

# Efficiency gains from improving sustainable infrastructure project preparation

## Evidence from Latin American and Caribbean countries

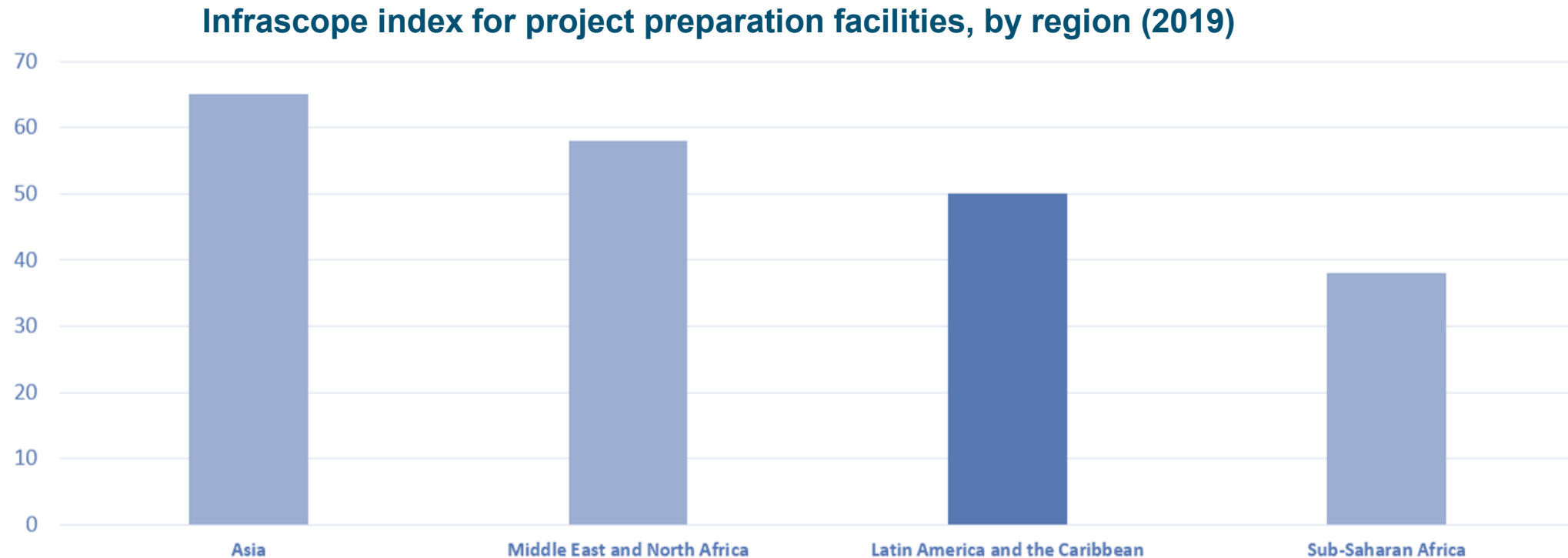
Ancor Suárez Alemán  
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Inter-American Development Bank

*Webinar 2: Developing climate resilient infrastructure PPPs –An introduction to the tools and how to use them to prepare resilient projects*

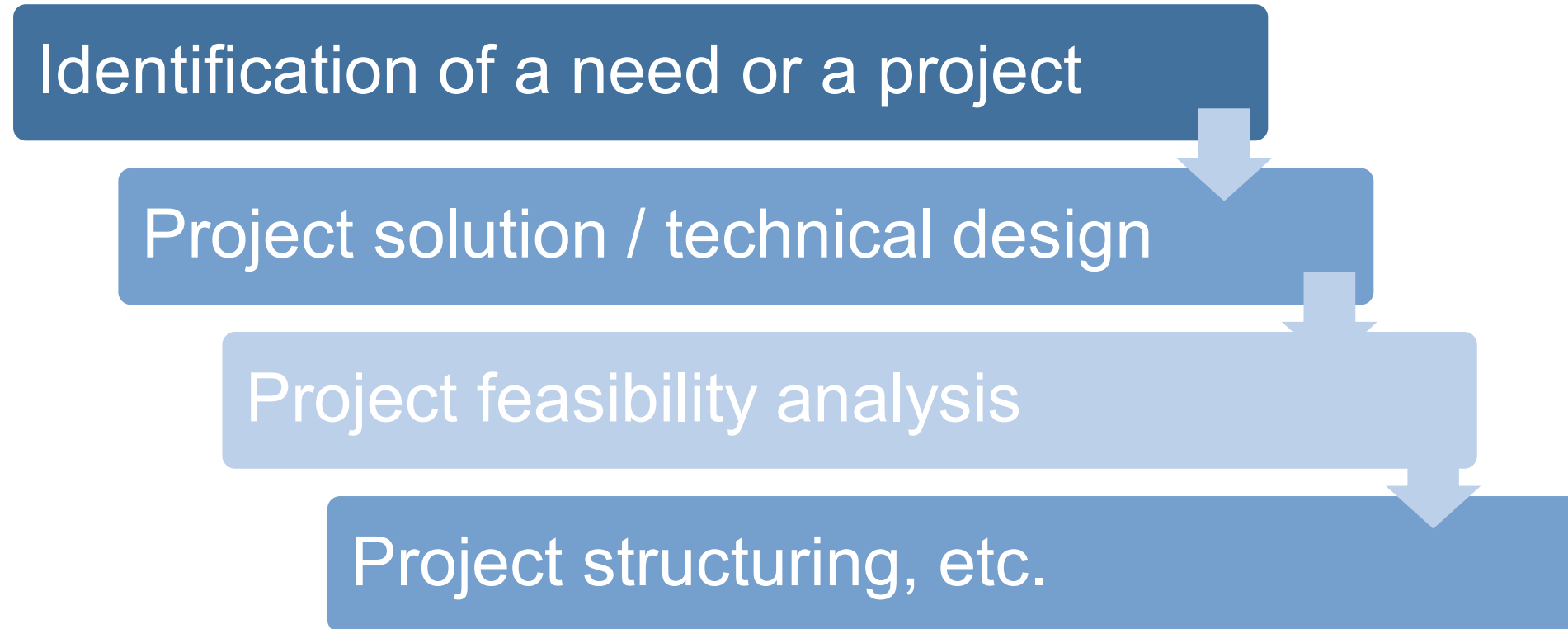
June 10th, 2020

# Inadequate project preparation is a bottleneck for the good development of infrastructure in developing countries



Lack of capacity, experience, and / or public sector resources for project preparation, particularly in developing economies.

## Project preparation is a complex critical activity for good infrastructure development



...

The costs of preparing infrastructure projects in developing countries generally range between **5-10%** of the **total project investment** and about **3-5%** of the project costs in developed countries.

# Improving sustainable infrastructure project preparation

1

Inadequate project selection:

- selection with political criteria instead of socioeconomic
- poor design
- lack of planning

2

Excessive cost of the projects that are executed

- Cost overruns
- Delays

3

Low service quality:

- weak contract supervision
- lack of maintenance of existing assets

# Improving sustainable infrastructure project preparation

Infrastructure investment – Not only more, but also better

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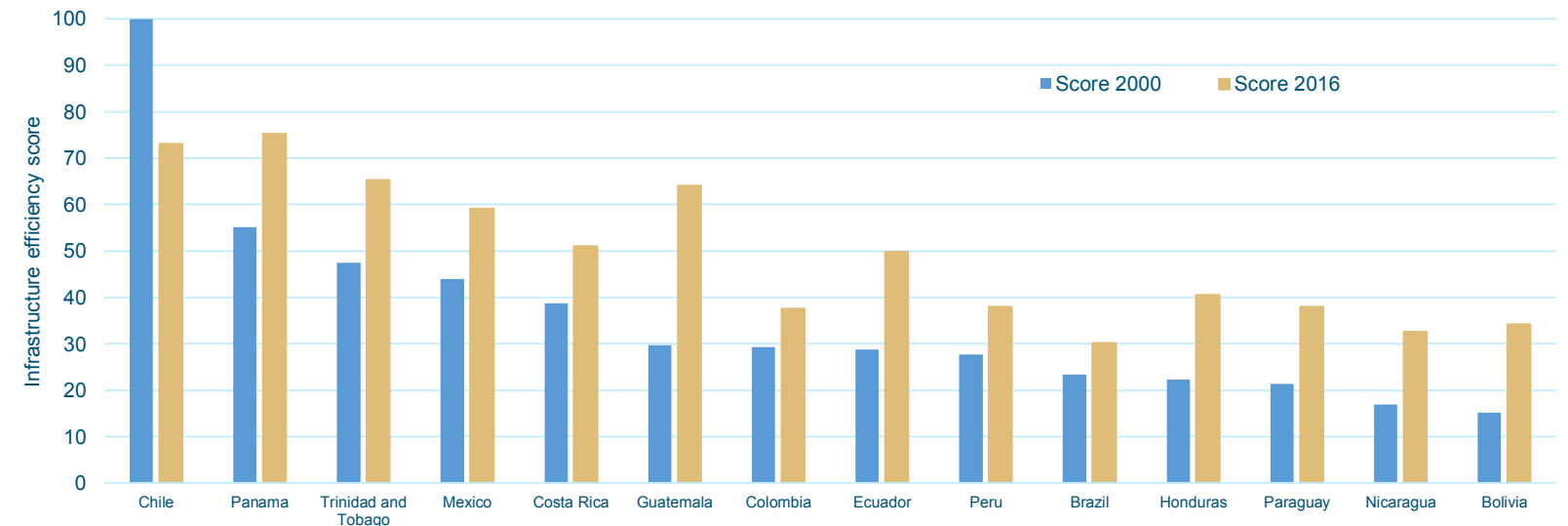
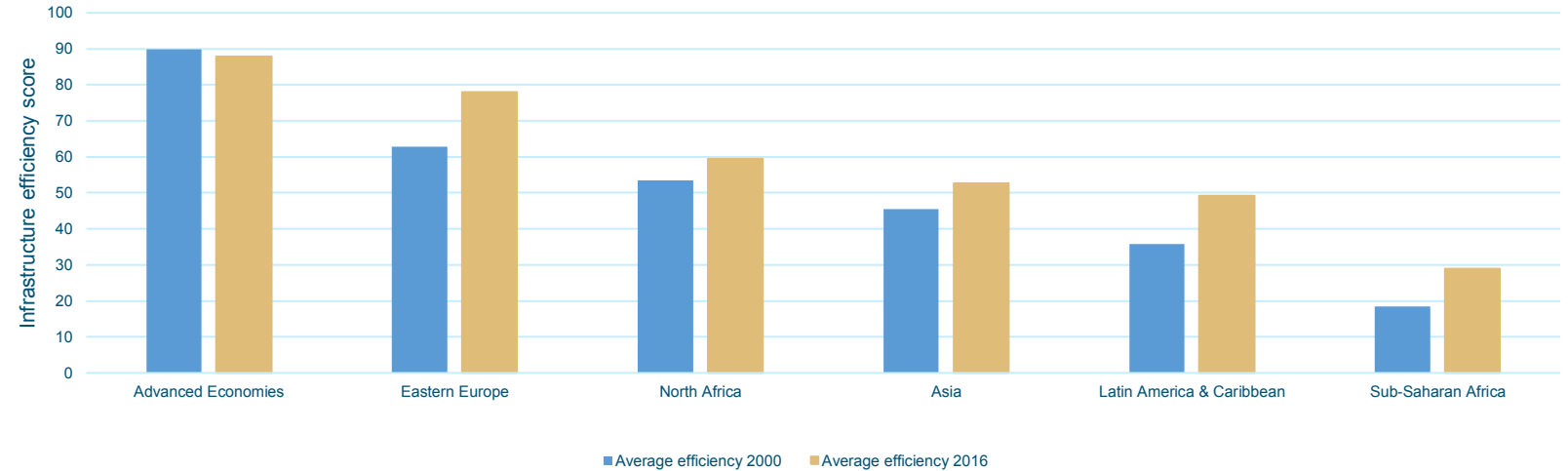
# Improving sustainable infrastructure project preparation

## Efficiency in the provision of infrastructure services - Inefficient expenditure

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# Improving sustainable infrastructure project preparation

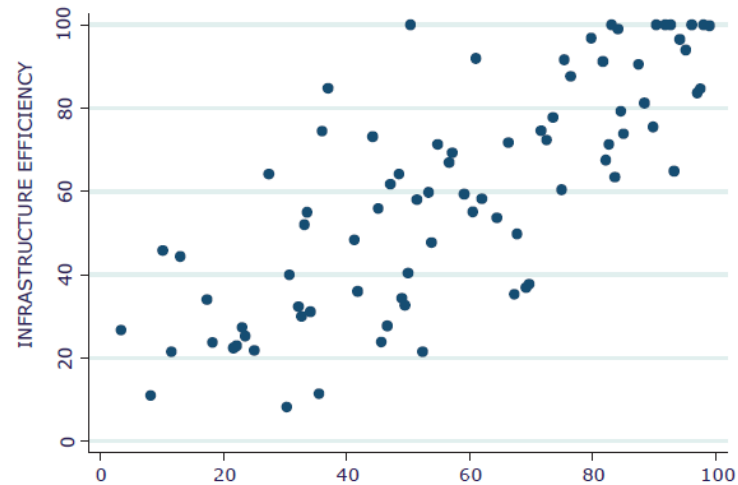
## Efficiency in the provision of infrastructure services – how to improve

1

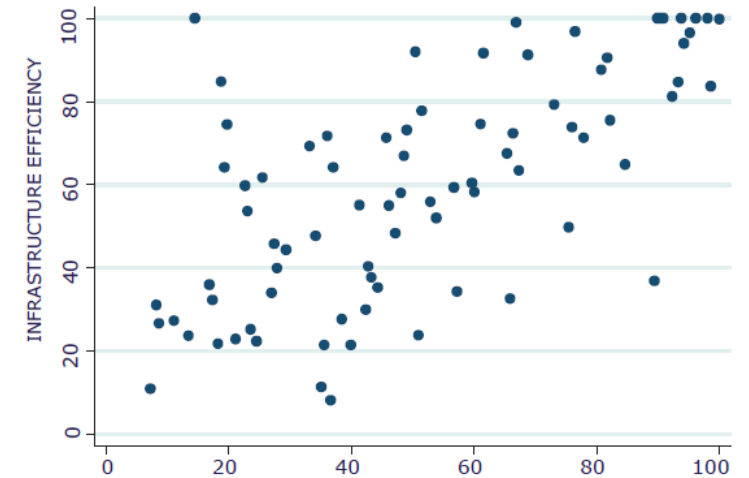
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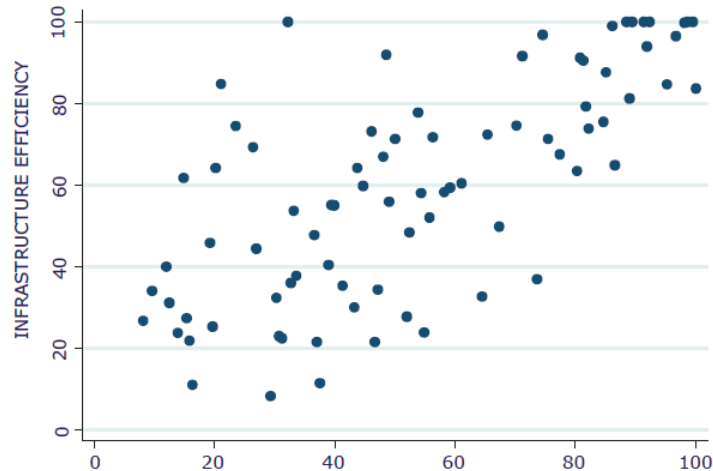
A. INFRASTRUCTURE EFFICIENCY AND REGULATORY QUALITY (2016)



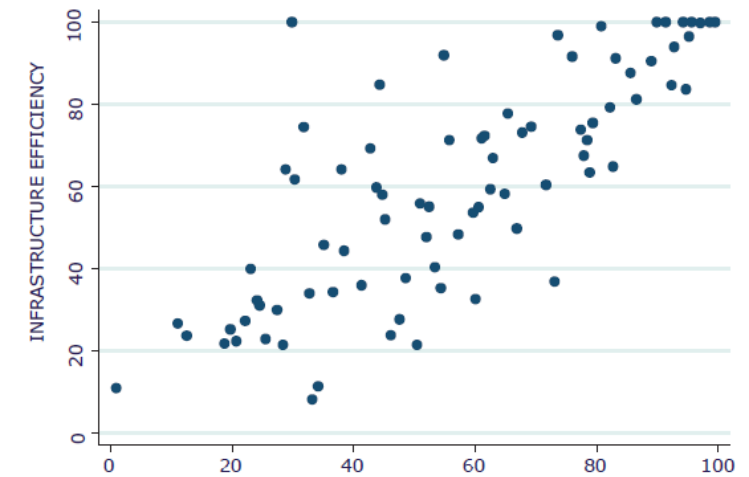
B. INFRASTRUCTURE EFFICIENCY AND COMPLIANCE (2016)



A. INFRASTRUCTURE EFFICIENCY AND RULE OF LAW (2016)



B. INFRASTRUCTURE EFFICIENCY AND GOVERNMENT EFFECTIVENESS (2016)



# Improving sustainable infrastructure project preparation

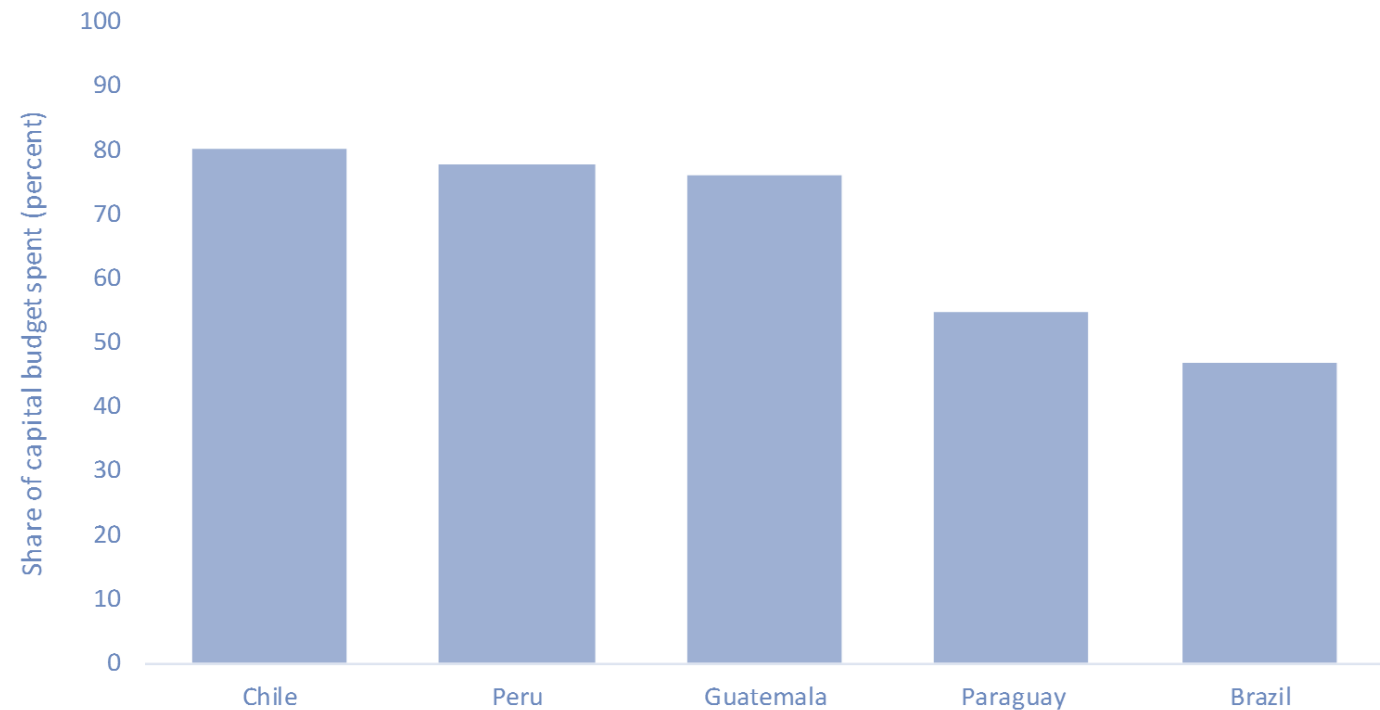
## Efficiency in the provision of infrastructure services - Inefficient expenditure

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Execution of capital budgets in five Latin American countries, 2015





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# Improving sustainable infrastructure project preparation

## Sources of potential savings in public infrastructure spending

2

Excessive cost of the projects that are executed

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Infrastructure need, business as usual

Improving project selection and optimizing infrastructure portfolios

Streamlining delivery

Making the most of existing assets

Infrastructure need after productivity improvements



Source: Adapted from Dobbs et al. (2013).

# Improving sustainable infrastructure project preparation

## Infrastructure Development – cost overruns

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- Delays

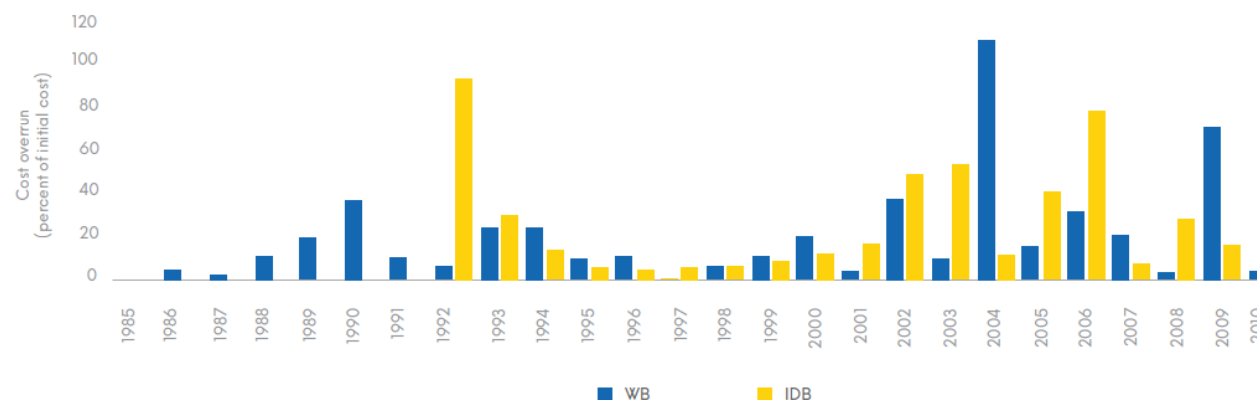
### LAC vs WORLD

Project type	Latin America and the Caribbean	World
Dams	103	95
Rail	59	40
Power plants	36	36
Roads	53	23
<b>Total</b>	<b>48</b>	<b>28</b>

### MDBs

Item	Transport	Energy	Water and sanitation
<b>Average</b>			
IDB	23	16	19
World Bank	18	9	17
<b>Standard deviation</b>			
IDB	33	21	28
World Bank	38	19	34
<b>Maximum</b>			
IDB	144	93	138
World Bank	191	47	174

Figure 16. Cost overruns in a sample of infrastructure projects in Latin America and the Caribbean funded by the Inter-American Development Bank and the World Bank, 1996–2010



Sources: Inter-American Development Bank and World Bank Infrastructure Projects Databases.

Source: Background paper BID DIA2020

# Improving sustainable infrastructure project preparation

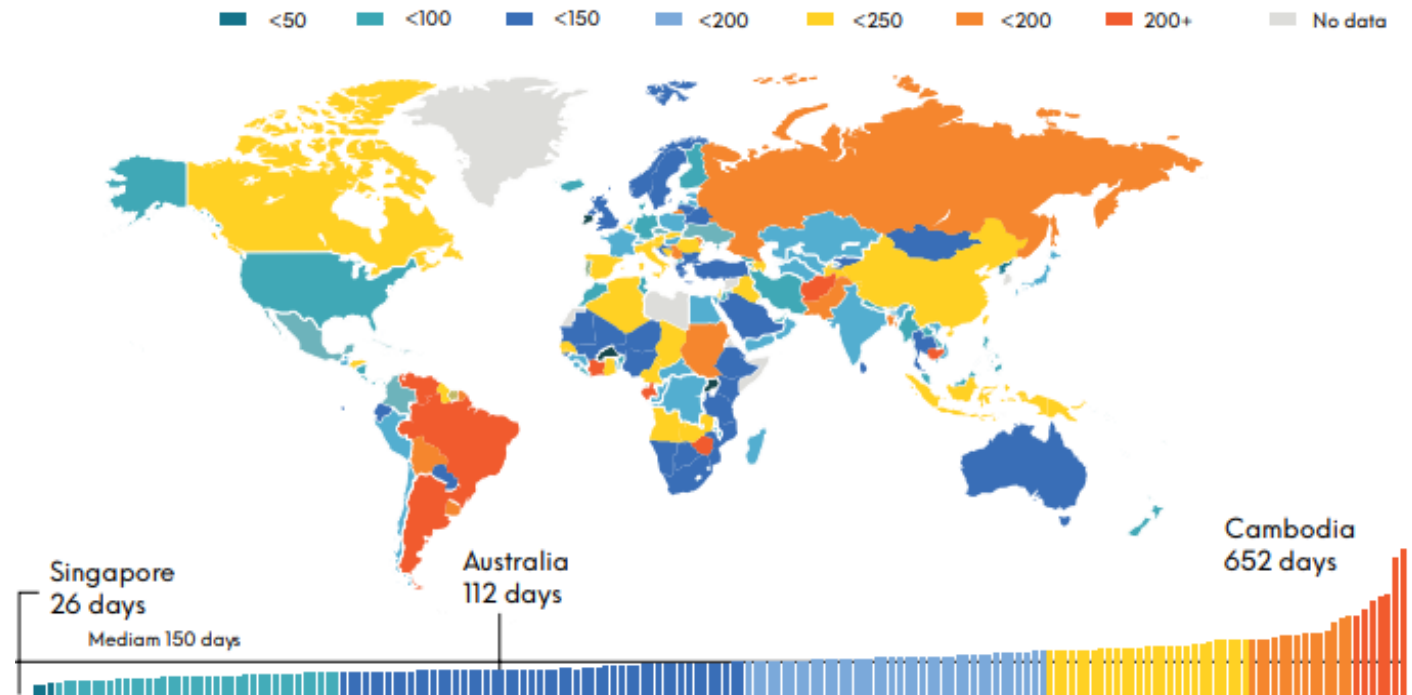
## Infrastructure Development – time delays

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Days required to complete authorization and approval procedures, by country



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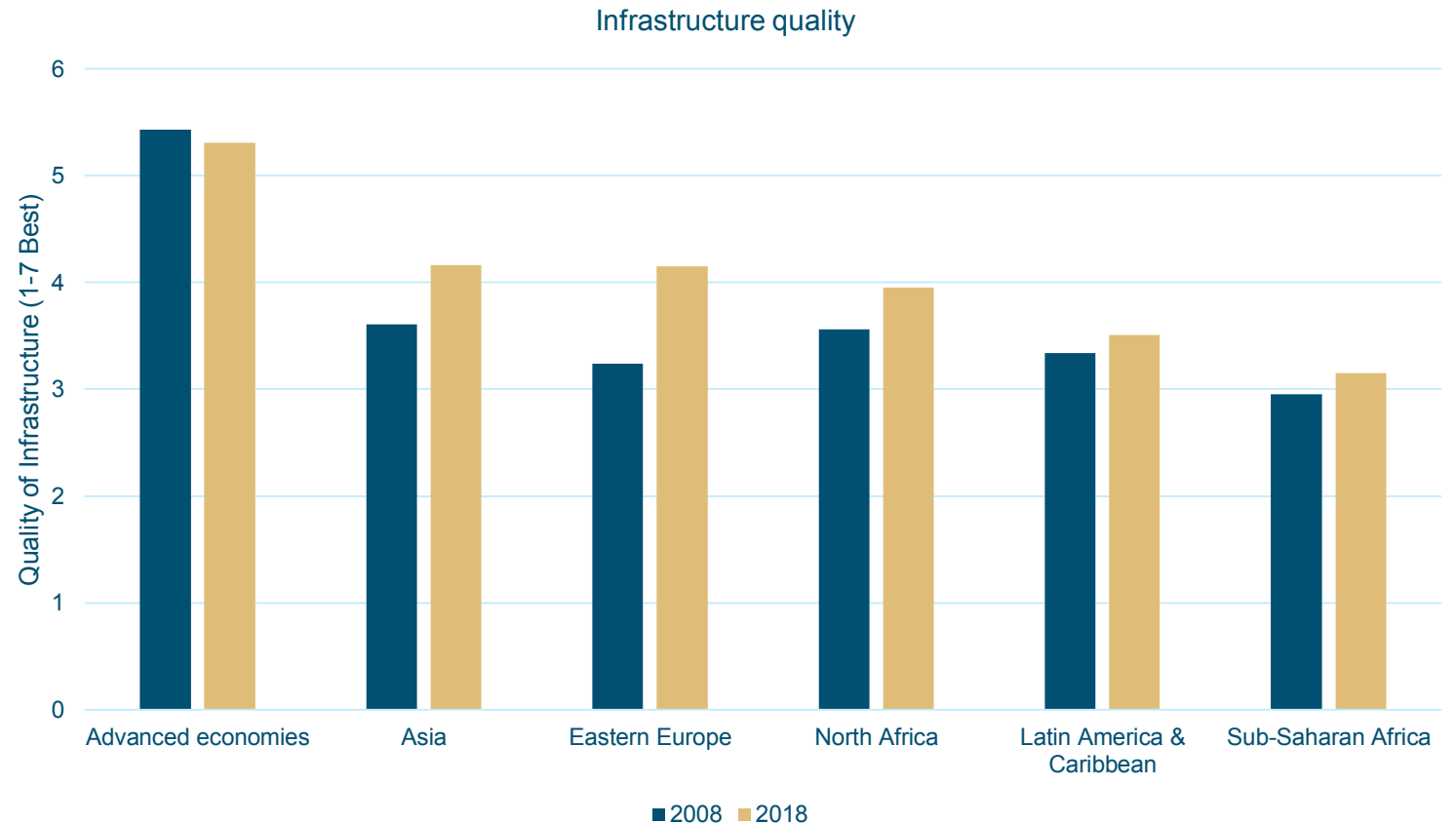
# Improving sustainable infrastructure project preparation

## Infrastructure quality and maintenance

3

Low service quality:

- weak contract supervision
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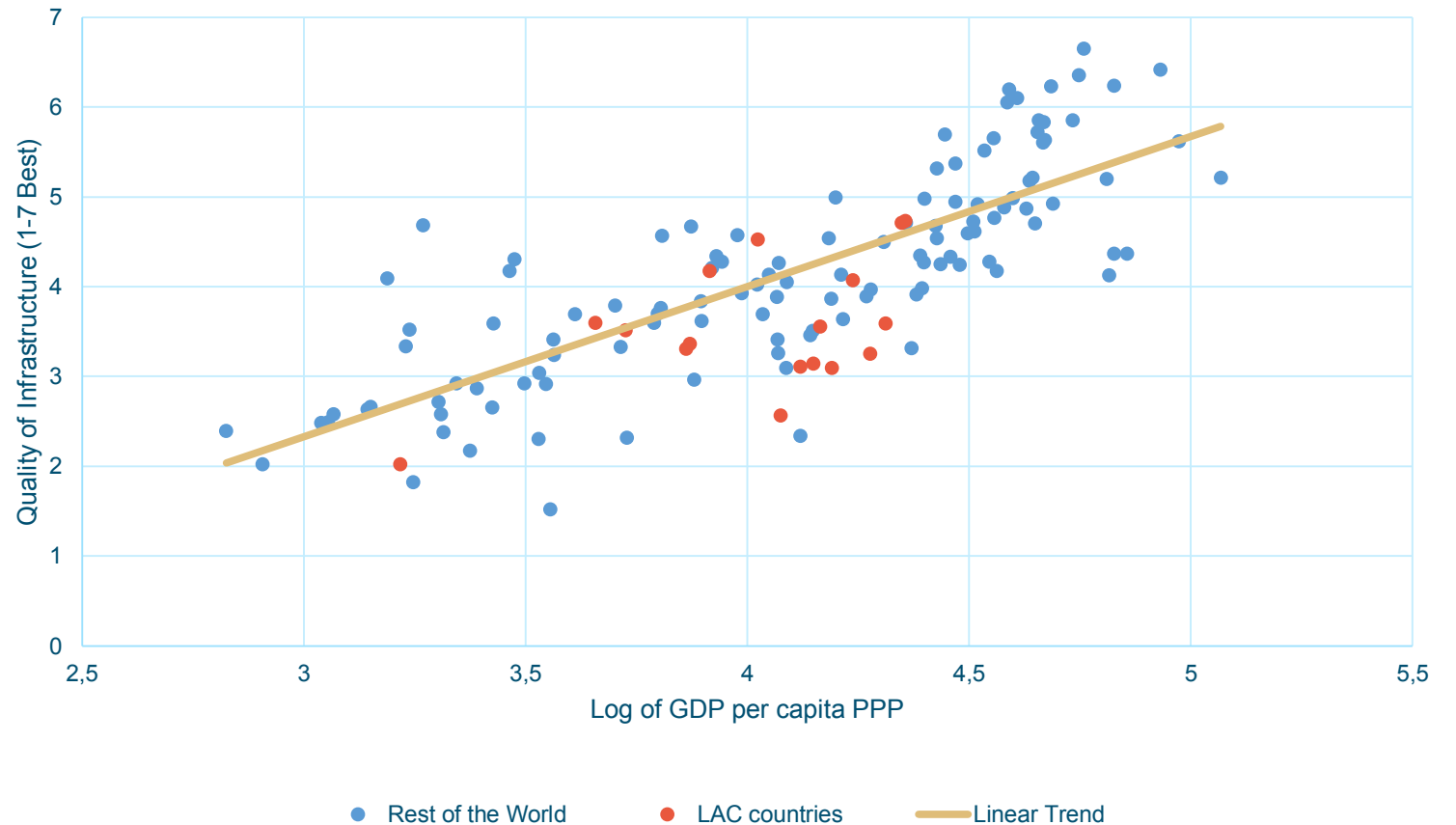
# Improving sustainable infrastructure project preparation

Infrastructure quality in the region is lower than what it corresponds to LAC

# 3

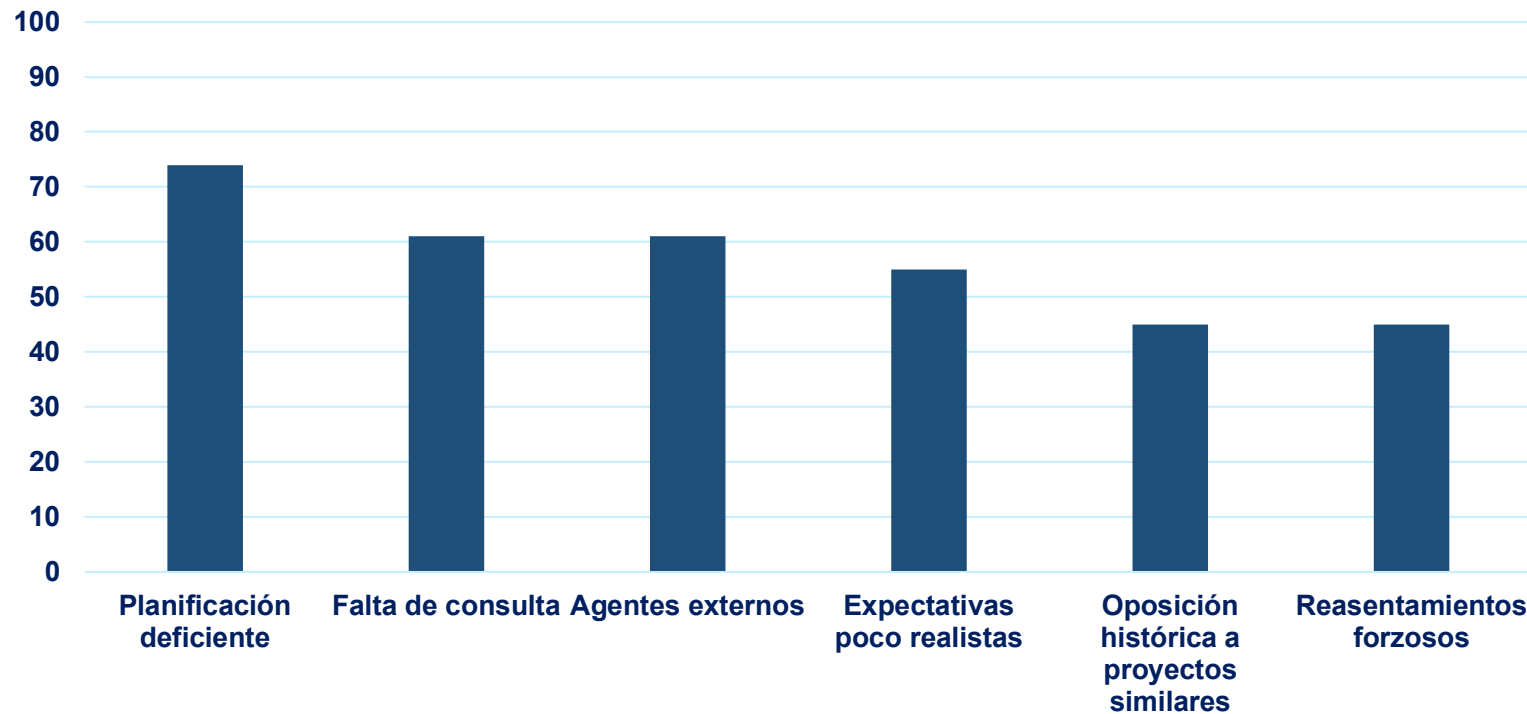
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# The importance of advancing sustainability - Social, environmental and land conflicts in infrastructure development

IDB database +200 infrastructure projects in LAC affected by conflicts



Again, planning and proper preparation of projects in response...



# Towards a more sustainable infrastructure through PPPs

Diagnosis of environmental, land and social conflict, and recommendations for action for Latin America and the Caribbean countries

CAUSANTES PRINCIPALES DE LOS CONFLICTOS SOCIOAMBIENTALES EN PROYECTOS APP Y OPT		
AMBIENTAL	PREDIAL	SOCIAL
Incumplimiento normativo ambiental	Demora en la liberación de predios y reasentamientos	Desinformación y perjuicios
Modificaciones normativas	Alteraciones por discrepancias y precio justo en compra de predios	Afectación a la comunidad
Demoras en el licenciamiento ambiental	Resolución de conflictos por incompatibilidad de intereses	Desconfianza en el proceso
Modificaciones contractuales relacionadas con los componentes ambientales		Beneficio al sector provado sobre el público
		Preconcepciones
		Situaciones presentes en el territorio



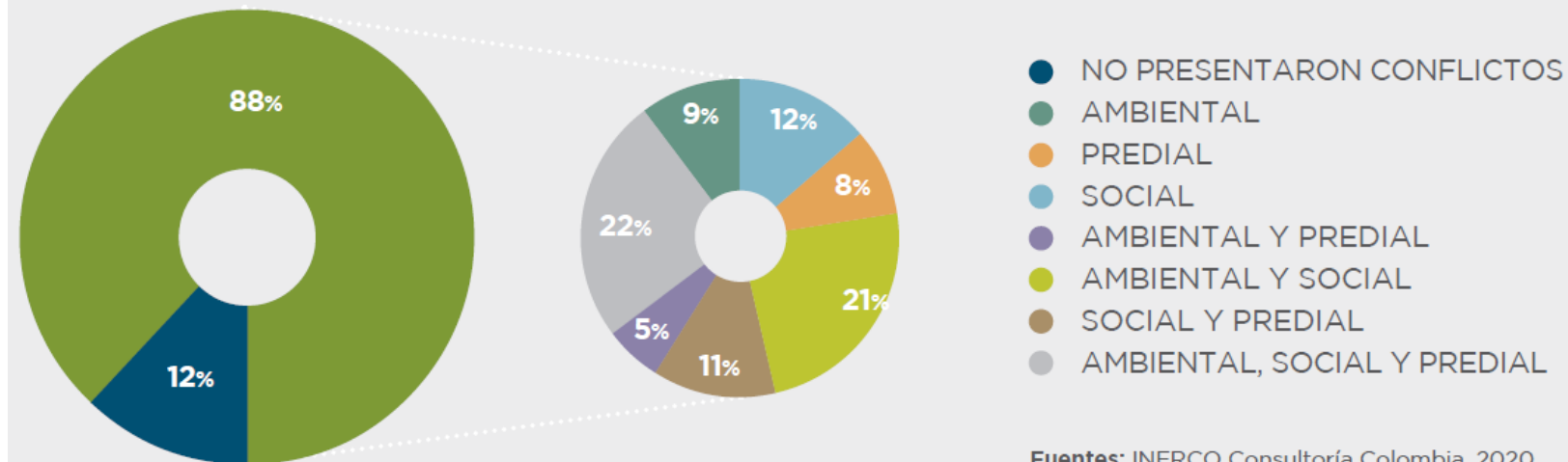
Source: BID - PPP & CCS soon to be released



# Towards a more sustainable infrastructure through PPPs

Diagnosis of environmental, land and social conflict, and recommendations for action for Latin America and the Caribbean countries

## OCURRENCIA DE SITUACIONES DE AFECTACIÓN SOCIOAMBIENTAL EN LA MUESTRA DE PROYECTOS APP Y OPT ANALIZADA



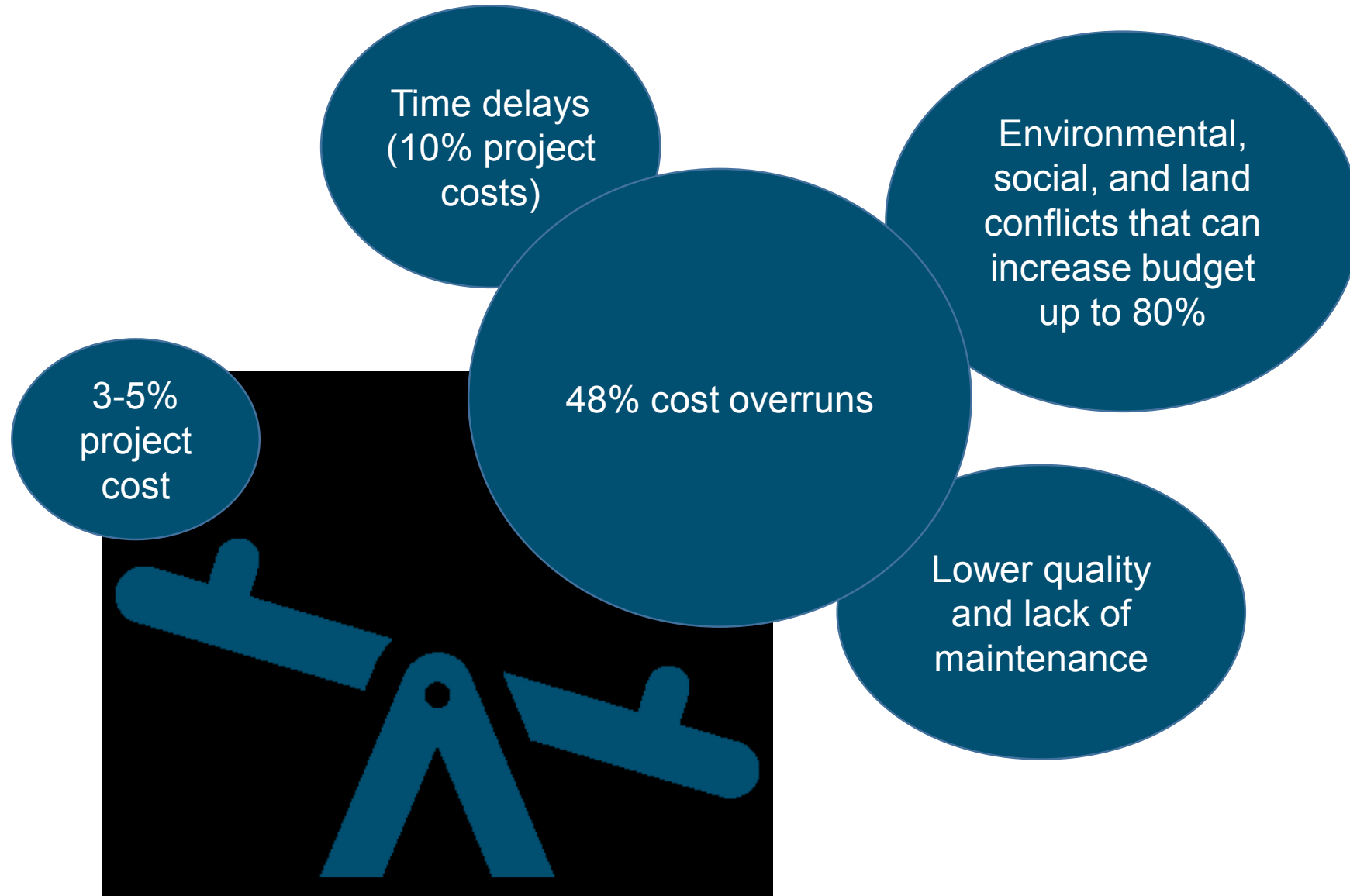
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Diagnosis of environmental, land and social conflict, and recommendations for action for Latin America and the Caribbean countries



# Investing in sustainable project preparation: incurred vs. avoided costs

Conceptual scheme of cost and benefits of investing in proper project preparation



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