



## Policy Brief

# The role of infrastructure and its governance in a sustainable recovery<sup>1</sup>

## Investment in infrastructure as a lever for economic recovery in Latin America the Caribbean

**Governance has a key role to play in delivering well-articulated and a whole-of-government approach to infrastructure planning and investment.** Good governance can facilitate the implementation of infrastructure investments that support the achievement of multiple policy objectives, such as resilience, social inclusion, sustainable growth, and gender equality. Furthermore, a robust governance framework is the foundation for resilient infrastructure investment and is necessary to build social acceptance, transparency, and trust.

**The COVID-19 crisis exposed the wide infrastructure gap in the digital, health and education sector.** This has been particularly challenging in the Latin American and the Caribbean where public investment has remained relatively low over the past decade and trust in government has suffered from mismanagement and corruption scandals. A robust long-term strategic planning, a well-developed regulatory framework, and a whole of government approach to prevent corruption and mismanagement will be key enablers to ensure investment contribute to the region's sustainable and inclusive social and economic recover.

**Infrastructure can become a powerful lever to strengthen economic recovery.** For example, El Salvador is working on several infrastructure projects to improve trade, economy, logistics, competitiveness, and connectivity with an estimated investment of more than USD 500m. The country is developing a regional-level infrastructure plan in coordination with Japan and other countries in the region such as Costa Rica, Guatemala, and Honduras for transboundary infrastructure projects. Integrity is key to ensure that such investments achieve the intended objectives.

### Opening remarks

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### Panelistas

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### Moderator

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Infrastructure Governance Policy  
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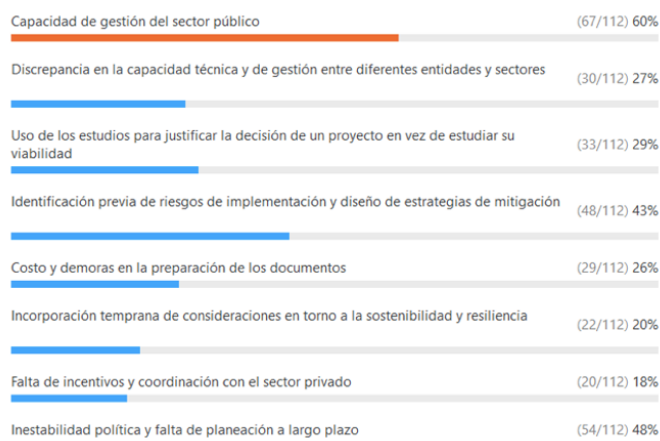
<sup>1</sup> Based on the [preparatory webinar held on 17/06/2021](#)

## Ensuring good governance of sustainable infrastructure projects from their conception

The success or failure of an infrastructure project is often determined from its early stages. An adequate pre-investment process allows the generation of well-formulated and sufficient projects to guarantee a significant and impactful investment flow.

The management capacity for the preparation of feasibility studies and final designs, an early identification of implementation risks, as well as the design of mitigation strategies, are key elements to prevent delays, cost overruns, and poor quality. Likewise, they constitute a fundamental milestone for the early incorporation of considerations on sustainability and resilience of the infrastructure with an emphasis on climate action, environmental protection, and inclusive growth. Yet, management capacity of the public sector, political instability, lack of long-term planning, and prior identification of implementation risks and design of mitigation strategies are some of the main challenges faced by countries.

¿Cuáles son los principales retos que enfrentan los países para asegurar una adecuada fase de planeación y pre-inversión de los proyectos de infraestructura? (Multiple choice)



**Strengthening the capacities of the public sector is essential for the generation of well-formulated projects that respond to infrastructure sustainability and resilience needs.**

60% of participants to the webinar highlighted that weak management capacity is one of the main challenges to ensure an adequate planning and pre-investment phase. In order to face that challenge some LAC countries have implemented reforms to strengthen transparency, openness of data and analytical capacities in the public sector. For example, transparency has become an essential element in Paraguay's public procurement system as reflected in the consolidation of detailed information on all investment projects in the database of the National Directorate of Public Procurement.

**Long-term strategic planning is also crucial to ensure good governance of sustainable infrastructure projects from their conception.**

Almost half of participants to the webinar highlighted political instability and long-term planning as a main challenge. In order to overcome this issue, Brazil has been working in the preparation of a national infrastructure plan with the notable participation from the ministries of environment and science and technology. Spain is working on a regulatory reform that would facilitate infrastructure planning over a 10-year span. An independent expert review of the long-term infrastructure plan and the monitoring of the achievement of strategic objectives are also important elements of good governance. Likewise, Spain has incorporated these tools to ensure socio-economic profitability, sustainability, transparency, and accountability. The country makes use of a multi-modal approach to evaluate alternatives and select the best alternative that allows the achievement of strategic objectives.

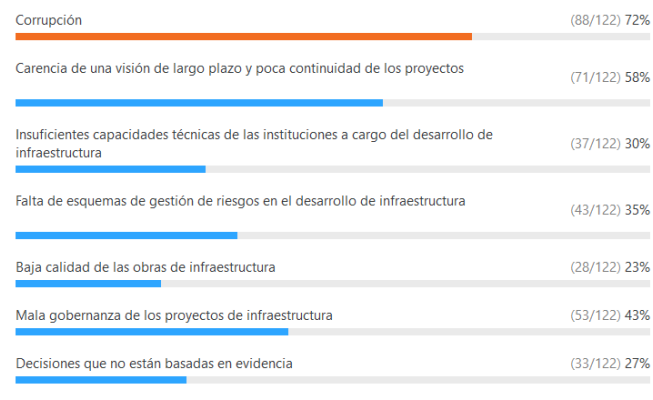
## Opportunities and risks of infrastructure delivery methods: The challenge of building trust

**Good practices in the implementation of different execution methods can counteract public distrust in the implementation of large infrastructure projects in the Latin America and the Caribbean region.**

Weaknesses in health infrastructure and severe economic contractions as revealed by the COVID-19 crisis have called for investment (public and private) as a lever for recovery in the region.

However, corruption, lack of a long-term vision and little continuity of projects, and poor governance of infrastructure projects remain some of the main risks to infrastructure development. The region's experience with schemes such as PPPs and concessions has not always been positive, which has impacted public trust. In addition, the contracting of public works could be limited by scarce budgetary resources. The OECD Recommendation on Principles for Public Governance of Public-Private Partnerships can help governments ensure that PPP projects create value and avoid design failures.

**1. ¿Cuáles son los principales riesgos que padece el desarrollo de infraestructura en su país? (Multiple choice)**



**The use of different delivery methods in Latin America and the Caribbean has allowed governments to identify transparency and integrity risks in infrastructure development.**

In Chile, the concessions portfolio has been and continues to play a central role for infrastructure investment. The success is due in part to the use of clear rules, a stable legal system and the use of tools that build confidence for investors. The country encourages establishing competitive, open public bidding systems and promoting citizen participation to mitigate corruption. In Argentina, the use of technologies, social networks, and constant monitoring of infrastructure implementation

(including environmental issues) helps improve transparency. They are using QR codes in the public works to provide the basic information (i.e. objectives, execution calendar, and costs) and facilitate social control. In Mexico, the social witness programme has been one of the highlights in promoting integrity and transparency.

**Infrastructure governance plays a fundamental role as a tool to help governments invest in projects that are sustainable, profitable, affordable, and gain the confidence of the private sector, citizens, and stakeholders.** 72% of participants to the webinar highlighted that corruption is the main risk for infrastructure development, followed by 58% that identified long-term planning as one of the main challenges. Latin American countries have been working to overcome some of these challenges. After having identified about 150 suspended works, Peru invested its efforts in reviewing the regulatory framework, strengthening strategic planning, capabilities in the use of standard contracts, project preparation and supply chain. Mexico recognises creating social consensus and reconciliation of private and public interests linked to large infrastructure projects as both a challenge and an opportunity in the fight against corruption for greater transparency and accountability.

## In conclusion

In the framework of social and economic recovery plans that foresee substantial infrastructure investments, it is necessary to ensure good governance of sustainable infrastructure projects from their earliest stages. This is the only way to reap the full benefits of such investments in the long-term. Robust governance frameworks are the basis for success in closing the infrastructure gaps in the Latin American region, restoring public trust, providing quality public services, and embarking on a new discussion on a renewed social contract. The OECD stands ready to work with the region to make a significant change in the management of public investment, identify the main challenges in all phases of the investment cycle, and support in the implementation of reform efforts. A Regional Network on infrastructure would be a potential mechanism to follow up the discussions.

## Closing remarks

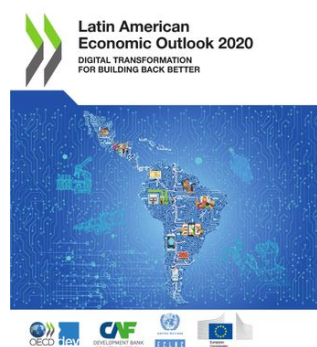
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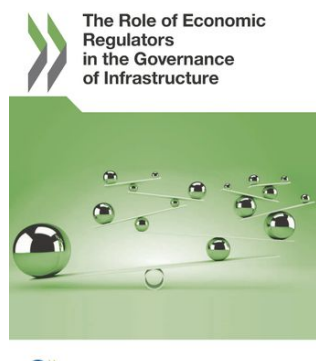
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## Further reading



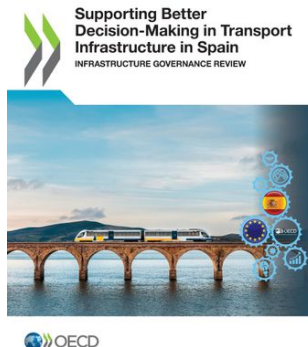
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## Other documents

### OECD Recommendation on the Governance of Infrastructure:

<https://www.oecd.org/gov/infrastructure-governance/recommendation/>

### OECD Recommendation on Principles for Public Governance of Public-Private Partnerships:

<https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0392>

### Integrity for Good Governance in Latin America and the Caribbean An Action Plan

<https://www.oecd.org/latin-america/regional-programme/Integrity-for-Good-Governance-in-Latin-America-and-the-Caribbean-Action-Plan.pdf>