Key elements, tools and best practices for the development of **Public-Private Partnerships in Infrastructure**

A PRIORITIZATION TOOL FOR PUBLIC-PRIVATE PARTNERSHIPS IN ECONOMIC AND SOCIAL INFRASTRUCTURE PLANNING

Deloitte. IDB

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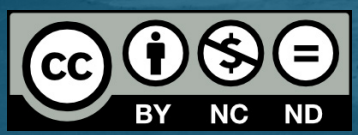

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BEFORE WE BEGIN

Throughout this document, a series of criteria and relevant issues are presented to guide a multi-sector prioritization process of Public-Private Partnership projects in economic and social infrastructure. Although the nature of the exercise is subjective, it is based on key elements and best practices identified in the regional and international context in project portfolio prioritization processes. In any case, the tool is not intended to be closed or static, but rather open and dynamic when analyzing projects, following criteria that are homogeneous among themselves, but that can be adapted over time through continuous learning. In this way, the objective is to present those dimensions that are considered most relevant for the analysis, that allow strengthening the infrastructure planning processes and the consequent decision making, and that can be adapted in the future to specific contexts (regulatory frameworks and institutional) for its application. That is, this document (and corresponding methodological proposal) must be understood as a set of technical and strategic issues to consider and adapt to each specific context.

MOTIVATION

Latin America and the Caribbean have a huge and growing infrastructure gap, which is evident (to a greater or lesser extent) in each and every one of its component sectors: roads, ports, hospitals, airports, education, administration, energy, as well as the provision of water, sanitation, parks and public spaces, among others. The most recent estimates show that in economic infrastructure sectors alone, these needs could reach USD 2,220,740 million by 2030 in order to achieve the Sustainable Development Goals (IDB, 2021) - this figure does not take into account the tremendous social infrastructure needs exacerbated by the impact of COVID-19. Given that every dollar invested in infrastructure can generate between $2-4 dollars of output, (IDB, 2020; World Bank 2019), and the high costs of underinvestment in maintaining existing assets and developing new ones - according to IDB estimates, up to 10% of GDP over 15 years (IDB, 2019) – investing in infrastructure has gone from being a necessity to a basic requirement for economic development.

In addition to this investment gap, there are two equally or more relevant dimensions, which are both cause and consequence of the previous one: efficiency and quality. Inefficient infrastructure development is reflected in a lower asset supply than necessary, and therefore in the provision of infrastructure services of insufficient quality. IDB studies show that one out of every two dollars earmarked for infrastructure development in Latin America and the Caribbean is wasted (IDB, 2019) and how the region could save up to 1% of regional GDP by bringing cost overruns and delays (for example) to international standards (IDB, 2020). To put this figure in perspective, total annualized investment needs slightly exceed 3% of LAC's annual GDP, so much of the gap could be closed through more efficient public investment, resulting in more and better assets and quality services - according to the World Economic Forum (2020), the quality of infrastructure in Latin America and the Caribbean lags behind all regions of the world except Sub-Saharan Africa.

While greater efficiency in public spending is key, this sector alone will not be able to close the huge investment gap. The active participation of the private sector is key, not only to provide the necessary resources to invest, but also because of its potential for efficiency and innovation. In the area of infrastructure, Latin America and the Caribbean has extensive experience incorporating the private sector through different modalities. However, it is the world's leading developing region in terms of private participation in infrastructure, with close to USD 730 billion in the last thirty years (PPI, 2022). Eighty-six percent of this investment has been made through PPP schemes, those are, *long-term contracts between a public party and a private party for the development and/or management of a public asset or service, where the private party bears si gnificant risk and management responsibility for the life of the contract, and remuneration is linked to the performance and/or demand or use of the asset or service* (PPP Reference Guide for Multilateral Development Banking, 2020).[1]

1. Henceforth, this is the definition of PPP considered throughout the document.

One of the keys to a greater, more efficient and sustainable attraction of private participation in infrastructure is to generate a portfolio of well-prepared projects that respond to the interests of the population (good, efficient and sustainable projects in all their dimensions[2]) and that, at the same time, result in a more efficient and sustainable development, i.e., attractive to the private sector.

The recent Infrascope 2021/2022 shows how sustainable project preparation is one of the main bottlenecks for PPPs in the region, together with their ability to measure project impact and performance. Proper infrastructure planning is therefore not only a fundamental exercise to ensure public interest, transparency and efficiency in decision making, but it is also the best possible strategy for a sustainable attraction of the private sector.

The concept of infrastructure planning is broad. It involves the identification of investment needs (gap calculations), existing resources (public and private) to meet these needs, as well as strategies for their development. The development of multi-year and multi-sector infrastructure plans requires action strategies for their implementation. Considering that investment needs are always greater than the existing resources for their development, it is essential to design mechanisms that allow the plans to be implemented, evaluate different dimensions of the projects, and establish a series of criteria to align needs with resources, priorities, and timeframes.

Latin America and the Caribbean has a huge deficit of prioritization strategies that allow for the implementation of infrastructure plans (when they exist). In fact, according to the Infrascope 2021/2022, only four countries in the region have some kind of project prioritization strategy with clear rules for PPP projects, as well as traditional public works (TPP).[3]

2. Throughout the document, the concept of sustainable infrastructure that applies is one that values beyond the environmental and social components, and includes institutional, economic-financial and particularly fiscal sustainability. For further reference, see the IDB's Sustainable Infrastructure Framework. https://publications.iadb.org/en/attributes-and-framework-sustainable-infrastructure

3. It is important to mention some previous efforts in the region that have involved the development of workshops and multisectoral prioritization exercises. 1. Evaluation of proposals from the Municipalities of Mexico (2013): a joint initiative of the Multilateral Investment Fund of the Inter -American Development Bank (MIF/IDB) and the Tecnológico de Monterrey, which developed a tool for subnational projects that evaluates, selects and prioritizes public investment project proposals of interest to the municipality to be promoted as PPPs. 2. Prioritization of projects in Peru (2016): a study of the projects included in the portfolio of PROINVERSION (Private Investment Promotion Agency in Peru) was carried out and a selection and prioritization tool was developed, with the aim of homogenizing the eligibility process, adapting the volume to the real structuring capacities, choosing those projects that generate greater social profitability and prioritizing those that require less co-financing by the State. 3. Prioritization tool for the State of Mato Grosso, Brazil (2017): with support from the IDB, a portfolio of sustainable infrastructure projects that can be developed as PPPs for the State of Mato Grosso was prepared, for which a project prioritization tool was created for the State. This support was followed by the implementation of a similar methodology, which is the basis for the one presented here, which was applied in IDB workshops in the cases of Paraguay and Tobago (Trinidad and Tobago). 4. Identification and selection of PPP projects in four Central American countries: El Salvador, Honduras, Guatemala and Nicaragua (2017) with support from the World Bank, an analysis of potential PPP projects was carried out, with the objective of identifying and selecting those that could be attractive to be addressed as PPPs in the region, which are subsequently evaluated in order to prioritize them. 5. Project evaluation in Argentina (2018): with support from the World Bank, 2 project evaluation tools were developed with the objective of increasing public investment and having a quality infrastructure supply. To this end, a first tool was developed to select those projects that meet the minimum criteria required to be developed under PPP through the "Pass - Fail" method and a second tool that allows the prioritization of these projects.

Figure 1. Project prioritization strategies in Latin America and the Caribbean

Source: Own elaboration based on The Economist Impact – IDB (2021,2022).

The purpose of this document is to generate and organize a series of criteria that may be useful for prioritizing multisectoral portfolios of PPP projects, taking into account elements such as the degree of technical maturity of the projects, their interrelation with other projects, the risks involved and whether these are easily mitigated, the budget demand involved, the project's capacity to generate income, the impact on employment, the need to develop or modify specific regulations, which could imply a delay, the acceptance of the project by society, among others. As will be detailed below, this list of factors and the weighting applied to each one may change over time depending on the objectives pursued by the country through the development of its infrastructure, so the proposed prioritization exercise should be understood as a set of best practices to be considered, and to prioritize some criteria over others depending on the specific needs of each country (Suárez-Alemán et al, 2021). In other words, the proposed prioritization exercise aims to identify the issues and categories to be considered in a prioritization exercise, and proposes scenarios (weights) for their application, which can be revised in each case, but always applied identically for a given set of projects.

This tool allows, from a profile phase, the analysis, selection and prioritization of those projects under the PPP scheme considered as preferential according to a series of predefined criteria of a socioeconomic, socio-environmental, financial, institutional, technical, fiscal and regulatory nature, with the aim of homogenizing the process of analysis, selection and prioritization of projects to be developed and adjusting the number of projects to the real capacities of the public entity in question. In this profile phase, the information available is very limited, it is usually qualitative and normally comes from secondary sources, since detailed studies have not been carried out and there is no precise description of the business model and infrastructure under analysis. However, in order to standardize the information needed to perform the analysis, it is recommended that a Project Profile be prepared that includes:

Project identification: preliminary, non-detailed description of the project, including its possible geographic location and area of influence and main characteristics.

Sector of action and responsible public administration: description of the sector of action in which the project is framed and of the administration responsible for its development.

Initial estimate of cost and revenue structure: approximation of the possible costs of the project, especially the initial investment and, if available, approximation of the operating costs and the possible revenue generating capacity of the project.

Preliminary analysis of socio-environmental aspects: preliminary identification of the main socio-environmental aspects that may affect the project.

Preliminary analysis of legal aspects: identification of the applicable legal and regulatory framework and preliminary analysis of the project's compliance with such regulations.

Preliminary risk analysis: preliminary identification and pre-assignment of the most common risks that, in general, may affect the type of project in question.

Although it is recommended that this tool be used from a very early stage, it can also be used in later phases for possible updates to the portfolio of projects to be developed. In this way, governments are expected to increase their public investment, strengthen private sector participation in the financing and development of projects through the strengthening of various institutional and regulatory aspects and, therefore, reduce the public infrastructure gap, with the consequent impact on the economic and social development of the region.

METHODOLOGY

It is necessary to take into consideration that the development of a PPP project is a complex process, in which time and resources must be invested, involving both the staff of the contracting Administration and other government agencies, as well as specialist advisors in various fields. For this reason, it is essential for the corresponding Administration to have defined its goals, the needs of the population and the strategy to be followed to meet them. It must also evaluate the social, environmental and economic benefits that the project will generate for the community.

When analyzing infrastructure projects susceptible of being executed as PPPs, the corresponding Administration must meet minimum eligibility requirements to verify that the project meets the reference conditions to move forward with its development as a PPP. This first eligibility analysis is proposed as an elimination analysis, which seeks to avoid allocating resources to the development of a project that, from the outset, does not meet the minimum requirements necessary to be executed under the PPP modality.

After this eligibility analysis, and in case it is considered eligible, the project must be analyzed for comparison and prioritization purposes, with the objective of prioritizing those projects that meet the characteristics considered as "most desirable" for the purpose of being developed as PPP. In this way, the result of the analysis serves as a basis for defining a portfolio of PPP projects for the short (highest priority), medium and long term (lowest priority).

In view of the above, the methodology presented is based on a multi - criteria analysis whereby the project in question is evaluated based on the combination of different features and prioritized according to dimensions, categories and criteria

that evaluate several characteristics considered desirable for the development of infrastructure in PPPs.

Thus, the proposed prioritization exercise makes it possible to select and prioritize those projects that meet a series of criteria of an institutional, technical, legal, financial, socioeconomic, value-for-money and sustainability nature.[4]

To this end, the proposed prioritization exercise allows for two types of analysis, previously mentioned:

Eligibility analysis: its main objective is to evaluate whether the project can be developed under a PPP scheme. If the project is considered eligible, the analysis continues. If not, the analysis ends and the project cannot be taken into account for comparison purposes. This analysis is carried out through the application of a series of eligibility criteria (legal feasibility, fiscal feasibility and minimum project size), as described in detail in section 5.1 "Eligibility Criteria".

Project selection and prioritization analysis: allows the identification, selection and ranking of projects and the definition of a PPP portfolio. This is done after the eligibility process to prioritize projects that meet the characteristics considered desirable, which are represented through prioritization criteria (legal complexity, technical complexity, land release or availability, measurability, advantages and limitations of TPW versus PPP, level of risk transfer, etc.), which are described in greater depth in section 5.2 "Prioritization Criteria".

In addition to the eligibility and prioritization criteria, a number of other criteria have been defined as **additional relevant criteria.** These criteria have been separated, not because they are considered less relevant, but because it is believed that they do not condition the priority of the project. These additional criteria do not depend on the characteristics of the project, but on the circumstances. For example, one of the additional relevant criteria will be the degree of maturity of a project, which does not depend on the characteristics of the project and can be altered if the government so decides. Criteria related to fiscal impact have also been included in this category, since the prioritization of projects is not to be influenced by issues related to the amount of public resources required for their implementation. In other words, the aim is to avoid prioritizing one project over the other when faced with two projects with good characteristics to be developed as PPPs, simply because they require fewer public resources.

As mentioned above, this Tool has been developed with the objective of identifying, selecting and prioritizing those projects that are susceptible to be developed as PPPs, so it is not advisable to use it to evaluate other types of public investment schemes that do not fit into this modality.

4. For the purposes of this manual, "sustainable infrastructure" development should be understood as "infrastructure projects that are planned, designed, built, operated, and decommissioned, ensuring economic-financial, social, environmental, and institutional sustainability throughout the project life cycle" (IDB 2019. *Attributes and framework for sustainable infrastructure)*.

In order to facilitate the evaluation and identification of eligibility, selection and prioritization concepts by the responsible Public Entities, a classification was prepared based on three different levels: 1) Dimensions; 2) Categories; and 3) Criteria:

> **From three standpoints, the dimensions typify the project in its preparation, impact and sustainability (Prioritization Criteria), in addition to representing the overall magnitude affected by each criterion, respectively.**

- **Project preparation:** The structuring process of a project is evaluated from a technical/legal point of view, its potential economic and operational efficiency, as well as its bankability.

- **Project impact:** The effects of the project on inclusiveness, poverty, local industry (including small and medium-sized enterprises) and employment generation are analyzed. In addition, the potential for replicability of the model and the inclusion of innovations are estimated.

- **Project sustainability:** In addition to considering traditional components such as social and environmental sustainability, a holistic view is taken that incorporates institutional components.[5]

In addition, in order to complement the classification of projects, specific circumstances that favor or limit their development are considered based on additional relevant criteria:

1. The categories are a subset of the dimensions and refer to the specific magnitude that each criterion impacts.

2. The criteria assign values to each category according to the degree of least to greatest desirability, or importance for prioritization. For each of them, 4 response indicators are defined that reflect the degree of compliance according to the following scores: 1 (low degree of compliance), 2 (medium-low), 3 (medium-high) and 4 (high).

- **Fiscal sustainability:** The project's capacity to generate revenues and the impact on public finances is measured.

- **Project maturity:** The level of progress of the technical, legal and economic-financial work is identified.

In addition to the values assigned to each category (1, 2, 3 and 4), weightings can be assigned from lowest to highest (1, 2 or 3). Through them, it is possible to reflect the strategy of the country where the project is developed.

5. According to the definition of sustainability used by the IDB, fiscal sustainability should also be incorporated; however, this concept will be evaluated within the additional relevant criteria.

- In order to make it easier for the different agencies to apply the appropriate weighting, two different country profiles have been defined. In this sense, countries with more experience in the development of PPP projects are usually more likely to prioritize certain characteristics than countries with less experience, which would have more difficulties to carry out, for example, the implementation of innovative projects, due to the greater complication inherent to this type of projects.

- These weightings should be taken as a recommendation. Therefore, the different governments can change them and, in this way, prioritize those projects that best comply with the provisions of their respective national and sectoral strategies.

The recommended weighting for each criterion is included in the tables below. The profiles defined are:

> **Standard profile:** the same weighting (2) is applied to all criteria, so that no aspect or characteristic of the project in question is prioritized or discriminated against. This profile is intended to reflect the neutral nature of the proposed prioritization exercise as it is not based on any kind of strategy or plan.

> **Beginner Country Profile:** applies to those countries that do not have a solid experience in the development of PPP projects, as they have not executed enough projects under this modality, do not have a specific legal or institutional framework for the execution of PPP projects or, if they do, it is not sufficiently robust.

> **Experienced Country Profile:** applies to those countries that have long experience in the development of PPP projects in various sectors, there is an *ad-hoc* legal and institutional framework for private participation in infrastructure development, and the government has sufficient capacity to enforce laws and regulations. Examples of countries with experience in the use of PPPs are Brazil, Chile, Uruguay, Colombia, Peru, Panama, and Costa Rica.[6]

6. This classification is based on the analysis contained in the IDB report "Assessment of the environment for public-private partnerships in Latin America and the Caribbean: the Infrascope 2021/22).

Table 1. Ranking of prioritization criteria[7]

Dimension: Project Preparation
Category: Technical/Legal
Criteria: Legal Complexity
Standard Profile: 2 **P. Beginner Country:** 3 **P. Experienced Country:** 2
Justification: Beginner countries do not have sufficient experience in the development of PPP projects, so the existence of legal complexities would represent an additional difficulty to the development of this type of projects. For this reason, it is recommended that in this type of countries, priority be given to those projects that present fewer legal difficulties, giving them a higher weighting.

Dimension: Project Preparation
Category: Technical/Legal
Criteria: Technical Complexity
Standard Profile: 2 **P. Beginner Country:** 3 **P. Experienced Country:** 1
Justification: Beginner countries do not have sufficient experience in the development of PPP projects, so the existence of technical complexities would represent an additional difficulty to the development of this type of projects. For this reason, it is recommended that in this type of country priority be given to those projects that present fewer technical difficulties.
Experienced countries have the necessary tools or knowledge to face possible technical difficulties. However, in contrast to the criterion of legal complexities, it is recommended that projects that present technical complexities, such as certain projects that incorporate technological innovations, should not be disadvantaged.

Dimension: Project Preparation
Category: Technical/Legal
Criteria: Release or availability of land
Standard Profile: 2 **P. Beginner Country:** 3 **P. Experienced Country:** 2
Justification: Beginner countries do not have sufficient experience in the development of PPP projects, so the unavailability of land or difficulties in the release process would pose an additional difficulty to the development of this type of project.

Dimension: Project Preparation
Category: Potential economic and operational efficiency
Criteria: Measuring capacity
Standard Profile: 2 **P. Beginner Country:** 3 **P. Experienced Country:** 2
Justification: The ability to measure the availability and quality of service is a relevant factor for the optimal development of infrastructure projects, and is more relevant for Beginner countries that do not have the necessary experience that would allow them to take advantage of lessons learned in other projects in this regard. Therefore, it is assigned a higher weighting.

7. Chapter 5. "Definition of criteria" describes and justifies in detail the dimensions, categories and criteria and clarifies the information to be captured by their application.

Dimension: Project Preparation
Category: Potential economic and operational efficiency
Criteria: Advantages and limitations of TPW vs. PPP
Standard Profile: 2 **P. Beginner Country:** 3 **P. Experienced Country:** 2
Justification: Having evidence of cost and schedule overruns that recommend the use of the PPP scheme for project development is more relevant in Beginner Countries than in Experienced Countries that recommend the use of the PPP scheme for project development is more relevant in Beginner Countries than in Experienced Countries, precisely because the lack of experience in PPPs makes it necessary to justify with evidence the need to implement more efficient contracting schemes.

Dimension: Project Preparation
Category: Potential economic and operational efficiency
Criteria: Provision of services
Standard Profile: 2 **P. Beginner Country:** 3 **P. Experienced Country:** 2
Justification: Having evidence of improvement in the provision of services that recommends the use of the PPP scheme for project development is more relevant in Beginner Countries than in Experienced Countries, precisely because the lack of experience in PPPs makes it necessary to justify with evidence the need to implement more efficient contracting schemes.

Dimension: Project Preparation
Category: Potential economic and operational efficiency
Criteria: Risk transfer level
Standard Profile: 2 **P. Beginner Country:** 2 **P. Experienced Country:** 2
Justification: Although Experienced Countries will have better tools and knowledge for risk sharing, proper risk transfer is a relevant factor when developing a PPP project in both Experienced and Beginner Countries.

Dimension: Project Preparation
Category: Bankability
Criteria: Investor's interest
Standard Profile: 2 **P. Beginner Country:** 3 **P. Experienced Country:** 2
Justification: In general, more and better sources of financing are available in Experienced Countries than in Beginner Countries, so in the latter it is essential to prioritize projects that do not present difficulties in terms of bankability.

Dimension: Project Preparation
Category: Bankability
Criteria: Special financing conditions
Standard Profile: 2 **P. Beginner Country:** 3 **P. Experienced Country:** 2
Justification: In addition to traditional financing, projects can access diverse financial instruments, which often result in better financing conditions and improved financial viability of the project. In Experienced Countries, this type of private financing is more common than in Beginner Countries, where access to this additional source can make a difference for the development or not of the project.

Dimension: Project Impact
Category: Socioeconomic
Criteria: Impacts on poverty
Standard Profile: 2 **P. Beginner Country:** 1 **P. Experienced Country:** 3
Justification: Experienced countries tend to have more developed/robust pre-investment processes that allow them to conduct a more detailed impact analysis of projects and thus select those that will have a positive impact on vulnerable groups. Although the inclusion of this type of analysis is encouraged to ensure the best use of public resources, it is understood that it will be more difficult for Beginner Countries to comply with these requirements, therefore, a lower weighting is given.

Dimension: Project Impact
Category: Inclusiveness
Criteria: Gender equality
Standard Profile: 2 **P. Beginner Country:** 1 **P. Experienced Country:** 3
Justification: Experienced countries tend to have more developed/robust preinvestment processes that allow them to conduct a more detailed impact analysis of projects and thus select those that will have a positive impact on vulnerable groups. Although the inclusion of this type of analysis is encouraged to ensure the best use of public resources, it is understood that it will be more difficult for Beginner Countries to comply with these requirements, therefore, a lower weighting is given.

Dimension: Project Impact
Category: Inclusiveness
Criteria: Indigenous populations
Standard Profile: 2 **P. Beginner Country:** 1 **P. Experienced Country:** 3
Justification: Experienced countries tend to have more developed/robust preinvestment processes that allow them to conduct a more detailed impact analysis of projects and thus select those that will have a positive impact on vulnerable groups. Although the inclusion of this type of analysis is encouraged to ensure the best use of public resources, it is understood that it will be more difficult for Beginner Countries to comply with these requirements, therefore, a lower weighting is given.

Dimension: Project Impact
Category: Additional future projects
Criteria: Replicability potential
Standard Profile: 2 **P. Beginner Country:** 3 **P. Experienced Country:** 3
Justification: The replicability potential of a project is key, as it facilitates the development of future projects and results in cost savings. Therefore, it is very important to prioritize replicable infrastructure programs or projects.

Dimension: Project Impact
Category: Innovation
Criteria: Inclusion of innovative elements
Standard Profile: 2 **P. Beginner Country:** 1 **P. Experienced Country:** 3
Justification: In Experienced Countries, which have sufficient experience in the development of PPP projects and have the necessary capacity and tools for their execution, it may be relevant to prioritize projects that include innovative elements and/or creative solutions that optimize the PPP model, although this may add technical complexity to the project.
However, in Beginner Countries, the skills and knowledge in the development of PPP projects are not well established, so it is not advisable to prioritize projects that include innovative components and that may imply an additional complication in the execution of infrastructure.

Dimension: Project Impact
Category: Business framework
Criteria: Involvement of local industry, SMEs and formal employment generation
Standard Profile: 2 **P. Beginner Country:** 3 **P. Experienced Country:** 3
Justification: Regardless of the country's experience in the development of PPP projects, the execution of infrastructure that has the greatest possible positive economic impact on the area where it is developed is a relevant factor when analyzing projects, since it generates greater wealth and/or development of the area.

Dimension: Project sustainability
Category: Institutional sustainability
Criteria: Strength of the institutional framework
Standard Profile: 2 **P. Beginner Country:** 3 **P. Experienced Country:** 2
Justification: In Beginner countries, it may be advisable to prioritize the development of projects by public entities that have defined solid institutional frameworks that allow for efficient inter- and intra-institutional coordination, as this facilitates project implementation. This is due to the fact that emerging countries will have less experience in coordinating the different actors involved in the process of structuring, bidding and monitoring a PPP project, which is crucial for the success of the project.

Dimension: Project sustainability
Category: Institutional sustainability
Criteria: Institutional capacity
Standard Profile: 2 **P. Beginner Country:** 3 **P. Experienced Country:** 2
Justification: In Beginner countries, it may be convenient for public entities that have a unit/team specially assigned to the project and with the necessary capabilities to develop the project, since it facilitates project execution, knowledge acquisition and the development of best practices for future projects.

Dimension: Project sustainability
Category: Institutional sustainability
Criteria: Previous experience of the public entity
Standard Profile: 2 **P. Beginner Country:** 1 **P. Experienced Country:** 2
Justification: With regard to the criteria of strength of the institutional framework and institutional capacity, although it may be more interesting for the project to be developed by public entities that have PPP units/teams in Beginner Countries, which may reflect the experience of the administration, public entities that do not have experience in the development of PPP projects should not, however, be disadvantaged.

Dimension: Project sustainability
Category: Institutional sustainability
Criteria: Alignment with strategic objectives
Standard Profile: 2 **P. Beginner Country:** 2 **P. Experienced Country:** 2
Justification: Standard criteria independent of country experience.

Dimension: Project sustainability
Category: Institutional sustainability
Criteria: Availability of resources to fund the structuring of the project
Standard Profile: 2 **P. Beginner Country:** 3 **P. Experienced Country:** 3
Justification: Regardless of the country's experience, having the necessary resources to fund the structuring of a project is a critical factor for its development.

Dimension: Project sustainability
Category: Social sustainability
Criteria: Social acceptance
Standard Profile: 2 **P. Beginner Country:** 2 **P. Experienced Country:** 2
Justification: Standard criteria independent of country experience.

Dimension: Project sustainability
Category: Social sustainability
Criteria: Socioeconomic profitability
Standard Profile: 2 **P. Beginner Country:** 2 **P. Experienced Country:** 2
Justification: Standard criteria independent of country experience.

Dimension: Project sustainability
Category: Environmental sustainability
Criteria: Environmental sustainability
Standard Profile: 2 **P. Beginner Country:** 3 **P. Experienced Country:** 3
Justification: This criterion is critical for achieving the Sustainable Development Goals, so it is necessary that projects in both Experienced and Beginner Countries are structured taking it into consideration.

Dimension: Project sustainability
Category: Environmental sustainability
Criteria: Climate change
Standard Profile: 2 **P. Beginner Country:** 3 **P. Experienced Country:** 3
Justification: This criterion is critical for achieving the Sustainable Development Goals, so it is necessary that projects in both Experienced and Beginner Countries are structured taking it into consideration.

Similarly, the additional relevant criteria have been further classified into 2 levels: categories and criteria, which follow the same guidelines as for the prioritization criteria.

Table 2. Ranking of additional relevant criteria

Category: Fiscal sustainability
Criteria: Self-sustainability
Standard Profile: 2 **P. Beginner Country:** 2 **P. Experienced Country:** 1
Justification: In Beginner Countries it is usually more interesting to develop PPP projects that generate sufficient revenue to be financially viable and do not require budget payments, which is not necessarily the case in Experienced Countries, which often give priority to promoting social infrastructure projects that require budget payments.

Category: Fiscal sustainability
Criteria: Fiscal impact and affordability
Standard Profile: 2 **P. Beginner Country:** 2 **P. Experienced Country:** 2
Justification: Standard criteria independent of country experience.

Category: Project maturity
Criteria: Technical studies available
Standard Profile: 2 **P. Beginner Country:** 1 **P. Experienced Country:** 2
Justification: In Experienced Countries it is more common to have projects with greater technical maturity than in Beginner Countries, so in the latter, projects that do not have technical studies should not be disadvantaged.

Category: Project maturity
Criteria: Legal studies available
Standard Profile: 2 **P. Beginner Country:** 1 **P. Experienced Country:** 2
Justification: In Experienced Countries it is more common to have projects with greater legal maturity than in Beginner Countries, so in the latter, projects that do not have legal studies should not be disadvantaged.

Category: Project maturity
Criteria: Economic-financial studies available
Standard Profile: 2 **P. Beginner Country:** 1 **P. Experienced Country:** 2
Justification: In Experienced Countries it is more common to have projects with greater economic-financial maturity than in Beginner Countries, so in the latter, projects that do not have economic-financial studies should not be disadvantaged.

DEFINITION OF CRITERIA

The proposed prioritization exercise proposes a comparative analysis that allows the selection and prioritization of those projects considered preferential based on a series of predefined criteria.

The objective, therefore, is to identify those projects that meet the minimum eligibility criteria and, subsequently, to select and prioritize those that also meet the predefined criteria to a greater extent.

ELIGIBILITY CRITERIA

It is first necessary to verify whether the project in question is eligible to be developed as a PPP, otherwise the project will be excluded from the analysis and will not be considered for prioritization purposes. Therefore, a project that is considered "Ineligible" to be executed as a PPP cannot be included in the comparative analysis until the corresponding criterion has been resolved.

LEGAL FEASIBILITY

For the correct development of a project, it is essential to verify that it is legally feasible, since current regulations or other legal aspects may hinder the development of the project, making it unfeasible. This avoids inefficient allocation of resources to the development of unfeasible projects.

It must be determined at an early stage if there is any insurmountable legal aspect that prevents the material execution of the project. To this end, the applicable regulations at the regional, state and municipal levels must be identified, which provide the legal framework for the project and make it possible to verify that the different legal criteria necessary for its development are met, such as the sectors of application of PPP projects, prohibitions related to the origin of the initiatives, etc.

FISCAL FEASIBILITY

In addition to legal feasibility, this criterion determines whether the project in question is fiscally feasible, i.e., it analyzes whether the corresponding public entity has a fiscal framework capable of preventing imbalances in the level of indebtedness and favoring the viability of the projects, guaranteeing sound public finances.

Therefore, the fiscal commitments that the project in question may involve in relation to the budget of the public entity must be analyzed, and justify that it has sufficient fiscal capacity to meet these commitments, if the project is developed as a PPP and the limits defined by the legislation of the country in question are complied with.

In the initial stages, there is usually not enough information to determine all the financial commitments that the project may entail for the public entity. Therefore, at this early stage, it is recommended that at least the firm commitments of the project be presented, for example, based on other similar projects, and that the fiscal space of the public administration be assessed for compliance. In some countries of the region, the PPP law establishes limits to the amount of firm and contingent payments to be committed in PPP contracts. The fiscal viability criterion aims, in those countries that have this limit, to review its effective compliance.[8]

MINIMUM PROJECT SIZE

This criterion seeks to determine whether the size of the project in question is sufficient to be developed as a PPP, since the country's regulations may set a legal minimum amount for the development of a PPP project[9] or in other cases, projects may be of insufficient size to offset the high structuring costs inherent to PPP projects, or substantially large, making project development difficult because they are not bankable or financially viable, which may make it inadvisable to implement them as PPPs, and they will therefore have to be developed through another contracting modality. As a general criterion, in the proposed prioritization exercise it has been considered that the minimum project size should reach USD 10m. However, the different country regulations may modify this limit, so the specific regulations of each country will have to be taken into account.

Smaller projects can be developed by including them in a program or portfolio of projects within the same contract (bundling).

PRIORITIZATION CRITERIA

The prioritization criteria, on the other hand, seek to favor the projects analyzed based on a series of weighted criteria.

8. For example, Paraguay's PPP Law (Law 5102/13) determines in Article 14 that the accumulated amount of firm and contingent liabilities, net of contingent revenues, calculated in present value may not exceed 2% of the gross domestic product (GDP) of the immediately preceding year. In addition, the law establishes that the pile assumed annually may not exceed 0.4% of the GDP of the immediately preceding year.

9. In Panama, the regulations set the legal minimum at US $15 million, while in Paraguay investment expenditures must exceed, in present value, the equivalent of 12,500 minimum monthly salaries for unspecified miscellaneous activities in the capital of the Republic.

PROJECT PREPARATION

This dimension evaluates the project structuring process from a technical/legal point of view, its potential economic and operational efficiency, as well as its bankability.

TECHNICAL AND LEGAL FEASIBILITY

LEGAL COMPLEXITY

DESCRIPTION

Prioritization criterion, within the "Project Preparation" dimension, which aims to determine whether there are any legal constraints that may hinder the development of the project.

JUSTIFICATION

In addition to verifying that the project is legally executable and that there will be no legal obstacles to its development, which is identified through the legal feasibility eligibility criterion, possible limitations must be analyzed from a legal perspective that may hinder the project, as they may cause cost overruns or delays that hinder the execution of the infrastructure.

Legal constraints include the need to make legislative modifications in order for the project to be developed, both when they are the responsibility of the public entity in charge of promoting the project and when these modifications are the responsibility of other government agencies, as well as when the implementation of the project would be affected by the contractual framework of other existing contracts and/or projects.

In this way, priority will be given to those projects that have a defined regulatory framework that does not require relevant changes or other modifications in order to implement the project.

WHAT INFORMATION IS BEING CAPTURED?

This criterion analyzes possible legal limitations and/or restrictions that could hinder its implementation.

LEGAL COMPLEXITY

SCORING AND EXAMPLES TO GUIDE ITS ASSIGNMENT

1 The project has legal limitations that make its execution very difficult, or require a change in the legal norms issued by governmental entities other than those implementing the project, or no legal analysis has been initiated to identify legal obstacles.

Example:

Scoring **1** when the Ministry of Education wants to develop through PPPs projects for the construction and maintenance of primary schools. The country has a PPP Law, but this would be the first project that requires availability payments (PPD) from the State. In order for the Ministry of Education to move forward with the project, the Ministry of Finance is required to amend the Budget Law so that availability payments can be included in the project. Although discussions have been held at high levels on the subject, the drafting of the draft amendment to the regulations has not yet begun, nor has the necessary subsequent flow of approvals.

2 The project has legal complexities, but these do not hinder its execution. However, such modifications require the authority responsible for the project to coordinate with other entities (governmental or external) for approval. This may result in delays in the development of the project.

Example:

Scoring **2** when the Ministry of Education wants to develop primary school construction and maintenance projects through PPPs. For the success of the project, it was identified as necessary to change the regulations for hiring non-teaching personnel so that they can be hired by the private sector without losing their benefits. The Ministry of Education understands and accepts the need for the modification, but this implies negotiating with the teachers' union. The Ministry of Education is working on a plan to communicate the decision and on the draft modification of the regulation, but talks with the union have not even begun. This negotiation is expected to be successful, but could mean delays in moving the project forward.

3 The project has legal complexities, but these do not hinder its implementation. The required regulatory changes can be made by the same entity responsible for the project. These legal complexities are not expected to delay the development of the project.

Example:

Scoring **3** when the approval of the project requires a legislative or regulatory change whose processing has been initiated and is in advanced stages for approval in a way that is not expected to hinder the implementation of the project. The Ministry of Education wants to develop primary school construction and maintenance projects through PPPs. For the success of the project, it was identified as necessary to change the regulations for hiring non-teaching personnel so that they can be hired by the private sector without losing their benefits. The Ministry of Education understands and accepts the need for the modification, but this implies negotiating with the teachers' union. To this end, the Ministry developed a communication plan for employees and the union that was successfully implemented, culminating in the signing of an agreement between the parties. The modification of the regulation is being drafted by the legal department of the Ministry and once finalized only requires the signature of the Minister who endorses the progress of the project.

4 Having carried out a legal analysis (at least at the prefeasibility level), the project presents no legal difficulties and there is no need for regulatory changes.

Example:

Scoring **4** when the Ministry of Education wants to develop primary school construction and maintenance projects through PPPs. The country has a PPP Law and has developed school construction projects in the past. No regulatory changes necessary to advance the project have been identified.

TECHNICAL COMPLEXITY

DESCRIPTION

Prioritization criterion, within the "PPP project preparation" dimension, which aims to determine whether there are technical complexities of design and construction, operation and maintenance that hinder the development of the PPP project. Likewise, the technical nature of the PPP project may also imply difficulties, during the structuring stage, in the definition, by the contracting public entity, of the service and performance requirements to be met by the private entity during the term of the PPP Contract.

JUSTIFICATION

The attractiveness of PPP projects for a private entity may be reduced or eliminated in those cases in which the service and performance requirements, defined by the contracting public entity, as well as the existence of complex technical specifications, to be reflected in the engineering design of the works, are not easily achievable and assumable by the private entity based on its capacity to manage costs and risks of cost overruns and delays; therefore, the technical complexity of the project could contractually establish a risk distribution that is not attractive to the private sector.

In cases where there are complex technical features that make it difficult for authorities and bidders to predict revenues and costs, given the requirements to meet ambiguous service and performance standards, and/or to quantify design and construction or operation and maintenance cost overrun risks, that the private entity is not willing to assume at a reasonable price, it may be more desirable to develop the public investment project through traditional public works, as long as the socioeconomic profitability analysis (Cost -Benefit or Cost -Efficiency), Eligibility, Value for Money and budgetary sustainability yield results that support this decision. The above, together with the high degree of uncertainty that the high technical complexity of the project may produce, increases, in turn, the probability of carrying out important renegotiations of the PPP contract.

WHAT INFORMATION IS BEING CAPTURED?

With this criterion, the level of technical complexity of the project is evaluated, with the objective of determining whether these characteristics could make the public investment project less attractive to the private sector in its financing and management under a PPP Contract. The existence of previous experience in the preparation and implementation of similar PPP projects is an important factor to consider since it allows to know the previous approval of the market.

TECHNICAL COMPLEXITY

SCORING AND EXAMPLES TO GUIDE ITS ASSIGNMENT

1

The PPP project presents a high degree of technical complexity in terms of engineering solutions, technical requirements and definition of service standards and performance evaluation. If the project has a high degree of technical complexity, it means that the engineering problems require technical solutions that are rarely, if ever, used by projects in the same sector.

Example:

Scoring **1** when a road project is developed in a mountain range with very rugged orography and very unfavorable geotechnical conditions, incorporating the construction of new structures such as tunnels, bridges, viaducts, etc. of large dimensions. For example, a road requiring several bridges, where very diverse solutions and unique resources (prefabricated beams, mixed multibeam structure, lightened slab, etc.) must also be used.

2

The PPP project has a medium-high degree of technical complexity in terms of engineering solutions, technical requirements and definition of service standards and performance evaluation. If the project has a medium-low degree of technical complexity it means that the technical aspects require solutions recently incorporated to projects in the same sector.

Example:

Scoring **2** when the project in question presents technical aspects with medium-high technical complexity, such as the development of a road project in a mountainous area that is not very hilly, incorporating the construction and/or modernization of viaducts and bridges with construction processes of medium complexity. Some of the technical solutions proposed for this project are derived from a previous building construction project, so the ideas need to be adapted to the road sector.

3

The PPP project has a medium-low degree of technical complexity in terms of engineering solutions, technical requirements and definition of service standards and performance evaluation. If the project has a medium-low degree of technical complexity it means that the technical aspects require solutions recently incorporated to projects in the same sector.

Example:

Scoring **3** when the project in question presents technical aspects with a medium-low degree of complexity, for example, the development of a road on a hillside terrain incorporating structures of medium complexity. This road is part of a package of projects in the sector and successful technical solutions have already been developed for similar terrain.

4

The PPP project has a low degree of technical complexity in terms of engineering solutions, technical requirements and definition of service standards and performance evaluation. If the project has a low degree of technical complexity it means that the technical aspects require solutions commonly used in projects of the same sector.

Example:

Scoring **4** when the project in question presents technical aspects with a low degree of complexity, as in the case of the development of a road project to be developed on a flat terrain, using the same technical solutions already implemented in other projects of similar characteristics.

RELEASE OR AVAILABILITY OF LAND OR PROPERTY

DESCRIPTION

Prioritization criterion, within the "Project Preparation" dimension, which aims to prioritize those projects in which the public entity owns the land/property necessary for the development of the infrastructure.

JUSTIFICATION

Historically, land release has been an obstacle to infrastructure development in Latin America and the Caribbean, generating substantial cost and schedule overruns. According to Suárez Alemán et. al. (2020), land conflicts can result in cost overruns of close to 80% of the total budgeted amount, environmental conflicts in a project can generate cost overruns of between 15% and 70%, and delays of 12 months to 13 years.[10]

WHAT INFORMATION IS BEING CAPTURED?

It is essential to verify that the Public Administration has the land or real estate necessary for the execution of the project. In the event that the land/real estate is not available, this fact may represent a considerable obstacle for the development of the project, which could result in higher costs and longer terms than those previously estimated.

10. Suárez -Alemán, Ancor, Caribe Mariana Silva Zúñiga, INERCO Consultoría Colombia (2020). Towards sustainable infrastructure through public -private partnership: diagnosis of environmental, land and social conflicts and recommendations for action in Latin America and the Caribbean.

RELEASE OR AVAILABILITY OF LAND OR PROPERTY

SCORING AND EXAMPLES TO GUIDE ITS ASSIGNMENT

1

The land/property is not available and the process for its release has not been analyzed.

Example:

Scoring **1** when the Municipality of City X wants to build through PPP a new building to centralize all its operations. However, no municipally owned land is available. Some vacant land has been identified in ideal locations for the project, but the owner(s) have not yet been identified and contacted for possible purchase by the municipality.

2

The land/property is not available, but the analysis has been performed to partially mitigate the risk of availability and cost overruns.

Example:

Scoring **2** when the Municipality of City X wants to build through PPP a new building to centralize all its operations. However, there is no municipally owned land available. Two vacant lots in good locations have been identified. An analysis has been conducted and information is now available to make a decision as to which land best meets the conditions of lowest cost, ease of land release and location. However, the decision and start of the release is still pending.

3

The project is developed on land or property whose release process is officially underway.

Example:

Scoring **3** when the Municipality of City X wants to build through PPP a new building to centralize all its operations. However, there is no municipally owned land available. Two vacant plots of land in good locations have been identified. An analysis has been carried out and the land that best meets the conditions of lowest cost, ease of land release and location has been chosen. Discussions with the owner of the land have been successful and a purchase agreement has been reached, with only the formalization of the purchase agreement remaining.

4

The project is developed on land or property owned by the public entity.

Example:

Scoring **4** when the Municipality of City X wants to build through PPP a new building where to centralize all its operations and it has an available land owned by the municipality in a good location, since it is connected to public transportation service and has commercial and real estate developments in the surrounding areas that minimize the risks of the project.

POTENTIAL ECONOMIC AND OPERATIONAL EFFICIENCY

CAPACITY OF DEFINITION, MEASUREMENT AND MONITORING OF SERVICE AVAILABILITY

DESCRIPTION

Prioritization criterion, within the "Project Preparation" dimension, which aims to determine the capacity of the contracting public entity to adequately define and monitor the service and performance requirements of a PPP project demanded from the private sector.

JUSTIFICATION

For a PPP project to develop satisfactorily and in line with the objectives of the contracting public entity that promotes it, it is necessary that the latter has the capacity to define the mechanisms to generate the measurement techniques applicable to the evaluation of the performance of the private entity in the provision of services and to determine, as consideration, the periodic payments to be made by the contracting public entity (non -tariffable) or the charging of tariffs to users (tariffable) and, if applicable, the respective adjustments or penalties, based on parameters that reflect the quality of the contracted services, as well as the evaluation methods and mechanisms.

This criterion is a critical factor for the success of a PPP project; therefore, it is necessary to clearly establish the service standards and performance requirements to be met by the private entity and the mechanisms for their evaluation and monitoring. These indicators must be specific, measurable, achievable, realistic and with a defined time horizon.

The service standards and performance indicators must be accompanied by a system of deductions/penalties linked to their degree of compliance. Finally, there is a direct relationship between the importance of this criterion and the degree of technical complexity of the project, so that the more complex it is, the more difficult it will be to define the indicators, which could negatively affect the attractiveness of private participation and, therefore, the viability of developing the project as a PPP.

WHAT INFORMATION IS BEING CAPTURED?

Identify whether the contracting public entity has the technical and institutional capacity and tools to monitor the PPP contractor's performance and measure whether the service provided is in accordance with the predefined quality and availability standards. The existence of previous experience in the preparation and implementation of similar PPP projects is an important factor to consider as it allows to know the previous approval of the market.

CAPACITY OF DEFINITION, MEASUREMENT AND MONITORING OF SERVICE AVAILABILITY

SCORING AND EXAMPLES TO GUIDE ITS ASSIGNMENT

1

There is no previous experience of similar PPP projects at the international level in the definition, monitoring and evaluation of service standards.

Example:

Scoring **1** when a transatlantic fiber optic cable laying project is to be developed as a PPP, and since it is a unique project, no similar national or international projects (size, sector, technical particularities, etc.) have been identified from which to extract such indicators, nor has a system of indicators and penalties been defined for this project.

2

There is previous experience of similar PPP projects at the international level in the definition, monitoring and evaluation of service standards.

Example:

Scoring **2** when the country wants to develop an urban solid waste project in a group of municipalities and a similar project (size, quality of treated water, applicable legislation, etc.) is identified in Europe, which has a system of indicators that can be used as a reference.

3

There is previous experience of similar PPP projects at national and international level in the definition, monitoring and evaluation of service standards, but weaknesses have been detected which, for the present project, will be complemented with successful international experiences.

Example:

Scoring **3** when the country wants to develop an urban solid waste project in a group of municipalities. The country has experience in the development of a similar project under PPP that has a system of indicators that can be used as a reference, but this experience had some problems at the time of applying penalties for noncompliance with indicators from which lessons were learned and are intended to be applied to this new project.

4

There is previous experience of similar PPP projects at the national level in the definition, monitoring and evaluation of service standards.

Example:

Scoring **4** when the country wants to develop an urban solid waste project in a group of municipalities that is part of a program that has been successfully implemented throughout the country. These projects have a system of indicators accompanied by a system of penalties that is being replicated in all projects since it has been working successfully.

ADVANTAGES AND LIMITATIONS OF TPW VS. PPP WITH RESPECT TO ITS INVESTMENT COMPONENT

DESCRIPTION

Prioritization criterion, within the "Project Preparation" dimension, which aims to check if there is evidence of cost overruns and delays during the construction period in previous projects either developed through TPWs or PPPs.

JUSTIFICATION

The preliminary analysis of advantages and limitations of PPP versus TPW is a key study in the process of structuring a project and allows to preliminarily identify the convenience of executing a project as a PPP versus executing it as a TPW in relation to the investment component. There are several reasons that could lead to cost overruns and delays in projects carried out through public works, such as deficiencies in project planning and preparation or corruption. It is understood that given the existence of evidence that identifies cost and time overruns in the execution of projects through TPWs, then the PPP option could introduce efficiencies that would avoid these problems. These efficiencies should derive, among others, from:

- Incentives during construction due to the difference between payment mechanisms that lead to avoid delays. In general, in TPW, payments are made on a progress basis versus in PPPs, where payments in most cases are made at the end of construction, when the infrastructure is in operation.
- The fact of grouping construction and maintenance activities in the same PPP contract creates an incentive to build a quality infrastructure, which means that resources are not wasted.
- In TPW, the private sector generally does not have much influence on the design of the infrastructure. In PPP, on the contrary, it is one of the activities in charge of the private sector, which not only can contribute innovative ideas, but also, the fact of looking at the business in the long term, makes it look for more efficient solutions, since its objective is to maximize profits.
- Also, greater involvement of the private sector in the project, coupled with the private sector's profit maximization motivation forces projects to be more efficient overall.

This first evidence will be validated during the subsequent structuring process through a Public-Private Comparator that will allow assessing whether the project generates Value for Money when developed as PPP versus TPW. In this sense, it is desirable to have databases (at national, regional or global level) that gather information about developed projects, allowing a better comparison between PPP and TPW modalities.

WHAT INFORMATION IS BEING CAPTURED?

Identify whether there is evidence of cost overruns and delays during the construction period in similar projects in the sector.

ADVANTAGES AND LIMITATIONS OF TPW VS. PPP WITH RESPECT TO ITS INVESTMENT COMPONENT

SCORING AND EXAMPLES TO GUIDE ITS ASSIGNMENT

1

There is no documented or quantifiable evidence of cost overruns or schedule non-compliance in similar projects developed under the traditional public contracting model.

Example:

Scoring **1** when a PPP road project is to be developed and there is no evidence of deviations in costs or deadlines during the construction period in the country or in the region in previous road projects executed as traditional public works.

2

Although there is no documented and quantifiable evidence for similar projects, it is possible to gather evidence of cost overruns and delays in the development of traditional public works in general in the country and/or international experience in the specific sector that indicates the advantages of carrying out the project as a PPP.

Example:

Scoring **2** although there is no documented evidence of highway projects developed by TPW that have presented cost overruns and delays, there is general evidence in the country of these problems in specific projects and, for example, newspaper articles can be found that mention cost overruns and delays in the construction of different public buildings, such as schools or hospitals.

3

There is documented experience of cost overruns and/or non-compliance with the schedule in similar projects developed under the general public contracting regime in the country and/or international experience in the specific sector that indicates the advantages of carrying out the project as a PPP.

Example:

Scoring **3** when a high traffic highway is to be developed between two densely populated cities and there is documented evidence of two road and highway projects developed by TPW that have had problems with cost and/or schedule overruns.

4

There is full documented and quantifiable evidence of cost overruns and schedule non-compliance in similar projects developed under the traditional public procurement model and there is also evidence of international experience in the specific sector that indicates advantages of carrying out the project as a PPP.

Example:

Scoring **4** when there is a database that collects information on all road and highway projects developed in the last 10 years indicating the value for which the project was bid and the actual value at the end of construction and indicating the estimated initial construction time and the final time it took and the reasons for such deviations.

ADVANTAGES AND LIMITATIONS OF TPW VS. PPP WITH RESPECT TO ITS OPERATION AND MAINTENANCE COMPONENT

DESCRIPTION

Prioritization criterion, within the "Project Preparation" dimension, which aims to check if there is evidence of cost overruns during the operation and maintenance period in previous projects either developed through TPWs or PPPs.

JUSTIFICATION

The preliminary analysis of advantages and limitations of TPW versus PPP is a key study in the process of structuring a project and allows to preliminarily identify the convenience of executing a project as PPP versus TPW with respect to the operation and maintenance component. Some of the limitations of TPWs versus PPPs with respect to operation and maintenance may derive from the lack of planning of maintenance activities and the lack of specific budget allocation, the procyclicality of this type of expenditure and the deficiency in the management of assets when they are exclusively under the control of the public sector. Evidence found by IDB studies show that in the transport sector, road subsector, road rehabilitation and maintenance contracts are between 25 and 30 percent lower than traditional public procurement methods (Perez et al. 2018).

For example, between 1992 and 2005 Peru spent seven times more on rehabilitating neglected roads than it would have cost for routine maintenance via private sector contracts (Pastor, 2020).

The case of Brazil can also be mentioned, where numerous contracts for the provision of operation, rehabilitation and maintenance services were developed with the private sector; the unit cost of rehabilitation works under service provision contracts has been between 25 and 35 percent lower than traditional rehabilitation costs signed in the same period, and unit maintenance costs have been 34 percent lower than conventional unit maintenance costs (World Bank, 2010), with the added factor that this modality allows generating more transparent contractual commitments for the adequate maintenance of roads. This first evidence will be validated during the subsequent structuring process through a Public Private Comparator that will allow assessing whether the project generates Value for Money when developed as a PPP versus TPW.

It is desirable to have databases (at the national, regional or global level) that collect information about developed projects, allowing a better comparison between PPP and TPW modalities.

WHAT INFORMATION IS BEING CAPTURED?

Identify whether there is evidence of cost overruns during the operation and maintenance period.

ADVANTAGES AND LIMITATIONS OF TPW VS. PPP WITH RESPECT TO ITS OPERATION AND MAINTENANCE COMPONENT

SCORING AND EXAMPLES TO GUIDE ITS ASSIGNMENT

1

There is no documented or quantifiable evidence of cost overruns in the operation and maintenance of similar projects.

Example:

Scoring **1** when the State has a history of operating and maintaining elementary schools through TPW, but no evidence of cost overruns has been collected in any way. The reason for this is unknown and may be because the operation and maintenance was done efficiently or because there is simply no record of such deviations.

2

Although there is no documented and quantifiable evidence for similar projects, it is possible to gather evidence of cost overruns in the development of traditional public works in general, in the country and/or international experience in the specific sector that indicates the advantages of carrying out the project as a PPP.

Example:

Scoring **2** while there is no evidence in the country of cost overruns in the operation and maintenance of schools, there is sufficient evidence at the regional and/or global level that the operation and maintenance of schools under well-structured PPP contracts can generate a more efficient use of resources in the long term.

3

There is documented experience of operation and maintenance cost overruns in similar projects developed under the general public contracting regime in the country and/or international experience in the specific sector that indicates the advantages of carrying out the project as a PPP.

Example:

Scoring **3** when there are analyses of some schools in the country that show problems of cost overruns in activities related to the maintenance and operation of infrastructure, but there is no generalized evidence of this fact.

4

There is full documented and quantifiable evidence of operation and maintenance cost overruns in similar projects developed under the traditional public procurement model and international experience in the specific sector indicating advantages of carrying out the project as a PPP.

Example:

Scoring **4** when there is a database that collects information on deviations in expenditures involving school operation and maintenance activities over the last 10 years indicating the estimated value of the budget needed for operation and maintenance and the actual value at the end of operation and maintenance.

PROVISION OF SERVICES

DESCRIPTION

Prioritization criterion, within the dimension of "Project Preparation", which aims to identify whether there is documented and quantifiable evidence of an improvement in the provision of services under the PPP modality than as Traditional Public Works (TPW).

JUSTIFICATION

The adequate transfer of risks, the ability to generate efficiencies of the private entity in the provision of the service due to the sufficient and expeditious provision of resources and innovative techniques, the profit motivation, the performance-oriented nature and the greater flexibility in contracting, among other factors, encourage the private sector to manage resources more efficiently than the public sector.

This is why, in general, the quality of services tends to be lower when provided by the public sector, due to its limited resource capacity and weak incentives.

Numerous studies comparing the development of infrastructure projects and services under PPP and TPW modalities conclude that the PPP modality generates better results, both in the construction of new infrastructure assets and in the provision of services (World Bank, 2015).

In a recent study (2021) comparing concessioned and non-concessioned roads in Peru, controlling for similar characteristics of the road network, developed in the context of the PPP Analysis and Best Practices Network by researchers from the Universidad del Pacífico (Peru), it was found that concessioned roads have fewer accidents, fewer injuries and fewer fatalities than non-concessioned roads. The average annual cost per accident on concessioned roads in the five-year period (2015-2019) was USD 65.72 million, while for non-concessioned roads it was USD 254 million. In other words, if all roads were concessioned, Peru would save an average of USD 189 million per year in traffic accidents. Likewise, concessioned stretches have fewer cost overruns and delays than non-concessioned stretches.

WHAT INFORMATION IS BEING CAPTURED?

Identify whether there is evidence to demonstrate that better service delivery is obtained by developing the project under the PPP modality than as a TPW.

PROVISION OF SERVICES

SCORING AND EXAMPLES TO GUIDE ITS ASSIGNMENT

1

There is no documented or quantifiable evidence of better service delivery when developing the project as a PPP than as a TPW.

Example:

Scoring **1** when there is no evidence to show that there is a lower level of accidents when developing a road project under PPP than as a TPW.

2

There is documented and quantifiable international evidence of better service delivery when developing the project as a PPP than as a TPW.

Example:

Scoring **2** when there is international evidence showing that there is a higher trip frequency when building, operating and maintaining a metro line when developing the project under PPP than as a TPW.

3

There is documented and quantifiable evidence in the region of better service delivery when developing the project as a PPP than as a TPW.

Example:

Scoring **3** when there is evidence in the region that there are fewer service interruptions when implementing a water supply project under PPP than as a TPW.

4

There is documented and quantifiable evidence in the country of better service delivery when developing the project as a PPP than as a TPW.

Example:

Scoring **4** when there is evidence in the country showing a decrease in the accident rate on roads managed under PPP contracts compared to accident rates recorded on roads developed as TPW.

RISK TRANSFER LEVEL

DESCRIPTION

Prioritization criterion, within the "Project Preparation" dimension, which aims to prioritize those PPP projects in which the efficient transfer of risks to the private sector could be significant.

JUSTIFICATION

One of the fundamental requirements for a project to generate greater Value for Money when developed as a PPP, i.e., for the PPP modality to be more efficient for the public sector than traditional contracting modalities, is an adequate allocation of risks between the actors involved (public entity and PPP contractor).

An adequate risk distribution is characterized by the fact that the party with the greatest capacity to manage and mitigate each risk is the one who assumes it, thus reducing the cost impact of each risk, the PPP contractor will be encouraged to manage the risks as efficiently as possible since its remuneration will depend on it, and the cost of the project will be optimized for the public entity. Each PPP project has a particular risk scheme related to its intrinsic characteristics, which is why it is necessary to carry out an exhaustive analysis of these risks in order to identify, allocate and mitigate them as accurately and efficiently as possible. Among the usual risks of a PPP project are those related to design, construction, financing and operation and maintenance, including demand, price variation, regulatory, geological, environmental and social, among others.

In this sense, an adequate distribution of risks should consider design, construction, financing and operational risks as transferable to the private sector. It is therefore essential to determine whether the project in question allows for the efficient transfer of risk from the public to the private sector.

WHAT INFORMATION IS BEING CAPTURED?

Whether the project risks have been identified, analyzed, and efficiently allocated among the stakeholders so that the development of the project under the PPP modality can generate Value for Money for the public entity.

RISK TRANSFER LEVEL

SCORING AND EXAMPLES TO GUIDE ITS ASSIGNMENT

1

There is no or very unfavorable risk transfer capacity from the State to the private sector.

Example:

Scoring **1** when the country wishes to carry out a mass transportation project (Electric Train) at a regional level connecting two cities in different states under the PPP provision scheme. The project is capital intensive, requires complex technical and engineering solutions, seeks to adapt technological innovations and must design a route that allows a cost-efficient route. Due to the characteristics of the project, there could be demand risks (depending on the route, tariff, users' willingness to pay, alternative means of transportation, among others), risks of cost overruns in inputs (capital-intensive project) or in technological adaptation due to complexities in the orography of the region, as well as risks in revenue projections (tariff, willingness to pay, among others). Being a complex project to develop and with a limited supply of companies that can carry it out, even at the international level, the State may not have the capacity to assign the financing and/or demand and even construction risks to the private sector.

2

There is a low capacity for risk transfer from the State to the private sector.

Example:

Scoring **2** when the country wishes to carry out a mass transportation project (Electric Train) at a regional level connecting two cities in different states under the PPP provision scheme. The project is capital intensive, requires complex technical and engineering solutions, seeks to adapt technological innovations and must design a route that allows a cost-efficient route. Due to the characteristics of the project, there could be demand risks (depending on the route, fare, users' willingness to pay, alternative means of transportation, among others), risks of cost overruns in inputs (capital-intensive project) or in technological adaptation due to complexities in the orography of the region, as well as risks in revenue projections (fare, willingness to pay, among others). Although it is a complex project, to date, there is international experience in the sector regarding cost overruns and revenue risks; thus, the State would have reference parameters that strengthen its negotiating power regarding the allocation of financing and construction risks.

RISK TRANSFER LEVEL

SCORING AND EXAMPLES TO GUIDE ITS ASSIGNMENT

3

There is a medium risk transfer capacity from the State to the private sector.

Example:

Scoring **3** when the country wishes to carry out a mass transportation project (Electric Train) at a regional level connecting two cities in different states under the PPP provision scheme. The project is capital intensive, requires complex technical and engineering solutions, seeks to adapt technological innovations and must design a route that allows a cost-efficient route. Due to the characteristics of the project, there could be demand risks (depending on the route, fare, users' willingness to pay, alternative means of transportation, among others), risks of cost overruns in inputs (capital-intensive project) or in technological adaptation due to complexities in the orography of the region, as well as risks in revenue projections (fare, willingness to pay, among others). Although it is a complex project, the State has carried out this type of works; in that sense, to date, there is international and national experience in the sector regarding cost overruns and revenue risks; the State has carried out the necessary studies regarding the probability of occurrence of risks and their impact; based on this, it is able to assign the construction and financing risk, but not the demand risk.

The following could also be scored **3** in the case of less technically complex projects and with vast international experience that allows replication of risk allocation schemes, such as airports or ports.

4

There is a high capacity for risk transfer from the State to the private sector.

Example:

Scoring **4** when the country wishes to carry out a mass transportation project (Electric Train) at a regional level connecting two cities in different states under the PPP provision scheme. The project is capital intensive, requires complex technical and engineering solutions, seeks to adapt technological innovations and must design a route that allows a cost-efficient route. Due to the characteristics of the project, there could be demand risks (depending on the route, fare, users' willingness to pay, alternative means of transportation, among others), risks of cost overruns in inputs (capital -intensive project) or in technological adaptation due to complexities in the orography of the region, as well as risks in revenue projections (fare, willingness to pay, among others). Although it is a complex project, the State has carried out this type of works; in that sense, to date, there is international and national experience in the sector regarding cost overruns and revenue risks; the State has conducted the necessary studies regarding the probability of occurrence of risks and their impact; additionally, it has the financial knowledge to issue Minimum Revenue Guarantees, so it is able to allocate the construction and financing risk and mitigate the demand risk (although it does not avoid it, it does define a mechanism to reduce its value).

The State has the necessary knowledge and experience to retain, transfer and share risks.

BANKABILITY

INVESTOR'S INTEREST

DESCRIPTION

Prioritization criterion, within the "Project Preparation" dimension, which aims to analyze whether the project is bankable and can therefore be financed.

JUSTIFICATION

PPP projects involve long-term contracts, where the initial investment represents a significant part of the total cost of the project, which must be financed through a combination of equity and debt. These types of projects usually have financial structures with a high percentage of debt.

For this reason, when structuring a PPP project, it is essential that the project be viable from a commercial perspective and be able to access external financing.

In this regard, it is necessary to consider the possible sources of financing for the project and determine whether there is sufficient capacity and depth in the local market to finance the project or, if the international market is used, the capacity and ease of access to this type of foreign financing must be determined.

WHAT INFORMATION IS BEING CAPTURED?

Whether there is sufficient capacity and depth of the market, local or international, to obtain financing for the development of the project.

INVESTOR'S INTEREST

SCORING AND EXAMPLES TO GUIDE ITS ASSIGNMENT

1

There is insufficient capacity and depth in the local market to finance the project, so it is necessary to turn to the international market. However, access to foreign financing for this project presents difficulties (low degree of financial openness in the country, high exchange rate risk, etc.).

Example:

Scoring **1** when an airport project is to be developed in the country, but there is not enough capacity in the local market to finance it, due to the lack of banking depth, efficiency and access to credit. One of the alternatives would be to resort to foreign banks. However, turning to the international capital market (USD) for this project presents difficulties due to exchange rate risk and the risk of cost overruns and delays that have occurred in other projects that have been developed with international financing.

2

Local banks have limited capacity and depth for project financing. However, there is easy access to international capital markets (high degree of financial openness of the country, low exchange rate risk, etc.).

Example:

Scoring **2** when an airport project is to be developed in the country and although local banks do not have the depth, efficiency and access to credit necessary to finance it, since it is a large-scale project with projected demand that demonstrates the bankability of the project, it is attracting international companies with acceptable reputation in the sector. In addition, the country has the macroeconomic fundamentals to access international capital markets. For these reasons, the concessionaire would have greater access to international financing for the project.

3

Local banks have the necessary capacity and depth to finance the project. However, access to foreign financing presents difficulties (low degree of financial openness in the country, high exchange rate risk, etc.).

Example:

Scoring **3** when a hospital is to be developed through PPPs and local banks have sufficient capacity to finance it. However, there could be exposure to cost overruns (e.g., during construction) that make it necessary to resort to external financing, for example, for debt refinancing. However, the existing problems in the country's health sector make it risky for international banks to participate in the project.

4

Local banks have sufficient capacity and depth to finance the project and, in addition, there is easy access to international capital markets (high degree of financial openness in the country, low exchange rate risk, etc.).

Example:

Scoring **4** when the expansion of an airport is to be developed through PPPs. The airport is part of a successful rehabilitation program in the sector, so the country has ample experience in execution and risk allocation. In addition, the country has a good local financing capacity thanks to the presence of pension funds that have been investing in PPP projects in different sectors, so access to financing would be achieved locally. Finally, since the airport operators in the region are international consortiums that have already shown interest in the project, it would also be possible to access the market.

ACCESS TO PARTICULAR FINANCING CONDITIONS

DESCRIPTION

Prioritization criterion, within the "Project Preparation" dimension, which aims to determine whether the project under analysis has certain characteristics or conditions that allow it to access particular types of financing and/or subsidies.

JUSTIFICATION

In addition to traditional bank financing, it is common to resort to sources of financing when developing a project, such as social bonds, green bonds, financing granted by multilateral banks, the existence of state infrastructure funds, etc., which allows concessionaires to access a greater variety and better financing conditions and, consequently, to improve the financial viability of the project.

One of the main objectives of Multilateral Banks is to encourage private investment by supporting infrastructure development in emerging countries. One of the variables that can help improve the bankability and commercial attractiveness of PPP projects is the mitigation of those risks that by their nature cannot be covered by countries that do not have the best credit rating. One of the points in which Multilaterals are playing a critical role is to fill this gap by developing and providing specific tools and guarantees. In order to access this particular type of financing, projects must meet the characteristics required for eligibility. Therefore, it is essential that sustainability aspects (social, environmental, economic-financial and institutional) are taken into consideration during the structuring process in order to access a variety of alternative financing sources (e.g. sustainable bonds, social impact bonds, green bonds, bonds supporting the empowerment of women heads of households, etc.). Therefore, it is advisable to prioritize those projects with characteristics that make them eligible to access a greater variety of financing sources, as this will imply greater commercial attractiveness, increased financial viability and greater strength of the proposed model.

WHAT INFORMATION IS BEING CAPTURED?

It is interesting to study the access to alternative financing for the projects, since it is one of the most important milestones to be able to develop it.

ACCESS TO PARTICULAR FINANCING CONDITIONS

SCORING AND EXAMPLES TO GUIDE ITS ASSIGNMENT

1

The project does not have specific characteristics that would make it eligible for the purpose of accessing particular sources of financing under favorable conditions compared to traditional financing: green bonds, social impact bonds, among others. The project cannot access alternative sources of financing, which may pose a risk to financial viability.

Example:

Scoring **1** when the project is not bankable according to the initial studies and does not have the necessary characteristics to be eligible for different sources of green financing, etc.

2

The project has specific characteristics that make it eligible to access one of the following particular sources of financing: green bonds, social impact bonds, among others. Project with bankability difficulties that can access financing from alternative sources.

Example:

Scoring **2** when the project could be eligible under certain aid programs, which ensure its financial viability.

3

The project has specific characteristics that allow the private investor to access one of the following particular sources of financing: green bonds, social impact bonds, among others. In addition, the project would have the potential to access an alternative source.

Example:

Scoring **3** when the project does not appear to have financing difficulties and is also eligible for aid programs, such as products of Multilateral Development Banks.

4

The project has specific characteristics that allow the investor to access a wide variety of particular financing: green bonds, social impact bonds, among others.

Example:

Scoring **4** when the project is bankable, generates considerable attention in the financial market, can access improved financing because it is eligible for cheaper alternative private financing and because it will generate positive socio-environmental impacts that allow it to access green and/or social bonds.

PROJECT IMPACT

When developing an infrastructure project, the corresponding administration must take into consideration the possible impact that its implementation may have. Therefore, it must take into account the vulnerable groups that may be affected and the potential for replicability of the project.

SOCIOECONOMIC IMPACTS

IMPACTS OF THE PROJECT ON THE FIGHT AGAINST POVERTY

DESCRIPTION

Prioritization criterion, within the “Project Impact” dimension, which aims to prioritize those projects that include measures in favor of the fight against poverty.

JUSTIFICATION

Beyond the objectives and characteristics of each country, the development of infrastructure should help reduce inequalities affecting minorities and disadvantaged groups.

In the development of infrastructure projects, taking into account the fight against poverty has a number of benefits such as: increased rates of economic return on investment in infrastructure and increased overall profitability for different social groups.

WHAT INFORMATION IS BEING CAPTURED?

This criterion seeks to determine whether the project in question includes measures that have a positive impact on the fight against poverty.

IMPACTS OF THE PROJECT ON THE FIGHT AGAINST POVERTY

SCORING AND EXAMPLES TO GUIDE ITS ASSIGNMENT

1

The project does not contribute or does not have a positive impact on the fight against poverty. In addition, there are no communication channels and/or support for those who may be affected or interested.

Example:

Scoring **1** when a road is developed and the project has a negative impact on a marginal area, since it forces the relocation of its inhabitants and does not provide for measures to help the affected individuals or mitigate possible additional problems that may arise.

2

The project does not contribute or does not have a positive impact on the fight against poverty, but defines some channel of communication and/or assistance for those affected or interested and/or formal inclusion mechanisms at the beginning of the project.

Example:

Scoring **2** when a road is developed and the project has a negative impact on a marginal area, since it forces the relocation of its inhabitants, but provides for the establishment of some measures to mitigate the possible problems that the affected individuals may suffer, such as meetings to define the relocation.

3

The project contributes to or positively impacts the fight against poverty, but does not define any communication and/or assistance channels for those affected or interested and/or formal inclusion mechanisms.

Example:

Scoring **3** when a public health center is developed, which has a positive impact on a marginalized area that previously had no access to a nearby health center, so that its inhabitants had to travel to other areas to obtain health services, with the consequent cost in transportation. However, there are no channels of communication with citizens to publicize the project and/or to identify other effects that the health center could have on the poorest populations.

4

The project does not contribute or does not have a positive impact on the fight against poverty, but defines some channel of communication and/or assistance for those affected or interested and/or formal inclusion mechanisms at the beginning of the project.

Example:

Scoring **4** when the government decided to develop a social sports center that will have a positive impact on a marginal area that previously had no public sports center nearby. This project will not only provide the neighborhood with a place for recreation for children, adults, and senior citizens, but the transformation of the property into a sports center center might guarantee security to an area that before the project used to be the focus of criminal activities. It also provides for social inclusion measures through hiring at the sports center (reception, cleaning, etc.).

INCLUSIVENESS IMPACTS

IMPACTS ON GENDER EQUALITY

DESCRIPTION

Prioritization criterion, within the "Project Impact" dimension, which aims to prioritize those projects that include measures in favor of gender equality.

JUSTIFICATION

Beyond the purpose of providing a country with infrastructure and improving the economy, these projects must be structured in such a way as to achieve gender equality.

The achievement of gender equality has clear effects on poverty reduction and socioeconomic development and also results in higher levels of human capital for future generations (IDB, 2010).

It is therefore advisable to prioritize projects that have a positive impact on gender equality. During project preparation, potential gender risks and impacts should be identified and effective measures introduced to avoid, prevent or mitigate them, thus eliminating the possibility of creating or reinforcing pre-existing inequalities. For example, projects could include temporary actions aimed at addressing historical disadvantages, closing gender gaps, meeting specific gender-based needs, or ensuring the participation of people of all genders in citizen participation processes.[11]

WHAT INFORMATION IS BEING CAPTURED?

This criterion seeks to determine whether the project in question includes measures that have a positive impact on the achievement of gender equality.

11. Environmental and Social Policy Framework. IDB (2020)

IMPACTS ON GENDER EQUALITY

SCORING AND EXAMPLES TO GUIDE ITS ASSIGNMENT

1

The project does not contribute or does not have a positive impact on the achievement of gender equality. In addition, there is no communication channel and/or assistance for affected or interested parties and/or formal inclusion mechanisms.

Example:

Scoring **1** when structuring a road project, without considering ways in which it could have a positive impact on the achievement of gender equality, such as the hiring of female heads of household during the execution of the project. Communication channels and support measures are not defined.

2

The project does not contribute to or positively impact the achievement of gender equality, but defines channels of communication and/or assistance for affected or interested parties and/or formal inclusion mechanisms at the beginning of the project.

Example:

Scoring **2** when developing an educational center, without paying attention to ways in which it could have a positive impact on the achievement of gender equality, such as the hiring of women through job placement programs.

3

The project contributes to or positively impacts the achievement of gender equality, although it does not define any type of communication channel and/or assistance for those affected or interested and/or formal inclusion mechanisms.

Example:

Scoring **3** when a health center is developed and the hiring of women at risk of social exclusion is foreseen, although no communication channels are defined to provide information or suggestions from the interested parties.

4

The project has a positive impact on the achievement of gender equality. In addition, communication and/or support channels for affected or interested parties and/or formal inclusion mechanisms are established throughout the life cycle of the project.

Example:

Scoring **4** when a program of free higher education centers is developed, with the main objective of training women. Throughout the structuring process, public consultations are held, with the objective of making the project known to society, receiving comments and /or complaints and improving the project through the feedback received.

PROJECT IMPACTS ON INDIGENOUS POPULATIONS

DESCRIPTION

Prioritization criterion, within the “Project Impact” dimension, which aims to prioritize those projects that include measures for the protection of indigenous populations.

JUSTIFICATION

Identity heterogeneity and linguistic and sociocultural diversity constitute one of the greatest riches of Latin America and the Caribbean that must be protected and preserved.

The contrast between the identity, traditions and values of indigenous populations and Western concepts of economy and growth have created difficulties in promoting the economic growth of these populations.

It is therefore essential to involve indigenous communities in decision-making in the region, including the approval and form of development of new infrastructure.

Taking indigenous populations into account in the development of infrastructure, while respecting their identity, territories and economic autonomy, is an approach that represents a step forward in closing gaps, reducing inequalities and achieving inclusive development in the region.

WHAT INFORMATION IS BEING CAPTURED?

This criterion seeks to determine whether the project in question includes measures that have a positive impact on the protection and development of indigenous populations.

PROJECT IMPACTS ON INDIGENOUS POPULATIONS

SCORING AND EXAMPLES TO GUIDE ITS ASSIGNMENT

1

The project does not contribute or does not have a positive impact on the protection of indigenous populations. In addition, there are no communication and/or assistance channels established for those affected or interested and/or formal inclusion mechanisms.

Example:

Scoring **1** when a road is built through an indigenous town and has not been consulted with its inhabitants, generating a negative impact without contemplating any type of compensation for the affected population.

2

The project does not contribute or does not have a positive impact on the protection of indigenous populations, but some channel of communication and/or assistance for those affected or interested and/or formal inclusion mechanisms are defined.

Example:

Scoring **2** the construction of a road that passes through an indigenous village and has not been consulted with its inhabitants, generating a negative impact, but which contemplates the creation of public transportation stations from which the members of the affected population can benefit free of charge.

3

The project contributes to or positively impacts the protection of indigenous populations, but does not define any type of communication channel and/or assistance for those affected or interested and/or formal inclusion mechanisms.

Example:

Scoring **3** when a road project is developed in a rural area where several indigenous communities engaged in agriculture coexist. The construction of this road will facilitate the transportation of cargo and people and reduce travel times to important consumption areas, which means that the area's agricultural producers will have more options for accessing these markets. This will contribute to the economic growth of the affected populations. However, no communication channels have been defined through which those affected can report possible problems or suggestions.

4

The project has a positive impact on the protection of indigenous populations. In addition, communication and/or assistance channels are established for affected or interested parties and/or formal inclusion mechanisms throughout the life of the project.

Example:

Scoring **4** when the project in support of the Guna people (Panama), through which various national and international institutions are actively participating with the affected community in the planning and future relocation to the mainland, as the island on which they live is strongly affected by climate change and is expected to become uninhabitable in a short period of time.

ADDITIONAL FUTURE PROJECTS

REPLICABILITY POTENTIAL

DESCRIPTION

Prioritization criterion, within the “Project Impact” dimension, which aims to evaluate the ability to replicate the main characteristics of the technical and financial aspects designed during the structuring of the PPP project in other projects in the same sector.

JUSTIFICATION

The execution of PPP projects with similar characteristics allows obtaining relevant information and standardization of key aspects of the business model, which translates into savings in transaction costs that facilitate and accelerate the development of PPP projects.

WHAT INFORMATION IS BEING CAPTURED?

Identify a sectoral infrastructure program or portfolio of PPP projects with the same characteristics as the PPP project to be developed. This will favor the replication of its main technical, legal and financial aspects of the transaction model and could potentially generate economies of scale or scope.

REPLICABILITY POTENTIAL

SCORING AND EXAMPLES TO GUIDE ITS ASSIGNMENT

1

There does not appear to be any project in the infrastructure sector program or in the PPP project portfolio with the same characteristics. The replicability of the project is null or very unfavorable.

Example:

Scoring **1** when a local or municipal government wishes to promote the construction, operation and maintenance of a solid waste recycling plant under the PPP scheme (this is not included in its infrastructure plan or PPP project portfolio); however, due to the physical and chemical characteristics of the solid waste, the orography of the municipality and the characteristics of the industry that generates it (for example, the energy industry that emits pollutants from the extraction of shale-gas), there is no similar project at the national level or any possibility of replicability. The characteristics of the solid waste, the geographic location and the type of industry require a complex engineering design with risk allocation, service and performance requirements and payment mechanism, which are difficult to replicate in a PPP contract in other locations.

2

There is a project in the sector infrastructure program or in the PPP project portfolio with the same characteristics. The replicability of the project is low.

Example:

Scoring **2** when a local or municipal government wishes to promote the construction, operation and maintenance of a solid waste recycling plant under the PPP scheme (the project is in its infrastructure plan, but not in the PPP project portfolio); due to the type of industry and the physical and chemical characteristics of the solid waste, the project presents technical and design challenges and with risk allocation, service and performance requirements and payment mechanism that are difficult to replicate in a PPP contract. Although there is complexity in designing the technical solution, there are regulatory elements to regulate the type of solid waste and carry out the project under the PPP scheme; additionally, the plant could be located in any area or type of land, which would facilitate its replicability in other locations nationwide.

3

There is a project in the sector infrastructure program or in the PPP project portfolio, but it has some differences. The replicability of the project is medium.

Example:

Scoring **3** when a local or municipal government wishes to promote the construction and operation of a solid waste recycling plant under a PPP scheme; although this is part of its local infrastructure program and is considered in the PPP project portfolio, due to the physical and chemical characteristics of solid waste, the project is technically complex but with risk allocation, service and performance requirements and payment mechanism easily replicable in a PPP contract. However, beyond its technical complexity, the design of the plant and the orography of the locality do not represent any challenge, in addition to the fact that the regulatory elements exist to use a PPP scheme; therefore, it is very feasible that this type of plant can be replicated in other locations throughout the country.

4

There is or will be a project in the infrastructure and services sector program or in the PPP project portfolio with the same characteristics. The replicability of the project is high.

Example:

Scoring **4** when a local or municipal government wishes to promote the construction, operation and maintenance of a solid waste recycling plant under the PPP scheme (this is part of its local infrastructure program and PPP project portfolio). The project does not generate design, technical or regulatory challenges, and there is local and national experience in the industry; this allows for a PPP model contract with replicable service and performance requirements, risk allocation and a specific payment mechanism; thus, it will be highly replicable at the national level.

INNOVATION

INCLUSION OF INNOVATIVE ELEMENTS

DESCRIPTION

Prioritization criterion, within the "Project Impact" category, which aims to prioritize those public investment projects in infrastructure and services or PPPs that contemplate innovative solutions to respond to the different existing problems.

JUSTIFICATION

Innovation is a key factor for the development of more efficient infrastructures that are better adapted to the socioeconomic needs of the users and the objectives of the contracting entities and promoters.

Innovative elements must respond to existing problems and represent an improvement over the previous situation, either by reducing costs, improving the service provided, expanding the range of services offered and/or meeting new needs, among other factors.

Innovation can affect the different dimensions of a project (technical, legal, financial, social, etc.), as well as being a disruptive change or a simple improvement of an isolated element.

In this context, it is important to prioritize public investment projects in infrastructure and services or PPPs that promote progress, efficiency and improvement of the services provided, among other innovation factors.

WHAT INFORMATION IS BEING CAPTURED?

Identify whether the project proposes innovative technical, financial or legal solutions to existing problems and/or an improvement in terms of efficiency and/or quality of the service provided

INCLUSION OF INNOVATIVE ELEMENTS

SCORING AND EXAMPLES TO GUIDE ITS ASSIGNMENT

1

No innovative elements are identified in the project.

Example:

Scoring **1** when at the local level, the municipal government proposes to develop a mass transit system under the PPP scheme; beyond the method of provision, the project proposes to use diesel as fuel and conventional charging methods (the proposal does not present a comprehensive charging system). The proposed route is not cost-efficient, since no disembarkation station is a multimodal transfer center (only users for this route and, otherwise, additional costs would have to be invested to reach the final destination). There are no innovative financing methods such as the issuance of green bonds since the project does not reduce greenhouse gas emissions. Therefore, in addition to the fact that the project is not very innovative, it could have operating and maintenance costs that could impede its development.

2

The public infrastructure and services investment or PPP project presents complementary innovative elements that do not have a direct impact on the main infrastructure, i.e. the project could be carried out in the same way without including these innovations.

Example:

Scoring **2** when at the local level, the municipal government proposes to develop a mass transit system under the PPP scheme; beyond the method of provision, the project proposes to use diesel as fuel and charging methods integrated into the local transportation system. The proposed route presents challenges in the layout; however, there are multimodal transfer stations; there are no innovative financing methods such as the issuance of green bonds since the project does not reduce greenhouse gas emissions. While there is an innovative charging system, it would not be sufficient to ensure that the project itself generates sufficient revenue to pay for operation and maintenance costs, and therefore its development could be compromised.

3

The public infrastructure and services investment or PPP project presents innovative elements, which have a direct impact on the main infrastructure, implying an improvement in the service provided, an increase in efficiency and/or a solution to an existing problem, but which are not essential for the project to be carried out.

Example:

Scoring **3** when at the local level, the municipal government proposes to develop a mass transportation system under the PPP scheme; beyond the method of provision, the project proposes electricity as a source of energy; in addition, it presents a charging method integrated to the local transportation system. The proposed route presents challenges in the layout; however, there are multimodal transfer stations; given the characteristics of transportation, there are innovative financing methods such as the issuance of green bonds, as well as their certification. In this case, there is an innovative charging system and, due to the nature of the project, it improves the demand projection and potentially improves financing opportunities.

4

The public infrastructure and services investment project or PPP has innovative elements without which it would not be possible to implement it.

Example:

Scoring **4** when at the local level, the municipal government proposes to develop a mass transportation system under the PPP scheme; beyond the provision method, the project proposes electricity as a source of energy and charging methods integrated to the local transportation system. The proposed route is cost-efficient and includes multimodal transfer centers, making it a strategic, high-demand route that guarantees operating and maintenance costs during the life of the contract. Given the characteristics of transportation, there are innovative financing methods such as the issuance of green bonds, as well as their certification. Therefore, the project, in addition to being innovative, guarantees the revenues that would favor its implementation, operation and maintenance.

BUSINESS FRAMEWORK

INVOLVEMENT OF THE LOCAL INDUSTRY, SMES AND GENERATION OF FORMAL EMPLOYMENT

DESCRIPTION

Prioritization criterion, within the "Project Impact" dimension, which has the general objective of determining whether there is sufficient capacity and interest in the private sector to carry out the PPP project and, specifically, seeks to prioritize those investment projects in infrastructure and services or PPPs in which there is already sufficient local industry capacity, which will allow increasing the development of the local economy.

JUSTIFICATION

As a rule, infrastructure projects are a source of wealth creation and employment, both direct and indirect, since they usually require large investments, a large number of workers, improve communications and/or the provision of public services, which translates into economic growth.

When structuring and bidding for a PPP project, it is essential that there are private partners in the market with the legal, technical and financial capacity and sufficient experience to develop the project. In this sense, it is more desirable to have local companies with their own capacity or with the possibility of partnering as a contractor, in a joint venture, to be awarded a PPP contract or hire workers from the area of influence of the project, since the positive impact of the infrastructure on the local economy will be increased.

In addition, certain infrastructure and services investment or PPP projects, due to their location and/or characteristics, have a greater capacity to generate employment and wealth, either because they connect production and consumption centers, open new trade routes or improve logistics, among other factors.

Therefore, the involvement of local engineering and construction and/or operating companies in the development of the PPP project will promote the development of the local economy.

WHAT INFORMATION IS BEING CAPTURED?

Whether there is sufficient capacity, experience and interest in the private sector and, specifically, in the local market to develop the PPP project.

INVOLVEMENT OF THE LOCAL INDUSTRY, SMES AND GENERATION OF FORMAL EMPLOYMENT

SCORING AND EXAMPLES TO GUIDE ITS ASSIGNMENT

1

There is no evidence of local engineering and construction and /or operating or international companies that have developed similar infrastructure and services investment and/or PPP projects in the country. In addition, there are few companies in the international market with the necessary capabilities to develop the PPP project.

Example:

Scoring **1** when attempting to develop a project with extensive technical complexity, i.e., a desalination plant. In these cases, it is likely that there are not enough companies in the local market (national or foreign) with the capacity to execute, operate and maintain the public works. In this case, given the nature of the project (challenge in design and engineering solutions), it will be necessary to resort to companies in the international market, which may not even have the necessary know-how to carry it out.

2

There is evidence that there are local engineering and construction and/or international operating companies that have developed projects under TPW and/or similar PPPs in the country, although there are no local companies with the necessary capabilities to execute the entire PPP project (design, construction, operation and maintenance).

Example:

Scoring **2** in projects that are complex in terms of design and engineering solutions (a wind farm), but that, due to the nature of the industry, there are international companies that have already developed similar projects, even in the country. Local companies do not have the technical expertise, so the supply is limited to large international companies that have the knowledge and resources to carry out specific projects in terms of design and technological requirements. This would mean that the number of bidders in the bidding process would be reduced and the process would be less competitive.

3

There are local engineering and construction and/or operating companies that can execute the project, although they are small and have little experience in developing similar projects. There are international companies present in the country with which local companies can collaborate in the execution of the project.

Example:

Scoring **3** when large projects are developed (road, water, energy, among others), and although there are local companies with experience to implement them in the country, they are not large enough to do it on their own; in this sense, they will require international support. One solution would be to form joint ventures between local and international companies to integrate multidisciplinary teams that respond to the needs of the asset(s) to be implemented.

4

There is evidence of local and international operators. There are local and international companies with sufficient experience and size to develop the project working in the country.

Example:

Scoring **4** in projects that do not present major challenges in design and/or engineering solutions (roads in flat geographic areas and/or building complexes), it will be much more feasible to find both local and foreign companies with the capacity to develop them. It will be very likely that both types of companies will have the technical experience, knowledge and resources to carry out the project(s); thus, the number of bidders in the bidding process will increase, ensuring a much more competitive bidding process.

SUSTAINABLE INFRASTRUCTURE FRAMEWORK

Sustainable infrastructure development enables inclusive growth and supports productivity. The term "sustainable infrastructure" refers to "infrastructure projects that are planned, designed, built, operated and decommissioned, ensuring economic, financial, social, environmental (including climate resilience), and institutional sustainability throughout the project life cycle", as stated in the IDB report "Attributes and framework for sustainable infrastructure". Therefore, in the development of this type of infrastructure, it is necessary to consider sustainability from an integrated point of view: social, environmental, economic-financial and institutional sustainability, the latter due to its cross-cutting importance with the rest.

INSTITUTIONAL SUSTAINABILITY

STRENGTH OF THE INSTITUTIONAL FRAMEWORK

DESCRIPTION

Prioritization criterion, within the "Project Sustainability" dimension, which aims to prioritize those projects developed by public entities that have an institutional framework conducive to efficient coordination among the various public agencies involved.

JUSTIFICATION

The institutional framework is related to the participation of working groups specialized in PPP schemes that have coordinators between institutions, with the power of authority and in-depth knowledge to facilitate the processes between them, since it is possible that there may be disagreements in the definition and formulation of the project in the face of a given need.

The government may have different positions and/or degrees of acceptance of the technical solutions, therefore, it is highly recommended that the project reaches the maximum degree of consensus to mitigate agency problems among institutions. The competent agents in the structuring of the PPP project must be clear about the legal competence of the different public entities involved in the project; moreover, the commitment and coordination among them is the fundamental pillar of the project.

It is of vital importance to identify the positions of the different entities involved and their responsibilities in order to optimize and improve the PPP project.

WHAT INFORMATION IS BEING CAPTURED?

This criterion seeks to determine the degree of institutional cohesion of the public entity in question and the level of strength of the institutional framework.

STRENGTH OF THE INSTITUTIONAL FRAMEWORK

SCORING AND EXAMPLES TO GUIDE ITS ASSIGNMENT

1

There is no institutional framework for coordination between the contracting entity and other public agencies involved. The capacity to form a multidisciplinary work team that involves all the institutions involved, where a team leader is appointed, is null or unlikely.

Example:

Scoring **1** when an attempt is being made to develop a drinking water treatment plant project but a working group for the development of the PPP project has not yet been created, as there is no PPP Unit to help coordinate the Ministry of Public Works and the public company in charge of providing drinking water services.

2

There is a weak institutional framework that does not guarantee efficient coordination between the contracting entity and other public agencies involved. The capacity to form a multidisciplinary work team that involves all the institutions involved, where a team leader is also designated, is low.

Example:

Scoring **2** when an attempt is made to develop a treatment plant project and it is planned to create a working group for the development of the PPP project, in which there is a partial involvement of the public entities responsible for the execution of the project. There is a PPP law that includes a coordination framework; however, this law is not regulated, so the processes are not clear and the responsible parties and their obligations are not properly defined.

3

There is a relatively solid institutional framework that may allow for coordination between the contracting entity and other agencies involved. The capacity to form a multidisciplinary work team that involves all the institutions involved, with the designation of a team leader, is average.

Example:

Scoring **3** when trying to develop a drinking water treatment plant project and planning to create a working group for the development of the PPP project, in which all public entities working in the project are involved. There is a PPP law and its respective regulations that include a clear coordination framework, in which the processes are defined and transparent.

4

There is a solid institutional framework that allows for efficient and total coordination between the contracting entity or project promoter and other public agencies involved. There is a high capacity to form a multidisciplinary work team involving all the institutions involved, with the designation of a team leader.

Example:

Scoring **4** when trying to develop a drinking water treatment plant project and a working group for the development of the PPP project was created from the conception of the project idea, in which all public entities working in the project are involved. There is a PPP law and its respective regulations that include a clear coordination framework, in which the processes are defined.

INSTITUTIONAL CAPACITY

DESCRIPTION

Prioritization criterion, within the "Project Sustainability" dimension, which aims to determine whether the different competent public entities are prepared and trained to identify, evaluate and monitor projects under PPP schemes.

JUSTIFICATION

The success of PPP projects depends to a large extent on the trust that exists between the public and private sectors. Therefore, it is essential that the different public agencies and /or organizations have or are able to acquire the necessary competencies and technical knowledge for the development of this type of projects.

In this sense, institutional sustainability is strengthened by the establishment of institutions assigned with the development of PPP projects, which have specialized and highly qualified personnel to support the public sector in the execution of this type of projects and ensure full coordination with the private sector. Likewise, the definition of mechanisms for the acquisition and transfer of knowledge is essential to improve the technical and institutional capacities of this entity, generate evidence and compile lessons of good practices.

WHAT INFORMATION IS BEING CAPTURED?

This criterion analyzes the institutional capacity of the public entities in charge of developing the PPP project.

INSTITUTIONAL CAPACITY

SCORING AND EXAMPLES TO GUIDE ITS ASSIGNMENT

1

There is no unit/team assigned for the development of the PPP project in the public entity nor resources assigned to hire an external structuring consultant to lead the project.

Example:

Scoring **1** when a PPP project for public lighting in a municipality is being planned, but there is no unit or project team assigned to develop the project, nor is it planned to hire an external consultant to support the structuring of the project.

2

The procuring entity does not have a unit/team assigned to the development of PPP projects, but plans to hire an external structuring consultant.

Example:

Scoring **2** when developing a PPP project for public lighting in a municipality and it is the first project of this type, which may generate errors in some of its stages due to the lack of the necessary knowledge, but it is expected to hire an institution with experience, which will be responsible for preparing the various studies (technical, economic-financial and legal) necessary for the proper structuring of the project and to accompany the project team until the commercial closing of the project (signing of the PPP contract).

3

The procuring entity has a unit/team assigned to the development of PPP projects, although it is newly created and has little experience in the execution of this type of project. There are plans to hire external advisors.

Example:

Scoring **3** the team in charge of this PPP public lighting project has little or no experience in the development of this type of project and the processes and mechanisms, although defined, are flawed and do not allow for effective coordination with external agents, learning or the development of best practices. It has been decided to hire external advisors to support and strengthen the project team.

4

The contracting public entity has a unit /team assigned to the development of PPP projects, with the necessary experience and capabilities for the execution of this type of project.

Example:

Scoring **4** when there is a PPP unit, which is made up of qualified personnel and the roles and responsibilities of its members are defined. This PPP unit is in charge of coordinating the public lighting PPP project team, which includes personnel from the municipality and the Ministry of Energy, both of which have sufficient capacities for the development of this project. Evaluation processes have been established to allow continuous learning, improvement of technical and institutional capacities and the development of best practices. In addition, other necessary mechanisms have been defined for coordination with external agents (public sector, awardee and other stakeholders).

PREVIOUS EXPERIENCE OF THE PUBLIC ENTITY

DESCRIPTION

Prioritization criterion, within the “Project Sustainability “ dimension, which aims to determine whether similar projects have been carried out, as it is interesting to verify whether there are other projects in the region from which lessons can be learned to optimize the development of future projects. This criterion also encourages public entities with experience in the development of PPP projects in certain sectors to promote new PPP projects.

JUSTIFICATION

The existence of previous experience in similar projects allows learning from mistakes, dimensioning best practices and capabilities in order to optimize the implementation and development of PPP projects in the country.

With the development of several PPP projects, the responsible public entity acquires greater internal knowledge about the different variables that may directly or indirectly impact the success of the project and becomes familiar with concepts such as the risks that affect the asset, measures to mitigate them, different forms of financing, etc.

WHAT INFORMATION IS BEING CAPTURED?

It is intended to capture information from the public entity’s previous experience built within a solid governance structure, and wrapped in a clear and rigorous framework. This not only mitigates the risk of management failures and potential pitfalls of PPPs, but also optimizes this type of tool at a higher level, including attracting private investors.

PREVIOUS EXPERIENCE OF THE PUBLIC ENTITY

SCORING AND EXAMPLES TO GUIDE ITS ASSIGNMENT

1

The Public Entity has no experience in the development of projects of the same type under a PPP scheme or under comparable contractual modalities.

Example:

Scoring **1** when the Ministry of Justice seeks to build a new judicial city to house all of its facilities. It has never been involved in a project of this magnitude, but it has undertaken construction projects for small buildings and performs maintenance work on existing buildings.

2

The Public Entity has no experience in the development of PPP projects of the same type, but it does have experience in the development of projects under contractual modalities that may be comparable.

Example:

Scoring **2** when the Ministry of Transportation seeks to develop a project to double a roadway with high traffic density. The Ministry has experience in concessions, but not in PPP projects, applying the recently approved new regulations that imply substantial changes in the way contracts are prepared, since they apply the best international practices in this area.

3

The Public Entity has experience in the development of PPP projects, so it is familiar with the characteristics inherent to this type of contract, although the projects are not of the same type as the project under study.

Example:

Scoring **3** when the Ministry of Public Works wants to develop a hospital under a PPP scheme and has experience in the development of highways under a PPP scheme.

4

The Public Entity has experience in the development of numerous PPP projects of the same type and under similar contractual conditions.

Example:

Scoring **4** when the Ministry of Public Works wants to develop a PPP road project and has already executed several similar road projects in the last five years.

ALIGNMENT WITH STRATEGIC AND DEVELOPMENT OBJECTIVES

DESCRIPTION

Prioritization criterion, within the "Project Sustainability" dimension, which aims to determine whether the project in question is aligned with the strategic and development objectives of the responsible administration.

JUSTIFICATION

It is good practice for infrastructure projects that prove to be socioeconomically profitable to be included in the country's development plans. Infrastructure development planning should result from a thorough analysis of existing infrastructure conditions that identifies the main needs and bottlenecks for infrastructure development, considering not only desirable objectives, but also the scarcity of existing resources. In order to develop a plan in an efficient and sustainable manner, a sound knowledge of the country's infrastructure conditions and needs will be necessary, so that it will be possible to understand how much of the plan and resources should be directed to rehabilitation, maintenance, construction of new infrastructure, and when it will be possible to recycle assets. Considering that public resources are scarce and that there are many public needs, it is essential that governments design a prioritization mechanism to evaluate various dimensions of the projects included in the pipeline and establish the order in which they will be carried out. Among the criteria to be evaluated for prioritizing projects should be the alignment with the country's strategic and development objectives, in order to ensure coherence. Despite the obvious advantages of planning for project success, in countries with less mature institutional environments it may not exist. In these contexts, it will be more complex to achieve political and social consensus, which may jeopardize project implementation.

WHAT INFORMATION IS BEING CAPTURED?

This criterion analyzes whether the project in question is aligned with the strategic and development objectives and, if so, to determine this level of alignment.

ALIGNMENT WITH STRATEGIC AND DEVELOPMENT OBJECTIVES

SCORING AND EXAMPLES TO GUIDE ITS ASSIGNMENT

1

There is no adherence between the project and formal government plans, or there are no official plans for the sector /type of project.

Example:

Scoring **1** when a wastewater management PPP project is to be implemented, but the Government's sectoral and strategic plans are focused on improving the country's connectivity.

2

The project is not explicitly mentioned in the sector or infrastructure plans, but is directly relevant to the objectives explicitly mentioned in these plans.

Example:

Scoring **2** when developing a university project. Although it is not included in the country's sectoral plan, it is directly relevant to the climate change adaptation objective included, as it introduces adaptation and mitigation components, such as the use of sustainable construction materials and resources and the incorporation of systems for recycling and reducing water consumption.

3

The project, although not mentioned in an integral manner, is to some degree part of the sector or infrastructure plans.

Example:

Scoring **3** when the project in question contemplates the development of a free higher education center. The main objective of the sector plan is to increase the region's employability.

4

The project is explicitly and comprehensively mentioned in sector or infrastructure plans.

Example:

Scoring **4** when the project under analysis involves the development of a public hospital and the sector plan requires that the project in question be prioritized in the context of the national infrastructure plan, which aims to provide a better health service to the community.

EXISTENCE OF RESOURCES TO FUND STRUCTURING

DESCRIPTION

Prioritization criterion, within the "Project Sustainability" dimension, which aims to determine whether the Public Entity has sufficient resources to fund the structuring of the project.

JUSTIFICATION

International best practices in the development of infrastructure projects indicate that all projects must pass a general evaluation process aimed at determining whether the project is necessary and whether it generates benefits for society, after which a preliminary determination must be made as to which contracting modality is the most appropriate for carrying out the project, whether more traditional contracting schemes, such as Traditional Public Works (TPW), or PPPs.

In the event that it is decided to follow a PPP scheme, most regional PPP laws require these studies to be carried out in order to obtain approval for the implementation of projects through this modality, which implies a need for resources that are not usually foreseen for other types of contracting. However, in less developed institutional environments (very common in the region) it could be the case that, although there is a legal requirement for the development of pre-investment studies, these are not developed in practice.

Therefore, due to the typical complexity and size of a PPP project, the resources required, in terms of time and cost, for structuring are significantly higher than those incurred in projects under traditional contractual modalities such as public works.

Therefore, for a project to be developed as a PPP, the public entity must have the necessary resources to finance the structuring.

WHAT INFORMATION IS BEING CAPTURED?

Whether the public entity has the necessary funds to carry out the project.

EXISTENCE OF RESOURCES TO FUND STRUCTURING

SCORING AND EXAMPLES TO GUIDE ITS ASSIGNMENT

1

There are no mechanisms and resources (no budget allocation) to fund the structuring of the project.

Example:

Scoring **1** when the public entity has not allocated in its budget a line item with the necessary funds to cover the structuring. In this case, it would be important to review whether budget planning dictates or establishes mechanisms for budgeting projects in the short term (during the fiscal year).

2

The entity has the mechanisms and resources (budgetary availability) to fund the structuring of the project, although they have not been assigned to it.

Example:

Scoring **2** when the public entity has the necessary funds to carry out the structuring, but these are not specifically allocated to the project (in this case, it must be evaluated whether, within the budget planning, there are mechanisms to create the budget items), and therefore the pertinent approvals are lacking to use them in the project.

3

The mechanisms and resources are in place to provide a budget allocation for the pre-feasibility phase studies and there is interest (government/multilateral) to fund the rest.

Example:

Scoring **3** when the public entity has the budgetary allocations already assigned to the project, to carry out the initial structuring tasks (pre-feasibility phase); additionally, it has requested the necessary financing from a MDB to complete the integral structuring and this institution is in the process of approving the funds.

4

Budgetary resources are allocated to carry out the pre-investment studies.

Example:

Scoring **4** when the public entity has the budgetary allocations (from its own budget or because it obtained financing from a MDB) for the project to carry out the complete structuring of the project as a PPP. These funds may include, in addition to the funds to pay for the studies, those needed to hire a team of expert advisors to strengthen the project team.

SOCIAL SUSTAINABILITY

SOCIAL ACCEPTANCE

DESCRIPTION

Prioritization criterion, within the “Project Sustainability” dimension, which aims to give value to those projects that have a higher level of social acceptability, since in case of rejection they may pose greater difficulties for their development.

JUSTIFICATION

It is common for infrastructure projects to face some type of social opposition at the time of implementation, either because of their size, the impact on the environment, displacement of certain communities or simple opposition to the political group promoting the project.

Depending on the level of rejection, the development of the project may be put at risk, and protests or other types of demands may paralyze the work or generate uncertainty among potential investors.

In this context, it is essential for the correct development of a project to analyze, during the study phase, the degree of social acceptability of the project among the affected population, for example, by incorporating mechanisms for citizen participation that allow all voices to be taken into account to avoid the emergence of social conflicts, but also to achieve the inclusiveness of all stakeholders in the project to maximize its social profitability.

Additionally, it is advisable to foresee the incorporation of mechanisms to mitigate social conflict or that there is evidence of past experiences that allow the incorporation of lessons learned on how to manage situations of social rejection.

In this sense, it is important to prioritize those projects where, after conducting the relevant analysis, it is determined that they have a high degree of social acceptability and /or the necessary mechanisms to mitigate the possible rejection they may generate.

WHAT INFORMATION IS BEING CAPTURED?

Identify whether the degree of social acceptability of the project has been analyzed, and in the event of any level of rejection, whether the appropriate mitigation mechanisms have been foreseen.

SOCIAL ACCEPTANCE

SCORING AND EXAMPLES TO GUIDE ITS ASSIGNMENT

1

There is evidence of high social rejection, represented by organized social movements that publicly express their opposition to the project and are highly supported by the media. In addition, no measures are being taken by the public sector to resolve these conflicts.

Example:

Scoring **1** when a prison is planned to be developed in the urban center. The project has been in the media several times and there are social movements that show their rejection.

2

There is evidence of average social rejection, represented by organized social movements that publicly express their opposition to the project, but they do not have the support of the media. The public sector has encouraged some agreement with opposition groups.

Example:

Scoring **2** when a waste treatment plant is developed on the outskirts of the city. There are social movements that show the rejection of some members of the community regarding the location of the plant, although they are not supported by the media. In addition, the project team has met with the main social movement to explain the progress of the project, but no solution to the question of the plant's location has been proposed.

3

There is little evidence of social rejection, represented by unorganized social movements that are not supported by the media. The public sector is designing a plan to manage opposition movements.

Example:

Scoring **3** when a toll road is developed, where, although most of the urban areas agree with the project, since it generates significant time savings, the localities near the toll point show their rejection as they are the most affected. The government has held several meetings with the inhabitants of the localities affected by the toll points and is designing several compensation alternatives.

4

There is no evidence of social rejection or the project plans to implement citizen participation mechanisms from the initial stages, explaining the benefits of the chosen PPP model and taking into account community concerns.

Example:

Scoring **4** when there is no evidence of social rejection or when the development of the project involves society through different mechanisms that encourage citizen participation, taking into account their concerns in order to respond to them as the project continues to be structured and that also allow citizen involvement throughout the life of the project.

SOCIO-ECONOMIC PROFITABILITY

DESCRIPTION

Prioritization criterion, within the "Project Sustainability" dimension, which aims to identify the existence of a Cost-Benefit or Cost-Efficiency Analysis to develop the project taking into account the social and economic aspects, and the result it has yielded with respect to its socioeconomic profitability.

JUSTIFICATION

Best practices in this area indicate that it is essential to carry out a socioeconomic profitability analysis to compare the costs and benefits generated by the project from a social point of view and to determine whether the project under analysis contributes to the welfare of society as a whole.

The level of social profitability must be defined in terms of the direct and indirect users of the society on which the public infrastructure and services investment project has a relevant impact. Costs and benefits may be borne and accrued at different geographical levels, so it must be decided which of these should be considered. This usually depends on the size and scope of the project. Thus, impact measurement at national, regional and local levels can be taken into account.

When executing public infrastructure and services investment projects, not only should the contribution to the country's wealth be considered through the maximization of the net present value of direct benefits and costs, but also the externalities and indirect effects that their development produces, such as environmental impact, territorial cohesion, gender perspective, poverty reduction, employment generation, noise pollution, light pollution, impact on the landscape, soil and water quality, vibrations, reforestation of affected areas, renovation of infrastructure with sustainable materials, etc., should also be included, trying to quantify those that are possible.

The choice of methodology may vary from country to country and also according to the sector, although Cost-Benefit Analysis (CBA) is often the best practice.

WHAT INFORMATION IS BEING CAPTURED?

This criterion seeks to determine if there are Cost-Benefit Analyses that allow determining the socioeconomic profitability that the project generates on the population.

SOCIO-ECONOMIC PROFITABILITY

SCORING AND EXAMPLES TO GUIDE ITS ASSIGNMENT

1

There is no socioeconomic profitability analysis.

Example:

Scoring **1** when, in order to provide drinking water to certain localities in a state, the municipal and state governments propose the construction of a dam to guarantee the volume of water demanded and to justify the route to convey the water to the municipal containers and, from there, to achieve efficient distribution to the end user. The project is at an early stage, so there are only preliminary estimates of costs (CAPEX and OPEX), layout, collection structure (tariffs), willingness to pay, revenue projections, and technologies to improve water quality. Although it is estimated that the project will have social benefits, no socioeconomic profitability analysis has been carried out.

2

There is a socioeconomic profitability analysis at the profile level whose revenues and costs are supported by an estimate of demand based on historical data and an engineering project at the conceptual level and/or there is evidence of experiences in other countries in the region that show positive socioeconomic profitability results.

Example:

Scoring **2** when, in order to provide drinking water to certain localities in a state, the municipal and state governments propose the construction of a dam to guarantee the volume of water demanded and to justify the route to convey the water to the municipal containers and, from there, to achieve efficient distribution to the end user.

Although the project is in its initial phase and only profile-level estimates of the main variables are available, dams are generally replicable projects; in this sense, there is international evidence regarding costs (CAPEX and OPEX) and technologies to improve water quality; locally and at the state level, governments must confirm the layout, the charging structure (tariffs), availability of payment and revenue projections. Experience in countries of the region documents that there are social benefits; however, it is necessary to carry out a specific socioeconomic profitability study.

3

There is a socioeconomic profitability analysis at the prefeasibility level whose revenues and costs are supported by an estimate of demand based on field studies and an engineering project at the pre-project level and/or there is evidence of experiences in the country of similar projects that show positive results. There may also be a socioeconomic profitability analysis in qualitative terms with positive results.

Example:

Scoring **3** in order to provide drinking water to certain localities in a state, the municipal and state governments propose the construction of a dam to guarantee the volume of water demanded and to justify the route to convey the water to the municipal containers and, from there, to achieve efficient distribution to the end user. The project is in the pre-feasibility stage, so there is a demand analysis and studies are being carried out to validate costs (CAPEX and OPEX), layout, collection structure (tariffs), availability of payment, income projections, and technology to be applied to improve water quality. The experience in the country is positive; there are dams that provide similar volumes of water that have socioeconomic profitability analyses and the results are socially positive.

4

There is a socioeconomic profitability analysis at the feasibility level whose revenues and costs are supported by an estimate of demand based on field studies and an executive project, and the results are positive.

Example:

Scoring **4** when, in order to provide drinking water to certain localities in a state, the municipal and state governments propose the construction of a dam to guarantee the volume of water demanded and to justify the route to convey the water to the municipal containers and, from there, to achieve efficient distribution to the end user. The project is in the feasibility stage; there is a demand analysis and a social profitability study; the costs (CAPEX and OPEX), layout, collection structure (tariffs), payment availability, income projections, and technology to be applied to improve water quality have been validated. In addition to the fact that there is international and national experience of socially positive results (water volume and quality) in this type of project, the specific analysis shows a lower cost than the estimated social benefit.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE RESILIENCE

ENVIRONMENTAL SUSTAINABILITY

DESCRIPTION

Prioritization criterion, within the "Project Sustainability" dimension, which aims to prioritize those infrastructure development projects that preserve, integrate and restore the natural environment, including biodiversity and ecosystems.

JUSTIFICATION

The development of infrastructure projects is essential for the advancement of society. However, this development cannot entail the loss of our natural heritage, so infrastructure that respects environmental sustainability must be implemented.

In this sense, sustainable infrastructure from an environmental perspective must integrate climate and natural disaster strategies, preserve the natural environment, reduce pollution and optimize the use of resources.

This inclusion of sustainability criteria throughout the life cycle of the assets should be seen as a cost-saving factor, despite increasing the cost of structuring. It is true that there are expenses related to the adequate preparation of a project, between 5 and 10% of the total investment in developing countries (Global Infrastructure Hub, 2019), which, including the new sustainability criteria (social, environmental, financial and institutional) would leave us closer to 10%, but ignoring sustainability criteria can generate cost overruns that can reach 68% of the total budgeted and lead to delays of up to 13 years (IDB, 2020).

WHAT INFORMATION IS BEING CAPTURED?

This criterion seeks to determine whether the project in question includes components or plans aimed at preserving, integrating and restoring the natural environment.

ENVIRONMENTAL SUSTAINABILITY

SCORING AND EXAMPLES TO GUIDE ITS ASSIGNMENT

1

There is no evidence that the project will have a positive impact on the environment or that it will have a negative impact.

Example:

Scoring **1** when a standard road project is planned to be developed, without taking into account the possible effects of the project on existing ecosystems, nor are there measures to prevent, mitigate and control the environmental risks that the project may generate (including soil management impacts).

2

The proposed project presents basic conditions to have a positive impact on the environment.

Example:

Scoring **2** when a waste management plant is developed that will replace the current disposal of waste in open dumps without any type of treatment. This project would theoretically have a positive impact on the environment. However, no studies are being carried out to address the potential effects of the project on existing ecosystems, nor are there any measures to prevent, mitigate, and control the environmental risks that the project may generate (including soil management impacts).

3

The proposed project will have a demonstrable direct positive impact on the environment, pollution prevention and biodiversity conservation, but does not include monitoring systems.

Example:

Scoring **3** when developing a waste management plant that will replace the current disposal of waste in open dumps without any type of treatment. It is known that the project will have a positive impact on the environment and the potential effects of the project on existing ecosystems are identified and impact prevention and mitigation measures for environmental risks are foreseen. In addition, the project avoids, assesses and manages adverse impacts from land contamination and other hazardous substances. This includes the existence of plans for the management of oils, chemical waste, and fuels. However, no monitoring systems are defined to allow for the collection of information.

4

The proposed project will have a demonstrable direct positive impact on the environment, pollution prevention and biodiversity conservation and includes monitoring systems.

Example:

Scoring **4** when a PPP project is developed with the objective of improving the biotic and environmental condition of an area, through the recovery of the environment and watersheds. This will also have a direct positive effect on nearby populations, as the water quality of the rivers will increase. Monitoring systems are established that allow the collection of information.

CLIMATE CHANGE

DESCRIPTION

Prioritization criterion, within the "Project Sustainability" dimension, which aims to prioritize those projects designed to support climate change.

JUSTIFICATION

The concept of "climate change" refers to the global variation of the earth's climate, due to natural causes, but especially to human action, as a consequence of an increase in the retention of the sun's heat in the atmosphere, known as the "greenhouse effect".

For this reason, infrastructure projects must have a decisive impact on the evolution and consequences of climate change for society, especially PPPs, given the long useful life of infrastructures and buildings and their significant exposure to it. On the one hand, there is the damage caused by strong climatic events, which will entail heavy investments in infrastructure reconstruction and, on the other hand, the environmental pollution of the different materials used in construction.

There are several negative effects generated by the commissioning of the new infrastructure on the environment that must be quantified, including climate change (emission of CO2 and other gases).

These negative effects must be monitored and evaluated in order to analyze whether the project's adaptation and mitigation objectives are being met and to determine whether the measures implemented are relevant and effective. Environmental impact monitoring also allows for the collection of best practices and the continuous improvement of adaptation and mitigation measures.

WHAT INFORMATION IS BEING CAPTURED?

Climate change has a cross-cutting impact on the activities of economic agents around the world, at different levels and with varying degrees of intensity. Therefore, this criterion seeks to determine whether the project in question includes climate change adaptation and mitigation components and monitoring systems, which are essential for assessing the environmental impact of the project.

CLIMATE CHANGE

SCORING AND EXAMPLES TO GUIDE ITS ASSIGNMENT

1

There is no evidence that climate risks and resilience strategies have been identified.

Example:

Scoring **1** when developing a conventional airport, without considering the risk and probability of extreme events occurring in the area of influence of the project's location. No consideration is given to possible pollution reduction measures, preservation of the natural environment or optimization of the use of resources.

2

The proposed project presents basic conditions to positively impact climate change and identifies in a preliminary analysis climate risks and resilience strategies.

Example:

Scoring **2** when a freight train is developed, which will ultimately lead to a decarbonized logistics chain. The project identifies the risk and probability of extreme events occurring in the area of influence of the project location, but does not propose risk mitigation measures.

3

The proposed project integrates some type of climate or natural disaster strategy, but does not include systems for monitoring potential negative impacts. The project will have a demonstrable direct positive impact on the fight against climate change.

Example:

Scoring **3** when a hospital is developed with sustainable materials and the installation of water and energy efficiency systems is foreseen. The project identifies the risk and probability of extreme events occurring in the area of influence of the project location and considers a climate risk mitigation, adaptation and response plan necessary to mitigate such risks. In addition, there is a preliminary GHG emission analysis that shows that the project may have a positive impact on climate change. However, there are no plans to define monitoring systems to control the reduction in water and energy use.

4

The proposed project integrates climate or natural disaster strategies and also includes systems for monitoring potential negative impacts. The project will have a demonstrable direct positive impact on the fight against climate change.

Example:

Scoring **4** when an elementary school is built using sustainable materials and installing water and energy efficiency systems. The project identifies the risk and probability of occurrence of extreme events in the area of influence of the project location and considers a climate risk mitigation, adaptation and response plan necessary to mitigate such risks. In addition, a monitoring system is established to evaluate the effectiveness of these measures, as well as waste management and water and energy use, in order to gather information, detect deficiencies and remedy them.

ADDITIONAL RELEVANT CRITERIA

As stated in chapter 4. “Methodology “, the additional relevant criteria are criteria that do not depend on the characteristics of the project, but rather on the circumstances and allow the corresponding public entities to facilitate decision making by providing them with more information and allowing them to act accordingly.

FISCAL SUSTAINABILITY

Next, fiscal sustainability is developed, understood as the project’s own fiscal capacity, as well as the fiscal impact and fiscal affordability on the public entity. It has been included as an additional relevant criterion to avoid not prioritizing projects that by their nature require more fiscal resources, which, although it is relevant information, should not affect its prioritization.

SELF-SUSTAINABILITY

DESCRIPTION

Additional relevant criterion, within the “Fiscal Sustainability” dimension, which aims to provide information on those projects that have the capacity to generate sufficient own revenues to cover all project costs. Occasionally, this type of project may require resources from the responsible Public Entity, but these are not significant, so the project is classified as self-financed.

JUSTIFICATION

A self -sustainable project refers to the fact that the costs are recovered with the revenues received by the successful bidder through the collection of tariffs, prices, tolls, fees or charges in general collected from the end user during the term of the contract, also making it possible to obtain a financial return appropriate to the risk assumed. However, in spite of having its own capacity to generate sufficient income, self-sustainable projects may also require contingent guarantees from the public entity to cover certain risks that cannot be fully transferred to the successful bidder. For the project to be considered self-sustainable, these contingent commitments should not exceed 10-20 % of the investment amount, although this varies depending on the regulation of the country in question. Therefore, the development of self-sustainable projects may be of interest to certain public entities, since in this way they do not have to commit as many fiscal resources to the execution of the infrastructure as co-financed projects would require.

WHAT INFORMATION IS BEING CAPTURED?

The aim is to determine the project‘s capacity to generate sufficient revenue to be viable from a financial perspective. This analysis does not need to be exhaustive, as a preliminary study of the project’s cost and revenue structure may be sufficient to initially determine the project’s revenue generation capacity.

SELF-SUSTAINABILITY

SCORING AND EXAMPLES TO GUIDE ITS ASSIGNMENT

1

The project does not have the potential to generate sufficient income to be financially viable, so it must incorporate budget payment of more than 90% of the total.

Example:

Scoring **1** when the nature of the project is socially viable, but not necessarily economically and financially profitable, such as a low-traffic road, where it is estimated that demand revenues, in the case of tolling, would be insufficient. Therefore, in this case, and in order to make the project viable, the corresponding public entity remunerates the PPP contractor through availability payments (APD), which are 100% of the private payment mechanism. Toll revenues are collected by the Public Administration, reducing its budgetary effort.

2

The project does not have the potential to generate sufficient income to be financially viable, so it should incorporate budget payments between 50-90% of the total.

Example:

Scoring **2** when the nature of the project is socially viable, but not necessarily economically and financially profitable, such as a subway line, where the PPP Contractor receives demand revenues from the collection of fares from end users, but these are insufficient to make the project viable, so the payment mechanism must incorporate budgetary payments (estimated at 50-90%) by the public entity.

3

The project does not have the potential to generate sufficient income to be financially viable, so it should incorporate a budget payment between 10-50% of the total.

Example:

Scoring **3** when the nature of the project is socially viable, but not necessarily economically and financially profitable, as may be the case of a waste-to-energy plant (Waste to Energy), where part of the PPP Contractor's income comes from the commercialization of the energy produced through closed Power Purchase Agreement (PPA) contracts and the rest from direct sales to other users. However, the project requires budgetary payments (10-50% of the payment mechanism).

4

The project has the potential to generate sufficient revenues to be financially viable. It expects to receive a budget payment of less than 10% of the payment mechanism.

Example:

Scoring **4** when the nature of the project is socially viable and, in addition, economically and financially profitable, as may be the case of an airport terminal. In this case, the private partner's income comes from the lease of the premises located inside the terminal, which, in normal passenger traffic situations, are sufficient to make the project viable, and therefore no budgetary payment is required.

FISCAL IMPACT AND AFFORDABILITY

DESCRIPTION

Additional relevant criterion, within the "Fiscal Sustainability" dimension, which aims to determine the fiscal impact that the project would generate on the public entity in case of being developed and to analyze its affordability during the life cycle.

JUSTIFICATION

For the proper development of a PPP project, it is necessary for the responsible administration to identify and allocate the necessary public resources to meet the funding requirements, analyzing whether it will have sufficient payment capacity to meet the firm and contingent obligations throughout the life cycle of the project.

In this context, it is required that the fiscal dimension be taken into consideration from the initial stage of the project (design, cost-benefit analysis, prefeasibility and feasibility studies, among others) to the decommissioned stage (transfer of the asset), ensuring informed decision making and a process of continuous supervision and monitoring.

During the life cycle of the project, the correct identification and estimation of risks and costs will allow the quantification of firm and contingent liabilities and, through a standardized methodology, their recording, accounting and reporting; based on the above, their impact and feasibility on the fiscal balance (surplus/deficit and debt) of the Government will be evaluated.

The fiscal reference framework must be understood under an integral and dynamic approach that accompanies the projects throughout their life cycle.

It should be clarified that, in order for the responsible authority to be able to estimate the fiscal dimension of the projects with greater feasibility, there should be a standardized methodology for recording, accounting and reporting the impact and feasibility of the public resource needs (both firm capital subsidies and/or payments for availability and/or use of infrastructure and contingent) for the entire life cycle of the project.

In this sense, it is observed that those projects that require a greater allocation of public resources tend to find it more difficult to be executed, losing their attractiveness. It is therefore essential to analyze the possibility of including user fees or the commercial operation of additional services to the infrastructure to complement the budgetary payments made by the public entity.

WHAT INFORMATION IS BEING CAPTURED?

This criterion analyzes the fiscal impact that the project would generate on the public entity and the capacity it would have to guarantee the fiscal sustainability and viability of the project.

FISCAL IMPACT AND AFFORDABILITY

SCORING AND EXAMPLES TO GUIDE ITS ASSIGNMENT

1

There was no process to identify the fiscal dimension of the projects throughout their life cycle; likewise, the fiscal space available and the borrowing capacity at an aggregate level were not determined; therefore, informed decision making is not guaranteed and a mechanism for continuous monitoring and supervision is not developed.

Example:

Scoring **1** when a PPP project of a public building is to be developed, where the main source of income of the PPP contractor will be availability payments that will include the remuneration for the design, construction, operation and maintenance of the building (firm liabilities). These availability payments will be borne by the state, as well as any payments that may arise from the materialization of risks borne in whole or in part by the state (contingent liabilities). However, the project team has not yet determined the cost of these firm and contingent liabilities and the impact that the PPP project will have on the public budget of the contracting entity.

2

The fiscal dimensions of the projects were identified only in the early stages of their development (design and construction); the fiscal implications in the later stages (operation, maintenance and/or rehabilitation and decommission of the asset) are not considered, thus not ensuring informed decision making based on the continuous supervision and monitoring process. For this reason, only the impact and fiscal feasibility of the project is estimated (investment stage: design and /or construction and/or equipment), without considering contingent commitments and the need for public resources for the operation and maintenance stage (the fiscal affordability of the project is not guaranteed).

Example:

Scoring **2** when a PPP project of a public building is to be developed, where the main source of income of the PPP contractor will be availability payments that will include the remuneration for the design, construction, operation and maintenance of the building (firm liabilities). These availability payments will be borne by the state, as well as any payments that may arise from the materialization of risks borne in whole or in part by the state (contingent liabilities). However, the project team has only determined the initial investment cost and that is what the public entity is considering to estimate the annual budgetary impact of the PPP project, without considering the complete project cycle.

FISCAL IMPACT AND AFFORDABILITY

SCORING AND EXAMPLES TO GUIDE ITS ASSIGNMENT

3

The fiscal dimensions of the projects were identified throughout their life cycle; however, the decommission approach (transfer of the asset) and the analysis of contingent liabilities are excluded, thus only partially ensuring informed decision making from the continuous supervision and monitoring process. Therefore, only firm liabilities (both capital subsidy and/or payments for availability and/or use of infrastructure) are recorded, accounted and reported without considering contingent liabilities during the life of the contract (Feasibility and Fiscal Impact). The fiscal affordability of the project is not confirmed; therefore, the materialization of any risk could compromise the balance of public finances.

Example:

Scoring **3** when developing a PPP project for a public building, where the main source of income for the PPP contractor will be availability payments that will include the remuneration for the design, construction, operation and maintenance of the building (firm liabilities). Although the project team has determined the cost of the project until the end of the contract and this calculation is being considered to estimate the annual budgetary impact of the PPP project, neither the impact of the contingent liabilities nor the possible impact of the decommission arrangement are included.

4

The fiscal dimensions of the projects were identified throughout their life cycle and the decommission approach (asset transfer) was carried out, ensuring informed decision making based on a process of continuous supervision and monitoring. Therefore, it is possible to record, account for and report firm commitments (both capital subsidy and/or payments for availability and /or use of infrastructure) and contingent commitments during the life of the contract (Feasibility, Impact and Fiscal Affordability) and to perform a decommission analysis. In addition, it is confirmed that the affordability analysis was satisfactory, indicating that the government will be able to cover all the needs without compromising the balance in public finances.

Example:

Scoring **4** when developing a PPP project for a public building, where the main source of income for the PPP contractor will be availability payments that will include remuneration for the design, construction, operation and maintenance of the building (firm liabilities). The project team has determined the cost of the project until the end of the contract and this calculation is being considered to estimate the annual budgetary impact of the PPP project, including contingent liabilities' estimates and the possible impact it could have at the time of the decommission process to the public sector.

PROJECT MATURITY

The degree of maturity or development of the PPP project is directly related to the previous existence of studies and/or projects in the profile, pre-feasibility or feasibility stage, allowing a more precise and approximate calculation of all the parameters involved in the project, the main ones being investment, costs, risk levels assumed by the public sector and those transferred to the private sector.

This dimension aims to provide information on the maturity status of the project so that, after analyzing the prioritization criteria and if necessary, resources can be redirected to those projects with a higher level of study development. This will make it possible to increase the level of detail in the reports and reduce the time required for review and approval by the competent authorities.

In this way, we seek to avoid wasting technical effort by paralyzing projects that are already in advanced stages of development. Advanced projects, in principle, have greater maturity and clarity about the risks involved and the existence of knowledge gaps for their conclusion. In addition, since they require less time for execution, mature projects are less exposed to the political window of governments.

TECHNICAL STUDIES AVAILABLE

DESCRIPTION

Informative criterion, within the category of “Project Maturity”, whose purpose is to determine the degree of technical preparation of the PPP project, which is reflected in the demand and feasibility studies in their different degrees of depth, which may include aspects of technical, social, environmental, legal, economic-financial, PPP convenience, among others, and engineering studies and projects, whether at the conceptual, preliminary or executive project level, reports available and necessary for the development of the infrastructure.

JUSTIFICATION

For the optimal development of infrastructure projects, it is necessary to have technical information that reflects the characteristics and particularities of the infrastructure in question, and that supports a reliable estimate of revenues and costs, since the execution of this type of project often entails great complications.

In addition, the technical particularities of the project are used as a basis for the definition of other important issues in the development of PPP projects, such as risk assessment and risk sharing, availability indicators, payment mechanisms, etc.

This is why technical studies of the project are an essential part of the implementation of an infrastructure.

WHAT INFORMATION IS BEING CAPTURED?

It is intended to capture the degree of progress in terms of available technical information related to the PPP project.

TECHNICAL STUDIES AVAILABLE

SCORING AND EXAMPLES TO GUIDE ITS ASSIGNMENT

1

Since the PPP project is at an early stage, the technical solution has not been selected and no technical studies are available for the project.

Example:

Scoring **1** when the project does not have any technical analysis/study.

2

The technical solution has been selected by the public entity but there is no detailed study on it.

Example:

Scoring **2** when the project has a technical analysis/study at the project profile level.

3

The technical solution has been selected and the Technical Studies of the project are available in a preliminary to the final phase.

Example:

Scoring **3** when the project has a technical analysis/study at pre-feasibility level.

4

The technical solution has been selected and final project studies are available.

Example:

Scoring **4** when the project has a technical analysis/study at feasibility level.

LEGAL STUDIES AVAILABLE

DESCRIPTION

Informative criterion, within the "Project Maturity" category, which aims to determine the legal maturity of the project, as reflected in the different legal reports available and necessary for the development of the infrastructure.

JUSTIFICATION

For PPPs to be successful, they need comprehensive legal and institutional frameworks and processes, as well as a sound legal structure. The successful implementation of PPPs also depends to a large extent on the administrative capacity of the responsible authorities and the prior legal reports and analysis available for the project.

These reports should include procurement, transit routes, access roads, and permitting, among other things.

WHAT INFORMATION IS BEING CAPTURED?

An attempt is made to capture the degree of progress of the available legal reports related to the project.

SCORING AND EXAMPLES TO GUIDE ITS ASSIGNMENT

1

There is no prior legal report available that covers all the laws and regulations attributable to the project and encompasses the legal framework for PPPs in the country.

Example:

Scoring **1** when the project does not have any legal analysis/study.

2

A high-level legal report is available comprising all the laws and regulations attributable to the project and encompassing the legal framework for PPPs in the country.

Example:

Scoring **2** when the project has a legal analysis/study at profile level.

3

A prior legal report is available that includes all the laws and regulations attributable to the project and encompasses the legal framework for PPPs in the country.

Example:

Scoring **3** when the project has a legal analysis/study at pre-feasibility level.

4

A detailed legal report is available comprising all the laws and regulations attributable to the project and encompassing the legal framework for PPPs in the country.

Example:

Scoring **4** when the project has a legal analysis/study at the feasibility level.

ECONOMIC-FINANCIAL STUDIES AVAILABLE

DESCRIPTION

Informative criterion, within the "Project Maturity" category, which aims to determine the economic-financial maturity of the project, as reflected in the different economicfinancial reports available and necessary for the development of the infrastructure.

JUSTIFICATION

For an optimal economic-financial structuring of the project, at least preliminary financial studies and analyses must be available to compare the economic benefits and costs of the best method of provision (PPP vs. TPW) and to determine the financial viability of the project.

By comparing the costs derived from both provision methods, it will be possible to define which party should develop it and conclude on the financial viability of the project.

WHAT INFORMATION IS BEING CAPTURED?

An attempt is made to analyze the degree of progress of the economic -financial studies available to determine whether the project is beneficial both economically and financially for the company.

SCORING AND EXAMPLES TO GUIDE ITS ASSIGNMENT

1

No prior economic-financial analysis is available.

Example:

Scoring **1** when the project does not have any economic-financial analysis/study.

2

A preliminary economic-financial analysis is available.

Example:

Scoring **2** when the project has an economic analysis/study at profile level.

3

A basic economic-financial analysis is available.

Example:

Scoring **3** when the project has an economic-financial analysis/study at pre-feasibility level.

4

A detailed economic-financial analysis is available.

Example:

Scoring **4** when the project has an economic-financial analysis/study at feasibility level.

RECOMMENDATIONS FOR A PRIORITIZATION EXERCISE

Given the need for a multisectoral prioritization tool for PPP projects, and by way of a summary based on the best practices presented throughout the document, the following is a list of recommendations that, beyond the specifics of the tools, components or subcomponents for the prioritization processes, are key for the proper development and planning of public infrastructure:

1. **The need to anchor PPP prioritization exercises in the public infrastructure development planning system:** prioritization exercises are an essential part of the country's planning process because they make it possible to match needs with available resources and timing from a technical point of view and to turn development strategies into a list of actionable projects.

2. **The prioritization exercise as a first point in the implementation of infrastructure plans:** once the development strategies and the list of projects needed to achieve the objectives have been defined, a prioritization exercise makes it possible to identify, through the analysis of key characteristics, to which projects to allocate part of the available resources in order to carry out the necessary studies to prepare efficient and bankable projects.

3. **The importance of time perspective:** The criteria and their respective weightings should be aligned with the country's strategic and development priorities; therefore, they can be dynamic over time. However, when analyzing a portfolio of projects at a given point in time, it is important that all the projects that make up the portfolio are analyzed with the same criteria.

4. **The need to implement a multisectoral focus:** Consequently, it is also important that the prioritization criteria can be applied to a multisectoral portfolio of projects, avoiding the prioritization of projects only in sectors where the private sector has traditionally participated more frequently.

5. **The importance of making fair comparisons:** In addition, the criteria should be developed in a way that considers that the projects to be evaluated may arrive at different stages of development and availability of information, and therefore the comparison (and development of indicators) must consider this reality in order to make fair comparisons.

6 **Prioritization exercises as efficiency generators in project preparation:** It is suggested that eligibility criteria be applied in early stages to rule out those projects that, due to legal or scope issues (or those that the country considers strictly relevant) cannot be developed through PPPs, in order to avoid incurring unnecessary preparation costs.

7 **The importance of distinguishing prioritization, eligibility and additional information:** It is considered relevant to evaluate the need to distinguish between the prioritization criteria themselves, and those additional criteria that may be relevant (incorporating additional information not fully reflected in the previous ones) to inform decision makers but that may not be considered for prioritizing projects. Once the criteria have been defined and how they will be scored, it is suggested to move on to the definition of the weightings where relevance will be given to the country's development priorities.

8 **The importance of having a technical focus, and avoiding discretionality:** When deciding on the incorporation of criteria, it is advisable to take into account the characteristics that would make the project a good candidate to be developed through PPPs, analyzing it from a technical point of view. It is also advisable that the criteria include definitions that are as precise as possible, leaving no room for discretion.

9 **The importance of avoiding purely neutral valuations:** When defining the way in which each of the criteria will be valued, it is suggested to avoid assigning odd scores (i.e. from 1 to 3 or from 1 to 5), otherwise the exercise may lead to the temptation of selecting intermediate scores.

10 **The importance of treating each criterion individually:** Finally, it is common for there to be correlation between the selected criteria, which is why it is recommended that during the exercise, the analyst focuses on answering the question as objectively as possible, regardless of whether the response is affected by issues addressed in more detail in other criteria or cross-cutting from the tool.

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