



USAID
FROM THE AMERICAN PEOPLE

E-BULLETIN

Changing Colombia via Public Private Partnerships

New resources are new opportunities.



Photo: ELHERALDO.COM

President Juan Manuel Santos inviting the Colombian Engineering Society to join forces with the government to build infrastructure in Colombia.

In Colombia, there is a lack of basic infrastructure; just over 60% of the population has access to potable water. In addition, flooding in 2010 and 2011 deteriorated existing infrastructure. More than 340,000 homes were damaged or destroyed, 751 roads, 66 bridges and 269 aqueducts were damaged and many still await repair.¹

Inadequate infrastructure is a constraint on growth and results in congestion or service rationing, low quality services, low reliability and poor results in underserved areas.² The National Planning Department, together with the **USAID Public Policy Program** sought to address these issues by consulting successful international models for public private partnerships (PPPs) and applying them to the Colombian context. In December 2011 the Program presented inputs to the draft PPP law to the National Planning Department that spans the development and operating of productive and social infrastructure.

On January 10th, 2012 the Public Private Partnership Law (Law 1508/2012) was signed. This innovation will work to address three main bottlenecks that Colombia currently faces in regards to the development and functioning of infrastructure:

- Poor government capacity to devise infrastructure innovations, and structure, price, and contract projects.
- Lack of flexible funding; the investment of pension funds, for example, have strong restrictions and the current scheme does not allow for their use in infrastructure projects.
- Poor risk allocation between the public entity and private sector counterpart in regards to infrastructure ownership, maintenance, and operation.

¹ National Development Plan 2010.-2014.

² Public-Private Partnerships Reference Guide. Version 1.0. World Bank Institute. 2012.



USAID
FROM THE AMERICAN PEOPLE

This has particularly important implications for rural development in Colombia. PPPs can be used to improve rural infrastructure including trans-departmental highways, tertiary roads, aqueducts, connectivity, and schools.

This law allows for improved value for money in infrastructure projects. The Law provides opportunities for the private sector to propose innovations (through unsolicited proposals) and incentivizes the reduction of the overall cost of project function (packaging of design, build, operation, maintenance functions) for the government. The law further protects the government by describing that infrastructure service payments will be made based on availability and level of service; remuneration will be quality-based.

The law encourages transparency in contracting by limiting the addition of resources to 20% of the original contract and contract extensions to a total of 30 years. Additionally, interested partners will have to pre-qualify based on established, objective criteria.

This has particularly important implications for rural development in Colombia. PPPs can be used to improve rural infrastructure including trans-departmental highways, tertiary roads, aqueducts, connectivity, and schools. These improvements are necessary, not only for improved income generation (ex., ability of small farmers to get their products to a larger market), but are a key step towards establishing State presence in Consolidation Zones.

In the coming months the **USAID Public Policy Program** will work on the national and territorial level with the Government of Colombia counterparts³ and USAID regional implementers⁴ in order to explore how the PPP Law can be applied on the territorial level. Municipalities may work together through instruments like the *Contrato-Plan*⁵ to request private sector intervention on important infrastructure projects or to award concessions.

³ Consolidation Unit (national and regional level) and departmental and municipal governments that the Program assisted with development plans.

⁴ ACIP and *Colombia Responde* regional projects.

⁵ *Contrato-Plan* - a legal instrument that facilitates harmonization of public investment and programs between the National Government and territorial government in order to achieve territorial integral development