



CABEI

Trends of the Infrastructure market in Central America & Introduction to CABEI's supporting policies and major pipeline Projects.

Central American Bank for Economic Integration

September 2019

1. CABEI's Role and Policy Importance

2. Relationship Between the Republic of Korea and CABEI

3. Business Opportunities for the Republic of Korea in the Central American Region

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CABI's Mission*

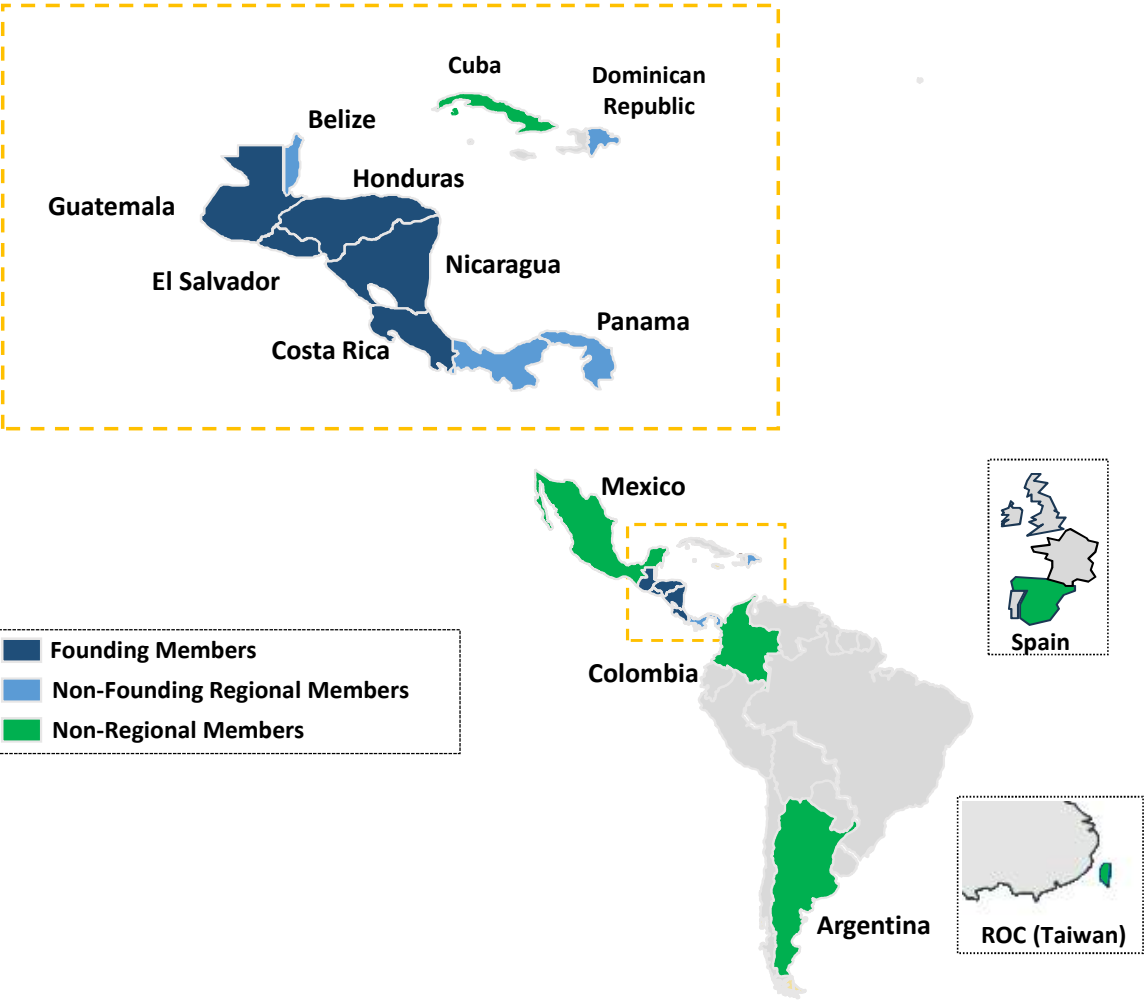
"The Bank's objective shall be to promote the economic integration and the balanced economic and social development of the Central American region, which includes the founding countries and the non-founding regional countries, attending and aligning itself with the interests of all of its member countries."

** Effective as of March 28th 2017 (Resolution DI-25/2017).*

Central American Bank for Economic Integration

About CABEI: Member Countries

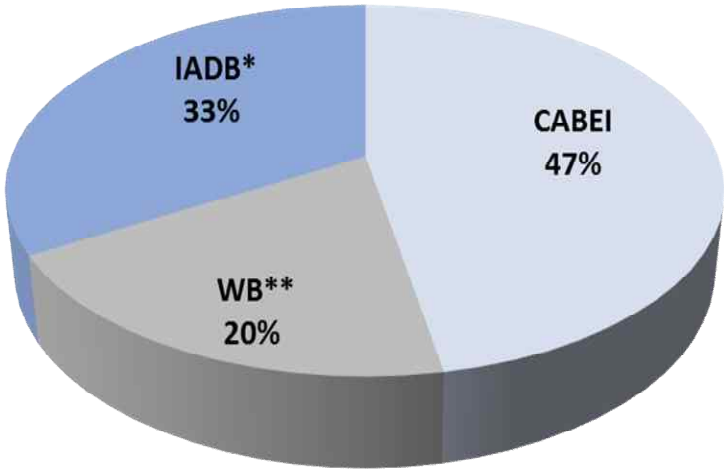
- Supranational development bank focused on Central America, founded in 1960
- Headquartered in Tegucigalpa, Honduras
- **Founding Members:**
 - El Salvador
 - Guatemala
 - Honduras
 - Nicaragua
 - Costa Rica
- **Non-Founding Regional Members:**
 - Dominican Republic (2007)
 - Panama (2007)
 - Belize (2006) (*)
- **Non-Regional Members (**):**
 - ROC Taiwan (1992)
 - Mexico (1992)
 - Argentina (1995)
 - Colombia (1997)
 - Spain (2005)
 - Cuba (2018)
- **In Process:**
 - Republic of Korea



Central American Bank for Economic Integration

CABEI is the dominant MDB in the Central American Region

CABEI, IADB and World Bank participation (%) of total disbursements to the Region¹ (2005-2016)



**Total Disbursements 2005-2016:
US\$35.5 billion**

Source: www.iadb.org, www.worldbank.org
CABEI.

- ✓ Through the years CABEI has consolidated its role as the Multilateral Development Bank with the most relevant presence in the Central American region.
- ✓ This consolidation has been mainly derived from the Preferred Creditor Treatment conferred to CABEI by its member countries.
- ✓ **CABEI's role is not and cannot be readily fulfilled by another private or domestic public institution.**

CABEI's Risk Rating is the best rated issuer in all Latin America



Country/Bank	S&P's Rating																						
	NR	Non-Investment Grade											Investment Grade										
		SD	R	CC	CCC-	CCC	CCC+	B-	B	B+	BB-	BB	BB+	BBB-	BBB	BBB+	A-	A	A+	AA-	AA	AA+	AAA
1	CABEI																						
2	Chile																						
3	CAF																						
4	FONPLATA																						
5	Mexico																						
6	Peru																						
7	Panama																						
8	Uruguay																						
9	Colombia																						
10	Paraguay																						
11	Guatemala																						
12	Brazil																						
13	Bolivia																						
14	Dominican Republic																						
15	Honduras																						
16	Costa Rica																						
17	Argentina																						
18	El Salvador																						
19	Belize																						
20	Ecuador																						
21	Nicaragua																						
22	Venezuela																						
23	Cuba																						
24	Haiti																						



CABEI IS THE MAIN VEHICLE FOR INVESTMENTS IN THE CENTRAL AMERICAN REGION

Trade and investment agreements with major economies and most regions of the world

CABEI specialists could serve as co-identifiers of investment opportunities w/ counterparts

CABEI has proven experience in infrastructure, energy, competitiveness services and banking

CABEI works with a range of partners to identify opportunities and to channel additional funds to the region

CABEI facilitate market diversification in LATAM.

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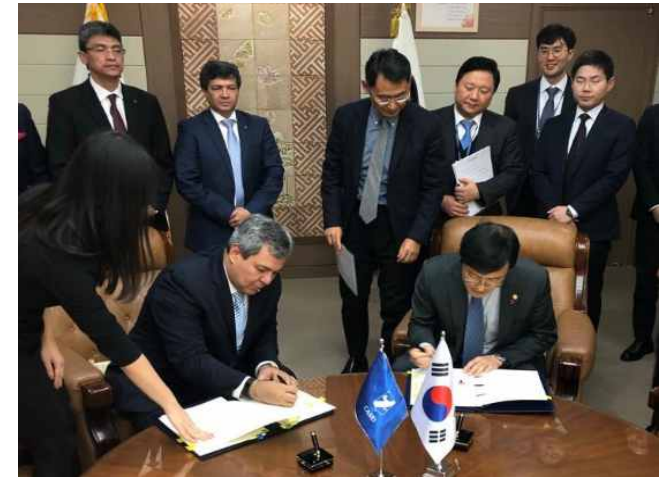
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Central American Bank for Economic Integration

Republic of Korea Incorporation Process as CABEI's Non-Regional Member

Korea Incorporation Process as CABEI's Non-Regional Member

- ✓ On January 25, 2018 the Republic of Korea formally requested its incorporation to the Bank as a non-regional member.
- ✓ On February 28, 2018 CABEI's Board of Governors approved the incorporation of the Republic of Korea as a non-regional member.
- ✓ On December 28, 2018 ROK signed the Accession Protocol to CABEI's Constitutive Agreement as well as its respective Shares Subscription Agreement (for 45,000 Series "B" Shares).
- ✓ On August 02nd ROK's National Assembly ratified incorporation to CABEI
- ✓ ROK's capital subscription totals US\$450 million which will position the country as one of the largest non-regional shareholders, with a 7.6% participation, while also becoming the second Asian country to join CABEI.
- ✓ The capital subscription will generate paid-in capital installments for US\$112.5 million in aggregate, to be received over the course of four years (US\$28.125 /year).
- ✓ Next step is the payment of the first capital installment, at which point the Republic of Korea will officially become a non-regional member of CABEI.



Central American Bank for Economic Integration

Objectives Expected by the Republic of Korea when Joining CABEI



1. Expand the economic cooperation with the 8 countries of the Central American region with high growth potential.
2. The Bank to play a key role as a bridge for the entry of Korean interests (investments, acquisitions, trade, labor, procurement, know how, technology, etc.) in the Central American region.
3. Create synergies between CABEI, Korea and the Korea-Central America Free Trade Agreement (FTA).
4. Channel resources to the region through Official Development Assistance (ODA) funds.
5. Use the Bank as a window of cooperation towards Cuba.
6. Strengthen its relationship with CABEI member countries.
7. Appointment of a Director at CABEI, with authority to make important decisions at the Institution



CABEI's Financing Facilities with the Republic of Korea

- **Economic Development Cooperation Fund** **EDCF**
- **Korea Export Credit Agreement** **KECA**
- **Enhanced Development Partnership Facility** **EDPF**
- **Korea Technology & Innovation Partnership Fund** **KTIP**
- **Korea- BCIE Equity Fund Co-Investment Fund** **KorBCIE EF**



CABEI

Central American Bank for Economic Integration

CABEI's Financing Facilities with the Republic of Korea

Facility Description	Economic Development Cooperation Fund	Korea Export Credit Agreement	Enhanced Development Partnership Facility	Korea Technology & Innovation Partnership Fund	Korea- BCIE Equity Fund Co-Investment Fund
Objective	Co-finance w/ Bank on infrastructure projects	Promote exports and investments from South Korea to member countries	Co-finance w/ Bank on infrastructure projects	Grants to fund Bank's programs, Initiatives and pre-investment studies	Investment vehicle to mobilize private institutional investor capital to member countries..
Sectors	Information and Communication Technology (ICT), climate change, energy, transport, social and productive infrastructure, Others	Any area with Korean interest and eligible for CABEI	Information and Communication Technology (ICT), climate change, energy, transport, social and productive infrastructure, Others	Information and Communication Technology (ICT), climate change, energy, transport, social and productive infrastructure, Others	Targeted for investments in the Member countries within all type of opportunities and sectors. Majority of portfolio with Korean interest/linkage (capital/financing/trade/acquisitions/lab or/procurement/know-how/technology) and eligible for CABEI
Amount	Up to US\$ 400 M	Up to US\$300 M	Up to US\$300 M	Up to US\$50 M / over 5 years	Up to US\$250 M
Financial Conditions	Concessional Low Income Countries Preferably tied	Market conditions, Korean interest	Concessional Mid to High income countries Untied	Non-reimbursable Technical assistance cooperation	To be Determined
Financing Method	Managed Facility	On-lending	Managed Facility	Managed Facility	To be Determined
Institutional Sector	Public – Sovereign	Private - Direct	Public – Non-Sovereign	Public – Sovereign	Private

Facility under execution
 Facility to be proposed

Cooperation Agreement Signed	Cooperation Agreement Under Negotiation
<p>Ministry of Land, Infrastructure and Transport (MOLIT)</p>  <p>Ministry of Science, ICT and Future Planning (MSIT)</p>  <p>Incheon Port Authority (IPA)</p>  <p>Korea Telecom Corporation (KT)</p> 	<p>Korea Railway Corporation</p>  <p>KIND-Korea Overseas Infrastructure & Urban Development Corporation</p>  <p>Korea Land & Housing Corporation: LH</p> 

Economic Development Cooperation Fund

- Project: Sanitation in the City of Bluefields

Country: Nicaragua

Investment: US\$38.0 million

- EDCF: US\$21.0 million
- CABI:US\$17.0 million

Status

- Contract signed between CABI and Nicaraguan Government
- Korean companies already selected for the Construction and Supervision of the Project



Project: Investment Program in Hospital Infrastructure and Hospital and Equipment

Country: Guatemala

Investment: US\$193.2 million

- EDCF: US\$79.0 million
- CABI: US\$114.2 million

Status

- Contract between CABI and Guatemala under negotiation
- The Programme is expected to be approved by the Guatemalan Government during 2019





Natural Gas Plant Project in Panama Korea Export Credit Agreement

- ▶ The project includes the construction, installation, and operation of a 380MW combined cycle power plant based on natural gas and a LNG storage terminal with a capacity of 180,000 m3, located in Colón, Panamá.
- ▶ The sponsors and shareholders of the project are AES Corporation and Inversiones Bahía S.A.
- ▶ The project total cost is **US\$995.5 million**.
- ▶ Acting as a joint lead arranger, CABEL granted a facility of US\$140 million (US\$ 100 million KECA on-lending facility).
- ▶ The Power Block is currently under operation and the LNG terminal in the final phases of construction.

Financing



GAS SUPPLY



EPC



Gas Natural Atlántico SRL



PPA Sales

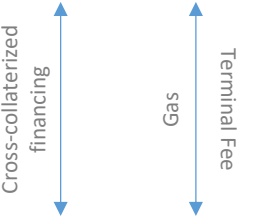
Spot Market

OFF TAKERS



Potential Opportunities

- Power Blocks**
- Bid I (20 TBTU)
 - BID II (20 TBTU)
- Retail (Truck Loading)**
- Replace diesel and propane
- Bunkering**
- 15,000 vessels per year crossing the Panama Channel.



Terminal Fee

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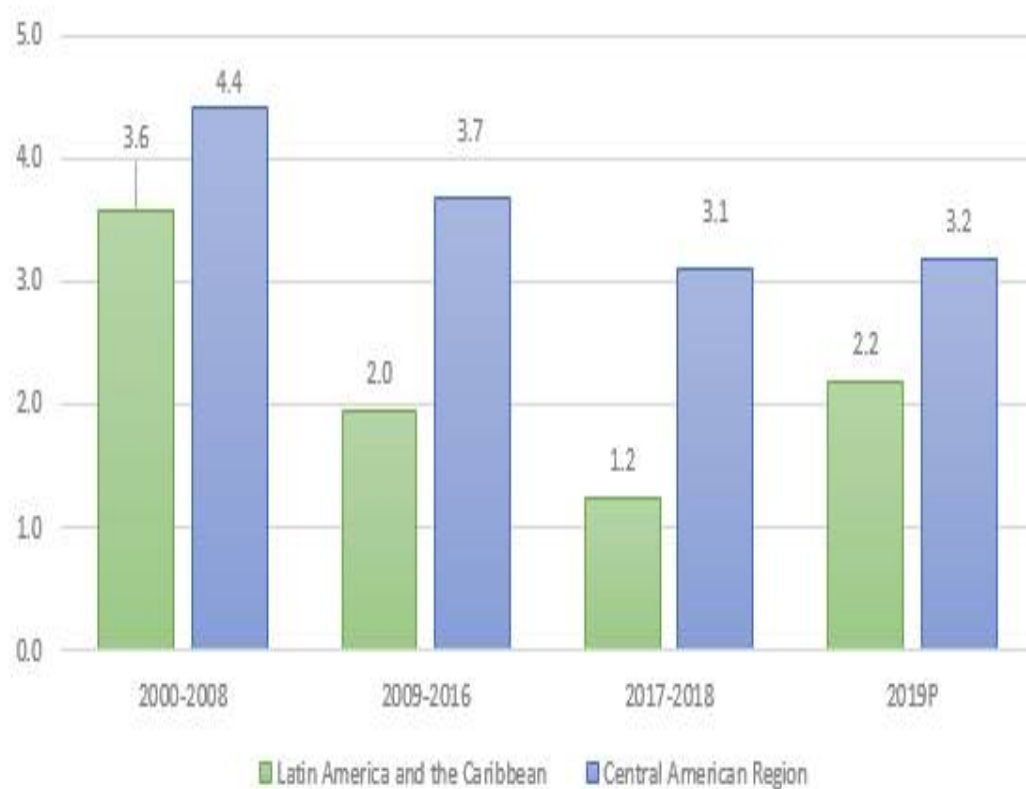
3. Business Opportunities for the Republic of Korea in the Central American Region

- ❑ **Integrated Region:** Through the Central American Integration System (SICA), the members of the Central American Free Trade Agreement (CAFTA) and an association agreement with the European Union (EU).
- ❑ **Dynamic Sectors:** Energy, infrastructure, telecommunications and banking.
- ❑ **Infrastructure Development:** Highways, urban transportation systems, ports, merchant marine, telecommunications and trade facilitation.
- ❑ **Energy:** Investment requirements of US\$1.50 billion per year, mainly for renewable plans.
- ❑ **Connectivity:** Logistical corridors, Panama Canal expansion, customs, ports.
- ❑ **Financial Strength:** International financial centers, banking networks and insurance and reinsurance systems.
- ❑ **New Incentives and Laws:** Promotion of foreign direct investment and PPPs.
- ❑ **Size:** 6th Largest Economy of Latin America and the Caribbean (2018, billions):

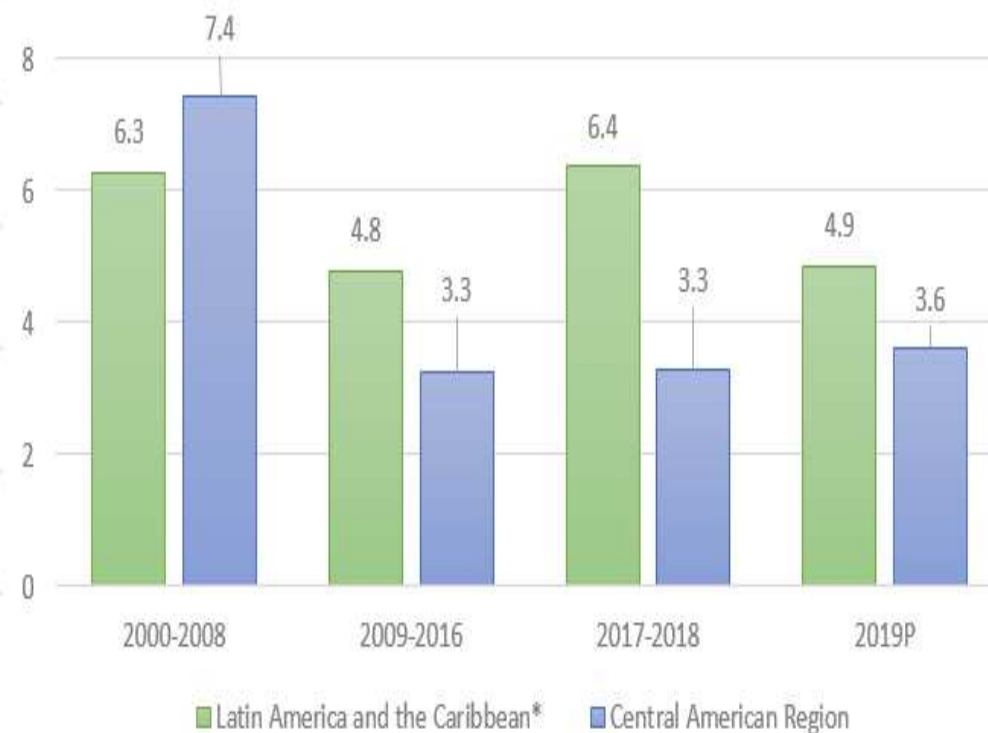
GDP: \$299.1 **Exports:** \$94.6 **Imports:** \$113.3

Key Statistics for Central American Region Economic Outlook

Economic Growth



Inflation



Central American Bank for Economic Integration

Central America: Trade Integration Agreements and Regional Initiatives

✓ Following substantial work towards regional trade integration over the last half century, Central America has emphasized multilateral initiatives that underpin integration:

Initiatives	Year approved
Free trade agreement between Chile and Central America	Formally signed October of 1999
Free trade agreement between Panama and Central America	Formally signed March of 2002
Central America – USA Free Trade Agreement (DR-CAFTA)	Formally signed May of 2004
Free trade agreement between Mexico and Central America	Formally signed November of 2011
The European Union - Central America Association Agreement (EU-CAAA)	Formally signed June of 2012
Free trade agreement between the Republic of Korea and Central America	Formally signed February of 2018. Approved by ROK's National Assembly on August 2 nd 2019



Geothermal Potential:
3,900 MW (Only 16% exploited)



Hydro Power Potential:
22,068 MW (Only 24% exploited)

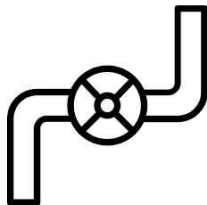


Wind Power Potential:
66,525 MW (Only 0.6% exploited)

OBJECTIVES

- ☐ **Develop a shared and complimentary vision of the Central America’s infrastrucre**
- ☐ **Reduce the elevated cost of logistics**
- ☐ **Promote regional integration, productivity, competitiveness, accessibility, connectivity, security and sustainability in urban and rural logistics**





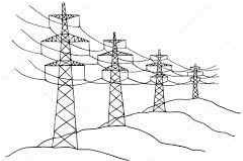
Central American
Gas Pipeline



Central American
Customs Union



Caribbean – Central
America Maritime
Trade Program



Central American
Electrical Integration
System



ICT and fiber optic
projects



Regional Train System



Regional Electric
Mobility Program

Gulf of Fonseca Economic Development and Investment Portfolio Master Plan

- ❑ Presidents of El Salvador, Honduras and Nicaragua requested CABEI to coordinate the process of development of this Master Plan.
- ❑ Master Plan was launched in April, 2019 and includes the identification of an investment portfolio: logistical corridor, ferry, industrial park, amongst others.



Project Pipeline in Energy, Infrastructure and Human Development



Energy: Stronger links with National Governments, other Multilaterals (IADB, WB, CAF) and Bilateral Financial Institutions:

- ☐ Joint Geothermal Development Facilities to boost investment within this renewable energy source.
- ☐ Solar technology and a considerable increase in solar energy interconnected to National Grids capable of supplying neighboring countries through existing infrastructure.
- ☐ New power additions from Wind Power.
- ☐ Introduction of Natural Gas as a cleaner and more efficient source of Energy, displacing Bunker fuel.

The region needs about US\$ 1.5 Billion dollars of investment per year to fulfill their electricity needs (This figure includes Transmission, Distribution and Power Generation).

Productive Infrastructure: CABEI supports the International Network of Mesoamerican Highways as a strategic partner of Mesoamerica Project (PM).

CABEI has financed 16% of this network

Investments required by 2030 is projected at US\$ 3.7 billion

Human Development and Social Infrastructure: To impulse this important development area with many sectors is required financial support and professional advice.

To reach the Sustainable development goals in water and sanitation by 2030, the region needs to invest about 0.31 % of GDP for water and 0.62% for sanitation. This amount means about US\$ 3.3 billion in Water and US\$ 6.5 billion in Sanitation, **which represents annual investment of US\$ 1.4 billion per year.**



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Economic Integration
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