

Factors that show tendencies in PPP over the world at the beginning of 2019

A recent paper published in a World Bank Blog (<https://blogs.worldbank.org/ppps/trends-will-drive-global-ppps-2019?deliveryName=DM6763>) the author described some of the trends that will drive PPPs in 2019 and beyond. The list of issues is a reflection of the experience accumulated during the last thirty years and focus on several aspects. Some of those have been ignored in the past and other topics are envisioned as new factors to consider in the evolution of this method of financing.

Origination and design of projects

- **Unsolicited PPPs:** Unsolicited proposals have been the origin of projects in several countries, but the results did not always follow expectations. Nepotism and corruption emerged in many cases as the result of lack of regulation and absence of sufficient studies and filters to select proposals that have economic, commercial and financial viability. As a result there is a decrease of the appetite for unsolicited PPPs. It will be more important in the future that regulatory agencies and the private sector become aware of the need of greater scrutiny and competitive bidding at origination.
- **New international institutions championing PPPs:** Many new international institutions are championing PPPs. These include, in addition to the existing support by multilateral development agencies, many new multilateral and bilateral organizations as well as U.N agencies (e.g., UNECE PPP Center of Excellence) and associations at the international and regional level that connect PPP national units and professionals (e.g., World Association of PPP Practitioners).

Economic and Financial issues

- **Increasing consideration of national budget strategies, pipelines, plans and priorities:** Much more than in the recent past, the focus of governments in relation to PPPs is to strengthen the analysis of feasibility and affordability of projects. It is now very important to avoid anarchy in the creation of public-private partnerships, which should be established in consonance with budget strategies and national development goals. In parallel, it is required that actions and projects of different government units be coordinated and aligned with national priorities. Governments are more alert than before and avoid financial commitments and debt that cannot be afforded in the future.
- **Domestic banks' participation in PPPs will increase in emerging economies:** On the basis of more stable macroeconomic environments and stronger bank regulations, several countries have been promoting the presence of domestic financial institutions, in particular of domestic banks, as participants in PPPs. Those new actors will provide a much needed additional financial resources under different modalities. The knowledge of the local markets and a better identification of risks can help the establishment of new opportunities and alternative financing for PPPs in sectors and sizes not attractive to global banks and investors.

Institutional settings

- **Maturing PPP projects generate previously unsuspected problems:** In many countries projects initiated in the animated first trend of PPPs launched in the 1990s are maturing. After thirty years of operation, governments now face the problems associated to the expiration of original contracts and the possibility of receiving back projects from the private operators to continue operations and maintenance. Most governments lack the resources and experience to successfully manage these projects. So, there will be the need of reviewing performance, redesigning the continuity of projects and creating a new generation of PPPs, with the presence of old and new participants.
- **Focus on better governance for PPP legal revisions and reforms:** As part of the preceding concepts, emergent countries are undergoing reforms to adopt legal frameworks to establish or improve the institutional environments for PPPs. These reforms may help mitigate legal constraints that have caused developers and investors to avoid PPPs in certain markets. A very important aspect on these grounds is the improvement of more transparent and competitive procurement processes which in the past have been fixed and arranged to favor corrupt schemes. New technologies and e-procurement tools may help to give satisfaction to the renewed demands of legality and fairness.
- **Improving the capacity of governments to deliver its role in PPPs:** The increasing interest on scrutinizing the performance of operators, and controlling agencies, governments and investors demand information and analysis related to PPP success indicators. At several levels of the public sector (governments, legislators, judicial sector) as well as public opinion and the press will require a background from PPP units to provide technical support and standardized information for the oversight and evaluation.
- **Government awareness to market opportunities to attract investors for PPPs:** Governments are more aware of the need to compete successfully for foreign direct investment. It is also increasingly important that governments tell good stories about opportunities, meaningful (bankable) projects, and risk mitigation if PPP investors are to be lured. Many governments are now ensuring that comprehensive feasibility studies are mandated as a mechanism to generate an attractive procurement environment and transparency of opportunities for developers and investors.

Environmental and social aspects

- **A renewed interest on social and environmental issues:** There is growing consensus that PPPs need to become more focused on issues beyond economic and financial indicators. Governments and proponents of PPPs are increasingly subscribing to strategies to incorporate the Sustainable Development Goals (SDGs) into their policy and planning documents. This people-first approach is already a necessary component in the catalogue of requirements of multilateral development banks and bilateral development agencies. It may also be reflected into an increased focus and renewed attention on social service PPPs for healthcare, housing, and education as countries seek to achieve their SDG objectives.

- **Sustainability and resilience for viable PPPs:** The world faces to great challenges and uncertainties based on the economic and financial risks associated to commercial distress, environmental threats and many social problems linked to massive migration, climate change and other new scenarios. PPPs need to factor in sustainability and resilience to be considered bankable and feasible. This renewed awareness is also driven by concerns about construction projects, particularly for infrastructure, in locations close to situations with risks of extreme weather changes from climate change. Governments, investors, and insurers are more concerned about risk and they demand that projects take steps to mitigate it.

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