









Letter to the reader by **Flavia Santoro Trujillo**, President of ProColombia

Investment in infrastructure, a bet on competitiveness

From minute one of the administration of President Iván Duque Márquez, the National Government has recognized that attracting investment in infrastructure is an essential factor for increasing the country's competitiveness.

This is a purpose that cuts across ProColombia's mission, as it not only impacts the goals we have set for the arrival of foreign capital to our territory, but also guarantees the permanent functioning of logistic supply chains, facilitates the export of Colombian goods and services, which translates into reduced time and costs, and allows us to offer friendlier experiences for international tourists.

Hence the importance of betting on the improvement of ports, airports, roads and railroads nationwide.

At ProColombia we are doing our best to publicize the advantages and opportunities we offer as an investment destination in the sector, a task that is yielding very positive results.

So far in the Government of President Iván Duque, that is, between August 2018 and October 2021, from ProColombia, we have accompanied the attraction of 33 new initiatives to this sector, with business for more than USD 5,229 million.

These projects impact regions such as Antioquia, Atlántico, Bogotá, Bolívar, Cundinamarca, La Guajira, Meta, Norte de Santander, Quindío, Santander and Valle del Cauca.

Of course, the attraction of foreign capital to our territory establishes a win-win relationship between the investor and our country, because while multinationals contribute to competitiveness and our economic reactivation, Colombia offers an attractive package of conditions that make us an optimal investment destination.

Among them, economic and political stability stand out, not in vain we are the oldest democracy in the region; historically, we have stood out for the responsible management of public finances; we have a competent workforce, and we are led by a government that firmly believes in entrepreneurship, business development and innovation.

But to go even further, far from being a conjunctural matter, in Colombia the attraction of investment is a policy that goes beyond governments, to become a firm commitment of the State.

So I invite you to read this document carefully, which is a valuable tool to become familiar with the reasons that make our country an ideal investment destination.

Always count on ProColombia to ensure that your projects in Colombia are reflected in sustainable, prosperous and profitable businesses that favor employment and regional development.



Letter to the reader by **Ángela María Orozco**, Minister of Transportation

Infrastructure for Economic Empowerment

The development of transportation infrastructure generates an extensive productive chain that includes the creation of direct jobs, and involves the use of a variety of inputs from sectors such as industry, commerce, private and social services, financial intermediation, among others. This implies that, in turn, indirect jobs are generated, which is why investment in infrastructure represents one of the driving forces for the country's economic recovery and repowering, in order to face the social and economic crisis caused by COVID-19.

According to the study "Impacto macroeconómico y social de la inversión en infraestructura en Colombia", published by Fedesarrollo in 2020, a 0.5% per year in infrastructure investment, generates on average an increase in GDP growth of around 0.8% per year, without including the long-term effects associated with changes in productivity and efficiency in the different sectors, generating that the long-term effect is even greater. According to estimates of this same study, for each additional trillion pesos invested in infrastructure, the sector generates 28,000 jobs.

Hence, the National Government has developed a major strategy to reactivate the country's economy and boost its social impact through the "Commitment for Colombia" strategy. This strategy consists of 81 projects that will have an impact throughout the country, with an investment of more than 75 trillion pesos over the next decade, generating more than one million direct, indirect and induced jobs.

The projects of Compromiso por Colombia are divided into five programs, of which three, "Conclude and Conclude", "Roads to Legality" and "Morrosquillo Pact", will be executed by the Instituto Nacional de Vías (Invías). It is important to point out that the National Government is investing close to 11.5 billion pesos in the first two projects. In turn, of the 50 projects that are part of these two programs, 46 have already been awarded and several of them have already started work, generating close to 105,000 direct jobs throughout Colombia.

Another of the National Government's bets that is part of the Commitment for Colombia strategy has been the Bicentennial Concessions, also called the Fifth Generation of Concessions, which has been based on institutional, financial, social and environmental sustainability. Fourteen projects are part of this program: seven road, four airport, two river and one railroad. For the first time, a concession program includes projects in different modes, which demonstrates the National Government's firm commitment to intermodality to boost the country's future competitiveness. These 14 projects have an estimated investment of around 21.8 trillion pesos.

We cannot talk about transportation infrastructure and not mention the country's tertiary roads, those that connect the country's small municipalities with the major centers of production and consumption. These roads have been another of President Iván Duque's big bets in terms of connectivity, for which investments of close to 4.2 trillion pesos have been defined through different programs and strategies, a historic figure for this network. To understand the magnitude of this figure, it should be noted that usually the annual budgets for the tertiary network throughout the country in the national budget barely reached 100,000 million pesos.

Likewise, it should be highlighted the significant progress with the reactivation of works and projects of the fourth generation, where as of August 2021, we have reached 58.5% of progress in the projects, 42.4 percentage points more than how they were found. In these projects, \$28.4 billion has been invested in CAPEX, which is equivalent to 60.2% of the total of the 4G, where \$20.5 billion have been invested during this government. We have delivered two projects and expect to deliver close to 16 more 4G projects before the end of the term of President Iván Duque's government.



In conclusion, investment in transportation infrastructure is an ideal ally to boost the economy, increase employment and improve productivity and competitiveness. The National Government, particularly from the transportation sector, has a firm commitment with the reactivation and economic revitalization, to achieve a better connected and more competitive country, where citizens can enjoy the works that belong to them.

Letter to the reader by Juan Martin Caicedo Ferrer, president of the Colombian Chamber of Infrastructure

The virtuous triangle of infrastructure

The generation of transportation infrastructure over the years has been consolidated as a State policy that, it must be said, is the product of the commitment of several governments that believed in the premise of building on what has been built.

The development of the sector is due to the positioning of what, from the guild, we have called the virtuous triangle. A graphic expression that is no different from the three pillars that have supported the evolution of the industry during the last governments and that have become more solid with the passing of time.

First of all, it is worth mentioning, within the faces of the triangle, the progress and modernization of a well-thought-out regulatory framework, which has overcome barriers in terms of project execution. Since the creation of the ICC 18 years ago, together with the State, we initiated a modernization process that, congratulations, has made it possible to outline the navigation chart that currently governs this industry: we built, hand in hand with the Government, Law 1508 of 2012 on public-private partnerships, which, among other things, establishes payment against delivery of the works and the efficient allocation of risks between the parties; there is also Law 1682 of 2013, which establishes tools for the proper structuring and execution of projects, and finally, Law 1882 of 2018, which enshrined the figure of standard documents for the contracting of infrastructure projects for public works and develops the regulatory improvement for the property and environmental management of projects.

The aforementioned regulatory transformation has gone in parallel with an undeniable institutional strengthening of the sector. Plausible, for example, is the creation of entities such as the National Infrastructure Agency (Agencia Nacional de Infraestructura -ANI), which replaced the old Inco which, for various reasons, saw a dozen different directors in just seven years of life.

This institutional modernizationalso made it possible to conceive a development bank such as the Financiera de Desarrollo Nacional - FDN which, in its short existence, has contributed to the mobilization of resources for the sector and has guaranteed an important presence in international markets. In addition, the Vice-Ministry of Infrastructure was created, which has stood out for promoting multimodal transportation infrastructure over the last ten years.

The third pillar of this virtuous triangle arises as a consequence of the two previous ones, and corresponds to the increase in investment in the infrastructure sector and the contribution it makes to the growth of the economy. While the average investment in the sector was close to 1.9% of GDP at the end of the 1990s, today the average is close to 3.4% of GDP. Among other reasons, this is due to the increase of resources from the National General Budget for infrastructure projects, as well as the greater participation of investment funds and national and international banks in the Colombian industry.

Additionally, the participation of civil works GDP in the total GDP has grown 60% since 2006. From 1.3% in 2006, it has managed to represent 2.1% of total GDP in 2019.

The advances mentioned here have been the product of an alliance, which happily continues between the National Government and the private sector, represented by the Colombian Chamber of Infrastructure.

Thus, as a representative of the guild, I extend an invitation to all the companies that are part of the industry to continue betting on this objective that, for the better, has changed the face of the infrastructure map that is drawn throughout the length and breadth of the national geography, and that has a clear horizon: to make the Intermodal Transportation Master Plan 2015-2035 a reality.



Letter to the reader by **Libardo Bueno**, Government & Infrastructure Lead Partner for EY Latin America North

Infrastructure as part of a better business world

For EY Colombia it is a pleasure to present the "Colombia Infrastructure Investment Guide" that we worked on and prepared in collaboration with ProColombia and the Colombian Chamber of Infrastructure, with which we reaffirm our commitment to contribute to the progress of the country and the growth of companies.

This is a key document whose main objective is to make an x-ray of the infrastructure sector in our country and offer a real and current vision of the Colombian market that motivates entrepreneurs to take advantage of the opportunities that are emerging in the scenario of the economic reactivation to which the Government is betting.

We speak of reactivation because it is no secret that although Colombia has been characterized by governments committed to the development of private activity and the attraction and protection of investment, which has allowed us to stand out in the region as a strategic destination for relocation and expansion, during the COVID-19 pandemic, our economy, aligned with the global dynamics, was hit and in the post-pandemic, it needs to be revitalized and potentiated again.

To achieve this economic and commercial renaissance, in addition to the ground gained since Colombia's accession to the OECD, the Government has focused on attracting capital through the creation of facilitation tools for the establishment and expansion of investments to achieve greater productive efficiency in companies and the development of high-impact mega-investment projects.

This is in addition to the policy of negotiating and concluding International Investment Agreements (IIAs), including Agreements for the Promotion and Reciprocal Protection of Investments (APPRI), as well as Free Trade Agreements (FTAs) that contain investment chapters. The subscription of this type of international treaties represents an important commitment on the part of the State to treat foreign investments in

its territory in an adequate and respectful manner under internationally accepted standards.

Thanks to this, as evidenced by the World Bank's Doing Business 2020 report, Colombia ranks third among the best countries to do business in Latin America, surpassing Costa Rica, Peru, Panama, Uruguay, Brazil and Argentina, among others.

With these guarantees, we can only hope to be a support in the planning and execution of large projects that, in addition to giving a new breath of fresh air to the economic apparatus of our country, will allow us to close the infrastructure gap and provide adequate and quality services to all Colombians.

Thus, and to reinforce the main purpose of this guide, which is to be a useful tool for private investors, banks and other financial institutions, multilateral organizations and government entities interested in exploring and evaluating Colombia as a viable destination for their capital.

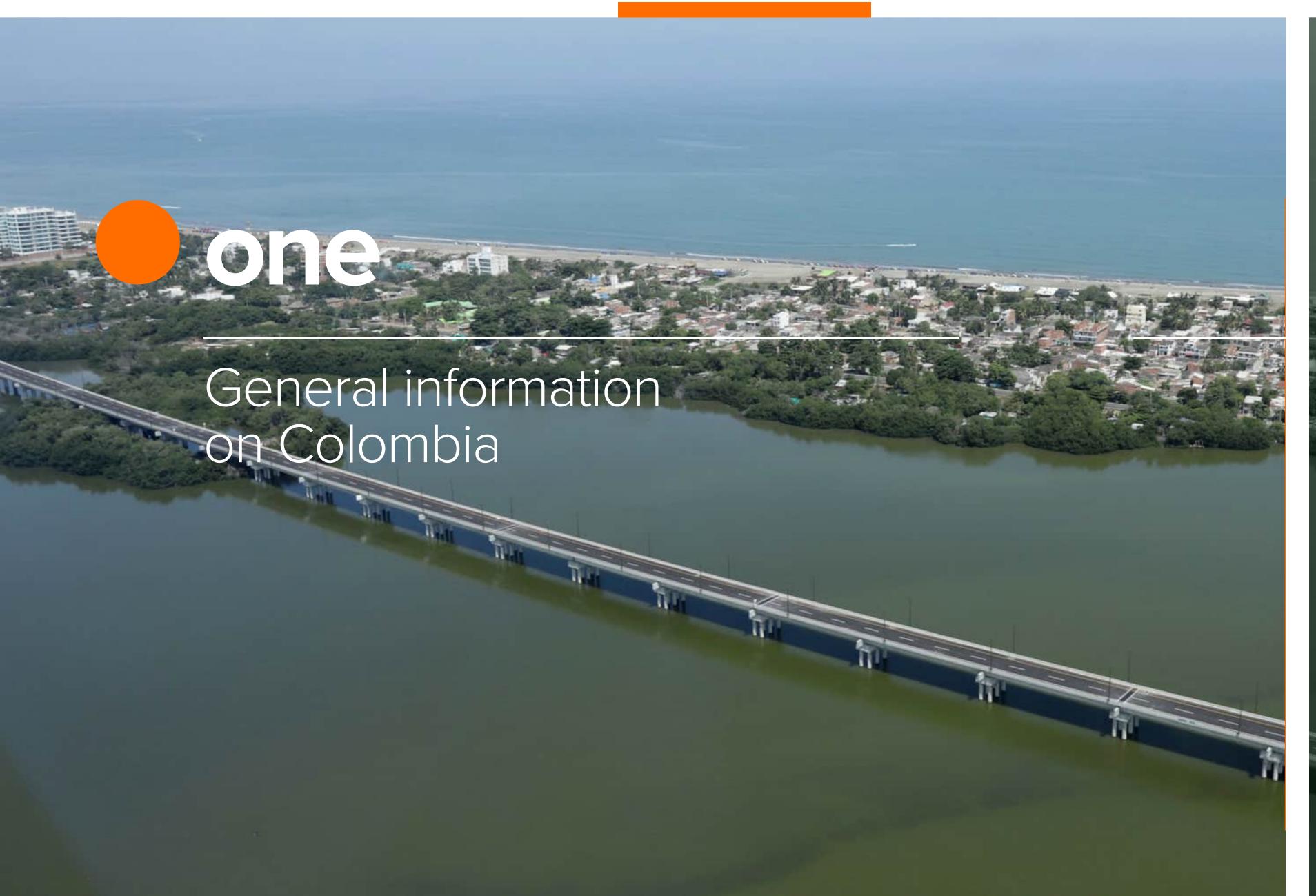
At EY we mobilize our highly specialized knowledge of the sector through management, process, risk, legal, tax and financial advice for the prioritization, structuring and financing of infrastructure projects. To this end, we permanently implement international best practices and proven methodologies to guarantee the success of our clients and the quality of the projects we structure, thus generating confidence in the market and contributing to create a better infrastructure business world for Colombia.













Summary

The Republic of Colombia is a social state under the rule of law, unitary, democratic, participatory and pluralistic with separation of powers. The President is elected by popular vote for a four-year term.

President of the Republic 2018-2022: Iván Duque

Márquez.

Politicaladministrative division: 32 departments and Bogotá, Capital District.

Official time: GMT + 5 hours **Currency:** Colombian Peso

Population: 48,258,494* (Census 2018) 2020 Estimate: 50,372,424 Inhabitants.

Territorial extension: 1.141.748 km² Maritime extension: 928,660 sq. km

borders: 2,219 km with Venezuela, 1,645 km with Brazil, 1,626 km with Peru, 585 km with Ecuador and Haiti. and 226 km

Land

Maritime

boundaries: Costa Rica, Nicaragua, Dominican Republic

Language:

Spanish (Official) plus a total of 65 languages of indigenous peoples, the two Creole languages spoken Honduras, Jamaica, by the Community of San Basilio de Palenque, Raizales of the archipelago of San Andrés and Providencia and the Rom language of the gypsy people.

Religion:

Freedom of worship. Catholic majority.

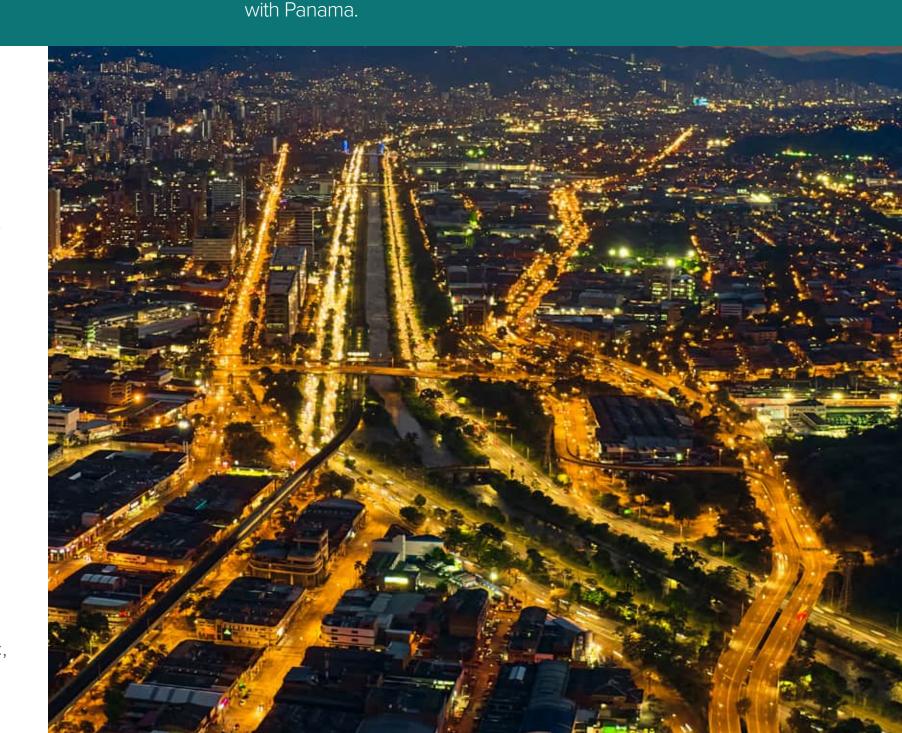
Sources: Chancellery, DANE

Government

Colombia is a Social State governed by the rule of law, as established in the Political Constitution of 1991, organized as a unitary, decentralized, democratic, participatory and pluralistic Republic, with autonomy of its territorial entities.

The Colombian State is organized into three branches of public power: the Executive Branch, the Legislative Branch and the Judicial Branch; and has autonomous and independent bodies for the fulfillment of the other functions of the State. The different organs of the State have separate functions but collaborate harmoniously to achieve their purposes.

The Executive Branch is made up of the National Government, the governors' offices (executive authority of the Departments), the mayors' offices, the superintendencies (in charge of exercising inspection, surveillance and control as assigned by law or delegated by the President) and the State enterprises. The National Government is composed of the President of the Republic, who is the Head of Government and Head of State and is elected for a term of 4 years directly by the Colombian



The Intermodal Transportation Master Plan is Colombia's roadmap from 2015 to 2035 for the definition of strategic projects to integrate the territory and strengthen competitiveness.

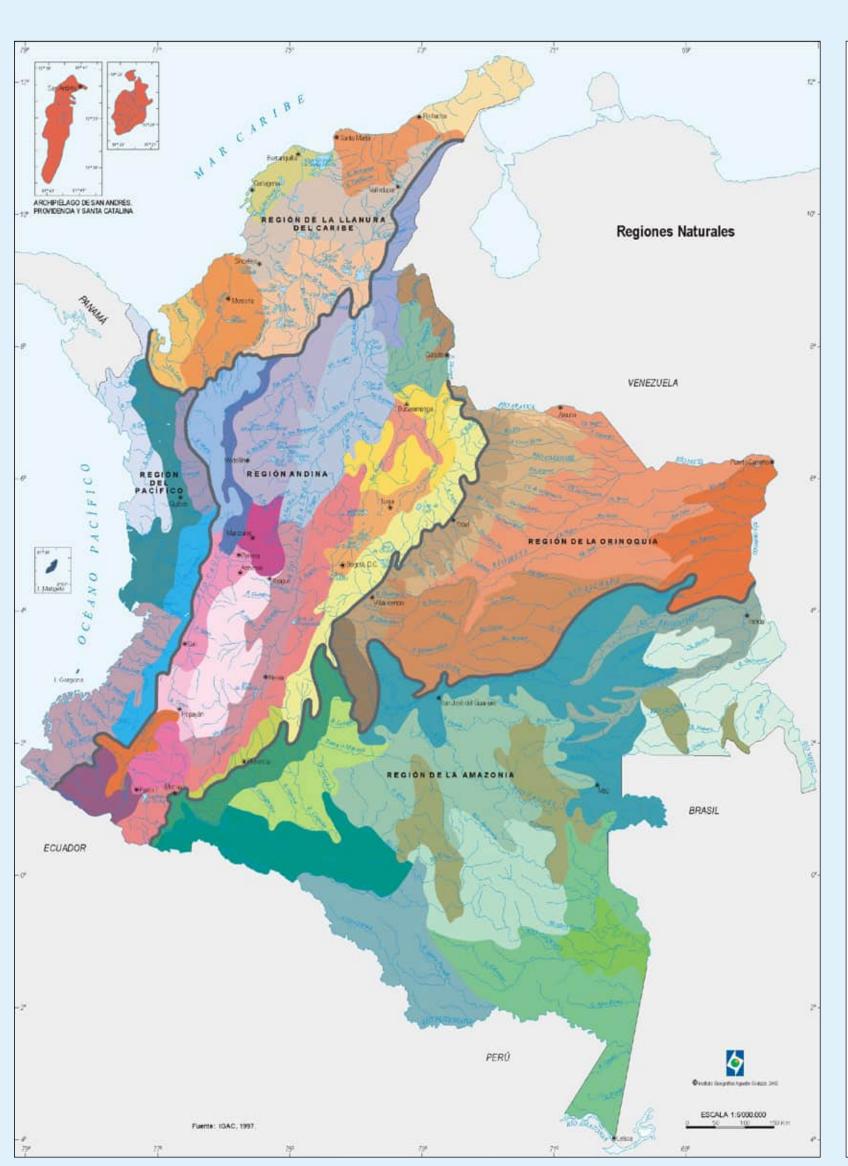
people by means of a universal vote, which is a duty of the citizens, the ministers and directors of administrative departments.

The Legislative Branch is formed by the Congress of the Republic, whose functions are to reform the Constitution, make laws, exercise political control over the Government and the administration and exercise certain judicial functions. The Congress of the Republic is bicameral, composed of the Senate of the Republic and the House of Representatives. The members of Congress are also elected directly by the people through the exercise of the vote.

The Judicial Branch is made up of the three high courts: the Constitutional Court, the Supreme Court of Justice, the Council of State, the National Commission of Judicial Discipline, the Attorney General's Office, the Courts, the Judges and the Military Criminal Justice.

Among the autonomous and independent agencies are control bodies such as the Public Prosecutor's Office and the Comptroller's Office, as well as the National Electoral Council and the Bank of the Republic.

The current President of the Republic of Colombia is Iván Duque Márquez, elected in 2018 and whose term ends on August 7, 2022.





Territory and Geographic Location

Colombia is a point of connection between the countries of North and South America. It is located in the extreme north of South America, with coasts on the Caribbean Sea to the north and on the Pacific Ocean to the west, and shares borders with Panama, Venezuela, Ecuador, Peru and Brazil.

Its location, in the middle of the continent, allows access to the main ports of America, in efficient times. In addition, Colombia has more than 4,500 maritime export routes and access to 680 ports in the world.

The national territory has an extension of 1,141,748 km2 distributed in 32 departments, 1123 municipalities and 5 districts. The maritime extension of the country is 928,660 km2. As can be seen in the image, Colombia has six major natural regions: Andean, Caribbean, Pacific, Orinoco, Amazon and Insular. The national territory gathers all the environments of the tropics due to its topographic diversity: beaches, plains, mountains, jungles, deserts and glaciers.



Nation

Colombia has the third largest population in Latin America with nearly 51 million inhabitants. 57% of the population is between 15 and 54 years old. The national population is distributed 77.1% in urban areas, called cabeceras municipales, and the other 22.9% in populated or dispersed rural areas. It is estimated that there are 115 native indigenous peoples in the national territory, representing 4.4% of the country's total population, totaling 1,905,617 indigenous people of all peoples. The black, Afro-Colombian, Raizal and Palenquero NARP population is estimated at 4,671,160 people, or 9.34% of the country's total population. The indigenous and NARP population is located mostly in the Caribbean and Pacific regions. Additionally, it is estimated that the population that is recognized as gypsy or Roma is 2,649 people.

The official language of Colombia is Spanish. The languages and dialects of ethnic groups are also official in their territories. In Colombia there are approximately 68 native languages spoken by about 850,000 people.

According to UNESCO, as of 2018 the literacy rate in Colombia of the population over 15 years old was 95.1%.

Sources: DANE - National Population and Housing Census 2018; Quality of Life Survey 2018.

Political Constitution of Colombia of 1991.

UNESCO Institute for Statistics.



Economy

* Projection

GDP per capita PPP (2020):USD 14.323,9

GDP per capita PPP (Projection 2021) : USD 15,184.2 Inflation rate 2020: 1.6%

Inflation projection 2021: 2.5%

Average TRM 2021 (January -June):

COP 3,625 per USD

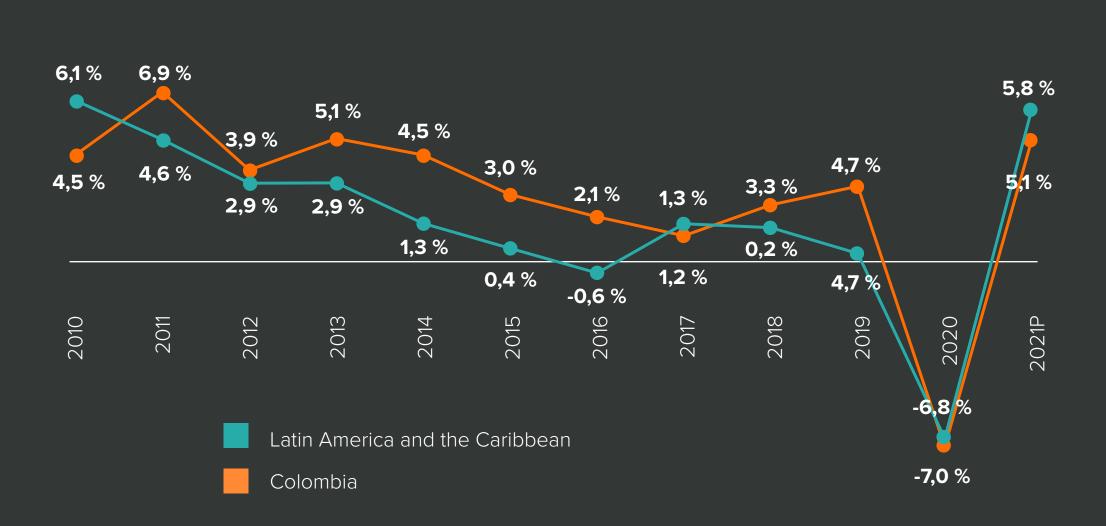
GDP projection 2021:

- IMF 5.1%
- World Bank 5.9%
- OECD 7.6%

Multiple economic development poles:

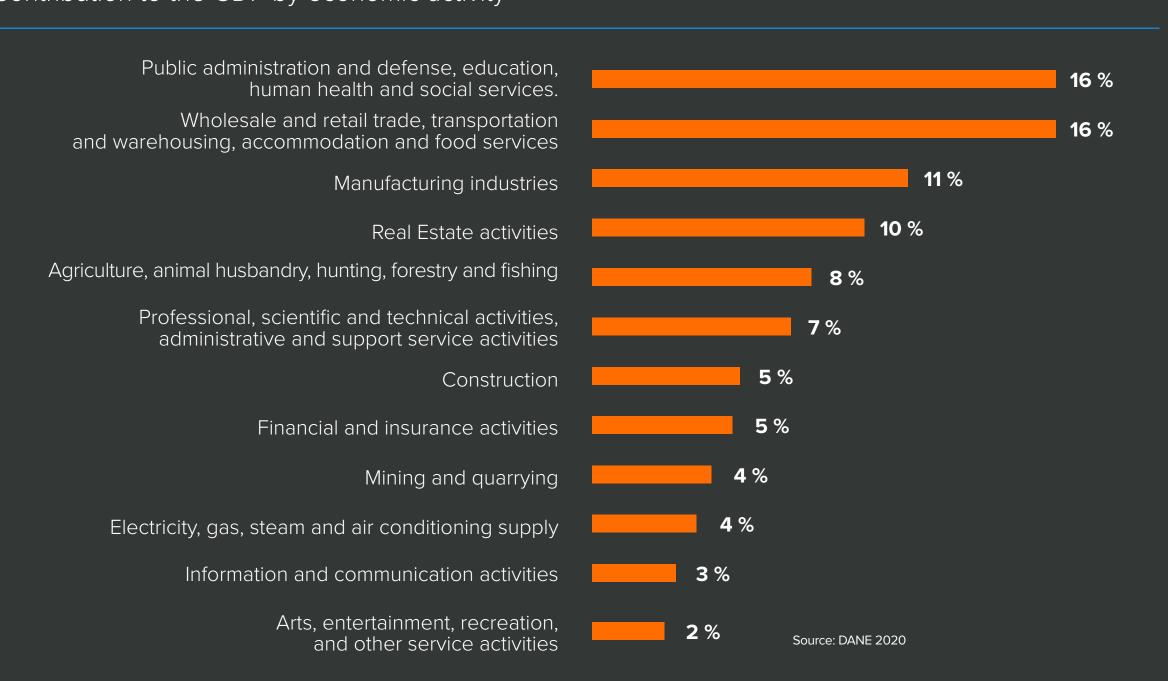
- Bogota 7.8 million
- Medellín 2.5 million
- Cali 2.2 million
- Barranquilla 1.2 million
- Cartagena 1.0 million

Graph 1.Colombia's GDP growth compared to the region 2010-2021*.



Graph 2.

Contribution to the GDP by economic activity



Source: WEO April 2021 Update July 2021 – IMF

Foreign trade

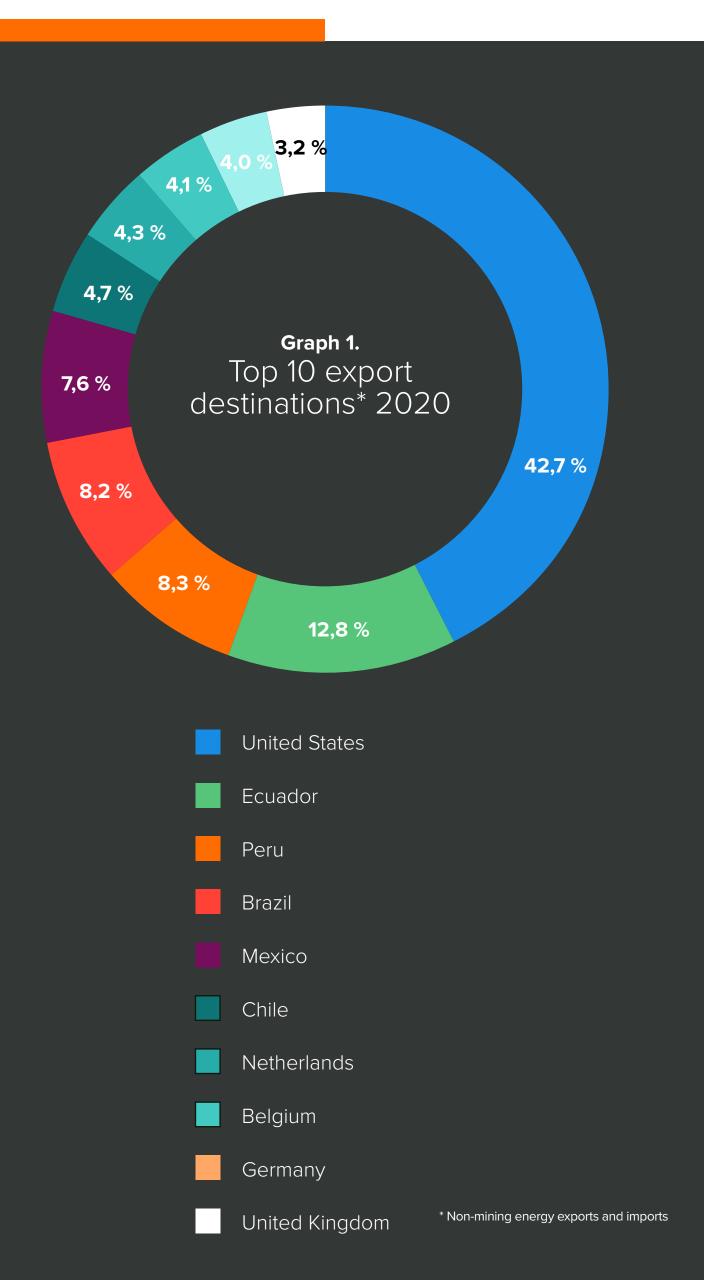
Graph 3.

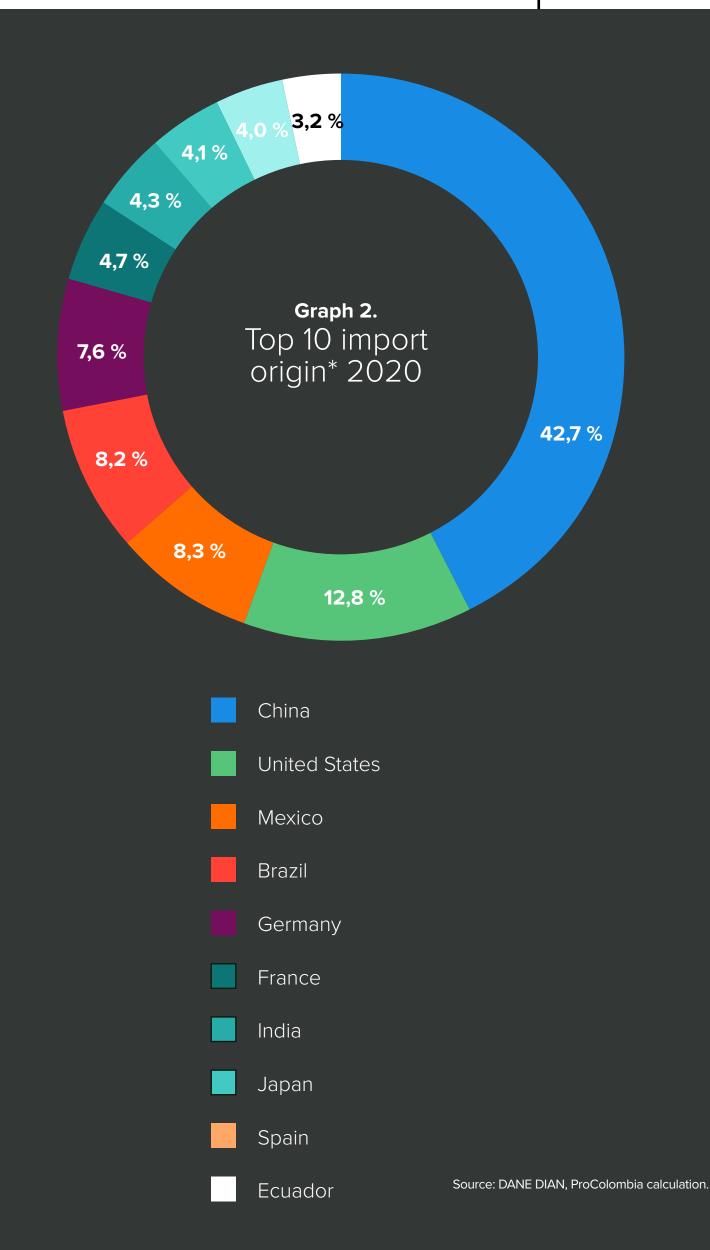
Trade balance 2020 (USD million FOB)

31,056 exports

41,185 imports

-10,130 trade balance





1.2. Macroeconomic panorama of the country

Political and economic stability

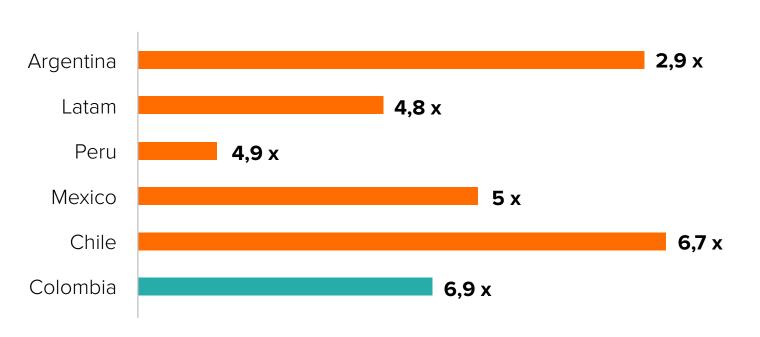
Colombia has been characterized by the continuity of its democracy and political stability throughout its history, with governments that have been committed to the development of private activity and the attraction and protection of investment.

Macroeconomic management, fiscal and monetary policy, as well as the conditions of stability, legal security and investment guarantees, have allowed Colombia to stand out in the region as a strategic destination for relocation and expansion.

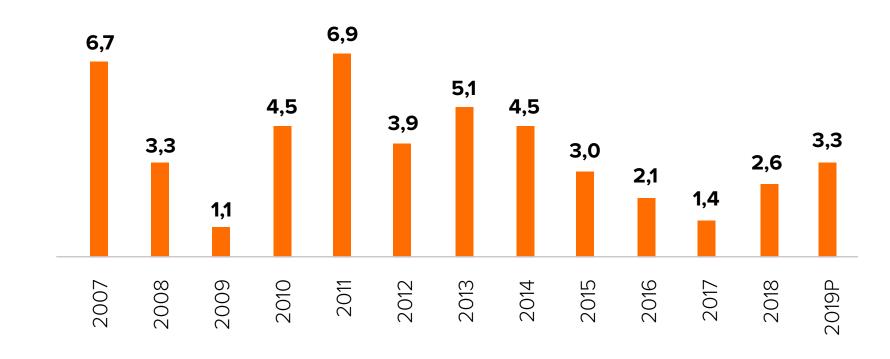
The Colombian economy has registered growth through 2019, even during years such as 2009 and 2017 when the global economy suffered contractions. Colombia's GDP presented a steady growth trend through the first quarter of 2020 that has positioned the country as a stable and relatively strong economy.

In fact, before the effects caused by the COVID-19 pandemic, Colombia stood out for having sustained economic growth over the last 50 years, during which it has multiplied its GDP by 6.9.

Graph 5.GDP growth over the last 50 years.



Graph 4. Volume growth rate..



Source: Anif calculations based on DANE and World Bank.

In 2019, Colombia's GDP grew above the average for Latin America and the Caribbean; while the country grew 3.3%, as a result of a solid increase in consumption and investment, the region registered a zero growth rate.

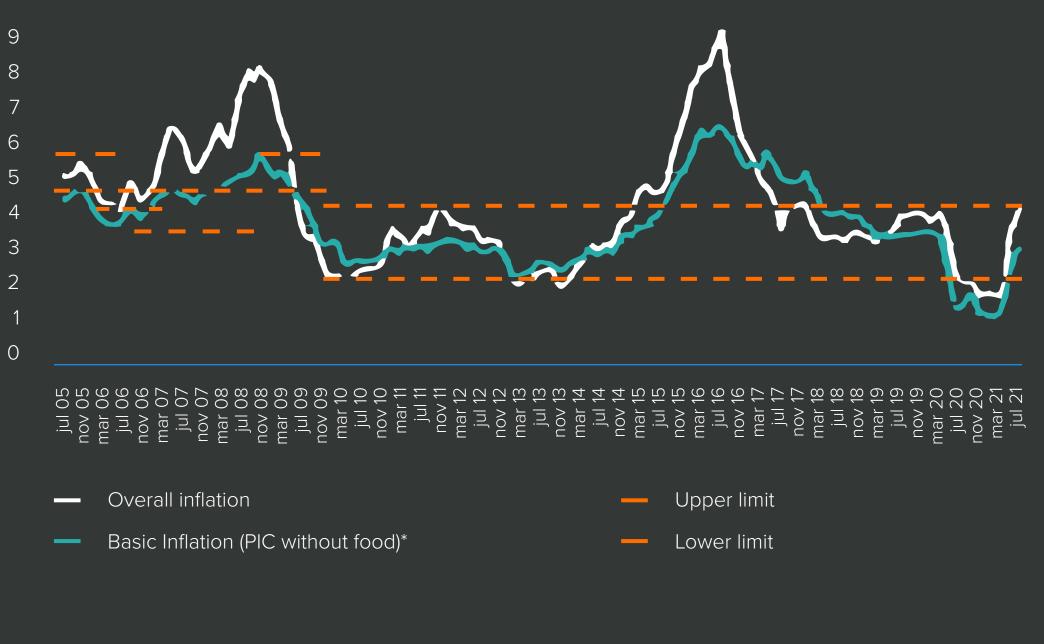
In fact, according to IMF estimates, the country's growth was on track to accelerate further in 2020, had it not been for the effects of the COVID-19 recession. Even so, the measures taken by the government are aimed at recovering the upward growth that the country had been experiencing in previous years.

Finally, the Colombian economy is characterized by an inflation targeting regime, with a ceiling and a floor, a flexible exchange rate and prudent fiscal rules, all of which have contributed to Colombia's stability.



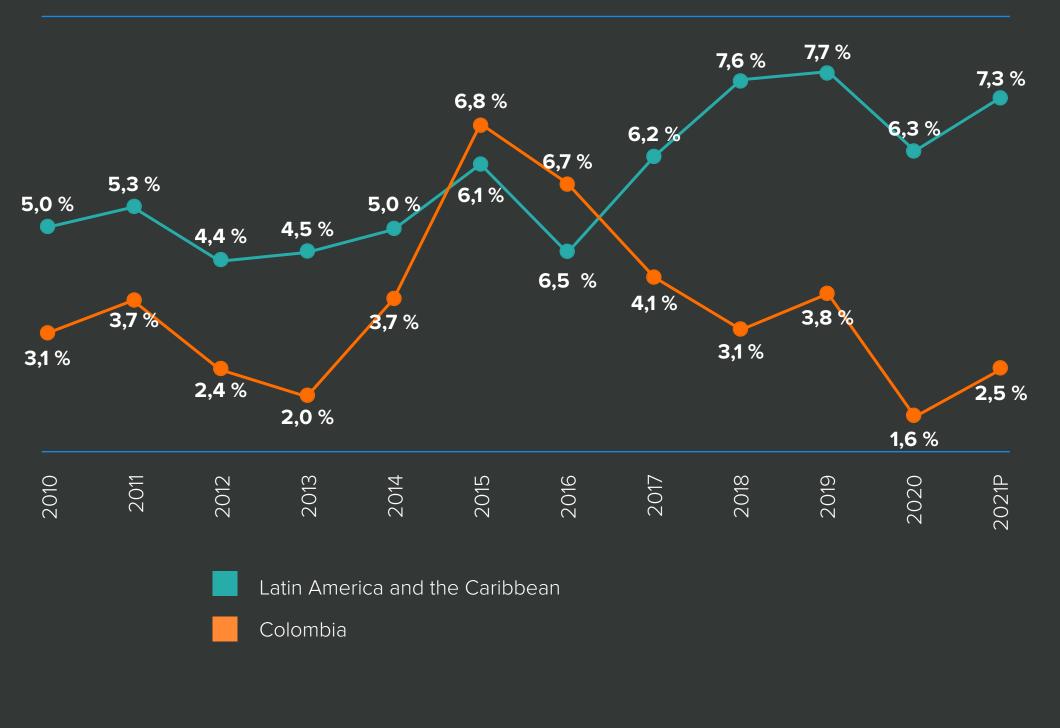
In 2019, Colombia's GDP grew above the average for Latin America and the Caribbean; while the country grew 3.3%, as a result of a solid increase in consumption and investment.

Graph 6.
Inflation in Colombia (2005-2021)



Source: CPI-DANE; inflation target; Board of Directors of Banco de la República.

Graph 7.
Inflation in Colombia, compared to the region



Source: WEO April 2021 - IMF

COVID-19 Measures, Projections and Economic Reactivation

In the face of the pandemic, the Colombian Government has provided timely and responsible management of the crisis and has managed to contain the impact on public health in the country. Thanks to this, since August 2021, after the third peak of the pandemic, active cases, new infections and deaths continue to fall.



Vaccination

Colombia secured for its citizens the necessary doses of vaccine for COVID-19 through bilateral and multilateral mechanisms, with which it planned to vaccinate the population in 2 phases and 5 stages, prioritizing risk groups and thus progressively reaching 35 million vaccinated Colombians. The first phase comprises three stages: in the first stage, the first line of health human talent and adults over 80 years of age; in the second stage, other health workers and support personnel who do not work in COVID-19 care and persons between 60 and 79 years of age; and in the third stage, persons between 50 and 59 years of age, educational personnel, military and police forces, indigenous guards and persons between 16 and 59 years of age with comorbidities. The second phase comprises the other two stages, stage four, which includes persons between 40 and 49 years of age, persons deprived of liberty, institutional caregivers, population at risk of outbreaks, high-risk occupations (firefighters, first responders, pilots and auxiliaries), and stage five, which includes the population over 16 years of age that was not prioritized in the other stages.

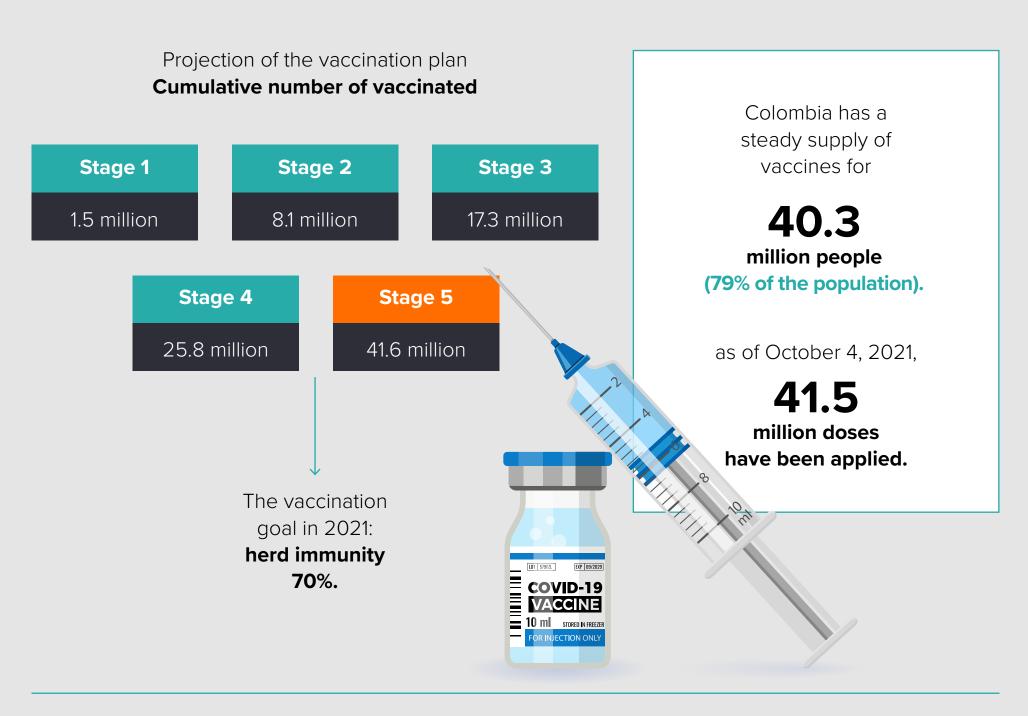
The National Government acquired enough vaccines to immunize 40.5 million people with the complete scheme. This is approximately 70 million doses of vaccines, of which 51.5 million are received through direct agreements with producers and the rest through the COVAX mechanism.

On February 17, 2021, the immunization process began in the country based on the National Vaccination Plan structured by the National Government and as of October 25, 2021, approximately 46.2 million doses had been applied and there were 20.7 million people vaccinated with the complete scheme, including booster doses for the population over 70 years of age.

Source: Ministry of Health and Social Protection.

Figure 1.
Vaccination plan in Colombia.

The Government has defined a rapid and effective plan to immunize the population.



Source: Ministry of Health and Social Protection

Economic Reactivation Measures

In addition, in order to boost the economy, the Government has delivered support packages to the business sector and households, making it one of the countries that has most encouraged economic reactivation in the Latin American region, with an investment of resources equivalent to 9.6% of GDP.

Between March and September 2020, Banco de la República cut the policy interest rate by 250 basis points, from 4.25% to 1.75%, to stimulate consumption and investment. It also implemented several measures to boost liquidity in domestic and foreign currency. These included: (i) expansion of amounts, counterparties and eligible collateral for its Repo operations, (ii) definitive purchase of public (TES in the secondary market) and private (issued by credit institutions) debt securities, and (iii) reduction of the reserve requirement applicable to checking and savings accounts from 11% to 8% and that applicable to fixed-term savings accounts (less than 18 months) from 4.5% to 3.5%.

The attraction of efficient foreign investment is another of the Government's bets for the economic reactivation, due to the impact that this investment may generate in the productive apparatus, thanks to the link with local companies and the generation of employment. For this reason, the Government launched a package of measures to promote foreign investment in Colombia, included in the Economic Reactivation Plan of the Trade, Industry and Tourism Sector "Commitment for Colombia". These measures have three main pillars: (i) Investment facilitation tools; (ii) Attraction of companies with an interest in relocating, taking advantage of the needs for reorganization of supply chains and proximity to their headquarters as well as the advantages of geographic location and competitiveness of Colombia; and (iii) Adoption of strategic sectoral and regional measures for investment attraction.





The Government has structured incentives and packages to the business sector and households, becoming one of the countries that has promoted economic reactivation in the Latin American region.

Incentives and Economic Reactivation Measures

In addition, in order to boost the economy, the Government has structured incentives and packages for the business sector and households, making it one of the countries that has promoted economic reactivation in the Latin American region, with an investment of resources equivalent to 9.6% of GDP.

Between March and September 2020, Banco de la República cut the policy interest rate by 250 basis points, from 4.25% to 1.75%, to stimulate consumption and investment. It also implemented several measures to boost liquidity in domestic and foreign currency. These included:

(i) expansion of amounts, counterparties and eligible collateral for its Repo operations, (ii) definitive purchase of public (TES in the secondary market) and private (issued by credit

institutions) debt securities, and (iii) reduction of the reserve requirement applicable to checking and savings accounts from 11% to 8% and that applicable to fixed-term savings accounts (less than 18 months) from 4.5% to 3.5%.

The attraction of efficient foreign investment is another of the Government's bets, not only because of the necessary economic reactivation in the post-pandemic period, but also because of the recognition of the positive impact that this investment may generate in the productive apparatus, thanks to the link with local companies and the generation of direct and indirect employment. For this reason, the Government launched a package of measures to promote foreign investment in Colombia, included in the Economic Reactivation Plan of the Trade, Industry and Tourism Sector "Commitment for Colombia". These measures have three main pillars: (i) Investment facilitation tools; (ii) Attraction of companies interested in relocating, taking advantage of the needs for reorganization of supply chains and proximity to their headquarters, as well as Colombia's geographical location and competitiveness advantages; and (iii) Adoption of strategic sectoral and regional measures to attract investment.

In addition, the current regulations provide for a series of incentives for foreign investment that are now more striking as tools to reactivate the economy:

- 1. New investments in Colombia, with a value equal to or SUPERIOR to USD 291.21 million and that generate at least 400 new direct jobs, 250 jobs for the technology sector, will enjoy the following benefits for 20 years:
 - A. Fixed income tax rate of 27%
 - B. They may depreciate their assets within 2 years, regardless of the useful life of the asset.
- 1 30.000.000 UVT to \$ 36.308 in the year 2021 corresponds to COP \$1.089.240.000.000; TRM of October 19, 2021 COP \$3.772.



- C. They will not calculate presumptive income and will not be subject to wealth tax.
- D. Profits distributed by national corporations or permanent establishments will not be subject to dividend tax.
- E. Tax stability contracts.
- 2. Special regime for Colombian holding companies that seek to encourage investment from Colombia by granting benefits of reduction and deferral of the tax burden with respect to dividends from abroad and from domestic companies and in the profits generated in the sale or transfer of the participation of a Colombian holding company in non-resident entities in Colombia.
- 3. The Shipyard Industry Promotion Program² was structured as an instrument for the economic reactivation of the sector, offering the beneficiary of the Program to import with exoneration of customs duties more than 395 elements necessary to produce vessels or their parts.
- 4. The electronic invoicing system has been strengthened in the country, including the DIAN platform for the registration of electronic invoices as a value title RADIAN, through which companies may carry out factoring and guarantee operations, maintaining the traceability of ownership and the uniqueness of these electronic documents, serving as a financing mechanism.

5. With the aim of boosting exports of non-mining energy goods and services, the Ministry of Commerce, Industry and Tourism modernized the Vallejo Plan, now called Plan Vallejo Exprés, which reduces the export commitments of the Vallejo Plan, simplifies the process and expedites its approval.

On the other hand, in 2021 the National Government presented the Reactivation Plan "New Commitment for the Future of Colombia", to be advanced with the private sector in the coming years, which amounts to more than 135 trillion pesos, of which 7.2 % will be allocated to the housing sector and 42.4 % to the transportation sector, impacting the future productivity of the economy in addition to distributing investments throughout all regions of the country. Additionally, 3.9 % will be allocated to the education sector; 26.3 % to investments in the mining and energy sector; 4.4 % to the social inclusion sector; and the remaining 15.8 % to investments in the agricultural sector, sports, among others. The total amount of the plan's investments is equivalent to 12.5% of the current GDP.

2 Decree 1156 of 2020.

Sources: ProColombia, Presidency of the Republic, CONPES 4023 POLICY FOR REACTIVATION, REPOTENTIATION AND SUSTAINABLE AND INCLUSIVE GROWTH: NEW COMMITMENT FOR THE FUTURE OF COLOMBIA.





Projections

The World Bank estimates that Colombia's economy will expand by 5.9% in 2021. This means that in 2021 Colombia would have a greater dynamism than large economies such as Mexico (5.0%) and Brazil (4.5%) and, in addition, it would exceed the average of the Latin American and Caribbean region (5.2%). By 2022, the organization expects the dynamism of the Colombian economy to stand out even more within the region, as it projects a growth of 4.1%, higher than that of Brazil (2.5%), Mexico (3.0%), Chile (3.0%), Peru (3.9%) and the average for Latin America and the Caribbean (2.9%).

In turn, the Organization for Economic Cooperation and Development (OECD) forecasts that the Gross Domestic Product will grow by 7.6%, a forecast that represents a significant improvement over what was projected in the December 2020 publication (3.5%). According to the OECD, Colombia's growth will be driven by private consumption and investment. For 2022, the organization estimates a GDP growth of 3.5%.

In the same line, Banco de la República, in its July Monetary Policy report, predicted that the country's growth will be 7.5% in 2021. These projections show that the measures adopted by the National Government have had positive results in consumption and investment and will continue to drive the reactivation of the economy.



The OECD forecasts that the Gross Domestic Product will grow by 7.6%, a forecast that represents a significant improvement over what was projected in the December 2020 publication.

1.3. Investment environment

In April 2020 Colombia formally became a member of the Organization for Economic Co-operation and Development. Since 2013 Colombia underwent a five-year accession process, during which it underwent in-depth reviews by 23 OECD Committees and implemented structural reforms to adapt its legislation, policies and public practices to OECD standards.



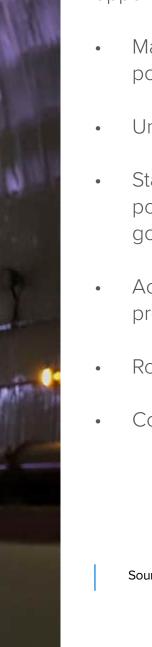
Likewise, Colombia's accession to the OECD and the reforms to the legal system that have taken place as a result of the process of becoming a member have favored the country's positioning as an attractive destination for the arrival of foreign capital.

Being part of an organization such as the OECD is a sign of economic stability, transparency and government discipline and guarantees a continued commitment on the part of governments to work to strengthen their institutions and facilitate trade.



Being part of an organization such as the OECD is a sign of economic stability, transparency and government discipline and guarantees a continued commitment by governments to work to strengthen their institutions and facilitate trade.





Country Risk

All three major risk rating agencies (Standard & Poor's, Fitch Ratings and Moody's) have rated Colombia as investment grade, considering it a large, dynamic and resilient economy with prudent and predictable macroeconomic policies and a strong tradition of repayment of its debt obligations. In its latest review in June 2020, Moody's maintained Colombia's Baa2 grade, one notch above investment grade, and with a stable outlook.

According to the opinion of risk rating agencies and different international organizations, Colombia retains an outstanding track record in fiscal and macroeconomic management, thanks to its inflation targeting regime, flexible exchange rate, and rules-based fiscal framework.

According to Colombia's Country Risk Report published by Fitch Solutions for the fourth quarter of 2021, some of Colombia's economic and political strengths and opportunities are:

- Majority of political parties promote investor-friendly policies that favor economic growth.
- Unblemished track record of meeting its debt obligations.
- Stable macroeconomic framework with inflation targeting policies established by the Central Bank that provide a good investment environment.
- Acceleration in infrastructure and construction projects is forecast.
- Robust democracy and solid and reliable institutions.
- Commitment to the fiscal rule.





Sources: Fitch Solutions

Rankings

According to the Global Competitiveness Index, in 2019 Colombia ranked 57th out of 141 economies, placing it 3 positions higher than the previous year, and ranked as the fourth most competitive country within Latin America for the first time in 14 years. This position was achieved due to improvements in pillars such as health, macroeconomic stability and infrastructure. Much of this result is thanks to the National System of Competitiveness and Innovation who have led the articulation between different private and public entities in search of an improvement in the country's productivity.

According to the October 22 update of The Economist's Global Normalcy Index, published in July 2021, Colombia is the first country in the region that is closer to normalcy and is ranked number 13 among 100 countries analyzed, above countries such as the United States and Japan.

The index has 8 indicators divided into 3 categories. The first is transportation and travel: public transportation in large cities, the amount of traffic congestion in these cities and the number of domestic and international flights. The second is entertainment and recreation: how much time is spent away from home, box office receipts at the cinema and attendance at sporting events. The last is retail sales and labor: office occupancy and footfall in warehouses.

Source: The Economist



Investment facilitation tools

The Government has promoted and continues to promote the creation of facilitation tools for the establishment and expansion of investments, in addition to the adoption of sectorial and regional strategic policies to offer a consolidated package and ensure the establishment of new investments in the country. The following are some of the investment facilitation tools that Colombia has been offering to attract efficiency investments:

"RED CARPET" STRATEGY

ProColombia offers strategic support to investors at all stages of the investment cycle, through a strategy carefully elaborated together with the Government known as "Red Carpet". The strategy consists of a comprehensive set of institutional, legal and articulation actions to provide investors with timely and effective attention. The "Red Carpet" strategy is defined by a set of courtesy and facilitation actions to influence investors' location and permanence decisions. As part of the process of implementing this strategy, ProColombia has adopted additional specific communication protocols with several central government entities such as the National Infrastructure Agency, whereby such entities commit to attend to investors' requests and/or inquiries within five (5) business days.

Objectives:

- To establish a communication channel between government entities to manage and have a quick and efficient follow-up of the requirements of investors, both potential and already installed in our territory.
- That the ease and agility in terms of procedures and interaction with the Government becomes a factor that influences decision making for the location, expansion and permanence of foreign investors in Colombia.

How does it work?

- This communication channel is executed under the direction of the Ministry of Commerce, Industry and Tourism and the supervision of the Presidency of the Republic. It is applicable to all investment or reinvestment opportunities accompanied and supported by ProColombia.
- ProColombia and Central Government entities
 designate a point of contact who will submit or receive
 applications and/or inquiries, as appropriate, and
 who will follow up on the procedures and contracting
 related to such applications and/or inquiries.
- It is being used for investment cases that represent an impact on the growth and development of the country or one of its regions.
- Each request should be documented and described as best as possible to ensure proper contracting and follow-up.

BUSINESS ACCESS

Foreign investors also have a system that monitors, manages and works to correct obstacles to FDI-Foreign Direct Investment and facilitate the arrival of foreign capital flows. It is Business Access, formerly known as SIFAI - an acronym of the Spanish words "Sistema de Facilitación de Inversión" which translates as Foreign Investment Facilitation System. Business Access-SIFAI is a public/private system created to adopt actions and measures aimed at facilitating internationalization (both for foreign investors coming to Colombia and for Colombian exporters), which centralizes information and identifies opportunities to improve the investment climate. Once these opportunities are identified, the information is handed over to a highly experienced Joint Technical Committee, created by the National Competitiveness System ("SNC"). This Committee proposes a reform based on the information provided by the system. In 2020, 36 improvement opportunities were resolved within the Business Access system. These 36 improvement opportunities were identified in various sectors ranging from regulation in the IT sector, tax matters, cannabis, immigration issues, free zones, forestry and agriculture, among others.

Objectives:

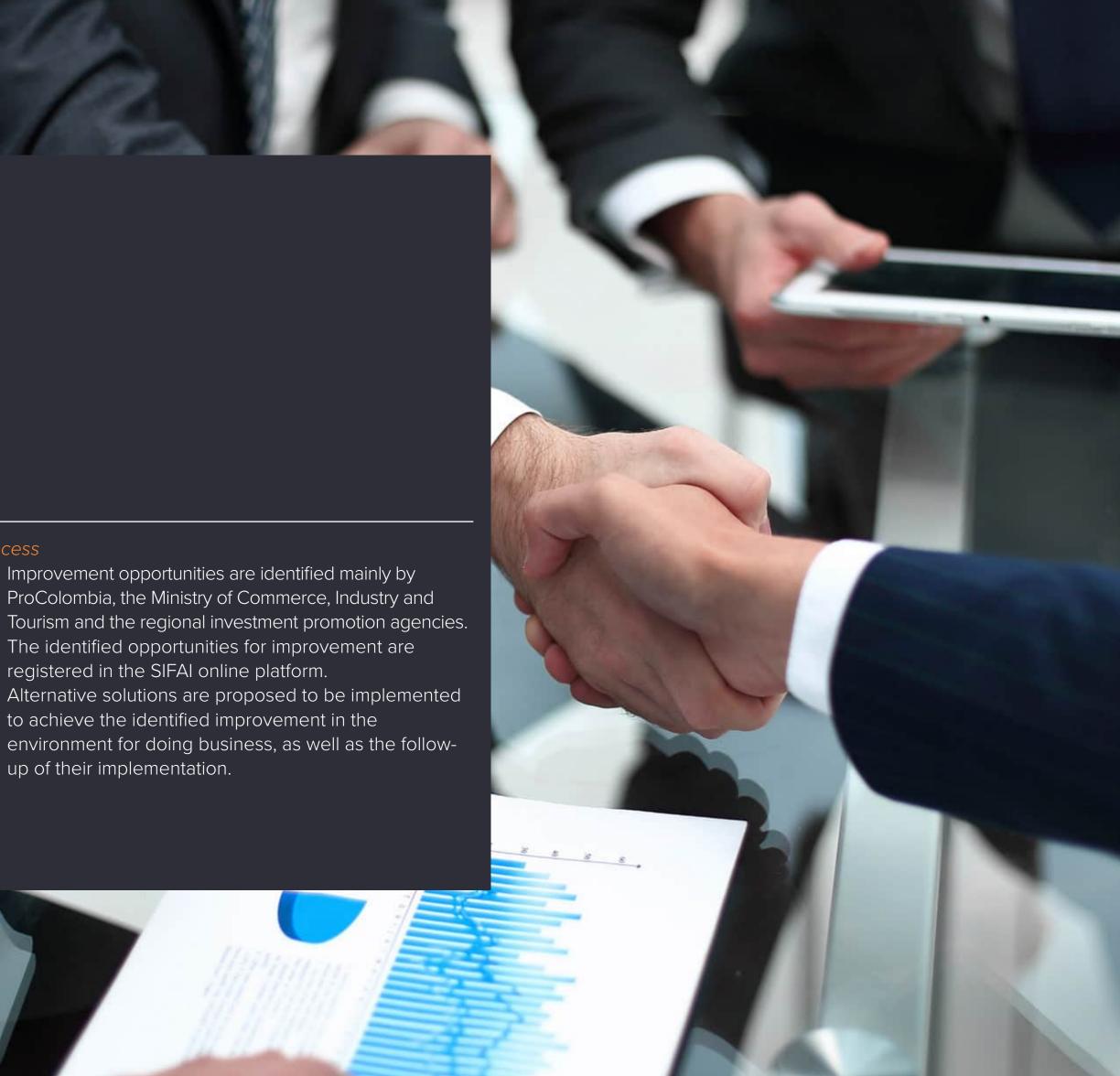
- Manage and implement effective actions and measures aimed at solving opportunities for improvement, through the institutionalization and articulation of a joint Technical Committee.
- Consolidation of an institutional memory of improvement opportunities affecting the investment climate in Colombia.
- Analysis, discussion, prioritization and recommendation of actions for the solution of improvement opportunities through a regular channel.

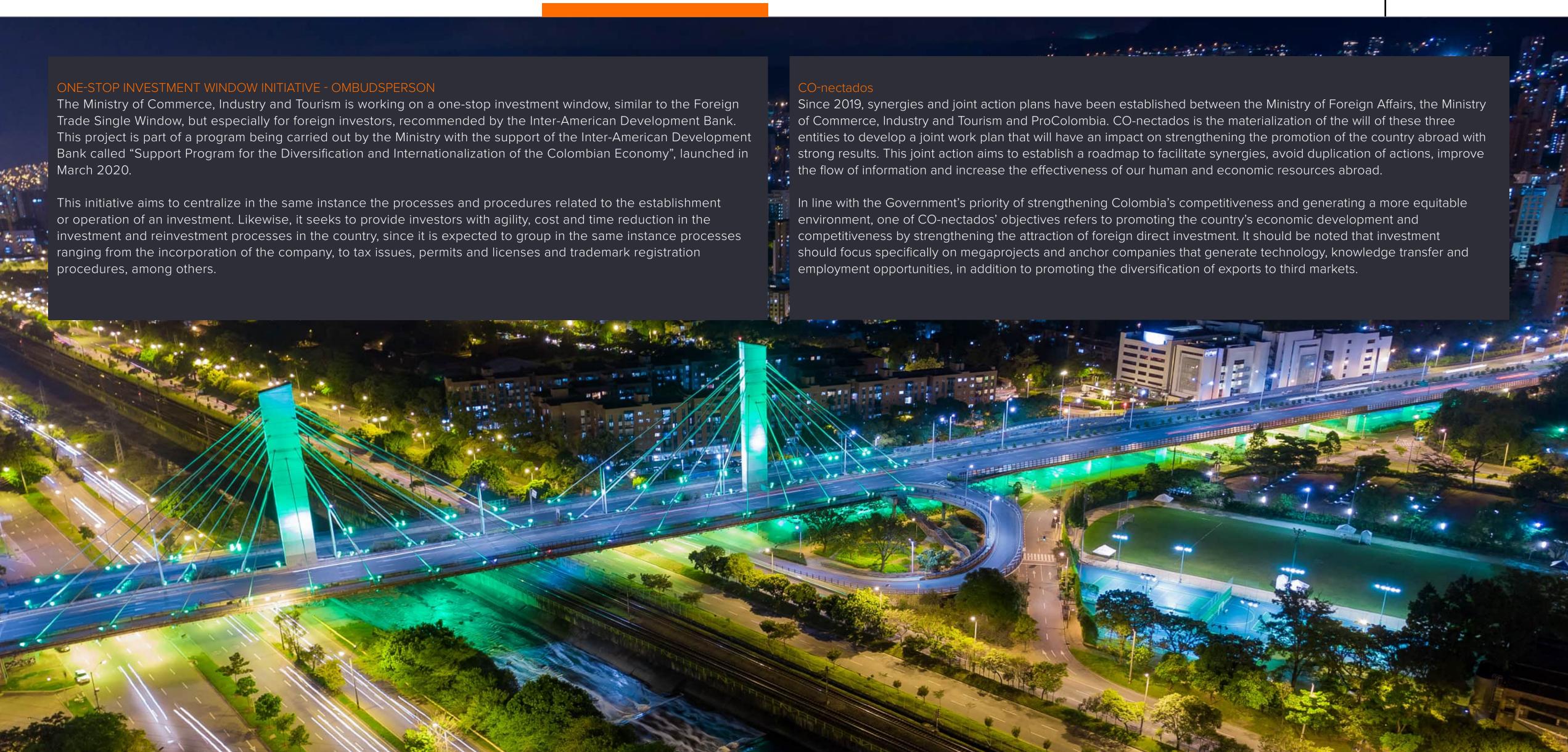
Formation of the Technical Committee

- Council for competitiveness and public/private management.
- Ministry of Commerce, Industry and Tourism.
- National Planning Department.
- Procolombia.
- Private Council for Competitiveness.

Process

- Improvement opportunities are identified mainly by ProColombia, the Ministry of Commerce, Industry and
- The identified opportunities for improvement are
- Alternative solutions are proposed to be implemented to achieve the identified improvement in the environment for doing business, as well as the follow-





Foreign Direct Investment Regime

Public Political

Foreign direct investment in Colombia represents a catalyst for the country's economic development and one of the main sources of job creation. Therefore, since the beginning of the century, betting on foreign investment as a strategy for the development and dynamization of markets has been a State policy (National Development Plan 2002-2006, Chapter 2, Part 7 (Trade Policy), p. 145-146; National Development Plan 2006-2010, Chapter 4, Economic Integration Strategy, p. 246-247; National Development Plan 2010-2014 p. 157-158, p. 211, p. 511, p. 514-515; PND 2014-2018 p. 116-117, p. 149, p. 154; Bases PND 2018-2022, Pact for STI, Pact for transport and logistics for competitiveness and regional integration, Pact for digital transformation, Pact for the protection and promotion of our culture and development of the orange economy). Their governments, regardless of the presidential administration, have been committed to the continued development of private activity and the implementation of the best economic and social practices for investment in Colombia. The previous chapters mention how these efforts of the Colombian State have been recognized at the international level.

Likewise, since the beginning of the 20th century, Colombian governments have recognized the fundamental role of foreign investment in economic growth through the development of large projects that provide competitiveness to the country, the generation of employment and the transfer of technologies. In this sense, a State policy of attracting foreign investment has been maintained through the maintenance of a favorable, profitable, safe and transparent environment for the development of business and commercial activities with foreign capital.

The current government has proposed as a strategy in the National Development Plan to encourage foreign investment aimed at achieving greater productive efficiency in companies and the development of high-impact mega-investment projects.



Regulatory Framework

The regulatory framework on foreign direct investment is divided between local regulations and international treaties and other sources of international law.

Domestic regulations

The main national regulation is the Colombian Constitution, which guarantees equal treatment between foreign and domestic investment, except for limited restrictions, which, according to the OECD FDI restrictions index, are comfortably below the average limitations applied by OECD and non-OECD countries to foreign investment.

Foreign investment is permitted in all sectors of the economy, except in the following cases: (i) defense and national security activities; (ii) processing, disposal and disposal of toxic, hazardous or radioactive wastes, not produced in the country. As a general rule, foreign capital investment in Colombia does not require prior authorization, except in the insurance and financial, mining and hydrocarbons sectors, where prior authorization or recognition by the corresponding national authorities is required in certain cases.

The legal framework applicable to foreign direct investment establishes the obligation to register investments with the Bank of the Republic for statistical purposes and by virtue of the duty to channel exchange operations through the Bank, the exchange authority. In turn, the procedures related to this registration obligation are regulated by the Board of Directors of Banco de la República. Likewise, the regulations on foreign investment establish the foreign exchange rights of foreign investors, which consist of: reinvesting or retaining profits, capitalizing

Source: Political Constitution of Colombia, Chapter 2 of Title 2 of Part 17 of the Sole Regulatory Decree of the Finance Sector (Decree 1068 of 2015) - General Regime for Foreign Capital Investments.

the sums entitled to be drawn, remitting abroad in freely convertible currency the net profits or the sums resulting from the sale of the asset, company or portfolio in which the investment was made.

International Standards

International Investment Agreements:

In order to offer security to foreign companies and to project a favorable environment to receive investment, Colombia has implemented since the beginning of the century a policy of negotiating and entering into International Investment Agreements (IIA) of which the Agreements for the Reciprocal Promotion and Protection of Investments (APPRI), as well as the Free Trade Agreements (FTA) containing investment chapters, are part of. The signing of this type of international treaties represents an important commitment on the part of the State to treat foreign investments in its territory in an adequate and respectful manner under internationally accepted standards.

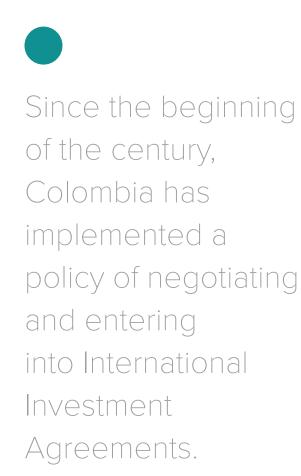
As a general rule, IIAs signed by Colombia contain the following investor protection standards: most favored nation treatment; national treatment; prohibition of expropriation without prompt and adequate compensation; minimum standard of treatment; fair and equitable treatment; and full protection and security. Likewise, the IIAs signed by Colombia have State-State and investor-State dispute settlement mechanisms. The latter give you the possibility to the investor to sue the State before international arbitration tribunals when it considers that any of the commitments assumed in the respective IIA have been violated.

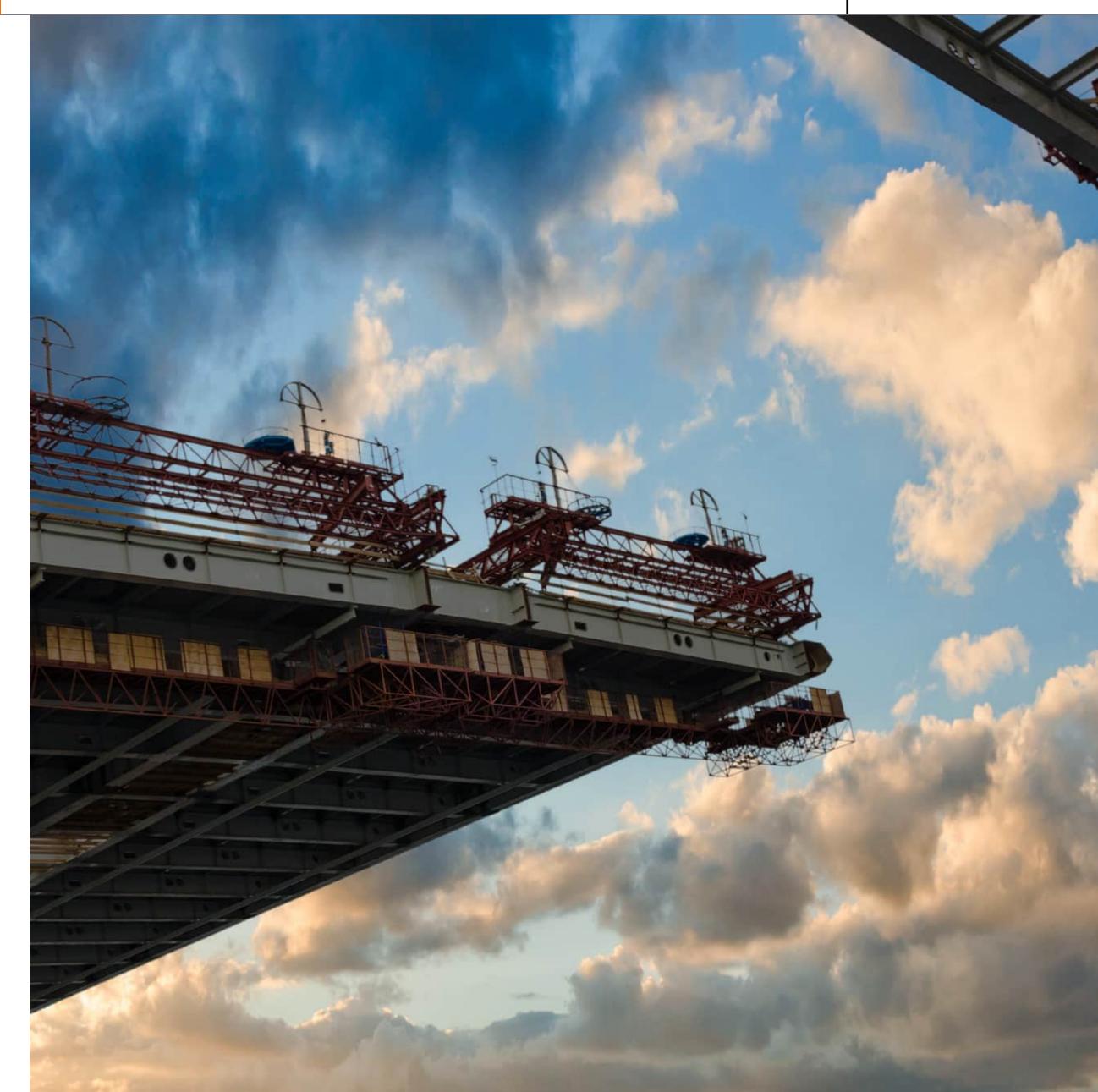
Moreover, Colombia is a party to the treaty creating the International Centre for Settlement of Investment Disputes (ICSID), and recognizes the guarantees granted by the Multilateral Investment Guarantee Agency (MIGA) and the Overseas Private Investment Corporation (OPIC). Agreements to avoid double taxation:

The DTAs - Double Taxation Agreement function as an instrument to attract foreign investment and to promote the investment of Colombians abroad, to the extent that they represent the following benefits: i) Tax stability on the minimum conditions of operation between tax residents of two particular countries. ii) Reduction of the consolidated effective tax burden, through access to reduced withholding rates. iii) The possibility of exempting a certain income from taxation generally in the country of the source, to the extent that there is not a sufficient presence in such country by the foreign company.

Colombia has followed the worldwide trend of adopting as the basis for negotiations a treaty model that, in general terms, could be the one developed by the Organization for Economic Cooperation and Development (OECD) or the United Nations Organization (UN).

DTAs - Double Taxation Agreements are usually limited to income tax and, in some cases, include wealth tax; indirect taxes such as sales tax (VAT) are generally not included in these instruments. Territorial taxes such as the industry and commerce tax (ICA) are also not included. However, within the framework of the Andean Community of Nations (CAN), there are Decisions 599 and 600, through which it is intended to harmonize Substantial and Procedural Aspects of Value Added Tax and selective consumption taxes in the different CAN member countries.







General information on Colombia

Infrastructure projects market in Colombia

Mechanisms for the development of infrastructure projects with private sector participation in Colombia





International investment agreements in force

	1	2	3	4	5	6	7	8	9
Country	AELC (EFTA)	Pacific Alliance	Canada	Chile	China	South Korea	Costa Rica	Spain	United States
Type of agreement	Free Trade Agreement between the Republic of Colombia and the EFTA States (EFTA). Chapter 5.	Additional Protocol to the Framework Agreement of the Pacific Alliance between the Republic of Colombia, the Republic of Chile, the United Mexican States and the Republic of Peru. Chapter 10.	Free Trade Agreement between the Republic of Colombia and Canada. Chapter 8.	Free Trade Agreement between the Republic of Colombia and the Republic of Chile - Additional Protocol to the Economic Complementation Agreement for the Establishment of an Expanded Economic Space between Colombia and Chile (ACE 24). Chapter 9.	Bilateral agreement for the promotion and protection of investments between the Government of the Republic of Colombia and the Government of the People's Republic of China.	Free Trade Agreement between the Republic of Colombia and the Republic of Korea. Chapter 8.	Free Trade Agreement between the Republic of Colombia and Costa Rica. Chapter 12.	Agreement between the Republic of Colombia and the Kingdom of Spain for the Promotion and Reciprocal Protection of Investments.	Trade promotion agreement between the Republic of Colombia and the United States of America. Chapter 10.
State	 In force with Switzerland and Liechtenstein since July 1, 2011. On September 1, 2014, the agreement with September 1, 2014, the agreement with Norway entered into force. On October 1, 2014 entered into force with Iceland. Law Approving the Treaty: Law 1372 of 2010. Constitutionality control: Ruling C-941 of 2010. 	 In force since May 1, 2016. Law Approving the Treaty: Law 1721 of June 27, 2014. June 27, 2014. Constitutionality control: Ruling C-620 of 2015. 	 In force since August 15, 2011. Law Approving the Treaty: Law 1363 of 2009. Control of constitutionality: Sentence C-608 of 2010. 	 In force since May 8, 2009. Law Approving the Treaty: Law 1189 of 2008. Control of constitutionality: Sentence C-031 of 2009. 	 Effective since July 2, 2012. Law Approving the Treaty: Law 1462 of 2011. Control of Constitutionality: Sentence C-199 of 2012. 	 Effective since July 15, 2016. Law Approving the Treaty: Law 1747 of 2014. Control of Constitutionality: Ruling C-184 of 2016. 	 Effective as of August 1, 2016. Law Approving the Treaty: Law 1763 of 2015. Control of Constitutionality: Ruling C-157 of 2016. 	 In force since September 22, 2007. Law Approving the Treaty: Law 1069 of 2006. Control of Constitutionality: Ruling C-309 of 2007. Note: Colombia and Spain will sign a new APPRI in 2021. 	 In force since May 15, 2012. Law Approving the Treaty: Law 1363 of 2009. Control of Constitutionality: Ruling C-608 of 2010.

International investment agreements in force

10	11	12	13	14	15	16	17	18	19
France	India	Israel	Japan	Mexico	Peru	United Kingdom	Switzerland	Northern Triangle	European Union
Agreement between the Government of the Republic of Colombia and the Government of the French Republic on the reciprocal promotion and protection of investments.	Agreement for the Promotion and Protection of Investments between the Republic of Colombia and the Republic of India.	Free Trade Agreement between the Republic of Colombia and the State of Israel. Chapter 10.	Agreement between the Republic of Colombia and Japan for the liberalization, promotion and protection of investment.	Free Trade Agreement between the United States of Mexican States and the Republic of Colombia and Amending Protocol. Chapter 17.	Agreement between the Government of the Republic of Peru and the Government of the Republic of Colombia on the reciprocal promotion and protection of investments.	Bilateral Agreement for the Promotion and Protection of Investments	Agreement between the Republic of Colombia and the Swiss Confederation on the promotion and reciprocal protection of investments	Free Trade Agreement between the Republic of Colombia and the Republics of El Salvador, Guatemala and Honduras.	Trade Agreement between the European Union and its member states and Colombia, Peru and Ecuador.
 Effective October 14, 2020. Joint Interpretative Declarations of April 23, 2017 and August 5, 2020. Law Approving the Treaty: Law 1840 of 2017. Control of Constitutionality: Ruling C-252 of 2019. 	 Effective July 3, 2012. Joint interpretative declaration of October 4, 2018. Law Approving the Treaty: Law 1449 of 2011. Control of Constitutionality: Judgment C-123 of 2012. 	 Effective as of August 11, 2020. Exchange of Notes between the Republic of Colombia and the State of Israel, correcting technical errors in the free trade agreement between the Republic of Colombia and the State of Israel: November 13, 2015. Law Approving the Treaty: Law 1841 of 2017. Control of Constitutionality: Ruling C-254 of 2019. 	 Effective as of September 11, 2015. Law Approving the Treaty: Law 1720 of 2014. Control of Constitutionality: Sentence C - 286 of 2015. 	 FTA in force since 1995. Law Approving the Treaty: Law 172 of 1994. Control of constitutionality: Sentence C-178 of 1995. Amending Protocol in force since 2011. Approving Law: Law 1457 of 2011. Control of Constitutionality: Decision C-051 of 2012. 	 In force since December 30, 2010. Law Approving the Treaty: Law 1342 of July 31, 2009. Control of Constitutionality: Sentence C-377 of 2010. 	 Effective as of October 10, 2014. Law Approving the Treaty: Law 1464 of 2011. Control of Constitutionality: Sentence C-169 of 2012. 	 In force since October 6, 2009. Law Approving the Treaty: Law 1198 of 2008. Control of constitutionality: Sentence C-150 of 2009. 	 In force with Guatemala since November 2009, with El Salvador since February 2010 and with Honduras since March 2010. Law Approving the Treaty: Law 1241 of 2008. Control of Constitutionality: Sentence C-446 of 2009. 	 Provisionally in force since August 2013. Law Approving the Treaty: Law 1669 of July 16, 2013. Control of Constitutionality: Judgment C-335 of 2014.

International investment agreements signed

	1	2	3	4	5
Country	Brazil	United Arab Emirates	Panama	Singapore	Turkey
Type of agreement	Agreement on Cooperation and Facilitation of Investments between the Republic of Colombia and the Federative Republic of Brazil.	Bilateral Agreement on the Promotion and Protection of Investments between the Government of the Republic of Colombia and the Government of the United Arab Emirates.	Free Trade Agreement between the Republic of Colombia and Panama. Chapter 14.	Agreement between the Government of the Republic of Singapore and the Government of the Republic of Colombia on the promotion and protection of investments.	Agreement between the Government of the Republic of Turkey and the Government of the Republic of Colombia on reciprocal promotion and protection of investments.
State	 Subscribed on October 9, 2015. Pending internal approval process. 	 Subscribed on November 12, 2017. Pending internal approval process. 	 Signed on September 20, 2013. Pending internal approval process. 	Signed on July 17, 2013. In legislative process.	Subscribed on July 28, 2014.In legislative process.

Additionally, Colombia has gained access to more than 64 markets through the network of Free Trade Agreements and other trade agreements currently in force. Colombia currently has sixteen (16) FTAs in force, of which eleven (11) were indicated in the list of IIAs in force. The remaining five (5) FTAs in force are:

- Integration Agreement, which gave birth in 1969 to the Andean Group and whose Trujillo Protocol created the Andean Community (CAN). The Andean Community is today a subregional organization with international legal personality made up of Bolivia, Colombia, Ecuador and Peru. It is the pioneer mechanism of continental integration and one of the most ambitious integration systems in the world, where the free circulation of goods, services and citizens has been agreed upon.
- The Partial Scope Agreement on trade and economic and technical cooperation between the Republic of Colombia and the Caribbean Community (CARICOM). This agreement between Colombia and the CARICOM organization includes 12 of the 15 member countries of the organization: Trinidad and Tobago, Jamaica, Barbados, Guyana, Antigua and Barbuda, Belize, Dominica, Grenada, Monserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines.
- Economic Complementation Agreement No. 72, subscribed between the Governments of the Republic of Argentina, the Federative Republic of Brazil, the Republic of Paraguay and the Oriental Republic of Uruguay, Mercosur member States, and the Government of the Republic of Colombia.
- **Economic Complementation Agreement No. 49**between the Republic of Colombia and the Republic of Cuba.
- Partial Scope Agreement of Commercial Nature

 AAP.C N° 28 between the Republic of Colombia and the

 Bolivarian Republic of Venezuela.

On the other hand, Colombia has entered into international agreements aimed at preventing the investor from being taxed twice, through the Agreements to Avoid Double Taxation on Income Taxes. Currently Colombia has eleven (11) DTAs in force and five (5) subscribed:

International agreements in force for the avoidance of double taxation

Andean Community	Date of entry into force: January 1, 2005. Decision 578 of 2004 of the Andean Community.
Spain	Date of entry into force: October 23, 2008. Law 1082 of 2006.
Chile	Date of entry into force: December 22, 2009. Law 1261 of 2008.
Switzerland	Date of entry into force: January 1, 2012. Law 1344 of 2009.
Canada	Date of entry into force: June 12, 2012. Law 1459 of 2011.
Mexico	Date of entry into force: July 11, 2013. Law 1568 of 2012.
Corea del Sur	Fecha de entrada en vigor: 3 de julio de 2014. Ley 1667 de 2013.
India	Date of entry into force: July 7, 2014. Law 1668 of 2013.
Portugal	Date of entry into force: January 30, 2015. Law 1692 of 2013.
Czech Republic	Date of entry into force: May 6, 2015. Law 1690 of 2013.
United Kingdom	Date of entry into force: December 13, 2019. Law 1939 of 2018.

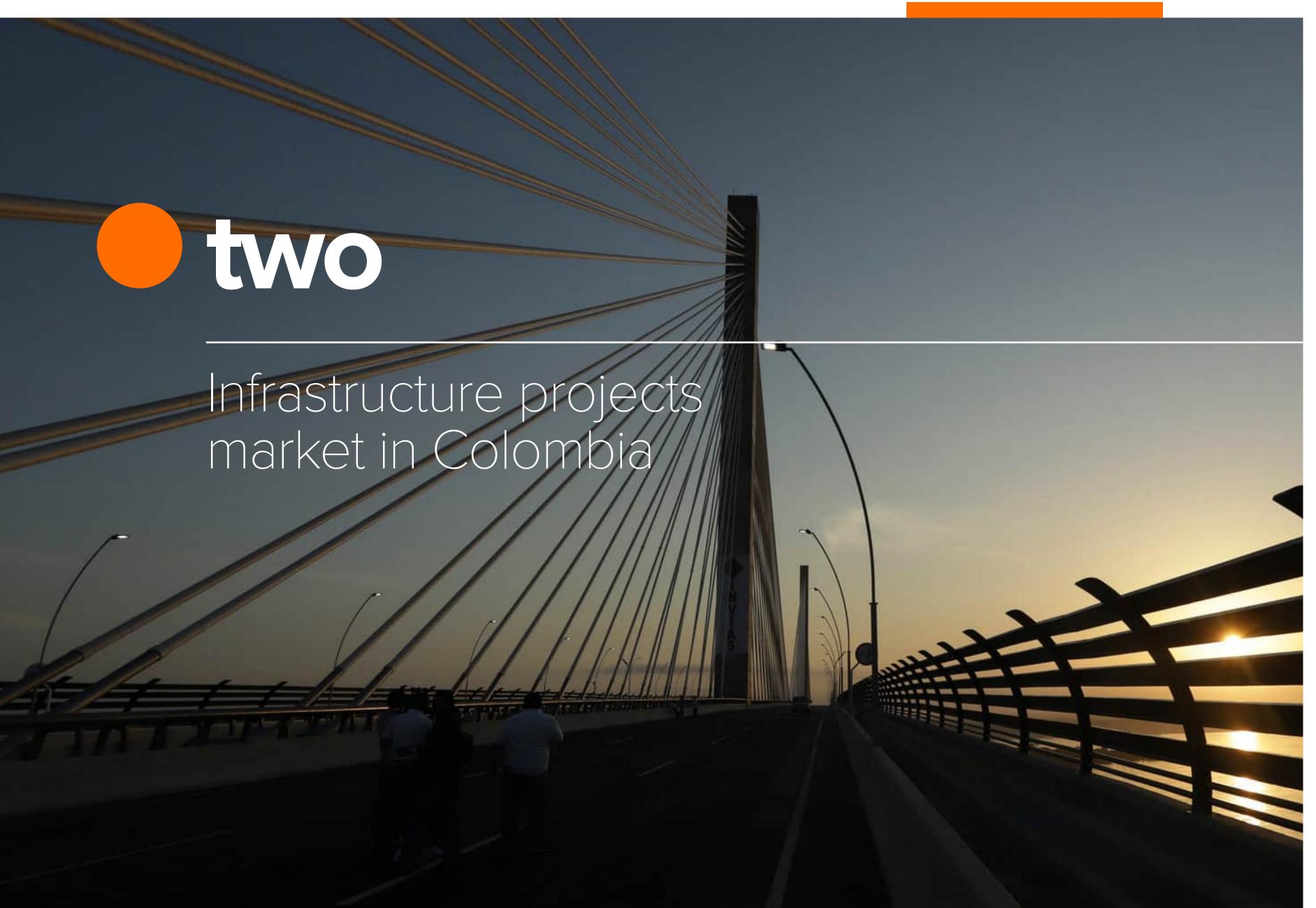
International agreements subscribed to avoid double taxation

Italy

		rending internal approval procedures.
2	France	Subscribed on June 25, 2015. Pending internal approval procedures.
3	Japan	Signed on December 19, 2018.
4	United Arab Emirates	Signed on November 12, 2017. Pending internal approval procedures.
5	Pacific Alliance	Signed on October 14, 2017.

Subscribed on January 26, 2018.

Colombia has also signed specific treaties related to tax information exchange, among these the Convention on Mutual Administrative Assistance in Tax Matters of the OECD, to which about 108 jurisdictions are currently part of. Likewise, Colombia has an information exchange treaty with the United States.



Medium Term Fiscal Framework and General Budget of the Nation

Infrastructure Investment Plans

Project Pipeline
- October 2021

2.1. Medium Term Fiscal Framework and General Budget of the Nation

The Colombian State uses two fundamental instruments for the implementation of the respective fiscal and budgetary policies: the Medium Term Fiscal Framework (MFMP) and the General Budget of the Nation (PGN). The following is a general description of these instruments and the relevant points regarding the Public Political on the generation and intervention of transportation infrastructure, which has become a State policy throughout the last governments.

a) Medium Term Fiscal Framework

The MFMP is an instrument that projects what will be the objectives and purposes of the Government in fiscal matters¹, and is published annually by the Ministry of Finance and Public Credit (MHCP). It should be noted that this document is framed within the so-called *Fiscal Rule*¹, which is a tool that seeks to guarantee the country's macroeconomic stability and aims to develop a predictable and stable fiscal policy, in other words, to reduce the fiscal deficit and the debt. It was suspended for the years 2020 and 2021, while the situation generated by the COVID-19 pandemic is overcome.

Thus, the MFMP 2021 adds that "the path of economic and social recovery, the second stage of the fiscal package should consider additional permanent revenue increases to comply with this new fiscal rule and thus bring public debt to prudential levels (or long-term anchor) and consistent with lower financing costs, compatible with higher public and social investment"².

Among the most relevant aspects of the MFMP 2021, it is highlighted that in 2020 the fiscal deficit of the Colombian General Government was 7.2% of the GDP, especially due to the implementation of programs and expenses generated from the pandemic. It should be noted that local governments had a surplus of 0.1%, due to the seasonality of the political cycle (their term began in January 2020). It also projects that by 2021 the fiscal deficit of the General Government would be 8.6% of GDP, as a consequence of



In terms of economic growth, it should be noted that the country's GDP in 2020 was -6.8%, which is not minor, considering that according to the International Monetary Fund, the world economy decreased 3.3%, while Latin America -7.0%⁴.

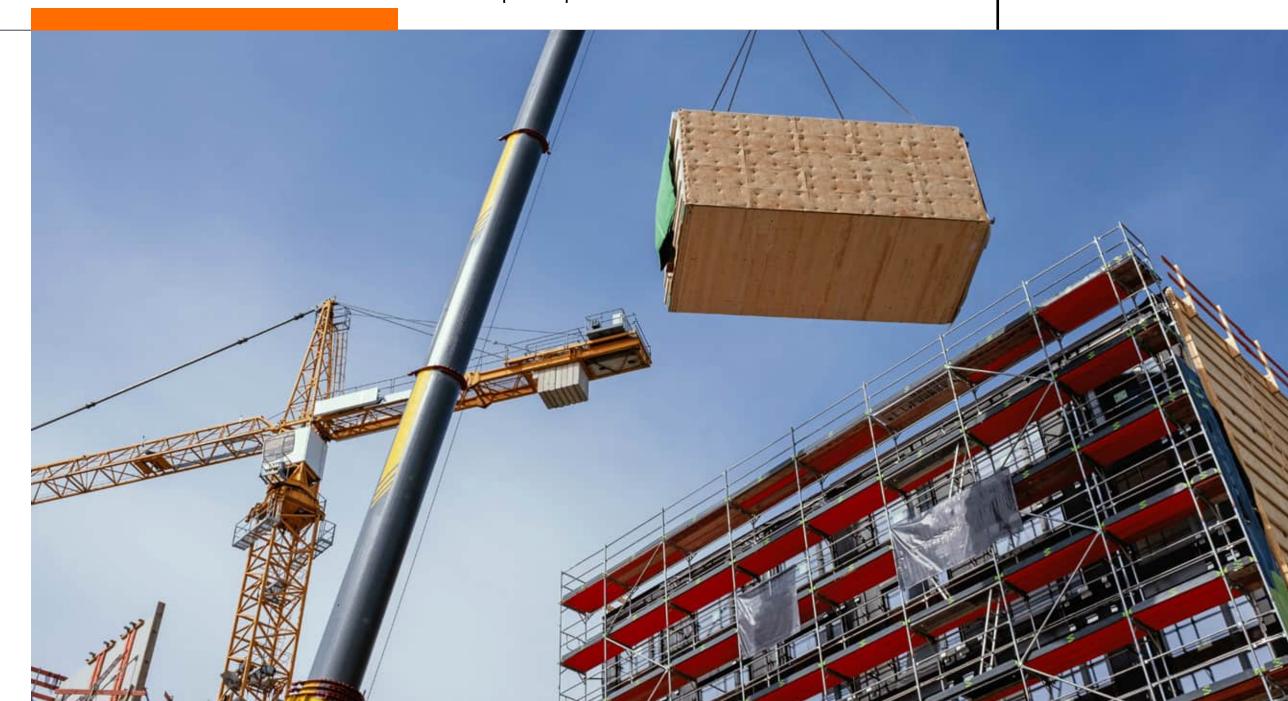
However, for 2021, the National Government forecasts growth of 6%, as a result of the reactivation of the shock generated by COVID-19. Additionally, it expects Latin



- 2 Ministry of Finance and Public Credit, 2021, p.17
- 3 At the time of preparation of this guide, the tax reform was being discussed in the Congress of the Republic of Colombia.
- 4 Ministry of Finance and Public Credit, 2021, p.18.



The Intermodal
Transportation Master Plan
is Colombia's roadmap
from 2015 to 2035 for
the definition of strategic
projects to integrate the
territory and strengthen
competitiveness.





America's growth in 2021 to be 3.7%. The MFMP projects that the construction sector⁵ will have a growth of 11.1% in 2021, behind the artistic and entertainment sector (17.5%) and commerce, transportation and hotels (12%)⁶.

This instrument states that reactivation requires investment and development of transportation and housing infrastructure projects, which are part of the New Commitment for Colombia strategy. In the case of transportation infrastructure, there are the Bicentennial Concessions (also known as the first wave of the fifth generation of concessions or 5G program), Concluir y Concluir and Vías de la Legalidad and reactivation programs.

The New Commitment for Colombia program seeks to generate 4 million formal jobs between the public and private sectors, taking into account the set of projects it covers⁷.

It is important to point out that within the framework of the economic reactivation that the country is undertaking, the fourth generation of concessions or 4G program is a pillar of this plan, which is made up of 29 road projects, of which as of July 31, 2021, it has an average execution progress of 57.57%, 11 concessions have a progress of superior 70% and two are in the operation and maintenance stage.

Additionally, 21 projects have financing and another three have bridge loans, i.e. leverage mechanisms prior or temporary to the final financial closings8 .financial closings8. In terms of employment, according to ANI, it is estimated that the 4G program alone generates 1.2 million jobs.

It is important to highlight that the National Government estimates that in the reactivation process 53% of the investment is related to civil works projects and 20% to the building sector. In summary, the construction sector is projected as the second economic activity with the highest productive linkage (1.11), only surpassed by the manufacturing industry (1.2)⁹, which makes it a strategic activity for economic growth and of great interest for attracting investment.

On the other hand, the same estimates of the Colombian Government project export growth of 4.9% between 2023-2032, among the various factors driving this increase are the development of transportation infrastructure, the diversification of the export basket and therefore of non-traditional products, in addition to the improvement in logistics development defined in CONPES¹⁰ 3982 of 2020.

Another aspect of the development of transportation infrastructure concerns the strengthening of the sector's business apparatus, which includes small and medium-sized companies, mainly engaged in construction and consulting activities. It should be noted that several countries in the world follow this example, such as the U.S. and Peru.

- It should be noted that according to the National Statistics Department (Departamento Nacional de Estadística
- DANE, this sector is composed of the following three subgroups:

 I) roads and railroads, public service projects and other civil engineering works; II) Specialized activities for the construction of buildings and civil engineering works, and III) Residential and non-residential buildings.
- 6 Ministry of Finance and Public Credit, 2021, p.95.
- 7 Ministry of Finance and Public Credit, 2021, p.179.
- 8 This information is based on the Aniscope and the presentation of financial closings presented by ANI.
- 9 Ministry of Finance and Public Credit, 2021, p.228.
- 10 The National Council for Economic and Social Policy (CONPES) is "the highest national planning authority and serves as an advisory body to the Government in all aspects related to the economic and social development of the country. To achieve this, it coordinates and guides the agencies in charge of the economic and social direction in the Government, through the study and approval of documents on the development of general policies that are presented in session". This council is in charge of socializing Public Political through documents called CONPES.



The New Commitment for Colombia program seeks the generation of 4 million formal jobs between the public and private sectors, and taking into account the set of projects it covers.



2.2. Infrastructure Investment Plans

2.2.1. Intermodal Transportation Master Plan

In order to establish a strategy that advocates for the efficient and strategic development of transportation infrastructure in the country in 2015 and 2016, the modules of the Intermodal Transportation Master Plan were published, prepared by the National Government (Vice-Presidency of the Republic, Ministry of Transportation, National Planning Department, National Infrastructure Agency, National Roads Institute), the Colombian Chamber of Infrastructure, the National Development Finance, Fedesarrollo and a group of experts. The PMTI - Intermodal Development Master Plan is Colombia's roadmap from 2015 to 2035 for the definition of strategic projects to integrate the territory and strengthen competitiveness.

The PMTI identified the country's infrastructure needs taking into account the distribution of population and GDP in the territory and the lack of connectivity in remote regions. It also pointed out that Colombia's transportation infrastructure in the international panorama, in terms of the grade of the infrastructure component of the Logistics Performance Index (LPI) estimated by the World Bank, was below the average grade of comparable groups.

Based on these needs, a prioritization methodology was established with a set of indicators that emulate the principles of cost-benefit analysis and based on types of networks: basic network, consisting of multimodal corridors (road, rail, river, port and airport) that connect the System of Cities¹¹, seaports and border crossings; and integration networks, consisting of corridors that can be integrated to the primary network and connect populations with productive potential or that are at a disadvantage compared

to the System of Cities. Based on this prioritization, a list of projects was produced, representing 101 interventions on 12,681 km of roads of the Basic Network, 52 projects that intervene 6,880 km of roads of Integration Networks, as well as the intervention of 5 railways, 8 major rivers and 31 airports and dredging of ports in both oceans. A long-term investment requirement of 1.3% of 2015 GDP was estimated for these proposals. The following chart summarizes the prioritized projects for the first decade and the capital cost estimate for each project.

11 The System of Cities is defined in document CONPES 3819 of 2014 (include summary).

Table 1.Prioritized projects and the capital cost estimate for each project.

Categories	N°. of projects	CAPEX (Mill COP 2015)
Basic Network road projects with B/C>1	13	13.817.445
Strategic projects for the National Government	4	9.662.023
Priority Integration Projects for the National Government	14	11.730.268
Maintenance of non-concession road network	14	
Priority airports for the National Government	13	9.531.951
Priority railroads for the National Government	3	2.605.900
Priority river and maritime canals for the National Government	4	2.124.000
Total	65	49.471.587

Source: Unión Temporal Económica Consultores - Geonómica Consultores (2016).



In numbers

101 interventions

12,68' kilometers of roadways of the Basic Network

52 projects 6,880
kilometers of
Integration
Network roads

5 railroads

8 major rivers

3 | airports and port dredging

Road Network to 2035





Road Network to 2035



Likewise, the PMTI establishes institutional guidelines to strengthen and restructure the public sector to guarantee the sustainability of the plan, as well as Public Political to consolidate sectorial regulation; strengthen urban mobility, the logistic management of national corridors, conform an asset management system in regional networks and define the financing of alternative modes to road transportation.

In addition to the above, the PMTI, in accordance with the investment needs of the transportation sector, identified legal and financial tools that will make it possible to collect revenues for the development of infrastructure in the country, such as the regulation of the National Valuation Contribution, the residual value of concessions, among others.

As a result of this initiative, Colombia managed to climb in the aforementioned Logistics Performance Index of the World Bank from 91st place in 2016 to 58th place in 2018.

It is important to mention that the Intermodal Transportation Master Plan - PMTI I and II as a planning tool will have to be updated by future administrations in order to prioritize and execute the proposed projects, understanding that the market is dynamic and the country must accommodate to the new challenges that globalization brings with it and always abiding by the legal provisions in force for the execution of infrastructure projects.

2.2.2. National Development Plan 2018-2022 (NDP)

The National Development Plan is the roadmap defined by each Government that establishes the objectives, goals, plans and programs for the corresponding period. The PND - National Development Plan of President Iván Duque contains a cross-cutting chapter dedicated to transportation and logistics for competitiveness and regional integration. This pact for transport and logistics is based on the premises of "conclude, conclude, conclude, conclude," that is, work for the delivery of projects awarded in previous governments, and the promotion of intermodality to improve competitiveness.

A Multiannual Investment Plan is derived from each NDP to execute the strategies established by the Government. The Pluriannual Investment Plan of the NDP 2018-2022 earmarked COP \$45.9 billion, 4.2% of the total, for the transport and logistics pact.

The pact proposes four lines of action, each with its own objectives, all aligned with the PMTI and the Sustainable Development Goals (SDGs) health and well-being, industry, innovation and infrastructure, sustainable cities and communities, and climate action:



- Strengthening cross-cutting and institutional governance articulation.
- Management of safety in transport operations.
- Intelligent systems, analysis and information governance for transport and transit management.

Sustainable urban and regional mobility for equity, competitiveness and quality of life.



- Integrated mobility in cities and urban agglomerations.
- Competitive and quality passenger transport systems.
- Financing for efficient mobility
- Urban-regional connectivity

Strategic intermodal corridors: national transport network, logistic nodes and modal efficiency.



- Development and promotion of the Transportation Master Plan towards efficient intermodality.
- Reactivation of rail transport as an engine for regional development.
- Exploitation of the river network for the positioning of the node.
- Port and maritime policy: safe maritime accesses and port nodes adapted to the challenges of foreign trade.
- Air transportation, infrastructure and services
- Strategic road transport for national and territorial integration and competitiveness
- Adequacy of border crossing infrastructure for regional integration.

Innovation and financial mobilization of new sources of payment.



Promote the development
 of alternative sources
 of payment to fund
 transportation projects and,
 in this way, help make viable
 the different initiatives that
 require additional resources
 for their implementation.

One of the strategies of the PND is the reactivation of rail and river transportation to reduce logistical costs, providing alternatives to road transportation. To this end, the Government proposed to implement the River Master Plan, formulate and implement a Railway Master Plan, implement the National Dredging Plan and follow as air sector policy the Vision 2030 of the Strategic Aeronautical Plan.

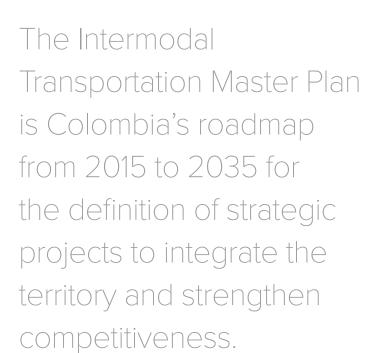
2.2.3. River Master Plan

In 2015, the River Master Plan was published, promoted by the Ministry of Transportation, the National Planning Department and the government of the Netherlands. The Plan was prepared as an input to the PMTI with the objective of having a more competitive, clean, safe and beneficial river transport system for social development.

The River Master Plan identifies the challenges and opportunities for river transport from 5 elements:

1) river infrastructure, 2) institutional management,

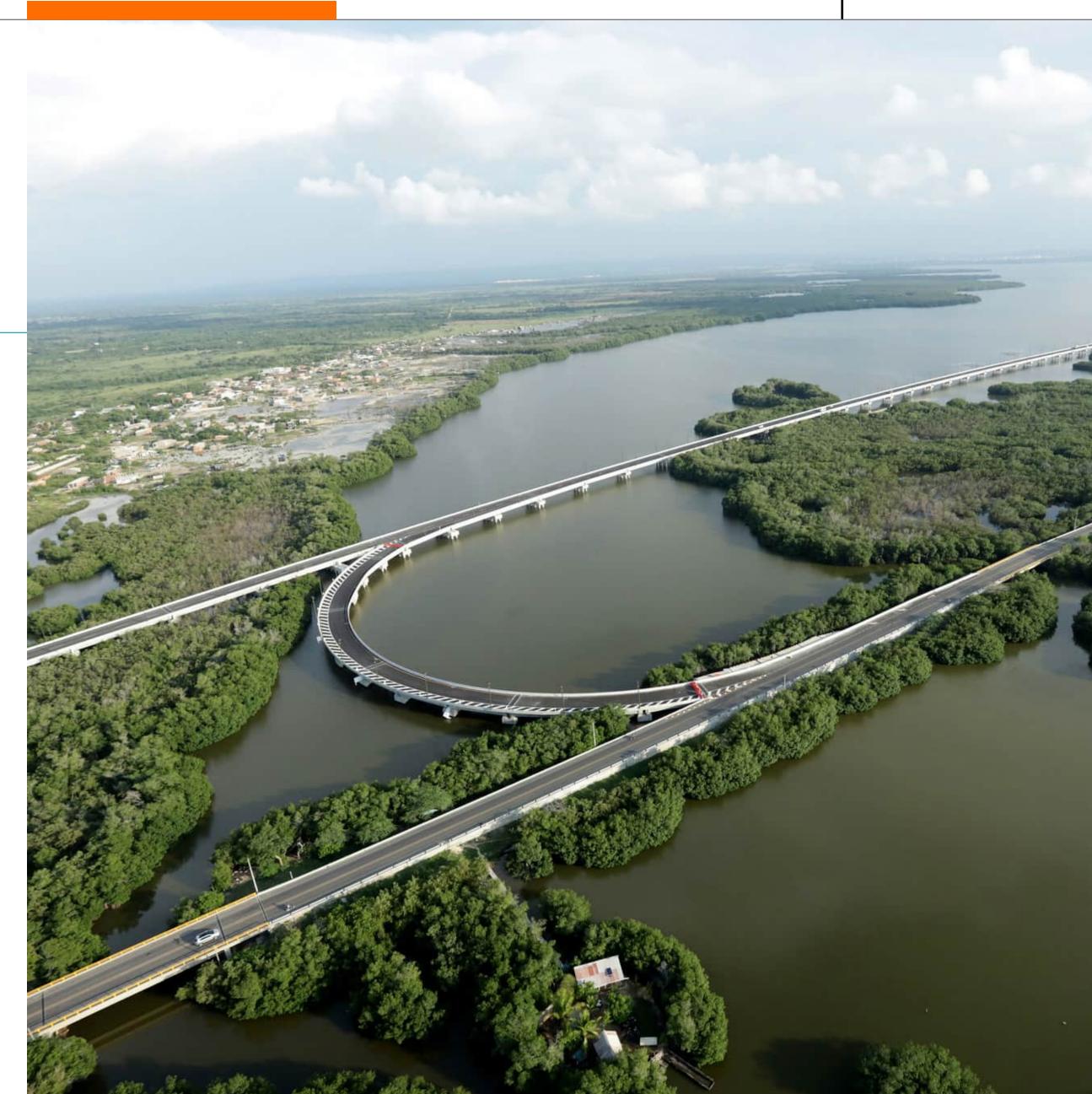
3) operation, 4) promotion and 5) financing; it proposes a portfolio of projects to improve and expand infrastructure and measures to strengthen institutional management and sources of project financing, as well as some pilot initiatives to implement the plan's recommendations and an analysis of risks and risk mitigation strategies.



Based on selection criteria specified in the Plan, river basins were selected to intervene under a cargo transportation approach, and river basins to intervene under a passenger and freight transportation approach. It is worth mentioning that the Plan indicated that the country could be divided into 5 main river basins (Amazon, Atrato-Caribbean, Magdalena-Cauca, Orinoco and Pacific):

Waterways selected in the PMF:

- Magdalena River Basin: Magdalena, Cauca,
 San Jorge, Chicagua branch, Nechí, Mojana branch,
 Mompós branch, Sinú;
- Atrato river basin: Atrato, Quito, Yuto, Leon;
- Orinoco River Basin: Arauca, Atabapo, Guaviare, Guayabero, Inírida, Meta, Orinoco, Vichada;
- Amazon River Basin: Amazonas, Putumayo, Caquetá, Caguán, Vaupés;
- Pacific River Basin: Aquapista del Pacífico -(Tumaco - Buenaventura), San Juan, Baudó;
- Dams, lakes and swamps: Tota lagoon, reservoirs of Betania, Calima, El Peñol, Salvajina, Guavio, Esmeralda dam.



2.2.4. National Dredging Plan

The National Dredging Plan was developed in 2017 at the initiative of the Governments of Colombia and the Netherlands, within the framework of the Memorandum of Understanding signed between these Governments in 2011, with the objective of providing better accessibility and greater competitiveness to Colombia's seaports by:

- The establishment
 of a strategy for
 maintenance
 dredging and
 a strategy to
 anticipate future
 deepening and/or
 widening dredging.
- The implementation of a strategy for the reuse of dredged materials and environmental considerations.
- The formulation of financing mechanisms and schemes.
- Review of contracting and mobilization schemes.
- Institutional and regulatory strengthening recommendations.





The plan
established
recommendations
for the application
of contract types
for each mode of
port intervention.

The plan took into account the 9 main port areas of the country:

- San Andres and Providencia
- 2. Guajira
- 3. Santa Marta (including Ciénaga)
- 4. Barranquilla
- 5. Cartagena
- 6. Morrosquillo Gulf
- 7. Urabá
- 8. Buenaventura
- 9. Tumaco

The plan established recommendations for the application of contract types for each mode of port intervention. In the case of maintenance dredging, performance or service level contracts are recommended, and in the case of capital dredging, unit price contracts with anticipated contractor participation are recommended. Likewise, the maintenance dredging needs of the 9 port areas were identified as follows:

Table 6.
Annual dredging quantities by port zone.

		Annual volume (m³)		
Zone	Port	Public	Private	TOTAL
ZP1	San Andres Access Channel	18.500		18.500
	Providencia Access Channel	7.500		7.500
ZP2	Cerrejón		319.000	319.000
	Puerto Nuevo - Penseport			
	Puerto Brisa		320.000	320.000
ZP3	Santa Marta			
	Ciénaga (Puerto Nuevo, Puerto Drummond, PNSR)		315.000	315.000
ZP4	Infiltration Channel	1.000.000		1.000.000
	Barranquilla Access Channel	1.800.000		1.800.000
ZP5	Private Ports		1.000.000	1.000.000
	Cartagena Access Channel			
	Private Ports		250.000	250.000
ZP8	Buenaventura Access Channel	2.605.000		2.605.000
	Private Ports		800.000	800.000
ZP9	Tumaco Access Channel	160.000		160.000
	Private Ports			
	Annual maintenance volume	5.591.0005	3.004.400	8.595.000



In this regard, it was recommended that the port areas of Barranquilla and Buenaventura carry out 2 annual maintenance dredging, and therefore it is suggested to maintain a 5,000 m³ dredge dedicated to each coastline through service level contracts with a minimum term of 10 years to avoid mobilization costs and use them twice a year in Barranquilla and Buenaventura and as often as necessary in the other ports according to the results of detailed studies of oceanography, hydrography, bathymetry and mathematical and / or physical models.

On the other hand, it was found that, out of the 9 port areas, only Buenaventura and Cartagena have a strategic need to implement capital dredging (deepening and expanding the capacity of the access channel), taking into account their high competitiveness, cargo flows and fleet traffic.

2.2.5. Railway Master Plan

The Railroad Master Plan was created as a tool to enhance the competitive advantages of the railroad mode, which has lagged behind for decades in Colombia, with a view to increasing the country's economic, social and productive development. The PMF- Railway Master Plan is a Public Political instrument that establishes the technical guidelines and roadmaps for the normative, institutional, regulatory, financing and project planning components that contribute to the economic and social development of the country.

The PMF- Railway Master Plan makes a diagnosis, identifies challenges and makes recommendations in terms of: institutional framework, projects, passenger services, financing and technical and economic regulation. Colombia's railway network has an approximate length of 3,533 km and is characterized by its complementary relationship with the road and river nodes, but due to the lack of maintenance, rehabilitation and improvement and the inactivity of some sections, there are problems of intermodal articulation. Of the total national rail network, 1,729 km are inactive.

Source: National Planning Department



The Railway Master Plan
emerges as a tool to enhance
the competitive advantages
of the railroad mode, which
has lagged behind for
decades in Colombia.



The PMF presents the rail projects proposed by the PMTI in three groups:

- Group I: national scale projects that bet on intermodality and Colombia's competitiveness.
- Group II: corridors that take advantage of the country's geographical location, which, having coasts on two oceans, can communicate with the markets of Europe, Asia and both coasts of South, Central and North America.
- Group III: regional projects that are in the structuring stage or in the design and construction phase.

The PMF's recommendation is to prioritize these projects through a methodology based on a demand and market study that determines the potential and the need or justification for each project.

The PMF makes a diagnosis, identifies the challenges and makes recommendations in terms of: institutional framework, projects, passenger services, financing and technical and economic regulation.

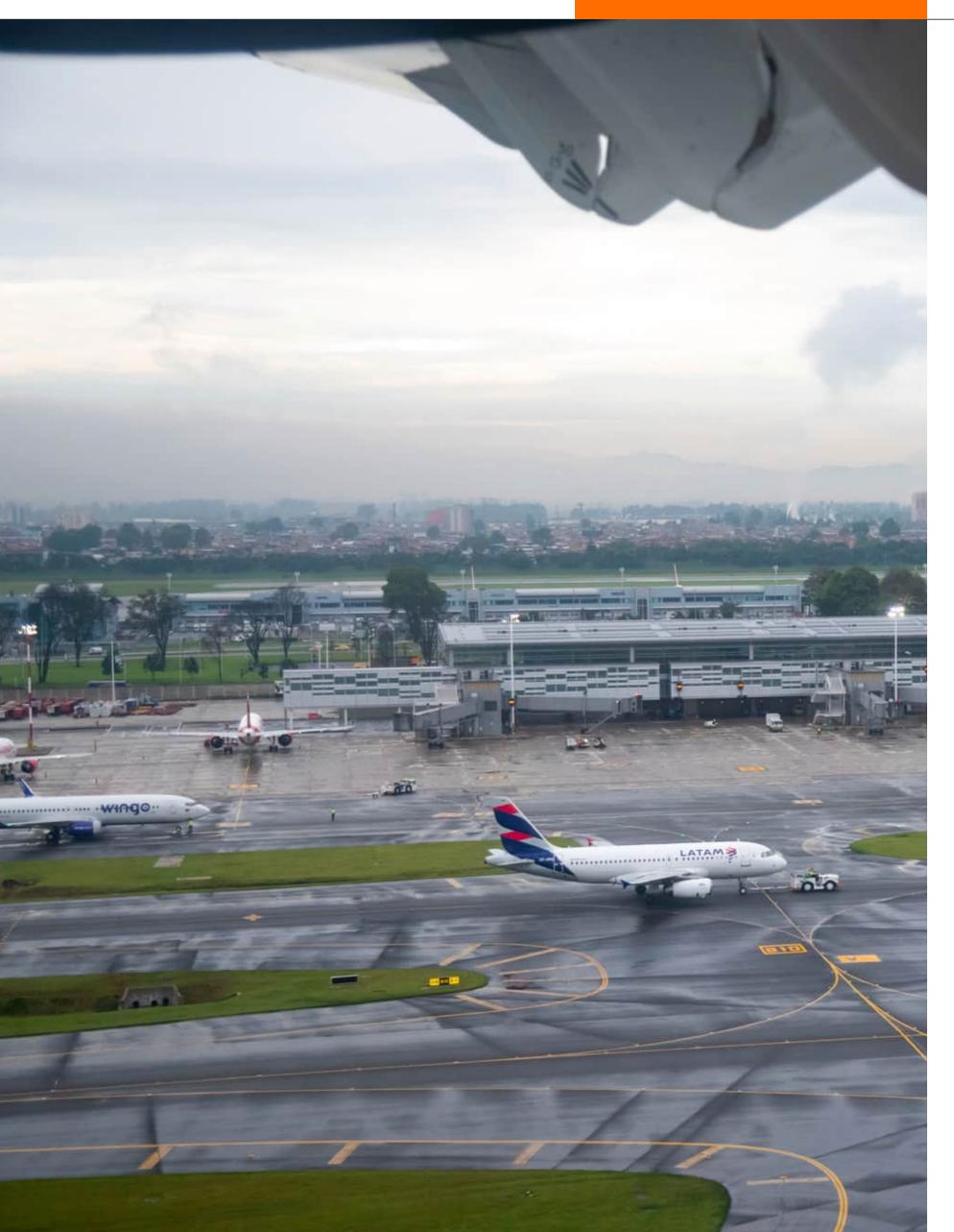




2.2.6. Aeronautical Master Plan 2030

In 2019 the Administrative Unit of Civil Aeronautics, Aerocivil, published the Aeronautical Master Plan 2030, which proposes to achieve "the development of the air transport sector in Colombia through actions that optimize national and international connectivity, boost competitiveness, improve and facilitate operational and civil aviation safety, that are environmentally sustainable, with service levels that meet social demands for mobility, under a stable institutional model that allows its insertion in the national and regional economy¹²". To this end, it proposes to mobilize one hundred million passengers by 2030, double cargo transportation in a clear, competitive, connected, safe and sustainable, supported by a renewed infrastructure, a strengthened industry and excellent human talent.

For this purpose, the Aeronautical Master Plan 2030 defined the following seven strategic objectives: institutional framework, connectivity, competitiveness, infrastructure and environmental sustainability, aeronautical industry and supply chain, operational and civil aviation safety, and development of human talent in the sector.







The Aeronautical
Master Plan 2030
proposes to achieve
"the development
of the air transport
sector in Colombia
through actions
that optimize national
and international
connectivity.

2.2.7. Departmental Water Plans

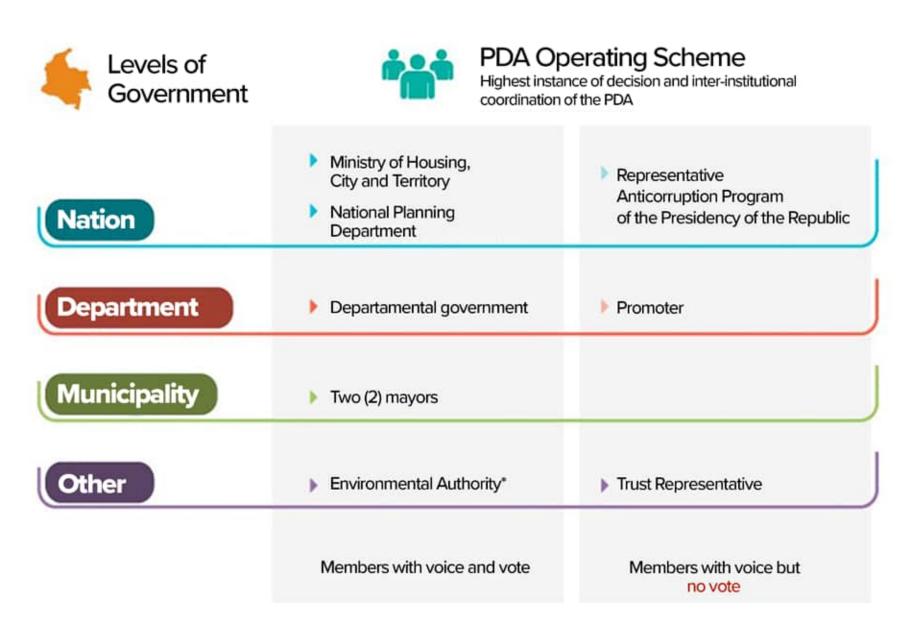
In order to achieve the integral harmonization of resources and the implementation of efficient and sustainable schemes in the provision of potable water and basic sanitation public utilities, each department in the country has a Departmental Water Plan. The PDAs are composed of:

- General Strategic and Investment Plan
- Annual Strategic and Investment Plan
- Performance Assurance Plan
- Social Management Plan
- Environmental Plan
- Risk Management Plan

The General and Annual Strategic and Investment Plans establish the pre-investment needs for the development of the infrastructure required for the provision of public drinking water and basic sanitation services. In this sense, water and basic sanitation infrastructure projects such as aqueducts and sewage systems, network maintenance, treatment plants, among others, are proposed and prioritized in these plans.

The PDAs are managed by the departmental authority (Governor's Office), which assigns a manager in charge of the PDA. In any case, each PDA has a Steering Committee which is the highest decision-making and inter-institutional coordination body, and is made up of the Ministry of Housing, City and Territory, the National Planning Department, a representative of the Government's anti-corruption program, the corresponding Governor's Office, the PDA manager, two mayors' offices, and in the event that a PDA is financed by an environmental authority (regional autonomous corporations), the latter would also be a member of the Committee.

PDA Operation Scheme



Source: Ministry of Housing, City and Territory



Points to highlight about the transportation infrastructure sector



• Infrastructure contracts in Colombia have an efficient mechanism for the management of contingencies and risks, which "are related to probable obligations derived from the materialization of risks incorporated in the contracts signed between state entities and the private sector"¹³. This mechanism, with these resources administered by the State Entities Contingency Fund, guarantees the availability of resources and allows for the successful completion of the infrastructure project cycle.



 Currently, the estimated amount for the concept of contingencies for road concessions and private initiative projects, entirely for transportation infrastructure, is \$10,832 million pesos (COP of 2020) and support the period between 2021 and 2032.



 Colombia has a successful sui generis figure that allows the financing of infrastructure projects and that are understood as "payment guarantees" made by the State with the concessions for the development of the projects. According to the Office of the Comptroller General of the Republic, future vigencias futuras: "constitute an alternative in the programming and execution of the budget, in those cases where the obligation to pay for the receipt to full satisfaction of a good or service by a public entity is known in advance, but it is not completed within the term of the fiscal year. Likewise, when the nature of the good or service to be received implies the execution in stages during several periods, at the end of which the receipt of such good or service is completely configured"14.



• The transportation sector (2021-2048) accounts for 79.6% of the future vigencias futuras for the development of investment projects. Followed by the Housing, City and Territory (9.2%); Finance (3.0%); and other sectors (8.2%). The above shows the importance of the transportation infrastructure sector in Colombia's public agenda, which was consolidated a few decades ago as a State Policy¹⁵.



Of the total of future vigencias futuras for the period 2021 to 2048 of 117.57 billion, \$93.57 billion are earmarked for the development of infrastructure projects. Among the most important projects is the first line of the Bogotá subway, which represents 22.6% of the resources.

- 13 Ministry of Finance and Public Credit, 2021, p.343.
- 14 Office of the Comptroller General of the Republic, 2009, p.5.
- 15 Ministry of Finance and Public Credit, 2021, p.415.

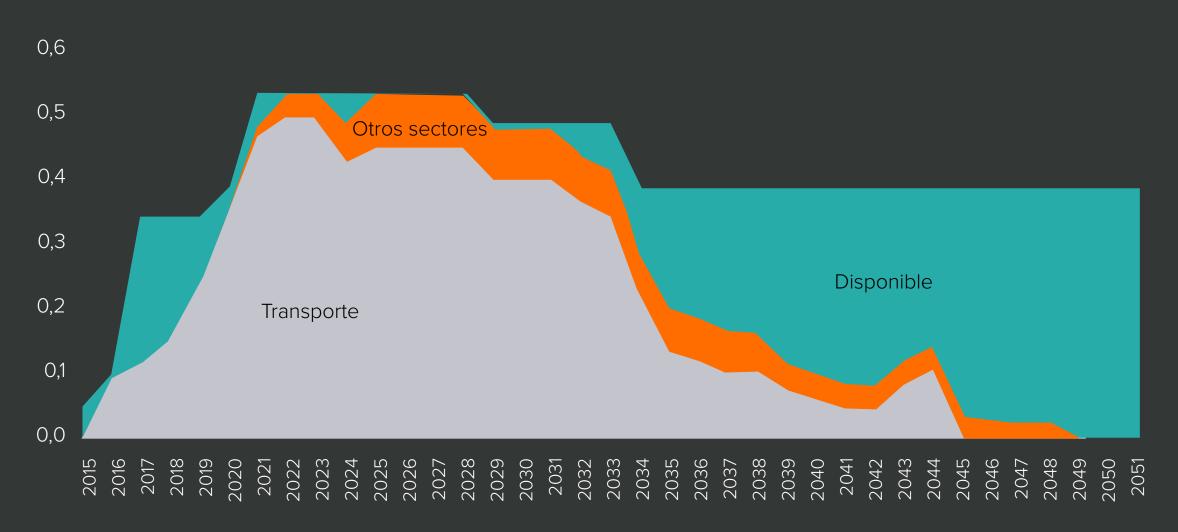




• It is worth noting that CONPES 3994 of 2020 approved the modification of the distribution of the annual limit of authorizations for committing future validity for Public-Private Partnership (PPP) projects. "The limit increased from 0.40% of GDP in 2020 to 0.55% in the period 2021 to 2028, and to 0.50% for the period 2029 to 2033. Between 2034 and 2051, the maximum quota was maintained at 0.40% of GDP"¹⁶. With this adjustment, the aforementioned quota for the transportation infrastructure sector was increased.

16 Ministry of Finance and Public Credit, 2021, p.417.

Graph 7.
Future budget quotas for PPP projects, as a percentage of Colombia's GDP

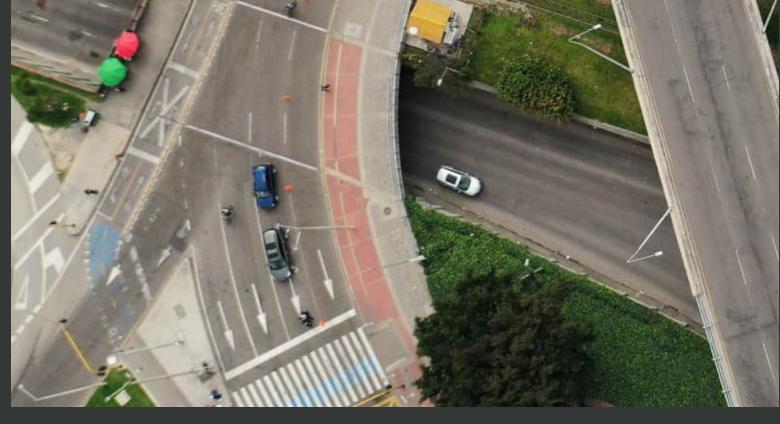


Source: Graph taken from MFMP 2021, page 417.



Colombia has the National Fund for Infrastructure Development (Fondes), whose purpose is "the investment and financing of infrastructure projects, as well as investment in the capital stock of mixed or official public utilities" According to the MFMP 2021, in accordance with the constitution of the autonomous patrimony Fondes, this fund will have a surplus balance close to 0.1% of the GDP¹⁸.









• Finally, it is worth mentioning that after the publication of the MFMP, the National Department of Statistics - DANE, published several of the measurements and indicators that reflect the behavior of the construction sector industry, especially the transportation infrastructure sector. The main indicators of the sector are presented below:

GDP: growth of the civil works sector a driver of the economy

- The growth of the economy during the second quarter of 2021 reflected the reactivation of most productive sectors, as it obtained a GDP measurement of 17.6% compared to the same period of the previous year.
- The GDP of the construction industry was 17.3%, a situation that reflects the progress in civil works and housing projects. Specifically, the civil works sector stood out with a measurement of 19.8% and specialized activities for the construction of buildings and civil engineering works: 17.4%¹⁹.
- This situation allows us to foresee the recovery of the construction sector, and especially to highlight that the civil works subsector is resuming the dynamics of the industry in pre-pandemic conditions, when it obtained a growth of 11.8%, being one of the drivers of the national economy. Among other reasons, this is due to the pipeline of projects that are being advanced as a consequence of establishing infrastructure as a State policy.

IPOC: the new statistical measurement on the execution of works

- In order to measure the macroeconomic impact of the broad development of civil works in the country, as well as to have greater precision in their progress, DANE launched the Civil Works Production Indicator - IPOC in the first quarter of 2021.
- This indicator is characterized by tracking the following subgroups of civil works: 1) Roads, streets, railways and runways, bridges, elevated roads and tunnels; 2) Ports, canals, dams, irrigation systems and other hydraulic works (aqueducts); 3) Long-distance gas pipelines, communication lines and power cables, pipelines and local cables and related works; 4) Mine and industrial plant constructions; and 5) Outdoor sports constructions and other civil engineering works.
- In the second quarter of 2021 the IPOC had an increase of 27.4%²⁰, a situation that reflects an advance in said percentage in the development of civil works and confirms the recovery of the sector.
- 19 National Administrative Department of Statistics, 2021, p.13.
- 20 National Administrative Department of Statistics, 2021, p.4..



In the second quarter of 2021 the IPOC had an increase of 27.4%, a situation that reflects an advance in said percentage in the works and confirms the 2.1. Project Pipeline - October 2021

The efforts of the National Government and the results of a strong and resilient State policy are reflected in the following list of infrastructure projects in various subsectors. This is an enunciative and non-exhaustive list that includes projects mostly structured under the public-private partnership scheme and that have been prioritized in development plans, CONPES documents or government documents at the national or local level such as those mentioned in this Guide. This Guide seeks to provide an

overview of projects in the short and medium term, which are close to finalizing their structuring and even to initiate a call for interested parties.

Note: The values indicated for each project are estimates and are subject to change. The technical, financial and legal structuring of projects are highly complex processes that may result in changes in project scope and costs.









Transportation Infrastructure

ANI 5G Program - First Wave

First of all, it is important to point out that the fifth generation (5G) program is the result of the experience in the structuring and execution processes of four generations of infrastructure projects under the Public-Private Partnership scheme.

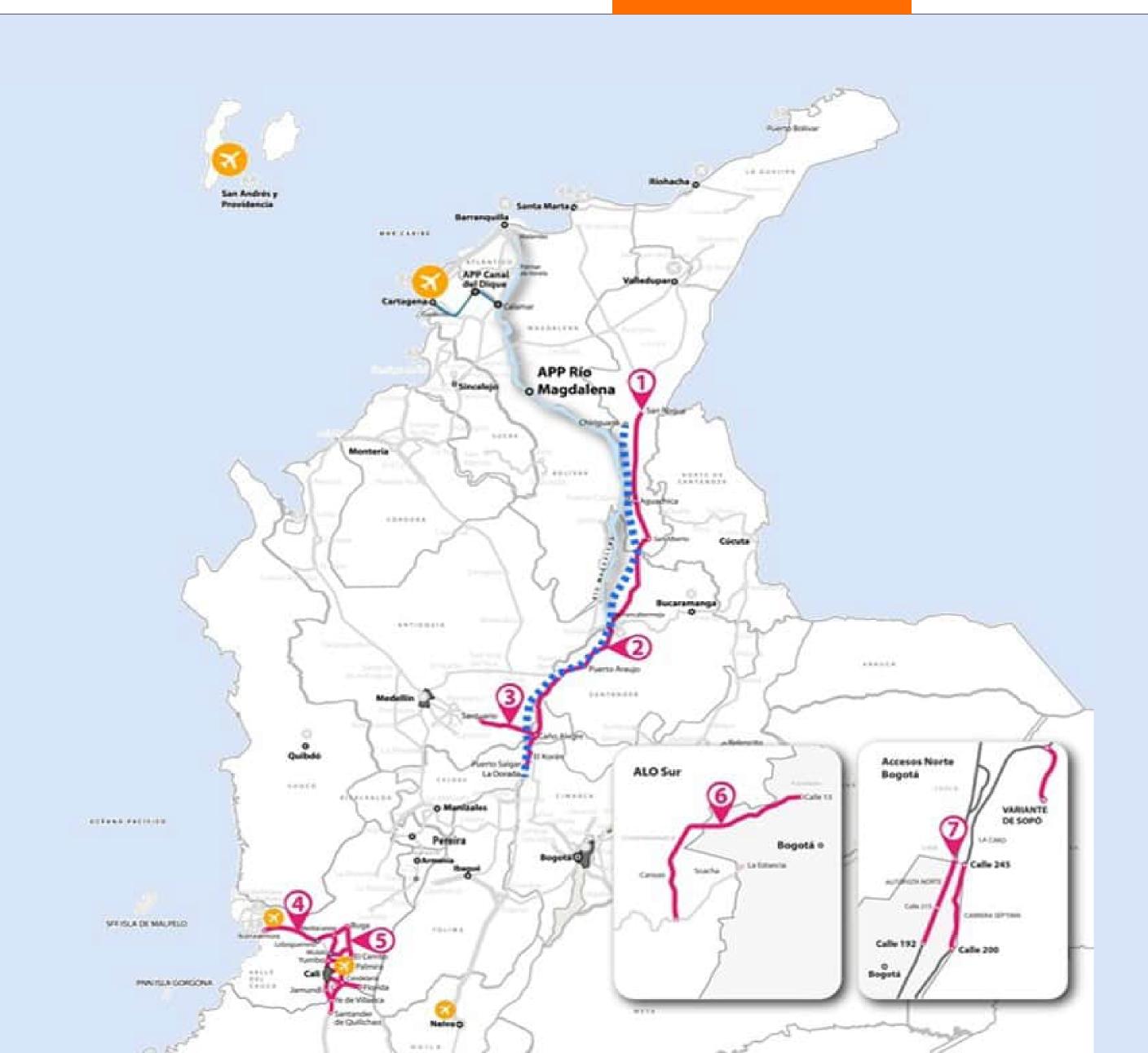
In fact, the 5G concessions are characterized by promoting the development of the intermodality policy and seeking a comprehensive sustainability scheme for each project from four perspectives: environmental, social, financial and institutional, which seek to respond to the Environmental, Social and Governance (ESG) criteria, which also facilitate financing schemes as well as the efficient execution of the projects.

Environmental sustainability seeks to protect, conserve, maintain and rehabilitate natural habitats, and also focuses on developing projects that are resilient to climate change. Socially sustainable infrastructure refers to inclusion, accessibility and support of the communities surrounding the project.

Financial sustainability is framed in the availability of sources of payment and financing for the projects, and institutional sustainability is understood as the set of rules, processes and tools that enable governance to advance infrastructure projects.

Finally, it is important to point out that during the first half of the year 2021 the concession contract (PPP) for the first project of the 5G program called Malla Vial del Valle de Cauca was awarded and signed, for which eight bidders were presented, most of them international companies.

First Wave



Road projects

1. IP ALO South

Strategically important project to improve mobility conditions in the Bogotá savannah, specifically in the western access to the Capital District, optimizing the route between Soacha and Calle 13.

Concession: 30 years **Job creation:** 19,743

Type of contract: PPP private initiative

CAPEX: USD 190 million **OPEX:** USD 127 million

2. Northern Accesses II

This project is a neuralgic action to consolidate the efficient transit of vehicles between Bogota and the municipalities in the north of the Bogota Savannah and guarantee its long-term operation and maintenance.

Concession: 29 years **Job creation:** 37,229

Type of contract: PPP public initiative

CAPEX: USD 358 million **OPEX:** USD 119 million

3. Puerto Salgar - Barrancabermeja

This project will allow the completion of the Ruta del Sol II works and the consolidation of the Troncal del Magdalena road corridor, allowing the connection of the center of the country with the Caribbean coast and guaranteeing its long-term operation and maintenance.

Concession: 25 years
Job creation: 58,382

Type of contract: PPP public initiative

CAPEX: USD 561 million OPEX: USD 455 million

4. Sabana de Torres - Curumaní

Project of strategic importance that will allow the completion of the Ruta del Sol II contract works and the consolidation of the Magdalena Troncal road corridor, allowing the connection of the center of the country with the Caribbean coast and guaranteeing its long-term operation and maintenance.

Concession: 25 years **Job creation:** 47,947

Type of contract: PPP public initiative

CAPEX: USD 461 million **OPEX:** USD 514 million

5. Buga – Buenaventura

This project will optimize the route to the country's most important port area, which will impact not only the municipalities in the area of influence, but also the rest of the national territory that uses the port area for its activities. the rest of the national territory that uses this port area for its activities.

Concession: 29 years
Generation of jobs: 66,561
Type of contract: PPP with public resources.

CAPEX: USD 642 million **OPEX:** USD 488 million

6. Santuario - Caño Alegre (Water Route)

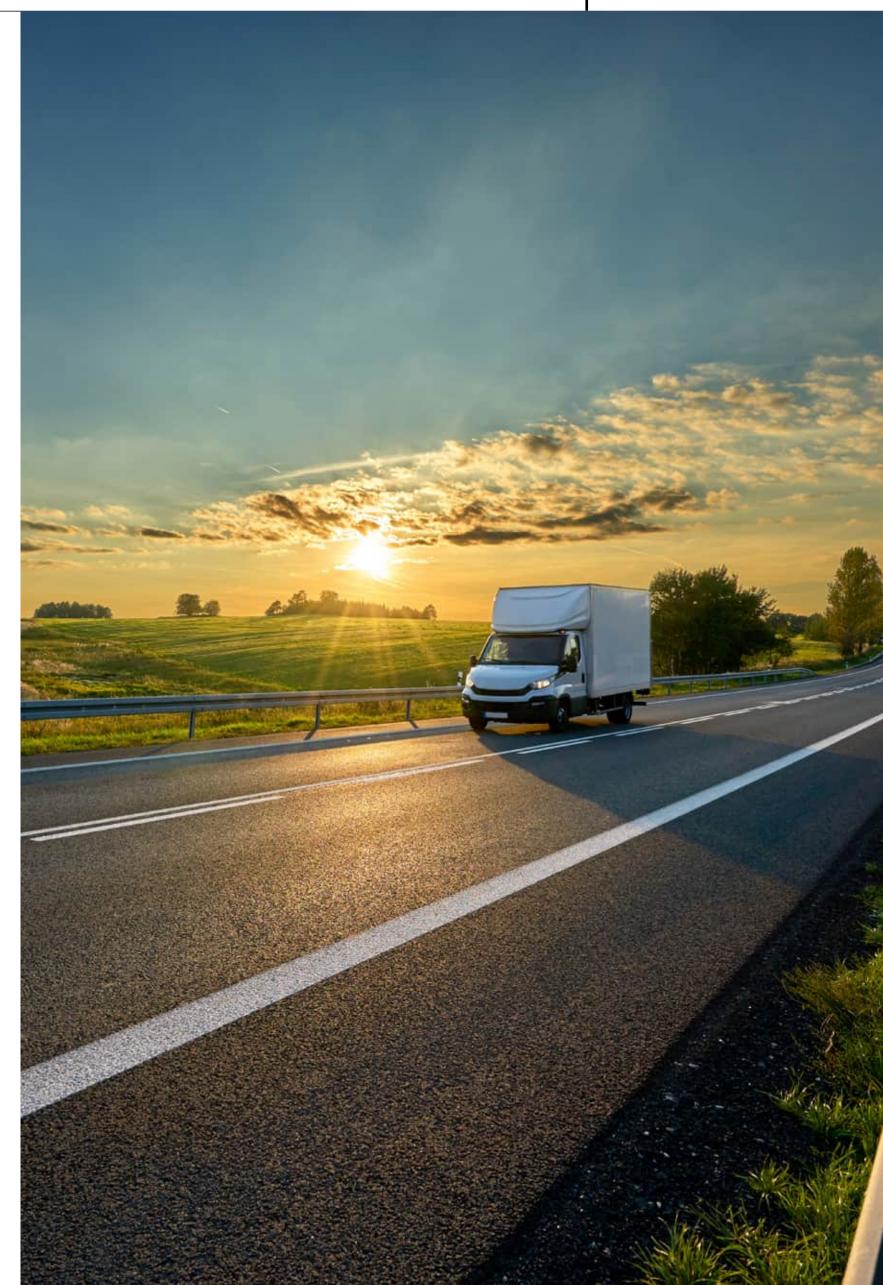
This project is intended to improve connectivity between Eastern Antioquia and the interior of the country offering SUPERIOR technical specifications to the existing ones, with all the benefits derived from this improvement.

Concession: 30 years **Job creation:** 91,662

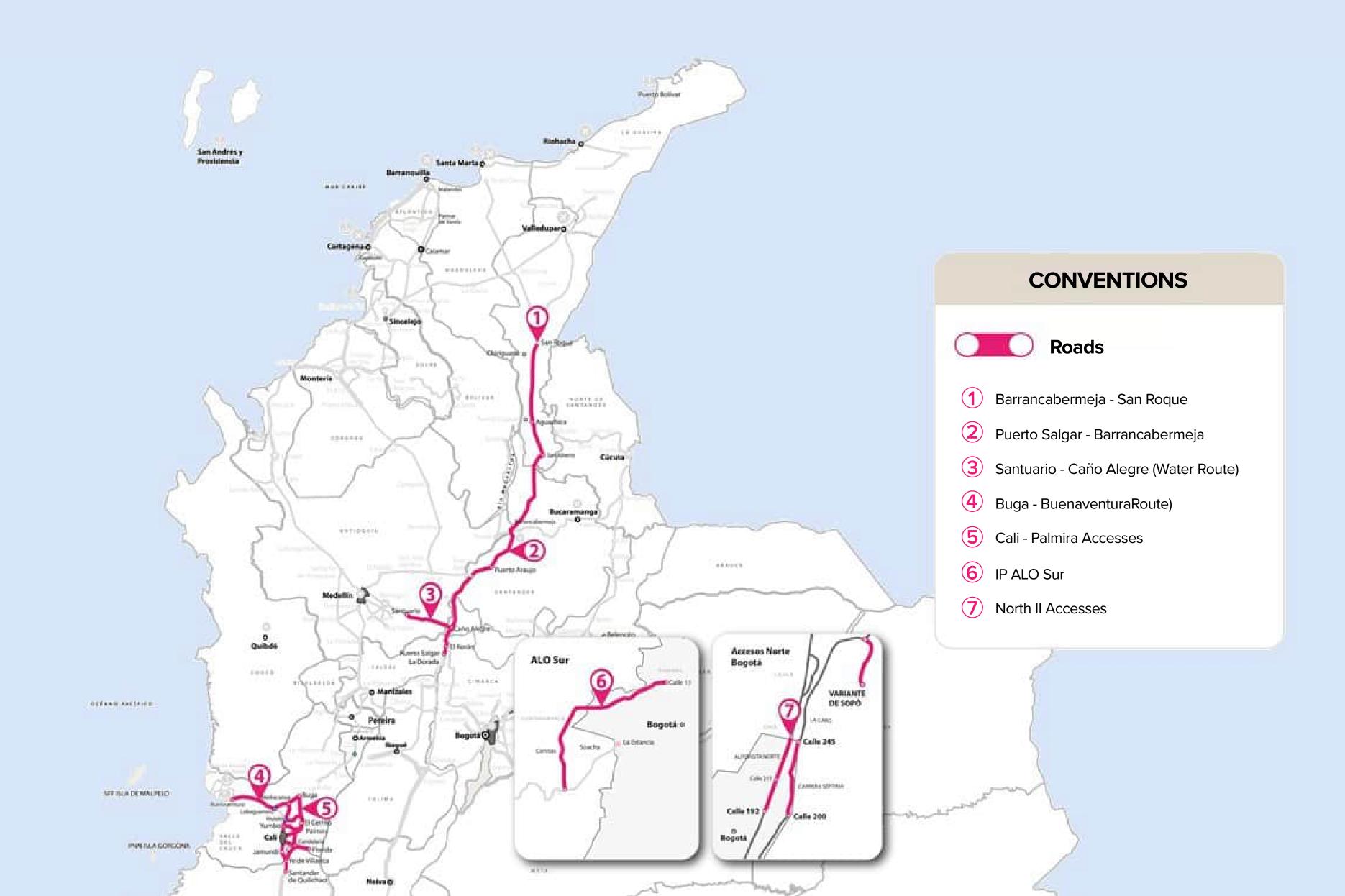
Type of contract: PPP Private without

public resources **CAPEX:** USD 881 million **OPEX:** USD 881 million













Airport projects

1. IP Southwest Airports

Airports in Neiva, Buenaventura and Palmira.

Generation of jobs: 40,050

Type of contract: PPP private initiative

CAPEX: USD 385 million

OPEX: USD 439 million

2. IP Cartagena Airport (Rafael Núñez)

New international terminal, apron expansion, remodeling of current terminal, maintenance of Rafael Núñez Airport infrastructure.

Job creation: 11,330

Type of contract: PPP private initiative

CAPEX: USD 119 million OPEX: USD 195 million

3. IP New Cartagena Airport

Studies, designs, construction, operation and maintenance of a new airport for the city of Cartagena de Indias.

Job creation: 72,495

Type of contract: PPP private initiative

CAPEX: USD 767 million

OPEX: USD 1,138 million

4. San Andres Airport IP

Design, construction, modernization, operation and maintenance of airport infrastructure on both the air and land sides of the Gustavo Rojas Pinilla Airport in San Andrés and El Embrujo Airport in Providencia.

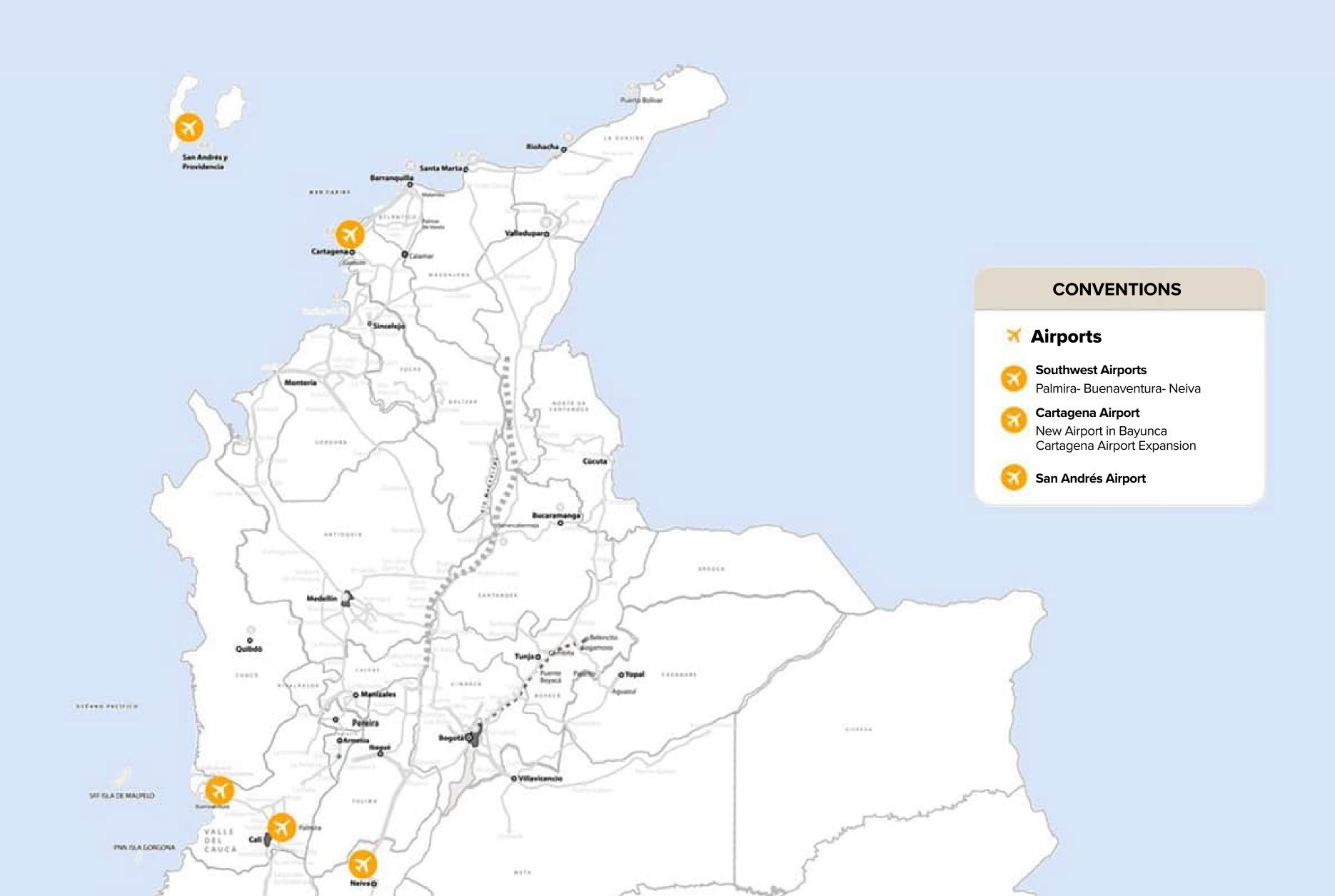
Job creation: 4,861

Type of contract: PPP private initiative

CAPEX: USD 81 million

OPEX: USD 165 million

Airport projects



Navigability projects

1. Magdalena River

The river will be part of the driving force behind intermodalism and the competitiveness of the regions and the country, contributing to the reduction of costs in the logistics chain. The directly benefited population corresponds to 50 municipalities from Barrancabermeja to Barranquilla, with more than 1,577,150 inhabitants in 6 departments.

Concession: 15 years and 3 months
Generation of jobs: 12,692
Type of contract: PPP public initiative
CAPEX: USD 122 million
OPEX: USD 274 million

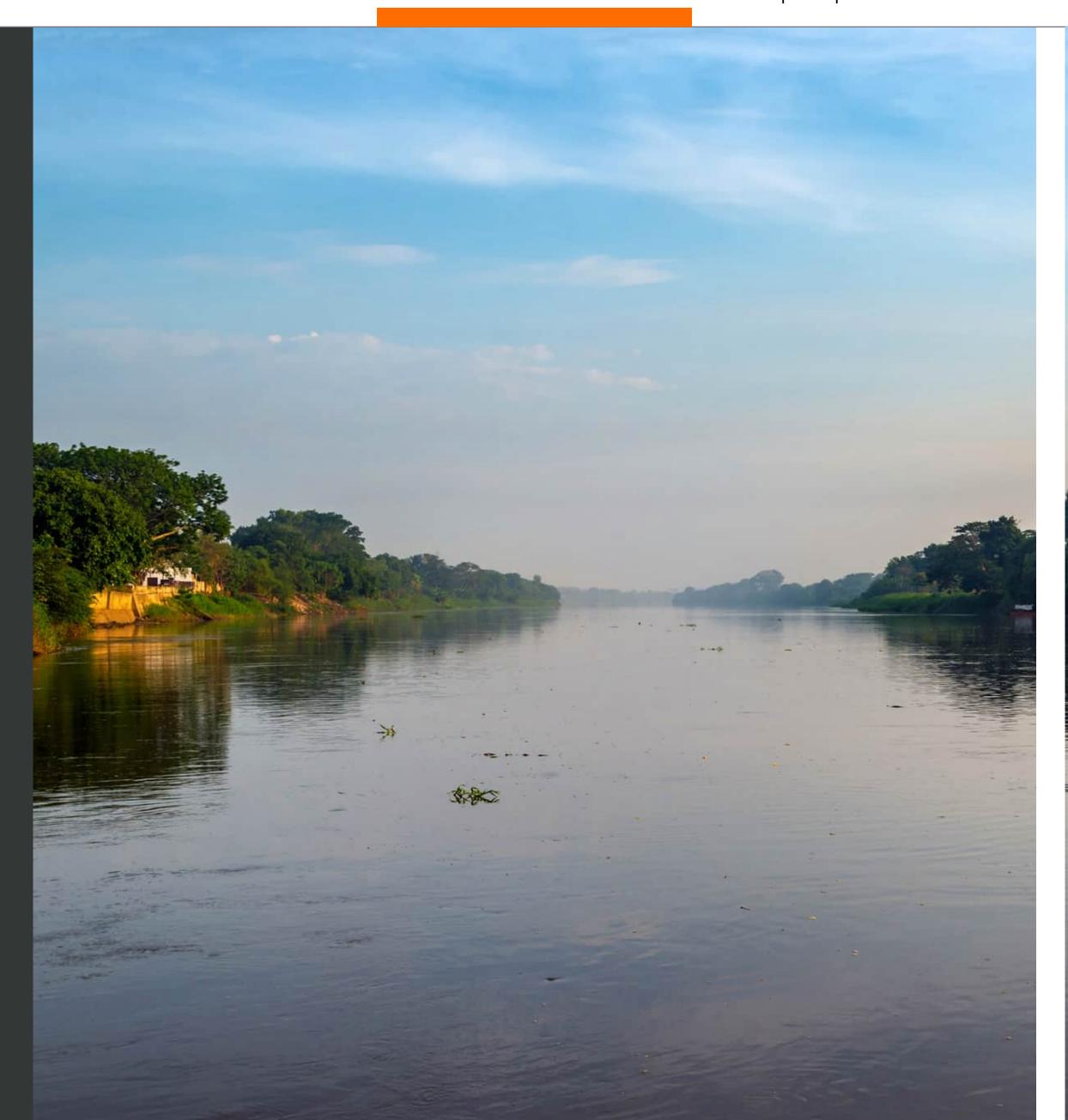
2. Canal del Dique

The project will maintain control of sediment transit between the canal and the bays of Cartagena and Barbacoas; flood control and control of water levels in the canal; improvement of the marsh - marsh and marsh - canal connections; restoration of the Corales del Rosario and San Bernardo National Natural Park ecosystems; restoration of marshes, canals and the Dique Canal; securing the canal's water resources for drinking water, irrigation, livestock, fishing and other services; optimization of the canal's navigability, among others.

Concession: 15 years **Job creation:** 60,075

Type of contract: PPP public initiative

CAPEX: USD 577 million **OPEX:** USD 244 million





Navigability projects



Railroad Project

1. Dorada - Chiriguaná

Track rehabilitation activities, upgrade to Cooper E40 type track, change of rails to 90 lb/Yd. Construction of long welded bars, train traffic control system, intervention of bridges, upgrade and overhaul of rolling equipment. Replacement of wooden sleepers with concrete sleepers.

Ballast watering, raising, alignment and leveling of track. Bridge reinforcement.

Signaling and control.

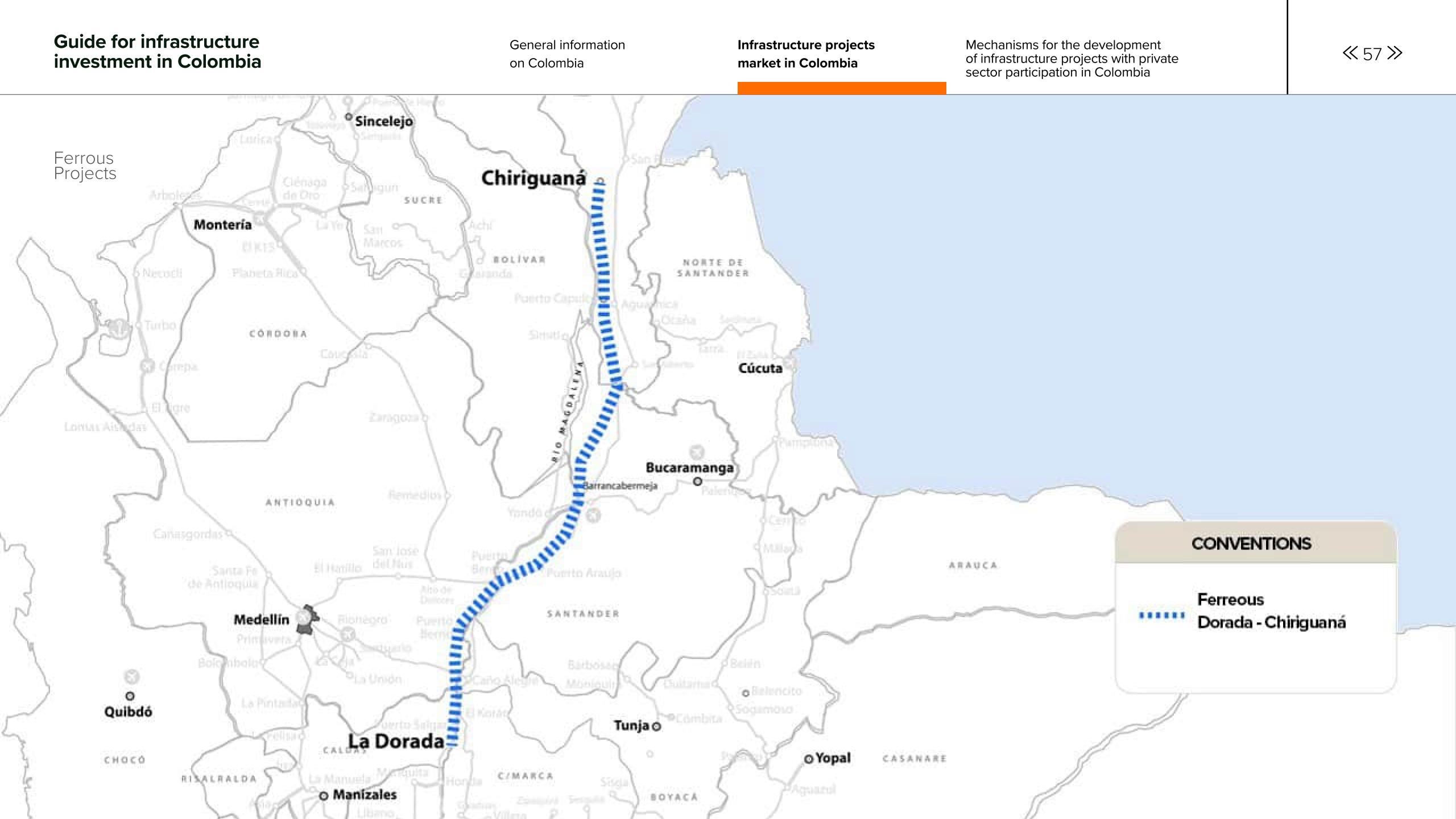
Generation of jobs: 44,844

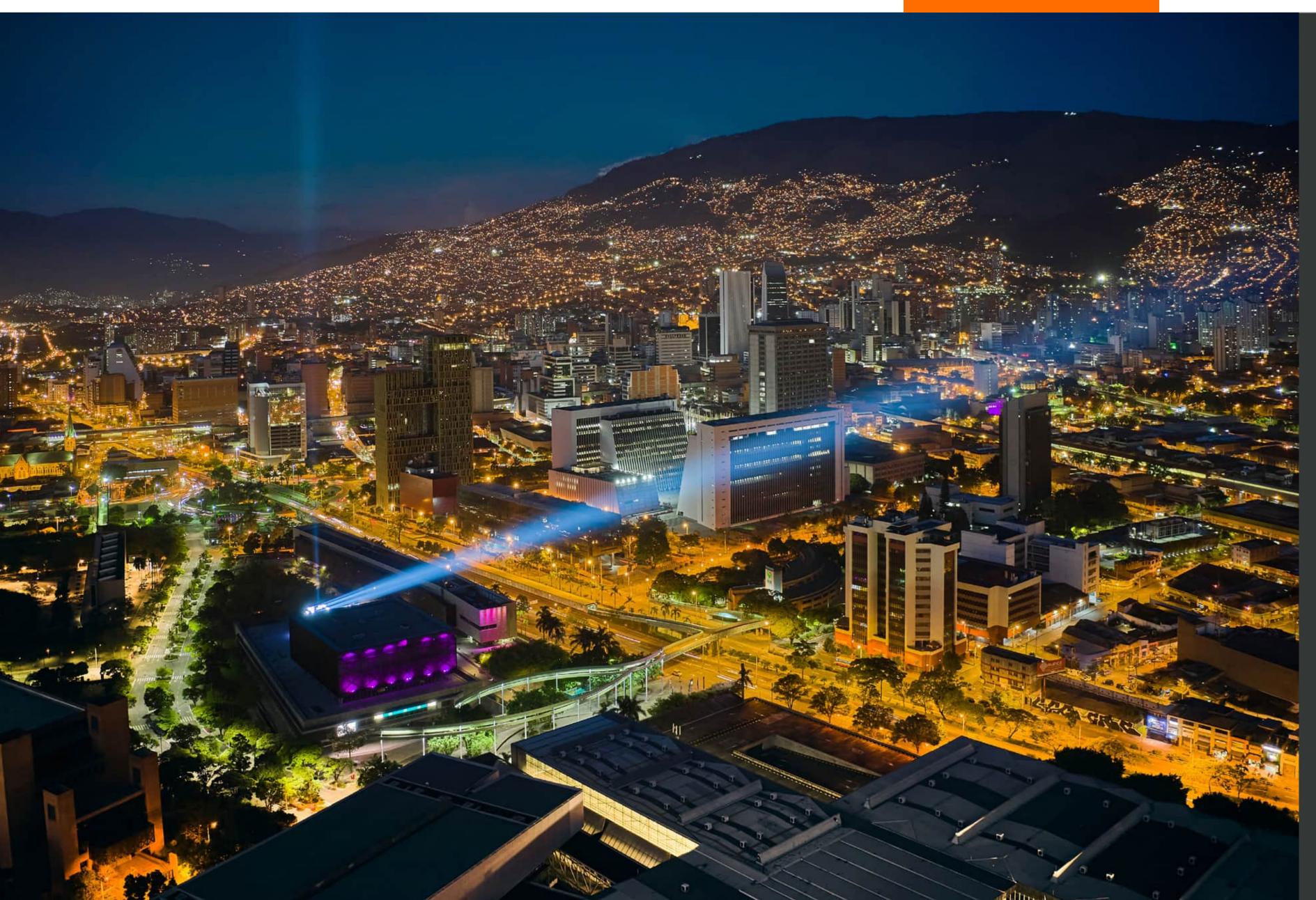
Type of contract: PPP public initiative

CAPEX: USD 431 million









Water and Basic Sanitation Infrastructure

Canoas Wastewater Treatment Plant (WWTP) (Bogota)

The purpose is to decontaminate the Bogotá River and treat 70% of the wastewater from Bogotá and 100% from Soacha.

Contract: PPP

Concession term: 25 years

Estimated investment: USD 1.5 billion *Exchange rate: 1 USD = 3,432.50 COP

Camilo Torres Wastewater Treatment Plant (WWTP) (Neiva)

Treatment of wastewater discharged into the Magdalena River.

Contract: PPP

Concession term: 25 years

Estimated investment: USD 65 million *Exchange rate: 1 USD = 3.432,50 COP

Leachate Treatment - Energy Valorization Final Disposal Cells (Bogota)

Projects for waste utilization in Bogotá.

Estimated investment: to be defined

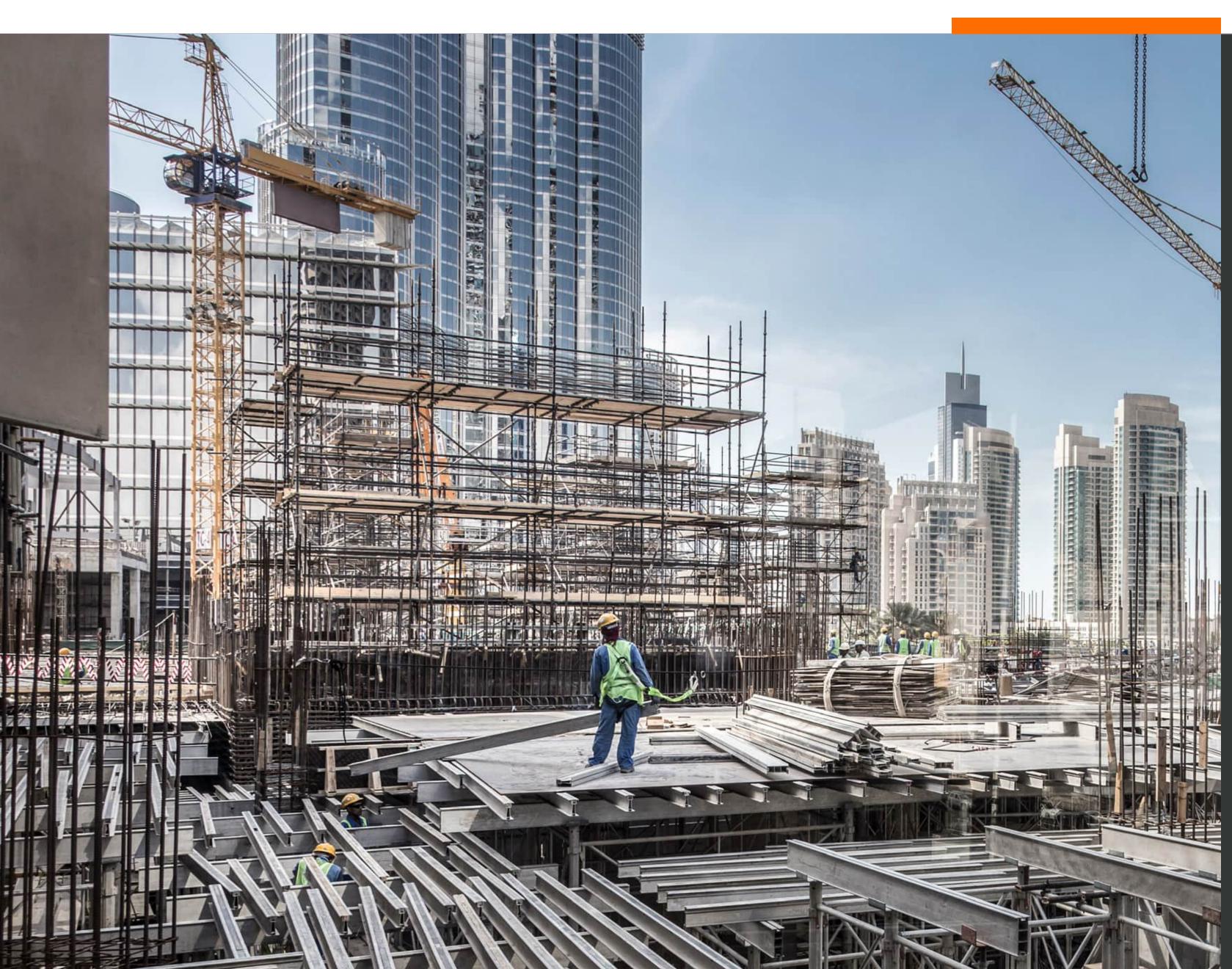
Healthy Medellín

Design, construction, installation, provision, operation, maintenance and administration of Automated Sanitary Modules and Automated Water Dispensing Modules in the urban area of the city of Medellín.

Contract: PPP of private initiative.

Estimated CAPEX: USD 12.2 million

*Exchange rate: 1 USD = 3.767 COP



Social infrastructure

Medellín Arena

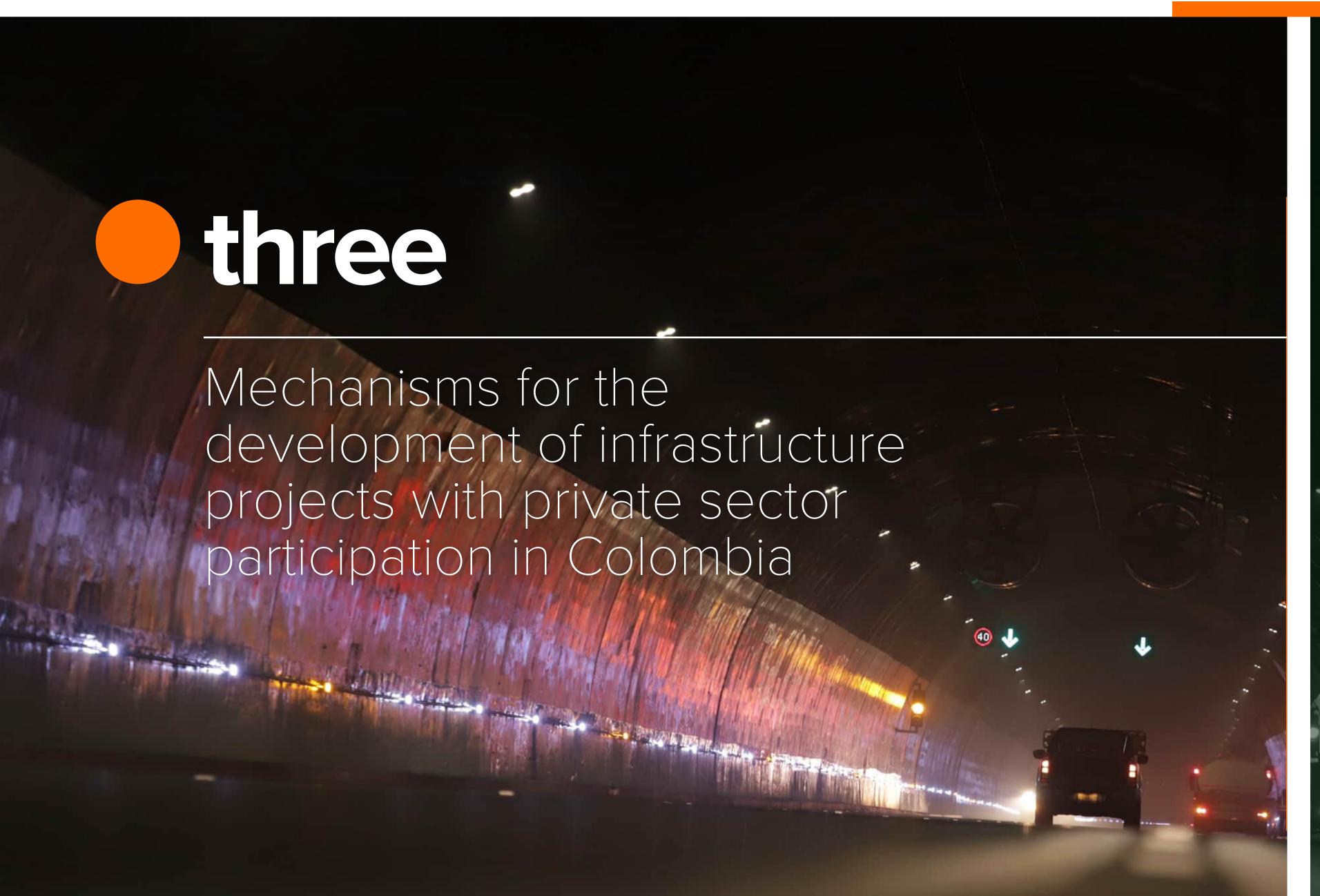
To carry out the studies and definitive designs, construction and/ or renovation, financing and reversion of the Cincuentenario Stadium for the development of an Arena in Medellín

Contract: Private initiative PPP **Estimated investment:** USD 26.1 million *Exchange rate: 1 USD = 3.767 COP

Engativá Hospital (Bogotá)

Construction and maintenance of the existing infrastructure of the Engativá Hospital in the city of Bogotá.

Contract: PPP
Estimated investment: to be defined



Principles of State Contracting

Legal Considerations

Tax Considerations

Colombian Customs Regime

Transfer Pricing Regime

International Exchange Regime

Relevant CONPES

3.1. Principles of State Contracting



In Colombia, the administrative function and specifically the contractual activity of the State is subject to the observance of the principles of transparency, economy and responsibility of the public servants, as well as to the constitutional principles of equality, morality, efficiency, economy, celerity, impartiality and publicity, which are materialized in the compliance with the duty of planning and objective selection of the contractor.

The **objective selection**²¹ of the contractor is that in which the choice is made to the most favorable offer to the entity and the purposes it seeks, without taking into consideration factors of affection or interest and, in general, any kind of subjective motivation.

Since 2018, the observance of the principle of objective selection of the contractor was reinforced in the legal system, through the obligation to adopt standard documents, defined by the National Agency of Public Procurement Colombia Compra Eficiente, which are mandatory in the contractual activity of all entities subject to the General Procurement Statute of the Public Administration.

Through standardization, the enabling requirements, technical, economic and other selection factors are established, as well as those requirements that, upon justification, represent good contractual practices that seek the proper development of the principles governing public procurement.

These standard documents are binding for the bidding documents of the selection processes for public works, public works audits, audits for studies and design consultancy for public works, and engineering consultancy for works.

The **principle of transparency**²² refers to the need for the contractor selection process to be made public, and for any interested person to be able to obtain information on the development of each of the stages of said process. As a consequence of the foregoing, the decisions adopted in the process must be duly motivated and any person must have the possibility of verifying and questioning such motivation.

Finally, public contracting is also subject to the principles of fiscal responsibility and the regime of disqualifications provided by law. 3.1.1. Concessions

As provided in Article 32 of Law 80 of 1993, they are defined in the Colombian legal system as those contracts entered into by state entities for the purpose of granting to a person called concessionaire the total or partial provision, operation, exploitation, organization or management of a public service, or the total or partial construction, exploitation or conservation of a work or asset intended for public service or use, as well as all those activities necessary for the adequate provision or operation of the work or service on behalf and at the risk of the concessionaire and under the supervision and control of the granting entity, in exchange for a remuneration that may consist of fees, tariffs, rates, valuation, or in the participation granted in the exploitation of the asset, or in a periodic, single or percentage amount and, in general, in any other form of consideration agreed upon by the parties.

In Colombia, the evolution of concession contracts has been classified based on the generations of road concessions, as follows²³:





First 9

• First generation: The first generation was characterized by applying a minimum guaranteed income system, estimated with traffic studies with which maximum toll rates and the fixed term of the concession were defined. Since actual demand was lower than estimated, demand risk coverage went from occasional to permanent. This contractual structure did not contemplate cost overruns in property management, problems with communities or valuation charges.



Second generation: This concession process began in 1997, seeking to solve the problems identified in the first-generation concessions. In this generation, the concept of variable duration of the concession was introduced, tied to the obtainment of the expected income by the private party. A variable term (with a maximum cap) was introduced to reduce demand risk. This generation had an explicit, albeit precarious, risk allocation. It migrated to an expected revenue model and official traffic projections were again overestimated with respect to actual traffic.



Third generation: Conceived from 1999 onwards. They migrated to an expected revenue scheme, combined with contributions from the Nation. The term of the concessions was variable, with a maximum duration cap. The flows were not discounted discounted for the calculation of the value of the revenues requested in the bids. The physical scope of the project was allowed to be progressive: other works could be included whose execution was subject to a higher traffic level than expected or projected and to the availability of additional financial resources. As a consequence of the lack of clarity in property rights, there was a lack of formalization in the acquisition of land, which generated delays and cost overruns. In addition to the emergence of environmental proceedings for non-compliance with environmental licensing resolutions and other aspects related to their management, several projects of this generation experienced financial problems.

23 See: Quiñones Guzmán, Juan Carlos. Contratos de asociación público - privada e infraestructura de transporte, 2020, p. 7-9; Departamento Nacional de Planeación, Documento CONPES 3045 de 1999, p. 4-6.

The described development of concession contracts was the prelude to the concession model under the PPP modality, introduced in the Colombian legal system with Law 1508 of 2012, which has given rise to the fourth and fifth generation of road concessions.



3.1.2. PPP Contracts

The PPP regime is contained in Law 1508 of 2012 and its regulatory decrees, compiled in Decree 1082 of 2015 "Sole Regulatory Decree of the National Planning Administrative Sector".

PPPs in Colombia are defined²⁴ as an instrument for linking private capital, which materializes in a contract between a state entity and a natural or legal person under private law, for the provision of public goods and their related services, involving the retention and transfer of risks between the parties and payment mechanisms, related to the availability and level of service of the infrastructure and/or service.

They are used for the design and construction of an infrastructure and its associated services, or its construction, repair, improvement or equipment, activities that must involve the operation and maintenance of such infrastructure. They may also deal with infrastructure for the provision of public services²⁵.

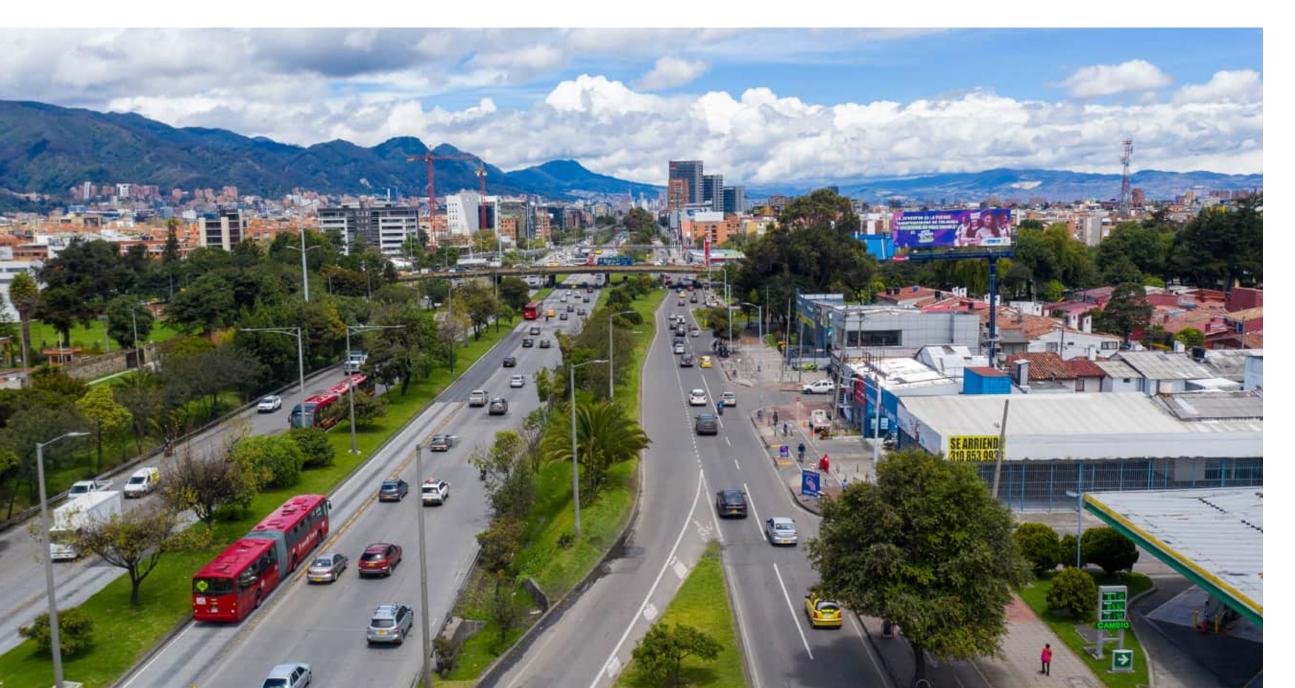
The PPP scheme under Law 1508 has allowed private participation in public infrastructure projects under two different types of project initiatives that may arise from the planning and structuring phase of the projects. These private participation initiatives are categorized as follows:

- I. Public initiative: corresponds to infrastructure projects where, based on a need identified by a public entity, a specific service is sought to be provided. For this purpose, a business/concession structure is defined where the public sector commits to cede for a defined period the commercial exploitation and payments with public contributions (Future Vigencies) so that a private entity is in charge of the development of the infrastructure and the provision of the public service. The studies and cost of structuring the project are the responsibility of the public entity.
- II. **Private initiative:** corresponds to projects where the private actor proposes a business structure/ infrastructure concession to the Public for the development of an infrastructure and the provision of a service. This initiative is also remunerated through commercial exploitation and may request up to a maximum limit of public resources for its payment. The studies and project structuring costs are borne by the private party.

In general terms, some key aspects for the understanding of this framework are set out below:

Key aspects:

- Historically the Future Vigencias Futuras of PPP contracts have been mainly in Colombian pesos (COP) and in a smaller proportion, part of this total income has been recognized and updated by the variation of the TRM (USD). The remuneration of the projects is generally given entirely in COP, transferring the exchange rate risk to the private investor. However, there have been 4G and 5G road projects where part of the income adjusted for variations in the TRM has been recognized.
- Being one of the most important issues of PPPs, the structuring has been done according to the *project finance* methodology and optimal allocation of risks between the public and private sectors, it is important to take into account that the allocation of risks of PPP contracts must follow Public Political guidelines given by documents of the National Council of Economic and Social Policy (CONPES). There are documents with general risk allocation guidelines such as CONPES 3107 of 2001. Likewise, there are other CONPES documents specific to sectors such as road, river, energy, railroad, among others. in infrastructure in Colombia.



24 Law 1508 of 2012, article 1.

25 Law 1508 of 2012, Article 3.

a) Principles

The principles of the administrative function, contracting, fiscal sustainability criteria and the regime of incompatibilities and disqualifications²⁶ are applicable to Public-Private Partnership schemes. Additionally, this contract model is governed by the following principles²⁷:

- Cost-benefit ratio: consists of quantitatively contrasting
 the execution modality of a public project with the PPP
 modality, in order to decide whether the participation of
 the private sector in association with the public sector can
 contribute more value in the development of the project,
 under the main criterion of value for money.
- Efficient risk allocation: this consists of assigning risks to those who are best able to manage and mitigate them, in such a way that the impact of their occurrence on the infrastructure and its service levels is reduced to a minimum.
- Right to retribution based on the availability and quality of service: corresponds to the model of functional units foreseen for PPP projects, whereby the State rewards the concessionaire economically each time it delivers a section of the project. This scheme has made the PPP model successful in Colombia, since it allows that once the construction of a functional unit is completed under quality and usable conditions in an "independent" manner by making it available to the user while the other functional units of the project are completed, the concessionaire receives the remuneration of the resources invested in that functional unit, in such a way that the private partner obtains the agreed upon retribution. This scheme facilitates the development and financing of the projects. Likewise, these resources are managed through trusts, which guarantees the adequate use of public resources.
- **Collaboration:** this means that the PPP contract is a true public-private collaboration scheme, which means that it must be governed by a premise of mutual and harmonious collaboration aimed at one purpose: to provide public infrastructure and its associated services.

Materialization of the collaboration principle in Colombia:

As a consequence of the COVID-19 pandemic that occurred during the year 2020, and due to the prevention measures that the National Government and the territorial entities had to take, the PPP contracts in execution were seriously affected in terms of time and costs.

Faced with this situation, the National Infrastructure Agency, headed by its President, decided to seek a negotiated and transversal solution for all road and airport concessionaires, with the mediation of the Colombian Chamber of Infrastructure, the National Agency for the Legal Defense of the State, the Comptroller General of the Republic, the Attorney General's Office and the Secretariat of Transparency.

Thus, in May 2020, the negotiation tables began, which averaged two meetings per week for seven months. The result was successful: two general agreements signed between ANI and the road concessionaires and a memorandum of understanding signed between ANI and the airport concessionaires; documents in which the legal considerations and the agreements with transactional effects were clearly established between the parties, which guaranteed the continuation of the projects and the recognition of the costs, revenues and compensations required for the preservation of the public service and the repayment of the contributions made by the investors and financiers.

This exercise demonstrated, in a convincing manner, the institutional maturity in Colombia to avoid large and lengthy litigation in large infrastructure projects, preferring a direct settlement solution, with the mediation of a trade union entity, and the participation of control and anti-juridical damage prevention agencies such as the Attorney General's Office, the Comptroller General's Office and the National Agency for the Legal Defense of the State. In this way, the response to the challenges generated by the pandemic was in the will of the parties, understood not only as a political, administrative and managerial decision, but also, as a formal



source of law in public contracts, particularly in concession and public-private partnerships, and materialized the principle of collaboration of PPP contracts, reaffirming the importance of direct dialogue between the parties with cross-cutting solutions.



27 Quiñones Guzmán, Juan Carlos. Public-private partnership contracts and transport infrastructure, 2020, p. 14-18.

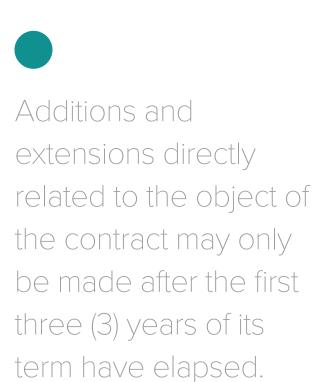


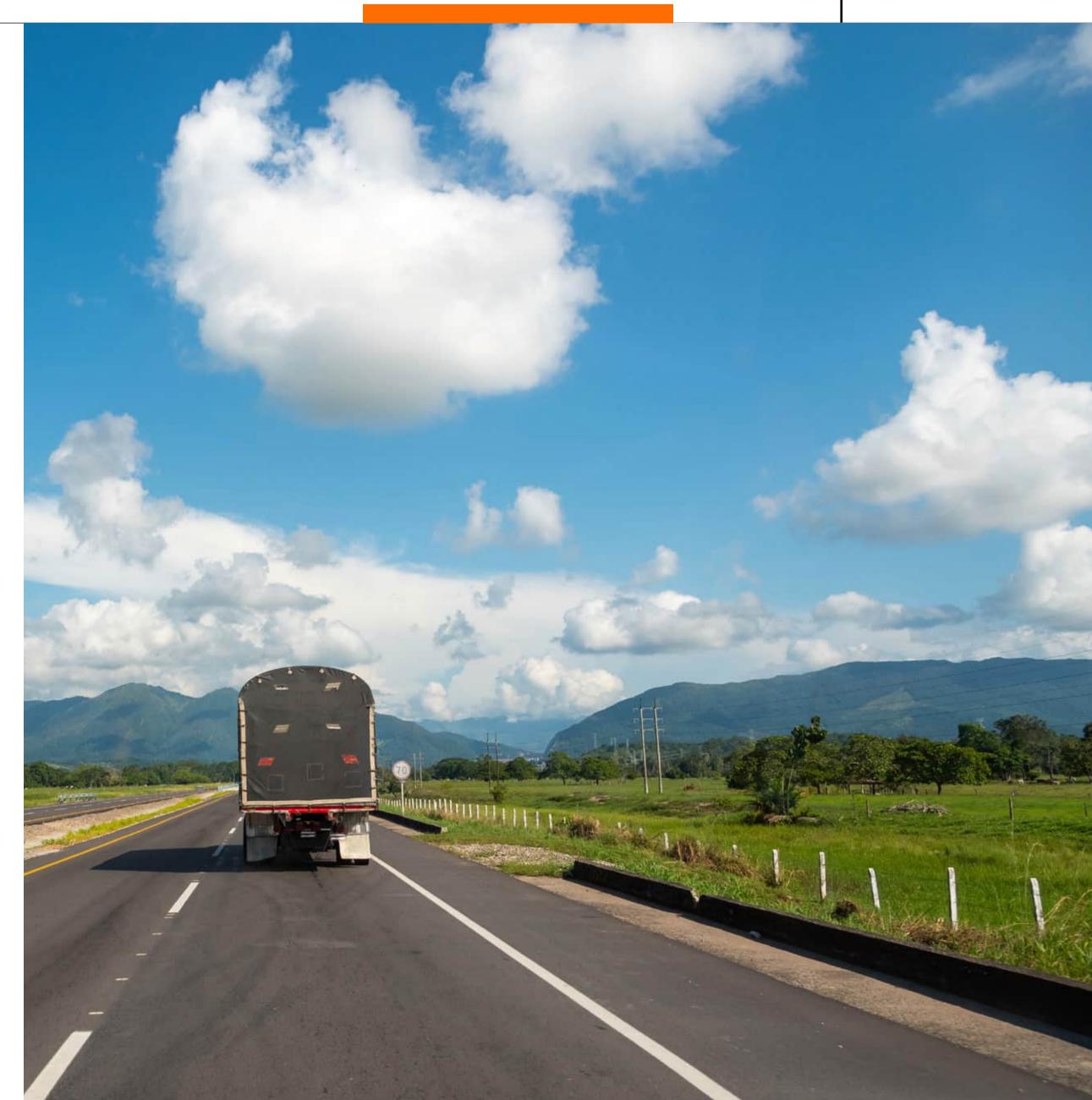
The National Infrastructure
Agency decided to seek
a negotiated solution
through direct settlement
with the highway and airport
concessionaires, with the
mediation of the Colombian
Chamber of Infrastructure.

b) Characteristics of PPP contracts²⁸

- **Parties:** Subscribed between a public entity and a natural or legal person of private law, which rules out the participation of consortiums, temporary unions and other types of participation contracts.
- **Value:** This legal and contractual regime is only applicable to projects whose investment amount is SUPERIOR to six thousand (6,000) legal monthly minimum wages in force.
- **Term:** As a general rule, contracts for the execution of Public-Private Partnership projects have a maximum term of thirty (30) years, including extensions, unless a longer term is foreseen as from the structuring of the project, prior to the selection process and with the prior favorable opinion of the National Council of Economic and Social Policy CONPES.
- Extensions: Additions and extensions directly related to the object of the contract may only be made after the first three (3) years of its term have elapsed and until the first three quarters (3/4) of the term initially agreed upon in the contract has expired.
- Applicable regulations: The selection processes and the rules for the execution and performance of contracts that include Public-Private Partnership schemes are governed by the provisions of Law 80 of 1993 and Law 1150 of 2007, except in matters particularly regulated in Law 1508 of 2012.
- **Exorbitant clauses:** Contracts for the development of Public-Private Partnership projects include the exceptional clauses inherent to public contracting such as caducity, unilateral termination and others established by law.

28 See: Quiñones Guzmán, Juan Carlos. Public-Private Partnership Contracts and Transportation Infrastructure, 2020, p. 14; Law 1508 of 2012.





c) Types of Public-Private Partnerships²⁹

Public initiative PPPs:

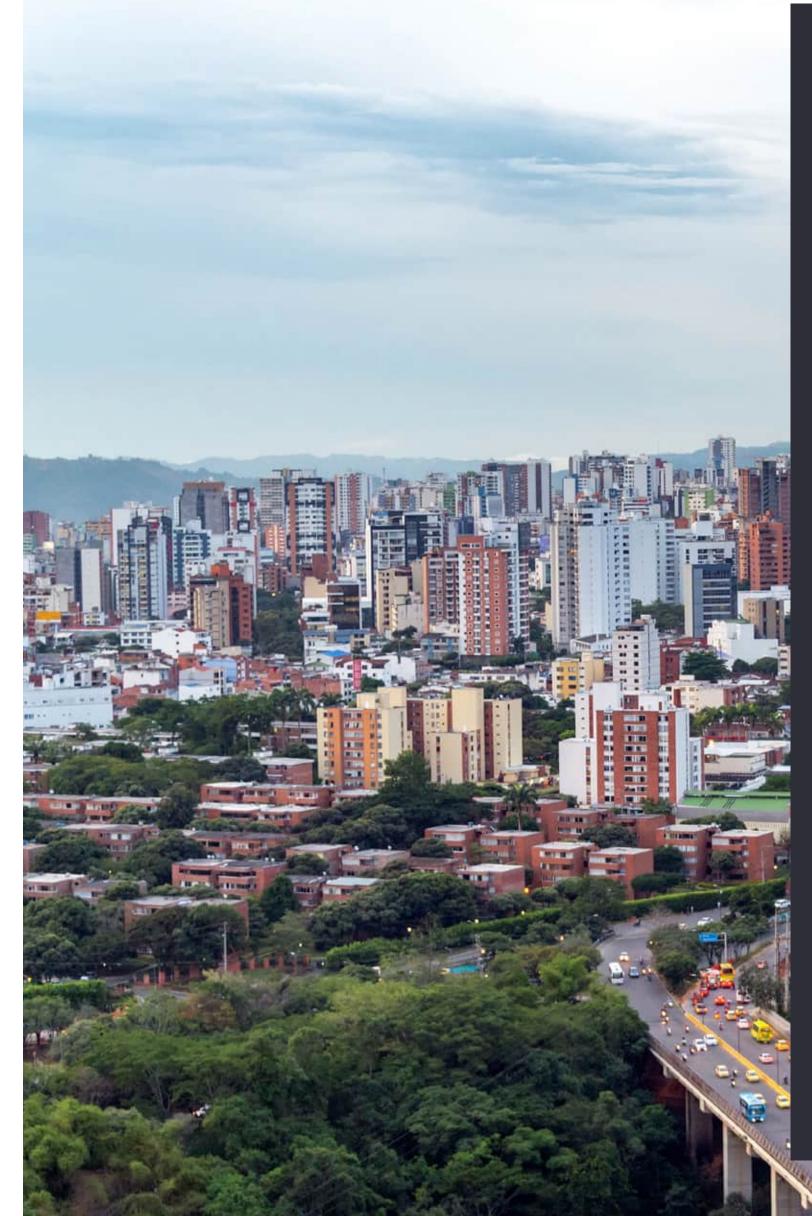
These are those PPP projects structured by the contracting public entity.

For the selection of contractors, it is possible to form a list of pre-qualified bidders by means of a public call for bids, establishing a limited group of bidders to participate in the selection process.

The selection procedure for Public-Private Partnership projects of public initiative is that of public bidding, and the objective selection is materialized through the selection of the most favorable offer for the entity and the purposes it seeks.

The selection and grade factors established by the entities in the bidding documents or their equivalents in these procurements shall take into account the following criteria:

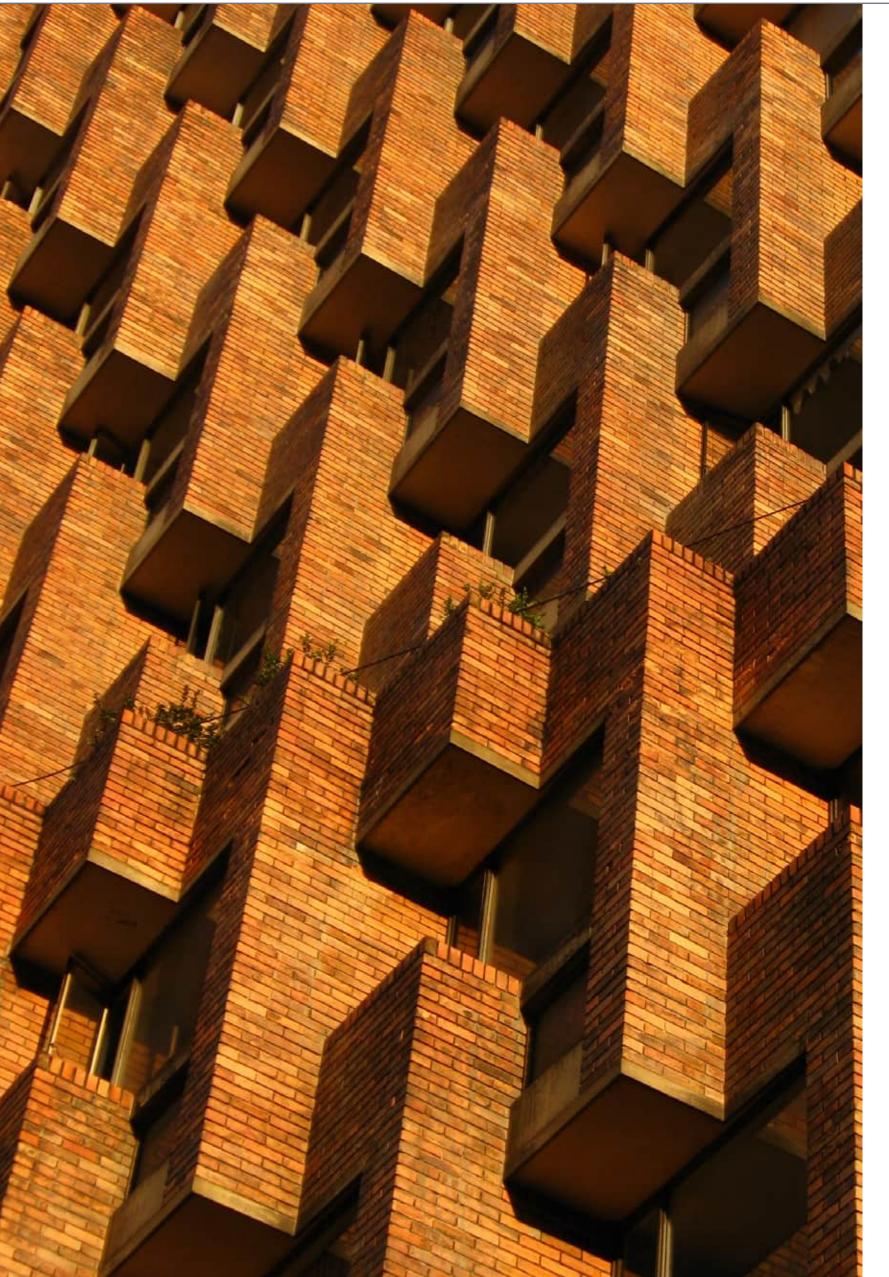
- Legal capacity, financial or financing capacity and experience in investment or project structuring.
- The most favorable offer shall be that which, taking into account the technical and economic factors of choice and the precise and detailed weighting thereof, contained in the bidding documents or their equivalents, represents the best offer or the best cost-benefit ratio for the entity, without the favorability being constituted by factors other than those contained in said documents. Within such criteria the entities may consider the levels of service and quality standards, the present value of the expected income, the lower state contributions or higher contribution to the State as the case may be, considerations offered by the bidder except in the case of regulated considerations or tariffs to be charged to users, among others, according to the nature of the contract.

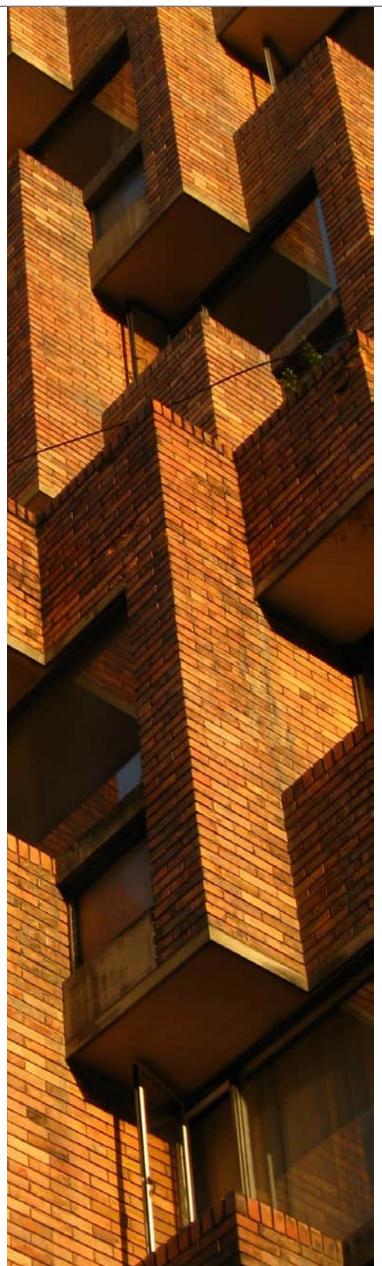


Key aspects:

- For the structuring process of projects by public entities, technical, legal and financial consultants are generally hired to support them with the studies requested according to the regulations and all the required validation and approval processes.
 In addition, it is important to consider the particularities of each process since there may be grounds for inability between the structurers and the project awardees in the subsequent stages.
- To date, the sectors where PPP projects have been developed in Colombia are mainly focused on transportation (roads and airports) and social infrastructure (hospitals).
- However, at present, public initiative structuring processes are being developed for projects such as river transportation, railroad transportation, social infrastructure, cultural infrastructure, and public utilities, among others.

²⁹ Quiñones Guzmán, Juan Carlos. Public-private partnership contracts and transportation infrastructure, 2020, p. 18-23; Decree 1082 of 2015, article 2.2.2.2.1.1.1.1 et seq.





Private initiative PPPs³⁰:

These are those public infrastructure projects or for the provision of their associated services, structured by private parties at their own risk, assuming the totality of the structuring costs. These projects are submitted by the individual, confidentially and under reserve, for consideration by the competent state entities.

The structuring of private initiative PPPs has two stages:

- Prefeasibility Stage: The purpose of this stage consists
 of proposing, quantifying and comparing technical
 alternatives that will allow analyzing the feasibility of the
 project. The originator of the private initiative must have,
 among others, secondary information, historical figures,
 economic projections of the State and will carry out the
 necessary basic field inspections.
- **Feasibility Stage:** In this stage the analyses and basic information available in the pre-feasibility stage are deepened through field investigations and primary information gathering, seeking to reduce the uncertainty associated with the project, improving and deepening the studies and expanding the information on the technical, financial, economic, environmental and legal aspects of the project.

Once the feasibility stage of the project has been completed, if it is a private initiative that **requires the disbursement of public resources**, its award will follow the rules described for the public initiative, and the private originator will receive a bonus of between 3% and 10% of its initial grade for its participation in the selection process.

If the originator is not selected for the execution of the contract, it must receive from the successful bidder the value that the competent state entity has accepted as the cost of the studies carried out for the structuring of the project.

30 Quiñones Guzmán, Juan Carlos. Public-private partnership contracts and transportation infrastructure, 2020, p. 23-30; Decree 1082 of 2015, article 2.2.2.2.1.5.1 and following.

If the private initiative **does not require the disbursement of public resources,** once the feasibility stage of the project has been completed and the agreement between the competent state entity and the originator of the project has been reached, the competent entity publishes the agreement, the studies and the minutes of the contract and its annexes for a term not less than four (4) months, on the website of the Electronic System for Public Procurement "SECOP".

In this publication the state entity indicates the conditions to be met by any interested parties in participating in the execution of the project and announces its intention to award a contract to the originating bidder, under the agreed conditions, if there are no other interested parties in the execution of the project.

- Once the term of the aforementioned publication has elapsed without any interested party other than the originator of the project expressing to the competent state entity its interest in executing the project or complying with the conditions to participate in its execution, the contract will be awarded directly to the originator under the agreed terms and conditions.
- If a third party expresses its interest in executing the project, under the conditions agreed between the competent state entity and the originator of the project, it must express it and guarantee the presentation of the initiative through an insurance policy, a bank guarantee or other means authorized by law, evidencing its legal and financial capacity or potential financing, experience in investment or project structuring, to develop the agreed initiative.

In this case, the entity must open an abbreviated selection process of lesser amount with prequalification, for the selection of the contractor between the project originator and the bidders that have attached a guarantee for the presentation of their offers and comply with the conditions for its execution.

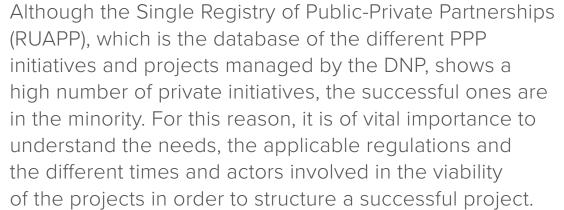
If as a result of the evaluation, the originator is not in the first order of eligibility and provided it has obtained at least a score equal to or higher than ninety percent (90%) of the score obtained by the best qualified proposal, it will have the option to improve its offer in the opportunity established in the bidding documents for a maximum period of ten (10) working days from the publication of the final evaluation report of the proposals.

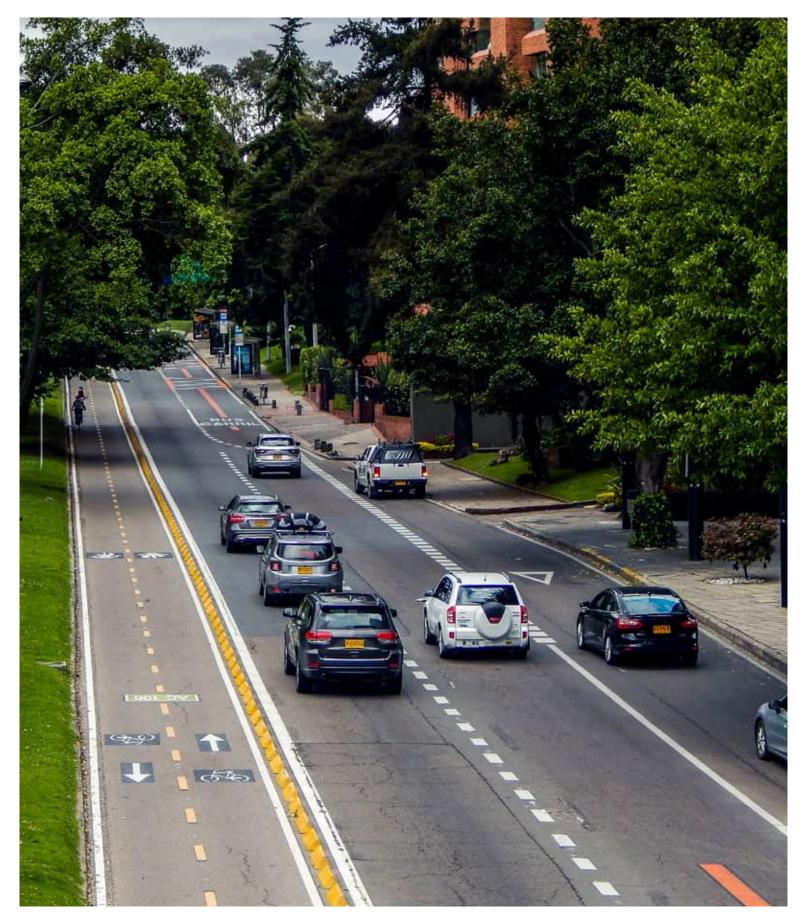
- If the originator improves the offer it will be awarded the contract.
- If the originator is not selected for the execution of the contract, it shall receive from the successful bidder the amount that the competent state entity has accepted as the cost of the studies carried out for the structuring of the project.

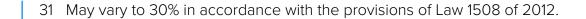
Historically, the fact that private initiative PPPs have not been carried out as frequently as public initiative PPPs is mainly due to the financing and feasibility scheme of the projects that have to be carried out by the different government agencies. With respect to the financing scheme, the regulations limit the maximum amount of public resources that the Government can contribute to these projects (20%)³¹. Additionally, there are restrictions such as the inability to present projects that are not included in the Multi-year Plan or in the planning instruments of the applicable Territorial Entities, which limits the project ideas that different private actors may have.

On the other hand, in terms of financing, for those projects that require Future Vigencies of the Nation or of state entities of the national order, they must have the approval of the Ministry of Finance and Public Credit, the CONFIS, the CONPES, the National Planning Department and the Ministry of the branch on which the infrastructure project is part of.









Key aspects:

- Currently there is a considerable amount of private initiatives submitted for different public entities in Colombia, however, there is a limitation in the review and evaluation process of such initiatives that lead to not being evaluated on time in most cases.
- It is important to generate early approaches with the entity that would be the contracting entity of the project, in order to identify if such entity has the capacity to evaluate, contract and follow up on a PPP contract. This will not only allow identifying the feasibility of the idea from an early stage, but will also lead to an efficient use of resources for the development of pre-feasibility and feasibility studies.
- Private initiatives have a higher degree of success depending on the financial strength and the technical and sectorial experience of those in charge of presenting it. This experience is framed not only in the development of the type of infrastructure to be provided, but also in terms of investment and operation to be a long-term partner.
- In the same way that for public initiatives an integral structurer is usually hired, for private initiatives it is advisable to have advisors to guide and focus the evaluation from the technical, legal and financial components. This arises from the limited capacity that some entities have for the evaluation of these initiatives.
- Likewise, it is important that they are aligned with infrastructure needs and priorities, for which it is important to take into account the needs identified in the PMTI and the documents that update this Master Plan, in order to ensure that the private initiative presented is in line with the needs identified by the National Government.

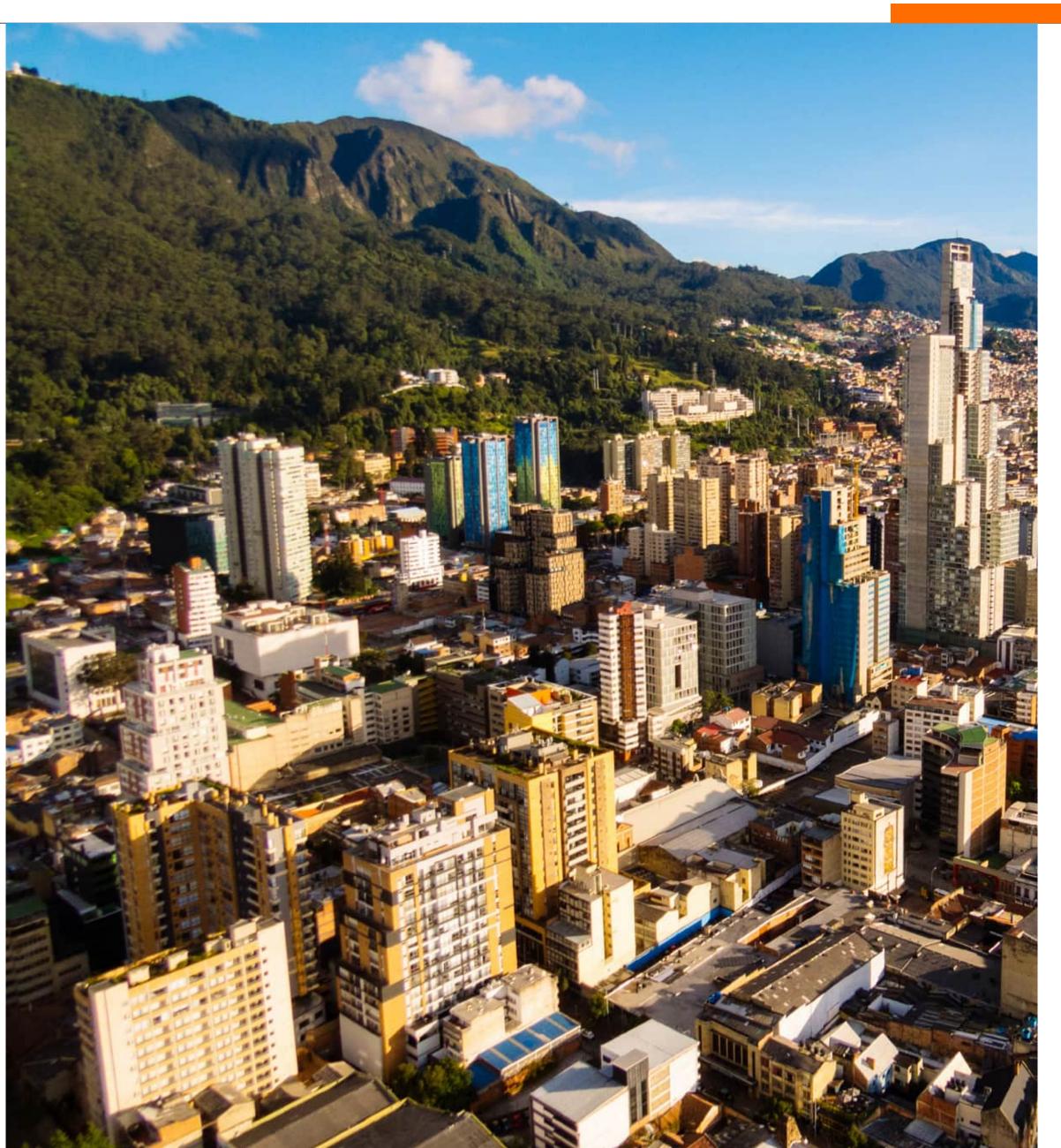


d) Promotion and bidding phase of the public projects with private investment

The general considerations and aspects related to infrastructure projects under the PPP framework have been presented, especially for the planning and structuring phase of these projects. The present phase is framed within the promotion and bidding stage of the different projects. This phase is regulated in the public procurement framework, which is addressed in the aforementioned laws and decrees, but will be discussed in more detail in the normative section of this Guide. The different stages of the bidding and promotion process and their respective key aspects are presented below.

I. Pre-bids and project promotion

Once the projects have been structured or once they are in an advanced stage of structuring, market surveys, project promotion activities and the issuance of some documents that allow the different market players to begin to understand the characteristics of the project are usually carried out. This phase is prior to the beginning of the bidding phase, where in general, documents such as draft pre-bidding documents (draft terms of reference) or *term sheets* are presented so that the market begins to know the characteristics of the project, the expectations on the part of the contracting entities and the regulations under which the process is governed.



Key aspects

- It is recommended that interested parties validate with the contracting entity, the possibility of holding bilateral meetings with the advisory teams or accessing the respective socialization forums or Road Shows that will allow them to begin to understand the characteristics of the project. These are usually broad and general, but sufficiently informative so that potential stakeholders can have orders of magnitude to make the respective decisions about their interest in participating in the project.
- of a project information data room, where, in general, technical information is available that allows potential stakeholders to evaluate the type of project and its characteristics.
- In general, at this stage, the project is at a very advanced stage of structuring and in the approval stage by the corresponding public entities. Therefore, it is of utmost importance that the market can evaluate this first available information so that the project structurers can take it into account in the final adjustments to the contractual documents of the selection process and the project.
- At this stage, in general, potential stakeholders may request clarifications on the scope, technical objectives, transaction scheme, possible remuneration characteristics.



II. Bidding of the project

Once all structuring studies have been completed as required by the regulations and the approval processes have been completed with the appropriate government entities, the process can be officially opened to the public, which is referred to as the "opening of the selection process". This is usually done through the government's public procurement platforms (Secop I or Secop II).

With the opening of the selection process, all the formal documents of the process are published, such as the terms of reference, the draft of the contract minutes, the technical and financial appendices, among others, as applicable. Some critical aspects have been identified at this stage that must be taken into account given the particularities of contracting in Colombia for infrastructure projects.



The contracting and bidding system in Colombia is specific and requires a detailed administrative understanding and applicable rules.

Key aspects:

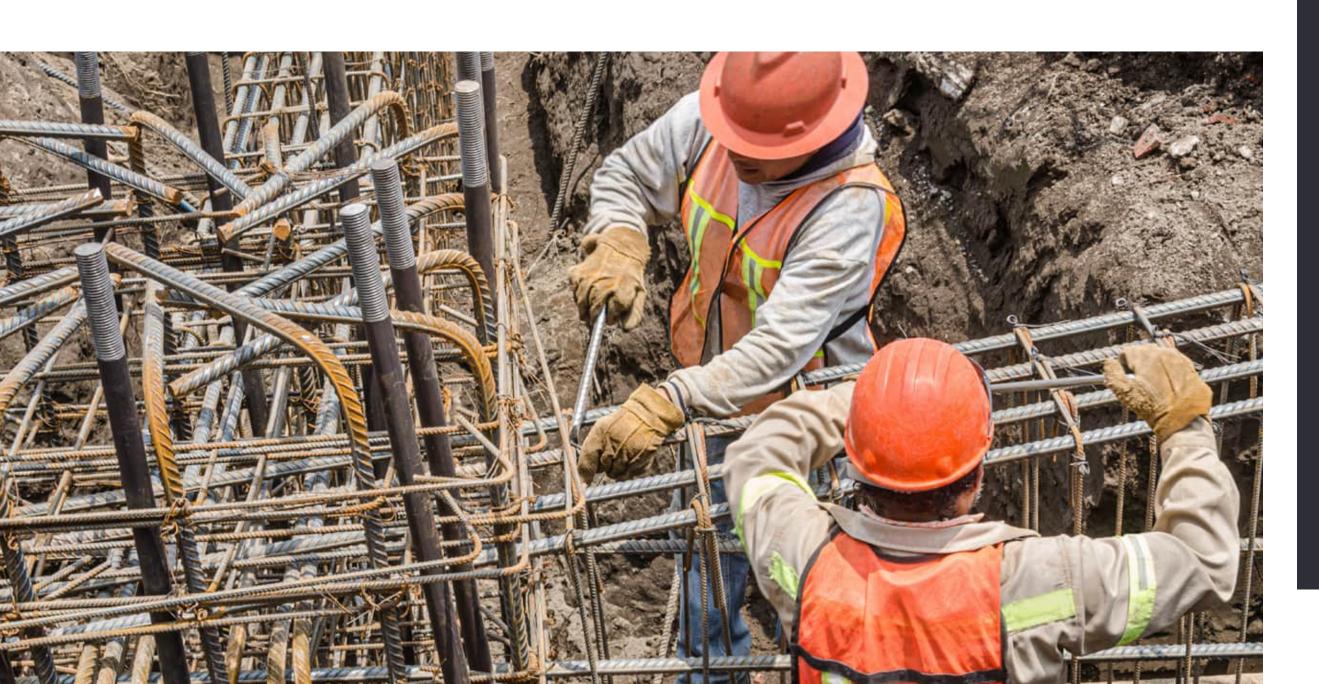
- The bidding contracting system in Colombia is specific and requires an administrative understanding of the applicable rules in a detailed manner as the form of selection of the private awardee depends mainly on meeting formal requirements of duly substantiated experience and the economic offer.
- For bidding processes, the firm's experience is evaluated mainly through certificates of previous or ongoing projects, the profiles or professional team required for the execution of the contract, the financial capacity of the bidder (net worth, debt capacity, specific credit quota), support to the national industry, quality factor, disability and the economic offer.
- It is recommended that potential investors, even prior to the beginning of the bidding stage, be accompanied by technical, legal and financial advisors who understand the particularities of public contracting in Colombia and who will serve as support throughout the bidding cycle. In particular, teams with the following characteristics are recommended:
- **Technical:** Have a broad knowledge of the characteristics of the projects in technical issues (e.g. Predial, environmental and social).
- Legal: Have detailed knowledge of sector regulations.
- **Financial:** Have financial teams that understand the particularities and limitations of project financing related to issues such as remuneration in COP and USD.

- It is recommended that the advisors have the capacity to understand and comment on the terms of reference, bid presentation strategy, support in the responses during the proposal evaluation period, and recommendations in the following phases of the cycle:
- Preliminary studies
- Hearing of risks and clarifications to the bidding documents.
- Bid closing
- Evaluation period
- Awarding
- Likewise, given the complexity and detail required for these projects in Colombia, a strategic local partner can be very useful, not only because of the local understanding of the process, but also because it contributes determining factors in the bid evaluation processes.
- It is important to keep in mind that the state financial model (structuring financial model) will be legally reserved. For this reason, the only data known by those interested in the projects will be the published contract documents, which will specify, among other conditions, the maximum remuneration and moments of payment of the contract (similar to other private participation contracting modalities), contractual scope, penalty and penalty schemes, time and scope specifications for each of the phases, allocation and mitigation of risks, among others.

e) Contract execution phase: preconstruction, construction, operation & maintenance and reversion

The execution phase, which due to the nature of PPPs is usually extensive, is mainly governed by the terms of the contract. This is why the process of signing the contract is of utmost importance, since the different considerations for the execution of the project will be regulated and arranged on these terms. The contractual execution phase is critical not only in terms of infrastructure availability but also in terms of compliance with technical, service level and contractual aspects of operation and maintenance. Additionally, this phase, due to its duration, may have potential stakeholders interested in the sale of the concessionaires' participation in the execution of the contract. Although it is a feature that is not a fundamental part of the aforementioned cycle, it has gained relevance in recent years and may be of interest to different investors.

Although it has been mentioned that the present phase is mainly framed within the provisions of the contractual terms of the project, the following are the most relevant key aspects for the present phase:



Key Aspects:

- Understanding the terms of the contract is of vital importance due to the exigency and representativeness that clauses such as those associated with remuneration, obligations of the contractor, fines, penalties, early termination and policies may present.
- Preconstruction times should be considered as a priority, since property, social and environmental procedures that are managed during this period are part of the critical path for the viability of the project.
- It is recommended that the contractor has a detailed understanding of the different subaccounts that exist in the autonomous patrimony. This will not only guarantee an alignment between the contractual terms, but is also the way through which the retribution by the public actor is developed.
- The management and handling of information by the concessionaire to the grantor must be transparent and accurate, since payments for availability are subject to service indicators and other terms established in the contract.
- Currently, there is a limitation for investment funds to participate directly as shareholders of the concessionaires of the different PPP projects.
- In accounting, tax and financial model issues,
 it is important to emphasize certain key aspects
 that are transversal to the last mentioned phases.
 Among these are: There are differences between
 the concessionaire's accounting method (IFRS) and
 the accounting method for calculating income tax
 in Colombia, since to date, the tax regulations do
 not recognize the characteristics of the International
 Accounting Standards.

- In tax matters, it is important to take into account the Regulatory Decree 2235 of 2017 and Article 32 of the Tax Statute by Functional Unit. Likewise, the distribution of tax risks may vary from project to project, given that initially in 4G PPP projects only tax changes for taxes other than income tax have been recognized.
- During the execution of the concession contracts under the PPP scheme, the rules for the sale of shares of the concession shareholders are specified. This is of utmost importance for all those actors who want to access concessions already in execution. Examples of the rules that consider contracts under the PPP scheme, such as the 4G road contracts in charge of the National Infrastructure Agency are:
- During the pre-operation phase and one more year, the leader of the plural structures must remain as a shareholder of the concession with a minimum of 25%.
- The above has exceptions properly defined in the concession contracts.
- In order to be able to purchase the participation, it must be purchased with express prior authorization from ANI, and the interested party in the purchase of the concession must comply with the qualifying requirements that were requested for the selection process.
- There are, for example, specific rules for the sale of participations if the shareholders of the concession are Private Equity Funds.

Risks associated with transportation infrastructure³²

Public Political policy established by the State for the management of contractual risk in processes of private participation in transportation infrastructure is mainly set forth in CONPES documents 3107 and 3133 of 2001. The following is a summary of the criteria set forth in these documents, without prejudice to point out that some of the approaches for assigning contingencies to the private investor are not necessarily the most efficient, as is the case of regulatory and sovereign or political risks that should be retained, as a general rule, by the State.

32 See: Quiñones Guzmán, Juan Carlos. Public-Private Partnership Contracts and Transportation Infrastructure, 2020, p. 100-106; National Planning Department, CONPES Document 3107 of 2001; National Planning Department, CONPES Document 3133 of 2001.



Commercial risk

This occurs when operating income differs from expected income due to: i) project demand is lower or higher than projected; ii) the impossibility of collecting tariffs, service fees, and fees, among others, due to market factors, non-payment and/or evasion.

Generally assigned to the private investor or shared between public and private.



Construction risk

Probability that the amount and timing of the investment cost will not be as expected. This risk has three components: i) Quantities of Work: occurs when the investment requires quantities of work different from those foreseen; ii) Prices: occurs when the unit prices of the different components

work is carried out in

a time different from

that initially foreseen.

Generally assigned

or shared between public and private.

to the private investor

of the investment are different from those foreseen; iii) Time: materializes when the



Operating risks

Refers to noncompliance with specified performance parameters; operation and maintenance costs higher than those projected; availability and cost of inputs; and interruption of the operation due to act or omission of the operator, among others.

Generally assigned to the private investor.



Financial risk

This risk has two components: i) the risk of obtaining financing; ii) the risk of financial conditions (terms and rates).

Generally assigned to the private investor.



Foreign exchange risk

This refers to the eventual variation of a project's cash flows, due to the fact that its income and expenses are denominated in or depend on the behavior of the exchange rate against different currencies.

Generally assigned to the private investor or shared between public and private.



Regulatory risks

Refers to regulatory, administrative and legal changes, other than tariffs.



Generally assigned to the private investor or shared between public and private.



Force majeure risks

Events beyond the control of the parties. Temporary force majeure events, which cause delays, can often be resolved by allocating costs between the parties. Serious force majeure events can lead to interruption of

generally assigned to the private investor.

project execution.

Insurable:

Uninsurable: generally retained by the State.



Land acquisition risk

Associated with the cost of the land. its timely availability and the management necessary for acquisition.

Generally assigned to the private investor.



Environmental risk

Refers to

the obligations arising from the environmental license(s), environmental management plans and the evolution of water use and retributive rates during the construction and operation of the project.

Generally assigned to the private investor.



Sovereign or political risk

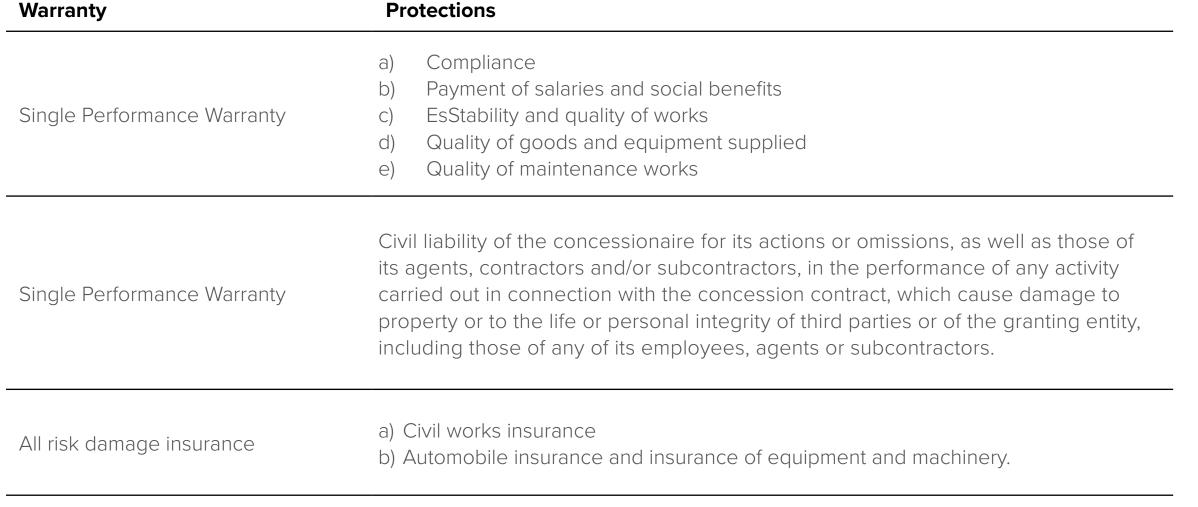
Different events of changes in the law, political situation or macroeconomic conditions that have a negative impact on the project.

Generally assigned to the private investor. g) Guarantee scheme³³

s an indispensable requisite for the execution of the contract
itiation act, or for the initiation of each of the phases and stages
to which the contract is divided, the concessionaire must
new and/or constitute the guarantees and sureties that are
quired for the corresponding phase or stage, in accordance
th the provisions of each contract, which includes:



33 Concession Contract 4th generation, General Part, clause 12.6 and following; Concession Contract 5th generation, General Part, clause 12.6 and following.

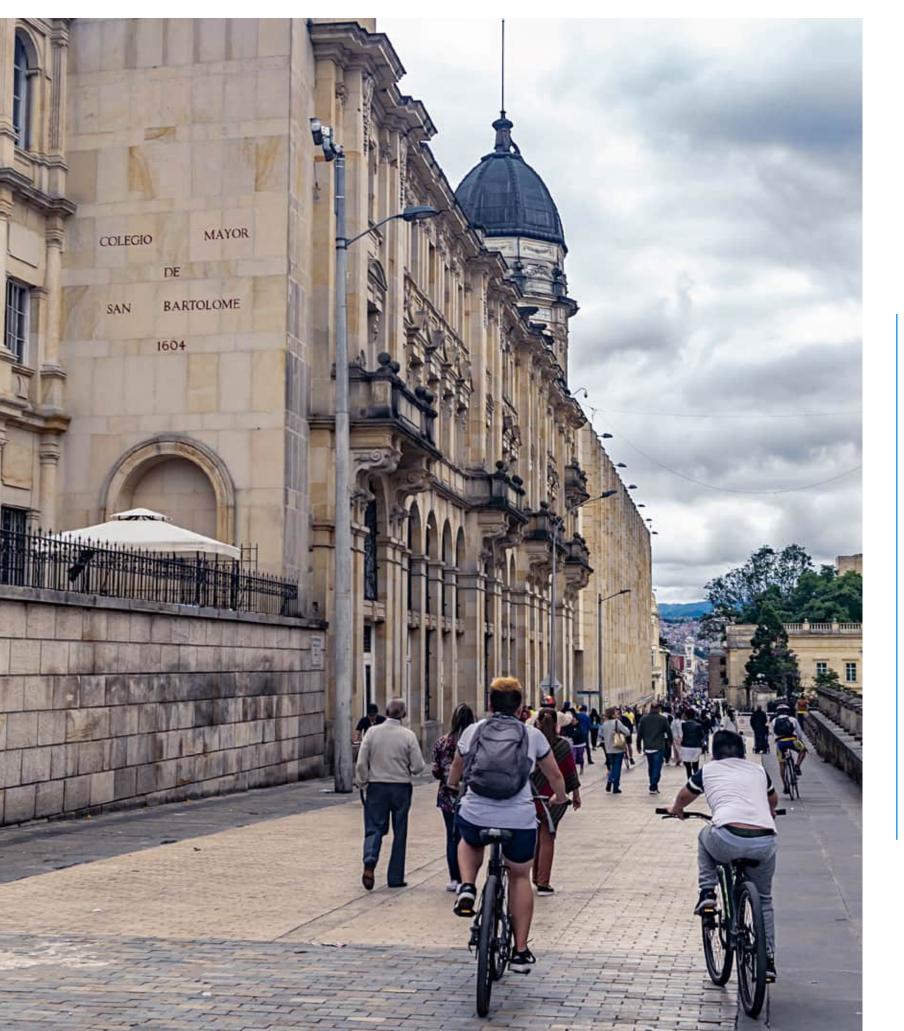




As a requisite for the execution of the Agreements' Initiation Deed, the concessionaire must renew and/or constitute the required guarantees and guarantees for the corresponding phase or stage.

h) Public entities involved

The following table shows an overview of the entities involved in the planning and execution of PPP projects, as well as some non-exhaustive examples of the role they play.



- 34 https://www.ani.gov.co/quienes-somos/functions-general
- 35 Law 1508 of 2012, Article 22.
- 36 Law 1508 of 2012, Article 22.
- 37 https://www.supertransporte.gov.co/index.php/the-entity/
- 38 https://www.anla.gov.co/entidad/institucional/object-and-functions
- 39 https://www.dnp.gov.co/DNPN/la-entidad/functions-dnp
- 40 Law 1508 of 2012, Article 6.
- 41 https://www.dnp.gov.co/DNPN/la-entidad/functions-dnp
- 42 Decree 1082 of 2015, article 2.2.2.2.1.5.6.
- 43 Law 1508 of 2012, Article 25.
- 44 Decree 1082 of 2015, article 2.2.2.2.1.1.7.3.
- 45 Decree 1082 of 2015, article 2.2.2.2.1.6.4.
- 46 Decree 1082 of 2015, article 2.2.2.2.1.1.11.7.

Entidad	Rol
National Infrastructure Agency	Contracting entity. Responsible for the structuring and/or evaluation of PPP projects, the selection process of contractors and the conclusion and development of contracts ^{34.} They have the exorbitant powers provided by law to ensure the effective development of the contracts ³⁵ .
Territorial (district, departmental, municipal) or autonomous entities.	Contracting entity. Responsible for the structuring and/or evaluation of PPP projects, the contractor selection process and the execution and development of contracts. They have the exorbitant powers provided by law to ensure the effective development of the contracts ³⁶ .
Superintendence of Transportation	Entity in charge of the supervision, oversight and control of transportation service providers, which includes the provision of services under PPP contracts for transportation infrastructure by the private contractor ³⁷ .
National Environmental Licensing Agency - ANLA and other environmental authorities.	In charge of granting environmental licenses and permits required for the projects. Also in charge of verifying and sanctioning non-compliance with environmental obligations acquired by the private contractor ³⁸ .
National Council of Economic and Social Policy - CONPES	Issuance of CONPES documents, which establish the Public Political guidelines related to the PPP contracting scheme ³⁹ . Authorizing an execution term SUPERIOR to that provided by law during the PPP contract structuring stage ⁴⁰ .
National Planning Department - DNP	In charge, through the National Council of Economic and Social Policy - CONPES, of submitting, for approval by the National Government, policies, strategies, plans, programs and projects, including those related to transportation infrastructure ⁴¹ . Definition of parameters to justify the use of the public-private partnership mechanism as a modality for the execution of projects ⁴² . Responsible for managing the RUAPP ⁴³ .
Ministry of Finance - Public Credit Directorate	Approves the valuations of the contingent obligations made by the State Entities, in the development of the PPP Schemes ⁴⁴ .
Ministry of Finance - Superior Council for Fiscal Policy CONFIS	Authorizes the assumption of future commitments, up to the duration of the project ⁴⁵ . Defines the fiscal consistency scenario according to the nature of each project and performs the evaluation of the budgetary contribution and disposition of public resources ⁴⁶ .

i) PPP in numbers

According to DNP⁴⁷ statistics, as of the first quarter of 2021, 818 projects have been included in the Single Registry of Public-Private Partnerships (RUAPP), of which:



• 265 are private initiative, representing 76.81%, while 80 correspond to public initiative, equivalent to 23.19%.

47 National Planning Department, Bulletin No. 29: Report First

Quarter 2021 Single Registry of Public-Private Partnerships.



 The transportation and mobility sector has the largest share with 50.72% of the total, followed by public buildings and urban renewal with 18.84% and water and basic sanitation with 11.01%.



78 projects are in the feasibility stage and 10 projects are in the approval stage; in other words,
 25.51% of the current initiatives are in advanced stages.



Of the current projects,
 11.01%, equivalent to
 38 initiatives, have been awarded or contracted.



By participation of entities, the
 National Infrastructure Agency
 made the largest contribution
 with a total of 58 projects,
 followed by the Mayor's Office
 of Bogota with 41 initiatives; the
 third place is occupied by the
 Governor's Office of Magdalena
 with 12 initiatives.



By geographical location, the territorial entity with the highest participation in the RUAPP is the Capital District of Bogota, with 101 projects - 29.10% of the total number of current projects (345); it is followed by the departments of Antioquia with 39 initiatives (11.24%), Bolivar with 30 (8.64%), Cundinamarca with 28 (8.97%) and Santander with 27 (7.78%).





3.2. Legal Considerations The development of infrastructure projects in Colombia qualifies as a permanent activity that requires the creation of a legal vehicle in Colombia.

Colombian commercial legislation provides for different types of legal vehicles through which investors may establish a permanent presence in Colombia for the development of infrastructure projects. Although Colombian infrastructure regulations do not establish limitations for the incorporation of a particular legal vehicle, at present,

the most common legal vehicle is the simplified joint stock company (sociedad por acciones simplificada). Although traditional legal entities such as corporations and limited liability companies continue to be used, in general, these have been replaced by simplified joint stock companies.

However, the regulations provide for other types of legal entities, such as branches of foreign companies, partnerships and limited partnerships. However, these corporate vehicles are not frequently used for infrastructure projects due to shareholder liability provisions.



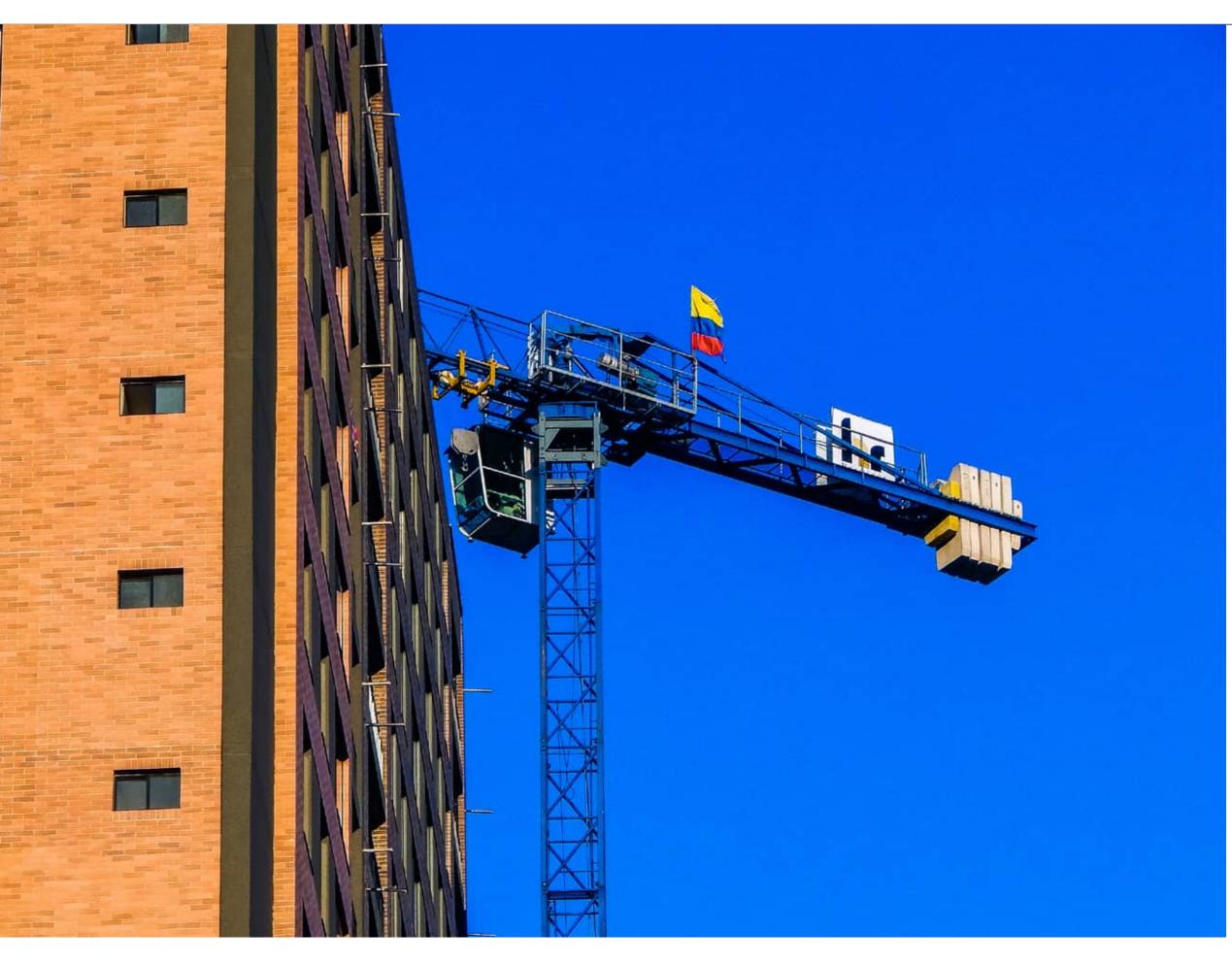
S.A.S.'s are the legal vehicle of choice, both for local and foreign investors, regardless of the size of the business to be carried out, due to their simplified scheme that allows for greater ease in the administration and management of the companies, with emphasis on the will of the shareholders expressed through the bylaws, their main source of regulation.

This type of entity allows greater flexibility in several aspects such as the negotiation of shares and the payment of capital.

The main characteristics of the S.A.S. are:

- Liability: the liability of the shareholders is limited to the amount of their capital contributions. Shareholders are not liable for labor, tax or any other kind of obligations incurred by the corporation. However, they are liable before third parties in cases in which the corporation is used in fraud of the law or to the detriment of third parties (lifting of the corporate veil of the entity).
- 2. **Incorporation:** the incorporation of the S.A.S. is generally carried out by means of a private notarial document registered in the Commercial Registry of the Chamber of Commerce of the jurisdiction of the main domicile of the company. If the contributions to the capital include assets that, according to the applicable law, require a public deed for their transfer, such as real estate, the incorporation must be formalized by means of a public deed.
- B. **Centralized management:** S.A.S.'s are not required by law to have a board of directors as a management body. The powers of management and representation are assigned to the legal representative, who may be an individual or legal entity, local or foreign.







- 4. **Control:** the appointment of a statutory auditor is mandatory only if certain levels of assets and/or income are reached, a threshold that must be evaluated annually.
- 5. **Transfer of shares:** the bylaws may require the prior authorization of the general shareholders' meeting for the transfer of shares, and may establish the prohibition of negotiation of shares for a maximum period of 10 years, among other restrictions or conditions to the negotiability of shares subject to the will of the shareholders.
- 6. **Shareholders' agreements:** shareholders may enter into binding shareholders' agreements among themselves to regulate any matter.

The most common agreements relate to the manner in which shareholders must vote on certain decisions, provisions relating to the sale of shares, waiver of preemptive rights, limitation on the sale of shares and capitalization agreements. It is also very common to find clauses such as *calls and puts, tag along, drag along, and buy-out agreements*. These agreements must be filed with the company's administration and are binding on the company and its shareholders to the extent that if they are not complied with by the participating parties, the company's administrator may disregard all decisions taken in breach of the agreement.

- 7. Concentration of capital and minimum number of shareholders: There are no restrictions regarding the concentration of capital, since a single shareholder may own 100% of the shares. S.A.S.'s require only one shareholder for their incorporation and operation (natural or juridical persons, local or foreign).
- 8. **Types of shares:** The shareholders may agree in the bylaws to create different types of shares. The terms and conditions of each type of share must be written on the back of each share certificate, which may vary according to voting rights, rights to receive profits, other preferences or any other consideration that the shareholders may decide, without

- violating corporate regulations. This flexibility makes S.A.S. a vehicle of great interest, as it can be used for numerous purposes, including estate planning, family partnership and large corporations.
- Legal reserve: According to the interpretation of the Superintendence of Corporations, in the case of S.A.S., the legal reserve is not mandatory, as long as such reserve is not contemplated in the company's bylaws. All other legal vehicles must have a legal reserve corresponding to 10% of the distributable profits of each year until a reserve equivalent to 50% of the capital stock of the company is accumulated.
- 10. **Continuity:** Special causes for dissolution Failure to comply with the going concern assumption will constitute a special cause for dissolution of the corporation. The management of the company is responsible for assessing whether there is any doubt as to the company's ability to continue in operation and, if so, the company would be subject to a ground for dissolution. In such circumstances, the administrators will refrain from carrying out any type of operation that is not part of the ordinary course of business and must immediately convene the general shareholders' meeting to inform the shareholders of such situation. The shareholders shall receive adequate documentation and evidence to make an informed decision on the continuity or liquidation of the corporation. In the event of non-compliance with these duties, the directors shall be jointly and severally liable for the damages caused to the shareholders or third parties.
- 11. **Corporate purpose:** the corporate purpose of an S.A.S. may be unlimited, granting the company the capacity to carry out any type of lawful commercial activity (other investment vehicles require a specific and limited corporate purpose). In any case, it should be clarified that for the purposes of concession contracts, they require that the vehicle through which the activity is carried out be of special and exclusive purpose.

- 12. **Term:** the term may be perpetual (other investment vehicles require a specific and limited term).
- 13. **Other:** The shares of an S.A.S. (and in general, any security) cannot be listed on the stock exchange.

The S.A.S. generates savings in transactional costs, since its incorporation and amendments to the bylaws are formalized through a private document (not through a public deed granted before a notary public, except in the case of real estate). Consequently, no notary fees or VAT on notary fees are payable on amendments to the bylaws, and only the registration tax is payable.



b) Corporations ("S.A.")

The main characteristics of the S.A. are:

- 1. **Liability:** the liability of the shareholders is limited to the amount of their capital contributions.
- 2. **Incorporation:** The incorporation is carried out by means of a public deed and is registered before the Commercial Registry of the corresponding Chamber of Commerce of the jurisdiction of the main domicile of the corporation.
- 3. **Centralized management:** General shareholders' meetings, board of directors (mandatory) and legal representative are required.
- 4. **Control:** the appointment of a local statutory auditor is mandatory.
- 5. **Transfer of shares:** the transfer of shares is generally not restricted. However, in closely held corporations, the bylaws may establish provisions on preemptive rights in favor of the shareholders and/or the corporation.
- 6. **Shareholders' agreements:** Shareholders may enter into binding shareholders' agreements among themselves to regulate the manner in which shareholders are to vote on certain decisions.

These agreements must be deposited with the administration of the corporation and shall have binding power before the corporation and its shareholders to the extent that if they are not complied with by the participating parties, the administrator of the corporation may disregard all decisions made in breach of the agreement.

- 7. Concentration of capital and minimum shareholder requirements: a minimum of five shareholders is required at the time of incorporation and during the existence of the corporation. No shareholder may own more than 94.9% of the subscribed shares; otherwise, the corporation will be subject to dissolution due to concentration of capital.
- 8. **Legal reserve:** S.A.'s must constitute a legal reserve of 10% of the distributable profits of each year, until a reserve equivalent to 50% of the capital stock of the company is accumulated.
- 9. **Continuity:** Special causes for dissolution Failure to comply with the going concern hypothesis is a special cause for dissolution of the corporation, under the same terms provided for S.A.S.; reduction of the number of shareholders to less than five; and concentration of capital, which occurs when a single shareholder owns 94.5% or more of the subscribed shares.
- 10. **Corporate purpose:** requires a specific and limited corporate purpose.
- 11. **Term of duration:** The term of duration must be limited, although it may be extended by decision of the shareholders.

c) Limited Liability Companies ("Ltda.")

The main characteristics of the Ltda. are:

- 1. **Liability:** The liability of the partners is limited to the amount of their capital contributions in all cases, except for labor and tax obligations and for tax-related fines for which they will be jointly and severally liable with the partnership. Any partner may assume a higher level of liability for any obligation, as stipulated in the bylaws, as well as for nonpayment of capital contributions at the time of incorporation or any capital increase or in the event that the corporate name chosen for the company does not comply with the law and therefore does not include the expression Ltda.
- 2. **Incorporation:** The incorporation must be carried out by means of a public deed registered before the Commercial Registry of the Chamber of Commerce of the jurisdiction of the main domicile of the company.
- 3. **Centralized management:** Board of partners and legal representative (if management functions are delegated to all partners). It is not mandatory for Ltda. to have a board of directors.
- 4. **Control:** The appointment of a local statutory auditor is mandatory only if certain levels of assets and/or income are reached, a threshold that must be evaluated annually.
- 5. **Transfer of quotas:** The transfer of quotas qualifies as an amendment to the bylaws; therefore, it is subject to the prior approval of the partners, the execution of a public deed and subsequent registration in the Commercial Registry of the Chamber of Commerce. The law establishes a preferential right in favor of the partners for the subscription and transfer of quotas, unless the bylaws establish otherwise.

6. **Partners' agreements:** the partners may enter into binding agreements among themselves to regulate the manner in which they must vote on certain decisions.

These agreements must be deposited with the administration of the company and are binding on the company and its partners to the extent that if they are not complied with by the participating parties, the administrator of the company may disregard all decisions taken in breach of the agreement.

- 7. Concentration of capital and minimum partner requirements: There are no restrictions on the concentration of capital as long as there are at least two partners at all times and a maximum of 25.
- 8. **Legal reserve.** The limited liability company must constitute a legal reserve of 10% of the distributable profits of each year, until it accumulates a reserve equivalent to 50% of the capital stock of the company.
- 9. **Continuity:** Special causes for dissolution: Failure to comply with the going concern hypothesis is a special cause for dissolution of the company, under the same terms provided for S.A.S.'s.
- 10. **Corporate purpose:** requires a specific and limited corporate purpose.
- 11. **Term of duration:** The term of duration must be limited, although it may be extended by decision of the partners.





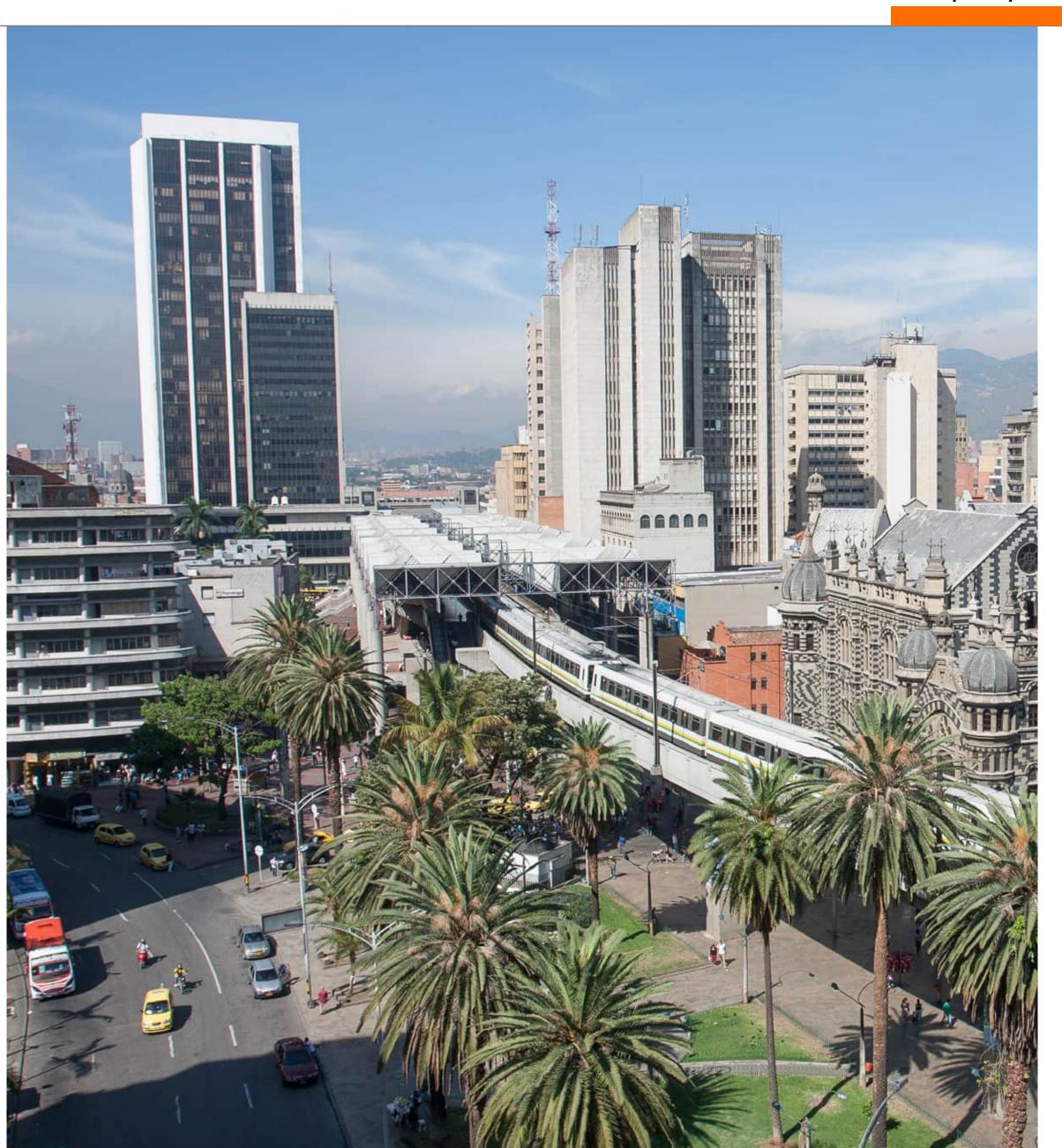
d) Sole Tax Registry ("RUT")

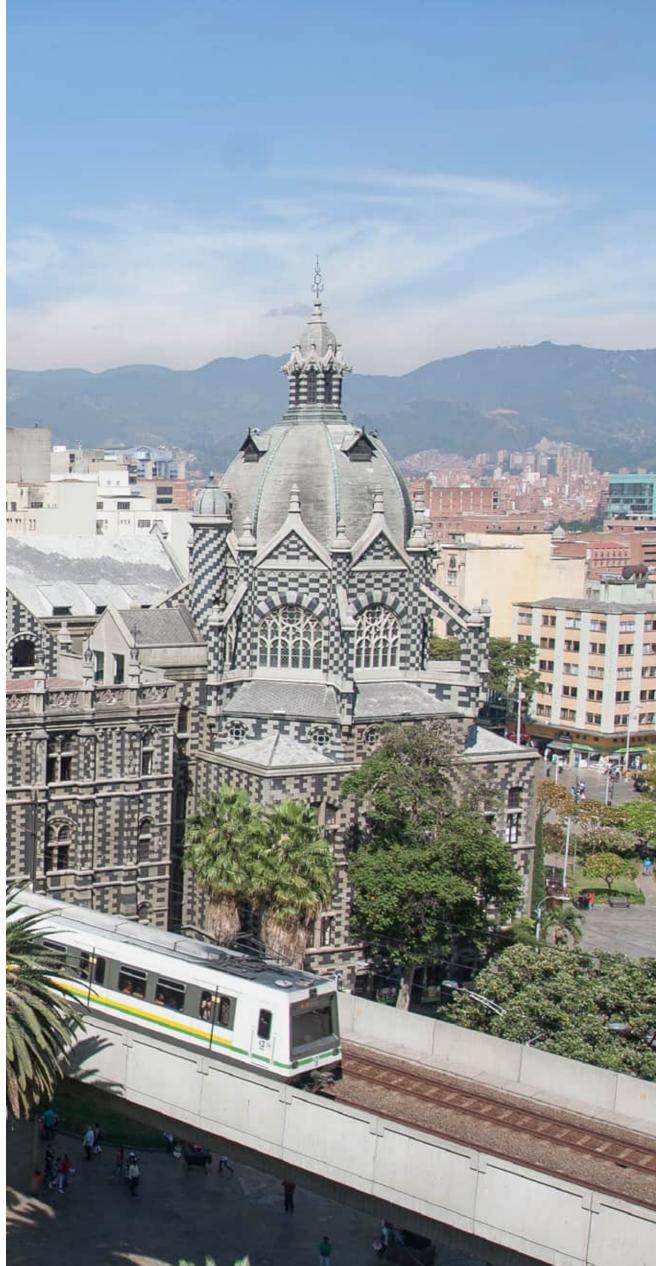
All legal entities incorporated in Colombia, branches of foreign companies or permanent establishments registered in Colombia, as well as their legal representatives (Colombian or foreign) must register with the RUT in order to obtain a Tax Identification Number ("NIT").

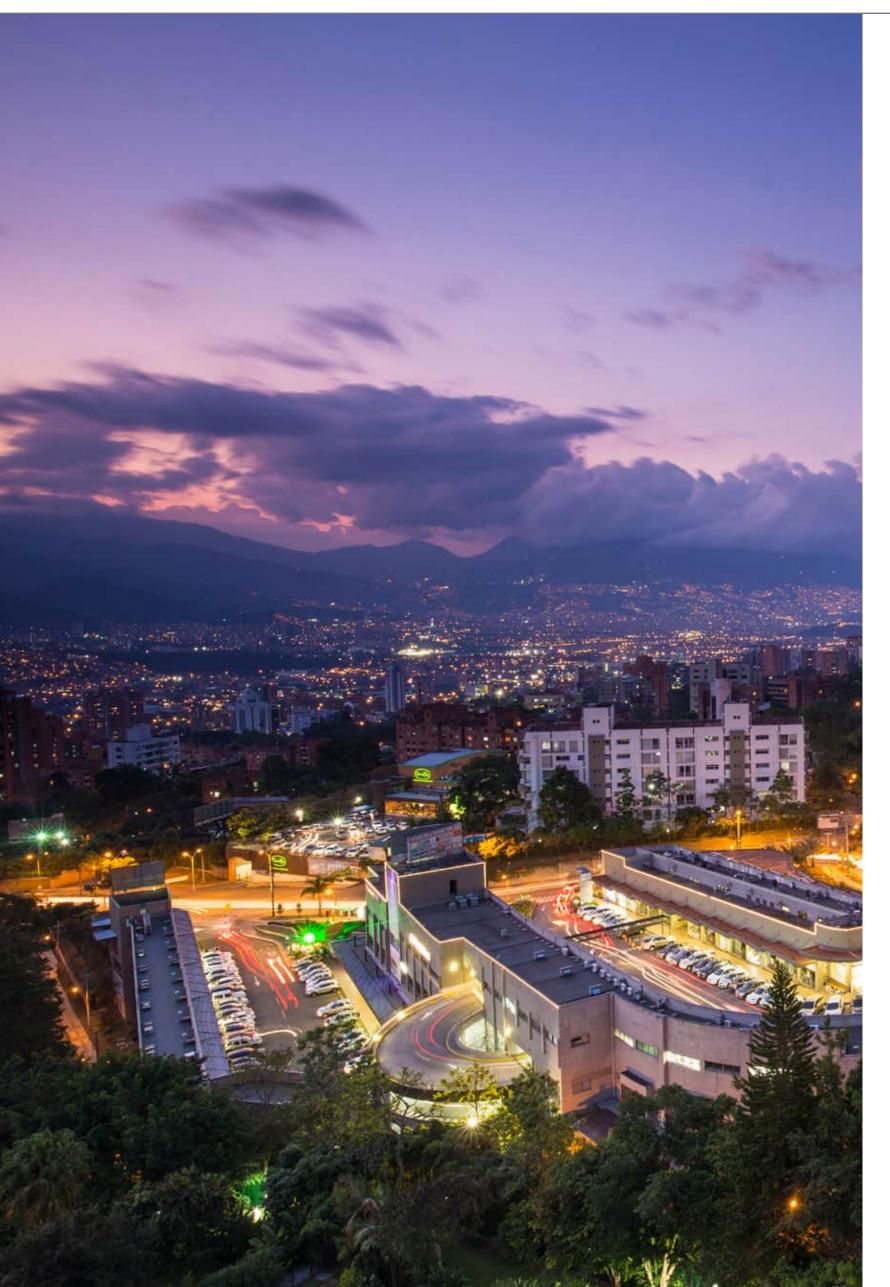
The RUT is a single registry for direct and indirect national taxes.

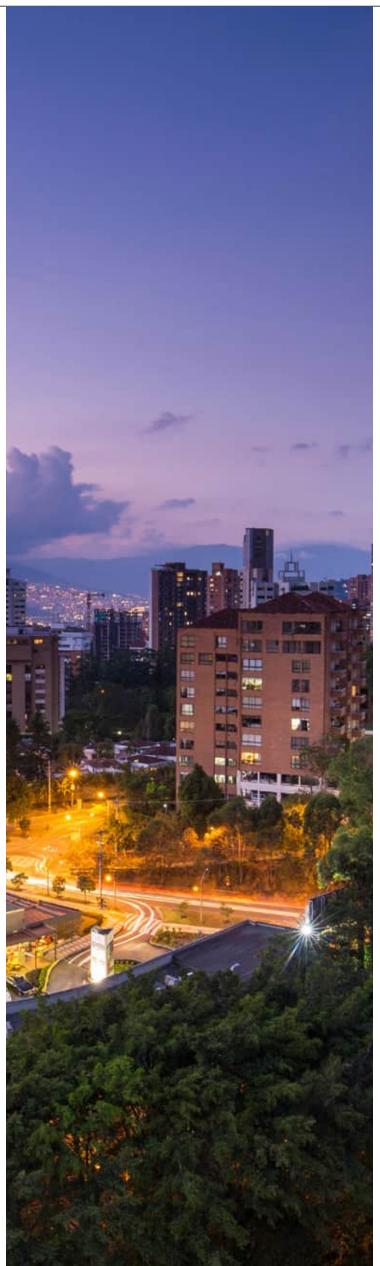
Taxpayers are required to update the information in the RUT, in case of changes in the company name, business address, legal representative, tax liabilities, among others. Such update must be made within thirty (30) days following the date on which the change was made.

It is possible that additional registrations before the local tax authorities may be required for payment of local taxes.









e) Duties and Responsibilities of the Corporate Managers

For commercial purposes, the legal representative, the liquidator, the factor, members of the board of directors and those who in accordance with the bylaws perform or hold any administrative position, are considered administrators.

In development of the general principles, it is established that the administrators must act in good faith, with loyalty and with the diligence of a good businessman. Their actions must always be in the best interest of the company and its shareholders.

The main duties of directors, applicable to both residents and non-residents, are as follows:

- 1. To make all efforts conducive to the adequate development of the corporate purpose.
- 2. To ensure strict compliance with the legal and statutory provisions.
- 3. To ensure that the functions entrusted to the statutory auditors are adequately performed.
- 4. To safeguard and protect the commercial and industrial reserve of the corporation.
- 5. Refrain from making improper use of privileged information.
- 6. To treat all partners equally and to respect the exercise of the right of inspection of all of them.

7. Refrain from participating, either personally or through a third party, in activities that imply competition with the company or in acts with respect to which there is a conflict of interest, unless expressly authorized by the shareholders' meeting or general shareholders' meeting.

The administrators are jointly and unlimitedly liable to the corporation, the partners, shareholders or third parties, for damages caused by fraud or negligence, except when they have not had knowledge of the acts or omissions, have voted against them and have the means to prove it. The liability of the administrator is presumed when he/she infringes his/her duties, exceeds them or violates legal or statutory provisions. Liability will also be presumed when the directors have proposed or implemented a profit distribution plan that is not justifiable in light of the audited financial statements. Clauses in the bylaws that purport to exempt directors from liability shall be deemed to be unwritten.

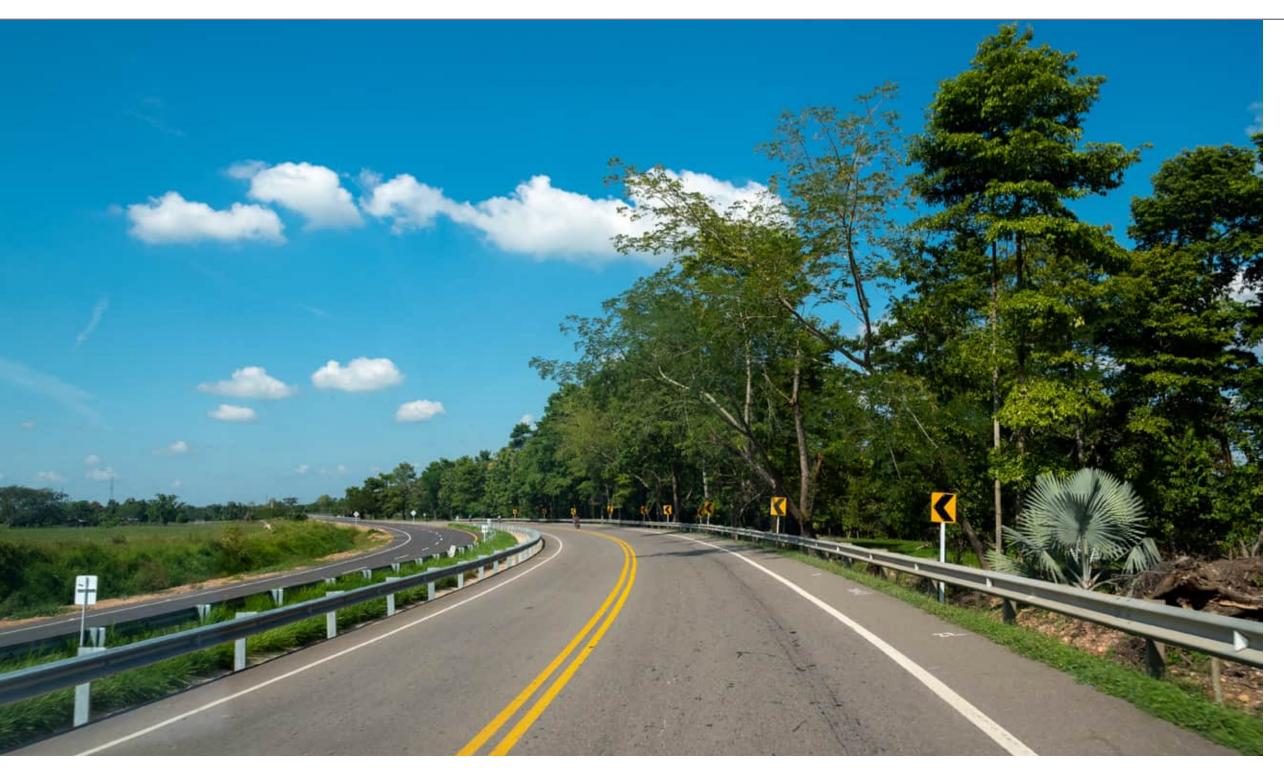
f) Statutory auditor

As of December 31 of each year, those companies with gross assets exceeding 5,000 legal monthly minimum wages in force and/or gross income equal to or exceeding 3,000 legal monthly minimum wages in force, must have a statutory auditor. Regardless of their level of assets or income, corporations and branches of foreign companies must have a statutory auditor.

Among the functions of the statutory auditor are the following: (i) verify that the operations carried out by the company are in harmony with the corporate bylaws and the decisions of the corporate bodies; (ii) audit and sign the financial statements; (iii) certify the veracity of the tax information by signing the declarations; (iv) inform the corporate bodies and shareholders about any irregularity related to the operation of the company and the execution of its business; (v) require the corporate bodies when necessary or when the law or the bylaws so require; (vi) collaborate with the public entities that exercise inspection and surveillance over the company, and to provide them with reports when so requested, among others.







g) Other corporate matters

- 1. **Distribution of dividends:** profits may only be distributed on the basis of, and to the extent shown in, the year-end financial statements, duly approved by the shareholders or partners (and audited, if applicable), and only as long as losses do not reduce capital below expected levels. Notwithstanding the foregoing, distributable profits may be accumulated for a subsequent distribution of dividends, if approved by a qualified majority of the shareholders or partners, since a minimum distribution of 50% (70% in certain cases) of dividends or profits is mandatory unless otherwise approved by the shareholders or partners with certain majorities established by law. The above rules are not applicable in the case of S.A.S.'s.
- 2. Control situation and/or corporate group: companies, whether Colombian or foreign, that directly or indirectly control the decision making in Colombian companies, must register the control situation before the Commercial Registry of the Chamber of Commerce, within 30 days following the creation (or change) in the control situation or corporate group.

h) Minimum annual corporate maintenance

Colombian companies must comply with the following minimum obligations, on an annual basis:

- 1. Hold, on an annual basis, the general shareholders/ partners meeting, with the purpose of approving the year-end financial statements and the management report of the legal representative. In general, the meeting should be held in the first quarter of the fiscal year (calendar year). If the meeting does not take place in this period of time, the shareholders/members may meet in their own right on the first business day of April, at 10 a.m. at the main corporate domicile. The annual meeting may be held remotely (through virtual meetings or written votes). Due to the COVID-19 pandemic, specific deadlines have been determined.
- 2. Preparation of the annual management report of the legal representative, which will be submitted to the general meeting of shareholders/members, with the minimum content required by law.
- 3. The annual renewal of the Commercial Registry before the Chamber of Commerce, before March 31 of each year.
- 4. Depending on the level of supervision, corporations and branches of foreign companies must send their financial statements to the Chamber of Commerce or the Superintendence of Companies. In the first scenario, the submission must be made within the month following the date of approval of the financial statements, while, in the second scenario, the submission must be made in accordance with the deadlines established annually for this purpose.

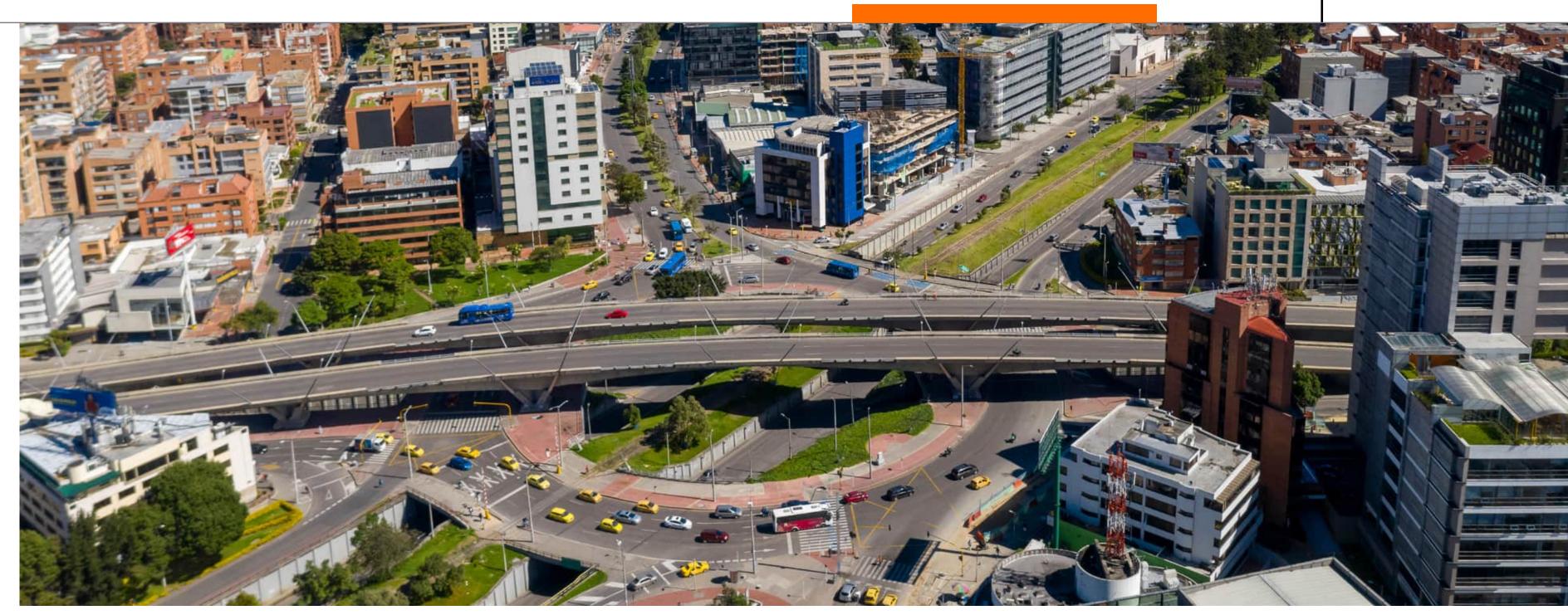


Profits may only be distributed on the basis of, and to the extent shown in, the year-end financial statements, duly approved by the shareholders or partners (and audited, if applicable).

i) Additional Regulatory Compliance Considerations

In addition, with the establishment of a legal vehicle or contractual structure, investors should take into account the following regulatory considerations:

- Consumer protection: according to the Colombian consumer protection regime, all producers of goods or service providers are responsible for the quality, suitability and safety of the products and services offered to consumers. Failure to comply with this obligation generates the following consequences: (i) joint and several liability of the producer and supplier for the warranty to consumers; (ii) individual administrative liability before the authorities in charge of supervision and control (Superintendence of Industry and Commerce); and (iii) liability for damages caused by the defective product. Producers, importers, distributors and retailers are responsible for the quality, suitability, characteristics and safety conditions of the goods and services they offer to consumers.
- 2. Competition and antitrust regulations: Colombia has antitrust regulations to promote free competition and prevent the creation of cartels and monopolies. In addition, the Superintendency of Industry and Commerce is the entity in charge of authorizing the integration of companies, under certain conditions and different procedures (notification, fast track or full authorization). According to Colombian antitrust laws, a business integration occurs when companies involved in the same economic activity and participating in the same relevant market (even if they participate vertically or horizontally) execute operations aimed at merging, splitting, acquiring control or integrating through any type of legal form.



3. **Protection of personal data -** Companies are required to comply with obligations related to the collection, treatment, processing and transfer of personal data.

Colombian data protection regulations establish special obligations for the processing of personal data such as consent notices and authorizations, special provisions for the processing of information of minors and other sensitive data, registration of databases with the data privacy authority (Superintendence of Industry and Commerce), restrictions for cross-border transfer of data, limitations on the processing and use of personal data, implementation of internal policies for the processing of personal data and information security, among others.

All companies must implement a personal data protection program, which must consist primarily of: (i) an information processing policy, (ii) privacy notice, (iii) notice of monitored video surveillance areas, (iv) authorizations for the processing of personal data, and the (v) internal policies and procedures manual.

In addition, personal data clauses must be included in contracts with suppliers, customers and employees; and have transfer/transmission contracts, if personal data will be delivered to third parties (in Colombia or abroad).

Compliance with the personal data protection program must be reviewed regularly, and employees must be constantly trained in this area to demonstrate compliance with the

Infrastructure projects market in Colombia

Mechanisms for the development of infrastructure projects with private sector participation in Colombia

«85»

"principle of demonstrated responsibility". Adequate security measures should also be implemented to prevent fraudulent use of data or data breaches and security breaches.

4. Intellectual property and copyright: Colombia has comprehensive regulations for the protection of intellectual property and copyright, in line with international standards. Colombia is a party to numerous international and regional treaties such as the WIPO Convention, the Vienna and Nice Conventions, the Madrid Protocol and Decisions 351 and 486 of the Andean Community of Nations.

Intellectual property and copyright protection is granted through registration (not only for use), while unregistered trademarks have no direct legal protection. The registration of intellectual property and copyright grants the holder exclusive rights for use and exploitation in the country, and the power to limit any use or exploitation or the registration of signs by third parties that may be similar or identical. It also allows him to grant a license for use by third parties.

The Superintendence of Industry and Commerce is the authority in charge of the registration and protection of intellectual property rights, and also has the power to act as judge in such matters. On the other hand, the protection of copyrights is in charge of the National Directorate of Copyrights. In any case, the holder of the intellectual property or copyright may take legal action to enforce its rights and request compensation.

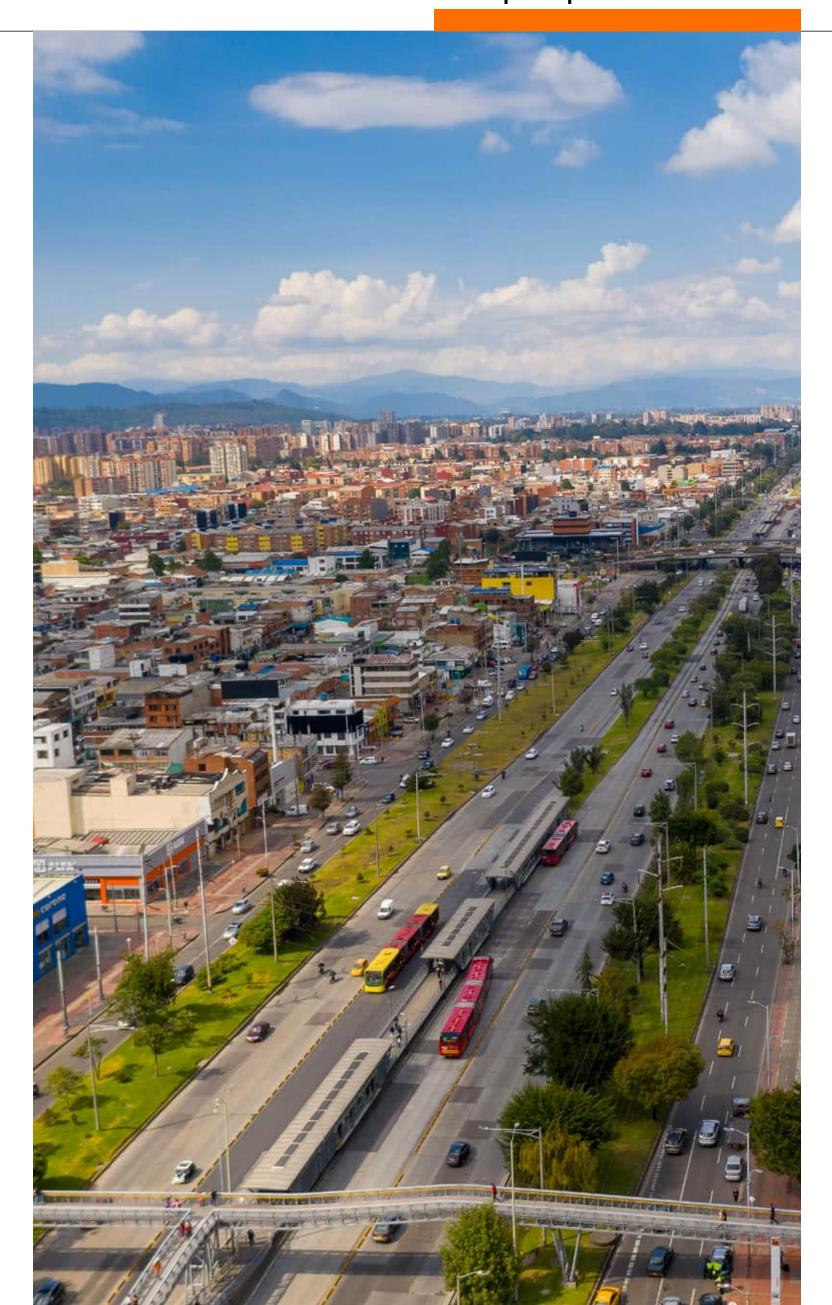
5. **Prevention of money laundering and financing of terrorism:** Money laundering, financing of terrorism
and financing of weapons of mass destruction are
criminal activities that generate negative consequences
for the country's economy and for societies in all sectors,

as they may result in operational, legal and reputational risks, among others.

Consequently, to control and mitigate the aforementioned risks, certain companies are required to implement internal policies to comply with minimum standards and due diligence processes, report suspicious activities and send information to the Colombian authorities on a regular basis.

- 6. **Prevention of bribery:** To prevent and mitigate the risk of international or foreign bribery and corruption, certain companies subject to oversight by the Superintendency of Companies must implement a transparency and business ethics program, as well as report annually on its implementation to the same entity.
- 7. Corporate governance: Colombian legislation does not contemplate specific obligations in relation to the implementation of corporate governance standards. However, the Superintendencies of Industry and Commerce and Corporations, the Colombian Stock Exchange, the Chambers of Commerce and other trade associations have published corporate governance guidelines and recommendations (Guide to Good Corporate Governance Practices for Competitive, Productive and Sustainable Companies) based on what are considered best practices with respect to the rules that define the relationship between shareholders, directors, management, authorities and stakeholders.

These guidelines and recommendations apply the basic principles of good corporate governance, transparency, accountability, responsibility and fair dealing, following ESG (environmental, social and governance) standards. The guidelines identify the main areas of corporate governance and recommend specific actions concerning key aspects of corporate governance.





Tax Considerations

a) Preliminary consideration -Tax Reform-

As an initial premise, last September 14, 2021, a tax reform called "Social Investment Law" was sanctioned through Law 2155 of 2021, through which it is intended to adopt a set of fiscal policy measures, aimed at strengthening social spending and contributing to the economic reactivation of the country.

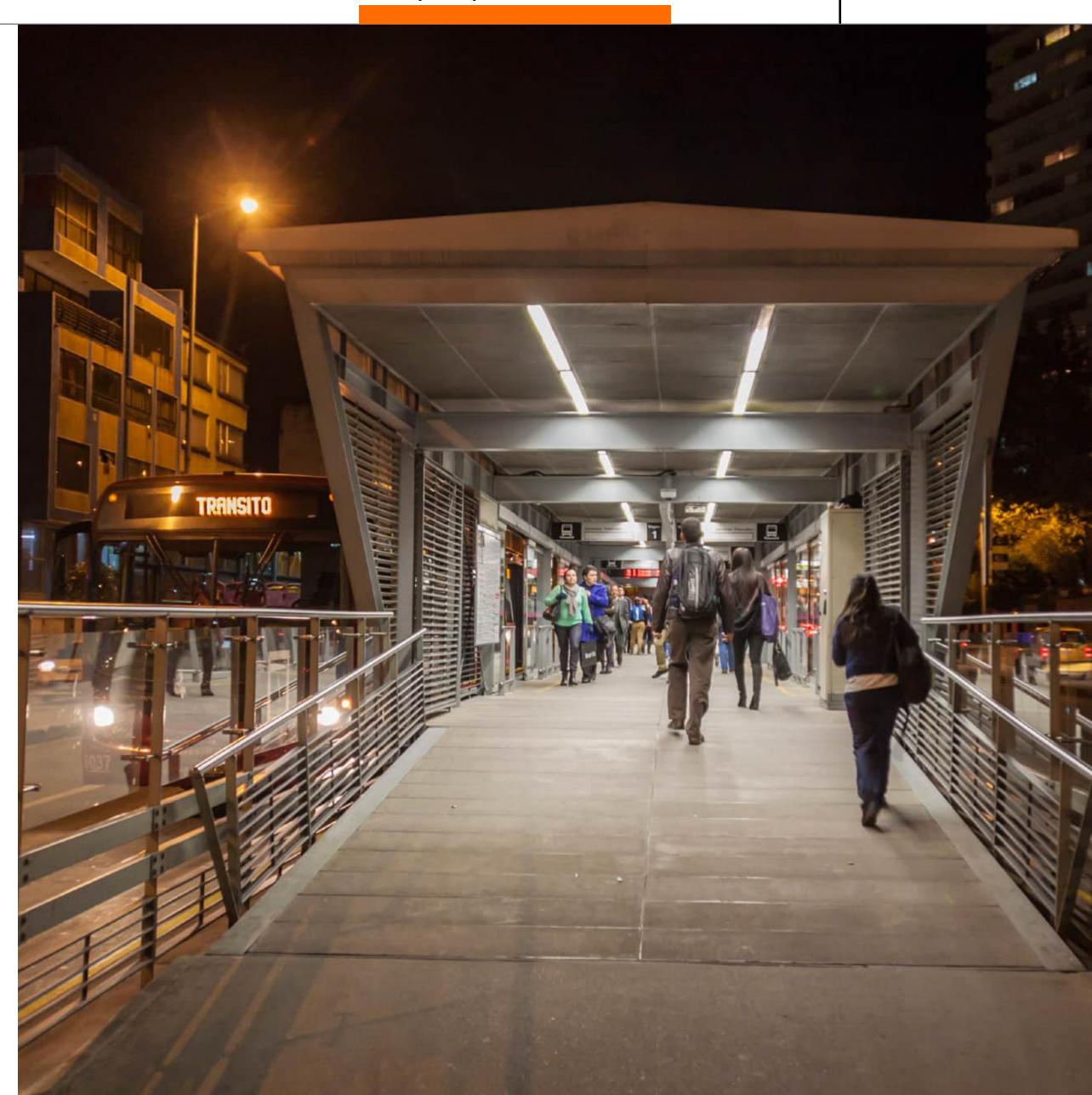
Among the main modifications are changes in income tax for legal entities, tax procedures, formal obligations (invoicing) and measures to strengthen the business sector.

Therefore, this guide considers the amendments proposed by the Social Investment Law, especially those aspects that could potentially have an impact on the infrastructure sector.

b) Tax Regime -General Considerations

The tax regime in Colombia has national and territorial (departmental and municipal) taxes. The main national taxes are: (i) Corporate income tax and its complementary tax on occasional gains;; (ii) Standardization tax (on a temporary basis); (iii) Sales tax (VAT); (iv) National consumption tax (INC) and; (v) Tax on financial transactions ("GMF"), which are generally collected and administered by the Nation through the National Tax and Customs Directorate ("DIAN").

Territorial taxes are composed of the industry and commerce tax ("ICA"), property tax and registration tax, among others, which are administered and collected by the territorial entities of the jurisdiction in which the tax is levied (municipalities and departments).



Guide for infrastructure investment in Colombia

General information on Colombia

Infrastructure projects market in Colombia

Mechanisms for the development of infrastructure projects with private sector participation in Colombia





c) National taxes

I. Income tax on legal entities and its supplementary tax on occasional gains.

General information on income tax

The following is a summary of the main aspects to be taken into account in relation to income tax and complementary taxes:

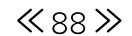
Generality		Description	1
Income tax on income legal entities	Year	2021	2022 and thereafter
	Rate	31%	35%
	The income tax in a free trade z		sers of goods and/or services
Dividend tax rates on dividends	Foreign compa		National Societies
	10%		7.5% Transferable or allocable to the ndividual / or ultimate shareholder
	 Dividends from profits that were not taxed at the corpolevel (distributing entity) will be subject to a withholding at a rate of 31% for 2021 and 35% for the years 2022 and thereafter (recapture tax). Subsequently, the result will be subject to: (i) 7.5% withholding if the distribution is made between Colon entities; or (ii) 10% withholding if the distribution is made to a non-resident or natural person. Dividends from profits that were taxed at the corporate be subject only to the second withholding at source, i.e. or 10%, as applicable. 		ubject to a withholding tax 6 for the years 2022 subject to: (i) 7.5% made between Colombian the distribution is made son. taxed at the corporate level will
Occasional income rate		109	%

Generality		Description	
Presumptive income	Year	Taxable year 2021	Taxable year 2022
	Rate	0%	0%
Tax loss carryforwards	Limit of twelve years to offset tax losses and five years to offset excess presumptive income.		
Depreciation rate	Depending on the accounting depreciation of the active asset. Tax limit: 2.2% to 20%.		
Amortization rate	Depends on the type of intangible asset. Tax limit: 20%.		
Firmness of the statements	 General rule: 3 years. Tax loss or transfer pricing regime: 5 years. Audit benefit: For taxable years 2022 and 2023, the special term of finality will be six (6) months in case the net income tax is increased by at least 35%; or twelve (12) months if the increase is at least 25% with respect to the immediately preceding year. 		

General information on Colombia

Infrastructure projects market in Colombia

Mechanisms for the development of infrastructure projects with private sector participation in Colombia



Income tax treatment applicable to concession and public-private partnership (PPP) contracts

For income tax and complementary tax purposes, our tax system established special rules of preferential application with respect to accounting standards, applicable to concession and public-private partnership contracts in which construction, administration, operation and maintenance stages are incorporated; for which the intangible asset model will be considered, even extensible to the financial asset model.

The application of such special rules will generate the following tax effects for concessions and public-private partnerships (PPP):

i. Construction stage, the tax cost of the intangible assets corresponds to the costs and expenses accrued during this stage

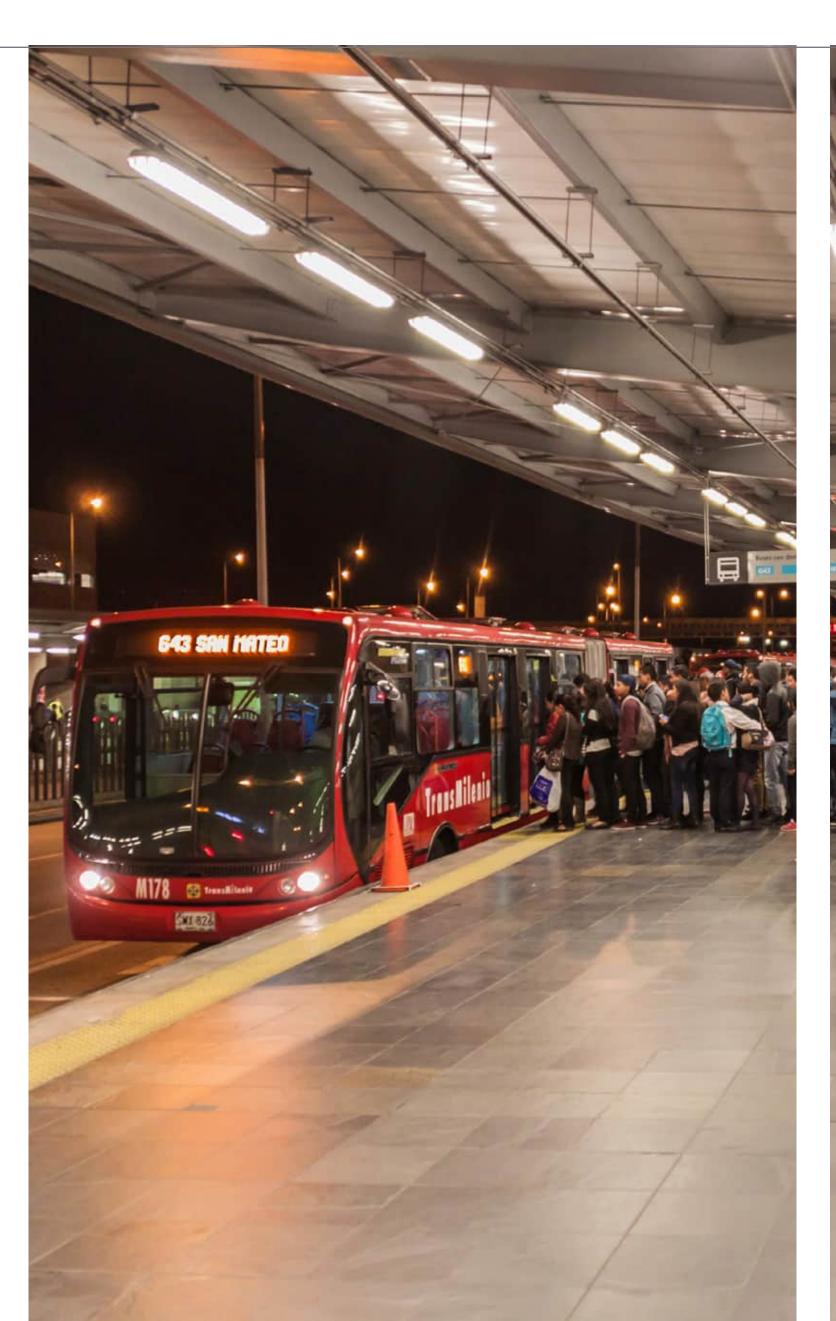
All costs and expenses accrued during the construction phase will integrate the fiscal cost of the intangible asset; which must be capitalized for its subsequent amortization.

ii. Amortization of the tax cost of the intangible asset under the straight-line methodology

The intangible asset must be amortized on a straightline basis and in equal proportions, taking into account the term of the contract, starting from the beginning of the operation and maintenance stage.

iii. Revenues accrued by the contractor during the construction stage

The income accrued by the concessionaire associated with the construction stage must be accrued for tax purposes as a liability for deferred income, this until the completion of this stage and approval by the corresponding entity.





On this point, the tax regulation specified a special rule of preferential application in relation to the realization of income for those obliged to keep accounting records. Therefore, the concessionaire or associate will not recognize tax income during this stage, as long as it is income associated with the construction.

iv. Reversal of deferred income liability

The deferred income liability accrued during the construction stage will be reversed and recognized as tax income on a straight-line basis and in equal proportions, based on the construction term, as from the beginning of the operation and maintenance stage.

v. Recognition of income associated with the operation and maintenance stage

In the operation and maintenance stage, all revenues (other than those mentioned in the preceding paragraph) must be recognized as the contract services are rendered, including compensation, contributions or state subsidies granted to the concessionaire or associate.

vi. Rules applicable to concession or PPP contracts when they establish deliveries by functional units, milestones or similar

In the event that the concession or PPP contract establishes deliveries by functional units, milestones or similar, the same rules above shall apply for each functional unit. milestone or similar.

For tax purposes, a milestone or functional unit shall be understood as any work delivery unit that grants the right to payment.

Excess of untaxed profits in concession contracts and public-private partnerships (PPPs)

As a result of the recent amendments introduced by Law 2155 of 2021, concessions and PPPs may impute those excess profits considered as not taxed - determined according to the rules of Article 49 ET - against those future profits (Carry Forward) and/or past profits (Carry Back) that have or have had the quality of taxed, up to a maximum of 10 years (previously 5 years into the future and 2 years back).

With this amendment, it was intended to eliminate an apparent phenomenon of double taxation derived from corporate taxation and that applicable to the distribution of dividends, generated by the temporary differences present between the accounting and the special tax rules applicable to these contracts; taking into account in any case their operative reality.

Withholding at the source for income tax purposes

Colombian taxpayers are obliged to act as withholding agents and, therefore, must apply income tax withholding at source to payments or credits on account that constitute taxable income for their beneficiaries (whether Colombian residents or not, as explained below).

i. Withholding rates for payments between Colombian residents.

These are some of the withholding rates applicable for payments between Colombian residents:

Concept	Minimum Base in UVT ⁴⁸	Rate
General purchases (income tax return filers)	27	2,50%
General purchases (non-income tax return filers)	27	3,50%
General services (income tax return filers)	4	4%
General services (non-income tax filers)	4	6%
Lease of personal property	N/A	4%
Lease of real estate (income tax filers)	27	3,50%
Lease of real estate (non-income tax filers)	27	3,50%
Other taxable income (income tax filers)	27	4,50%
Other fiscal income (non income tax filers)	27	3,50%
Fees and commissions (legal entities)	N/A	11%
Fees and commissions paid to individuals who sign contracts for more than 3,300 UVT or that the sum of payments or credits on account during the taxable year exceed 3,300 UVT.	N/A	11%
Fees and commissions (not subject to income tax).	N/A	10%
Software licenses or rights of use	N/A	3,50%



Colombian taxpayers
will be required to act as
withholding agents and
must apply withholding at
source as income tax to
payments that constitute
taxable income.



ii. Withholding rates for payments abroad (local legislation).

As a general rule, foreign entities without a permanent establishment in Colombia will be subject to taxation in Colombia only with respect to their domestic source income. Because of this, generally a withholding tax will be applied on payments to these entities when:

- The payments are Colombian source income.
- When there is a special rule that establishes the obligation to apply withholding tax on domestic or foreign source income.

Regarding interest or financial yields paid by national companies abroad, these shall be subject to withholding at source at a rate of 20% with respect to the total of the payment or payment on account, as long as they are loans with a maturity of less than one year. In the case of loans equal to or in excess of one year, a 15% withholding shall be applied with respect to the total of the payment or credit on account.

In a special manner, the interest or financial yields originated in credits destined to the financing of infrastructure projects under the PPP scheme, will be subject to a withholding rate of 5%. The above, provided that the term of the loan is equal to or greater than eight (8) years.

For other payments or credits on account made in favor of non-residents, consider the following rates:

Item	Rate
Royalties - includes software licenses (*)	20%
Administration and management services	33% regardless of whether the service is rendered in Colombia or from abroad, to a beneficiary who is a tax resident in Colombia.
Technical assistance, technical service (*) and consulting services	If the recipient of the service is located in Colombia, a withholding tax of 20% would be applied, regardless of whether the service is rendered in Colombian territory or from abroad.
Other services (**)	0% if the service is rendered abroad. 20% if the service is rendered in Colombia.
Purchases	0% if the good is located abroad at the moment of the sale.

(*) The deduction of royalties, (except software payments) technical assistance and technical services agreement payments requires the registration of the contract with the DIAN. The registration must be made within six (6) months after the date of signature of the contract or within three (3) months in case the contract is modified, the request for registration must be made within three (3) months after the date of its modification. Article 123 of the Tax Statute.

(**) When the service is not subject to withholding in Colombia, the deduction of the expense shall be limited to 15% of the taxpayer's net income, computed before deducting such costs or deductions, any excess shall not be deductible. Article 122 of the Tax Statute.





The interest or financial yields originated in credits destined to the financing of infrastructure projects under the PPP scheme, will be subject to a withholding rate of 5%.

iii. Double Taxation Avoidance Agreements (DTA) on income and wealth tax.

Treaties are currently in force with Spain, Chile, Portugal, Korea, India, Mexico, the Czech Republic, Canada, Switzerland and the United Kingdom. Treaties with France, Japan, the United Arab Emirates and Italy are still awaiting completion of the formal legislative approval process and/or through the exchange of notes between the countries.

Under these treaties, local withholding tax rates may be reduced, as shown below:

CDI				Tarifa			
Country	General Services	Administration services	Technical Services	Technical assistance	Consulting	Royalties	Interests
Spain	0%	0%	10%	10%	10%	10%	0% o 10%
Chile	0%	0%	10%	10%	10%	10%	5% o 15%
Switzerland	0%	0%	10%	10%	10%	10%	10%
Canada	0%	0%	0%	0%	0%	10%	10%
Mexico	0%	0%	0%	0%	10%	10%	5% o 10%
Korea	0%	0%	10%	10%	10%	10%	10%
India	0%	0%	10%	10%	10%	10%	10%
Czech Republic	0%	0%	0%	0%	0%	-	10%
Portugal	0%	0%	0%	0%	0%	-	10%
United Kingdom	0%	0%	0%	0%	0%	-	10%
CAN (Bolivia, Ecuador and Peru)	20%	33% (taxable year 2021)	20%	20%	20%	-	Taxed in Colombia at local rates (20%, 15% or 5%).





Invoicing Systems

Pursuant to Article 616-1 ET, recently amended by Law 2155 of 2021 (tax reform), the invoicing system includes the sales invoice (electronic invoice or checkbook or paper invoice) and equivalent documents, as well as any other electronic documents, as determined and regulated by the Tax Administration.

The National Government has regulated the invoicing system through Decree No. 358 of 2020, Resolution No. 0042 of 2020 and Resolutions No. 012, 013, 015, 37 and 63 of 2021.

Currently, the documents that support the origin of costs and deductions in income tax, as well as deductible taxes in sales tax (VAT), are as follows:

- i. Sales invoice.
- ii. Equivalent documents (13 equivalent documents, among which is the toll collection document, etc.).
- iii. Supporting documents for purchases made from those who are not obliged to invoice.
- iv. Electronic payroll: By the end of 2021, all income taxpayers who intend to support payroll deduction must implement this document electronically, following the dates established by the DIAN.

Taxpayers obliged to issue any of these documents must comply with this obligation by electronic means and in accordance with the deadlines and conditions established in the regulation.

Only for the year 2021, there will be a limitation in the recognition of deductible taxes, costs, and expenses not supported in electronic invoices, up to a maximum of 20%. However, and in accordance with the provisions of Law 2155 of 2021 (tax reform), the above limit would not be applicable for taxable years 2022 and following; therefore, it will be required that such costs, expenses and deductible taxes are duly supported.



Official determination of income tax and complementary taxes through invoicing.

As a result of the Tax Reform, the DIAN is authorized to establish the income tax through invoicing, which will constitute the official determination of the tax and would lend executive merit.

The taxable base, as well as all other elements for the determination and liquidation of the tax shall be established by the DIAN according to the information obtained from third parties, the electronic invoicing system and other mechanisms.

In the event that the taxpayer does not agree with the invoice of the income tax and complementary taxes issued by the Tax Administration, the taxpayer shall be obliged to declare and pay the tax within the following two (2) months, in accordance with the forms and procedures set forth in the tax regulations.



Only for the year 2021, there will be a limitation in the recognition of deductible taxes, costs and expenses not supported in electronic invoices, up to a maximum of 20%.

Other income tax matters of interest

i. Deductions for labor payments

Labor payments are considered to be those derived from an employment contract⁴⁹ and which may be classified into two types: (i) salary payments -wage payments; (ii) non-wage payments.

Wage payments are defined as everything that the worker receives in cash or in kind as direct compensation for services rendered⁵⁰. Non-wage payments include:

- Bonuses, bonuses or occasional gratuities, profit sharing surplus and similar payments that the worker receives from his employer.
- Whatever a worker may receive in cash or in kind, which is not for his personal benefit or to increase his assets, but are necessary for the individual to perform his functions. These payments include: transportation expenses, work equipment and representation expenses.

Non-salary payments must be agreed as such in the employment contract, otherwise they will be considered salary payments. In any case, non-wage payments that exceed 40% of the employee's total labor compensation are subject to social security and parafiscal contributions.

ii. Wage deductions

In addition to the general deduction requirements, deductions are granted for salary payments, provided that social security and parafiscal contributions are paid prior to the filing of the income tax return. Employers must demonstrate that they are complying with the payment of the mandatory contributions.

In addition, in order to accept the deduction for paid hours of absence, taxpayers must demonstrate that payments to family compensation funds were made in accordance with current regulations.

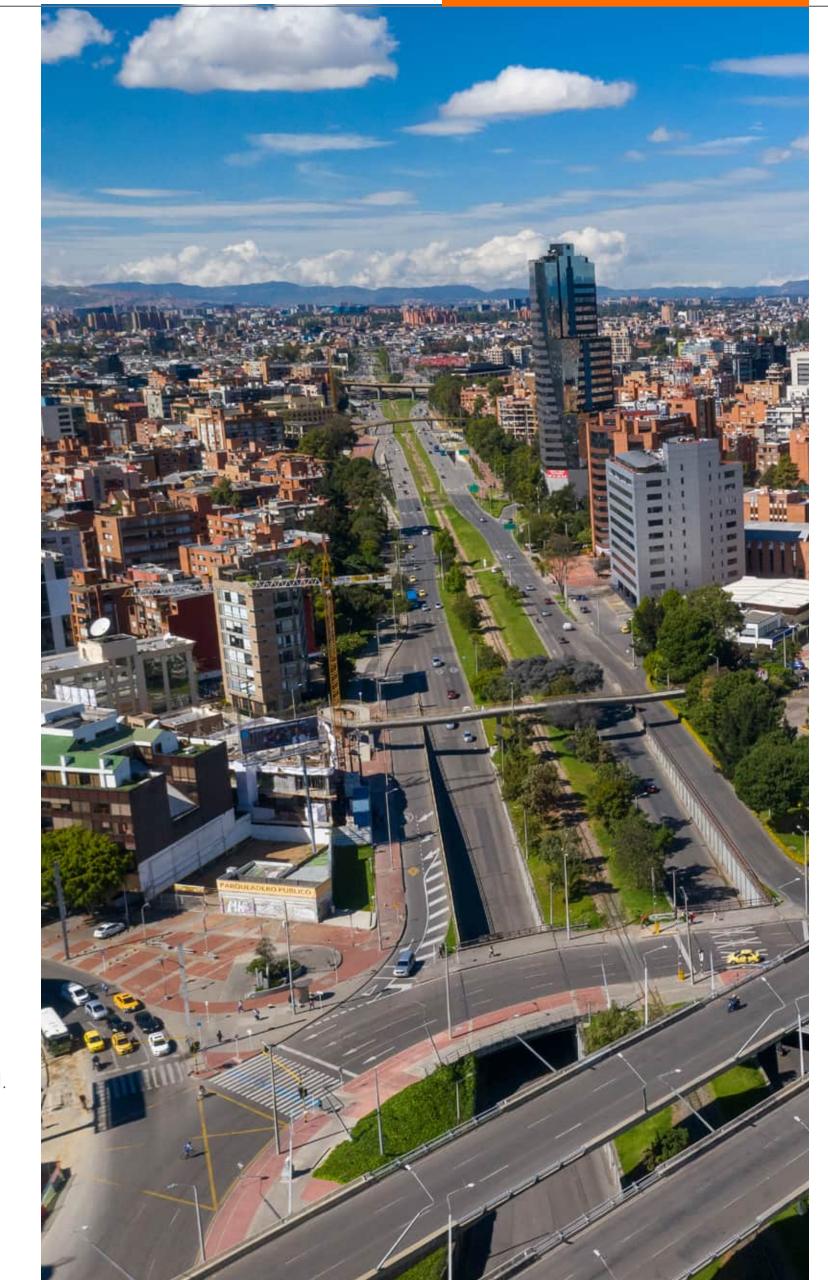
iii. Deductions for social security and parafiscal payments

The deduction of social security and parafiscal payments has a double connotation in tax matters. First, they constitute a deductible expense and second, they are a condition for the deduction of the labor expense to which they are related.

It should be noted that payments to employees earning less than ten (10) legal monthly minimum wages in force are exempt from social security and parafiscal payments (article 114-1 ET).

iv. Special deduction for first employment

Taxpayers who hire persons under twenty-eight (28) years of age when this is their first employment, may deduct 120% of the salary paid to such employees. This deduction is limited to each employee up to 115 UVT per month (COP \$4,175,420 for 2021-USD \$1,123) and proceeds for the tax period in which the employee is hired. As a formal requirement the certification must be issued by the Ministry of Labor to support the first employment of the person hired.





49 Article 22 of the Substantive Labor Code.

50 Article 127 of the Substantive Labor Code.

Guide for infrastructure investment in Colombia

General information on Colombia

Infrastructure projects market in Colombia

Mechanisms for the development of infrastructure projects with private sector participation in Colombia



II. Sales Tax - VAT

The following is a summary of the main aspects to be taken into account in connection with the sales tax - VAT:

General	Detalle
Rates	General Rate 19% - Differential Rate 5% There is no specific tax rate applicable to the infrastructure sector, but there are special tax treatments depending on the nature of the goods or services. For the infrastructure sector, the exemption from VAT sales tax on the sale or import of construction bricks and blocks of limestone, clay, and based on cement, clay blocks, among others, stands out. Asphalt is subject to VAT at the general rate.
Taxable event	 Sale of tangible personal property in Colombia; - Provision of services in Colombia or from abroad. Some foreigners may be liable for VAT in Colombia; - The sale or assignment of rights over intangible assets, only associated with industrial property; - Imports.
Reverse charge	Special withholding regime under which Colombian residents liable for VAT withhold 100% of the tax generated, the VAT payment to the DIAN may be taken as deductible VAT when the corresponding requirements are met. This does not affect the actual payment to non-residents.
Deductible VAT	 It applies to operations taxed at the general rate or with zero rate; Expenses are treated as deductible from income tax.
Non-discountable VAT	When VAT is treated as a higher value of the cost or expense it may not be treated as a deductible tax.
VAT on Real Productive Fixed Assets (AFRP)	It may be taken as a discount in the income tax or capitalized as a greater value of the ACTIVE and recovered via depreciation expense (at the taxpayer's choice).
VAT on Fixed Assets	VAT may only be capitalized as a greater value of the ACTIVE and recovered via depreciation expense.
Periodicity	Bimonthly or quarterly.
Special taxable base in construction contracts	For VAT purposes, for construction contracts (special rule), there is a special taxable base that corresponds to the income corresponding to the fees obtained by the constructor. When no fees are agreed upon, the tax will be levied on the remuneration of the service that corresponds to the builder's profit. The responsible party may only request deductible taxes for the expenses "directly related" to the fees or the profit obtained that constitutes the taxable base of the tax. VAT paid for costs and expenses "necessary" for the construction of the real estate will not be deductible (they must be treated as a greater value of the work).
Public works contracts	Public works contracts entered into by individuals or legal entities with the Territorial Entities and/or Decentralized Entities of the Departmental and Municipal Order shall be excluded from VAT.

General information on Colombia

Infrastructure projects market in Colombia

Mechanisms for the development of infrastructure projects with private sector participation in Colombia

III. Financial Movements Tax (GMF)

It is a tax that is generated, among other assumptions, by the disposition of funds deposited in checking and savings accounts and the drawing of cashier's checks. In Colombia, the GMF is a tax levied on the outflow (disposition) of funds and not on their deposit.

The tax rate is four times one thousand (0.4%) of the total value of the financial transaction.







d) Territorial taxes

Territorial taxes are composed of (i) the industry and commerce tax ("ICA"), (ii) the property tax and (iii) the registration tax, among others, which are administered and collected by the territorial entities (municipalities, districts or departments).

I. Generalities of the Industry and Commerce Tax - ICA

The following is a summary of the main aspects to be taken into account in relation to the Industry and Commerce Tax - ICA:

Generally	Detalle			
Industry and Commerce Tax - ICA	 It taxes industrial, service and commercial activities developed in the respective municipal jurisdiction. in the respective municipal jurisdiction. ICA rates are determined in each local jurisdiction within the following limits the following limits: 			
	Active Industrial		Commercial and services	
	Rate	0,2 - 0,7%	0,2% - 1%	
Property tax	Property tax is levied on the ownership, usufruct or possession of real estate located within a municipality in Colombia.			
Public lighting tax	The generating fact is to obtain a direct or indirect benefit from the public lighting service.			

II. General information on other territorial taxes

Generality	Detail
	This tax is levied on all registrations of acts, contracts or documentary legal transactions, which in accordance with the legal provisions must be registered in the public instrument registration offices or in the Chambers of Commerce.
Registration Tax	The registration in the offices of registration of public instruments due to the purchase of real estate constitutes a tax generating event, whose taxable base will be equivalent to the value incorporated in the public deed of sale (for physical effects it may not be less than the cost, cadastral value or the self-assessment).
	There are special rates that will be applied depending on the act subject to registration (0.5% to 1%).
Duonantonton	It is a real tax levied on real estate located in a given municipal or district jurisdiction, which is payable annually and whose taxable base is formed by the cadastral appraisal of the real estate.
Property tax	The administration, collection and control is the responsibility of the municipalities and districts, for which reason the rates and eventual exclusions must be analyzed depending on the jurisdiction where the real estate is located.





e) General information on special contributions and Stamps

Special contributions are taxes whose administration, collection and control is the responsibility of the Nation, departments, municipalities and/or districts, as appropriate.

The following is a summary of the main aspects to be taken into account in relation to special taxes or contributions applicable to the infrastructure sector:

General	Detail
National Fund for Vocational Training in the Construction Industry	This is a monthly contribution corresponding to one minimum monthly salary for every 40 employees working in construction services. This contribution must be paid by construction companies.
Special contribution	As from 2006, individuals or legal entities that enter into public works contracts or public works concession contracts will be subject to a special contribution, the rate of which will be 5% of the total value of the contract or of the respective addition.
for public works contracts, public works concessions and their additions.	For this purpose, the following shall be required: (i) Existence of a state contract for public works, and (ii) that such contract be subscribed by a public law entity, regardless of its contractual regime.
	The contractor will be the taxpayer of the tax and the public law entity will act as the responsible party, in charge of withholding and assigning the special contribution.
	Law 1697 of 2013 created a parafiscal contribution called "Pro-National University Stamp", which will be levied on any work contract entered into by national entities anywhere in the territory where the work is executed.
Pro-National University Stamp	This stamp shall be extended to all contracts related to the work, i.e.: design, operation, maintenance or supervision and others defined in Law 80 of 1993.
	Taxable base and rate: (i) 0.5% for contracts between 1 and 2,000 SMLMV, (ii) 1% for contracts between 2,001 SMLMV and 6,000 SMMLV and (iii) 2% for contracts exceeding 6,001 SMMLMV.

By means of Law 2155 of 2021 (Tax Reform), the National Government was empowered to regulate and limit the number of stamps required for the same procedure within a maximum period of 2 years as from January 1, 2022.

Infrastructure projects market in Colombia

Mechanisms for the development of infrastructure projects with private sector participation in Colombia



f) New measures applicable as from fiscal year 2022

As a result of the tax reform (Social Investment Law) recently approved by the Congress of the Republic, it is intended to adopt several mechanisms aimed at reactivating the economy and strengthening the business sector.

Among the changes introduced by the Social Investment Law for the infrastructure sector, the following are highlighted:

I. Incentive for the creation of new jobs.

In order to mitigate the socioeconomic effects associated with the COVID-19 pandemic and reactivate the generation of formal employment, the incentive for the generation of new jobs is created, which will allow financing labor costs such as social security and parafiscal payments, and which will be directed to employers who generate new jobs by hiring additional workers, as follows:

Worker Qualifications	Benefit	
Additional worker (female or male) between 18 and 28 years old.	State contribution of 25% of one legal monthly minimum wage in force - SMLMV for each additional worker.	
Additional worker (woman or man) older than 28 years old earning up to 3 SMLMV.	State contribution of 10% of one legal monthly minimum wage in force - SMLMV for each additional worker.	
Additional worker (female) older than 28 years old earning up to 3 SMLMV.	State contribution of 15% of one minimum legal monthly salary in force - SMLMV for each additional worker.	



II. Formal Employment Support Program (PAEF).

PAEF was extended until December 2021, which consists of an economic subsidy granted by the State (40% of one SMLMV - COP \$363,000) for each employee; only for those potential beneficiaries that by the March 2021 contribution period had had a maximum of 50 employees. If at the time of application the potential beneficiary has a greater number of employees, access to the PAEF will not be lost, but he/ she will not be able to be the beneficiary of contributions for a number greater than 50 employees (the contribution will only be granted once a month, for the payrolls from July to December 2021).

The National Government would be empowered, considering the economic indicators, to extend by decree the extension of the PAEF until December 31, 2022.

III. Support to companies affected by the national strike.

The National Government will grant employers (legal entities, individuals, consortiums, temporary unions and autonomous patrimonies) a state contribution to contribute to the payment of labor obligations for the months of May and June 2021, corresponding to 20% of the value of one SMLMV. For these purposes, a decrease of 20% or more in income compared to those obtained in March 2021 must be demonstrated.



3.3. Colombian Customs Regime



a) Overview of the Colombian customs system

Importation is understood as the entry of goods of foreign origin into the National Customs Territory ("TAN") from abroad or into a Free Trade Zone ("ZF").

In Colombia, the Harmonized Tariff code is applied, which determines the applicable customs tariff for each subheading (10 digits). Several customs duties are temporarily reduced to 0% for raw materials and capital goods not produced in Colombia.

The customs duty rate usually ranges from 0% to 15% and, in some cases, 35%. These tariff rates may vary as long as there is a free trade agreement signed by Colombia and if the imported goods meet the origin requirements.

On the other hand, VAT in Colombia is generated, among others, by the importation of goods into Colombian territory. The general VAT rate is 19%, but there are different rates that may vary depending on the nature of the goods sold.

b) Import Modalities

As established in Decree 1165 of 2019, imports can be made under the following main modalities:

- Ordinary importation.
- Importation with exemption.
- Reimportation by outward processing.
- Reimportation in the same state.
- Importation in compliance with the guarantee.
- Temporary import for re-export in the same state (short term or long term).
- Temporary imports for internal processing.
- Temporary imports of capital goods for internal processing.
- Temporary imports in the development of special import-export systems.
- Temporary imports for industrial processing.
- Temporary imports for transformation and / or assembly.
- Import for postal traffic and express shipments.
- Urgent deliveries.
- Travelers.
- Samples with no commercial value.

Infrastructure projects market in Colombia

Mechanisms for the development of infrastructure projects with private sector participation in Colombia



According to the import modality, the goods will be considered as freely available or with restricted provisions. With the exception of the traveler modality, the provisions established for ordinary imports shall apply to the other import modalities, taking into account the exceptions applicable to each one.

1. Temporary Imports

Regarding temporary imports, under this modality there is total or partial suspension of the payment of import duties on the importation of certain goods that must be cleared or re-exported within a specified time in the same original condition (except for the normal depreciation originated in their use). Under temporary imports, goods may be used in the country subject to customs control. Temporary imports may be short or long term:

a. Short-term

Short-term temporary imports are allowed for capital goods and other special cases considered in the customs regulations. The maximum period allowed under this modality is six months, extendable for up to three additional months. If a longer stay of the merchandise in the country is required due to its intended use, the importer may request an authorization to the Customs Authority ("DIAN") to extend this period. Under this modality, no import duties are payable.

b. Long-term

Long-term temporary imports of capital goods (as defined by customs regulations) and their accessories or spare parts are allowed, provided they arrive within the same shipment. The maximum period allowed for this modality is five years. Import duties are calculated on the date of presentation of the import declaration. However, they are paid in semi-annual installments until the fifth year, as from the date the import declaration was filed and for as long as the goods remain in the country. The semi-annual installments must be converted into Colombian pesos at the exchange rate in effect for customs purposes at the time of payment.

It is possible to file with the DIAN a request for an extension of the five-year term, justified by the needs of the importer and the activities that will be developed with such equipment within Colombia. However, customs duties must be paid within the five-year period.

When capital goods and their accessories or spare parts are subject to a lease contract, the goods may be imported under a long-term temporary import.

2. Ordinary imports

This refers to the introduction of goods of foreign origin into the TAN to remain there indefinitely, in free circulation, paying the respective import duties. Most imports into Colombia are ordinary.

The importer of record is the legal entity or natural person that performs the import operation or the person on whose behalf it is performed.

The statute of limitations of the import declaration (import return) is three (3) years from the date of presentation and acceptance and constitutes the document that certifies the legal introduction of goods into the TAN.

3. Special Import and Export System (Plan Vallejo)

The Vallejo Plan is a special import-export regime that allows the temporary import of raw materials, inputs, intermediate goods, capital goods and/or spare parts to be used in the production of goods or services for export. The agreements provide for a total or partial exemption from import duties at the time of import or deferral of VAT payment.

In October, 2020, the Ministry of Commerce, Industry and Tourism issued regulations establishing transitory provisions for accessing and complying with the Vallejo Plan programs, with the objective of making the requirements more flexible, encouraging exports and reactivating the economy.



3.4. Transfer Pricing Regime

Generalities of the transfer pricing regime

Legal entities taxpayers of income tax that carry out transactions with related entities abroad must determine their income, costs and deductions considering the prices and profit margins used in comparable transactions with or between independent parties (arm's length principle).

Regarding the transfer pricing regime, one of the measures with the greatest impact in OECD member countries, as well as those countries that follow its guidelines, has been the implementation of documentation requirements to support transactions with related entities. This initiative encourages different levels of documentation, ranging from the most general to the most specific, in order to support transactions between different entities of a Multinational Group.

in operations with related parties abroad or with related parties in Free Trade Zones that meet the following thresholds: the gross equity at the end of the taxable period is equal or greater than 100,000 UVT⁵¹ (\$ 976,809.00 USD for the taxable year 2021), or if their (\$ 600,776.00 USD for the taxable year 2021).

This regime will also apply to those taxpayers who have carried out operations with entities located in territories qualified as non-cooperative jurisdictions (tax havens) by the Colombian Government. Regardless of the amount of their net worth or gross income at the end of the taxable year or whether they are related economic parties or not.

It is specified that the formal obligations are applicable gross taxable income is equal or greater than 61,000 UVT

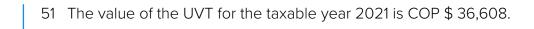
greatest impact has been the implementation of documentation requirements to

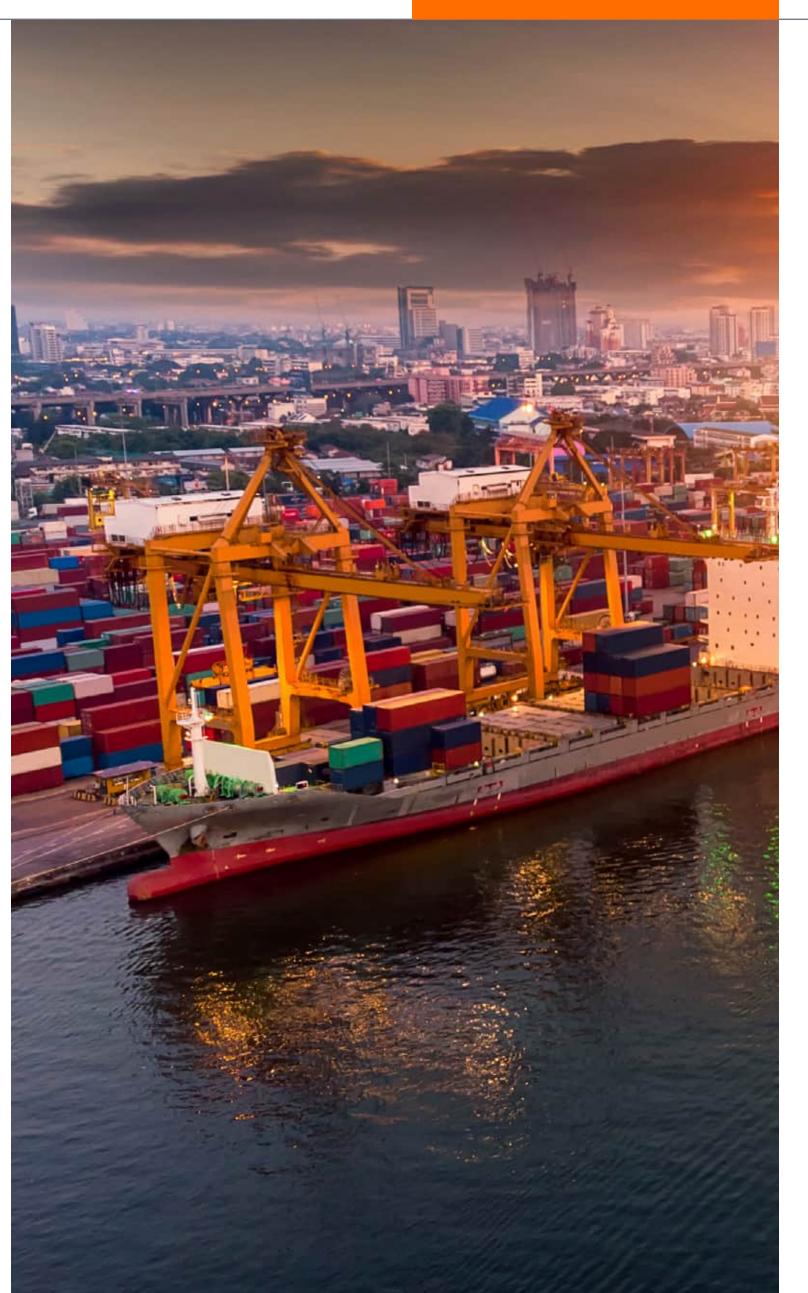
Regarding the transfer

pricing regime, one of

the measures with the

support transactions with related entities.









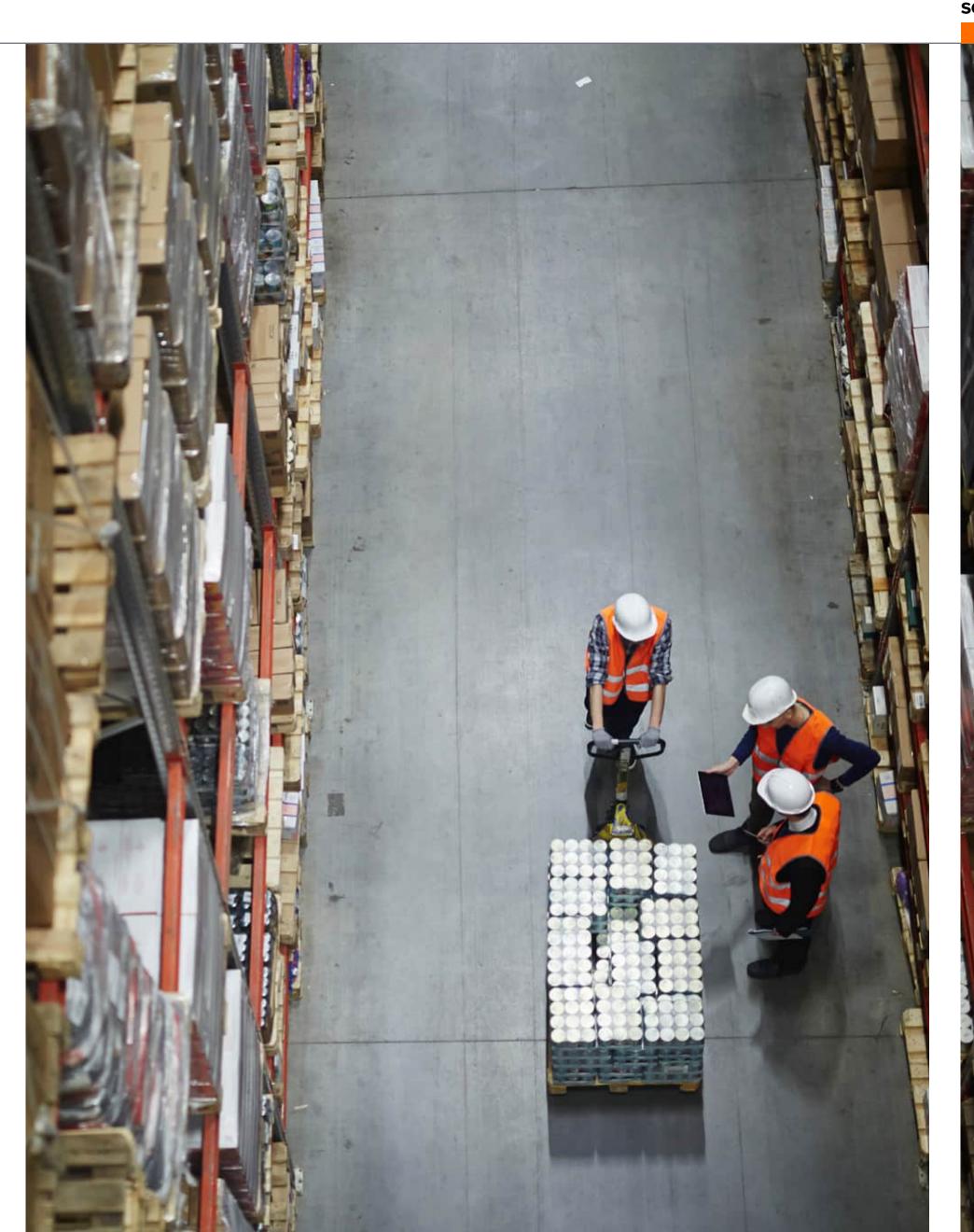
b) Transfer pricing regime obligations

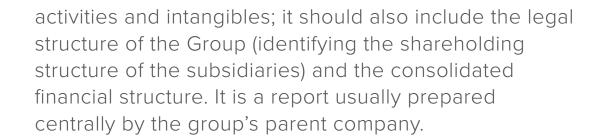
Law 1819 of 2016, introduced new transfer pricing obligations in Colombia, following the OECD guidelines regarding the BEPS Action 13 Requirements for the documentation of transfer pricing transactions. These new obligations were subsequently regulated by Regulatory Decree 2120 of 2017. In this regard, local taxpayers that carry out transactions with related entities located abroad, and depending on the amount of such transactions, must comply with the preparation and filing of a Local Report (TP study), Transfer Pricing Declaration, Country-by-Country Report (CbCR) and Master Report (Masterfile).

However, failure to comply with the above obligations will result in penalties, so it is advisable to verify in the business transaction whether the obligations were applied and compliance was observed.

Below is a further explanation of each of the BEPS obligations:

- 1. Local transfer pricing report (equivalent to the TP study of previous years): The transfer pricing regime at the documentation level follows OECD Action 13 BESP. This is a report in which intercompany transactions subject to documentation are analyzed and the results are disclosed, accompanied by an executive summary, an analysis of the functions, assets and risks of the local entity and the counterparties to the transactions, and other support (e.g., financial statements, intercompany agreements, information, among others).
- 2. Transfer Pricing Group *Masterfile*: Regarding transfer pricing documentation, the OECD BESP Action 13 is followed. The *Masterfile* is a document that describes the business activities, products and/or services, intercompany transfer pricing policies, financing





3. Country-by-Country Report* (CbCR): Regarding transfer pricing documentation, OECD Action 13 BESP is followed. The CbCR is a publication of all the entities that are part of a Multinational Group, in which it has to show, among others: names and jurisdiction of tax residence of each entity, level of assets, revenues and profits, assumed income tax rates, taxes paid, number of personnel of each local entity. It is a single report prepared by the Group, in case it meets any of the thresholds.

Local entities of a Multinational Group in Colombia must prepare a CbCR, in which they must inform which Group they are part of and confirm if and where the Group is subject to prepare the CbCR.

4. Transfer Pricing Statement*: Informative statement disclosing intercompany transactions carried out by the local entity with its related parties abroad, or companies located in tax havens (all reported transactions, regardless of the level of materiality), reported by party and type of transaction, which also includes the amount of the transaction and the result of its transfer pricing analysis (if necessary).

* In case the entity is subject to formal transfer pricing duties, these 2 obligations shall be presented in the same return.



3.5. International Exchange Regime

The Colombian exchange regime in Law 9 of 1991 regulates in a general manner the operations carried out between individuals or legal entities considered as residents for exchange purposes with those who hold the condition of non-residents, in order to promote the economic and social development and the exchange balance in the country.

In compliance with such purpose, the international exchange regime establishes in a taxable manner the operations that are considered as exchange operations and allows the free negotiation and holding of foreign currency in the country.

Likewise, such regime establishes a series of procedures and reporting obligations for different exchange operations that are of special importance for the statistical control of foreign currency entering or leaving the country, among which are foreign capital investment operations in Colombia.



a) Foreign Investment in Colombia

According to the provisions of Article 41 of External Resolution 1 of 2018 of the Board of Directors of Banco de la República, foreign capital investments in Colombia are considered mandatory channeling through the exchange market, that is, through Exchange Market Intermediaries⁵² or clearing accounts⁵³. Considering the above, the current foreign exchange regulations state that foreign capital investments are direct investment and portfolio investment.

Now, under the terms of Decree 119 of 2017, Colombian national natural persons or foreigners who have stayed in the country less than 183 days during a period of 365 consecutive calendar days are considered as non-residents for exchange purposes. Likewise, legal entities whose main domicile is outside the national territory, including non-profit entities and entities that do not have legal personality or domicile in Colombia, are considered as non-residents.

Foreign investors in Colombia must register their investments with the Banco de la República and have an agent in the country.

- 52 Article 7 Article 37 External Resolution 1 of 2018 of the Board of Directors of Banco de la República: Article 7. AUTHORIZED INTERMEDIARIES. Intermediaries in the foreign exchange market are banking establishments, financial corporations, financing companies, the Financiera de Desarrollo Nacional (FDN), the Banco de Comercio Exterior de Colombia S.A. -BANCOLDEX-, financial cooperatives, stock exchange brokerage companies, foreign exchange intermediation and special financial services companies (SICSFE), Specialized Companies for Electronic Deposits and Payments (SEDPE), Financiera de Desarrollo Territorial (FINDETER), the Fondo para el Financiamiento del Sector Agropecuario (FINDETER), the Fondo para el Financiamiento del Sector Agropecuario (FINDETER) and the Fondo para el Financiamiento del Sector Agropecuario (FINDETER), the Fondo para el Financiamiento del Sector Agropecuario (FINDETER). Agricultural Sector Financing Fund (FINAGRO), the Colombian Institute for Educational Credit and Technical Studies Abroad (ICETEX), the National Company for the Promotion of Territorial Development (ENTerritorio) and the National Savings Fund (FNA).
- 53 Article 37 External Resolution 1 of 2018 of the Board of Directors of Banco de la República: Article 37. COMPENSATION MECHANISM. In addition to the provisions of Article 81, residents who use bank accounts abroad for operations to be channeled through the exchange market shall register them with Banco de la República under the clearing account modality.

b) Registration of Direct Investment operations in Colombia

Chapter 7 of the External Regulatory Circular DCIN-83 of Banco de la República, states that the registration of foreign capital investment operations in Colombia that are made in foreign currency, operates automatically, with the provision of the minimum information required for these operations (Exchange Declaration).

Likewise, the aforementioned Chapter states that the registration of direct investment operations in Colombia that are carried out by virtue of a lawful act, business or operation, different from those carried out in foreign currency, are understood to be registered with the presentation of Form No. 11 "Declaration of Registration of International Investments", duly filled out, before the Banco de la República.

This registration must be submitted by the investors, their attorneys-in-fact or legal representatives of the companies receiving their investment and may be made at any time, without requiring the presentation of the supporting documents of the operation.

Finally, with respect to foreign capital investment operations in Colombia originated by virtue of corporate reorganization processes (mergers and spin-offs), according to Chapter 7 of the External Regulatory Circular DCIN-83 of the Bank of the Republic, these shall be deemed registered with the presentation of Form No. 11A "Declaration of Registration of International Investments due to Corporate Reorganization" before the DCIN of the BR, without supporting documents of the operation. The registration of these operations may be made at any time by the investors, their attorneys-in-fact or legal representatives of the companies receiving their investment.

The registration of foreign capital investment operations in Colombia grants the holder thereof the exchange rights as from the date of registration thereof.

General information on Colombia

Infrastructure projects market in Colombia

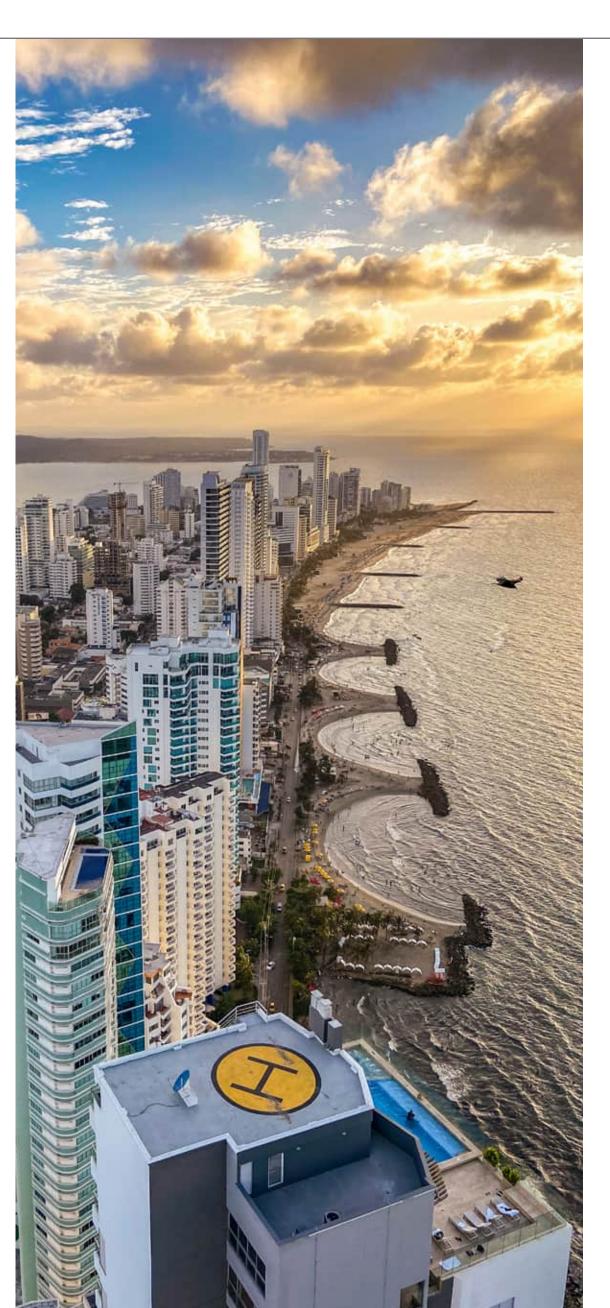
Mechanisms for the development of infrastructure projects with private sector participation in Colombia



c) Destinations of Foreign Direct Investment

In accordance with the provisions of Decree 119 of 2017, foreign direct investment in Colombia is considered to be:

- 1. The acquisition of participations, shares, social quotas, contributions representing the capital of a company or bonds mandatorily convertible into shares.
- 2. The acquisition of rights or participations in trust businesses entered into with trust companies subject to the inspection and surveillance of the Financial Superintendence of Colombia.
- 3. The acquisition of real estate, directly or through the execution of fiduciary businesses, or as a result of a real estate securitization process of a real estate or construction projects.
- 4. The contributions made by the investor through acts or contracts, such as collaboration, concession, management services, license or those involving technology transfer, when this does not represent a participation in a company and the income generated by the investment for its holder depends on the profits of the company.
- 5. Supplementary investments to the allocated capital of the branches.
- 6. Investments in private equity funds.



d) Exchange Rights

In accordance with the provisions of Decree 119 of 2017, the registration in due form before the Bank of the Republic of foreign capital investment operations in Colombia grants non-resident investors the following exchange rights:

- 1. Reinvest profits, or retain in surplus undistributed profits with the right to draft.
- 2. To capitalize the amounts with the right to draw.
- 3. Remit abroad the net profits generated from time to time.
- 4. Remit abroad the sums received as a result of the disposal of the investment within the country or the liquidation of the company or the reduction of its capital.

Substitution of Foreign Direct Investment

The substitution of direct investment of foreign capital is produced by the change of the holders of the foreign investment by other foreign investors, as well as by the change in the destination or in the company receiving the investment.

The substitution of the foreign investment must be registered by the transferor investor and the transferee or their attorneys-in-fact before the International Exchange Department of the Bank of the Republic, with the simultaneous presentation of Form No. 11 "Declaration of Registration of International Investments" and Form No. 12 "Declaration of Registration of Cancellation", within a maximum term of six (6) months as from the date on which it occurs, according to the rules established in the instructions of the corresponding form.

However, the substitution operations originated on the occasion of corporate reorganization processes must be reported before the Bank of the Republic with the presentation of Form No. 11A "Declaration of Registration of International Investments due to Corporate Reorganization", within a maximum term of six (6) months as from the date of the operation.



The substitution of the foreign investment must be registered by the transferor investor and the transferee or their attorneys-in-fact before the International Exchange Department of Banco de la República.

Guide for infrastructure investment in Colombia

General information on Colombia

Infrastructure projects market in Colombia

Mechanisms for the development of infrastructure projects with private sector participation in Colombia



f) Cancellation of Foreign Direct Investment

The total or partial cancellation of the foreign direct investment in Colombia occurs as a consequence of the total or partial liquidation of an investment previously registered before Banco de la República.

This operation must be reported by the investor or his attorney-in-fact to the International Exchange Department of Banco de la República, by filing Form No. 12 "Declaration of Registration of Cancellation of International Investments".

If the cancellation of the foreign direct investment is derived from corporate reorganization processes, only Form No. 11A "Declaration of Registration of International Investments due to Corporate Reorganization" must be submitted.

The term to file the request for cancellation of the foreign direct investment in Colombia is six (6) months counted from the date of the operation, according to the rules established in the instructions of the corresponding form.

The cancellation of foreign investment in Colombia may be generated by the following causes:

- i. Liquidation of the Colombian recipient company.
- ii. Decrease of capital, which implies a change in the number of participations, including the one assigned to the branches of foreign companies.
- iii. Reacquisition of shares or social rights.
- iv. Grade as a domestic investor.
- v. Liquidation or death of the foreign investor.
- vi. Total or partial termination of acts or contracts without participation in the capital.
- vii. Termination of fiduciary business entered into with the fiduciary companies.
- viii. Total or partial liquidation of private equity funds.
- ix. Disposal to residents (allotment or transfer).
- x. Disposal of real estate.
- xi. Corporate reorganization (mergers and spin-offs).

g) Deadlines

The following table shows the deadlines established in the foreign exchange regulations for the registration, substitution or cancellation of the direct investment of foreign capital in Colombia.

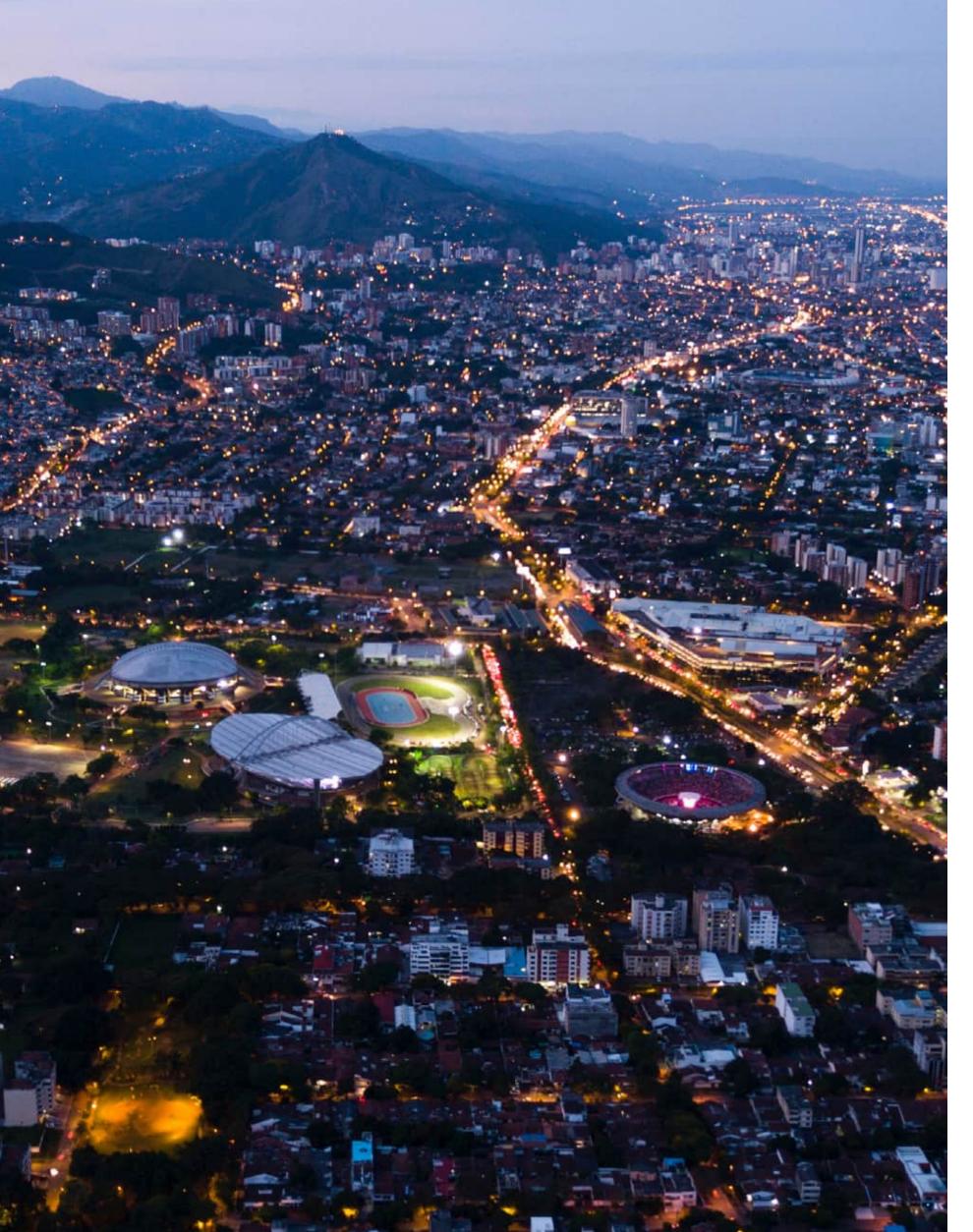
Operation	Form	Deadline
Direct investment in foreign currencies	Declaration of Exchange for International Investments.	The registration is automatic with the presentation of the foreign exchange declaration for international investments.
Direct investment without foreign exchange	Form No. 11 "Declaration of Registration of International Investments".	At any time with the presentation of Form No. 11 "Declaration of Registration of International Investments", without supporting documents of the operation.
Substitution of direct investment in Colombia	Simultaneous presentation of Form No. 11 "Declaration of Registration of International Investments" and Form No. 12 "Declaration of Registration of Cancellation of International Investments".	Within the six (6) months following the date of the operation.
Cancellation of direct investment in Colombia.	Form No. 12 "Declaration of Registration of Cancellation of International Investments".	Within six (6) months from the date of the transaction.
Substitution / Cancellation derived from corporate reorganization operations.	Form No. 11 A "Declaration of Registration of International Investments due to Business Reorganization".	Within six (6) months from the date of the transaction.

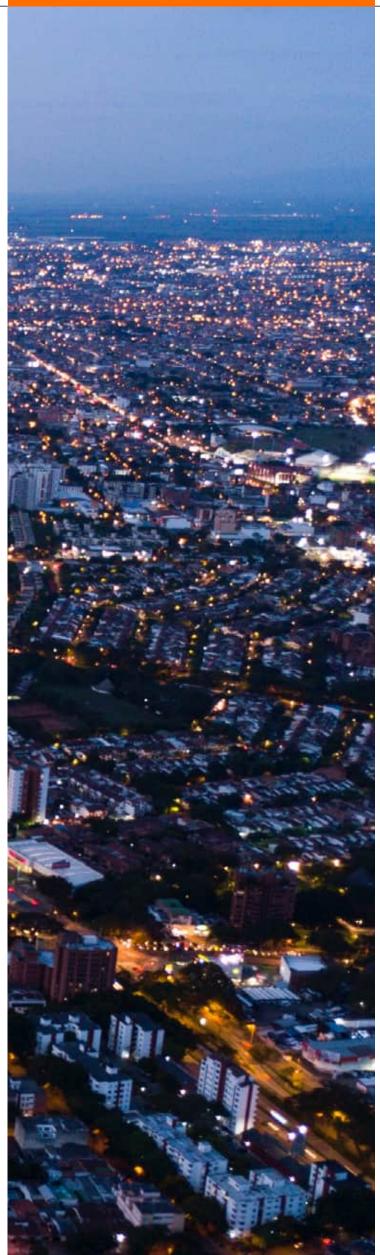
h) Advances for future capitalizations

Advances for future capitalizations made by non-residents in Colombian companies constitute passive foreign indebtedness. This type of operations must be reported prior to or simultaneously with the resources, with the presentation of Form No. 6 "Information on external indebtedness granted to residents" before a BMI, using purpose 43 "Advances for future capitalizations".

When the resources received by way of advances are effectively capitalized, Form No. 11 "Declaration of Registration of International Investments" must be filed with the International Exchange Department of Banco de la República. The foreign exchange regulations do not establish any term for the capitalization of the amounts received as an advance for future capitalizations.

In the event that the advance is not capitalized, the receiving company that received the resources, which were reported as a passive foreign indebtedness operation, must channel through the foreign exchange market the amounts corresponding to the payment of such operation, with the presentation of the foreign exchange declaration for foreign indebtedness.



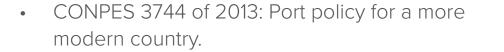




3.6. Relevant CONPES

The National Council for Economic and Social Policy (CONPES) is the highest national planning authority, which coordinates and guides the agencies responsible for the economic and social direction of the Government, and is composed of the President of the Republic, the Vice President of the Republic, all Ministers, the Director of the National Administrative Department of the Presidency of the Republic, and the Director of the National Planning Department.

CONPES has approved and issued several key documents for the infrastructure sector. The following are some of the most relevant ones issued in recent years, and particularly in this period of government:



- CONPES 3758 of 2013: Plan to restore the navigability of the Magdalena River.
- CONPES 3760 of 2013: Road projects under the public-private partnership scheme: fourth generation of road concessions.
- CONPES 3961 of 2019: Public Political Guidelines on Contractual Risk of the State for passenger rail system projects co-financed by the Nation.
- CONPES 3982 of 2020: National Logistics Policy.
- CONPES 3991 of 2020: National Urban and Regional Mobility Policy.
- CONPES 3996 of 2020: Public Political Guidelines for the application and implementation of the National Valuation Contribution as a source of payment for national infrastructure.
- CONPES 4000 of 2020: State contractual risk policy guidelines for airport projects with private participation.
- CONPES 4028 of 2021: Guidelines for the State's contractual risk policy for infrastructure projects in waterways and navigable canals with private participation.
- CONPES 4039 of 2021: declaration of strategic importance of the investment projects of the roads program for the connection of territories, sustainable growth and reactivation 2.0.
- CONPES 4047 of 2021: State contractual risk policy guidelines for freight railroad system projects with private participation in the country.



The National Council for Economic and Social Policy (CONPES) is the highest national planning authority, which coordinates and guides the agencies responsible for the economic and social direction of the Government.



Guide for infrastructure investment in Colombia

General information on Colombia

Infrastructure projects market in Colombia

Mechanisms for the development of infrastructure projects with private sector participation in Colombia



Contact

Procolombia

Gonzalo Vargas Álvarez

Investment Promotion Manager, Procolombia info_inversion@procolombia.co

Colombian Chamber of Infrastructure:

Daniel Vergel

Coordinator of Economic Affairs, Colombian Chamber of Infrastructure dvergel@infraestructura.org.co

EY Colombia:

Libardo Bueno

Leading Partner Government and Infrastructure, EY Latin America North libardo.bueno@co.ey.com

Alexandra Durán

Tax Leader for Infrastructure, EY Latin America North alexandra.duran@co.ey.com

Astrid Fernández

Infrastructure Leader for Strategy and Transactions, EY Latin America North astrid.fernandez@co.ey.com









«