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Public-private partnerships under the “people-first” approach

Introduction

Over the last few decades, the figures reported for economic growth and productivity in Latin American and Caribbean countries have been below expectations, particularly for countries with higher GDPs and larger populations and land areas, such as Argentina, Brazil and Mexico. Among the various arguments over the factors driving this result, numerous empirical studies show the existence of a strong link between infrastructure investment, economic growth and the impact on poverty. The region's economies require



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This article is part of the reflections on infrastructure that have frequently been addressed in different editions of the *FAL Bulletin* and other documents of the Economic Commission for Latin America and the Caribbean (ECLAC).

One of the structural problems that hinders fuller development in Latin America is a lack of infrastructure investment. Since the 1980s, when investment in economic infrastructure ceased to be almost entirely public, the private sector has played an important role, at times accounting for about half of the total. Such investments mainly take the form of concession contracts or other forms of public-private partnerships (PPPs).

Traditional PPP initiatives for the provision and financing of infrastructure services have had varying success, resulting in contrasting perceptions of their performance and the services they have provided. Given how important PPPs have increasingly become, it is important that the various problems are solved in a way that enables them to make a more effective contribution to development. This article analyses the “people-first” approach when considering the future of PPPs in Latin America and the Caribbean, which can be done by placing them under the umbrella of the Sustainable Development Goals (SDGs).

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significant investment in infrastructure, not only to ensure the provision of basic services and improve the population's quality of life, but also to prevent infrastructure gaps imposing a potential constraint on growth. The link between economic growth, prosperity, and infrastructure is fundamental for sustainable development.

In Latin America and the Caribbean, investment in economic infrastructure has been relatively meagre since the 1990s, broadly matching the trend of total investment. In the 1980s, average investment in economic infrastructure for the main economies of Latin America represented 3.6% of GDP (with a peak of 4.1%). This figure declined progressively over the ensuing years: to 2.2% in the 1990s, then to 1.9% in the first decade of the 2000s (with a peak of 2.3% in 2009 as a countercyclical effort), before finally dropping to 1.8% in 2011–2016.

This has resulted in a widening infrastructure gap, understood as the difference between the investments actually made and those considered necessary to sustain a certain level of growth or achieve certain provision targets. As estimated by Perrotti and Sánchez (2011), the investments needed to close the infrastructure gap in the region are enormous—equivalent to an estimated 5.2% of Latin America's annual GDP for 2006–2020. Subsequently, in 2014 Lardé and Sánchez updated the aforementioned study to cover 2012–2020 and found that 6.2% of annual GDP would now be required, given the trend of infrastructure investment made in the period between the two studies. More recently, the work of Sánchez and others (2017), which includes the calculation of infrastructure investment needs to respond to economic and population growth and to achieve universal coverage of the basic services associated with these assets, estimated that the requirements would rise to 7.4% of Latin America's annual GDP for 2016–2030.

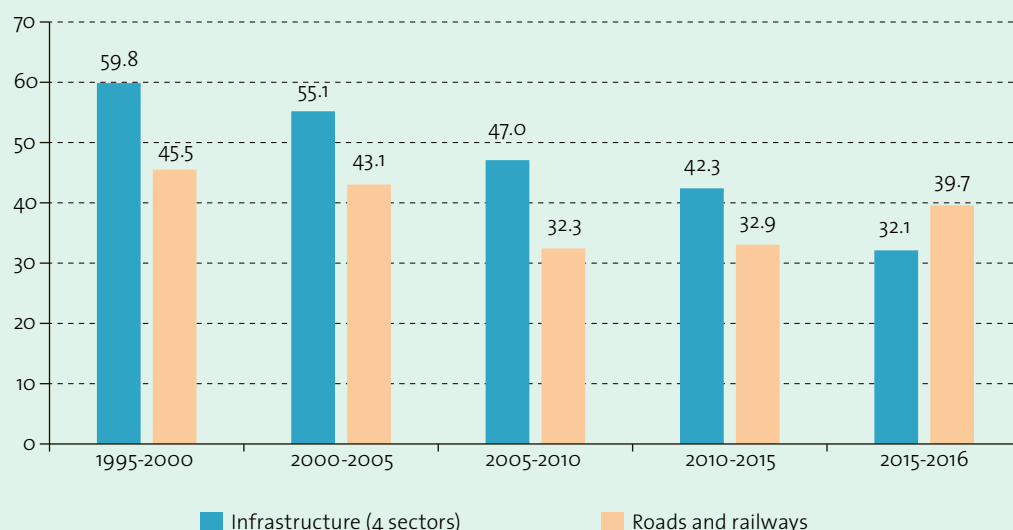
These figures show that the infrastructure investment gap has not diminished, at least for the period between 2006 and 2016, which includes the years in which the estimations in question were performed. The gap is equivalent to about 5% of GDP. According to a recent study on the main barriers to economic growth in 19 Latin American and Caribbean countries, infrastructure has been identified as one of the main barriers in 84% of cases (IDB, 2018).

Since 1993, public investment in infrastructure in Latin America attained peaks of around 1.3% of GDP, while total investment ran as high as 2.5%. The difference relative to total infrastructure investment was covered by the private sector. The road transport subsector (and to a lesser extent the railways) has been the largest recipient of this investment; capturing just under 40% of total accumulated infrastructure investment in Latin America in 2000–2015.

Private investment averaged 39.7% of total investment in 1980–2015, ranging from a minimum of 42.3% to a maximum of 59.8% in the corresponding five-year periods. Within this, private investment in transportation infrastructure ranged from 33% to 45.5% between five-year periods. Figure 1 expands on this information.

Figure 1

Private infrastructure investment
(Percentage of total infrastructure investment)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of information from C. Calderón and L. Servén, “Infrastructure in Latin America”, *World Bank Policy Research Working Paper*, No. 5317, Washington, D.C., World Bank, 2010, for the period 1980 – 2006; ECLAC, Economic Infrastructure Investment Data (INFRA LATAM) [online] <http://infralatam.info/> and World Bank, Private Participation in Infrastructure (PPI) Database for the period from 2007 – 2016.

Note: The infrastructure data encompasses the following sectors: transport, energy, telecommunications, water and sanitation. Transport includes roads and railways only, except in the case of Argentina, where public investment covers all transport modalities; energy includes electricity only. The countries included in this series are Argentina, Brazil, Chile, Colombia, Mexico and Peru.

These investments are directly related to PPPs, and the latter are associated with concession contracts. They represent one of the largest investments in the entire region, and have made possible the modest modernization of its logistics and mobility services over the last 20 years.

Public-private partnerships were introduced in developing economies and, in particular, in the countries of the region just before the start of the 1990s, mainly with a view to attracting private capital to replace the State’s financing role in services of public interest. As a result, the region has more than 30 years of experience in the field, and over 7,000 projects have been implemented through PPP contracts worldwide. As the United Nations Economic Commission for Europe (UNECE) notes: “... the PPP model promoted has been often used as a financing tool, and this tendency has led to the discourse and development of expertise being largely within financial circles. Interestingly, the PPP model was driven largely by the ability to capture private financing for infrastructure when public financing and budgetary funds were not sufficient, and only later did “value for money” analysis come about when budgetary constraints eased but the project still needed to be justified from a financial perspective” (UNECE, 2019a, p. 2).

However, there are also countries in which the financing role is limited, such as in Germany and France, where a PPP is only accepted if it can be shown to be the most efficient solution, compared to other alternatives; and in Germany it cannot be adopted if based exclusively on its financing capacity.

For the foregoing reasons, it is necessary to make a broader analysis of PPPs, to ensure that they serve the achievement of the SDGs, which are understood as: “an opportunity to

transform our world, mainstreaming economic development that is **multifaceted** and: **transformational**, in an international, global, game-changing sense; **Inclusive**, ‘leaving no one behind’; **fosters resilience**, to adapt to and mitigate the multiple challenges presented by climate change; **socially and environmentally-oriented**, as opposed to only economically-oriented; and **circular**, moving from a linear to a circular economy to foster more responsible and sustainable production and consumption patterns that will save energy and natural resources based on the “Reduce, Reuse, and Recycle” rule. Achieving such broad economic development objectives will require huge increases in infrastructure spending. The public sector alone will not be able to meet the required quantum; hence the need for partnerships especially with the private sector. As the Sustainable Development Goal 17 states, “effective public, public-private and civil society partnerships” will be required to strengthen the means of implementing the Sustainable Development Goals.” (UNECE, 2019b, p. 4).

In many countries around the world, and in Latin America in particular, this contracting modality has been harnessed in a wide variety of ways, in terms of legal and regulatory frameworks, government agencies, and procedures, and its results in the different sectors. Under these conditions, and in light of the SDGs, “a large undertaking to promote PPPs in support of the Sustainable Development Goals is required” (UNECE, 2019a, p. 2). This is why a “wait and see” approach has been adopted with respect to the role of PPPs in the SDGs, as will be reviewed in sections III and IV.

I. Progress and problems in PPPs

Public-private partnership programmes can be very effective, and there is evidence that they have outperformed public works on indicators such as cost overruns and delays. In a sample of 500 projects of each modality (traditional and PPP contracts), the frequency of cost overruns in public works was over 85% on average (with overruns of between 40% and 150% of the original costs), and there were delays in about 92% of cases. In contrast, in PPP contracts the frequency of cost overruns was about 21% (with overrun levels close to 18% of the original costs), and there were delays in about 26% of them (Guasch, 2017). The quality of the physical infrastructure also differs, with the PPP modality displaying better quality than traditional contracts. This reflects the fact that maintenance and repair is the responsibility of the concessionaire, whereas in the case of public works it is a government responsibility, and the budgetary appropriation for these purposes is usually inadequate (Guasch, 2017, cited in Ipsos, 2009) and varies greatly from year to year.

Nonetheless, PPPs have flaws that need to be addressed, of which their susceptibility to contract renegotiation is one of the greatest. Contract renegotiation is very frequent, and in some cases may threaten the credibility of the PPP modality, in addition to reducing general welfare.

Some of the studies consulted identify the reasons for the use of PPP contracts versus traditional ones, highlighting the strengths and weaknesses of PPPs. As noted above, the modality has proven more effective and efficient for infrastructure development in terms of lower cost overruns and delays, better quality and greater benefits to users. It may also open up alternative financing mechanisms, foster innovation and bring about the transfer of knowledge, experience and technology. However, the use of PPPs has also had problems, which have generated negative attitudes to concessions. For example, an analysis of the efficiency gains of the concession firms showed that annual earnings (profits) had little correlation with changes in user charges, despite this being one of the objectives or expectations of a concession (in other words, that efficiency gains would be passed on to





users through lower prices). Concessions have been criticized for this reason, despite the advantages that this type of contracting offers to the economies that make use of them.

Consequently, in several of the region's countries there is a widespread belief that privatization and concession programmes have been unfair, harming the neediest of the population through job losses and higher user charges. There is also a belief that the processes have not been transparent, and that the benefits of the programmes have been wasted as users have not received the efficiency gains obtained by the operators.

Not only does the design and implementation of concession contracts have significant implications for both efficiency and equity, but also for the due diligence and transparency of tendering processes and management of the contracts after they have been awarded. The latter two issues, or requirements to be addressed, are key to achieving the expected objectives of concessions, and also for ensuring that perceptions of the validity of this contracting modality match performance and do not negate possible successes. The first touches on one of society's growing concerns in recent times, namely corruption. In the second case, fear is driven by premature and recurrent opportunistic behaviour after the contract has been awarded: in other words, renegotiations.

Renegotiation has been a frequent feature of PPP contracts, occurring in over 55% of cases in 2004–2015 (68% in 2004–2010 and 58% in 2010–2015). In the earlier 1985–2000 period, renegotiation seems to have been less frequent, at 30%; but if the telecommunications sector is excluded, the rate rises to 41.5%. Not only is the likelihood of renegotiation high, but the first renegotiation has tended to occur early, shortly after the contract was signed; and often renegotiations are recurrent. Renegotiations in PPP contracts can be classified in terms of the party that initiates them: renegotiations initiated by government, those initiated by the operator or concessionaire, those initiated by both parties, and ambiguous. When initiated by government, the reason is generally due to a change in priorities, a change in the governing political party, or the fact that the government cannot fulfil its contractual obligation. Nonetheless, there are also opportunistic reasons (the holdup problem. For example, in some cases, the government in office may wish to anticipate or expand investments; or delay a rise in charges, or lower them to boost its popularity before elections, etc.

In contrast, when initiated by the operator or concessionaire, renegotiations are often opportunistic and aim to maximize the net present value of the PPP contract (additional revenue, lower costs or less investment or lower risks, or both); but they are also launched in response to shocks (domestic or external) that significantly disrupt the contract's economic-financial balance. According to Guasch and others (2014), it can be seen that, for all sectors, in the region's countries from 1985 to 2010, 61% of renegotiations were initiated

by the concessionaire, 26% by the concession granting entity (licensor), and 13% were jointly or ambiguously launched. In the water and sanitation sector, concessionaires were responsible for launching 66% of renegotiations, while 24% were initiated by the licensor, and 10% were ambiguous. The same order prevails in the transportation sector; in most cases it was the concessionaires that initiated the renegotiations (57%), followed by the licensor (27%) and jointly or ambiguously (16%).¹

Post-award problems —such as those arising from unforeseen changes in cost structures or demand conditions— may not be specified, owing to the incomplete nature of the contracts in question. Unforeseen issues may lead to abusive behaviour, increasing the likelihood of conflict between the parties. Accordingly, in PPP contracts, clarity of both processes and the institutional framework are key to securing the benefits and avoiding potential conflicts. The contracts need to be properly stipulated, with a correct allocation of risks and adequate arrangements for supervision, control and regulation, as well as the implementation of transparent and predictable mechanisms for conflict resolution.

Public-private partnerships do not represent easy solutions for governments seeking to expand the scale of their infrastructure investments, especially if they are only seen as mechanisms to overcome their financial constraints. They require institutional development (including project preparation capacity) which takes time to consolidate before it can achieve its potential and, if done poorly, can result in higher social costs and lower levels of service or poorer quality. In this connection, the UNECE view is that “There has yet to be a model that is on the one hand transformative and on the other hand responds to the challenges of low and middle-income countries where arguably PPPs are needed the most but where they can also generate difficulties when not used in an informed and reasonable way” (UNECE, 2019a, p. 2).

According to ECLAC studies drawing on various sources, based on the analysis of more than 2,000 PPP contracts, it has been noted that the success of projects depends on the existence of an enabling, efficient, consistent, credible and transparent environment to send the right signals and attract the private sector, indicating the existence of a stable environment for long-term investment. This requires evolving towards an adequate and coherent PPP programme, with sound policy, regulatory and legal frameworks, processes and institutions, public finance management, and broad programme governance, which serve as critical building blocks or components that make sure the many financial benefits of PPPs are achieved (Guasch, 2017).

However, even in a context of renegotiation, PPP programmes, on average, have proven very effective in achieving the desired benefits and reducing the infrastructure gap faced by most countries.² While the benefits have been substantial, they could have been even greater if the programmes (and projects) had been better designed and implemented, with the aim of creating value for people. Clearly there have been more problems related to post-award contract management, and countries are starting to address these. The lessons and experiences of renegotiations accumulated by the region’s countries have led them to introduce legislative changes. Guasch and others (2014) and Guasch (2017) demonstrate this with the cases of Chile in 2010, Colombia in 2011, Mexico in 2012 and Peru in 2008. The changes have elicited new laws, regulations and procedures, as well as revisions of current instruments to support renegotiation platforms.

The search for solutions to contracts for the provision of public infrastructure services and to the problems that arise in them—in particular, premature and recurrent renegotiations, given the breadth and variety of the challenges, factors external and internal to the contracts, and the ambiguities and loopholes presented by and resulting from such

¹ It should be noted that these percentages are regional averages, and what happened in each country and sector in each period or year may be very different.

² Cruz and Marques (2013), Guasch (2004 and 2017), Rozas, Bonifaz and García-Guerra (2012), Vasallo (2015), Vasallo and Izquierdode Bartolomé (2010), among others, highlight the frameworks and components of successful PPP programs following best practices in more mature and developed PPP markets. Guasch (2017) notes that several countries have incorporated some of these components in their PPP programs, but they lack others.

factors— **must not divert attention from the main and ultimate objective**, which is the social efficiency of the provision of a public good or service that seeks to create value for people and enhance societal well-being.

Irrespective of the improvements achieved in PPP contracts for the provision of infrastructure services, in practice there will always be a high degree of uncertainty, given the characteristics of the assets in question; so the relevant question raised by Sabbioni (2019) is **how to deal with, anticipate and plan for renegotiations, instead of trying to avoid them**. The success of the concession contract models used will be related directly to the parties' capacities to address the inevitable contract renegotiations in an optimal manner (Pareto-efficiency), whether they are motivated by the government or by the concessionaire. These capacities, however, will depend on the environment, where laws and regulations matter; so perhaps the answer lies in infrastructure service governance.

II. The “people-first” approach”³

In 2015, the United Nations adopted the SDGs as part of the 2030 Agenda for Sustainable Development, which called for the use and enhancement of partnerships between the public and private sectors. At its International PPP Forum in March 2016 UNECE clarified that PPP models that put the public interest first need to be well identified and promoted, in order to implement this new Agenda. It also adopted a new terminology, namely “people-first PPP”.

It recognizes that “Infrastructure investment overall is a key driver of development and social progress, creating jobs, higher productivity and boosting trade. Such investments can directly eradicate poverty by inter alia achieving universal access to infrastructure and distributing public services more effectively, such as health and education services, renewable energy and water and sanitation.” In Latin America, it is important to expand the coverage of electricity supply, because it does not reach 100% of the population in some countries. Examples include Guatemala (95%), Guyana (92%), Honduras (92%), Nicaragua (88%), Peru (95%), the Plurinational State of Bolivia (96%) and Suriname (97%). Moreover, some countries still have a low broadband coverage, with fewer than 15 subscriptions per 100 people, including Belize (8%), the Bolivarian Republic of Venezuela (9%), Colombia (14%), Cuba (2%), the Dominican Republic (8%), Ecuador (12%), Honduras (4%), Nicaragua (3%), the Plurinational State of Bolivia (4%) and Suriname (14%).⁴ Transport systems also suffer from poor coverage of quality infrastructure; for example, in Latin America, only about 30% of the road network is paved, although this varies widely between countries. This situation undermines the population's quality of life and the efficiency of the productive system. See table 1.

The positioning of infrastructure in the sustainable development objectives implies greater responsibility for public policies in moving towards the higher levels of quality investment needed to improve the quality of life in the region. Infrastructure can be both directly and indirectly relevant to the 17 SDGs, which illustrates the cross-cutting role that infrastructure plays in sustainable development. However, Goal 9 refers specifically to the development of quality, reliable, sustainable, and resilient infrastructure; and Goals 6, 7 and 11 invoke different infrastructures by advocating the need to “Ensure availability and sustainable management of water and sanitation for all”, to “Ensure access to affordable, reliable, sustainable and modern energy for all” and to “Make cities and human settlements inclusive, safe, resilient and sustainable”, respectively (see diagram 1).

³ Much of the content of this section represents the authors' summary of UNECE (2019a and 2019b).

⁴ Data obtained from the World Bank [online] (<https://databank.worldbank.org/source/world-development-indicators>).

Table 1

Latin America and the Caribbean (selected countries): indicators of access to electricity, broadband and road quality

	Access to electricity (percentage of population) ^a	Fixed broadband subscriptions (per 100 people) ^b	Percentage of road network that is paved ^c
Argentina	100	20	15
Belize	100	8	19
Bolivia (Plurinational State of)	96	4	18
Brazil	100	15	12
Chile	100	18	34
Colombia	100	14	12
Costa Rica	100	18	27
Cuba	100	2	43
Dominican Republic	100	8	40
Ecuador	100	12	35
El Salvador	100	8	57
Guatemala	95	3	n.d.
Guyana	92	8	n.d.
Honduras	92	4	23
Mexico	100	15	43
Nicaragua	88	3	18
Panama	100	14	42
Paraguay	100	5	9
Peru	95	8	13
Suriname	97	14	n.d.
Trinidad and Tobago	100	25	n.d.
Uruguay	100	29	12
Venezuela (Bolivarian Republic of)	100	9	86

Source: Prepared by the authors on the basis of G. Pérez, "Rural roads: key routes for production, connectivity and territorial development", *FAL Bulletin*, No. 377, Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), July 2020 and World Bank, World Development Indicators database [online] <https://databank.worldbank.org/source/world-development-indicators>.

Note: n.d.: Data not determined.

^a The data on access to electricity (% of population) refer to 2018.

^b The data on broadband subscriptions (per 100 people) refer to 2019, except as follows: the Plurinational State of Bolivia (2018), Guatemala (2017), Guyana (2017), El Salvador (2018), Paraguay (2018) and Peru (2018).

^c The data on the paved network per country refer to years as follows: Argentina and Cuba: 2007, Belize, Brazil and Nicaragua: 2017, Bolivia, Costa Rica, Mexico, Paraguay, Dominican Republic, Uruguay and the Bolivarian Republic of Venezuela: 2018; Chile, Colombia, Panama and Peru: 2016, Ecuador: 2014, El Salvador and Honduras: 2019, Guatemala: 2020, Panama and Peru: 2016.

Diagram 1

Sustainable Development Goals (SDGs)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), “The Sustainable Development Goals (SDGs)” [online] <https://www.cepal.org/es/temas/agenda-2030-desarrollo-sostenible/objetivos-desarrollo-sostenible-ods>.

Mobilizing new investment in high-quality infrastructure projects is critical to fulfilling the 2030 Programme of Action, especially in low- and middle-income countries. Capital investment (or investment in physical assets) is only part of what is needed; additional investment and operating expenditures will also be needed, in the operation and maintenance of infrastructure assets. For example, in the case of road maintenance, the average annual expenditure among 28 members of the Organization of Economic Cooperation and Development (OECD) between 1999 and 2018 amounted to 0.27% of GDP, led by Canada with an average expenditure of 0.54% of GDP and New Zealand with 0.62%. In Latin America, Chile averages 0.28% and Mexico 0.08%, while expenditure in the other countries of the region is estimated to be between these two extremes.⁵

Infrastructure investments have traditionally been undertaken by the public sector, funded from a public budget that has not been sufficient to cover the “infrastructure gap”. This situation is neither sustainable nor advisable, since it does not foster the development of Latin American countries. It is therefore necessary to rely on other actors and consider other participation possibilities. In this connection, the capacity of the private sector to design or operate essential public services such as transport, water, energy and urban services should not be ignored. Lessons learned in recent decades show that **people-first PPPs** can respond to these dilemmas, based on a long-term balance between the public and private interest, where the “people’s interest” must always be the priority. It should also be noted that PPPs provide an opportunity to mobilize private sector actors on behalf of the public interest.

Private funding necessarily means public debt, since the financing will always have to be repaid. Thus, while benefiting from private funding and greater capacity, governments may still be challenged by a “financing gap”. There are two recommendations in this area: first, PPP models should only be used where they have less impact on current or future public budgets than the other alternatives; second, the sources of funding for the payments that will have to be made to a private partner who finances a PPP must be clearly established. This is a crucial step in ensuring the viability of certain forms of PPP; and it is also a critical factor for sustainability of the public finances. Governments need to pay special attention to this issue, to avoid creating unintended and hidden debt and public liabilities.

⁵ Authors’ calculations on the basis of OECD data.

A people-first PPP project can be defined as one that promotes access to essential public services for all, with the goal of achieving sustainable development results while putting people first. With the adoption of the 2030 Agenda, the challenge for governments and the private sector is to implement PPPs according to a set of holistic criteria and to undertake projects that create “value for people” from start to finish.

People-first PPPs can be viewed as public-private partnerships that are designed to implement the SDGs. In this sense, they represent an improved approach that should overcome some of the weaknesses of the traditional PPP model.

At its eighth session in October 2016, the UNECE Specialist Team on Public-Private Partnerships published 10 guiding principles on “people-first” PPPs, in response to paragraph 48 of the Addis Ababa Action Agenda on Financing for Development. See box 1.

Since then, several drafts of the guiding principles have been discussed on numerous occasions among representatives of member States, civil society organizations, the private sector and international organizations. In August 2018, the Bureau of the PPP Working Group reviewed the guiding principles and approved the topics covered in them. Subsequently, at its second session in November 2018, it approved the document and requested the secretariat to submit it to the Committee for adoption.

The guiding principles have the following five main aims:

- (i) Identify the new roles and responsibilities that will be required of governments and the private sector in order to lift the PPP model onto a new level of people-first PPPs.
- (ii) Outline key elements to a people-first approach, and particularly those that will need to occur in order for PPPs to take place in low- and middle-income-countries.
- (iii) Provide benchmarks and a framework for governments to take next steps and align their activities with the people-first model.
- (iv) Bring together different parts of the United Nations system, especially the regional commissions, the multilateral development banks and other organizations with expertise in PPPs, around a set of common principles to guide future PPP advocacy.
- (v) Be used as a reference in the preparation of infrastructure projects.

Box 1

Paragraph 48 of the Addis Ababa Action Agenda on Financing for Development

We recognize that both public and private investment have key roles to play in infrastructure financing, including through development banks, development finance institutions and tools and mechanisms such as public-private partnerships, blended finance, which combines concessional public finance with non-concessional private finance and expertise from the public and private sector, special-purpose vehicles, non-recourse project financing, risk mitigation instruments and pooled funding structures. Blended finance instruments including public-private partnerships serve to lower investment-specific risks and incentivize additional private sector finance across key development sectors led by regional, national and subnational government policies and priorities for sustainable development. For harnessing the potential of blended finance instruments for sustainable development, careful consideration should be given to the appropriate structure and use of blended finance instruments. Projects involving blended finance, including public-private partnerships, should share risks and reward fairly, include clear accountability mechanisms and meet social and environmental standards. We will therefore build capacity to enter into public-private partnerships, including with regard to planning, contract negotiation, management, accounting and budgeting for contingent liabilities. We also commit to hold inclusive, open and transparent discussion when developing and adopting guidelines and documentation for the use of public-private partnerships and to build a knowledge base and share lessons learned through regional and global forums.

Source: United Nations, “Addis Ababa Action Agenda of the Third International Conference on Financing for Development (Addis Ababa Action Agenda)” (A/RES/69/313), New York, 2015.

Diagram 2, below, sets out the 10 guiding principles on people-first PPPs and their challenges:⁶

Diagram 2

The 10 guiding principles on people-first PPPs



Source: Prepared by the authors on the basis of United Nations Economic Commission for Europe (UNECE), "Guiding Principles on People-first Public-Private Partnerships in support of the United Nations Sustainable Development Goals. Note by the secretariat" (ECE/CECI/2019/5), Working Party on Public-Private Partnerships, 2019.

III. Impact evaluation tool of the "people-first" approach⁷

Public-private partnerships need to be measured according to a series of impacts that are aligned with the SDGs. This would entail evaluating the following five desirable outcomes:

- (i) Increase access to essential services and reduce social inequality and injustice (especially for vulnerable groups);
- (ii) Improve resilience and accountability towards environmental sustainability. This involves developing resilient infrastructure and improving environmental sustainability by reducing greenhouse gas emissions and developing "circular" rather than linear projects;
- (iii) Improve economic effectiveness and sustainability. This involves successfully delivering projects that achieve good value for money, are fiscally sustainable and are transformational, meaning that they have a measurable sustainable impact;
- (iv) Promote replicability and development of new projects. This means that projects are replicable and scalable so that they can be repeated and/or expanded to have the transformative impact called for by the 2030 Agenda for Sustainable Development. This criterion should also consider whether local staff and governments have the capacity or receive the necessary training and knowledge to undertake similar projects;
- (v) Fully involve all stakeholders who are directly involved in the PPP project, or directly or indirectly affected in the short and/or long term; and create new ways of integrating special groups that have played a limited role thus far.

This impact assessment tool can be used by governments, the private sector, private lenders and international organizations; and it is applicable to all PPP sectors and all categories

⁶ For more details, see: UNECE (2019b).

⁷ The content of this section has been developed by the authors on the basis of UNECE (2020).

of PPP projects, whether small or large-scale, national or cross-border. It can be applied to publicly owned projects and PPP projects, both those paid by the government and concessions (user payment), or any other partnership framework (e.g. institutional PPPs).

The final version of the people-first PPP tool is a public good, resulting from a multi-stakeholder consultation process and a joint collaborative effort. The evaluation methodology is available online.⁸ It will become available in 2020, as an impact self-assessment tool, and then in 2021 as a certification scheme. The methodology comprises 22 benchmarks and 100 indicators relating to the five People-first PPP outcomes, as shown in diagram 3.

Diagram 3

Evaluation indicators of the “people-first PPP impact” assessment tool

Access and equity	Economic effectiveness and fiscal sustainability	Environmental sustainability and resilience	Replicability	Stakeholder engagement
<ul style="list-style-type: none"> • Provision of basic services. • Affordability and universal access. • Advance equity and social justice. • Long-term access and equity. 	<ul style="list-style-type: none"> • Anticorruption measures and open and transparent procurement. • Economic viability and fiscal sustainability of the infrastructure. • Maximize long-term financial viability. • Quality employment and economic opportunities for all. • Contribution to innovation and technology transfer. 	<ul style="list-style-type: none"> • Reduce greenhouse gas emissions and improve energy efficiency. • Reduce waste and restore degraded land. • Water Environmental Sustainability. • Biodiversity Sustainability. • Disaster management strategy. • Strengthening community and institutional capacity on disaster mitigation. • People-first, community-driven development programme. 	<ul style="list-style-type: none"> • Encourage replicability and scalability of PPP projects. • Enhance government, industry and community capacity. • Support innovation and technology transfer. 	<ul style="list-style-type: none"> • Plan for stakeholder engagement and public participation. • Maximise stakeholder engagement and public participation. • Provide transparent, and quality project information. • Manage public grievances and end-user feedback.

Source: Prepared by the authors on the basis of https://www.unecce.org/fileadmin/DAM/ceci/documents/2020/PPP/WP/ECE_CECI_WP_PPP_2020_o3_Rev1-en.pdf.

Projects are also weighted on the basis of a scoring system, with the following three factors forming should be part of the project evaluation:

- (i) Statement of intent. This would involve the parties structuring the project coming together and stating explicitly their intention to generate positive social and environmental impacts from the project. This could also be achieved by referring in the statement to the SDGs and/or the people-first PPP model.
- (ii) Verifiable and measurable data. It is important that the outcomes of the project be tied to specific metrics and measured against a base case or benchmark. Examples of specific metrics might be the number of jobs created; or, if the stated benefit is cleaner drinking water and measurement includes the number of litres of available clean water, then supporting data showing proof that the investment made (that is, in better quality pipes) led to this outcome, would be important.
- (iii) Location of the project. Obviously, a project taking place in a challenging region or country where there is a lack of all types of infrastructure and where poverty is especially prevalent should receive a different score from a project that is being implemented in a developed country.

The self-assessment tool will enable applicants to get a score on their infrastructure projects by completing an online questionnaire based on the benchmarks and evaluation criteria. This tool will be initially developed as an Excel platform for testing purposes before it is integrated into an online platform, such as the SOURCE platform operated by the Sustainable Infrastructure Foundation (SIF). The self-assessment tool will be provided free of charge as an international public good and will be available in 2020.

⁸ See [online] https://www.unecce.org/fileadmin/DAM/ceci/documents/2020/PPP/WP/ECE_CECI_WP_PPP_2020_o3_Rev1-en.pdf.

A certification or validation scheme would assess the compliance of projects with the SDGs. To get a people-first PPP designation, applicants (government entities, the private sector, lenders, civil society organisations) will need to demonstrate that the infrastructure project complies with the UNECE people-first PPP evaluation methodology. The model will be based on similar existing certification or validation schemes and will include a series of checks and balances to ensure the scheme is credible, reliable and accessible without excessive bureaucracy, while at the same time complying with the United Nations rules and regulations.

As regards the next steps, the comments and feedback received during the public review stage will be factored into a revised evaluation methodology with a view to have a wholesome document finalized and presented to the Bureau of the Working Party on People-First PPPs in time for the next Working Party session in December 2020.

IV. Final thoughts

Although private-sector participation in public projects is not new, the people-first PPP model proposes more ambitious goals and new ways of operating, taking the traditional public-private dynamic to a more participatory and broader sphere as a way to achieve the SDGs. While the Latin American region has over 30 years of experience with public-private partnership projects, the PPP model has not been aligned properly with the outcomes contemplated by the SDGs (UNECE, 2019a). Accordingly, the projects executed through the new people-first PPPs should promote the general interest within a comprehensive national infrastructure plan, so that they are not focused on solving individual problems for specific sectors, but instead are associated with the social and economic transformations needed to fulfil the Goals.

To make progress toward achieving the SDGs, many simultaneous projects will need to be undertaken on multiple fronts that contribute significantly to the challenges facing the planet, such as eradicating poverty and combating climate change. In addition, the persistent infrastructure gap and the paucity of funds to finance new projects underscore the need to give greater priority to PPP projects.

Among a variety of requirements, the success of PPP projects requires countries to have legal and public governance systems that can provide transparency and effectiveness; policies, programmes and projects need to be implemented in an integrated and coordinated manner across different government ministries and institutions; the willingness and capacity of the private sector to assume the corresponding risks need to be nurtured—all of this in a stable political environment with a strong consensus among political leaders and interest groups on the importance of people-first PPPs.

Lastly, it is important to emphasize that for public endeavours to satisfy people's needs and improve their quality of life, it is vital that the new people-first PPP model is developed in conjunction with the people it is intended to serve. A people-first PPP model should permanently involve all people who will use or be affected by the new infrastructure assets and services (stakeholders), through participation and consultation—before the start of the project, during its design and implementation, and after its completion.

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VI. Publications of interest



International Trade Series No. 150

Contratos de concesión de infraestructura: incompletitud, obstáculos y efectos sobre la competencia

Ricardo Sánchez
Pablo Chauvet

This report is closely linked to certain structural problems relating to development. In particular, it examines investment in infrastructure and how productivity is affected by the level of such investment. Other key issues addressed in the document include governance, infrastructure concession agreements, the main features of public-private partnerships, and antitrust measures.

Available in:



FAL Bulletin No. 377

Rural roads: Key routes for production, connectivity and territorial development

Gabriel Pérez

This issue analyses, in particular, the role of rural roads in production, connectivity and territorial development in the region.

It underscores the importance of the rural environment for sustainable development, which is often overshadowed by the excessive urban focus of public policies relating to road infrastructure. Specifically, improving connectivity in rural areas is fundamental to the achievement of various universal access targets enshrined in the 2030 Agenda for Sustainable Development.

Available in: