

**Roads of gold: the Colombian government wants to improve the country's infrastructure, and it's ready to spend**

**Darcy Crowe**

**On the sixth floor of Colombia's National Planning Department's building in Bogota, Maria Constanza Garcia sits at an enormous desk amid mountains of paperwork and documents nestled amid multicolored files. At first glance, the office could be that of any of Colombia's many civil-service employers. But all those folders are filled with documents key to the economy's health. Garcia, director of the ministry's department of infrastructure and energy, is sitting amid some of the most significant development projects in the country's US\$45.82 billion proposed budget for 2006.**

**Once the government makes \$16 billion in debt payments this year, it will have \$29.82 billion left to spend. Of that figure, 66% will finance social programs that typically are unable to attract private investment. But there are business opportunities, too, for companies looking to the government as a partner, Garcia says. "The biggest opportunity lies in infrastructure," Garcia says. "It represents 5.5% of the budget after discounting debt. If we forget about social programs for a moment, defense is the government's largest investment." Defense spending in 2006 comes to \$1.61 billion, 23.3% more than the year before.**

**Private-sector leaders say companies should think beyond the obvious. "Infrastructure doesn't just mean highways and bridges. There are also telecommunications networks and energy developments," says Jorge Marin, director of contracts at the Colombian Infrastructure Chamber.**

**One project will expand an oil refinery in Cartagena. The government wants to turn Cartagena, on the Caribbean coast, into a petrochemical hub for the region. To do just that, the government will spend \$400 million while private investors are expected to put up another \$250 million to boost refining capacity in a consortium with Ecopetrol, the state-owned oil producer. Oil companies, petrochemical companies, oil-derivative distributors, equipment suppliers and financial institutions will hopefully later invest in Cartagena.**

**Before such a project gets going, the country will need to develop a better network of highways and interstates, Marin says. The Uribe administration has long lobbied for better highways. Its infrastructure-overhaul program, known as Plan 2,500, aims to repave 3,160 kilometers of highways. According to Marin, the highway plan is an important piece of the puzzle. "To improve the highway network, there is still a lot of work to be done and the participation of the private sector is key," Marin says.**

**Concreto, a Colombian construction company, has done business with the government in the past; it participated in infrastructure modernization from 1999 to 2001, says Concreto President Mario Aristizabal. "Since then, government auctions have been on the rise," he says. Most big projects auctioned off have grown to the point that two or three construction companies must unite to form a consortium to participate. Normally, the government receives four or five bids on its larger projects, according to Aristizabal.**

On top of public contracts to build infrastructure, all of which are covered through budgeted funds, the government will sell off eight concessions in 2006 to maintain highways. The winning bidders will invest in, then operate the highways and charge tolls. According to preliminary data compiled by the National Concessions Institute, the government expects investments in highway maintenance concessions will eventually come to \$434.7 million. "For companies lacking experience in these matters, it's often difficult to bid on these contracts. It's necessary to prove you've got the technical knowledge, human resources and most of all, solid financial backing," Aristizabal says.

Many companies like Concreto have carved out niches in the construction and highway-maintenance industries by focusing on specific projects, but they are also anxious for a chance to participate more. It's a reasonable expectation: Transmilenio, a \$719 million plan that will overhaul bus and other public transportation systems in Cali, Cartagena and Barranquilla as well as other cities may just give them that opportunity. Transmilenio is already underway in Bogota, and bidding so far has been successful.

Most of the investments will take place in Cali, a city of 2 million in southwestern Colombia. The government says it will spend \$403 million through auctions to improve public transportation in the city. As part of the nationwide plan, \$288 million will buy a new fleet of buses to be distributed across the country as well as technology that will allow commuters to pay their fares quickly.

"These are opportunities that go beyond simple construction," says Ricardo Anjel, president of the Colombian operations of Computer Associates, a global information technology company. He says Computer Associates in itself is proof: The U.S. software company developed technology networks for Transmilenio in Bogota. Computer Associates will monitor everything from bus-toll collection to how fast the buses travel.

Access. Anjel declined to disclose financial terms surrounding Transmilenio but did say it contributed heavily to the company's 313% revenue-growth it reported in 2005 for Colombian operations. Transmilenio aside, there are other opportunities for tech companies. The Uribe administration has set aside \$39 million to bring Internet service to the Colombian countryside. The government's goal is to bring Internet service to 4,636 rural schools and 188 towns.

Foreigners are coming to make money in Colombia in telecom, too. China's Huawei Technologies is one of them. The company won a handful of contracts from Colombia Telecomunicaciones, the state-owned telephone company, to develop broadband networks in 34 cities in 2005. Work on the country's broadband networks will continue in 2006, says Santiago Quinonez, general manager of Internet operations at Colombia Telecomunicaciones. "We're going to make broadband accessible across the nation," says Quinonez, adding the company surpassed its 2005 goals through a \$76 million investment plan.

Private-sector participation in the country's development will continue to grow, as the government needs the expertise and know-how to be more efficient, says Juan Camilo Chaparro, an analyst at Fedesarrollo, an economic think tank. "In 2006 it looks as if payments and projects will be more and more 'hooked up' with private partners," Chaparro says. The government's development

**policy already calls for private companies to help decide where improvements to infrastructure are needed. In 2004, 78 projects valued at \$11.73 billion came from private-sector analysis.**

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