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FACILITATION OF TRANSPORT AND TRADE IN LATIN AMERICA AND THE CARIBBEAN

Toward an integrated transport policy: institutions, infrastructure and logistics – the case in Chile

Introduction

Among the problems that affect and could seriously deter the future development of Latin America and the Caribbean are institution-level failures in the areas of design, control and implementation of public policies that address infrastructure services. These failures, which are characterized by the lack of a common vision among those who make decisions on matters of infrastructure, transport and logistics and by the absence of coordination and integration of policies and investments that target these sectors, create cost overruns and inefficiencies that hamper the region's economic and social development. This assessment, as well as the need to implement integrated public policies that consider and encourage interaction among infrastructure, transport and logistics, have been widely analysed and disseminated to representatives of the public and private sectors of Argentina, Colombia, Guatemala, Panama, Paraguay and Peru by the Infrastructure Services Unit (USI) in a variety of forums. On this occasion, the particular case to be analysed was that of Chile where, in late 2009, USI held the workshop, "Toward an integrated transport policy: institutions, infrastructure and logistics". The purpose of the workshop was to analyse Chile's experience in formulating transport policy and to consider the challenges involved in formulating and executing integrated policies.

This document reports on the dialogue that took place in the workshop and publishes the review of the meeting held in the Salón Ejecutivo of ECLAC on 30 November 2009. Active participants in the event included the under-secretaries of transport, public works and planning, as well as other distinguished officials of the Ministry of Public Works (MOP), the Ministry of Transport and Telecommunications (MTT), the Ministry of Planning (MIDEPLAN), the Executive Secretariat of Transport (SECTRA), as well as other bodies involved in this issue.

This edition of the FAL Bulletin presents a summary of the major outcomes of the workshop, "Toward an integrated transport policy: institutions, infrastructure and logistics", which was organized by the ECLAC Infrastructure Services Unit, in late 2009. The objective of the event was to analyse the various government bodies involved in the transport sector, Chile's experience in formulating transport policy and the challenge that formulating and executing integrated policies entails.

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UNITED NATIONS

ECLAC

I. The role of infrastructure and transport services in economic and social development

Ricardo J. Sánchez, Chief of the ECLAC Infrastructure Services Unit, presented the “state of the art” of current debate on transport policy implementation and how it relates to economic and social development. He stated that there is broad consensus, both theoretical and empirical, about the beneficial effects the creation and improvement of physical infrastructure have on economic growth if transport policies are properly implemented. He also underscored that deficits in infrastructure and the failure to provide efficient transport services not only have negative economic effects on society, but also disrupt the equity and social integration of our region and of each of our countries.

Mr. Sánchez added that Latin America shows significant shortcomings in providing transport infrastructure services, which could seriously curb its competitiveness in trade and its future development. These shortcomings in the provision of infrastructure in Latin America, both in terms of quantity and quality, are exacerbated by the dissociated manner in which the State develops infrastructure and operates transport services that utilize it. The absence of a common vision of the issues and the lack of integrated and coordinated policies thwart the efficient delivery of goods and services that are of public interest and essential to the economic and social development of our region. Moreover, transport policies are usually analysed and implemented unimodally, to the detriment of national competitiveness and each country’s internal logistics.

Mr. Sánchez maintained that in order to achieve sustainable economic and social development, it is essential that the governments of Latin America and the Caribbean improve and strengthen their institutions. Public-private cooperation must increase, through modern regulatory frameworks that maintain a balance among planning, evaluation, capacity and investment maturities. And the main focus of these frameworks should be integrated economic development wherever infrastructure is involved; financial aspects should not be the sole consideration in decision-making.

To accomplish this, the Infrastructure Services Unit has posited the need to transition from transport policies that are unimodal in orientation to policies that integrate infrastructure, transport and logistics that conceive of these three elements as a holistic system. Gabriel Pérez Salas and Georgina Cipoletta Tomassian, officials of the Infrastructure Services Unit, presented seven case studies (Germany, Colombia, South Korea, Spain, Finland, The Netherlands and the European Union) about the implementation of integrated transport policies. For each case they highlighted the policies developed, institutional solutions, problems encountered and other aspects. Several very important conclusions are drawn from these case studies.

First, in terms of **strategic aspects**, national policy must be conceived in an integrated manner and not as the sum of sector development plans. Policy planning and execution must not be done on the basis of the mode of transport, but rather as a function of how cargo is serviced, considering the productivity and competitiveness of the goods and services a country produces and commercializes abroad or domestically. The focus must prioritize advanced logistics over distribution logistics. Planning should be done with both a medium- and long-term global perspective through a participative process that is public-private and inter-institutional. Lastly, the development of a national policy on infrastructure, transport and logistics is a process of ongoing improvements, requires periodic modifications and which must consider the internal and external environments in which it is implemented.

Secondly, regarding the **political and organizational aspects**, it is essential that institutions be strengthened, that forums be created for dialogue and analysis, that coordination and cohesion be achieved within the government (a common vision). A principal agency must be established to serve as the visible head and to lead in the effort. Infrastructure must be planned in such a way that it serves productive development –to support existing and future productive centres. Council of advisors must be formed, in which all government ministries and institutions involved in the process are represented, but in which the private sector (the major generators and users of cargo), academia and NGOs are also present.

Third, regarding the **legal aspects**, integrated logistics and multimodal transport require modern legal frameworks and flexible structures; the establishment of a legal frame of reference that is clear, cohesive and condensed into a single legal body that will facilitate enforcement; policies that ensure coherence and consistency of national policies and enable synergistic outcomes; and the drafting of legislation that streamlines the logistics and transport of products, and not merely as a function of the mode by which they are transported.

II. The perspectives of the Under-Secretaries

The under-secretaries presented their perspectives of how cargo transport policy is currently operating in Chile, agreeing in their assessment of shortcomings in the current state of affairs and emphasizing the lack of coordination among the various public stakeholders involved.

There are four major public stakeholders in transport system of Chile: MTT is responsible for the sector's operations (transport policy and regulation); MOP is in charge of infrastructure construction and maintenance, both nationally and regionally; MINVU is responsible for urban planning, soil-use planning and regional regulation; and MIDEPLAN/SECTRA is responsible for developing methodologies and models for analysing transport systems. Additional intervening public stakeholders include the ministries of economy, finance, energy, environment, interior and the public port and railway enterprises of the State.

The perspective of Mr. Eduardo Abedrapo, Under-Secretary of Planning

Under-Secretary Abedrapo emphasized the State's recognition that inter-ministerial coordination is needed in the areas of planning, execution and management of infrastructure, as is a long-term vision of national development, for which a forum of dialogue, coordination

and harmonization of public and private interests would be beneficial.

He stated that there are several things the transport system requires. The planning process must take an integrated approach when viewing and analysing all elements and users. The system must be cohesive and pursue the efficient use of resources. To meet these objectives, Under-Secretary Abedrapo proposed the creation of an inter-ministerial commission for transport systems planning. This commission would be permanent and would function in a political-technical capacity, headed by the MTT. The objectives of the commission would be to formulate, evaluate and propose –using a systematic and multimodal approach– master plans and strategic projects for urban, rural and inter-urban transport systems, and to make decisions about the execution of projects and about gaps in the way the execution units are defined.

The perspective of Mr. Raúl Erazo Torricelli, Under-Secretary of Transport

Under-Secretary Erazo emphasized the opportunity at hand to make gains toward institutional policy-making that would make transport services more efficient and competitive to meet the requirements of economic development, ensure the efficiency of resources using an integrated and multimodal approach, ensure environmental sustainability and enhance the quality of service to users.

After laying out the institutional shortcomings of the transport system, he suggested the lines along which advances should be made: the creation of long-term institutions that plan and operate multimodal transport systems and resolve inadequacies in the laws and regulations that govern the various modes of transport. For this purpose, Mr. Erazo proposed a formal presidential-level coordinating body, an increase in the regulatory and oversight role of the State through a superintendence model, institutional strengthening of the MTT and, lastly, consideration of the regional dimension of transport institutions.

The perspective of Mr. Juan Eduardo Saldivia, Under-Secretary of Public Works

Under-secretary Saldivia presented an assessment of the major failures in providing transport infrastructure in Chile. First, in his judgement, there is a lack of coordination among the public stakeholders because of a lack of integrated visions. Second, there is a lack of incentive instruments to induce greater investment in sectors that have shown clear deficits (railways, cargo terminals, etc.). Third, the lack of integration and coordination in providing infrastructure for the transport system and in its operation has led to the underuse and inefficient use of infrastructure (delays in customs controls, limited hours at border crossings, poor service in terminals, and others). Lastly, political difficulties in implementing changes to national modal distribution have, for example, discouraged the development of coastal maritime and rail cargo transport, which increases the vulnerability of transport and diminishes competitiveness.

He also identified seven challenges Chile must address in order to engage in global markets: developing adequate infrastructure to handle growing foreign trade and a constant flow of people and cargo; promoting stronger logistical ties with Argentina, the Plurinational State of Bolivia, Brazil, Paraguay and Uruguay through increased investment in regional infrastructure that lowers the cost of logistics and transport; revising port legislation; and developing port policy that guides the sector and is adapted to the new international environment, such as maritime cargo mega-operators, for example; consolidating Chile's foreign trade logistical platform; improving integration of the southern reaches of the national territory; and diversifying connectivity in order to achieve nationwide integration.

He suggested that to meet these challenges, the State must address its failures in coordination, creating adequate incentives; the paradigm must shift from providing infrastructure to providing infrastructure services; the role of the state must be made explicit in the law and

regulations that are required for providing incentives for economic efficiency, developing efficient transport policy; and focusing on the development of an integrated transport and logistics system.

III. Transport planning: conceptual similarities and differences

During this panel, three ministerial representatives discussed the conceptual similarities and differences in transport planning, particularly in matters of budgets, planning horizons, macroeconomic scenarios used and the evaluation of final outcomes as compared with planned outcomes.

SECTRA

Mr. Eduardo Núñez, then-executive secretary of SECTRA, said that transport planning requires a systemic approach and integrated analysis of all elements and players, with a view toward the efficient use of resources.

There are two requirements to an integrated approach: the current way of dealing with sectors must change and institutions must be coordinated in a way that produces cohesive planning. Another important point to SECTRA is that transport modes must be complementary. He also stated that over the medium term, regional governments would assume more active roles in the transport infrastructure planning process, which would introduce a new player into the process and would require broader and better coordination among sectors.

Highway Department

Mr. Walter Brunning, Deputy National Director of Development of the Highway Department, stated that this department's mission is to improve connectivity among Chileans and between Chile and other countries of the

region. To fulfil this mission, planning is an increasingly important tool, a fact borne out in the weight given to studies and design as budget items.

Though the importance of planning is recognized, there are four other aspects that must be taken into account. First, the institutions involved in transport planning must be complementary. Second, the planning horizon must factor in dynamic scenarios –a feature that is increasingly present in current plans– recognizing the need to combine short- and long-term horizons. Third, the macroeconomic scenarios should be considered on the basis of standardized growth rates (those of MIDEPLAN, for example). And, fourth, there is a huge lag in ex-post assessments, which currently are non-existent.

Under-Secretariat of Transport

Mr. Álvaro Henríquez, chief of the Department of Studies, stated that the mission given to the Under-Secretariat of Transport and its strategic objectives have to do with inter-urban transport planning and logistics, which has hindered further development of planning at the sub-national level. The under-secretariat performs diagnostic studies of land and maritime cargo and crosscutting issues. The Department of Studies uses the findings of these studies to present policy proposals that would improve the energy efficiency of cargo transport, to prepare management handbooks that are posted on the ministry's website, legislative bills, proposals for new institutions (railways and maritime departments, for example), etc. The presentation concluded with a list of actions of coordination with other public agencies.

Major issues discussed during the session

The suggestion was made that an observatory of cargo transport and logistics be created which would provide ongoing data. The logistics sector was also discussed, as was the pertinence of having this sector regulated by the public sector.

IV. Institutional barriers and the implications of formulating integrated transport infrastructure and services policies

Though it was acknowledged during the session that there is a major need for policies to be coordinated, ECLAC emphasized throughout the session that coordination is merely one of the aspects that needs improvement and that one must not forget that the ultimate solution lies in the creation of a common vision and policies that are integrated and cohesive.

In the final panel, Michael Hantke shared some reflections on problems with policy coordination when it comes to concessions, which represent an institutional roadblock. The notion of coordination of public policies covers a range of situations, from organizations being aware of the activities of others so as not to duplicate tasks and/or interfere, to the existence of a superior and formal body that can devise this coordination. If left largely to the goodwill of the stakeholders involved, this could be seen as a chimera. In the case of concessions in Chile, though there is no formal government-level coordination, indirect coordination exists among the various agents involved. To achieve greater consistency (and sustainability) in this effort to coordinate among organizations, legislation could be created that formalizes and confers power upon this body.

Francisco Donoso, of MOP, stated that the experience of creating rules and regulations for legislative bills of the Ministry of Public Works implies coordination problems of its own. These challenges in coordination can be observed at the various stages, given the fact that there are a multiplicity of agents involved at each stage: in the process of designing policy; in planning and designing works; and, lastly, in the execution stages. The presentation ended with some tips on how to circumvent the obstacles to coordination, underscoring the fact that there is a paradigm shift in the MOP vision (from the builder of infrastructure to the infrastructure service provider), a shift that is contained in the legislation that governs MOP.



The final speaker in the workshop, Marcelo Farah, advisor to the Under-secretariat of Transport, stressed that coordination has become urgent. The current definitions of institutions make fragmentation inevitable, with overlapping duties and voids. He also drew attention to the lack of cohesiveness among the various public agencies involved (SECTRA, MOP and MTT) regarding projections, methodologies and evaluation scenarios.

V. Conclusions

Summarizing, the following were the major points of discussion on the issues of transport and infrastructure policies in Chile in recent years.

- An assessment of cargo transport policy in Chile reveals some shortfalls, most of which are related primarily to the lack of coordination among the various public stakeholders involved and differing visions among the various public agencies.
- This lack of coordination and integration of policies stands in the way of the efficient provision of goods and services that are of the public interest, which are essential to economic and social development.
- In order to bolster the support of infrastructure, transport and logistics, thereby achieving sustainable economic and social development in the country, it is essential that government institutions be strengthened and improved, with greater public-private coordination through modern regulatory frameworks whose main focus must be the integrated development of the



economy wherever infrastructure is involved, in order to provide more and better services to users, in a context that is economically, socially and environmentally sustainable.

- Such sustainability requires policy planning for infrastructure, transport and logistics that is global in its perspective, for the medium and long term, and that is consistent with the efficient use of resources.
- An integrated approach will require analysis that incorporates all elements in the mix, starting with changes to the current way of dealing with the sector. This means seeking efficient ways of having the various modes of transport complement one another and integrating this vision with advanced logistics, within a framework of coordination among institutions that will allow cohesive planning. To achieve this end, institutions must be strengthened, forums for dialogue and analysis must be created, and bodies of experts must be formed in which are represented ministries and government institutions involved in the process, along with the private sector, academia and NGOs.
- Among the major proposals presented in the workshop for achieving these objectives are those of creating a formal presidential-level coordination body and creating an inter-ministerial commission for transport systems planning. The latter body would formulate, evaluate and propose master plans and strategic projects for the transport system, using a systemic and multimodal approach. It was also posited that in order to gain greater cohesion and sustainability in coordinating organizations, legislation could be drafted that formalizes and confers power upon this body.
- Given that planning with a view toward integration of transport, infrastructure and logistics projects –both medium and long-term– must be accompanied by an ex-post evaluation mechanism that allows for follow-up on policies and the incorporation of timely modifications that engender ongoing improvements, the creation of an observatory of cargo transport and logistics was proposed. This observatory would provide appropriate data on an ongoing basis.