



The Canadian Trade Commissioner Service

Canada Trade Mission to Peru, Colombia and Panama

Dates: November 11-16, 2012
Cities: Lima (Peru), Bogota (Colombia), Panama City (Panama)
Focus: Infrastructure (Sub-sectors: energy, transportation and water)
Led by: The honourable Ed Fast, Minister of International Trade and Minister for the Asia Pacific Gateway

THE MARKETS

Between 2007 and 2011, total trade with Canada and these three countries increased by 81%. Total Canadian merchandise exports to these countries amounted to \$1.4 billion in 2011, and imports totalled \$5.3 billion. The free trade agreements (FTAs) Canada has in force with Peru (2009) and Colombia (2011) as well as Panama (currently pending ratification) will provide improved protection for Canadian investors and better access for Canadian products and services, allowing Canadian business to compete on a level playing field with other trading partners. The Agreements will eliminate nearly all tariffs in many sectors, (including construction materials, equipment, and machinery), expand market access opportunities for Canadian services providers in areas including energy and financial services and secure market access in the area of government procurement.

All three markets are embarking on ambitious physical investment programs. Much of the financing for it will come from multilateral sources, such as the Inter-American Development Bank and the International Finance Corporation. DFAIT, working together with the offices of our Executive Directors to the IDB and World Bank, ensures that the Canadian private sector is well positioned to take advantage of this funding. Also pertinent is the increasing interest of pension funds in participating in infrastructure development in specific target markets in Latin America, including the three involved in this mission. It is also noteworthy that these countries are exploring the Public-Private Partnership (PPP) approach to infrastructure development. Canada is an acknowledged leader in the development and promotion of this model and this expertise will be an asset to companies seeking to establish their credentials in these markets.

Peru is a dynamic market-oriented economy with liberalized trade and open to foreign investment with high growth potential. According to the latest Latin Focus Consensus Forecast, Peru is expected to have the lowest inflation rate and one of the highest growth in the region (estimated at GDP growth of 6%) in 2012 and 2013. Peru is the second most secure investment site in Latin America, according to a recent study. Results stem from better macroeconomic management, strong fiscal accounts and appropriate capital flows.

Colombia's strengthening economy, combined with large inflows of foreign direct investment, have helped create ideal conditions for high and sustained growth and it too has become a strategic destination for Canadian companies, especially in oil & gas, mining, manufacturing and financial services. Colombia is expected to invest approximately US\$55 billion in infrastructure initiatives over the next 10 years. The government has endorsed the use of PPP to procure infrastructure and private investment is expected to represent 30% of total investment. Opportunities exist for roads, railways, airports, water sanitation and power, among others.

Panama is an important hub for global shipping with a robust economy, low fiscal deficit, good debt service ratios, high economic growth and the second highest per capita income in Central America. The government has ably steered the economy through the global downturn with a stimulus package of large, strategic projects that aims to maintain employment levels and address gaps in social development. Panama received the fifth highest score in Latin America last year in the annual World Bank rankings of countries for Ease of Doing Business. The country welcomes international commerce and is committed to providing a facilitative environment for trade and investment.

This trade mission will highlight business opportunities in infrastructure with a focus on energy, transportation and water.

ENERGY INFRASTRUCTURE

PERU

Peru is diversifying its energy sources from oil and coal to natural gas and renewables. With the discovery of Camisea which came on line in 2004 and into production in 2008, the government's plan is to further develop hydro-electricity and the renewable energies and cut oil dependency to less than half by investing \$733 million into energy infrastructure. This provides opportunities for generation, transmission and distribution of electricity. Brazil, Spain and other regional players are already established in the market and generally secure most projects. Canada can easily compete with existing players, through either full entry into the market, joint ventures or in niches that no one else occupies.

Canada also has just under a dozen oil and gas companies currently exploring in Peru. Since Petroperú (NOC) has recently embarked into the expansion and modernization of existing pipelines, construction of new gas pipeline and the development of a petrochemical cluster, expertise for environmental industries, clean technology and knowledge transfer are in great demand.

COLOMBIA

Colombia aims to make itself a regional "power-house" and expand the supply of energy it provides to neighboring countries. It has high potential for hydro-electric and other renewables. Renewable energy solutions are needed for out-of the grid areas where solar, wind and/or biomass are seen as good options. Solutions designed for small communities are actively sought.

Colombia's rapidly expanding oil and gas industry has grown beyond the capacity of the domestic pipeline network. A multi-billion dollar investment is needed to develop new pipelines to transport the crude and petroleum products from the oilfields to port. Opportunities in the oil and gas sector are plentiful, with current crude production of almost one million barrels a day. Infrastructure related to this sector is in high demand and Canadian firms will find opportunities to build and expand petrochemical production and ethanol-producing plants.

Legislated changes, coupled with at-capacity waste management sites, provide opportunities for companies to use their expertise in Colombia. A need for new landfills in many of its cities and opportunities for energy generation at waste management sites are further opportunities for Canadian firms.

PANAMA

Panama's energy needs have increased significantly in recent years, with demand increasing 5-7% annually. The expansion of the Panama Canal and a large number of other private and public infrastructure projects have led to an aggressive roadmap for increasing the installed base of energy generation and transmission.

Panama's major sources of energy are hydro and fossil fuel. Panama is currently working to diversify its energy matrix through the promotion of private investment in mini-hydroelectric and wind power projects as a way to reduce dependence on oil imports required for thermo-electric plants, and is planning regional integration of energy transmission over the next three to five years. This activity creates business opportunities for residential/industrial/commercial electrical generation equipment and components as well as engineering and construction firms, and consulting services.

WHO SHOULD PARTICIPATE?

- ▲ *Oil and Gas equipment providers for drilling rigs, compressors, pumps, filters, turbines, valves, treatment plants, tanks and alloy pipe and fittings;*
- ▲ *Residential/industrial/commercial power generation and transmission; electrical generation equipment using renewable energy systems for solar, wind, biomass or hydro power;*
- ▲ *Service providers for geophysical services, seismic data processing, directional drilling technologies, helicopter services, sour gas management, industrial safety standards and environmental control;*
- ▲ *Engineering and construction firms, and consulting services.*

TRANSPORTATION INFRASTRUCTURE

PERU

In 2012 alone, the government of Peru prioritized \$50 million into transportation related projects for the first half of the year, with many more expected. Of particular interest is that most federal projects are being promoted as PPPs, a procurement model for which Canada's expertise is highly regarded. Early in 2012, the Peruvian Finance Minister announced an investment requirement for the extractive sector and related infrastructure of approximately \$50 billion over the next three to four years that will likely attract new players into the market, as well as engage more active participation by local and foreign pension funds into infrastructure investment. The forecasted participation of local pension funds for 2012 is approximately \$500 million and overall investment in the sector is forecasted to be \$2 billion.

Multilateral banks have plans to implement region wide infrastructure as a focus for development, in particular in the transportation sector. For instance, the Inter-American Development Bank's portfolio in Peru amounts to over \$1 billion and includes development of roads, ports, and logistics infrastructure.

COLOMBIA

There is an urgent need to develop transportation infrastructure including roads, ports and airports to support the increase in exports expected from Colombia's recent FTAs with the United States and Canada. The prospects are also good for companies with expertise in developing and delivering mass transit systems, especially in Colombia's major cities and urban areas.

Colombia's National Infrastructure Agency (ANI) is overseeing a multi-billion dollar investment program that will include a fourfold increase in four-lane highways, a threefold increase in the length of railways, a doubling of port capacity and a 50% increase in airport capacity by 2018. The Colombian government is aiming at achieving these results through concessions and PPPs.

PANAMA

In 2010, the Government of Panama announced its Strategic Plan for 2010-14, which designated US\$2.8 billion for transportation infrastructure projects. Building and improvement of roads and highways, airport improvement, an underground metro public transportation system, and bridge construction were included in the plan. While many projects are already underway, tendering processes for projects such as airport improvement and the construction of the fourth bridge over the Panama Canal are expected in the coming months.

WHO SHOULD PARTICIPATE?

- ▲ *Design, engineering, procurement and construction management firms in areas of airports, civil aviation, and ports;*
- ▲ *Suppliers to transportation, roads and mass transit systems;*
- ▲ *Consulting services firms in areas above.*

WATER INFRASTRUCTURE

PERU

With over 98% of Peru's water resources located in the Amazon region, the western coast (where most economic activities and population are located) has little water reserves. Rapid demographic and economic growth is putting extra pressure on local governments to develop water management infrastructure and improve availability, quality and distribution of water. According to the 2006-2015 National Sanitation Plan, the coverage rates for drinking water (76%) and sanitation (57%) for Peru show inequalities between rural and urban areas. In many districts, water and sanitation services are provided by municipalities, Sanitation Service Administrative Boards (JASS) or other organizations, which are responsible for serving 38% of the population. In provincial capitals or urban centres with populations of 15,000 to 40,000 inhabitants, these services are provided by small private or semi-public municipal sanitation companies.

These programs are complemented by the “Water for All” government program. The estimated financing required by the National Sanitation Plan is US\$4.043 billion, US\$3.182 billion of which will be allocated for expanding coverage, with US\$861 million for rehabilitating systems. Additionally there are parallel programs investing in water and sanitation. For instance in 2010, the IADB along with Spain, signed a cooperation agreement with Peru for approximately \$90 million to allow the country to address water and sanitation gap to various regions, with the investment being implemented over a horizon of five years.

Perhaps the largest opportunity for water related services and technologies are with private sector, particularly mining sector, where abundance and conservation of water has become an extremely important issue, as well as with companies establishing industrial operations particularly in chemical production, bio-industry processing plants, cement production and refineries. Additionally, with an increasingly open trade policy Peru’s agri-business is growing exponentially, and so is the need for water treatment to address pollution stemming from organic waste from increasingly complex agro-industry. Of particular interest are large scale poultry producers, growing livestock farms and organic waste from fishing industry and agri-food processing.

COLOMBIA

Water quality is one of Colombia’s major challenges stemming from pollution due to agricultural and livestock effects on water sources as well as inadequate wastewater disposal and water treatment before supply. Decreasing water availability per capita is also another challenge, despite Colombia having rich water resources.

The Colombian government’s strategy focuses on improving water use efficiency, primarily by promoting the construction of Wastewater Treatment Plants (WWTPs) and the reuse of water. The Colombian government is not only investing (and promoting private investment) in infrastructure itself, but in order to ensure sustainability of these investments, it is also fostering the ability of local governments to attract and maintain private investors in water projects in their localities. This is being worked on through funding the implementation of the Departmental Water Plans (PDAs), which include technical assistance to local governments to raise their management capacity for water projects.

The objective of the Colombian government by 2019 is to reach a universal coverage for urban areas and almost 80% in rural areas for improved water sources and basic sanitation. The PDAs strategy is in its second phase with the main goal of fostering investment in this sector. In addition to this, government is looking for PPPs for financing and executing wastewater treatment projects and continue to invest in main river basins (Bogotá, Cauca, Medellín, Chinchiná, Chicamocha y Otún - Consota, Fonce y Laguna de Fúquene) as part of its water resource management strategy.

According to the National Planning Department, a total investment of US\$6.2 billion is required in this sector, distributed among provincial water plans (US\$ 3,7 billion for 2010- 2014), water treatment plants (US\$ 2,3 billion for 2010-2015, including projects like Canoas, Salitre, Bello and Cañaveralejo) and dams (US\$ 220 million for 2011-2016 including the Bucaramanga and Cali).

PANAMA

With daily sewage discharge volume in Panama City of approx. 2,800,000 m³, there is a growing need for water and wastewater treatment systems. The number of new residential complexes, industrial parks and commercial buildings are putting increasing pressure on Panama’s water and wastewater utilities and pushing government to adopt increasingly stringent regulations to reduce rates of non-treated sewage discharged into rivers and oceans, especially in the Bay of Panama (Panama City) and rural areas. In the last two years, Panama has expanded its sewage network and is currently in the process of building a new mega wastewater treatment plant for the Bay of Panama (\$500 million) as well as investing in fresh water treatment plants.

In 2000, the Ministry of Commerce and Industry issued a resolution (Resolution No. 351) which requires companies involved in industrial, commercial or residential activities to treat their wastewater in accordance with the Dgnti-Copanit Technical Regulation 35 - 2000 for discharge of water and liquid effluents into surface and groundwater bodies and masses. As a result, current opportunities exist for suppliers of wastewater treatment plants and equipment for infrastructure projects (i.e. hospitals, airports, hotel resorts, commercial malls, etc.) as well as residential projects.

WHO SHOULD PARTICIPATE?

- ▲ *Water services: engineering and consulting; infrastructure, construction & rehabilitation; quality analysis; water analytics;*
- ▲ *Water and wastewater treatment;*
- ▲ *Water distribution and management.*

CONTACT US

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