



Foresight

Investment raises Chile's infrastructure

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Chile launches ambitious infrastructure plan to improve vital services and drive the economy forward.

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The Chilean government has launched a major new infrastructure fund and program that is designed to spur much-needed public works investment while kickstarting the nation's economy.

Chile's leaders are viewing their bold new infrastructure initiative as a powerful tool to expand and enhance vital transportation and health services, create jobs and stimulate the economy — particularly in the wake of weak global commodity prices between 2014 and 2017 and their negative impact on Chile as the world's leading copper producer and exporter.

Chile's economic growth began recovering in 2018 and to drive growth, foster new infrastructure projects and facilitate the state's participation in public-private partnerships, the Chilean government established a US\$9 billion fund and a new state-owned company to manage capital for its array of future infrastructure projects. The company, Fondo de Infraestructura, will be 99 percent controlled by the treasury and 1 percent by the state-developed agency, Corfo. Fondo de Infraestructura will issue debts and guarantees for the projects in which it participates.

The entire portfolio of projects launched to the global market by Chile's public works will offer numerous significant opportunities for international investors and companies and will be self-sufficient, consisting of various government initiatives, public-private partnerships (PPP) and longer-term concession projects. The portfolio of projects to be awarded from 2018–2023 will be worth US\$14.6 billion, with 48 bids and 60 projects anticipated.

Moving transportation infrastructure into the 21st century

Chile's vision for Fondo de Infraestructura and its infrastructure program includes:

- Providing long-term projection of Chile's infrastructure needs.
- Ongoing development of Chile's portfolio of projects.
- Managing the portfolio of awarded bid contracts.
- Developing preliminary studies for projects to bid on.
- Developing new areas for bidding, such as railways, irrigation and others.
- Carrying out expropriations deemed crucial for development of long-term projects.

Chile's plans to bring much of its infrastructure into the 21st century includes 24 significant highway projects worth a total of about US\$10 billion. Economic growth in recent decades has sparked a strong increase in the country's highway traffic, which has risen annually by an average of nearly 10 percent since 2010.

Chronic congestion on urban and interurban highways is seen to be limiting productivity and growth and the government believes that investing in highways will bring a high economic return, in addition to enhancing convenience and public safety for travelers.

The program also includes 18 hospital concessions with a total investment worth between US\$3 billion and US\$10 billion. Private partners will be needed to construct, equip and maintain the hospitals, with Chile's Ministry of Health managing operations and clinical services. The first round of projects will involve three hospitals in Chile's southern Maule Region of the country.

Projects to build or enhance airports are also on the agenda, with seven currently proposed projects worth more than US\$500 million. Modern new airports are considered crucial in the face of rising air travel, which has increased an average of 10 percent since 2010.

Other projects in Chile's ambitious plan include port facilities, public transit trams and cable cars and reservoirs to better meet public water supply demand and irrigation needs for the agriculture sector.

Crucial investment for economic growth

Chile's port facilities are facing increased demand amid rising cargo traffic and the government considers expansion and modernization of ports, combined with improved road and rail connectivity, to be crucial to economic development. Port cargo traffic jumped more than 7 percent in 2016 and by nearly 5 percent in 2017, with annual average growth since 2010 exceeding 3 percent.

Chile also anticipates US\$890 million in projects to be awarded for development of public trams and cable car services.

The government views significant investment in transportation infrastructure as crucial for the country's ongoing economic growth and prosperity, given Chile's reliance on exports and the need to provide a modern network of logistics related to highways, airports, railways, ports and beyond.

Infrastructure development throughout the economy will include new data collecting capabilities that will position the government to gain new analytics-based insights on the use of facilities and on future planning needs. For example, highway modernization projects will replace aging manual toll payment systems with modern e-payment systems that will minimize travel delays while providing important new data and analytics capabilities.

New opportunities for world-class projects

Chile's leaders are determined to support and enhance long-term political and economic stability and the government views this major long-term infrastructure strategy as critical to success.

Chile's government is hoping this major new infrastructure initiative will build on its successful record of attracting world-class investors, ranging from international and local construction companies and infrastructure operators to private equity and pension funds.

The future plan aims to raise the bar on strategic and highly successful international investment and infrastructure development undertaken in Chile between the 1990s and today. Chile's historical average of infrastructure development bids is about US\$850 million but that number is expected to rise significantly for the components of this ambitious new infrastructure program.

This new phase of development — with the ongoing participation of global investors seeking desirable new investment-grade opportunities — will hopefully modernize vital services and position Chile for new levels of growth in the digital age.

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