THE CHALLENGE

- Economic Crisis in Latin America and political conflict dampened investor interest in Colombia
- Under tight market conditions, Colombia was able to raise about $400 million in Euro markets typically with 3 to 7 year tenors
- Not sufficient to fulfil economic requirements
- Public sector financing requirements for 2001 had a funding gap of US $2.5 billion

THE SOLUTION

- Policy based Guarantee was designed to accelerate Colombia’s return to US capital markets and fulfil funding gap
- Mobilized long term finance substantially beyond prevailing market terms for the country
- Colombia was able to place a $1 billion Notes issuance at 9.786% yield, 9.675% coupon with a 10 year tenor
- Assigned BBB rating from S7P, three notches above sovereign rating at the time
- Colombia was able to take advantage of the favorable market perception of the WB backed issuance by successfully tapping into Yen and Euro markets, thereby providing funding for economic needs
World Bank guaranteed the first 2 semi-annual, scheduled payments of interest and principal. Each time Colombia made a debt service payment, the guarantee would roll forward to the next period payment that is not guaranteed or accelerated.