

TRENDS OF PUBLIC-PRIVATE PARTNERSHIPS IN LATIN AMERICA AND THE CARIBBEAN

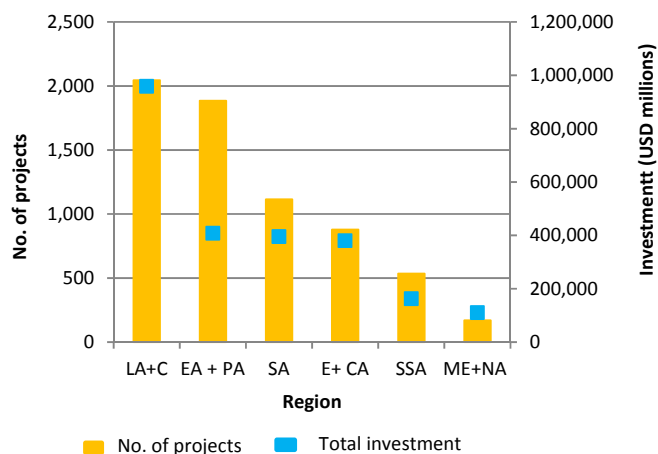
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1. INTRODUCTION

Infrastructure is a key driver of economic growth and prosperity. Research has shown the positive correlation between growth and infrastructure investment in Latin America and the Caribbean (LAC) (Calderón and Servén 2010). Yet, the divergence between the need for infrastructure and the ability of governments to deliver them continues to widen. Consequently, as the available funding from traditional resources and the capacity of the public sector to undertake them remain limited; many governments are now including public-private partnerships (PPPs) in their national development plans. The objective of this study is to assess recent PPP trends in Latin America and the Caribbean. In this sense, this study analyzes the overall PPP environment, readiness and capacity of 19 countries in the region to carry out sustainable PPPs by scoring key aspects for the successful implementation of a PPP. The data was obtained from the World Bank's *Private Participation in Infrastructure Database (PPI)* and the *Economist Intelligence Unit (EIU)*. Findings of this study will contribute to diffuse the limited knowledge about PPPs in LAC within the Japanese Civil Engineering community and will help private investors assess the PPP environment in the region to develop comprehensive business strategies.

2. GLOBAL OVERVIEW

The decomposition of PPP projects reaching financial closure in 135 low- and middle- income countries for the period from 1990 to the first half of 2015 is shown in Figure 1. This figure reveals that countries in LAC have been the leaders among developing regions in private participation for infrastructure development. During this time, the private sector alone has invested more than 2,000 million USD in LAC, about 50% higher than in emerging Asian economies, and more than five times as much as in Sub-Saharan Africa. Brazil alone captured 21% of the total global investment followed by India with 14%. Other leading countries capturing a large proportion of the total global investment include Russia, China and Mexico. Contrastingly, in terms of the total number of projects, LAC is also ranked as the region with the largest number of projects, followed by East Asia and the Pacific. On the other hand, in terms of country-level rankings, China has captured the majority of the global total with a total of 1,237 projects, followed by India, Brazil, Russia and Mexico.



Source: World Bank and PPIAF, PPI Project Database

LA+C= Latin America and the Caribbean, EA+PA= East Asia and Pacific, SA= South Asia, E+CA= Europe and Central Asia, SSA= Sub Saharan Africa, ME+NA= Middle East and North Africa

Fig. 1 Global decomposition of PPPs by region (1990-2015)

Furthermore, according to recent estimates by the World Bank, in 2015 the total investment commitments to private infrastructure projects totaled 25.3 billion USD, compared with 53.6 billion USD in 2014 (53% lower). This drastic decline was mainly driven by declining investments in traditionally large private participation markets.

3. PPPs IN LATIN AMERICA AND THE CARIBBEAN

3.1 PPPs by Sector

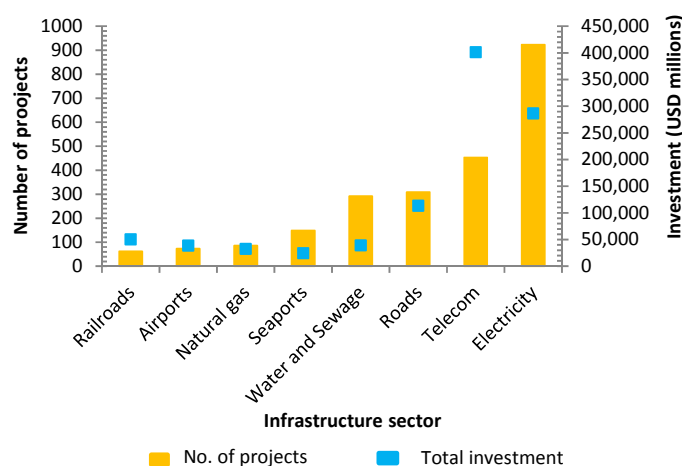
Figure 2 presents a sector-breakdown of the total number of projects that reached financial closure for 1990-2015. Statistics reveal a strong tendency of PPP projects in the electricity and telecom sectors (39 and 19% respectively). Conversely, railroad projects accounted for the least number of projects. In terms of the total investment amount, telecom projects captured the largest amount and seaports the least.

3.2 Scores of Key Areas for Project Success

The scores of five key areas for undertaking sustainable PPPs in LAC are presented in Figure 3. These scores comprise 19 indicators and evaluate the extent to which countries in the region are able to mobilize private investment for infrastructure development through PPPs. As a whole, the scores in all five categories have improved significantly since 2009, suggesting the improvement of their PPP-readiness.

Keywords: Public-private partnerships, Latin America and the Caribbean, infrastructure development

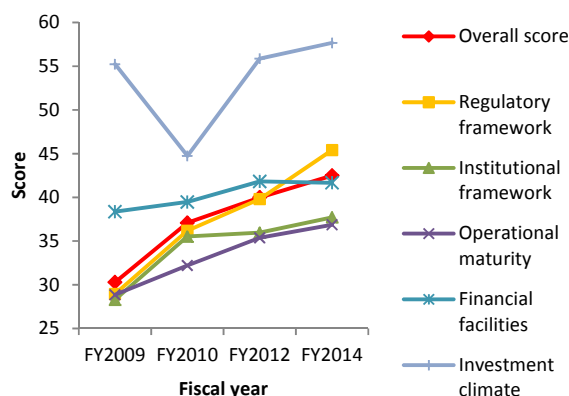
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Source: World Bank and PPIAF, PPI Project Database

Fig. 2 Decomposition of PPPs by sector in LAC (1990-2015)

The regulatory and institutional framework categories have experienced the most significant improvements as many countries in the region have updated their concession laws and set up PPP agencies or special units within existing institutions. Over time, the climate for private investment in infrastructure has also improved. However, financial facilities have had the slowest progress.

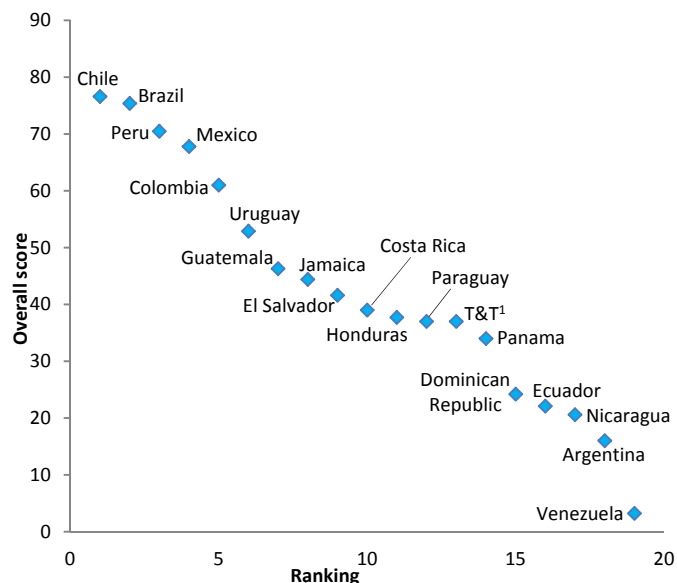


Source: Economist Intelligence Unit (2009, 2010, 2012, 2014)

Fig. 3 5-year trend of influencing factors for PPPs in LAC

3.3 Country Ranking and Overall Score

Figure 4 presents the country ranking and overall score of 19 countries across LAC. As illustrated, Chile is at the top of the ranking achieving 76.6 out of 100 points. Brazil is ranked in second place, followed closely by Peru in third place. Moreover, according to the Economist Intelligence Unit (Economist Intelligence Unit 2009, 2010, 2012, 2014), the PPP-readiness and capacity of a given country can be divided into four categories; namely: (1) *mature*: scores 80.0 to 100, (b) *developed*: scores 60.0 to 79.9, (c) *emerging*: scores 30.0 to 59.9 and (d) *nascent*: scores 0.0 to 29.9. In this sense, only 26% of the countries in this study are considered as having a developed PPP environment, whereas 47% of them are regarded as emerging and the rest (27%) as nascent.



¹T&T= Trinidad and Tobago

Source: Economist Intelligence Unit (2014)

Fig. 4 Country ranking of PPP environment in LAC (2014)

4. CONCLUSIONS

The vast infrastructure needs plus the constrained public financing in LAC suggests that PPPs are bound to play a fundamental role in the future. Although recent estimates reveal that the overall PPP environment in LAC has improved significantly, the region still faces many challenges linked to numerous decisive factors in PPP transactions such as administrative capacity, legal and regulatory framework. In response, it is believed that these deficiencies could be potentially tackled by establishing specialized PPP Units encompassing an ample scope of responsibilities such as developing, enhancing and implementing PPP policies, identifying potential projects, issuing call for bids, monitoring contracts, undertaking specialized trainings and providing assessment to the private sector among others.

5. REFERENCES

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