

First Interim Report

Private-Public Partnerships in Guatemala

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ACRONYMS

AEPQ	Highway Escuintla-Puerto Quetzal
AILA	International Airport La Aurora
ANADIE	National Agency of Alliances for the Development of Economic Infrastructure
A2F	A2F Consulting
IDB	Inter-American Development Bank
CACIF	Committee of Commercial, Industrial, and Financial Associations
CGC	Guatemalan Chamber of Construction
CIV	Ministry of Communications, Infrastructure and Housing
CONADIE	National Council of Alliances for the Development of Economic Infrastructure
COVIAL	Road Maintenance Fund
CP ³ P	Certified Public-Private Partnership Professional
DBFOM	Design, build, finance, operate, and maintain
DGAC	General Directorate of Civil Aeronautics
GoG	Government of Guatemala
INE	National Institute of Statistics
MARN	Ministry of Environment and Natural Resources
MEM	Ministry of Energy and Mines
MCC	Millennium Challenge Corporation
MINECO	Ministry of Economy
MINFIN	Ministry of Public Finance
PPP	Public-private partnership
PRONACOM	National Competitiveness Program
SEGEPLAN	Secretariat of Planning and Programming of the Presidency
USAID	United States Agency for International Development

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EXECUTIVE SUMMARY

A. Introduction

The Millennium Challenge Corporation (MCC) and the Government of Guatemala (GoG) are implementing a \$28 million threshold program to improve tax and customs administration, stimulate private funding for infrastructure, and improve the quality and relevance of public secondary education. The threshold agreement was signed in April 2015; activities began in May 2016 and will run through December 2020. The Resource Mobilization Program is made up of two activities: (1) Improving Tax and Customs Administration and (2) Strengthening the Capacity to Form Private-Public Partnerships (the PPP Activity). This summary presents the progress of implementation of the PPP Activity from May 2016 until July 2019.

B. PPP Activity design



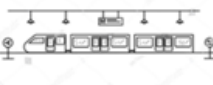
The \$3.6 million Guatemala PPP Activity funds three pillars of support: (1) general training on PPPs for various government officials, based on the Certified Public-Private Partnership Professional (CP³P) program; (2) day-to-day coaching and technical assistance for officials from two key entities—Guatemala’s PPP authority, the National Agency of Alliances for the Development of Economic Infrastructure (ANADIE), and the Ministry of Finance (MINFIN), tasked with helping to develop PPP procedures and execute its roles in promoting and assessing PPPs; and (3) funding for feasibility studies and transaction advisors to support the preparation and structuring of PPP projects during the threshold period. The PPP Activity’s three pillars are designed to produce high quality PPPs in the short term by meeting the country’s most acute needs: basic technical and management capacity and high-quality specialized assistance in assessing and structuring new PPPs. In the medium and longer term, this assistance will help produce a pipeline of high-quality PPPs that are approved and executed, contribute to good management and regulation of PPPs, and help meet public infrastructure needs with private funds, thus making scarce public funds available for education investments.

Between 2013 and early 2019, ANADIE has worked to develop a portfolio of potential PPP projects capable of attracting private investment to fund infrastructure with high standards of quality and service. There were seven projects in ANADIE’s portfolio as of June 2019, worth an estimated investment value of \$1.5 billion. Since May 2016, when threshold activities began, MCC has supported three of these nine PPPs: (1) rehabilitation, administration, operation, maintenance and other complementary construction of the Escuintla-Puerto Quetzal highway with toll (AEPQ), (2) modernization, efficiency and security of La Aurora International Airport (AILA), and (3) Road interconnection and urban transportation of the North-South axis in Guatemala City/Metro Riel (Metro Riel) (Figure ES.1). The highway, airport and Metro Riel projects involve repairing and modernizing existing infrastructure—known as *brownfield* projects. This is in contrast to *greenfield* projects, which involve building new infrastructure.

MCC support for these projects has taken the form of feasibility studies and transaction advisor services, as well as in-person coaching for public authorities involved in developing and vetting the projects. In addition, a total of 41 public officials from several public institutions completed the MCC-financed foundational PPP course in 2018. This included staff from ANADIE,

MINFIN, and institutions that will contract and manage PPPs once they become operational—called contracting institutions.

FIGURE ES.1. PPP Activity by Sector and Project Type

	Description	Potential benefits	Investment and term	MCC support
 AEPQ	DBFOM—Brownfield Rehabilitation and conversion of an existing road to a highway	<ul style="list-style-type: none"> Better road conditions, increased traffic flow, and enhanced passenger safety 	\$80 million over 25 years: Self-sustained	Transaction advisor
 AILA	DBFOM—Brownfield Modernization and expansion of the country's main international airport, La Aurora	<ul style="list-style-type: none"> Increase the capacity and improve the airport's international competitiveness 	\$120 million over 17 years: Self-sustained	Pre-feasibility/feasibility studies
 Metro Riel	DBFOM—Brownfield Establishment of a light-rail system to serve the country's capital city	<ul style="list-style-type: none"> Improved travel time for over 250,000 passengers a day 	\$770 million over 30 years: Co-financed	Feasibility studies (pending MCC approval)

Note: *Brownfield* projects involve renovating or expanding existing infrastructure. This is in contrast to *greenfield* projects, which involve building new infrastructure.

AEPQ = Escuintla-Puerto Quetzal highway; AILA = La Aurora international airport; DBFOM = Design, Build, Finance, Operation, and Maintenance.

C. Findings on PPP Activity implementation

How was the implementation of the three pillar approach?

Stakeholders were generally satisfied with all three pillars of support. In interviews and focus groups, stakeholders expressed the view of training and coaching as necessary complements: training provided staff from ANADIE and contracting institutions with the foundational skills and knowledge they needed to take advantage of coaching. ANADIE and MINFIN staff reported applying what they learned in training to their core PPP functions—assessing feasibility studies and structuring PPPs in the case of ANADIE and analyzing PPPs' fiscal risk and budgetary and financial impact in the case of MINFIN. For stakeholders, specific project support in the form of feasibility studies was also critical to moving prioritized PPPs forward, as no public funds were available for these analyses. (See Figure ES.2 for perceptions and feedback from participants on each pillar of assistance).

Figure ES.2. Implementation of the three-pillar approach

Component	Training	Coaching or technical assistance	Specific project support
Participants' perceptions	<ul style="list-style-type: none"> • Training was well-structured and comprehensive • Trainees praised instructors' international experience and illustrative use of both successful and unsuccessful PPPs 	<ul style="list-style-type: none"> • Coaches assigned to ANADIE provided high quality assistance covering a variety of tasks • MINFIN was satisfied with its coach's help on a variety of tasks, including establishing rigorous PPP assessment protocols 	<ul style="list-style-type: none"> • For stakeholders, specific project support in the form of feasibility studies was critical, as no public funds were available for these analyses
Suggestions for improvement	<ul style="list-style-type: none"> • Better alignment with PPP certification processes, including a built-in exam at course conclusion 	<ul style="list-style-type: none"> • MINFIN has requested the continued support of a coach to keep building the team's capacity on fiscal risk analysis 	<ul style="list-style-type: none"> • More due diligence when selecting and managing consultants

What is the current status of MCC-supported PPPs?

MCC-supported PPPs are currently in the preparation, structuring, and tendering phases. In Guatemala, there are five phases to developing a PPP. In the *prioritization* phase, stakeholders assess if a project can be prioritized based on its alignment with national development plans and conduciveness to a PPP structure. During the *preparation and structuring* phase, technical experts conduct pre-investment, fiscal impact, and social and environmental impact studies, and a transaction advisor structures the project. In the *tendering* phase, the bidding process takes place, Congress approves the PPP and the contracting institution awards the contract. The *construction and operation* phases follow. MCC and ANADIE set the goal of one MCC-supported PPP gaining congressional approval and progressing to the construction phase by the end of the threshold period in December 2020. As of June 2019, the rollout of PPPs supported by MCC are in varying phases in the implementation process. The Escuintla-Puerto Quetzal highway is in the tender phase awaiting congressional approval and the modernization of La Aurora International Airport (AILA) and Metro Riel PPPs are in the preparation and structuring phase (Figure ES.3).

Figure ES.3. Status of PPPs, July 2019

Prioritization of projects					
Preparation and	<table border="1"> <tr> <td>Metro Riel</td> <td>AILA</td> </tr> <tr> <td> <ul style="list-style-type: none"> Pre-investment study completed in 2016 A consulting firm is expected to be hired to conduct the economic and environmental studies </td> <td> <ul style="list-style-type: none"> Economic and environmental studies are in final review Once the studies are final, the project will be submitted to CONADIE for approval </td> </tr> </table>	Metro Riel	AILA	<ul style="list-style-type: none"> Pre-investment study completed in 2016 A consulting firm is expected to be hired to conduct the economic and environmental studies 	<ul style="list-style-type: none"> Economic and environmental studies are in final review Once the studies are final, the project will be submitted to CONADIE for approval
Metro Riel	AILA				
<ul style="list-style-type: none"> Pre-investment study completed in 2016 A consulting firm is expected to be hired to conduct the economic and environmental studies 	<ul style="list-style-type: none"> Economic and environmental studies are in final review Once the studies are final, the project will be submitted to CONADIE for approval 				
Tender and approval	<table border="1"> <tr> <td>AEPQ</td> </tr> <tr> <td> <ul style="list-style-type: none"> Awaiting congressional approval Upon authorization, the private partner will initiate construction </td> </tr> </table>	AEPQ	<ul style="list-style-type: none"> Awaiting congressional approval Upon authorization, the private partner will initiate construction 		
AEPQ					
<ul style="list-style-type: none"> Awaiting congressional approval Upon authorization, the private partner will initiate construction 					
Construction					
Operation					

What role have politics, technical factors, and institutional factors played in PPPs’ progress?

A mix of legal issues, technical studies, and political factors are responsible for delays in developing and approving MCC-supported PPPs. For the AILA PPP, technical studies took nine months longer than originally anticipated. Similarly, technical studies for the Metro Riel PPP have also been delayed because pre-investment studies conducted in 2016 were not comprehensive. The legal aspects of Metro Riel are also complex, as the PPP has two contracting entities and an agreement had to be reached with respect to project management. With respect to political support, the AEPQ PPP tender had been stalled in committee deliberations for almost eight months as of April 2019, and some political mobilization on the part of union members and AILA personnel delayed technical studies for the airport (Figure ES.4).

Figure ES.4. PPP implementation delays: 2018–2019

Project	AEPQ	AILA	Metro Riel
Legal issues	●	●	●
Technical delays	●	●	●
Political bottlenecks	●	●	●

Notes: Technical delays refers to delays conducting economic and engineering studies. Blue denotes no complications from January 2018 to July 2019, yellow indicates moderate complications, and red denotes sizable complications that could stall PPP development indefinitely if not addressed.

To what extent did the project facilitate greater capacity for PPPs within the GoG?

ANADIE and MINFIN staff have leveraged MCC-financed training and coaching to quickly build in-house capacity, but other relevant ministries lag behind. Aided by MCC-financed coaching and PPP training, public officials from ANADIE and MINFIN have gained technical skills to identify and develop PPPs. However, public officials from contracting institutions that will play a key management role once PPPs come online have little exposure to PPPs and lack relevant contract management experience. One exception is the Ministry of Communications, Infrastructure and Housing (CIV), which has an in-house concessions team that currently manages transportation infrastructure contracts that are fundamentally similar to PPPs.

D. Insights and implications

Each aspect of the three-pillar approach has met a vital need—needs that will emerge once again after the threshold program is complete. Stakeholders noted that training and coaching were critical to meeting their basic capacity-building needs in the past years. ANADIE, MINFIN, and contracting institutions will certainly need coaching and training for several years as the first PPPs enter new phases and the other PPPs in the pipeline advance. In future years, ANADIE may have access to proceeds from operating PPPs to fund technical studies for PPPs in the pipeline. However, without additional international or internal funding for training, hands-on technical assistance, and the verification of these studies, ANADIE, MINFIN, and contracting institutions run the risk of developing potentially flawed PPPs or mismanaging existing PPPs. A potential pathway to reducing these risks is reserving some portion of proceeds from operating PPPs to finance coaching and technical assistance in the post-threshold period (in addition to technical studies). However, this would require at least one PPP to be operational post-threshold.

The PPP Activity fulfilled most of its short-term objectives, but only Congress can complete the remaining steps in the program logic. As planned, the PPP Activity has built public capacity to develop and assess PPPs, helped develop procedures governing PPP development, and helped stakeholders formulate and structure high quality PPPs during the threshold period. However, the Activity's goal of one PPP reaching financial close by late 2020 is fully contingent upon Congress's approval of AEPQ or other PPPs in the pipeline. As such, Congress has the power to either fulfill or fail to fulfill the activity's envisioned program logic.

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I. INTRODUCTION

MCC and the Government of Guatemala (GoG) are implementing a \$28 million threshold program to improve tax and customs administration, stimulate private funding for infrastructure, and improve the quality and relevance of public secondary education. The threshold agreement was signed in April 2015; activities began in May 2016 and will run through December 2020.

The Resource Mobilization Program under the threshold program is designed to unlock constraints to economic development linked to a lack of public funds. The program is made up of two activities: (1) Improving Tax and Customs Administration and (2) Strengthening the Capacity to Form Private-Public Partnerships (the PPP Activity).

MCC contracted Mathematica to conduct a performance evaluation of the Guatemala PPP Activity in parallel with an evaluation of a similar MCC-funded PPP intervention in El Salvador. This is the first in a series of reports produced to better understand the implementation, results, and sustainability of the PPP Activity in Guatemala. Because the PPP Activity is ongoing, this report focuses primarily on documenting implementation to date, and provides some insights into the program's early outcomes. The report is organized as follows. Chapter II summarizes the literature review that was presented in the design report (Blair et al. 2018) and Chapter III contains a summary of the evaluation design. Chapter IV presents the background of PPPs in Guatemala to frame the discussion of the activity's implementation. Chapter V offers findings to date for the PPP Activity in Guatemala, and Chapter VI compares and contrasts findings across PPP support activities in Guatemala and El Salvador.

Background on public-private partnerships

A PPP is a contract between a private party and a government entity for providing a public asset or service, in which the private party bears significant financial, technical, or operational risks and management responsibility, in exchange for compensation. The private party, called the concessionaire, often gets a contract to design, build, finance, operate, and maintain public infrastructure—referred to as a DBFOM contract—whereas the contracting government institution manages the concessionaire's work and monitors its performance.

A. PPP Activity design

The \$3.6 million Guatemala PPP Activity supports efforts by the GoG to build capacity to effectively implement and manage PPPs, promote transparency, and bring several infrastructure PPPs to market via the activity's technical assistance. By improving this PPP capacity, the activity aims to narrow the infrastructure financing gap in Guatemala and preserve public funding for other necessary social services. The PPP Activity in Guatemala complements the threshold program's Education Project, which, among other activities, supports efforts to improve the Ministry of Education's annual budget request and financial management processes. With improved budget proposals from the Ministry of Education and less budgetary demand

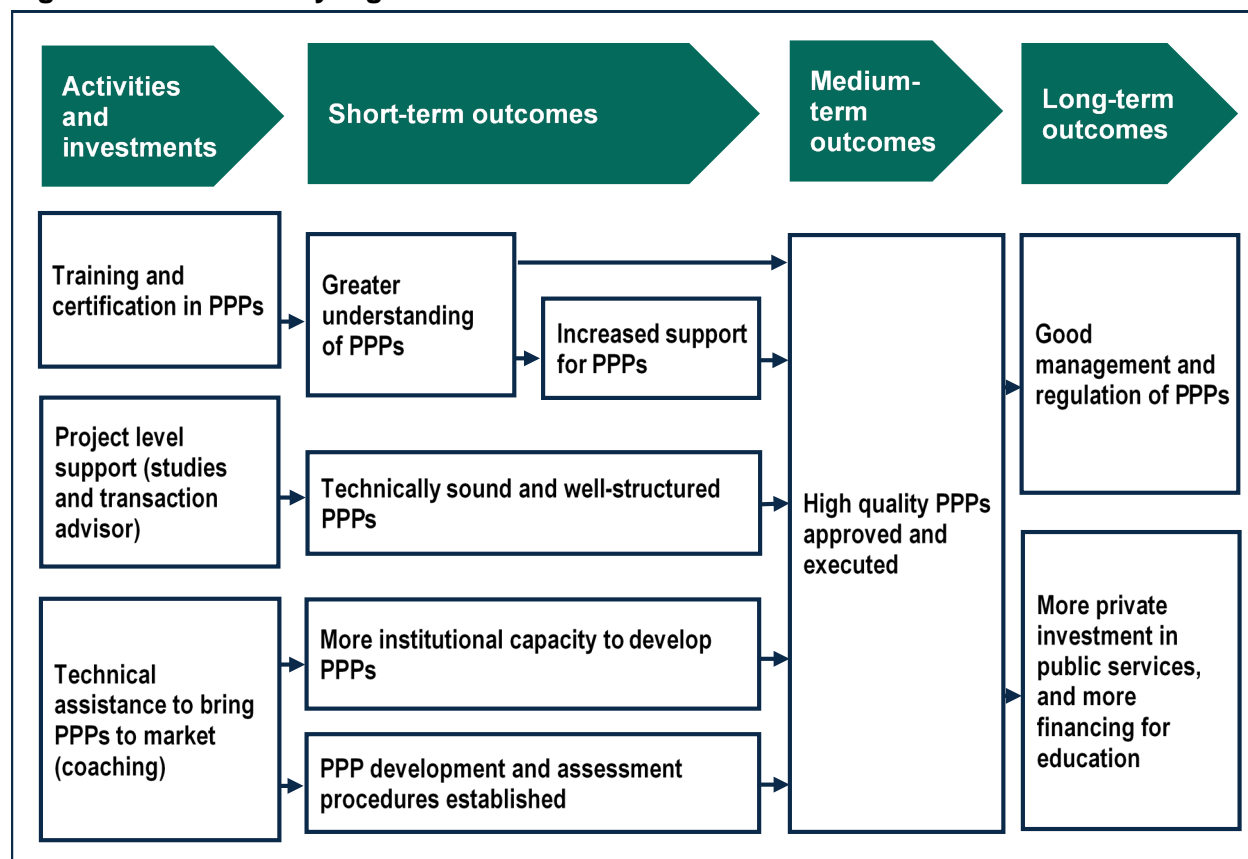
from the Ministry of Communications, Infrastructure and Housing (CIV) as a result of PPPs, the Ministry of Public Finance (MINFIN) could potentially increase investment in public education.

Under the PPP Activity, MCC is funding three pillars of support: (1) general training on PPPs for various government officials, based on the Certified Public-Private Partnership Professional (CP³P) program; (2) day-to-day coaching and technical assistance for officials from two public entities—the National Agency of Alliances for the Development of Economic Infrastructure (ANADIE¹) and MINFIN, tasked with key roles of promoting PPPs and assessing their fiscal risk, respectively; and (3) funding for feasibility studies and transaction advisors to support the preparation and structuring of PPP projects during the threshold period. The feasibility studies assess projects' viability on economic, financial, technical, environmental, and social dimensions, among others. Transaction advisors structure terms of references and promote the projects to potential bidders in the private sector.

The PPP Activity's three pillars are designed to produce high quality PPPs in the short term by meeting the country's most acute needs: basic technical and management capacity and high-quality specialized assistance in assessing and structuring new PPPs. In the medium and longer term, this assistance will help produce a pipeline of high-quality PPPs that are approved and executed, contribute to good management and regulation of PPPs, and help meet public infrastructure needs with private funds, thus making scarce public funds available for education investments. MCC and ANADIE set the following goals as part of the monitoring and evaluation plan for the activity: one or two MCC-supported PPPs brought to market by the end of the threshold period. The anticipated outputs and short-, medium-, and long-term outcomes of the PPP Activity are summarized in the logic model presented in Figure I.1.

¹ ANADIE is a small public organization composed of 27 staff whose mission is to provide other public entities with assistance in planning, structuring, and contracting high-quality public infrastructure under a PPP framework.

Figure I.1. PPP Activity logic model



Source: Simplified representation of PPP Activity supports outcomes based on the PPP model developed by MCC and PRONACOM.

The National Program for Competitiveness (PRONACOM) and ANADIE are the implementing entities for the PPP Activity, and ANADIE manages most contracts under the activity. PRONACOM is the Millennium Challenge Account entity playing a financing and oversight role. PRONACOM is an office of the Guatemalan Ministry of Economy charged with strengthening alliances between the private, public, civil society, and academic sectors to advance investment, economic development, and labor market outcomes in Guatemala. Ten PRONACOM staff currently oversee the MCC-financed threshold program, which includes public education investments, tax reform, and PPPs. ANADIE is a public organization composed of fewer than 25 staff whose mission largely centers upon working with other public authorities to identify, develop, and structure PPPs.

Between 2013 and early 2019, ANADIE has worked to develop a portfolio of potential PPP projects capable of attracting private investment to fund infrastructure with high standards of quality and service. There were nine projects in ANADIE’s portfolio as of June 2019, worth an estimated investment value of \$1.5 billion. Since May 2016, when threshold activities began, MCC has supported the development of three of the nine PPPs in the portfolio : (1) rehabilitation, administration, operation, maintenance and other complementary construction of the Escuintla-Puerto Quetzal highway with toll (AEPQ), (2) modernization, efficiency and security of La Aurora International Airport (AILA), and (3) Road interconnection and urban

transportation of the North-South axis in Guatemala City/Metro Riel (Metro Riel). ANADIE requested MCC support for these three projects, as other international organizations, such as the Inter-American Development Bank (IDB), are supporting the other projects.² The highway, airport, and Metro Riel projects involve repairing and modernizing existing infrastructure—known as *brownfield* projects (Table I.1). This is in contrast to *greenfield* projects, which involve building new infrastructure.

Table I.1. MCC-supported PPPs in ANADIE’s portfolio

Project	Description	Potential benefits	Investment and term	MCC support provided
Highway Escuintla–Puerto Quetzal (AEPQ) with toll collection	DBFOM—brownfield Rehabilitation and conversion of an existing road to a highway	Better road conditions, increased traffic flow, and enhanced passenger safety	\$80 million over 25 years: Self-sustained	• Transaction advisor ^{1/}
Improvement of international airport La Aurora (AILA) in Guatemala	DBFOM—brownfield Modernization and expansion of the country’s main international airport, including passenger terminals	Increase the capacity and improve the international competitiveness of the airport	\$120 million over 17 years: Self-sustained	• Pre-feasibility/feasibility studies
Metro Riel in Guatemala City. A 20.5km light-rail system crossing Guatemala City	DBFOM—brownfield Establishment of the country’s first light-rail system to serve passengers in the country’s capital	Improved travel time for over 250,000 passengers a day on public transportation	\$770 million over 30 years: Co-financed	• Feasibility studies (pending MCC approval)

Note: *Brownfield* projects involve renovating or expanding existing infrastructure. This is in contrast to *greenfield* projects, which involve building new infrastructure.

^{1/} The PPP authority coach hired with MCC funds served as an in-house transaction advisor, helping ANADIE to structure and tender the AEPQ PPP contract.

DBFOM = design, build, finance, operate, and maintain.

² ANADIE’s six other PPPs in development are two highway construction projects, a cargo train to the Pacific, a government administrative center, a dry port, and a natural gas line.

II. LITERATURE REVIEW

Investment in infrastructure has become a priority for governments globally. In this context, PPPs are an attractive investment vehicle to governments because they can provide public goods and services without adding to fiscal deficits. To be of benefit to governments, however, PPPs should meet some key conditions. Importantly, they should offer net benefits to society in terms of the availability, quality, and cost of the goods or service in question. To reach the stage of contract signing and construction, PPPs must also be bankable, that is, potentially profitable, to generate at least a minimum number of viable offers from potential concessionaires. When PPPs are well designed and executed, they can generate tangible benefits for public and private sector actors while offering better goods and services to society than would be possible under public procurement (Figure II.1).

Figure II.1. Benefits of PPPs



As of 2016, the LAC region had the most active private sector participation in infrastructure investment worldwide. Attracting \$32.2 billion in 2016, projects in the region represented 47 percent of global investment in infrastructure projects with private participation (Ruiz Nuñez et al. 2016). PPPs are used throughout Latin America and the Caribbean; however, the types of projects and sectors has shifted. Although many Latin American countries still focus on more traditional sectors such as transport, energy, and water, many are adding new sectors such as government offices, health care, sports, and justice (Economist Intelligence Unit 2019). Seventeen of 33 countries in the LAC region have fully functional PPP units; as of early 2017, PPPs accounted for around 40 percent of the region's yearly infrastructure commitments (Economist Intelligence Unit 2017).

There is little rigorous evidence on the overall economic impact of PPPs, in part due to an inability to compare the results of the PPP to the common counterfactuals of public provision or the absence of an investment project (Ruiz Nuñez et al. 2016). However, case studies and evidence reviews of transportation infrastructure PPPs have shown that lower costs of service delivery are common (Ruiz Nuñez et al. 2016) though not guaranteed (Estache and Saussier 2014). There is no conclusive evidence that transportation infrastructure PPPs lead to increases in direct or indirect employment. Notably, Estache and Garsous (2012) found that transportation PPPs have mixed results with respect to employment in the medium term, and that the likelihood of detecting positive impacts on employment is often highly dependent upon the analysis period and discount rate. In Table II.1, we summarize some of the literature related to the PPPs MCC is supporting in Guatemala.

Table II.1. Summary of PPP benefits

Effects of airport PPPs	Although not every air transport PPP is successful, PPPs in air transportation have successfully raised private capital, improved management and service provision, and increased profitability (Schlumberger and Vijayakumar 2016). Relevant to MCC's investments in a passenger terminal PPP in Guatemala, the El Dorado airport in Bogota, Colombia, significantly reduced passenger waiting lines, improved the quality of airport user services, and contributed to an increased positive perception of the city among tourists (Magro 2015).
Effects of urban transportation PPPs	Latin American countries are increasingly beginning to invest in metro systems and light rail. In 2014, 157 cities globally had operational metro systems, 18 of which were in Latin America (Yañez-Pagans et al. 2018). Metro and light rail offer convenient and cost-efficient alternatives to driving on increasingly congested roads. In São Paulo, Brazil, the Metro Line 4 PPP has increased the share of metro trips in the region from 16 percent in 2001 to 19.3 percent in 2011, while also improving travel times and increasing reliability of public transit in a historically congested corridor (World Bank 2013). The Metro Lima Line 2 PPP in Lima, Peru, is expected to save users 90 minutes in travel time during peak hours once fully operational by 2021 and serve an estimated 660,000 passengers per day (IDB 2017).
Effects of highway PPPs	Relevant to MCC's investments in toll roads, PPPs across Latin America have helped bridge a growing transportation infrastructure gap that has impeded long-term economic growth. Extensive toll road programs in Mexico, Colombia, Chile, and Brazil have leveraged significant private financing through PPPs (Ruiz Nuñez et al 2016). These road programs often provide accessibility and ensure high quality maintenance that is absent in traditional government procurement and maintenance schemes (Apanaviciene and Rudžianskaite-Kvaraciejiene 2010). For example, the San Jose-Caldera highway PPP in Costa Rica increased road users far above initial forecasts and maintained the highway in good condition while helping ease the country's 25-year infrastructure backlog (Magro 2015).

III. EVALUATION DESIGN

The performance evaluation has two components: (1) a largely qualitative implementation analysis and (2) a mixed-methods outcomes analysis. The implementation analysis will answer a series of questions on the extent and quality of PPP implementation. The outcomes analysis will use a longitudinal trend design to assess changes in public capacity to develop PPPs, as well as changes in private investment resulting from PPPs, among other targeted outcomes. Table III.1 shows a summary of our planned methodology and findings included in each of the three planned reports under this contract.

Table III.1. Overview of PPP evaluation approach

Approaches	Key outcomes and themes	Data sources	Reports
Implementation analysis (with political economy lens)	<ul style="list-style-type: none"> Quality of Guatemala’s PPP-enabling environment Scope and quality of PPP assistance provided Key implementation obstacles and success factors 	<ul style="list-style-type: none"> Key informant interviews with ANADIE, MINFIN, PPP trainees, coaches, elected officials, and other public authorities Narrative reports ITT and administrative data on PPP training 	<ul style="list-style-type: none"> First & second reports
Outcomes analysis (longitudinal trends)	<ul style="list-style-type: none"> Adherence to PPP laws, regulations, and best practices Government capacity to develop and manage PPPs 	<ul style="list-style-type: none"> Key informant interviews with ANADIE, MINFIN, PPP trainees, coaches, elected officials, and other public authorities Infrascope PPP country indicators (Economist Intelligence Unit 2019) 	<ul style="list-style-type: none"> Second & third reports
	<ul style="list-style-type: none"> Value of private investment in PPPs Effects on public finance Effects on investment 	<ul style="list-style-type: none"> Finalized business cases and studies Financial data for PPPs in operation 	

PPP = public-private partnership; ITT = indicator tracking table.

Overall, data collection and analysis in late 2018 and early 2019 for this first report focused on assessing program implementation during the first three years of assistance and early results of the activity, largely qualitatively (The full set of interviewees and focus group participants is provided in Table III.2). In the report, we used thematic coding and triangulation techniques to document and assess implementation of the PPP Activity in Guatemala, with a focus on identifying common and divergent themes across different stakeholder types. We also used a political economy lens to assess implementation and early results—meaning that we characterized the enabling environment for PPPs in Guatemala and assessed the status of individual PPPs in terms of the power dynamics and incentives facing key players (see Blair et al. [2018] for more information on the evaluation methodology). To the extent possible, we also compared and contrasted program implementation and early results of MCC-funded PPP supports in Guatemala and El Salvador.

Table III.2. Data sources for this analysis

Data source	Data collection method	Sample size	Key topics discussed
PPP training and coaching recipients	Focus group	10	<p>Implementation:</p> <ul style="list-style-type: none"> Value of training and suggestions to further improve it <p>Early results:</p> <ul style="list-style-type: none"> Effects of training and coaching in terms of institutional capacity
PRONACOM and MCC staff	Interviews	3	<p>Context:</p> <ul style="list-style-type: none"> PPP enabling environment <p>Implementation:</p> <ul style="list-style-type: none"> Initial reflections on the three-pillar approach Key implementation obstacles and success factors <p>Early results:</p> <ul style="list-style-type: none"> Effects of training and coaching in terms of institutional capacity
Congressional representative and political consultant	Interviews	2	<p>Political economy context:</p> <ul style="list-style-type: none"> Actors and interests, institutions, power structures, and political factors Political and institutional factors affecting status of prioritized PPPs
ANADIE and Ministry of Public Finance leadership	Interviews	8	<p>Context:</p> <ul style="list-style-type: none"> PPP enabling environment <p>Implementation:</p> <ul style="list-style-type: none"> Initial reflections on the three-pillar approach Adherence to the PPP laws and best practices
Contracting institutions	Interviews	2	<p>Implementation:</p> <ul style="list-style-type: none"> Initial reflections on the three-pillar approach

Data collection and analysis in 2020 (round 2) and 2023 (round 3) will focus on documenting final program implementation and measuring the PPP activity's lasting effects after the threshold period, respectively. The second and third reports will largely focus on an outcomes analysis of the activity, including qualitative and quantitative assessments of stakeholders' adherence to PPP laws and best practices, as well as public capacity to develop and manage PPPs in the post-threshold period.

IV. PPPs IN GUATEMALA

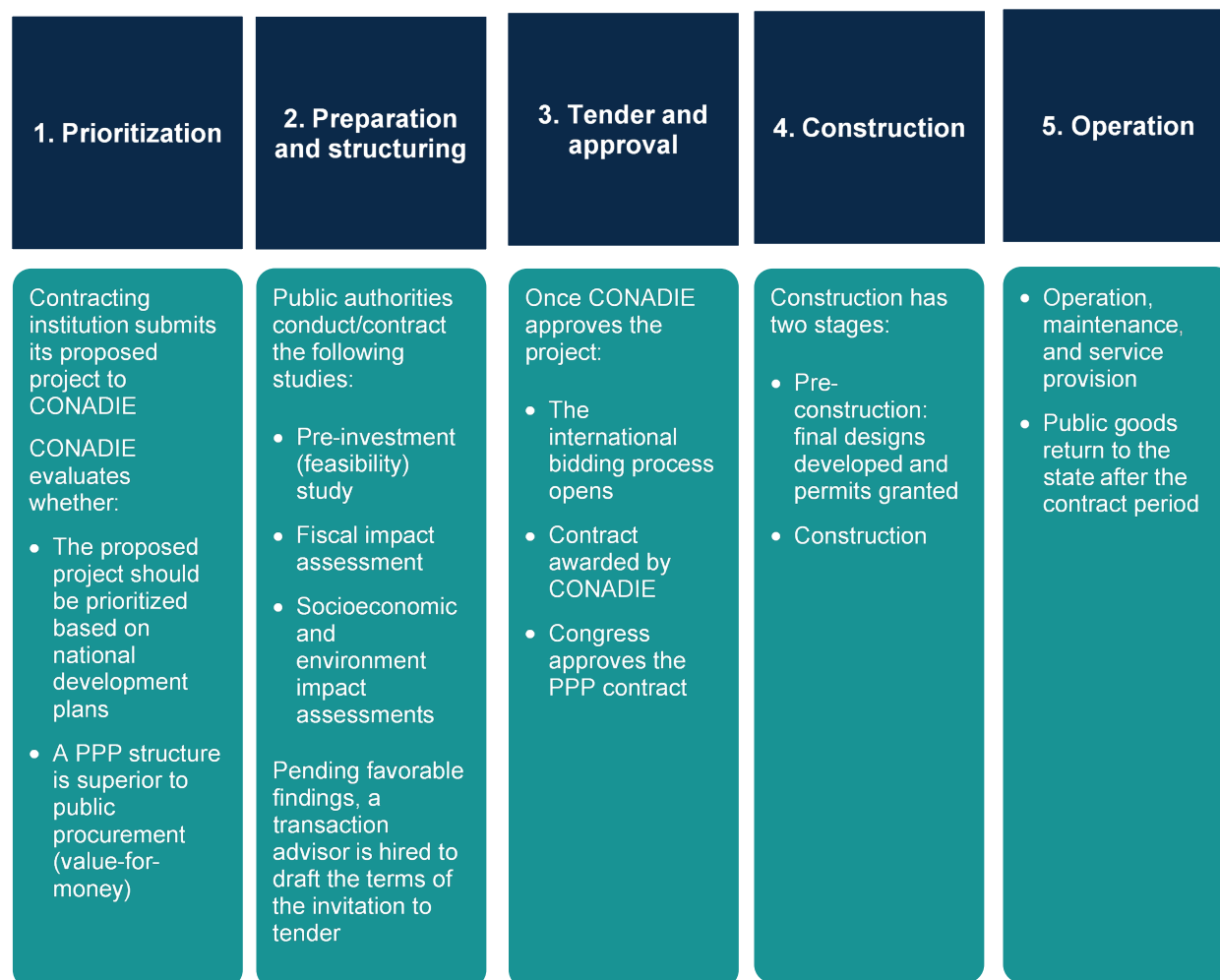
In this section, we provide some background on the PPP lifecycle, as well as the PPP enabling environment and political economy of PPP players in Guatemala during the first three years of the threshold period, from early 2016 to early 2019.

A. The PPP lifecycle

As stipulated in the Guatemala's PPP law, PPPs in development must proceed through five phases, progressing from prioritization to operation (Figure IV.1). As illustrated, ANADIE's governing board, The National Council of Alliances for the Development of Economic Infrastructure (CONADIE), has the formal power to prioritize, approve, and award PPPs. CONADIE is composed of members of various relevant authorities, including MINFIN and PRONACOM. Although ANADIE is not formally named in the first two phases—prioritization and preparation/structuring—its staff contracts most technical studies for PPPs and coordinates between various actors to steward PPPs through the development and approval process.

All PPPs must secure full Congressional approval in the tender phase, thus elevating Congress's power over PPPs to be on par with CONADIE. Other important actors in the development process include the Ministry of the Environment and Natural Resources (Ministerio de Ambiente y Recursos Naturales [MARN]) and the Secretariat of Planning and Programming of the Presidency (Secretaría de Planificación y Programación de la Presidencia [SEGEPLAN]), which conduct socioeconomic and environment impact assessments before CONADIE's approval is granted. MCC-funded assistance with training, coaching, feasibility studies, and transaction advisors is largely concentrated in the prioritization and preparation/structuring phases, which require third-party technical services as well as in-house analysis by well-trained public authorities.

Figure IV.1. Phases in the PPP lifecycle (as part of the law and regulation on partnerships)



B. Enabling environment for PPPs in Guatemala

Well-designed and executed PPPs are often the product of a strong PPP-enabling environment supported by a legal and regulatory framework, strong institutional capacity, a general understanding of and political support for PPPs, and a healthy investment climate (Economist Intelligence Unit 2017/2019). Below, we assess the presence or absence of these PPP success factors in Guatemala from May 2016 to April 2019.

The PPP legal framework in Guatemala had been in place several years; however, it was still largely untested. Guatemala passed the Law of Partnerships for Economic Infrastructure Development (Decree No.16-2010) in 2010 and its regulation (Governmental Agreement No. 360-2011) in 2011. The comprehensive and modern legal framework describes in detail the technical, social, environmental, fiscal, economic, legal, and regulatory aspects of PPP projects, as well as the full process that PPPs must take from identification to closing, and the roles that designated actors should play in each step of the process. However, given the lack of PPPs that

progressed to the approval stage by mid-2019, the law was largely untested during the threshold period, particularly its provisions with respect to approving, implementing, regulating, and auditing PPPs. Given the government's low efficacy in fighting public corruption—including corrupt practices among elected and appointed officials related to large construction projects (U.S. Department of State 2019)—there was also some threat that the official 'rules of the game' in key PPP legislation could be undermined by bribery or other forms of corruption in the approval, construction and operation phases.

The PPP authority in Guatemala played an empowered role and increased its capacity to implement PPPs. Since its creation, ANADIE worked to establish the procedures, roles, and interactions to develop and promote PPPs. During the threshold period, ANADIE had a clear mandate as well as resources to promote PPPs. It also had technical staff that were qualified to identify, promote, and supervise PPPs. Due in part to ANADIE's strong institutional mandate and resources for project preparation, Guatemala improved its PPP-enabling environment rank from 11th position among 19 Latin American countries in 2017 to 5th position in 2019 (Economist Intelligence Unit 2019). MINFIN also had strong capacity to assess PPPs' fiscal risk during the threshold period, although this capacity was spread across staff in several divisions within the ministry.

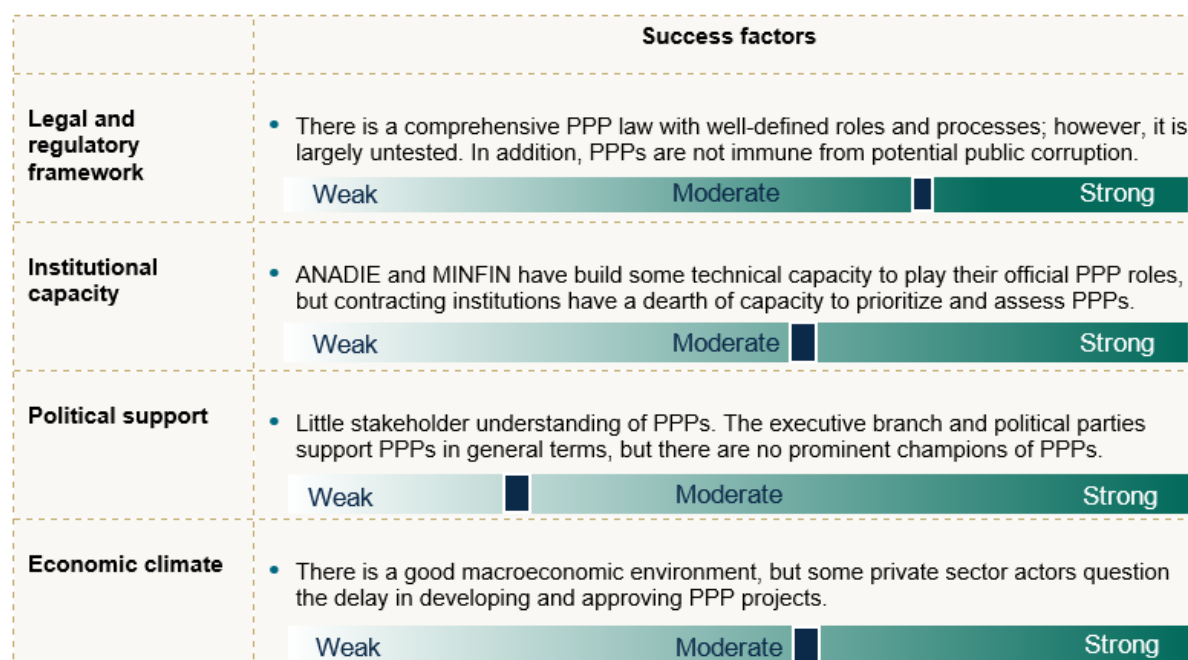
The general lack of knowledge about PPPs prevailed, even among Congress and high-ranking officials. Except for a small group of lawmakers who participated in international PPP study tours, congressional representatives, public authorities, and the general public commonly understood PPPs as a form of privatization and, thus, had a highly negative association with the term. This misunderstanding among elected congressional representatives posed an obstacle to passage of PPPs in committee and general votes during the threshold period.

PPPs lacked high-powered political champions. During the first three years of the threshold period, the Guatemalan executive and legislative branches were generally pro-business and thus not averse to PPPs. However, most PPPs in ANADIE's pipeline did not have strong political champions capable of overcoming technical and management challenges during development, socializing PPPs to Congress, and stewarding PPPs through approval.

The economic climate around PPPs was healthy, but private actors are beginning to question delays in developing high-profile PPPs. Economic climate refers to private sector interest in executing PPPs, the relevant business and competition environments, as well as the availability of financing for PPPs in the country. There appeared to be robust private sector interest in executing and financing PPPs, and strong confidence in the GoG's ability to manage the country's broader monetary, economic, and fiscal policy from 2016 to 2019. As noted above, however, as of 2019 no PPP had been formally approved by Congress under the 2010 law and only one project had reached the bidding process. These multi-year delays likely gave potential international investors pause when considering the prospect for PPPs in Guatemala, despite the country's overall healthy macroeconomic environment.

Guatemala had most of the ingredients for a strong enabling environment, with some exceptions. Summarizing the discussion above, Guatemala had a relatively strong economic climate and a modern legal framework for PPPs during the first three years of the threshold period. Furthermore, ANADIE and MINFIN had the basic organizational structure and capacity

required to develop, assess, and implement PPPs. As these legal and institutional frameworks are perhaps the core ingredients for successful PPPs, their presence in Guatemala during the threshold period suggests that MCC investment in PPPs in the country was not misplaced. However, there was a nontrivial threat of legislative corruption, a poor understanding of PPPs among decision-makers, and no prominent political champions who can steward PPPs through Congress. These political factors likely elevated the risk of MCC investments in PPPs in Guatemala somewhat, as they could jeopardize the approval of even the most technically and economically sound PPPs (see Figure IV.2 for a high-level assessment of the enabling environment).



Source: Interviews with MCC, ANADIE, PRONACOM and MINFIN representatives, and one congressional representative in 2018 and 2019, as well as Infrascopes reports for Latin America and the Caribbean (Economist Intelligence Unit 2017/2019).

Note: Success factors are generally consistent with Infrascopes PPP enabling environment categories (Economist Intelligence Unit 2019). Legal and regulatory framework and institutional capacity align with Infrascopes categories of *Regulations* and *Institutions*, respectively. Our *Political Support* and *Economic Climate* dimensions align somewhat with Infrascopes categories of *Investment and Business Climate* and *Financing*, respectively. However, we elevate the role of political support to a stand-alone success factor, whereas political support is captured within Infrascopes’ *Investment and Business Climate* category.

C. Political economy of PPP players

As in other countries, PPPs in Guatemala are highly affected by political views among stakeholders. As such, we can often explain PPP outcomes—generally whether they are successfully developed and approved—in terms of general levels of support for PPPs in the enabling environment (discussed above) as well as the specific balance of political power for any particular PPP. The most powerful PPP actors in Guatemala are Congress and executive leadership—including the president and vice president—ANADIE and its governing board

CONADIE,³ and contracting institutions that would oversee PPP contracts once the assets are operational. These “Tier 1” actors are classified as such because they have the power to promote or derail PPPs at multiple points in the identification, development, and approval process (Table IV.1). Of Tier 1 actors, ANADIE is perhaps the weakest given its limited political power vis-à-vis executive and congressional leadership. Tier 2 actors—including political parties, MCC, and PRONACOM—have considerable political influence on PPPs, but this influence is generally indirect, as they often must call on Tier 1 actors to pursue their interests. Furthermore, the influence of some Tier 2 actors—particularly MINFIN, MARN, and SEGEPLAN is of a technical nature and, as such, somewhat subservient to larger political forces at play among Tier 1 actors. Tier 3 actors, such as civil society and individual private sector actors, do not have much power, but could likely build power by organizing and coalition-building.

Table IV.1. PPP stakeholders: Roles, interests, and power

Power tier	Actor	Role in PPP development and execution	Stance toward PPPs
1	Executive leadership	<ul style="list-style-type: none"> Provides leadership in setting the PPP agenda 	<ul style="list-style-type: none"> Generally supportive, but support varies by PPP
	CONADIE	<ul style="list-style-type: none"> Prioritizes, guides, approves, and awards PPPs as the maximum authority within ANADIE 	<ul style="list-style-type: none"> Generally supportive
	Contracting institutions of the government	<ul style="list-style-type: none"> Request the prioritization, approval, and structuring of PPPs projects in their jurisdiction Submit feasibility/pre-feasibility studies to ANADIE’s board Provide technical assistance in the development and execution of PPPs Supervise PPP construction and management contracts 	<ul style="list-style-type: none"> Support varies by entity and PPP
	Congress	<ul style="list-style-type: none"> Formally approves contracts for awarded projects 	<ul style="list-style-type: none"> Support varies by PPP
	ANADIE	<ul style="list-style-type: none"> Has the authority to tender, award, implement, supervise and promote PPP projects in Guatemala 	<ul style="list-style-type: none"> Highly supportive of PPPs that have been fully vetted
2	Ministry of Public Finance, MARN, and SEGEPLAN	<ul style="list-style-type: none"> Conduct fiscal, budgetary, environmental, and socioeconomic impact studies of proposed PPPs Issue official judgments before the tendering process 	<ul style="list-style-type: none"> Agnostic toward specific PPPs, given their mandate to vet each project
	MCC/PRONACOM	<ul style="list-style-type: none"> Strengthen the capacity of public institutions to identify, assess, structure, and manage PPPs under the Threshold Program Finance pre-investment studies in the structuring phase of PPPs 	<ul style="list-style-type: none"> Supportive of PPPs that maximize social welfare
	Political parties	<ul style="list-style-type: none"> No formal role in PPPs, but can influence the prioritization or de-prioritization of PPPs once the contract is with Congress for approval 	<ul style="list-style-type: none"> Support varies by PPP
	Special interest groups and unions	<ul style="list-style-type: none"> No formal role in PPPs, but can influence the prioritization or de-prioritization of PPPs 	<ul style="list-style-type: none"> Generally unsupportive, but support varies by PPP
3	Private sector	<ul style="list-style-type: none"> Bids on PPPs at the tendering stage Builds, manages, and operates PPPs in the implementation stage Can influence the PPP structuring process through representation on CONADIE 	<ul style="list-style-type: none"> Generally supportive
	Civil society	<ul style="list-style-type: none"> No formal role in PPPs, but can influence the prioritization or de-prioritization of PPPs 	<ul style="list-style-type: none"> Generally unsupportive, but support varies by PPP

MARN = Ministerio de Ambiente y Recursos Naturales; SEGEPLAN = Secretaría de Planificación y Programación de la Presidencia.

³ The National Council of Alliances for the Development of Economic Infrastructure (CONADIE) is composed of representatives from MINFIN, MEM, CIV, MINECO, SEGEPLAN, PRONACOM, CACIF, and CGC.

Political support for PPPs is generally favorable, but power dynamics vary widely by sector and project. Although elected officials in Guatemala are generally pro-business, Congress and elected officials do not have a particularly well-defined stance on PPPs, due in part to many lawmakers' lack of understanding of them. Furthermore, Tier 2 and 3 actors are relatively evenly distributed among PPP supporters and detractors. An implication of this overall balance among actors is that some PPPs may have enough political support for approval whereas some may not, depending on the balance of power across actors for each PPP.

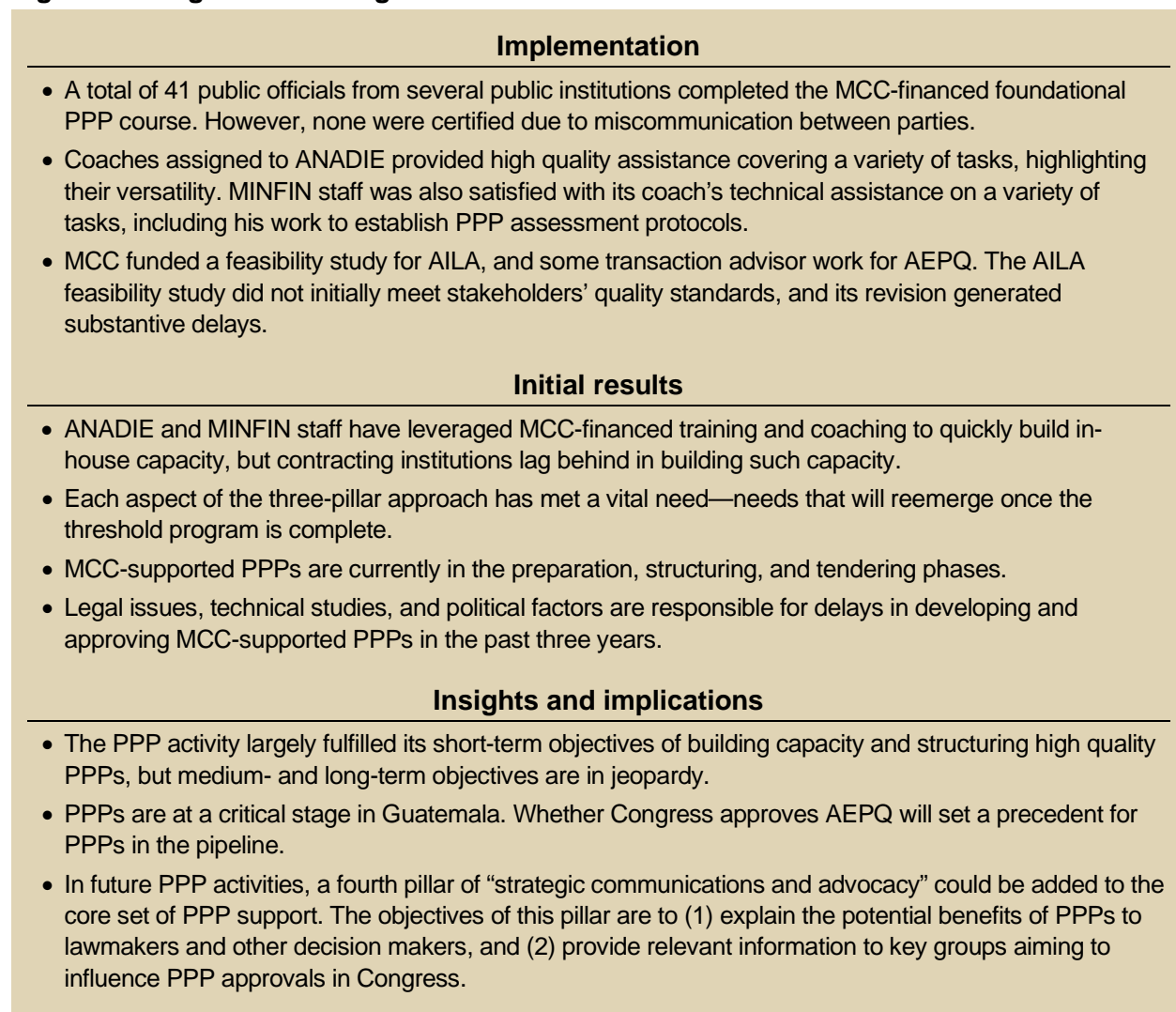
Congress is the big power player on PPPs, but it could be influenced by special interests, its members' own economic interests, or (potentially) civil society. In Guatemala, the legislative branch is very powerful and not as dependent upon the executive as in El Salvador. Because Congress is a heterogeneous body with no strong pre-set beliefs or stances toward PPPs members could be highly influenced by special interests and by potential opportunities for personal kickbacks and extortion—and in some cases even by pressure from civil society—either in favor of or against PPP approval, depending on the PPP and the level of each stakeholder's mobilization.

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V. FINDINGS

In this chapter, we present initial findings on the first three years of the three-pronged PPP Activity in Guatemala from May 2016 to April 2019. As mentioned above, the activity’s three pillars of assistance include (1) general PPP training, (2) day-to-day coaching, and (3) funding for feasibility studies and transaction advisors. High-level findings are presented below in Figure V.1, followed by a detailed discussion of implementation and initial results.

Figure V.1. High-level findings



A. PPP Activity implementation

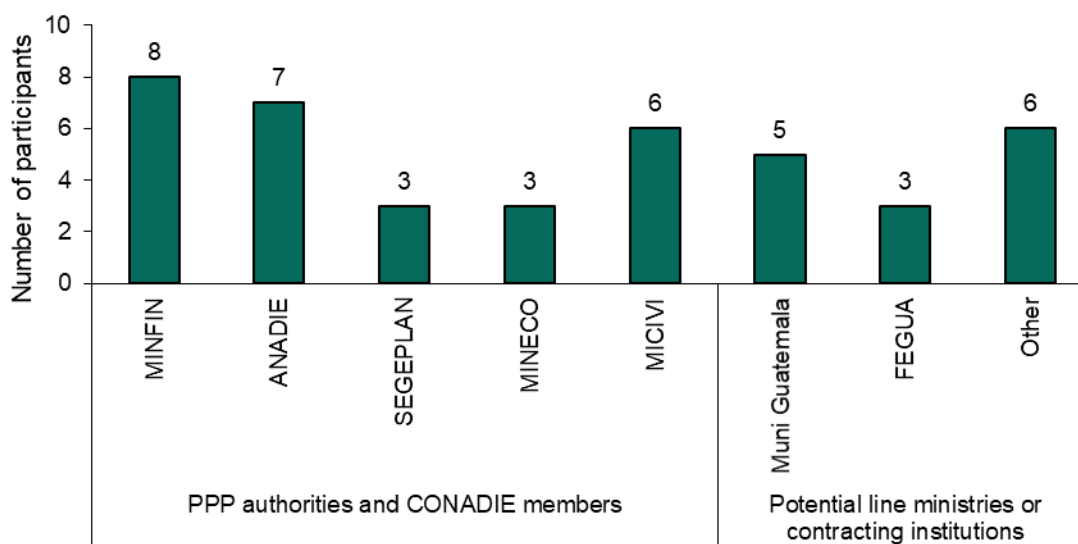
How was the PPP Activity implemented?

Below, we provide detailed findings on each of the three pillars of the PPP Activity in Guatemala, starting with general PPP training.

General training on PPPs

The right institutions—and largely the appropriate individuals from each institution—participated in PPP training, totaling 41 public officials. With help from MCC and PRONACOM, ANADIE planned and executed the PPP foundational training from July 2017 to February 2018. A total of 41 public officials from several institutions completed the MCC-financed course, which was based on the CP³P PPP Foundation (level 1) course.⁴ The trainees represented all organizations that CONADIE comprises—including ANADIE, MINFIN, CIV, SEGEPLAN, and PRONACOM—as well as all potential contracting institutions for MCC-supported PPPs in the pipeline—including the Guatemalan train authority (Ferrocarriles de Guatemala [FEGUA]) and the municipality of Guatemala City. Because ANADIE staff made an effort to include ministries that would be highly involved in prioritized PPP projects—and in most cases invited those individuals who would assess or implement MCC-supported PPPs firsthand at their respective institutions—the training represented a well-targeted effort in public capacity development on PPPs (Figure V.2). One exception was the two participants from CIV, who were both attorneys with profiles that made them an unlikely fit for assessing and implementing future PPPs.

Figure V.2. PPP training participants, by public institution



Note: “Other” includes staff from the Ministry of Energy; Committee of Commercial, Industrial and Financial Associations (CACIF); Road Maintenance Fund (COVIAL); and the National Institute of Statistics (INE).

⁴ The Foundation (level 1) course is the first of three courses required for full PPP professional certification

Staff from relevant ministries and municipalities all appreciated the foundational PPP course. Representatives from ANADIE, MINFIN, CIV, and other agencies who participated in the foundational PPP course found it to be well-structured and comprehensive. Participants praised the content of the course—including the illustrative use of both successful and unsuccessful PPPs—as well as instructors’ extensive experience with PPPs. Staff from MINFIN noted that the trainers had a good understanding of the legal and economic context in Guatemala, which was particularly important to making the training applicable to their work. Trainees from contracting institutions valued that the concepts were taught using real-world examples throughout the course. In addition, and in keeping with the initial program logic, training participants from contracting institutions noted that as a result of the PPP training, their support for the concept of PPPs had grown dramatically, to the extent that they were interested in proactively pursuing PPP opportunities within their ministries’ purview.

I found training very useful because we were working on the AEPQ process and we were able to adapt several concepts revisited in the training to our project.

—Trainee

Trainees’ diversity of profiles and academic backgrounds did not appear to complicate the training. Participants in the foundational training had different backgrounds and experience regarding both PPPs and economic and statistical concepts. Participants without financial or statistical backgrounds found the course easy to follow because it was designed to progress logically from basic to complex concepts over time, thus giving them time to “catch up” on financial, economic, and statistics concepts, if needed. On the other hand, participants with financial backgrounds did not report any issues with the course’s pace or content, although one trained economist did request greater detail in some modules. The general success of the course among participants with varying skill sets and prior training likely speaks to instructors’ teaching and communication skills, which participants described as exemplary. In particular, participants praised instructors’ ability to distill complex concepts into simple terms. Table V.1 presents some illustrative perceptions of participants on the training.

Table V.1. Stakeholder perceptions on training

<p>Positive feedback on the training</p>	<p><i>“This training had a strong impact on the MINFIN, as it has facilitated [our] advancements.”</i></p> <p><i>“The [training] model was very well designed... the content of this course is so complete that it could become a diploma course instead of just offering a certification.”</i></p>
<p>Feedback to improve the training</p>	<p><i>“The approach of the course was perfect, but some of the topics needed to be taught in more depth.”</i></p> <p><i>“There was a lot of disorganization about the certification [exam]. It is important that those who participate in the course can be certified.”</i></p>

Citing the prohibitive cost of the exam, participants who completed the foundational PPP course did not get certified. MCC, PRONACOM and ANADIE had an initial expectation that PPP course participants would take the CP³P PPP Foundation certification exam following the course’s conclusion, provided they were willing to assume a portion of the exam fee themselves. Training participants initially understood that the cost would be around \$200, but when they

attempted to register for the exam, the actual price was twice as much. Due in part to the somewhat prohibitive cost of the exam, no trainees took the certification test. An MCC representative later explained that the exam was supposed to be subsidized, such that trainees would pay no more than \$200—and could potentially be fully reimbursed if they passed the exam. However, there appears to have been a miscommunication between MCC, course planners and participants on this issue.

The content of the course included material that was not relevant for Guatemala, but we needed to understand the concepts for the certification exam that we never took.

—Trainee

Trainees reported applying what they learned in training on the job. Despite their lack of official certification, trainees from ANADIE and MINFIN reported applying what they learned in training to their core PPP functions; this includes assessing feasibility studies and structuring PPPs in the case of ANADIE and analyzing PPPs’ fiscal risk in the case of MINFIN. A representative from CIV also noted applying most of the concepts they learned in the PPP course to their everyday work with large concessions in the transportation sector, as these concessions have many commonalities with PPPs.

Day-to-day coaching

PRONACOM contracted three highly experienced coaches in 2017. With assistance from MCC, PRONACOM hired two coaches to provide ANADIE and MINFIN with technical training and help them establish PPP assessment guidelines and procedures—one coach for each institution. In addition, PRONACOM authorized ANADIE to hire an additional coach (who had served as a core instructor for the CP³P training) to liaise with media outlets and lawmakers. All coaches were experienced in providing PPP consulting services in Latin America, as well as in interacting with PPPs while serving as public officials.

ANADIE’s coaches provided high quality assistance covering a variety of tasks, highlighting their versatility. Starting in 2017, ANADIE’s coach provided technical assistance on-site one week each month. The technical staff from ANADIE identified the topics where they needed support to use his time efficiently. The coach offered support in a variety of tasks. For example, for the AEPQ project, the coach helped structure the contract to prepare for private sector bids. In the case of AILA, he helped ANADIE staff to contract the feasibility studies and review their financial analyses. ANADIE’s second coach met with the press and lawmakers to help them understand the concept of a PPP and did targeted advocacy, marketing, and public relations for specific PPPs. Because of the coach’s ability to integrate himself well with

Both coaches have been key to implementing the PPPs. We would like to have them for more time.

—ANADIE staff

ANADIE staff and motivate them in the development of PPPs, he was able to build technical capacity throughout the threshold period and transition from a teacher role to more of a “member of the team” in supporting each PPP. Both coaches’ versatility in performing a range of tasks for different PPPs was a large asset to ANADIE, as it precluded the need to hire multiple specialized consultants for transaction advisor services, communications campaigns, and so on.

MINFIN’s coach developed a process to assess the fiscal impact of PPP, which was codified in a ministerial agreement. However, the coach’s contract was not renewed. MINFIN’s coach played a lead role in establishing and documenting a procedure to conduct the ministry’s fiscal assessment of PPP projects. This process identified the role each staff in each ministry played in assessing fiscal risk for PPP projects. MINFIN staff praised the coach’s technical skills and support, as well as his efforts to include all relevant staff in the process. However, his contract was not renewed, potentially due in part to miscommunications between MINFIN, ANADIE, and PRONACOM about MINFIN’s formal request for a contract renewal, as well as the perception among ANADIE that the coach did not fully “socialize” his work to involve a larger set of stakeholders within MINFIN. As MINFIN is obligated by the PPP law to submit fiscal impact rulings for all projects, the ministry has requested the continued support of a coach to keep on building the team’s capacity to complete the core fiscal risk analysis required by these rulings. However, an MCC representative noted that until there is a larger pipeline of PPPs, further investment in coaching at MINFIN may not be warranted.

Table V.2. Stakeholder perceptions on coaching

Feedback on the coaches who supported ANADIE	<i>“The coaches have been very important. We use their experience when we faced setbacks in the projects. They provide us with suggestions based on best international practices. They always give us assurance of what is being decided in the PPP process.”</i>
Feedback on the coach who supported MINFIN	<i>“The coach not only helped us with the impact assessment, he also documented the procedure as a guide for future assessments.”</i>
Additional feedback on coaching	<i>“The coaching needs are specific to the implementation phase of the project. The coaching that AEPQ needs now is in communication. Subsequently, we will need coaching in the construction phase.”</i> <i>“We need more coaching. They come for a short time and although they are very willing to work, it is not possible to attend to all the issues.”</i>

The success of coaching arrangements in Guatemala reflects a series of success factors, including coaches’ deep international experience and multiple areas of expertise. ANADIE and MINFIN representatives had overwhelmingly positive feedback on their coaches’ expertise and the utility of their assistance. In their feedback, they emphasized the coaches’ deep international experience, multiple areas of expertise, and versatility as critical ingredients to the successful coaching relationship, among other factors (see Figure V.3).

Figure V.3. Success factors for coaching arrangements

Specific project support

MCC funded a feasibility study for AILA and some transaction advisor work for AEPQ.

For the AEPQ project, an MCC-funded coach performed some transaction adviser activities, as the project did not contract with an independent transaction advisor. For the AILA project, it was only necessary to contract feasibility studies, as a third party completed pre-investment studies when CIV assessed if the modernization of the airport could be conducted through public procurement. MCC funded the full cost of these AILA feasibility studies throughout 2018 and 2019, conducted by Deloitte. (Table V.3). In adherence to the activity's target of financing two feasibility studies by the end of the threshold period, MCC placed funding for a Metro Riel feasibility study contingent upon congressional approval of AEPQ and a substantive understanding between the municipality of Guatemala City, FEGUA, and FERROVIAS with respect to eventual Metro Riel management.

Table V.3. MCC’s specific project support

Project	Pre-feasibility studies	Feasibility studies	Transaction advisor
Escuintla-Puerto Quetzal highway (AEPQ)	Conducted by CIV	Conducted by CIV	MCC-funded coach provided assistance
Modernization of La Aurora International Airport (AILA)		Conducted by Deloitte, funded by PRONACOM/MCC Reviewed by A2F, MCC	
Metro Riel	Conducted by IDOM, funded by IDB	MCC funding contingent upon approval of AEPQ	

Note: Technical studies include economic and engineering studies.

The quality of MCC-financed feasibility studies is mixed; airport feasibility studies were particularly challenging.

Stakeholders expressed that feasibility studies originally presented by the airport transaction advisor were initially methodologically weak. For example, the economic study contained questionable financial assumptions, and many analyses were not comprehensive. ANADIE staff emphasized that from their perspective, having feasibility studies that are defensible in terms of being grounded in Guatemala’s context and using a sound economic model was more important than adhering to a predefined timetable for the completion of necessary studies. As such, they requested that Deloitte strengthen the studies until they met a basic level of rigor and completeness. By the time the studies were finalized, their quality was generally sound, but came after significant time and resource investments from ANADIE, CIV, and an MCC-funded consultant who reviewed Deloitte’s studies.

The technical proposal from Deloitte was great, very different from the quality of their deliverables. For the second deliverable, five revisions were made until it was delivered with the expected quality.

—ANADIE staff

There has been meaningful collaboration between MCC, ANADIE, and the Inter-American Development Bank on Metro Riel. MCC and IDB funds have played complementary roles in pre-feasibility and feasibility studies on the Metro Riel project. Namely, the MCC-funded feasibility study capitalized on an IDB-financed pre-feasibility study conducted in 2016. Although this donor cost-sharing has obvious benefits, it implies some additional communication and coordination effort, particularly on the part of ANADIE.

Does MCC’s three-pillar approach to PPP assistance meet stakeholder needs?

PPP training and coaching met most basic information and training needs, but stakeholders noted some unmet specialized training and hands-on learning needs. As envisioned, foundational PPP training met stakeholders’ need to acquire a broad knowledge base to inform their work, and coaching met ANADIE and MINFIN staff’s specific training needs related to their core PPP functions as PPP authority and fiscal authority, respectively. However, assistance did not meet—nor was it designed to meet—all specialized training needs. For example, ANADIE staff noted that it would have been beneficial to receive additional technical assistance in lobbying and communications, given the agency’s role in promoting PPPs.

Furthermore, staff from contracting institutions expressed strong interest in working with a coach assigned directly to their institution. (See Table V.4.)

Table V.4. Stakeholder needs met versus remaining gaps

Actor	Need	Need met? By which component?	Remaining needs
ANADIE and MINFIN	Foundational training on PPP concepts, processes and methodologies	Yes, by the PPP foundational course	Foundational course certification, in addition to remaining two courses required for PPP professional certification
	Specialized training on PPP concepts, processes, and methodologies as a good practice	No, they only received the PPP foundational course	Specialized training related to core PPP functions, including communications (ANADIE) and fiscal risk management (MINFIN)
	Hands-on technical assistance on PPPs	Yes, by PPP coaches—particularly with respect to assessing PPPs	More coaching to help develop and assess additional PPPs in the pipeline
Contracting institutions and local governments	Foundational training on PPP concepts, processes, and methodologies	Yes, staff from contracting institutions (CIV, MINECO, SEGEPLAN) and municipalities completed training	Foundational course certification
	Specialized training on PPP concepts, processes, and methodologies	No	Additional specialized training related to core PPP functions, including contract management
	Hands-on technical assistance on PPPs	No—minimal technical assistance provided	Designated coaches to help prepare and manage PPPs headed toward contract signing

The success of the PPP supports is in part the result of MCC’s active involvement. MCC has been very involved in designing the PPP training offered to public officials and reviewing the pre-feasibility and feasibility studies. Notably, MCC also hired an outside expert through its existing contract with A2F to provide ANADIE with additional technical support for AILA feasibility studies (see Figure V.4). In addition, during 2017 and 2018, MCC facilitated the organization of a communications ‘road show’ aiming to gain political awareness and support for the implementation of PPPs among media, lawmakers, the attorney general’s office, law firms, and the comptroller of accounts, among others. In mid-2019, MCC successfully influenced Guatemalan officials to advance AEPQ toward a full congressional vote and to reach a tentative agreement on Metro Riel management. MCC’s hands-on involvement in several different aspects of PPP assistance has been crucial to the activity’s progress to date, according to interviewed stakeholders.

Figure V.4. MCC’s direct involvement in the PPP Activity

General training	<ul style="list-style-type: none"> Assistance structuring the PPP foundational course curriculum and identifying potential trainers
Day-to-day coaching	<ul style="list-style-type: none"> Assistance identifying and recruiting ANADIE and MINFIN coaches
Specific project support	<ul style="list-style-type: none"> Technical oversight and review of AILA feasibility studies Additional oversight of AILA feasibility studies through A2F consultants
Communications	<ul style="list-style-type: none"> Assistance with a communications ‘road show’ to garner political support among decision makers
Lobbying	<ul style="list-style-type: none"> Threats to cancel funding for future feasibility studies if prioritized PPPs fail to progress

Were any pillars more useful than others?

Stakeholders viewed all three pillars of support as critical. Most stakeholders viewed training and coaching as necessary complements: training provided staff from ANADIE and contracting institutions with the foundational knowledge and theory they needed, whereas coaching concentrated on practical, time-sensitive matters. Without foundational training, reasoned some stakeholders, coaches might have spent too much time teaching staff basic PPP concepts and not enough time helping them operationalize these concepts in real-time.

All components are equally important. In fact, they complement each other.
 —ANADIE staff

Coaching was the best thing we did, hands down.
 —MCC representative

Although most public officials viewed training and coaching as equally valuable, an MCC representative expressed that coaching was by far the most useful support, given that it provided public authorities with much more tailored support and relevant guidance on their day-to-day work. For stakeholders, specific project support in the form of feasibility studies was also critical, as no public funds were available for these analyses.

How could the three-pillar approach be improved?

Stakeholders reported that an even stronger lobbying and communications component could be beneficial in the next iteration of PPP support activities. Several stakeholders noted that although ANADIE and PRONACOM supported various communications and lobbying efforts—including a trip to London for some key public decision makers and outreach to lawmakers on specific projects—the PPP Activity lacked an initial comprehensive strategy to promote PPPs to targeted audiences, including congressional representatives and their advisors, high- and mid-level staff at contracting institutions, and the national press. As a result, the stakeholders contended that ANADIE and PRONACOM have missed some key opportunities to educate and lobby key decision makers and influencers on specific PPPs at key points in time in the development and approval process. Stakeholders suggested that an explicit lobbying and communications strategy could be added as a “fourth

We are a very motivated team, but we do not have the political experience, and that affects us. We are very naive and that has cost us time. We need to learn how to sell the PPP projects in the political field.
 —ANADIE staff

pillar” of support in future PPP activities—and thus initiated at the outset of assistance. Ideally, the strategy could cover two fronts: (1) activities to explain the general concept of PPPs to lawmakers and influential officials, and (2) lobbying activities for each prioritized PPP, involving appeals to key stakeholder interests and targeted efforts to leverage civil society or interest groups to sway Congress, as feasible. However, one MCC official expressed doubt that a simple communications or lobbying campaign would have garnered additional support, contending that congressional approval in Guatemala often has more to do with political or economic self-interest than lawmakers’ enhanced understanding of the benefits of PPPs.

Foundational PPP trainees could take the CP³P PPP foundations certification exam, preferably though a certified CP³P course. Public officials from contracting institutions spent valuable time and resources attending the CP³P course and they expected some form of certification at the end of the process. Although trainees certainly felt that they had gained skills and capacity in PPPs, they reported that the lack of an official certification was disappointing. In mid-2019, PRONACOM was developing a PPP training program in which the trainer would administer an exam at the end of the course to incentivize trainees to take the CP³P certification exam. Another option is to explore official CP³P courses, which include the certification exam as part of the course, with a subsidized price. These courses may now be available in Spanish, and either in person in Central America or virtually.

Public officials from contracting institutions expressed strong interest in having their own coaches. Given their central role in developing and assessing PPPs, ANADIE and MINFIN worked with coaches throughout 2017 and 2018. This generated some feelings of jealousy among staff from contracting institutions, particularly CIV, who would have also benefited from personalized coaching arrangements to aid their work in assessing PPPs in the pipeline—and would likely benefit from personalized coaching in contract management and regulation once PPPs in their jurisdiction become operational.

B. Initial results of MCC-supported PPPs

What is the current status of MCC-supported PPPs?

MCC-supported PPPs are currently in the preparation, structuring, and tendering phases. As of June 2019, the rollout of PPPs supported by MCC are in varying phases in the implementation process. The Escuintla-Puerto Quetzal highway is in the tender phase and the modernization of La Aurora International Airport (AILA) and Metro Riel PPPs are in the preparation and structuring phase (see Figure V.5 for additional details).

Figure V.5. PPP projects by phase in the PPP process

Prioritization of projects					
Preparation and	<table border="1"> <tr> <td>Metro Riel</td> <td> <ul style="list-style-type: none"> • Pre-investment study completed in 2016 • A consulting firm is expected to be hired to conduct the economic and environmental study </td> <td>AILA</td> <td> <ul style="list-style-type: none"> • The economic and environmental studies are in final review • Once the studies are final, the project will be submitted to CONADIE for approval </td> </tr> </table>	Metro Riel	<ul style="list-style-type: none"> • Pre-investment study completed in 2016 • A consulting firm is expected to be hired to conduct the economic and environmental study 	AILA	<ul style="list-style-type: none"> • The economic and environmental studies are in final review • Once the studies are final, the project will be submitted to CONADIE for approval
Metro Riel	<ul style="list-style-type: none"> • Pre-investment study completed in 2016 • A consulting firm is expected to be hired to conduct the economic and environmental study 	AILA	<ul style="list-style-type: none"> • The economic and environmental studies are in final review • Once the studies are final, the project will be submitted to CONADIE for approval 		
Tender and approval	<table border="1"> <tr> <td>AEPQ</td> <td> <ul style="list-style-type: none"> • Awaiting congressional approval • Upon authorization, the private partner will initiate activities under the 25-year contract </td> </tr> </table>	AEPQ	<ul style="list-style-type: none"> • Awaiting congressional approval • Upon authorization, the private partner will initiate activities under the 25-year contract 		
AEPQ	<ul style="list-style-type: none"> • Awaiting congressional approval • Upon authorization, the private partner will initiate activities under the 25-year contract 				
Construction					
Operation					

What role have politics and institutional factors played in PPPs’ progress?

A mix of legal issues, technical studies, and political factors are responsible for substantive delays in developing and approving MCC-supported PPPs. For the AILA PPP, technical studies took nine months longer than originally anticipated, given quality issues noted above. Similarly, technical studies for the Metro Riel PPP have also been delayed because pre-investment studies conducted in 2016 did not have the technical depth or rigor required to fully justify the project on economic grounds. The legal aspects of Metro Riel are also complex, as the PPP has two contracting institutions and several stakeholders had to come to some agreement in 2019 with respect to jurisdiction and future management responsibility. With respect to political support, the AEPQ highway tender was stuck in congressional committee deliberations for nearly a full year from late 2018 to August 2019, and some political mobilization on the part of union members and AILA personnel delayed technical studies for the airport (Figure V.6).

Below, we provide additional details on the status of each MCC-supported PPP and the political, technical and institutional factors behind these PPPs’ progress, linking our findings to the enabling environment and political economy analyses above, when relevant.

Figure V.6 PPP implementation delays: 2018–2019

Project	Escuintla-Puerto Quetzal highway (AEPQ)	Modernization of La Aurora International Airport (AILA)	Metro Riel
Legal issues	●	●	●
Technical delays	●	●	●
Political bottlenecks	●	●	●

Notes: Technical delays refers to delays conducting economic and engineering studies.

Blue denotes no complications from January 2018 to July 2019, yellow indicates moderate complications, and red denotes sizable complications that threatened to stall PPP development indefinitely between 2018 and mid-2019.

C. Escuintla-Puerto Quetzal highway (AEPQ)

Congress has been delayed in issuing a ruling for the AEPQ, potentially related to lawmakers' personal financial interest. In October 2018, ANADIE submitted Guatemala's first PPP contract for approval to Congress. The 25-year contract entails upgrading, operating, and maintaining a 41.2 km section of highway CA-9 sur, from Escuintla to Quetzal port. One of the coaches expressed that the PPP contract of AEPQ was very attractive for the public sector, as it was economically self-sustainable and presented no legal complications. In July 2018, ANADIE recommended an award of the contract to *Consortio Autopistas de Guatemala*, comprising Mexican construction firm Marhnos and Guatemala's Precon. In August, CONADIE

The lack of approval of the AEPQ generates frustration because this contract is one of the best I have ever seen.

—Coach

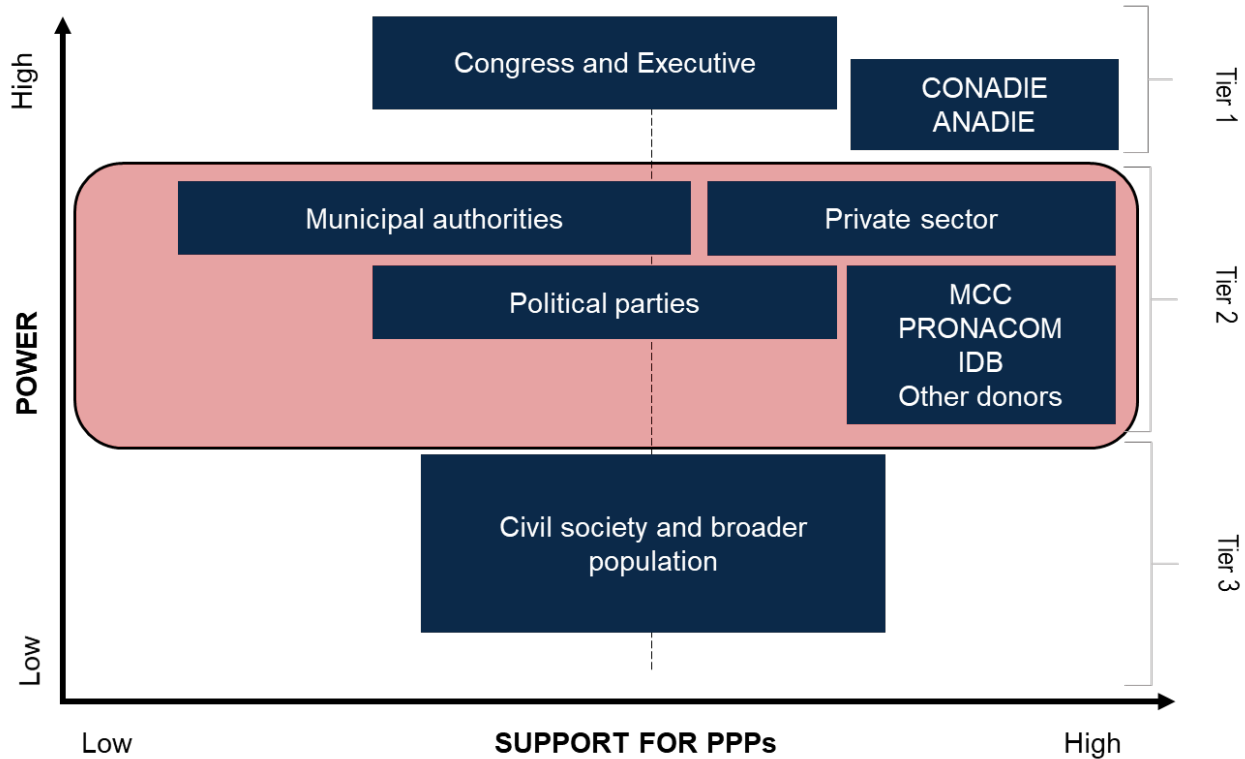
unanimously ratified the awarding decision. If Congress approves, the contract becomes official, but if it is rejected, the government must provide compensation to the winning consortium. The contract was stalled in committee deliberations from late 2018 until August 2019, when it was finally cleared for a full congressional vote. The reason for this delay in the committee deliberations was unclear, but political insiders speculated that private financial interests of

two powerful congressmen created delays in committee. One interviewed lawmaker posited that a larger promotion of the PPP among the full Congress much earlier may have alleviated this bottleneck and potential corruption in committee deliberations, as greater awareness of the contract among lawmakers might have decreased opportunities for extortion or expectations of kick-backs. This statement is consistent with our initial assessment of Guatemala's PPP enabling environment, which suffers from a general lack of PPP champions in the highest levels of government.

AEPQ approval is unclear. Mirroring the overall political economy of PPPs in Guatemala discussed above, proponents and opponents of the AEPQ project are well balanced in power (Figure V.7). In general terms, private sector interests and municipal authorities who anticipate economic benefits of the road, as well as citizens who are willing to pay the proposed toll (of around \$1 U.S. dollar per use) likely support AEPQ. On the other hand, other municipal authorities and citizens—and potentially some civil society groups—may protest the project's proposed toll payments, given that the highway featured no tolls for several years. As of mid-

2019, it was unclear whether proponents of AEPQ had more political access to members of Congress than opponents, or vice versa. This congressional access may decide the fate of the project, given that full congressional approval is required to proceed to a financial close.

Figure V.7. Potential political economy of AEPQ approval in Congress



Notes: Red box denotes the ‘critical mass’ of opposition or support for the PPP among key players. *Political parties* refers largely to the incumbent political party and the primary opposition parties among Guatemala’s multiple national parties. Prior to the presidential elections in August of 2019, Frente de Convergencia Nacional (FNC-Nación) controlled Guatemala’s executive branch, but the presidential election culminated in a run-off between opposition parties Vamos and Unidad Nacional de la Esperanza (UNE).

The ruling on the AEPQ project might affect the rest of PPPs in the pipeline. Following the development of the first procurement process—AEPQ highway—under the PPP law, expectations are high that the rest of the PPP projects will be approved. It is likely that this decision will set precedent for other expected PPP projects under ANADIE’s pipeline. If Congress rejects the agreement, the GoG will compensate the concessionaire, *Consortio Autopistas de Guatemala*, in accordance with the PPP law. However, another harmful consequence of a failure to approve AEPQ could be an erosion of the investment climate for PPPs in Guatemala, which can currently be described as moderate (Figure IV.2) but could feasibly weaken as investors ponder whether Congress is ready to move forward with any PPPs.

D. La Aurora International Airport (AILA)

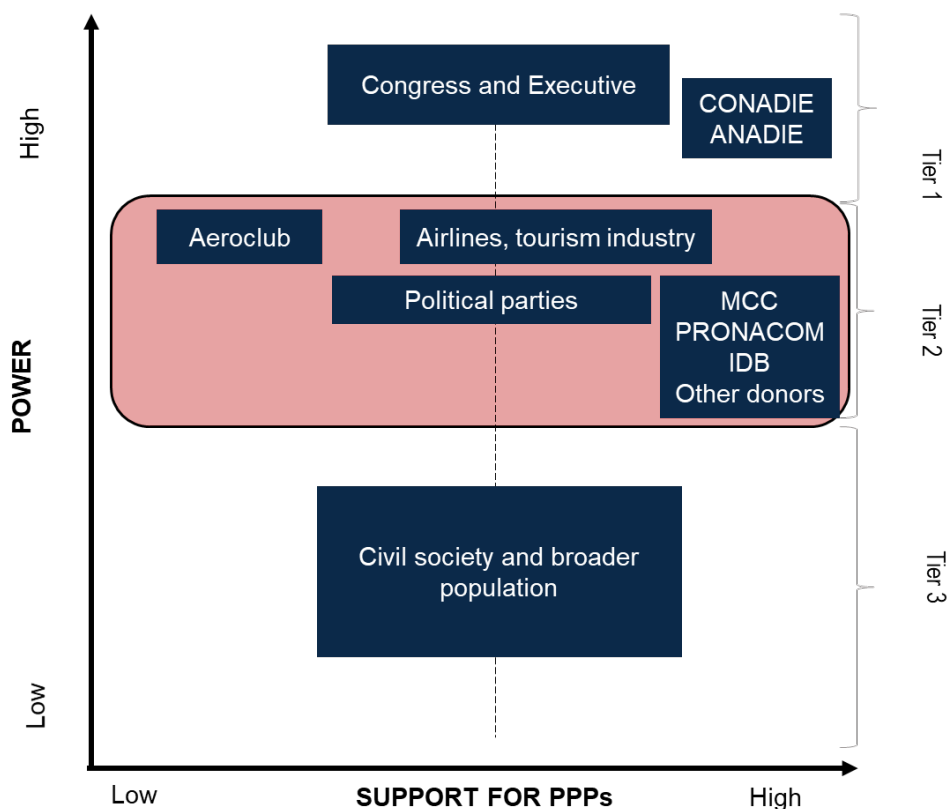
As of mid-2019, AILA is in the preparation and structuring phase, with some delays in the preparation of technical studies. In October 2017, Deloitte was contracted to conduct the economic and environmental studies of AILA. The goal was to have the studies in eight months; however, several problems, ranging from resistance from airport stakeholders to sharing information, deficient quality of deliverables, and extended review times, delayed the process nine months. As of May 2019, the economic and the environmental studies of AILA project were in final review. Once the studies are finalized, the project will be submitted to CONADIE for approval. If CONADIE approves it, the project is expected to elicit interest from possible international bidders.

Special interests may decide AILA's fate. Mirroring the overall political economy of PPPs in Guatemala discussed above, proponents and opponents of the AILA project are well balanced in power (Figure V.8). The country's largest civil aviation association, Aeroclub,⁵ is against the AILA PPP because its implementation will likely affect its financial interests: (1) its members will be charged for the use of the runway (currently, private aviation is not charged a fee for using the runway), (2) members will have to pay for the lease of hangars (the current rental fee for the use of hangars at the airport is negligible), and (3) members will likely lose their current monopoly over airplane fuel sales. Given the resistance from this group, the General Directorate of Civil Aeronautics (DGAC) has not supported the AILA project. It remains to be seen whether DGAC will support it under the new administration. Potentially, special interest groups in the airline and tourism industries could counteract Aeroclub's influence with Congress. However, it is unclear whether supporters or detractors would have the preponderance of influence over congressional approval. Potentially, civil society and the broader population could mobilize in support or opposition to the project, but stakeholders see this as unlikely, given the airport's marginal role in most Guatemalans' everyday lives.

The resistance from Aeroclub represents a big problem because it is a powerful group with contacts in the Congress and in the press, they have the tools to distort the vision of the project.

—ANADIE staff

⁵ Aeroclub is a nonprofit association created to promote civil aviation. It offers fuel sales, an operations area in the airport for private flights, and aircraft rentals.

Figure V.8. Potential political economy of AILA approval in Congress

Note: Red box denotes the 'critical mass' of opposition or support for the PPP among key players. The lack of a critical mass of support or opposition for AILA suggests its congressional approval is difficult to predict. *Political parties* refers largely to the incumbent political party and the primary opposition party among Guatemala's multiple national parties. Prior to the presidential elections in August of 2019, Frente de Convergencia Nacional (FNC-Nación) controlled Guatemala's executive branch, but the presidential election culminated in a run-off between opposition parties Vamos and Unidad Nacional de la Esperanza (UNE).

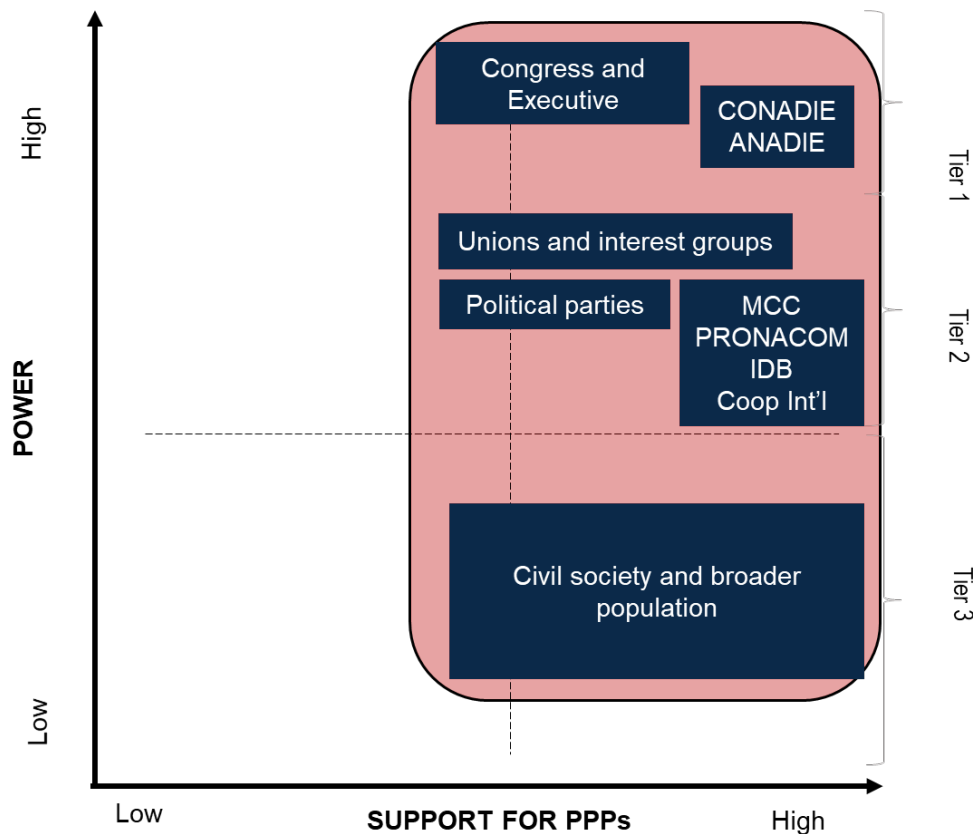
E. Metro Riel

Legal delays have also affected the development and implementation of the Metro Riel, but there is a way forward. In 2016, the project was added to ANADIE's portfolio of PPPs, with FEGUA as the contracting institution; however, legal approval was delayed because FEGUA does not have a legal claim to the land upon which the light rail will run. In 1998, FERROVIAS was awarded a concession to operate the railroads. To keep the PPP process moving, in June 2018, the municipality of Guatemala City joined the PPP process as the contracting entity because the concession contract obligates FERROVIAS to issue the right-of-way if a municipal authority requests it. As a result, both FEGUA and the municipality of Guatemala City will be the contracting institutions for this project from the government side. In July 2019, all three parties (FERROVIAS, FEGUA, and the municipality of Guatemala City) reached an agreement with respect to the joint management of the Metro Riel once it becomes operational.

Technical studies have also caused substantive delays. In 2016, consulting company IDOM conducted the first feasibility study, but ANADIE, based on a detailed assessment funded by the World bank, identified additional technical studies (travel demand modeling, topography, hydrology, engineering, etc.) to be completed prior to tendering the project. As of mid-2018, MCC was considering financing the new (updated) feasibility study, pending the outcome of AEPQ approval in Congress and the agreement just reached between FEGUA, FERROVIAS, and the municipality of Guatemala City.

Broad public support for Metro Riel will likely propel it toward approval. As stated above, this PPP is popular among citizens as a solution to decreasing the time they spend in transit. Given the potential benefits, the executive branch as well as local authorities, political parties, and members of the legislative will likely support the development of the PPP. The labor unions, representing skilled workers, also support the PPP under the premise that mass transit will benefit their members (Figure V.9).

Figure V.9. Potential political economy of Metro Riel approval in Congress



Note: Red box denotes the ‘critical mass’ of opposition or support for the PPP among key players. The critical mass of support for Metro Riel suggests its congressional approval is likely. *Political parties* refers largely to the incumbent political party and the primary opposition party among Guatemala’s multiple national parties. Prior to the presidential elections in August of 2019, Frente de Convergencia Nacional (FNC-Nación) controlled Guatemala’s executive branch, but the presidential election culminated in a run-off between opposition parties Vamos and Unidad Nacional de la Esperanza (UNE).

Did the GoG follow the PPP law and best international practices?

PPPs may have been prioritized for assistance based on objective criteria, but there is no documentation to support this. A best practice in terms of identification of projects is to select potential projects based on objective criteria such as potential benefits and risk and to clearly communicate the methods and results of selection to stakeholders. ANADIE developed its portfolio of six projects, but it is not clear if stakeholders took into account objective criteria to select the portfolio from a larger set of potential projects or to determine the PPP that would receive specific MCC funding and support. An MCC representative explained that they supported these projects per ANADIE's request to do so, given that other projects were already receiving funds from other international organizations.

ANADIE and MINFIN are fulfilling the core functions laid out in the PPP law, at least in developing and assessing potential PPPs. This includes playing an active role in assessing and promoting PPPs, coordinating PPP development with other stakeholders (including MINFIN and other potential contracting institutions), and convening and reporting to its board of directors. Guatemala follows international best practices in terms of transparency, publicizing the results of key studies on its website. However, several of the functions in the law—including regulating PPPs and managing their fiscal risk—are not yet applicable, given that no official PPP has come online.

To what extent did the project facilitate greater capacity for PPPs within the GoG?

ANADIE and MINFIN staff have leveraged MCC-financed training and coaching to quickly build in-house capacity, but other relevant ministries lag behind. Public officials from ANADIE and MINFIN have gained technical skills to identify and develop PPPs. However, public officials from other ministries that played a key role in the preparation and structuring phase need to work more on strengthening their technical capacities. For example, SEGEPLAN staff do not appear to have strong capacity in assessing environmental and social impacts of PPPs, even after some exposure to these concepts in PPP training. One exception is CIV, which has an in-house concessions team that currently manages transportation infrastructure contracts that are fundamentally similar to PPPs.

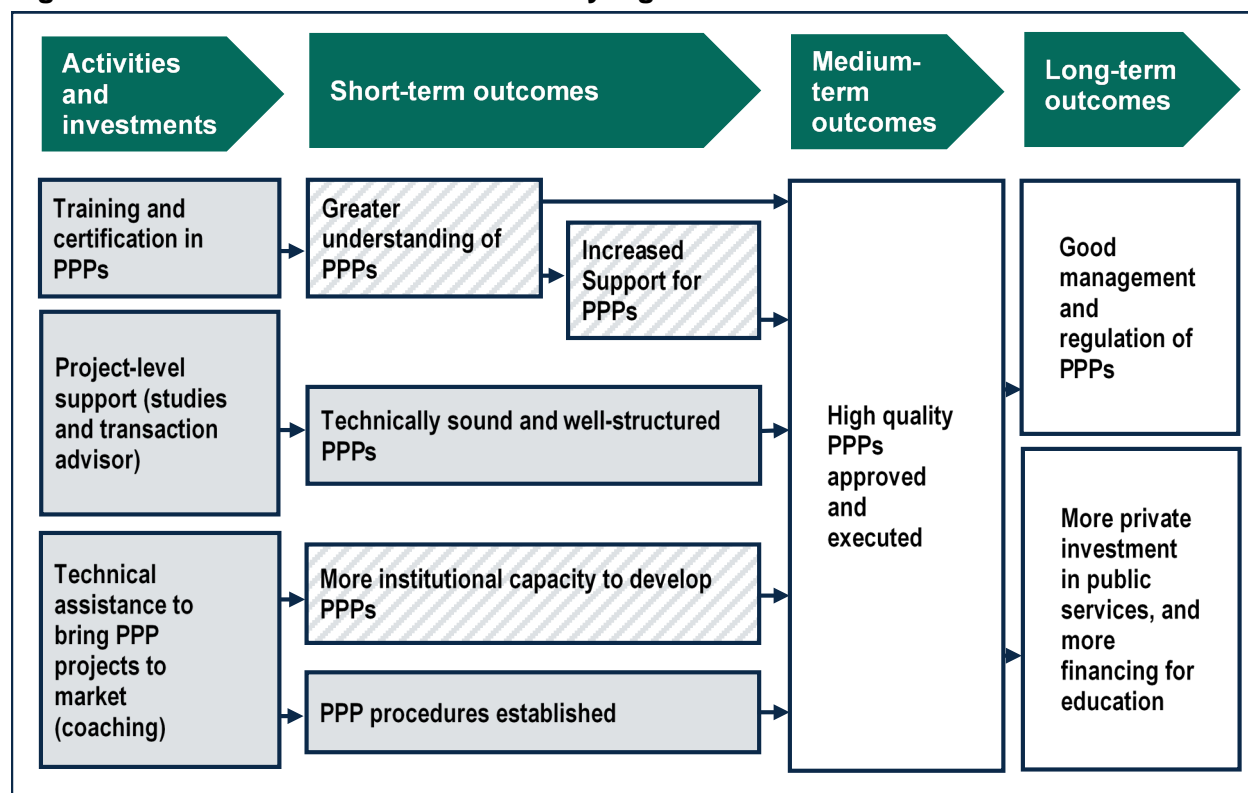
F. Insights and implications

Each aspect of the three-pillar approach has met a vital need—needs that will emerge once again after the threshold program is complete. Stakeholders noted that training and coaching were critical to meeting their basic capacity-building needs in the past years. ANADIE, MINFIN, and contracting institutions will certainly need coaching and training for several years as the first PPPs enter new phases and the other PPPs in the pipeline advance. In future years, ANADIE may have access to proceeds from functioning PPPs to fund technical studies for PPPs in the pipeline. However, without additional international or internal funding for training, hands-on technical assistance, and the verification of these studies, ANADIE, MINFIN, and contracting institutions run the risk of developing potentially flawed PPPs or mismanaging existing PPPs.

The PPP activity fulfilled most of its short-term objectives, but medium- and long-term objectives are in jeopardy. As planned, the activity built public capacity to develop and assess

PPPs, helped develop procedures governing PPP development, and helped stakeholders formulate and structure high quality PPPs. However, the medium-term outcome of high quality PPPs actually being approved and implemented is contingent upon Congress's approval of AEPQ and other PPPs in the pipeline. As such, Congress has the power to either fulfill or fail to fulfill the activity's final goal of one MCC-supported PPP gaining congressional approval and progressing to financial closure by the end of the threshold period (see Figure V.10).

Figure V.10. Fulfillment of the PPP Activity logic



PPPs are in a critical stage in Guatemala, with a spotlight on AEPQ. The timely approval of the Escuintla-Puerto Quetzal highway is critical because it can help strengthen the enabling environment for PPPs in Guatemala—particularly the investment climate and institutional framework—thus potentially initiating a self-reinforcing cycle in which the enabling environment facilitates the approval and execution of additional PPPs in the pipeline, which in turn further strengthens the environment (Figure V.11). In contrast, AEPQ's defeat in Congress could create the opposite effect, setting off a vicious cycle in which the investment climate is eroded, public capacity is gradually lost, and the legal framework remains largely untested. This erosion of the PPP-enabling environment could complicate the approval of additional PPPs in the pipeline.

Figure V.11. Linkages between the enabling environment and individual PPPs



Update on PPP progress as of late 2019

In September 2019—several months after the first draft of this report was originally submitted—the AEPQ contract was cleared for a congressional vote after nearly one year in committee negotiations. On October 29, the full Congress rejected the PPP contract during the project’s third and final vote, presumably due to political resistance against the project’s proposed tolls. (Previously, the AEPQ highway had been toll-free, albeit poorly maintained.) However, there is speculation that potential extortion, kick-backs, or other forms of corruption may have interfered in the project’s congressional approval. Because MCC conditioned financing of additional feasibility studies for the Metro Riel PPP on full congressional approval of the AEPQ, MCC will likely suspend funding for additional technical studies of the light rail system.

VI. FINDINGS ACROSS GUATEMALA AND EL SALVADOR

Under its current contract, Mathematica is also conducting a performance evaluation of the PPP Sub-Activity of the Investment Climate Project in El Salvador. Initiated in late 2015, this sub-activity features the same three-pillar approach as the PPP Activity in Guatemala, composed of: (1) general training on PPPs; (2) day-to-day coaching; and (3) funding for feasibility studies and transaction advisors. Below we summarize common findings and implications for PPP support activities across El Salvador and Guatemala, as well as some divergent findings across the two countries.

The environment for PPPs was relatively healthy in El Salvador and Guatemala when MCC invested, suggesting PPP assistance is well-placed in the two countries. From 2015 to early 2019, both countries had a strong PPP laws and empowered PPP authorities who were steadily building internal capacity. To some extent, these sound legal and institutional frameworks ensured that PPP assistance would not be misspent in countries in which PPPs simply weren't yet feasible. However, neither country had enough resources, maturity in institutions, or a high quality PPP pipeline for MCC to run the risk of providing assistance that wasn't critical or 'crowding out' domestic or other donor-led capacity building or technical assistance efforts. As such, both countries represented a chance for MCC funding to achieve strong additionality, or to generate positive results for PPPs that otherwise might not have occurred.

The three-pillar approach has met most PPP-related needs in both countries, except communications/lobbying and contracting institution capacity building. ANADIE and MINFIN staff have leveraged MCC-financed training and coaching to quickly build in-house capacity. In addition, MCC support for technical studies was also crucial in advancing prioritized PPPs. However, a strategic communications and lobbying component targeting key decision-makers was absent in both countries at the start of assistance. Given that general understanding of PPPs and political support for them are the weakest dimensions of the two countries' enabling environments, this absence of a strong communications and lobbying component may have impeded progress on prioritized PPPs. What's more, contracting institutions had only limited exposure to PPPs, as few of their staff participated in training and the ministries had no designated coach. This lack of contracting institution capacity poses no immediate risk for PPPs in the development stage. However, once PPPs are constructed and functional, contracting institutions will likely require hands-on assistance in contract management and other skills related to their core functions as PPP contracting ministries.

Training and coaching had fewer hiccups in Guatemala, but no PPP trainees in Guatemala earned a PPP credential. The Guatemalan Ministry of Public Finance coaching participants were highly supportive of their coach's work, as was ANADIE staff. What's more, training participants in Guatemala had few recommendations to improve the PPP foundations course. In El Salvador, MINFIN requested the replacement of their first coach, and FOMILENIO II staff struggled to structure and staff the PPP foundations course when the sub-activity began. The distinct experiences between the two countries may be related to the personal characteristics of the coaches and trainers. Although coaches and trainers were highly qualified in both countries, the coaches and trainers in Guatemala proved particularly adept at structuring courses,

explaining complex topics in simple terms, and even versatile enough to straddle a mix of coaching, training, and transaction advisor activities. However, although a total of 41 public officials from several public institutions completed the MCC-financed PPP course in Guatemala, none were certified due to miscommunication between several parties about MCC coverage of exam costs. In contrast, 28 public officials in El Salvador gained Level 1 CP3P certification following their participation in the course, taking advantage of MCC-funded subsidies for the exam.

El Salvador did not experience Guatemala’s challenges with respect to the quality of feasibility studies, suggesting variation in contractor performance. In Guatemala, stakeholders found a feasibility study of Guatemala’s international airport expansion initially incomplete and methodologically weak. Improving the study required a concerted effort from MCC, ANADIE, and their advisors, and caused a multi-month delay in the project. In El Salvador, MCC-financed feasibility studies of a cargo terminal expansion and the street lighting and video surveillance project had no such complications. Potentially this is due to the more difficult nature of the feasibility study of the airport compared to MCC-supported PPPs in El Salvador. Likely, it also reflects the wide variance in contractor performance on feasibility studies of this nature.

PPP assistance is not ‘light-touch’ or one-dimensional. In both countries, MCC and implementing entities were often called to exert political pressure to support specific PPPs in critical stages of development and approval. In Guatemala, MCC staff also directly intervened in technical aspects of feasibility studies and enlisted a consultant to help improve the AILA economic analysis. These actions highlight that PPP assistance activities can be resource intensive for MCC and MCAs. The critical role that MCC consultants played in improving the AILA feasibility assessment in Guatemala also highlights the importance of having a flexible contracting mechanism to draw on targeted expertise on short notice—including engineering, communications and lobbying expertise, depending on the critical needs of each PPP.

El Salvador’s highly centralized political power in the executive and Guatemala’s public corruption may pose the largest long-term threats to PPPs. A consequence of El Salvador’s highly centralized political power in the executive is that the party in power can either advance or thwart PPPs, depending on their ideological or practical stance toward PPPs. In Guatemala, the executive branch and national political parties are not as powerful, which gives individual lawmakers substantive power to advance or stall PPPs. In part, this creates an elevated potential for corruption among lawmakers in Guatemala. Based on interviews with political insiders, this potential for corruption may pose the largest risk to implementing high-quality PPPs in the country.

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APPENDIX A: RESPONSES TO STAKEHOLDER COMMENTS

Reviewer Name/ Institution	Page Number (please reference the number at the bottom of the page)	Comment	Evaluator Response
MCC			
Executive Summary			
MCC -	3	Suggest rewording (phase mentioned twice).	Mathematica: Thank you--we have simplified this wording.
MCC	7	MetroRiel is proposed to be built on an existing rail right of way and although it would require new rail, it is generally considered a brownfield. And we do now know that we will not fund the feasibility study. "The highway and airport projects involve repairing and modernizing existing infrastructure—known as brownfield projects—whereas the Metro Riel requires entirely new infrastructure—referred to as a greenfield project.	Thanks for this clarification. We have made this change throughout the document.
I. Introduction			
MCC	2	The Threshold Agmt seeks to bring "one or two PPP projects to market". Sending 2 PPPs to Congress for approval and gaining congressional approval for 1 PPP may be in the M&E Plan but that goes beyond the goals of the THP Agmt itself.	Thanks for this clarification. We have made this change throughout the report.
MCC	4	MCC funded a coach here (Sergio Bravo), who served as an "in-house" Transaction Advisor of sorts to help ANADIE to structure and tender this PPP.	We have added a note to clarify this point in both tables in which transaction advisors are discussed, as well as the text.
MCC	4	IDOM funded the prefeasibility study of this MetroRiel project, and MCC plans to fund a feasibility study of this project if Congress approves AEPQ and the Municipality obtains title to the right of way for the MetroRiel project. Guatemala has met the 2nd condition (obtaining title), but Congress refused to approve AEPQ. While we may help ANADIE restructure AEPQ in a way that enables Congress to approve this project, this likely won't happen in time to allow us to fund the MetroRiel feasibility study. So, in all likelihood, MCC will not fund the MetroRiel study.	Thanks for this update. At the end of the report we include an update clarifying that MCC will likely not fund the MetroRiel study for the reason mentioned in the comment.
II. Literature Review			
MCC	4	Should we remove the word "most" ? Wouldn't PPPs that fail to meet some conditions could actually be detrimental to a country? E.g. deals that are poorly made	Yes, we deleted this word from the lit review.

Reviewer Name/ Institution	Page Number (please reference the number at the bottom of the page)	Comment	Evaluator Response
MCC	4	Could you make a little table/chart to show this info graphically? For people not-versed with PPPs, it would be more accessible to see a summary in a table/chart.	Figure II.1 now provides a visual summary of PPP benefits to different groups.
IV. PPPs in Guatemala			
MCC	8	Wasn't this change by the trip to London? If so, shouldn't be pre-empt the reader about this change?	Thanks for catching this. We have added a brief mention of this trip as a caveat to the point about low levels of understanding of PPPs.
MCC	9	If this refers to the MCC scorecard, that would seem to be insufficient evidence for the conclusion "Given the government's low efficacy in fighting public corruption (MCC 2016-2018), there was also some threat that the official 'rules of the game' in key PPP legislation could be undermined by potential extortion, kick-backs, or other forms of corruption, particularly in the tendering and operations phases."	We have changed the reference to a 2019 State Department report that provides more direct evidence for our conclusion.
MCC	9	We might have seen this just happen with respect to initial congressional refusal to approve AEPQ.	Agreed. We have added language suggesting as much in the late 2019 update on page 30.
MCC	10	Suggest editing graph for clarity. I would start with "what is the main idea?" The diagram is very busy, and it is not clear. Do all of the entities need to be on it (or can you consolidate some of the boxes)? I do not think the green and red arrows are necessary either. What is the key issue? Do you want to show that actors are relatively balanced? Once you find the key point to show in the graph, you can redesign it to make that clear (and remove not relevant info). You could also play with color a little bit to get important messages to stand out.	We deleted this diagram because it was actually raising more questions than it was clarifying. Thanks for your input.
V. Findings			
MCC	21	.I wouldn't say it was a threat and the pressure was not applied against PRONACOM. "mid-2019, using the threat of cancelling funding for future feasibility studies, MCC also successfully pressured PRONACOM and other public actors to advance AEPQ toward a full congressional vote and to reach a tentative agreement on Metro Riel management."	Thank you for the clarification. We have removed the mention of PRONACOM and used different wording to convey they pressure MCC applied to encourage Congress to proceed with a vote.
MCC	24	Do we have information about the share of the trainees that is actively using what was learned? Sometimes classes can be interesting, but is the knowledge being applied at the line ministries.	MINFIN and ANADIE staff confirmed that they are using what they learned, as did CIV staff. We added a short paragraph on this on page 15.

Reviewer Name/ Institution	Page Number (please reference the number at the bottom of the page)	Comment	Evaluator Response
MCC	26	Suggest updating the chart. It's not clear what the green, yellow and red mean (is it like the traffic light? Stop, go, caution).	We transposed the chart to make it more intuitive--so you can more easily assess factors affecting each project. We have also clarified the meaning of each color in the chart notes.
MCC	26	Do we know anything about the quality of the contract? Does it meet the expected criteria? What the MCC transaction advisor involved in verifying the quality of the contract?	<p>The transaction advisor essentially structured to contract, so he would probably call it a high-quality contract. Unfortunately we don't have any details on the quality of the contract in terms of distinct objective criteria. We only know that the advisor found the project to be financially sustainable, with few legal issues. That made it an undeniably attractive project or contract—an obvious win-win for public and private actors. However, we will explore this in more depth in future rounds, as the failure of AEPQ to pass congress raises questions about the potential attractiveness of the contract.</p> <p>We have added these details to the text.</p>
MCC	28	<p>“In 2016, consulting company IDOM conducted the first feasibility study, but ANADIE and MCC felt that the study did not have the necessary technical depth. IDB requested an additional feasibility study to keep the PPP process moving forward.” ANADIE, based on a detailed assessment funded by the World bank, identified additional technical studies, including travel demand modeling, topography, geotech, hydrology, structural analysis of existing bridges to be used, value engineering of station and intersections with vehicle traffic, etc that needed to be completed prior to tendering the project. This was not an MCC feeling or something IDB requested to keep the process moving forward.</p>	Thank you for the clarification, we have made a revision to the text.

Reviewer Name/ Institution	Page Number (please reference the number at the bottom of the page)	Comment	Evaluator Response
MCC	28.29	The power map should at least separate out different political parties and not have all political parties as one box. ANADIE does not have high power and that was the problem.	We have added a note under the graphic to explain that the box refers to the incumbent political party and the primary opposition party. We now name both of those parties in the note. We have also added a sentence to the text stating that ANADIE has less political power than the executive and Congress, but we still consider it a Tier 1 stakeholder due to its ability to de-prioritize or prioritize PPPs on technical grounds.
MCC	23	Suggest simplifying the graph to focus on the main idea you are trying to convey.	We deleted this diagram because it was actually raising more questions than it was clarifying.
MCC	28	Is the contracting institution the same as line ministry?	Yes, I made this cleared throughout—now we uniformly refer to contracting institutions.
MCC	29	Suggest rewording – passive voice	Fixed--thanks.
MCC	30	How could have the project design better mitigated these risks?	This is a good question. We included a sentence about how to mitigate these risks-- basically a provision whereby some small portion of PPP revenues is channeled back into continued coaching.
MCC	32	Shouldn't the teal arrows be pointing down instead of up? You might want to keep either the dark blue arrows or the teal arrows depending on what the main idea is.	With this figure we are trying to reinforce the idea that approval of the first couple of PPPs can cause a virtuous circle of a stronger enabling environment and additional approved PPPs, so the arrows point up to complete that circle. But we have clarified this a bit more in the text as well as in the figure. Now we have only two arrows--one going up and one going down--and both are the same color.
MCC	32	Please delete the speculation about: "Instead, MCC may use the remaining time in the threshold period to: (1) modify the AEPQ PPP, (2) lobby for the modified AEPQ project's approval in Congress, (3) provide additional coaching to ANADIE and MINFIN on structuring and assessing PPPs, and (4) promote PPP legislation reforms to streamline the approval process."	We have deleted this statement.

Reviewer Name/ Institution	Page Number (please reference the number at the bottom of the page)	Comment	Evaluator Response
VI. PPP Findings Across Guatemala and El Salvador			
MCC - James Hallmark	34	larger	Fixed--thanks.
Local stakeholders			
Overall Report			
PRONACOM	General	A ANADIE le hubiese gustado agregar más base legal al rol de cada una de las instituciones involucradas para que quede más claro el verdadero quehacer de cada una	We have added more detail on the role of each PPP player, emphasizing formal roles outlined in Guatemala's PPP legislation.
PRONACOM	General	El monto asignado a esta actividad se cambió de originalmente US\$4 millones a US\$3.6 millones	Noted and corrected throughout the document.
PRONACOM	General	El nombre correcto es del aeropuerto es La Aurora	Noted and corrected throughout the document.
PRONACOM	General	Los estudios técnicos del proyecto de modernización del AILA se estimaron inicialmente que la contratación de la consultoría tenía una duración de 8 meses, pero finalmente se amplió a 17 meses.	Noted and corrected throughout the document. We now state that the consultancy was delayed by nine months in completing its work.
PRONACOM	General	El número de personas que trabajan en ANADIE son 27	Noted and corrected throughout the document. We now state that fewer than 30 people work at ANADIE.
PRONACOM	General	Cambiar MinFin por MINFIN	Noted
Executive Summary			
PRONACOM	1	El monto de la actividad APP se redujo a \$3.6 million el 9/10/2016	Noted and corrected throughout the document.
PRONACOM	3	Creo que la meta de 1 APP aprobada se propuso MCC en conjunto con ANADIE.	Noted and corrected in the executive summary and again in the main report.
ANADIE	8	"Rehabilitación, administración, Operación, Mantenimiento y Obras Complementarias de la Autopista Escuintla-Puerto Quetzal con cobro de peaje Modernización, Eficiencia y Seguridad del Aeropuerto Internacional La Aurora de Guatemala Interconexión vial y transporte urbano de pasajeros del eje norte-sur de la ciudad de Guatemala/Metro Riel"	We renamed the full name of each of the PPPs per the feedback provided

Reviewer Name/ Institution	Page Number (please reference the number at the bottom of the page)	Comment	Evaluator Response
PRONACOM	9	AEPQ completó la fase de licitación y pasó a la fase de aprobación (por el Congreso), la cual no fue obtenida.	We have modified the name of phase 3 in the PPP lifecycle to be “Tender and Approval ” to make it clear that AEPQ is correctly categorized in that phase as of mid-2019.
I. Introduction			
PRONACOM	1	El monto para APPs fue reducido a \$3.6 million el 9/10/2016	Noted and corrected throughout the document.
PRONACOM	2	Ver comentario de arriba	We have made this language more precise based on your comment above.
ANADIE	3	VER COMENTARIO ARRIBA DE NOMBRES DE PROYECTOS	We updated the names of the projects
PRONACOM	3	Recomiendo mejorar la redacción porque esta sugiere que más de 50 personas trabajan en la supervisión del Programa Umbral	Noted and corrected. There is now no reference to the overall size of PRONACOM's staff (of more than 50 people)--just to the 10 staff who work on the threshold program.
PRONACOM	3	El personal que está actualmente trabajando en el Programa Umbral es de 10 personas	Noted and corrected. There is now no reference to the overall size of PRONACOM's staff (of more than 50 people)--just to the 10 staff who work on the threshold program.
PRONACOM	3	ANADIE tiene un staff de más de 10 personas	Noted and corrected throughout the document.
ANADIE	3	Correct the number of staff at ANADIE and the date when ANADIE began working with PPPs	Noted and corrected
IV. PPPs in Guatemala			
PRONACOM	9	Recomendaría moderar el lenguaje de esta afirmación.	We have deleted a reference to a high level of public corruption and added a citation for the more moderate (and defensible) statement on public corruption.
PRONACOM	10	Indicar por favor al pie del [Figure IV.2] esta evaluación como se elaboró o que instituciones participaron	The sources for this graphic's ratings are found in the new note below. We also explain how our categories compare with Infrascopes categories in the note.

Reviewer Name/ Institution	Page Number (please reference the number at the bottom of the page)	Comment	Evaluator Response
MINFIN	10	The political parties are represented in Congress	We agree. In Table IV.1, we have clarified that political parties can exert influence through congress as well as through executive appointments.
MINFIN	11	PRONACOM is part of CONADIE	Noted. Here we mean PRONACOM in its role as administrator of the threshold program.
MINFIN	11	These are Executive Branch too. Tier 1?	We have modified the reference to the Executive Branch in Tier 1 to reference "Executive Leadership"--namely the president and vice president. This should make Tier 1 actors mutually exclusive with Tier 2/3 actors.
MINFIN	12	Stakeholders?	We would prefer to keep this as "Special interest groups." Special interest groups are distinct from stakeholders in English.
V. Findings			
MINFIN	15	all institutions of CONADIE were represented	Noted and corrected in this paragraph.
MINFIN	18	every documents who did the coach of MINFIN were socialized to ANADIE	This point is about how the coach did not involve a broader set of MINFIN staff in the core team's work, according to ANADIE. In this paragraph, we have tried to represent MINFIN's disagreement wiht this point by mentioning MINFIN's praise of the coach's "efforts to include all relevant staff in the process."
PRONACOM	32	Creo que también van a ver la posibilidad de reformar la ley de APP para facilitar su aprobación.	Noted and included in the update provided at the end of the report.
ANADIE	32	EVALUAR ESTE PARRAFO, ESTA REDACCION SUGIERE UN NUEVO PROCESO PARA AEPQ NO SERIA EN FUNCION DE LA LICITACION QUE YA FUE REALIZADA NI LOS TERMINOS ACTUALES DE CONTRATO	Noted. We have softened the language from "restructure" to "modify" the contract, given that it is unclear how much of the existing project contract and structure will be maintained.

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