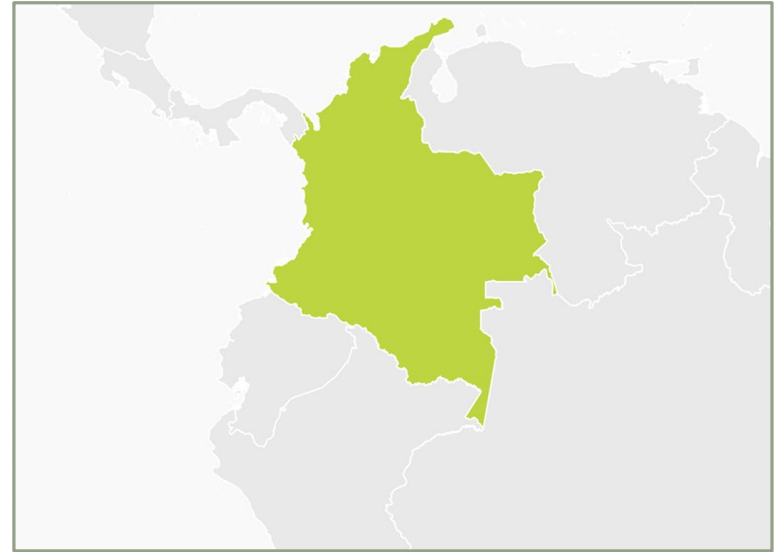


# THE COLOMBIAN DEVELOPMENT BANKS



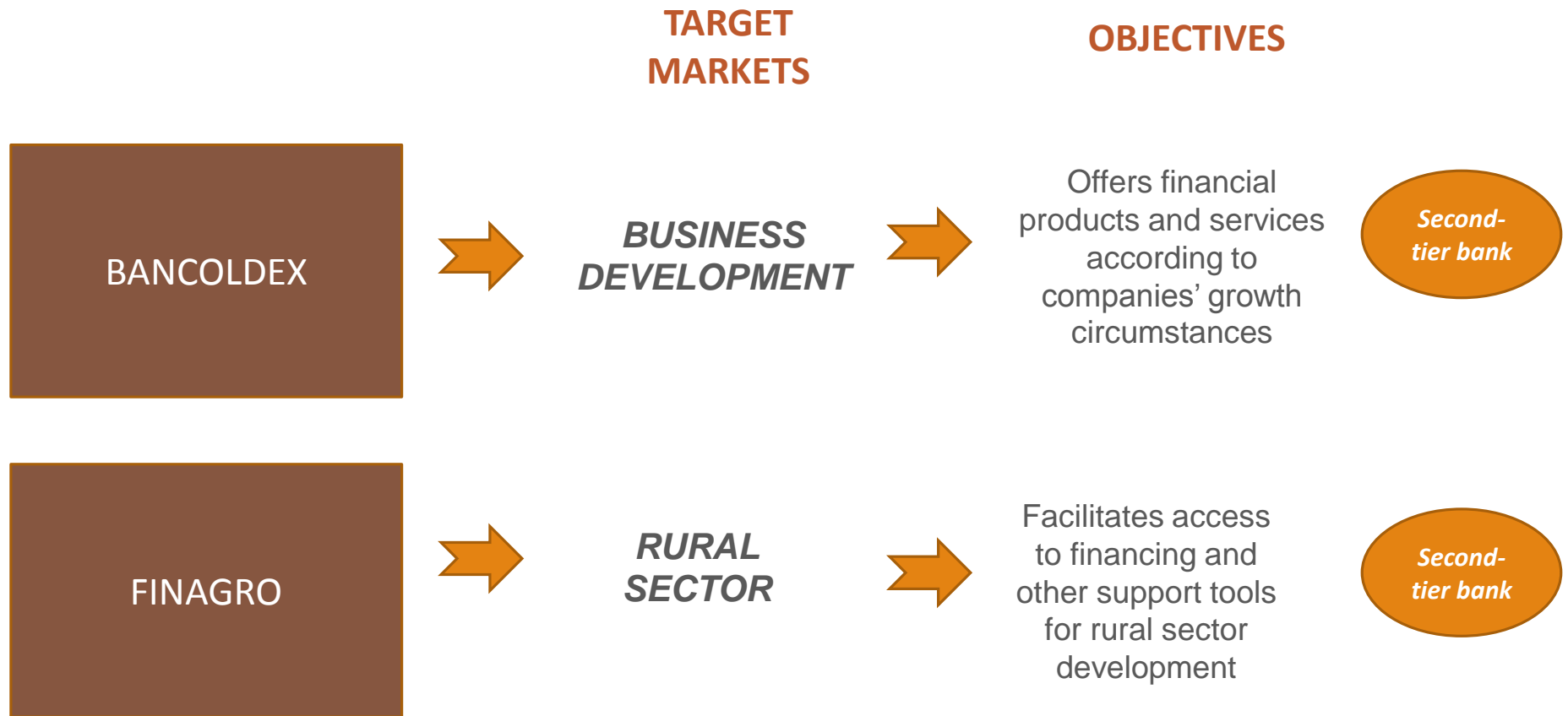
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JOSÉ ANTONIO OCAMPO AND PAOLA ARIAS GÓMEZ  
SEPTEMBER 15<sup>TH</sup>, 2016, RIO DE JANEIRO, BRAZIL

# THE COLOMBIAN DEVELOPMENT BANKS:

Structure, missions and priorities: four specialized banks

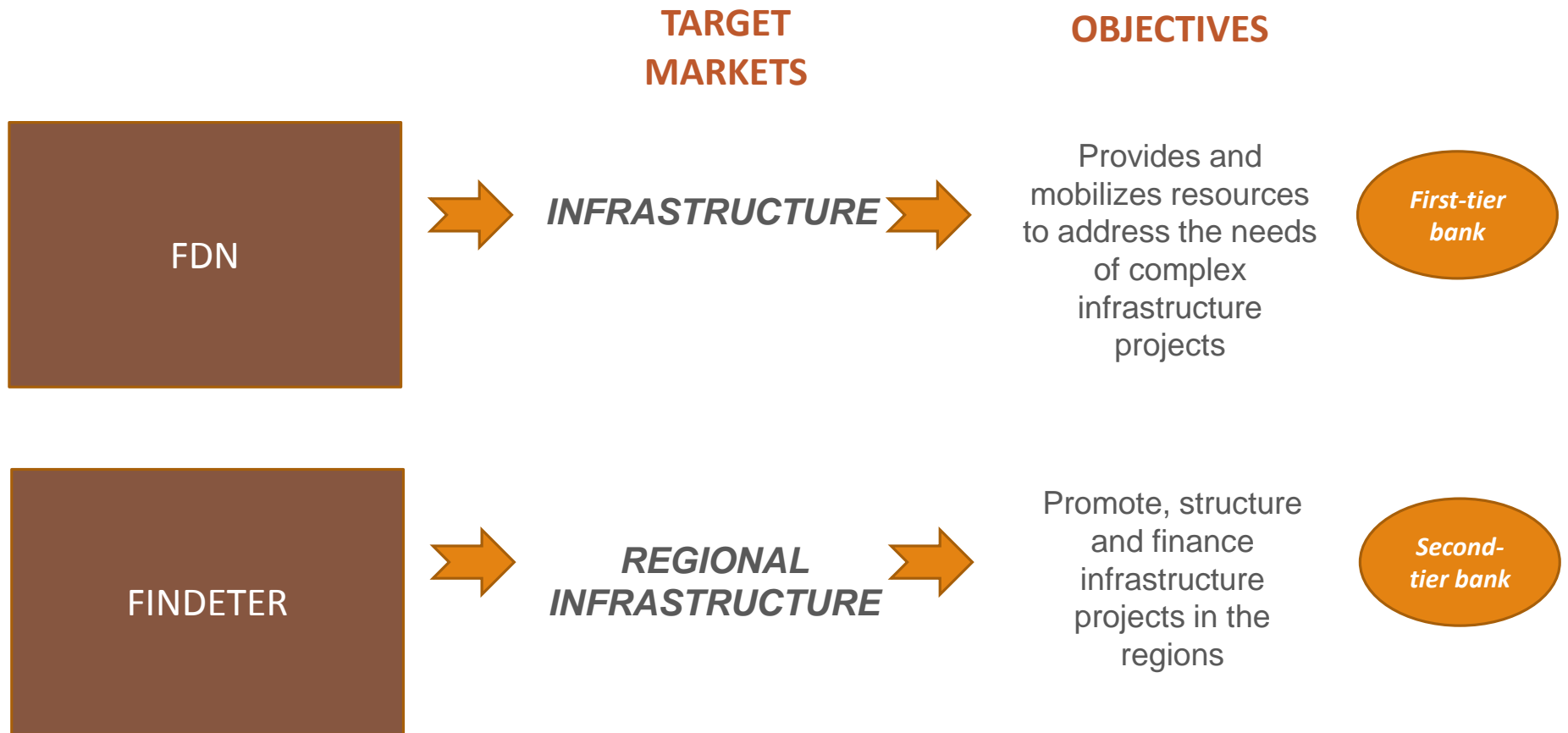
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# THE COLOMBIAN DEVELOPMENT BANKS:

Structure, missions and priorities: four specialized banks

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# THE COLOMBIAN DEVELOPMENT BANKS:

## History

### BANCOLDEX AND FINAGRO: CREATED FROM PROMOTION FUNDS MANAGED BY THE CENTRAL BANK

#### BANCOLDEX

1940

Creation of IFI (industrial development)

1967

Creation of the export promotion fund PROEXPO managed by the Central Bank

1992

PROEXPO was split into two entities: Bancoldex (foreign trade bank) and PROEXPORT (non financial export promotion)

2002/03

The Government decided to cease IFI's operations and BANCOLDEX took over a large part of the assets and liabilities of IFI

2006

Creation of the Program [Banca de las Oportunidades]

2015/16

New strategy/transformation process

Its mission was expanded to help finance the national industrial sector

#### FINAGRO

1951

The Central Bank assumed the role of credit supplier for the development of certain sectors of the economy

1966

Creation of the Agrarian Financial Fund, managed by the Central Bank

1973

Creation of the Agricultural Financial Fund FFAP – which would be part of the old Agrarian Fund

1990

Creation of FINAGRO and the National Agricultural Credit System SNCA

# THE COLOMBIAN DEVELOPMENT BANKS:

## History

### FDN AND FINDETER: ORIGINALLY CREATED AS DEVELOPMENT BANKS

#### FDN

**1982**

Creation of *FEN* [National Electrical Financing Agency]

**1990**

Its name was changed to [National Energy Financing Agency], extending its scope to the entire energy sector

**2000**

As the energy sector was financially strong, the Government began the process of reducing FEN's capital

**2011**

Its name, goals and structure were changed. Its name changed to *FDN* [National Development Financing Agency] for promoting infrastructure

**2014/15**

FDN was capitalized by IFC, CAF and SMBC

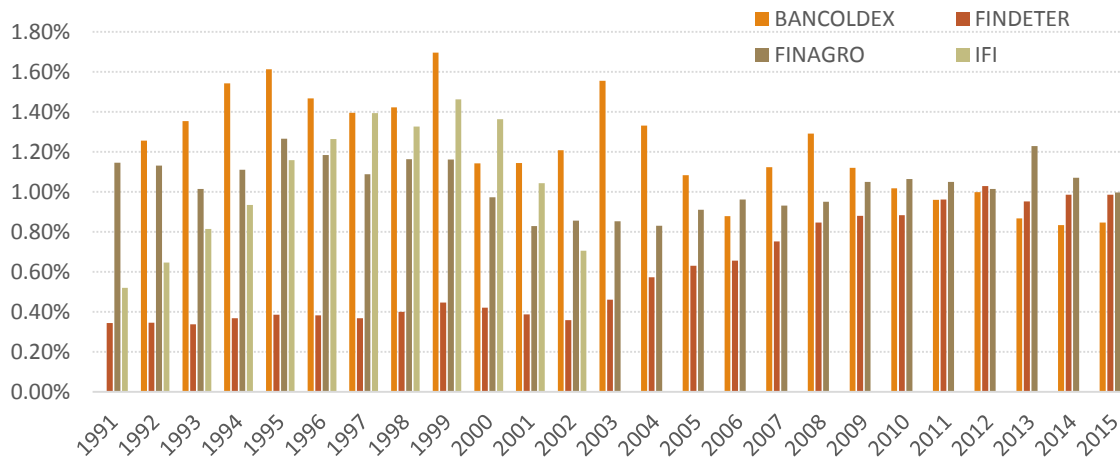
#### FINDETER

*FINDETER was created in 1989 with the aim of promoting sustainable urban and regional development*

# THE COLOMBIAN DEVELOPMENT BANKS:

## Impact and size

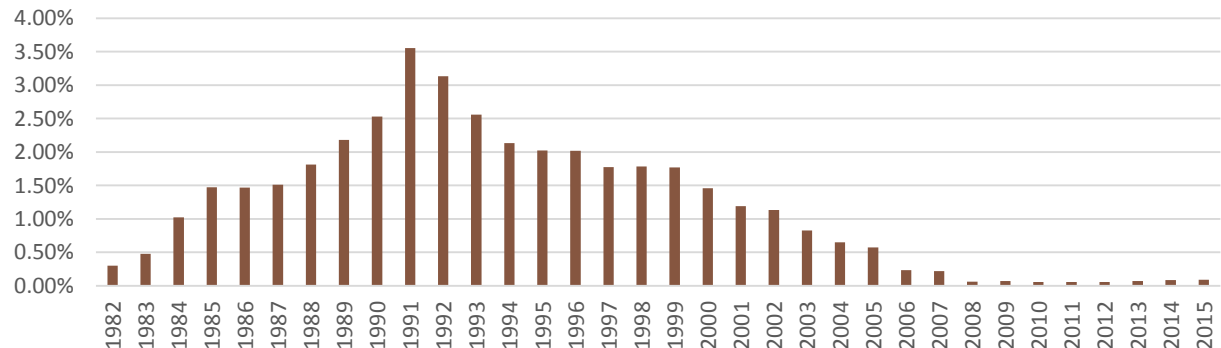
ASSETS AS % OF GDP WITHOUT FEN/FDN



These development banks represent a relatively small portion of the Colombian GDP

FEN played a crucial role in the nineties, making possible to finance projects for generating, transmitting and distributing electricity and natural gas

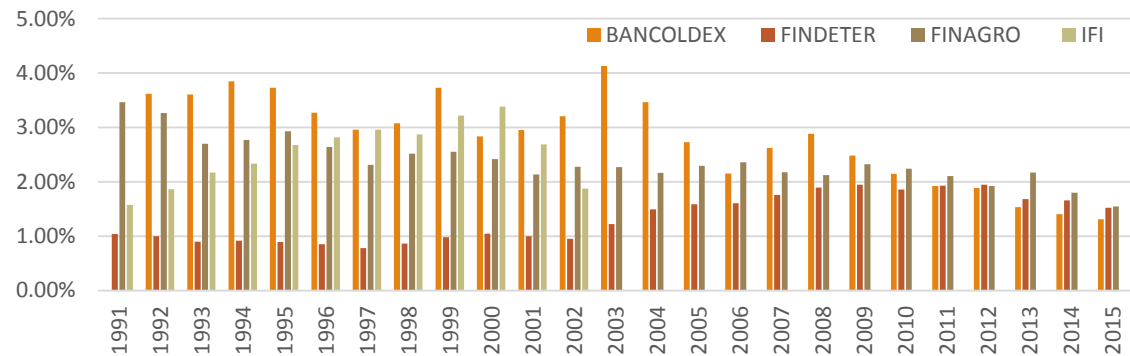
ASSETS AS % OF GDP FEN/FDN



# THE COLOMBIAN DEVELOPMENT BANKS:

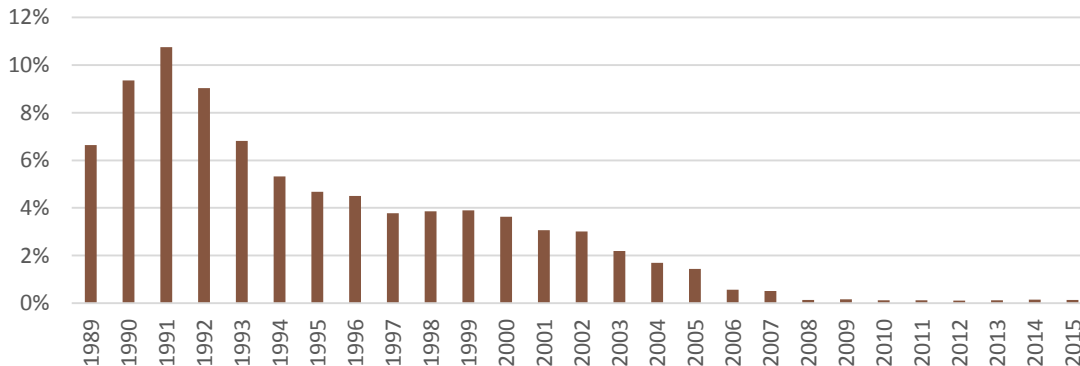
## Impact and size

ASSETS AS % OF FINANCIAL SYSTEM WITHOUT FEN/FDN



FINAGRO and BANCOLDEX have reduced their participation over the last years

ASSETS AS A % OF FINANCIAL SYSTEM FEN/FDN



FEN's assets represented around the 10% of the financial sector assets in the early nineties

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# MITIGATING MARKET FAILURES:

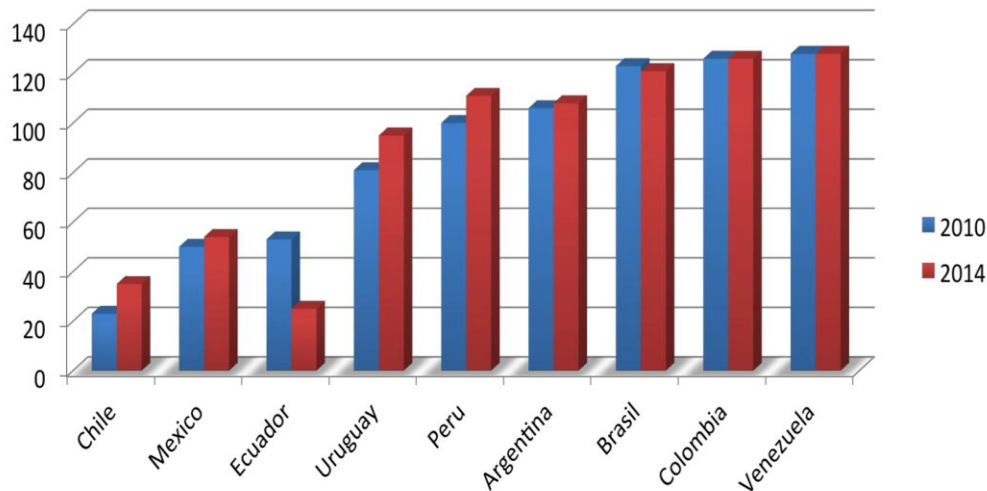
## 1. DEVELOPMENT OF INFRASTRUCTURE



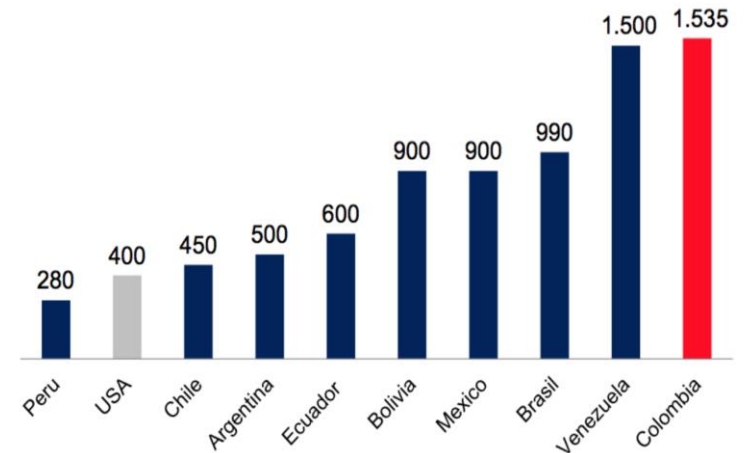
# DEVELOPMENT OF INFRASTRUCTURE: Financiera de Desarrollo Nacional FDN

## COLOMBIA'S INFRASTRUCTURE RANKS POORLY

### THE GLOBAL COMPETITIVENESS INDEX QUALITY OF ROADS IN LATIN AMERICA



### AVERAGE COST OF DOMESTIC TRANSPORT IN LATIN AMERICA USD 2014



Source: World Economic Forum

Source: BBVA Research and World Bank

# DEVELOPMENT OF INFRASTRUCTURE: FDN

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**COLOMBIA IS IMPLEMENTING AN AMBITIOUS INFRASTRUCTURE PROGRAM SINCE 2010**

## REFORMS ADOPTED:

1. Institutional framework development
2. PPP standard contract and law
3. Bankable project pipeline
4. Creation of an specialized development bank: FDN

## **4G PROGRAM**

**40 PROJECTS  
8,000 KMS  
USD 17 BILLION**



*Colombian Government efforts to upgrade the country's road network*

# DEVELOPMENT OF INFRASTRUCTURE: FDN

## DIFFICULTY TO MOBILIZE CAPITAL REQUIRED, GIVEN THE SIZE AND IMMEDIACY OF THE 4G PROGRAM

- Lack of experience in project finance (do not take project risk)
- Local banks have been the unique funding source of infrastructure, but are insufficient
- Local banks do not lend throughout the life of the infra projects (they only offer loans between 10 to 12 years maximum)



- Currency exchange risk
- Lack of local knowledge
- New banking regulation has affected the ability of banks to provide LT financing

- Infrastructure out of institutional investors' scope
- High industry concentration (pension funds)
- Fixed income portfolio concentration in public debt
- Unwillingness to invest in securities rated below AA-
- Players, like insurance companies, are not yet strong in local capital markets
- Bad experiences with few previous bonds issuances

# DEVELOPMENT OF INFRASTRUCTURE: FDN

FDN WAS CREATED IN 2011 TO CORRECT MARKET FAILURES THAT LIMIT THE CAPITAL AVAILABILITY TO DEVELOP INFRASTRUCTURE

Help public sector clients build a pipeline of new infrastructure projects.

- Structuring projects
- Studies
- Project management

Advisory services

Financial services

- Promoting regulatory changes
- Establishing project finance best practices
- Standardizing capital markets products
- Enhancing capacity in the industry

Provide and mobilize resources to address the needs infrastructure projects

Vehicles

Financial products

- Debt funds
- Private equity funds

- LT senior debt
- LT subordinated debt
- Guarantees/ facilities

# DEVELOPMENT OF INFRASTRUCTURE: FDN

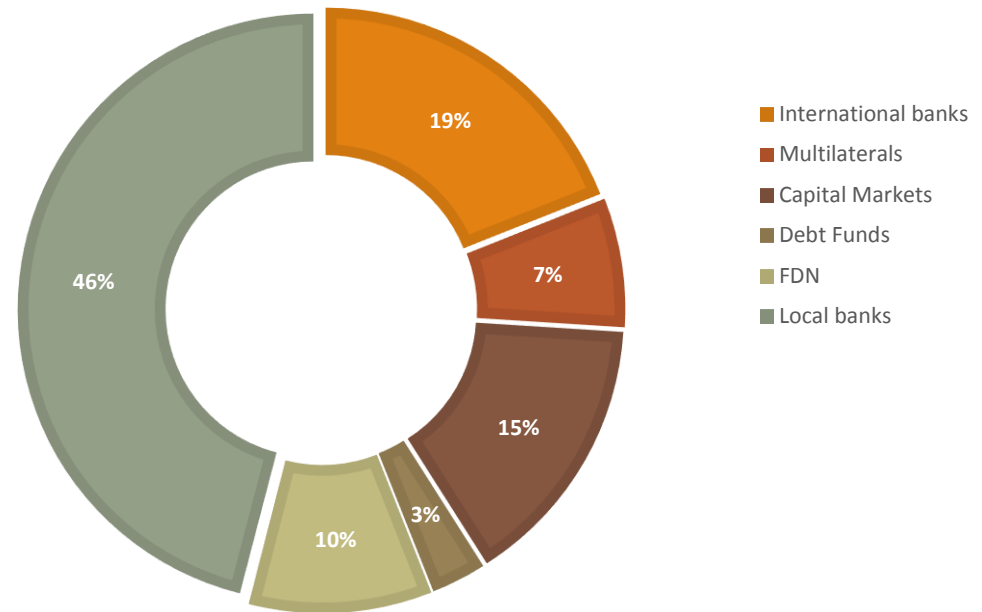
THE 4G ROAD PROGRAM HAS PROMISINGLY STARTED

**30** projects approved

**28** projects awarded

**10** projects have reached or are near preliminary financial close

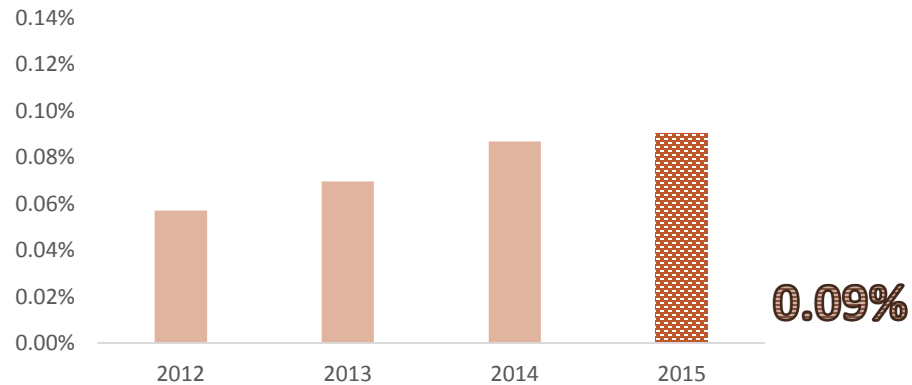
FINANCIAL SOURCES DISTRIBUTION  
4G PROJECTS – FIRST ROUND



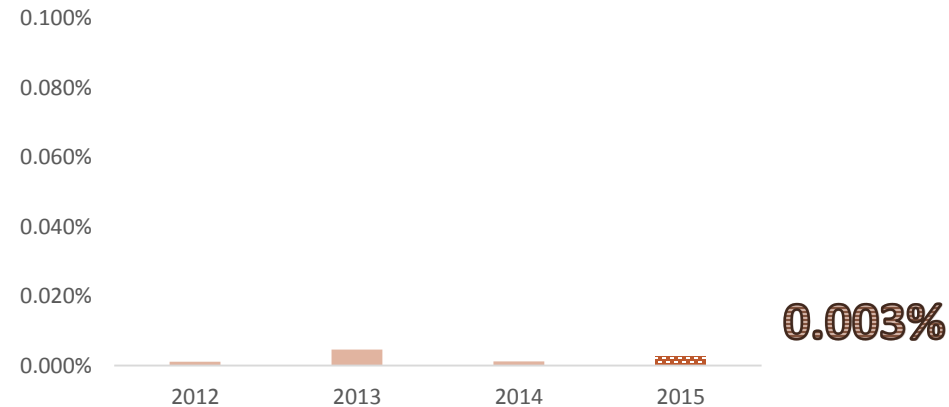
*This investment represents a milestone in the effort to mobilize resources*

# DEVELOPMENT OF INFRASTRUCTURE: FDN – Financial results

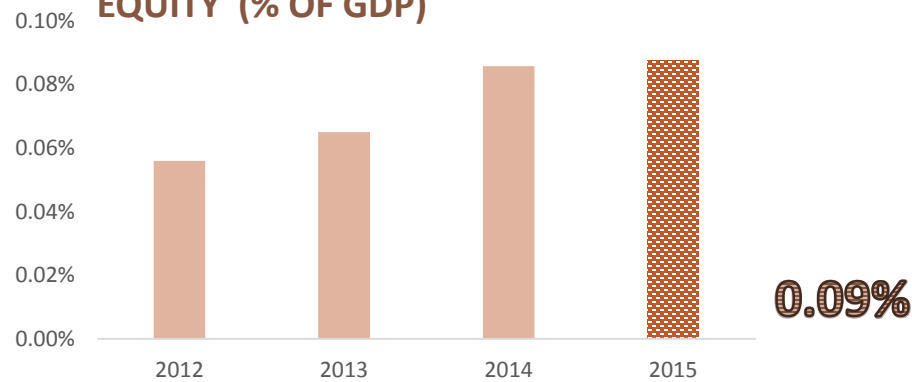
## ASSETS (% OF GDP)



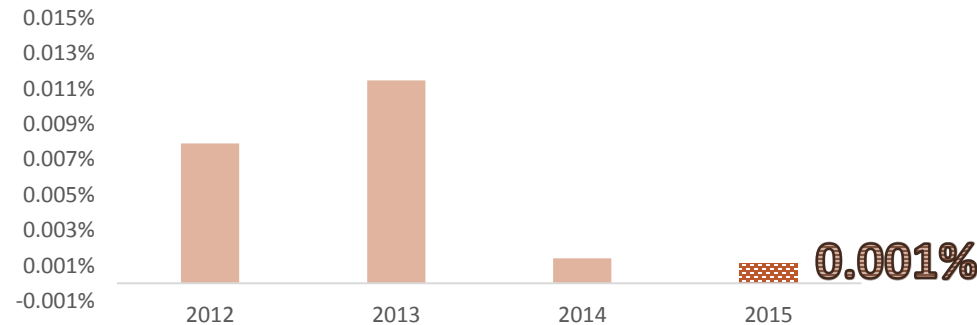
## LIABILITY (% OF GDP)



## EQUITY (% OF GDP)



## NET INCOME (% OF GDP)



# DEVELOPMENT OF INFRASTRUCTURE: FINDETER – Transforming the regions

## REGIONAL AND URBAN INFRASTRUCTURE DEVELOPMENT

Additionally, FINDETER provides financial and technical support to public and private entities involved in development of sustainable infrastructure in the regions



## PRODUCTS AND SERVICES

### FINANCIAL

Rediscount  
loans

Administration  
of public funds

Guarantees

### ITD\*

Technical  
assistance

Project  
structuring

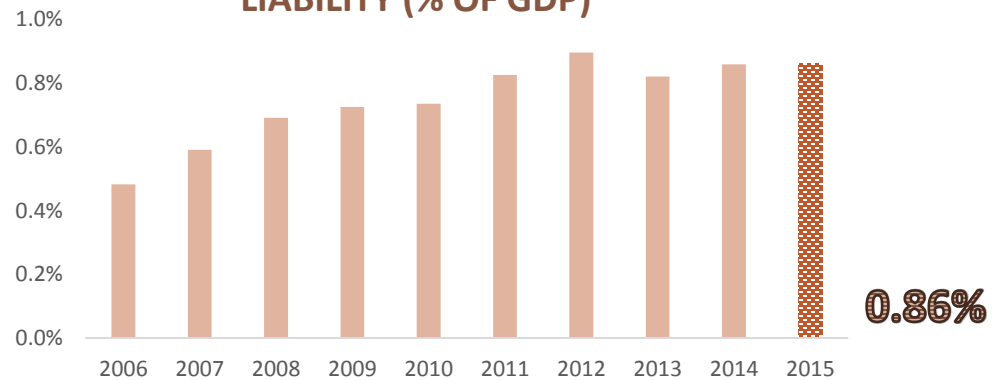
\*Integrated territorial Development

# DEVELOPMENT OF INFRASTRUCTURE: FINDETER – Financial results

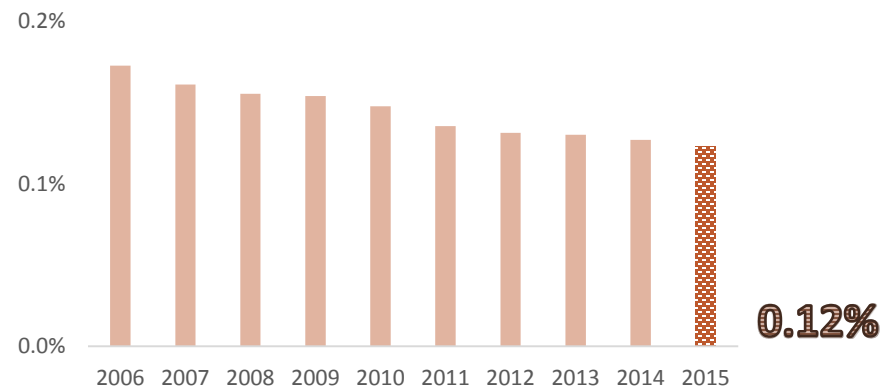
## ASSETS (% OF GDP)



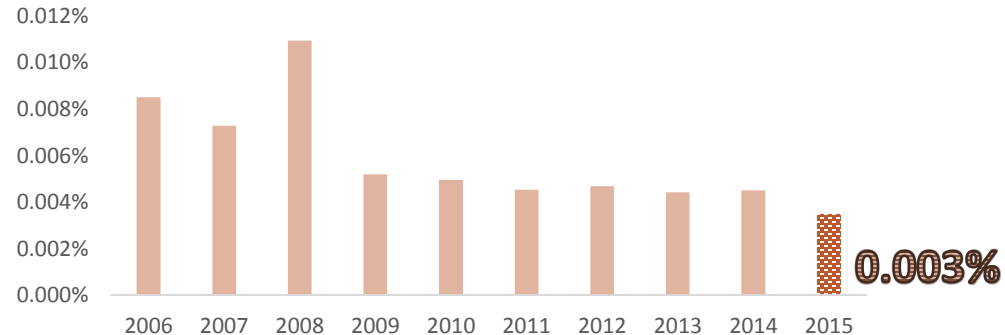
## LIABILITY (% OF GDP)



## EQUITY (% OF GDP)



## NET INCOME (% OF GDP)





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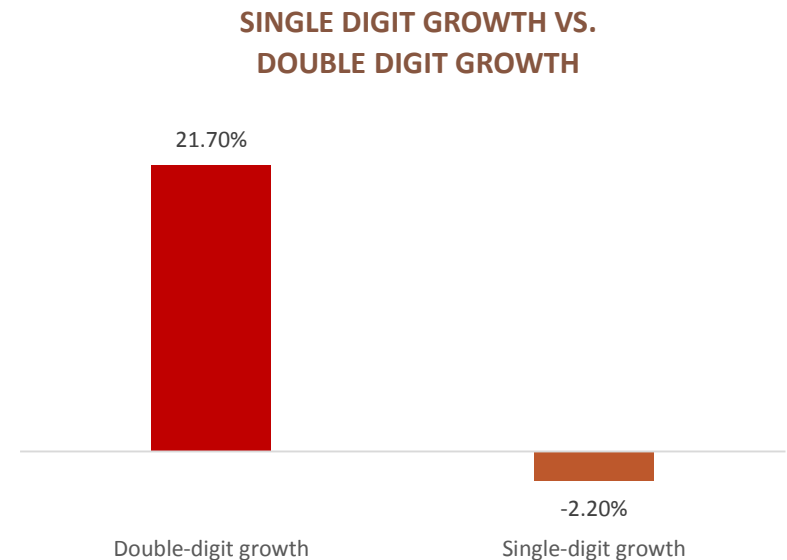
# MITIGATING MARKET FAILURES:

## 2. PROMOTION OF INNOVATION AND BUSINESS GROWTH

# PROMOTION OF BUSINESS GROWTH: Banco de Desarrollo Empresarial BANCOLDEX

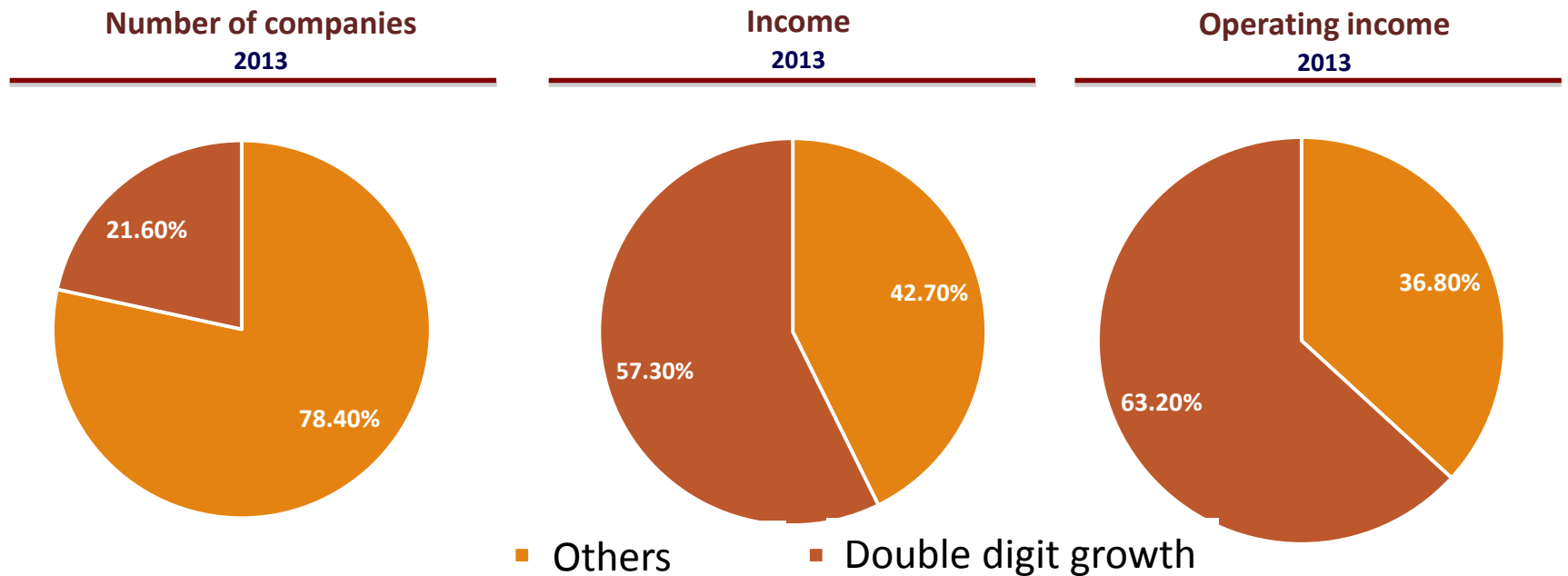
## BUSINESSES IN COLOMBIA ARE FACING PROBLEMS ASSOCIATED WITH THE LACK OF GROWTH

- There are no banks or strategic vehicles in Colombia exclusively dedicated to business growth.
- There are two types of business growth in the country:
  - **FLAT OR VEGETATIVE GROWTH:**  
Businesses that record growth close to a single digit  
*(real average fall of 2.2%)*
  - **DYNAMIC GROWTH:**  
Companies that have sustainable double digit growth  
*(real average growth of 21.7%)*



# PROMOTION OF BUSINESS GROWTH: BANCOLDEX

BUSINESSES WITH GROWTH OF MORE THAN TWO DIGITS HAVE A MULTIPLIER EFFECT IN THE ECONOMY



THE COMPANIES THAT RECORD A DOUBLE DIGIT GROWTH (**21.6%**) PAY  
**63.2%** OF THE TOTAL INCOME TAX IN COLOMBIA

# PROMOTION OF BUSINESS GROWTH: BANCOLDEX

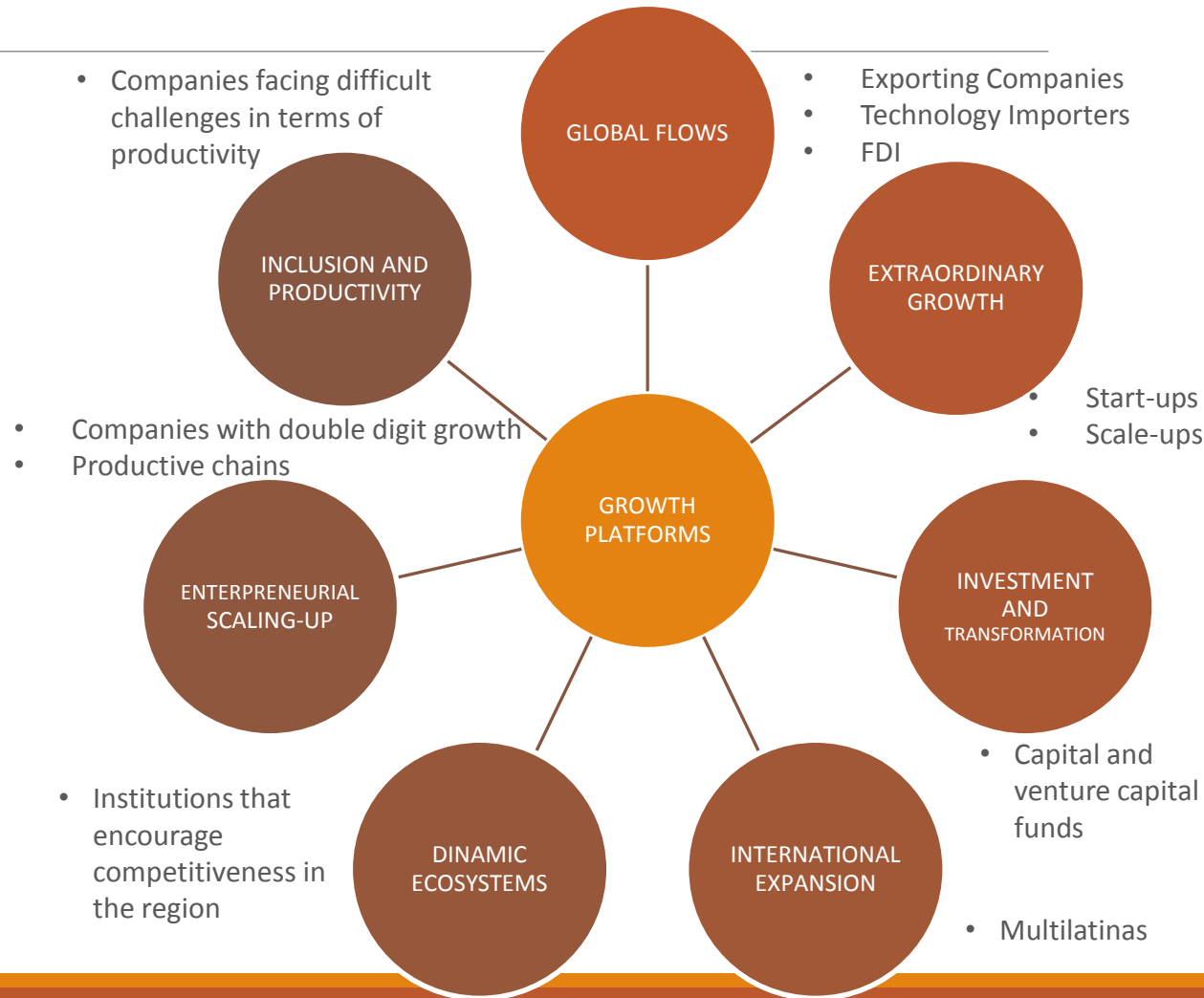
## BANCOLDEX IS TRANSFORMING

### PURPOSE:

Become a development bank that responds to regional business needs and contributes to the country's business growth

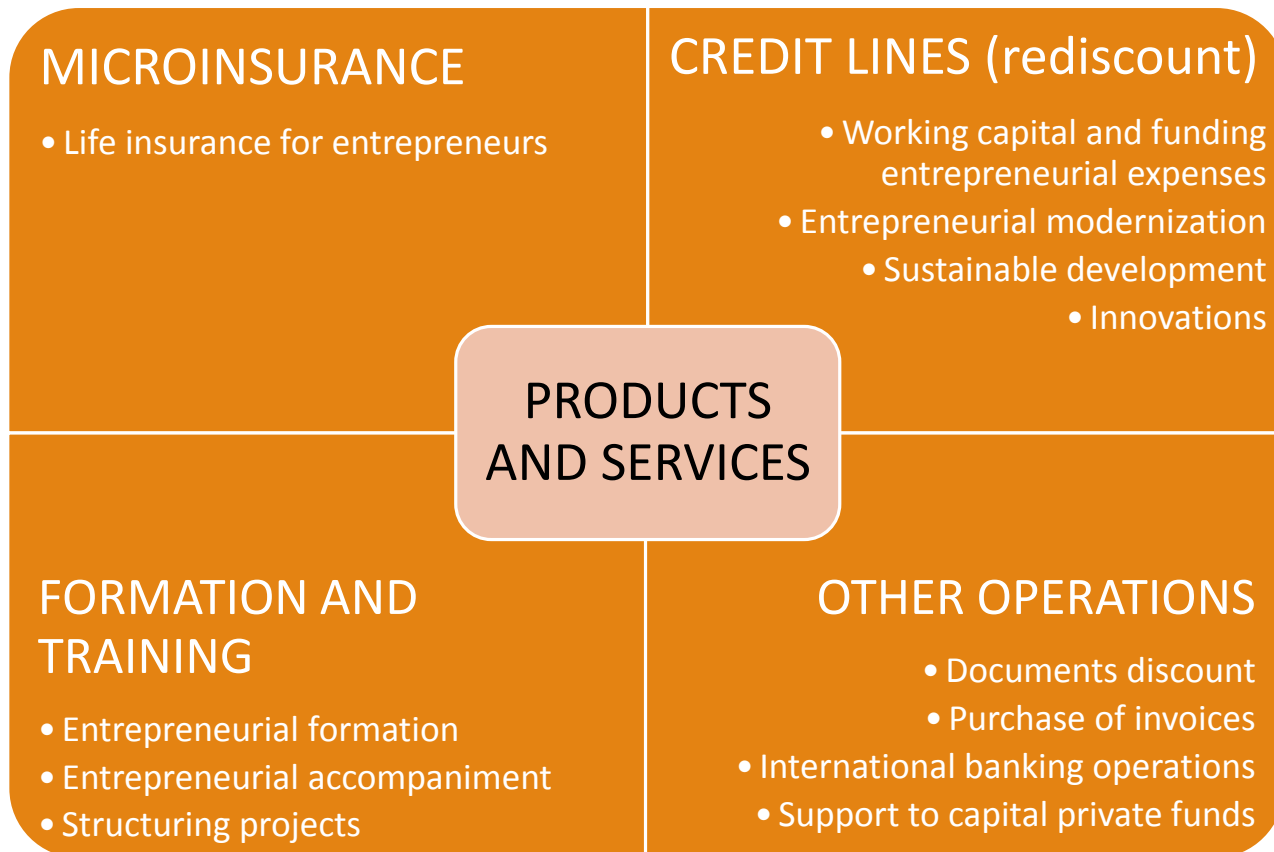
### OBJETIVES:

- i) Contribute to enhance productivity
- ii) Complement economies of scale
- iii) Develop a key role in the creation of production clusters



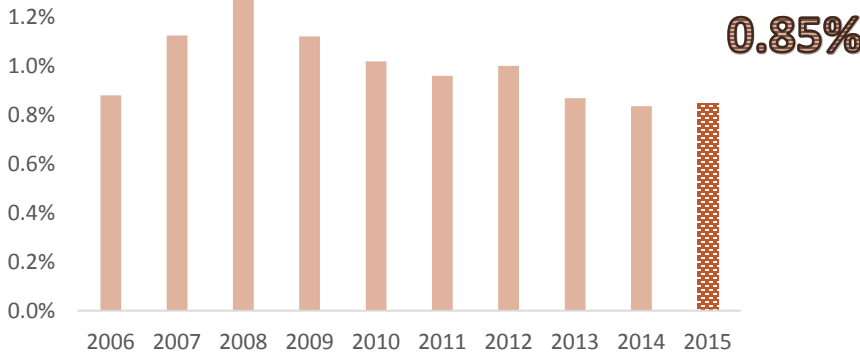
# PROMOTION OF BUSINESS GROWTH: BANCOLDEX

## THE NEW BANCOLDEX

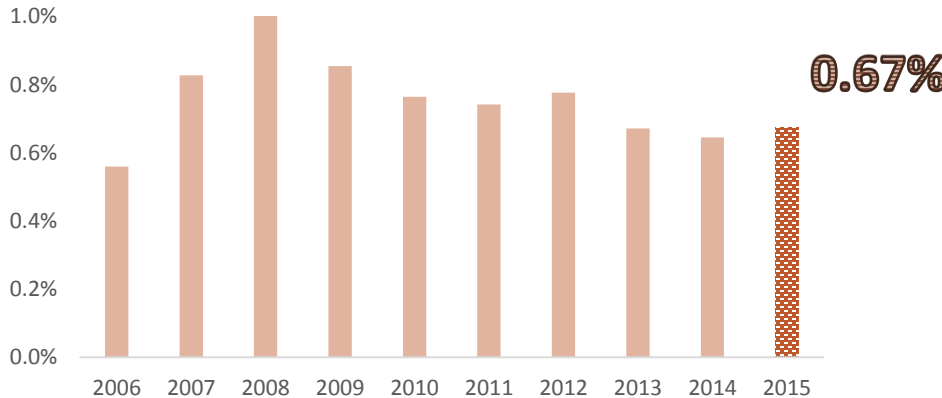


# PROMOTION OF BUSINESS GROWTH: BANCOLDEX – Financial results

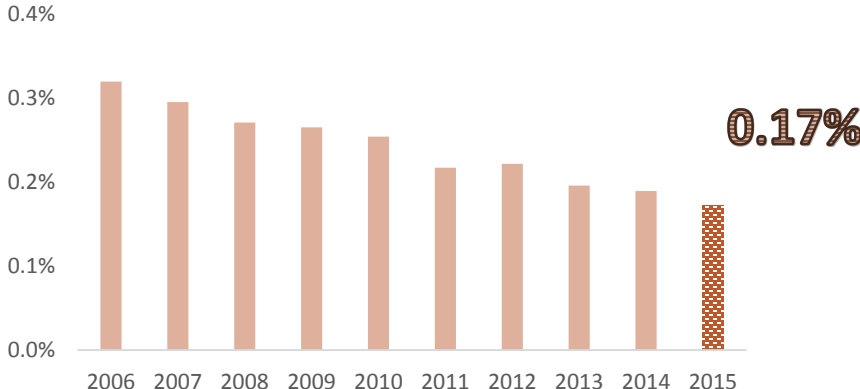
**ASSETS (% OF GDP)**



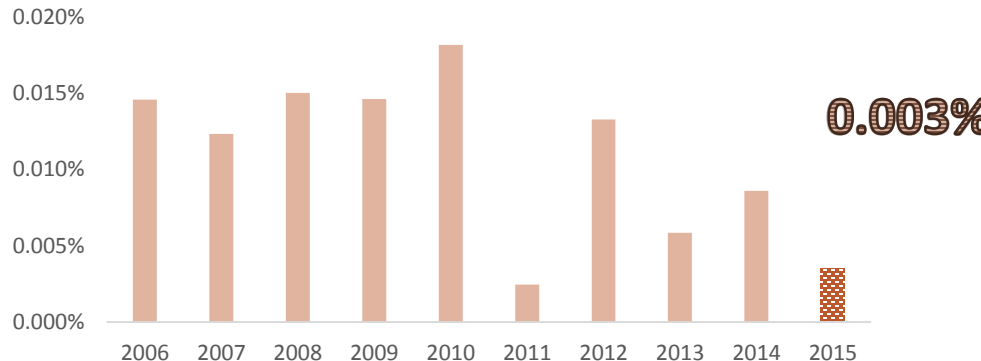
**LIABILITY (% OF GDP)**



**EQUITY (% OF GDP)**



**NET INCOME (% OF GDP)**



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**MITIGATING MARKET FAILURES:**

**3. FINANCIAL AND SOCIAL INCLUSION**

# PROMOTION OF FINANCIAL AND SOCIAL INCLUSION: BANCOLDEX and FINAGRO

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THE GOVERNMENT HAS BEEN WORKING TO INCENTIVIZE THE ACCESS AND USAGE OF FINANCIAL PRODUCTS

- In 2015, the financial inclusion indicator reached **76.3%** (24,9 million adults with any financial product).
- This same indicator associated to active products reached **64.5%** (21,1 million adults with any active financial product).
- The total number of savings accounts in the financial system rose to **60.7 million accounts**. *Of this total, 45% were reported as active accounts.*
- **2.3** million microcredits were disbursed. By amount disbursed, banks represented **75%**



# PROMOTION OF FINANCIAL AND SOCIAL INCLUSION: FINAGRO

## NATIONAL STRATEGY OF FINANCIAL INCLUSION 2016

1. PROMOTE THE USE OF FINANCIAL SERVICES
2. INCENTIVES FOR THE USE AND ACCESS OF FINANCIAL SERVICES IN RURAL AREAS
3. IMPLEMENT NEW FINANCING SCHEMES FOR SMEs
4. DEVELOP THE NATIONAL STRATEGY OF FINANCIAL EDUCATION



# PROMOTION OF FINANCIAL AND SOCIAL INCLUSION: FINAGRO

## FINANCIAL INCLUSION FOR THE RURAL SECTOR

### CURRENT SITUATION:

- Finagro currently provides second tier loans to financial intermediaries so that they can provide financing to agricultural producers.
- Finagro's resources come from mandatory investments for financial intermediaries (TDA's).
- Further, a state credit guarantee, provided by the Agricultural Guarantee Fund (FAC), was created as a loan guarantee.
- The loans benefited commercial farmers more than small-scale farmers.



# PROMOTION OF FINANCIAL AND SOCIAL INCLUSION: FINAGRO

## FINANCIAL PRODUCTS FOR RURAL INCLUSION

### Rural Microcredit Line

- Provide credit to the base of the pyramid
- Offer credits at historically low values (around US\$217)

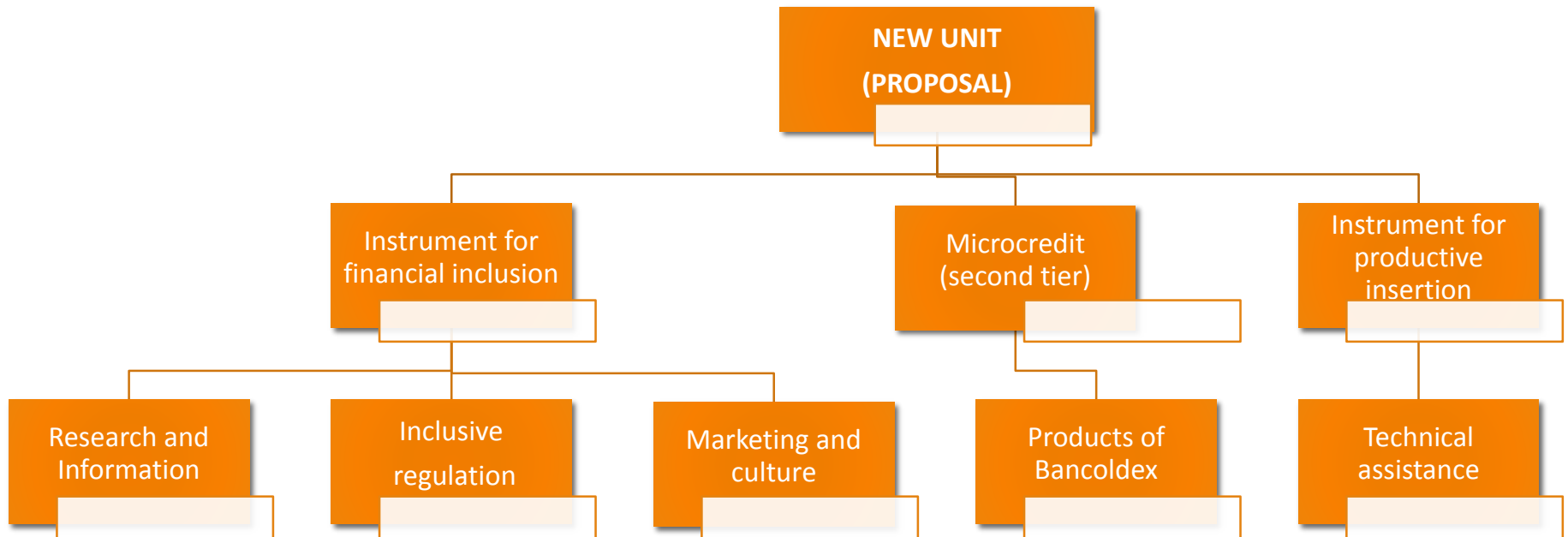
### Rural Microfinance Fund

- Provide resources to non-traditional intermediaries like NGOs, associations and cooperatives, which cannot access to rediscount lines
- Offer technical assistance to the development of new products and technologies

**AROUND US\$ 3 MILLION HAS BEEN DISBURSED WITH THE  
RURAL MICROCREDIT LINE**

# PROMOTION OF FINANCIAL AND SOCIAL INCLUSION: BANCOLDEX

BANCOLDEX IS PLANING TO CREATE A NEW SPECIALIZED UNIT FOR FINANCIAL AND SOCIAL INCLUSION



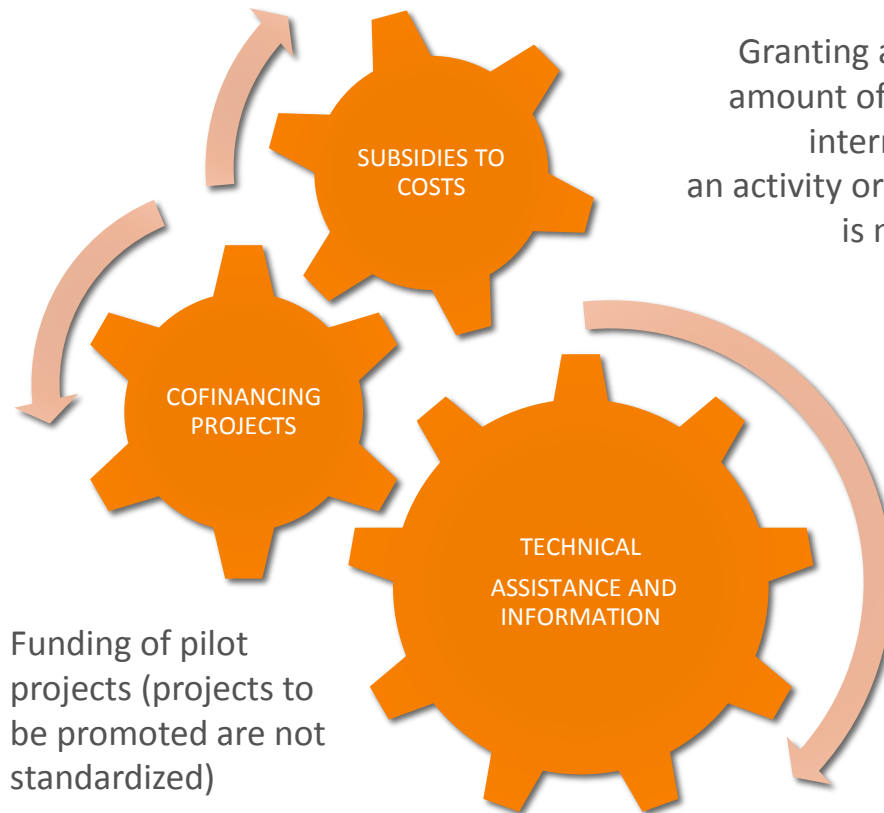
# PROMOTION OF FINANCIAL AND SOCIAL INCLUSION: BANCOLDEX

## ADDITIONALLY, BANCOLDEX MANAGES THE SPECIAL PROGRAM: THE BANK OF OPPORTUNITIES

**BANK OF OPPORTUNITIES**  
Creation: 2006

1. Promote access to financial services for low-income families, micro, small and medium-sized businesses and entrepreneurs.

2. Improve the level of financial inclusion and expand coverage to all municipalities with financial products and services



Granting a determined amount of resources to intermediaries for an activity or product that is not profitable

Funding of pilot projects (projects to be promoted are not standardized)

Conducting relevant studies or strengthening of cooperatives and NGOs

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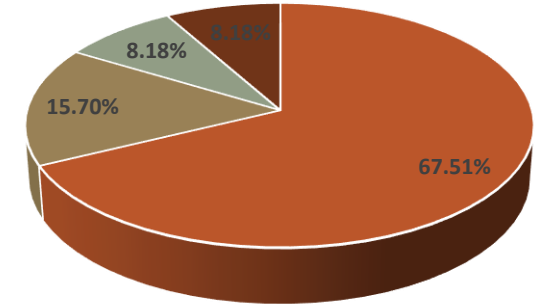
# CORPORATE GOVERNANCE

# CORPORATE GOVERNANCE

## Shareholders

SHAREHOLDER	PERCENTAGE OF PARTICIPATION
NATIONAL GOVERNMENT – Ministry of Finance	<b>67.51%</b>
IFC	<b>15.70%</b>
CAF	<b>8.18%</b>
SMBC	<b>8.18%</b>
Others	<b>0.43%</b>

SHAREHOLDERS AS  
DECEMBER 2015



- LA NACIÓN - MINISTERIO DE HACIENDA Y CREDITO PÚBLICO
- IFC
- CAF
- SUMITOMO MITSUI BANKING CORPORATION SMBC

FDN

# CORPORATE GOVERNANCE

## Shareholders

SHAREHOLDER

PERCENTAGE OF PARTICIPATION

SHAREHOLDERS AS DECEMBER 2015

NATIONAL GOVERNMENT –  
Ministry of Commerce

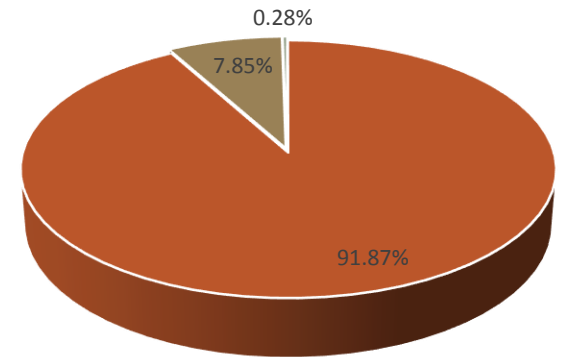
**91.87%**

NATIONAL GOVERNMENT –  
Ministry of Finance

**7.85%**

Individual shareholders

**0.28%**



- LA NACIÓN - MINISTERIO DE COMERCIO, INDUSTRIA Y TURISMO
- LA NACIÓN - MINISTERIO DE HACIENDA Y CRÉDITO PÚBLICO
- PARTICULARES

BANCOLDEX



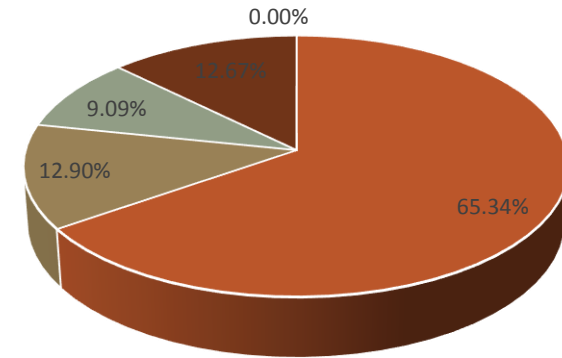
# CORPORATE GOVERNANCE

## Shareholders



SHAREHOLDER	PERCENTAGE OF PARTICIPATION
NATIONAL GOVERNMENT – Ministry of Agriculture	<b>65.340%</b>
Banco Agrario de Colombia	<b>12.900%</b>
BBVA - Colombia	<b>9.090%</b>
DaviVienda	<b>12.670%</b>
Fondefin	<b>0.001%</b>

SHAREHOLDERS AS  
DECEMBER 2015



- LA NACIÓN - MINISTERIO DE AGRICULTURA Y DESARROLLO RURAL
- BANCO AGRARIO DE COLOMBIA
- BBVA
- DAVIVIENDA
- FONDEFIN

# CORPORATE GOVERNANCE

## Shareholders

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	FDN	BANCOLDEX	FINAGRO
Board of directors	9 members 33.3% from the Gov.	5 members 40% from the Gov.	5 members 40% from the Gov.
President of the Board of Directors	Independent member	Ministry of Commerce	Ministry of Agriculture
President of the bank	Appointed by the board of directors	Appointed by the board of directors	Appointed by the President of Colombia
Decision quorum in the General Assembly	Majority. In some issues (e.g. M&A), IFC and CAF have veto power	Majority	Majority



BANCOLDEX is evaluating its corporate governance practices and policies and assessing the role the national government as the main owner (possibility of attracting strategic investors for their new vehicles).

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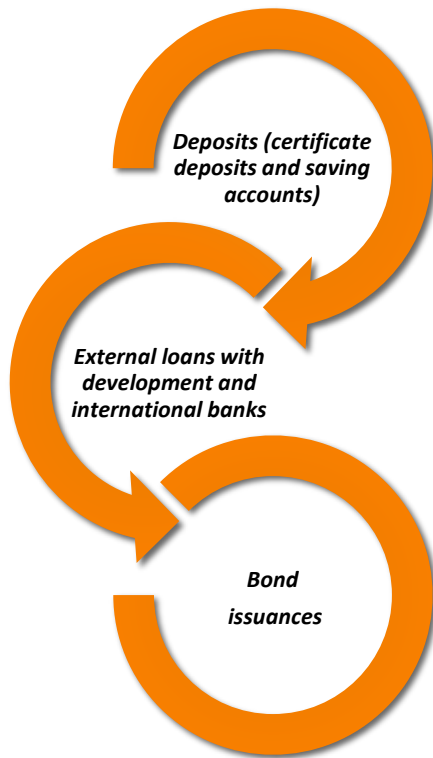
FUNDING



# FUNDING

## Different sources of funding

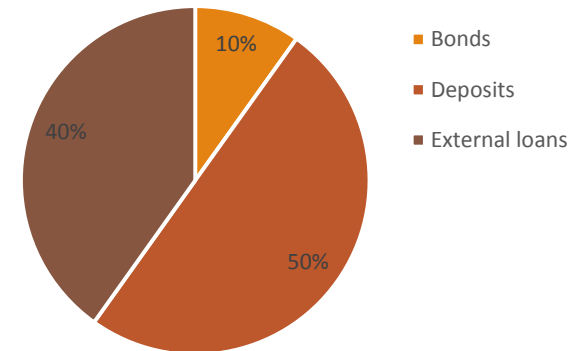
### LIABILITIES - DECEMBER 2015



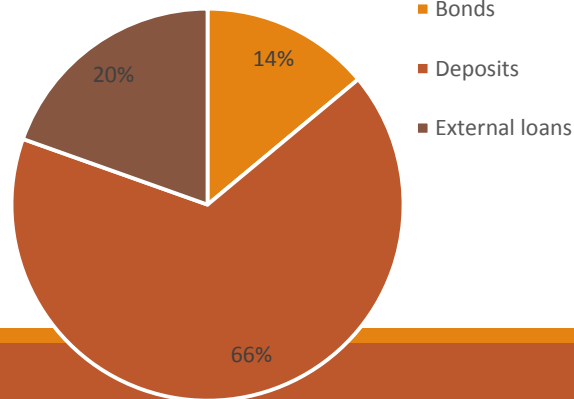
#### FDN

FDN had no financial liabilities

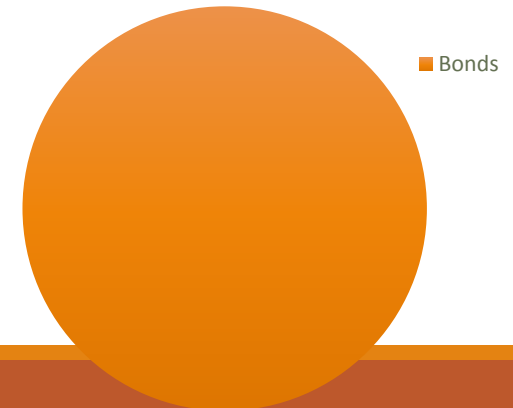
#### BANCOLDEX



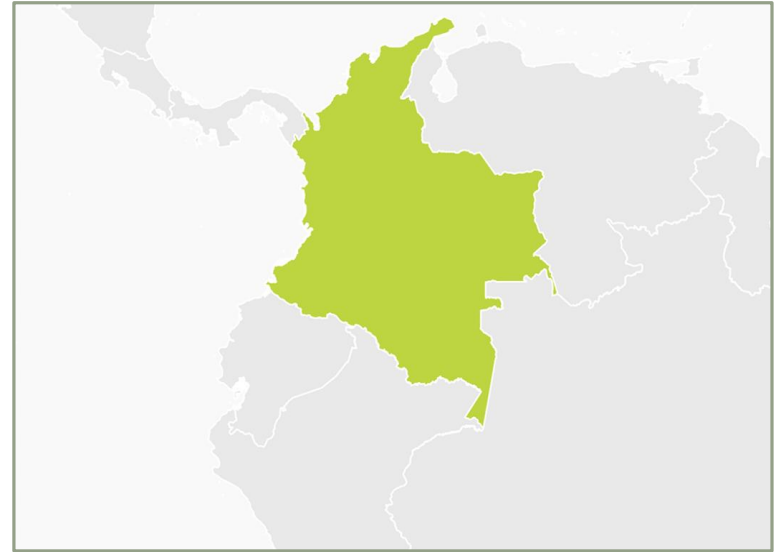
#### FINDETER



#### FINAGRO



# THE COLOMBIAN DEVELOPMENT BANKS



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JOSÉ ANTONIO OCAMPO AND PAOLA ARIAS GÓMEZ  
SEPTEMBER 15<sup>TH</sup>, 2016, RIO DE JANEIRO, BRAZIL