

# Five reasons to invest in Chile

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Santiago's  
Gran Torre with the  
backdrop of the Andes

**I**nternationally recognised for its strong, dynamic and transparent economy, Chile bets on infrastructure investment, where the contribution made by the concession system has played and continues to play an important role.

Considering the level of development that Chile wishes to reach by 2030, the Ministry of Public Works presents the projects set for 2016-17, and invites British industry to become part of this successful public-private alliance.

## 1. A firm, trustworthy and competitive country

Chile is renowned within Latin America as a trustworthy, transparent and strong country, among other characteristics. This is a result of permanent and unconditional support for the rule of law, the consolidation of a firm democracy and respect for a series of international treaties, trade agreements and commitments made with a wide number of national and international partners, and for the trust they place on our country, year after year. For instance, Chile presents a low level of risk for investors within Latin America and has one of the highest grades amongst the emerging economies: A+ according to Fitch Ratings, Aa3 according to Moody's, and AA- as per the ratings of Standard & Poor's.

In the same context, the *Global Competitiveness Report 2015-16* placed Chile 35th among 140 economies, considering Chile's strengths in terms of financial market development (21st at a worldwide level), the macroeconomic environment (29th) and the quality of our institutions (32nd) and infrastructure. On the other hand, Chile has been able to maintain an average growth above 5 per cent for the last 30 years, with public investment in infrastructure contributing significantly to reaching these figures.

Although GDP growth projections were reduced in 2016, the president of the Central Bank of Chile has stated that despite this reduction, all the necessary precautions have been taken so that under a more favourable external environment, and with an expected recovery in the current investment climate, the national economy could expand closer to its potential of 3.5 per cent.

## 2. Our long-term objective: Chile a developed country in 2030

All public works carried out by the Government through the Ministry of Public Works are part of the *Infrastructure Agenda for Development and Inclusion, Chile 2030*, published in June 2014 by the President of the Republic of Chile, Michelle Bachelet.



From investments made through public financing and concessions, our Ministry is focused on 2030, when as a country we aim to reach a per capita income of over US\$30,000 and a development level similar to Italy, Spain, Slovenia or New Zealand, among others. In this sense, we consider infrastructure as a means to reach these proposed goals.

To do so, Chile signed an agreement with the Organisation for Economic Co-operation and Development (OECD) in order to identify all the gaps and infrastructure challenges that would permit our country to go forward in this area. This alliance enables Chile to have an international seal of quality when planning public works to be developed in the long term.

### **3. Public-private partnerships: a successful alliance for the State, Chileans and the Private Sector**

The public-private partnership scheme for the concessions of infrastructure works is a successful alliance, which has permitted, throughout its 21 years, the development of more than 82 projects throughout the entire country. Nearly 3,500 kilometres of urban and intercity motorways, 11 airport terminals, two dams and five hospitals have been built. With an investment of almost US\$19.0 billion by the private sector, concessions have significantly contributed to the development of the country, thus generating thousands of jobs and providing dynamism of the national economy.

However, in the last two decades of concessions operations, investment in our country averaged US\$900 million per year. Conscious of the importance of investing heavily in infrastructure (contributing to the country's productivity and thus paving our way to development), Michelle Bachelet's government succeeded to invest US\$1.1 billion during the administration's first year; US\$1.58 billion in the second year; and aiming to tender 13 projects for more than US\$4.1 billion in the government's third and fourth years.

### **4. 2016-2017 investment opportunities: 13 projects for US\$4.1 billion**

Once the relevant call for bids begin, both national and international companies and consortiums will be able to participate, as in previous years, with optimum results. These 13 initiatives include interesting investment opportunities in various public infrastructure sectors throughout the country. The objective is to obtain a balanced and inclusive development within the territory.

In the north of the country, for example, our 2016-2017 concessions portfolio includes the biddings for the Loa motorway (US\$200 million) and the Los Vilos-La Serena motorway (US\$225 million).

To achieve a better connectivity and a modern public transport system in the central region, we have put out for tender the following: "Vespucio Oriente 2", an extensive ring road within the Santiago Metropolitan Area; the Bicentennial Cable Car in Santiago (US\$80 million); the Camino de la Fruta Highway (US\$600 million); the Costanera Central highway (US\$1.0billion); and the connection between routes 68 and 78 (US\$220 million).

In addition, the following projects will enhance and give a better infrastructure to the Southern region of Chile: the Nahuelbuta Highway (US\$254 million); the Airport of El Tepual in Puerto Montt (US\$60 million); and the Metropolitan Highway of Puerto Montt (US\$340 million).

### **5. Concessions: a long-term relationship between strategic partners**

The Chilean model of concessions is characterised by robust institutions with clear rules.

Between the State, the company or concessionaire and the financial system, a long-term relationship is established through a concession contract. The duration of this agreement can reach up to 50 years, allowing them to develop multiple improvement initiatives during the period of concession. The concessionaire finances the work through the financial system, hence the company or consortium shares the risks with the State of Chile. Similarly, the concessionaire earns revenue during the contract period from payments from users of the public work and from direct subsidies from the State.

Given this long-term relationship and sharing of risks, it has been necessary to design specific management tools, such as Guaranteed Minimum Income (GMI); exchange rate hedging (US\$, euro); income distribution; special pledge on public works; and Infrastructure bonds; sparking investment for new infrastructure and a series of subsidies that allow the concessionaire to achieve the respective work.

In order to further strengthen our institutions, the government sent a bill to the National Congress to create a General Directorate of Concessions. This new figure considers, among other benefits of the industry, the creation of an infrastructure fund of approximately US\$10 billion (to finance new public works) and a plan of concessions with a prospect of a five-year timeframe. Furthermore, this General Directorate of Concessions would increase their capabilities of management, organisation and supervision – tools which will make it possible to maintain a powerful rhythm of concessions of high standard and, simultaneously, sustainable over time.

We welcome the experienced British private sector to participate actively in this successful public-private partnership.

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