

# Corruption takes its toll on 4G

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After some fits and starts, debt financing for the Colombian 4G roads programme has come to a virtual standstill as investors wait to see how the government will react to the forced early termination of the second phase of the Ruta Del Sol project.

Corruption is a constant concern for foreign investors looking at allocating to Latin American projects, especially since the Lava Jato investigation in Brazil which exposed a massive bribery scheme led by a consortium of construction companies including Latin America's largest, Odebrecht.

On 21 December 2016, the US Department of Justice announced that it had reached a plea agreement that would see Odebrecht ushered out of the Ps 2.4 billion Ruta Del Sol II project after discovering that the company had been bribing government officials in exchange for concessions contracts. In all, the justice department has said that Odebrecht paid as much as \$11 million in bribes in Colombia.

### Awaiting payout

The road is being paved for the Colombian government to pay the consortium developing Ruta Del Sol II, but there are two things that need to happen before that can occur, according to Grupo Aval chief executive Luis Carlos Sarmiento Gutierrez.

First, the consortium needs to terminate 70% of the 3,300-member workforce that is constructing the project. So far, 8% of the workforce has been let go.

Second, the company has to pay 70% of what it owes to suppliers, which is complicated by the fact that Odebrecht is among the suppliers looking to be paid, and "there's a bit of push-back from the government allowing payment to Odebrecht—they're not seen in the best light in Colombia these days."

Gutierrez said that he expects the first payment from the government to be made in the next four to six weeks, and that at that time a schedule of future payments is likely to be set in stone, at which point, money is likely to start flowing into 4G projects.

### Not the end of the road

Of note is that Ruta Del Sol was tendered as part of the 4G programme, and as such, the project contract does not have many of the clauses on early termination, according to Colombian development bank Financiera de Desarrollo Nacional (FDN) chief financial officer Maria Clemencia Sierra.

She was quick to point out that despite the Ruta Del Sol situation, investors have not been deterred. BlackRock closed on [a \\$344 million Colombian debt fund](#) in May, and she said that a large Canadian pension fund is exploring the possibility of launching an equity fund to back infrastructure projects. What's more, CAF and IADB are contemplating a possible [Pacific](#)

[Alliance fund.](#)

In anticipation of a potential \$100 million infrastructure pipeline, global engineering, management and development firm Mott MacDonald announced [the opening of a Bogotá office](#) earlier this week.

To date, eight 4G projects have reached some semblance of financial close of the 23 that have locked in financial commitments from Colombia infrastructure agency ANI and 31 that have been awarded. Even with the Ruta Del Sol-instigated market pause, five projects are expected to reach financial close this year, and another eight are said to be likely to close on debt in 2018.

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