



<p>Document: AGFSCB 31-052 Draft: FIRST Source: IDB Date: 22 August 2011 Meeting: Lima, Peru</p>	 The Advisory Group on APEC Financial System Capacity-Building <small>A Public-Private Sector Initiative</small> Third Meeting 2011 23 August 2011 Mediterraneo A, Los Delfines Hotel & Casino Lima, Peru Meeting Paper 4-C Infrascopes: An Innovative Learning Tool for Evaluating Country Capacity for Public-Private Partnerships <i>Inter-American Development Bank</i>
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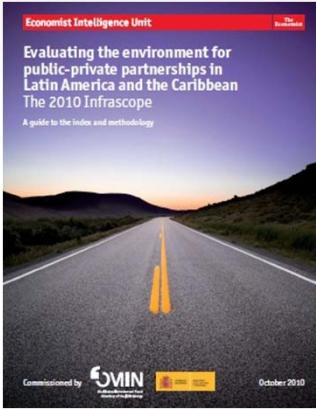
SMIN
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**Infrascopes: An Innovative Learning Tool for Evaluating Country
Capacity for Public-Private Partnerships**

2



INFRASCOPE



Infrascope: PPP Readiness Index and Software Tool developed and published by the Economist Intelligence Unit in collaboration with FOMIN


Assesses a country's readiness and capacity for public-private partnerships in water, transportation and electricity

Evaluates 19 countries in Latin America and the Caribbean, according to their relative performance in six key areas, using 19 indicators

Platform for policy dialogue with countries as well as tool to measure impact performance of FOMIN capacity building projects

Learning tool for governments and donors

3



INFRASCOPE

Key Characteristics

Sector specific – focuses on water, transport and electricity projects


Contract specific – evaluates concession contracts and does not consider management and lease contracts or divestitures

Country-level assessments – only considers regional tendencies where possible and relevant

Considers both **qualitative and quantitative** factors

Dynamic rather than prescriptive model





The Infrascopie Development Process

Nov. 2008: FOMIN commissions EIU to develop study to evaluate environment for PPPs in infrastructure and basic services in LAC

Dec. 2008: FOMIN and EIU organize workshop on PPPs to finalize focus and structure of study

June 2009: Infrascopie pilot is launched


Feb. 2010: FOMIN and EIU organize peer review workshop to review Infrascopie methodology in advance of release of second edition

Sept. 2010: FOMIN organizes e-conference to further review Infrascopie methodology as well as country information

Nov. 2010: FOMIN and EIU release second edition of Infrascopie

Currently, the third edition of the Infrascopie is under development. Additionally, an Infrascopie pilot for Asia is in the advanced stages of development.

5



The Infrascopie Development Process

Data collection

Research and analysis

Construction, weighting, scoring of Index

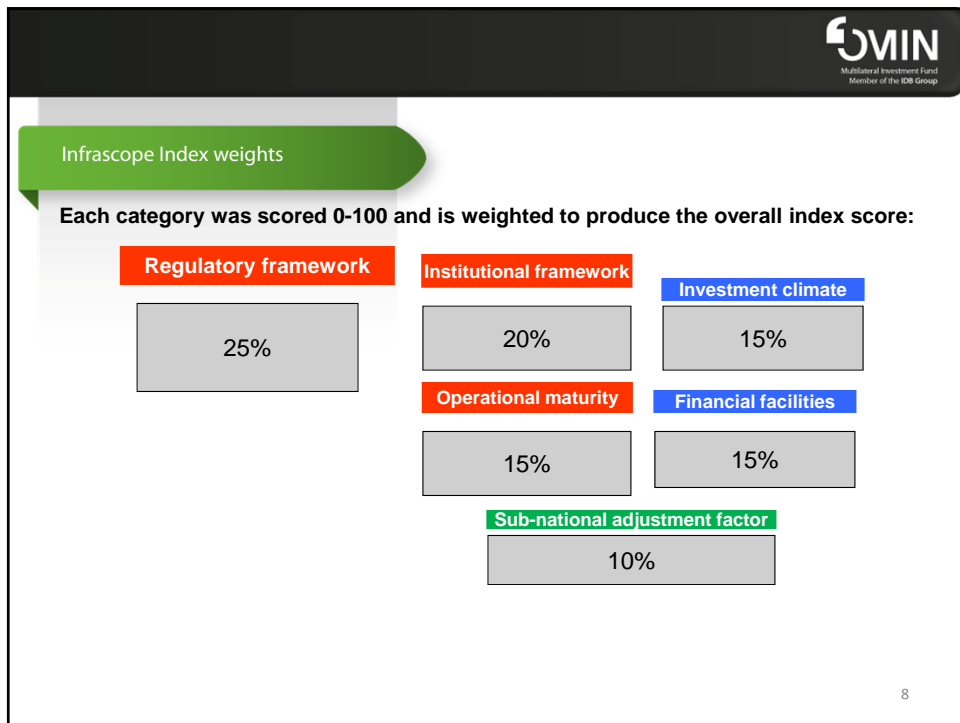
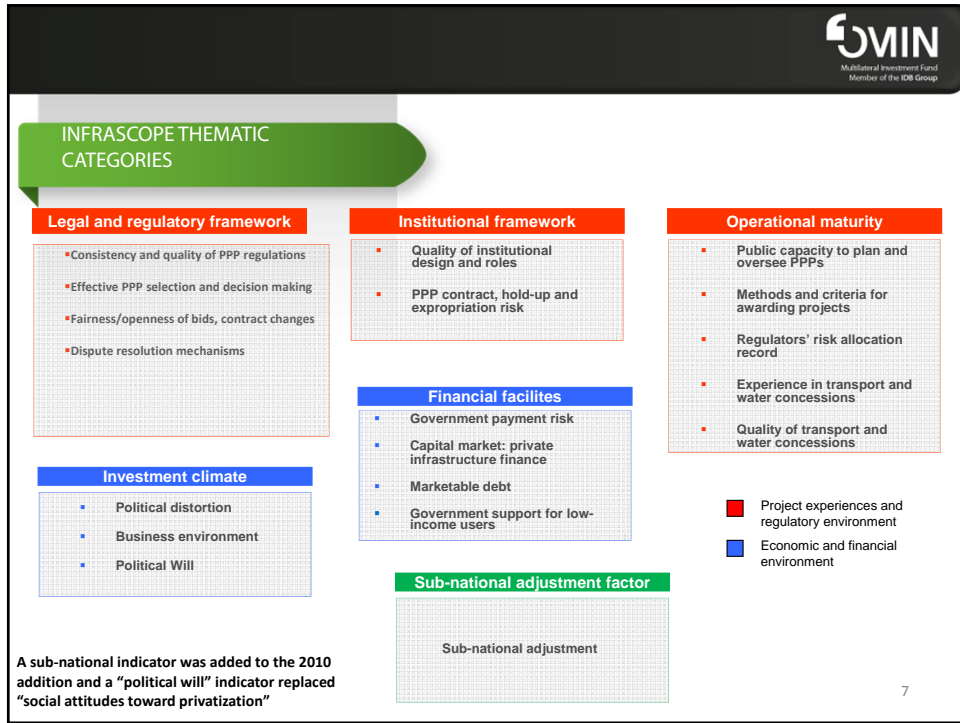
Activities


<ul style="list-style-type: none"> ▪ Search relevant, publicly available data sources 	<ul style="list-style-type: none"> ▪ Interview country and sector experts, distribute survey ▪ Review laws and regulations ▪ Compile secondary reports and assessments 	<ul style="list-style-type: none"> ▪ Qualitative analysis of laws, regulations and institutions ▪ Data normalisation ▪ Compare index results against survey responses, interviews, World Economic Forum Index
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Sources

<ul style="list-style-type: none"> ▪ World Economic Forum, PPIAF, PPI data base, World Bank, Economist Intelligence Unit, Transparency International, Latinobarometro survey, Multilateral Investment Guarantee Agency data, Fitch/S&P/Moody's 	<ul style="list-style-type: none"> ▪ PPIAF sector reports, IADB reports, Economist Intelligence Unit publications (Country Commerce, Country Finance, Risk Briefing) 	<ul style="list-style-type: none"> ▪ Economist Intelligence Unit analysts and model builders
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6





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SIMULATION OF INFRASCOPE AS A LEARNING TOOL

Economist Intelligence Unit
The Economist

2010 Infrascope index for Latin America and the Caribbean

This benchmarking index is a learning tool that evaluates the legal, regulatory and operating environments for public-private partnerships (PPPs) in transport, water/sanitation and electricity infrastructure for 19 Latin American and Caribbean countries. The analysis and scores in the model provide a comparable assessment of individual countries' readiness and facility for PPP project design and implementation.


Evaluations were conducted and data was collected on a national level for all countries and indicators, with the exception of the sub-national adjustment factor. For the purpose of this index, PPP refers specifically to projects which involve a long-term contract between a public-sector body and a private-sector entity for the design, construction (or upgrading), operation and maintenance of public infrastructure; with finance usually provided by, and significant construction, operation and maintenance risks transferred to, the private-sector, which also bears either availability or demand risk; but with the public sector remaining responsible for policy oversight and regulation; and the infrastructure generally reverting to public-sector control at the end of the contract term.




This model is constructed from 19 indicators, 15 of which are qualitative and most of which were scored from 0-4, where 4=best. The remaining indicators were based on quantitative variables. Five category scores and one adjustment factor - Legal and regulatory framework, institutional framework, Operational maturity, investment climate, Financial facilities and a sub-national adjustment factor- are calculated from the weighted mean of the underlying indicators.

Each indicator is normalized from 0-100 where 100=best. From the underlying quantitative indicator data, the score is calculated using the following normalisation formula:

$$x = (x - \text{Min}(x)) / (\text{Max}(x) - \text{Min}(x))$$

The weighting for each indicator and category can be adjusted by editing the "Weights" worksheet; please note that the current category weights are the Economist Intelligence Unit selected weights.

Commissioned by:  Publication date: October 2010

9

[Cover](#)
[Rankings 2010](#)
[YoScoreChange_consistent](#)
[IndicatorRanking](#)
[CountryProfile](#)
[CountryCompare](#)
[Scatter](#)
[Weights](#)




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BENEFITS AS LEARNING A TOOL

- Reference tool for discussions on PPP program or project
- Assess country performance, progress and areas for improvement based on comparisons with best practices
- Frame year-to-year country changes
- Interactive - Enables changes to raw data and weights based on view of user



10



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COUNTRY PROFILES

Economist Intelligence Unit
The Economist

2010 Infrascope index for Latin America and the Caribbean

This benchmarking index is a learning tool that evaluates the legal, regulatory and operating environments for public-private partnerships (PPPs) in transport, water/sanitation and electricity infrastructure for 19 Latin American and Caribbean countries. The analysis and scores in the model provide a comparable assessment of individual countries' readiness and facility for PPP project design and implementation.


Evaluations were conducted and data was collected on a national level for all countries and indicators, with the exception of the Qualitative adjustment factor. For the purpose of this index, EIU refers specifically to projects which involve a long-term contract between a public-sector body and a private-sector entity for the design, construction (or upgrading), operation and maintenance of public infrastructure, with finance usually provided by, and significant construction, operation and maintenance risks transferred to, the private sector, which also bears either availability or demand risk, but with the public sector remaining responsible for policy oversight and regulation, and the infrastructure generally reverting to public-sector control at the end of the contract term.




This model is constructed from 19 indicators, 15 of which are qualitative and most of which were scored from 0-4, where 4=best. The remaining indicators were based on quantitative variables. Five category scores and one adjustment factor - Legal and regulatory framework, institutional framework, operational maturity, investment climate, financial facilities and a Qualitative adjustment factor - are calculated from the weighted mean of the underlying indicators.

Each indicator is normalised from 0-100 where 100=best. From the underlying quantitative indicator data, the score is calculated using the following normalisation formula:

$$x = (x - Min(x)) / (Max(x) - Min(x))$$

The weighting for each indicator and category can be adjusted by editing the "Weights" worksheet; please note that the current category weights are the Economist Intelligence Unit selected weights.


Commissioned by:  Publication date: October 2010

- In-depth analyses of country indicators
- Pop out windows enhance usability

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IndicatorRanking
CountryProfile
CountryCompare
Scatter
Weights

11



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COUNTRY PROFILE (PERU)

Country Profile

Country Profile

SELECT COUNTRY

PERU	Score	Max	Min
Overall Score	87.2	100.0	0
Legal and regulatory framework	79.0	100.0	0
Institutional framework	79.0	100.0	0
Operational maturity	33.0	100.0	0
Investment climate	79.2	100.0	0
Financial facilities	88.0	100.0	0
Qualitative adjustment	30.0	100.0	0

Pop Out Window

Indicator notes

PERU Score

Fairness/openness of bids, contract changes 75 / 100

YOY -25.0

In general, PPP projects are assigned after a bidding process has been undertaken to consider a set of weighted economic factors. Publication and advertisement of contracts and their modifications is part of this bidding process. Foreign companies generally do not face discrimination. Limits to contract adjustments have been established. Legislative Decree 1014 (May 16th 2008) fosters private investment in public services, primarily water/sewage, electricity, natural gas and telecommunications, by reducing bureaucracy. Title III of the Law states that permits for building, expanding or maintaining public services will be granted within 30 days. This clause is linked to the Administrative Silence Law (Law 29056, July 7th 2007) that states that permits and other requirements for investment are automatically granted if the corresponding authority does not issue a response, positive or negative, to the requests within the specified period (that is, if it adopts administrative silence). The government's policy of administrative silence, combined with extremely short decision-making periods, reduces the effectiveness of the contributions made by bodies such as the Ministry of Finance and the Economy and other sectoral agencies, especially since the supervisory authority does not have the power to offer an opinion when changes in the contract are proposed. Also, the Organismo Supervisor de la Inversión en Infraestructura de Transporte de Uso Público (OSITRAN, the transport infrastructure regulator), plays no significant role in the design of quality standards in bidding proposals.

Recent bids for regional airports nevertheless show significant competition levels and bidding processes were successful in awarding contracts. The Palpa port concession was also finally completed after significant controversy.

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YoYScoreChange_consistent
IndicatorRanking
CountryProfile
CountryCompare
Scatter
Weights

12

6

Peru Country Profile – Institutional Framework

	Score / 100	YoY		Rank / 13
		2010/2009	Rank	
OVERALL SCORE	67.2	+10.2		3
Legal and regulatory framework	75.0	+9.4		2
Institutional framework	75.0	+25.0	+1	
Operational maturity	53.6	+8.4		4
Investment climate	75.2	+1.2		2
Financial facilities	61.1	+2.8		5
Subnational adjustment	50.0		+2	

The Infrascope assessment for Peru’s PPP institutional framework improved 25 points YoY and received a favorable score. What are important factors in this assessment? Positive factors? Areas for improvement?

Peru – Institutional Framework

- May 2008: Passage of Regional and Local Public Investment with Private Participation Law (Dec. 2008: regulations to implement law approved)
- Law established uniform PPP framework, reduced transaction costs, better defined main procedures for developing PPPs
- More recent regulatory changes have further improved inter-institutional coordination
- With changes, increased concentration of power in ProInversión. Therefore, increased importance of checks and balances.



Source: Infrascope 2010, Peru Country Profile

Peru – Key Issues



How can Peru enhance the development and implementation of PPPs?

Peru – Key Issues

- Increase government capacity to plan and prepare projects
- Improve contractual arrangements to limit renegotiations
- Enhance dispute resolution



Source: Infrascope 2010, Peru Country Profile

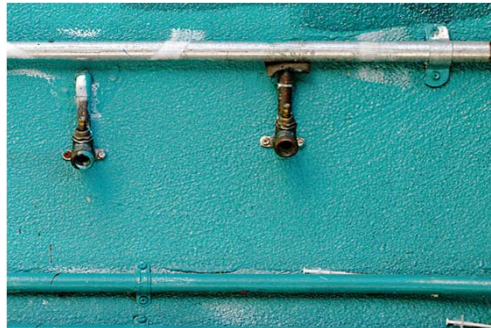
Chile Country Profile – Legal and Regulatory Framework

	Score / 100	YoY 2010/2009	Rank / 19
OVERALL SCORE	79.2	+1.9	1
Legal and regulatory framework	84.4	+21.9	1
Institutional framework	75.0	+25.0	=1
Operational maturity	72.2	+2.0	2
Investment climate	85.4	-0.5	1
Financial facilities	97.2	-	1
Subnational adjustment	50.0	-	=2

Chile's PPP legal and regulatory framework received a favorable evaluation and improved 21.9 points YoY. What are important factors in this assessment? Positive factors? Areas for improvement?

Chile – Legal and Regulatory Framework

- Public Works Concessions Law (April 2010)
 - Private sector compensation more objectively determined
 - Limits on unintended transfer of commercial risks to public sector and limits on renegotiations
 - Requires further bidding for additional significant works to enhance transparency
- Improved system for responding to unsolicited bids



Source: Infrascope 2010, Chile Country Profile

Chile Country Profile – Investment Climate

	Score / 100	YoY 2010/2009	Rank / 19
OVERALL SCORE	79.3	+11.9	1
Legal and regulatory framework	84.4	+21.9	1
Institutional framework	75.0	+25.0	=1
Operational maturity	72.2	+2.0	2
Investment climate	85.4	-0.5	1
Financial facilities	97.2	-	1
Subnational adjustment	50.0	-	=2

The EIU evaluation of the Chilean investment climate declined slightly YoY. What explains this change?

Chile – Investment Climate

- Largely temporary factors
- Global recession
- Earthquake



Source: Infrascopes 2010, Chile Country Profile

Chile Country Profile



How can Chile enhance the development and implementation of PPPs?

Chile – Key Considerations

- Increase government capacity to manage concessions
- Allow for greater separation of regulatory responsibilities



Source: Infrascope 2010, Chile Country Profile

Mexico Country Profile – Institutional Framework

	Score / 100	YoY 2010/2009	Rank / 19
OVERALL SCORE	58.1	+8.2	4
Legal and regulatory framework	56.3	+6.3	4
Institutional framework	58.3	+25.0	4
Operational maturity	54.0	+8.1	3
Investment climate	56.1	-5.7	6
Financial facilities	72.2	+2.8	=2
Subnational adjustment	50.0	=2	

The Mexican institutional framework for PPPs received a favorable evaluation and improved 25 points YoY. What are important elements of this evaluation? Best practices? Areas for improvement?

Mexico – Institutional Framework

- Established capacity at national level for project selection, evaluation, supervision
- Efforts underway to improve capacity at state level
- Lack of institutional coordination at different levels of government



Source: Infrascopes 2010, Mexico Country Profile

Mexico Country Profile – Investment Climate

	Score / 100	YoY	
		2010/2009	Rank / 13
OVERALL SCORE	58.1	+8.2	4
Legal and regulatory framework	56.3	+6.3	4
Institutional framework	58.3	+25.0	4
Operational maturity	54.0	+8.1	3
Investment climate	56.1	-5.7	6
Financial facilities	72.2	+2.8	=2
Subnational adjustment	50.0		=2

The EIU evaluation of the Mexican investment climate declined YoY. What explains this change?

Mexico – Investment Climate

- Global recession - Negative effects highlighted dependence on U.S. economy, economic concentration in certain industries
- Divided government - More difficult to implement competition reforms



Source: Infrascopes 2010, Mexico Country Profile

Mexico – Key Considerations



How can Mexico enhance the development and implementation of PPPs?

Mexico – Key Considerations

- Uniform, comprehensive legal framework for PPPs
- Institutional presence, coordination at national level to establish comprehensive policies and maintain oversight of PPP system

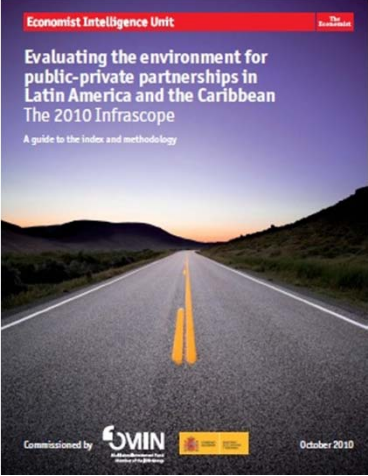


Source: Infrascopes 2010, Mexico Country Profile

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Available through the FOMIN website (<http://www5.iadb.org/mif/>) under Programs and Projects > Access to Basic Services > Engaging Private Sector in the Delivery of Basic Services



29



Thank you.

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30