure Projects – Historical

- In short, the **annual average** contribution* by the regional banks for the financing of integration infrastructure** in the 2000-2012 period amounted to the following:

US\$ million

	Portfolio	Total
<i>IDB</i>	<i>350</i>	<i>~400</i>
<i>CAF</i>	<i>180</i>	<i>640</i>
<i>FONPLATA</i>	<i>n.a.</i>	<i>n.a.</i>

* 12 years considered.

** As defined by the Banks.

Funds Supplied for South American Integration Infrastructure Projects – Forecast

- According to the mandate granted by its Governors, the IDB has to allocate 15% of the total number of operations in the year 2015 to the financing of **regional integration projects*** (an amount equivalent to **US\$1.8 billion per year**).
- This amount is equivalent to more than four times the historical annual average contribution by the IDB to South American integration infrastructure projects and could finance, with leveraged funds of its own and others', annual investments in the order of **US\$4.5 billion.****
- Furthermore, if CAF were to keep the same historical annual average investment level, with the same leverage, it could finance additional investments of about **US\$1.6 billion**** per year.

* A broader definition of integration infrastructure, covering Mesoamerica as well.

** Considering the historical equity/debt ratio observed in past allocations.

Funds Supplied for South American Integration Infrastructure Projects – Forecast

- Thus, the contributions estimated only for the IDB and CAF would be more than enough to meet all the API financial requirements in the short run, exclusively contingent upon the time required to carry out the works.
- The COSIPLAN Project Portfolio could be entirely financed in less than 10 years.

Major Obstacles

- The establishment of priorities by the countries to select from among their infrastructure projects to submit to the banks those of a national scope, as they usually bring greater socioeconomic and political benefits.*
- Low availability of non-refundable funds for the preparation of projects, which remain at the profiling stage for several years.
- Failure of the countries with poorer fiscal capacity to work out the financial engineering equation to carry them out.

* At a recent Seminar promoted by the IDB on regional integration, of the 26 priority projects in the transport sector presented by 7 countries, 25 were included in the COSIPLAN Project Portfolio and 22 in API.

Some Proposals

Made by the WG on Financing and Guarantee Mechanisms

- Define the concept of a South American integration infrastructure project to be considered within COSIPLAN.
 - Work in coordination with the UNASUR Council on Economy and Finance, as expressed by the Heads of State and Government in the Declaration of Paramaribo.
 - Enlarge IIRSA/CCT with the participation of public financial institutions at the national and regional levels.
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Some Proposals

Other Items to Evaluate:

- Creation of a regional financing program for infrastructure projects
- Creation of a Regional Guarantee System
- Encouragement of national and regional efforts to:

Set, within the regional banks' programs, even in the Bank of the South, exclusive envelopes to finance API projects

Enlarge the non-refundable fund budget to finance the preparation of API projects, with an exclusive envelope

Consolidate the Bank of the South

THANK YOU