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# Preface

As numerous countries in Latin America and the Caribbean and elsewhere are moving toward a second phase of private participation in infrastructure programs—mostly through public–private partnership schemes—and other countries are just beginning the process, several concerns remain from the outcomes of the first phase. These concerns are making governments cautious in moving forward. *The Impact of Private Sector Participation in Infrastructure* addresses these concerns and brings clarity to the debate on the impact of private participation in infrastructure. The assessment of this impact may be one of the most emotional policy issues in economics, as it is clouded in a mist of myths, perceptions, and reality.

A fairly large body of literature has been published on this topic, but most of it has been based on case studies and, too often, on anecdotes rather than on facts and robust economic analysis. This book analyzes the impact and sorts out the truth from the myths. The authors take a systematic and hard look at the facts (i.e., data) in Latin America, where starting in the late 1980s, many governments brought private sector participation into the delivery of essential utilities services. Although there are many assessments of this experience, none was able to rely on systemic, cross-country, and time-series data, and practically all of them did not—save rare exceptions—account for what would have happened in the absence of interventions (the counterfactual). This book does just that. It brings together an all-encompassing database from the 1980s to the first decade of this century and develops an effective and robust methodology, accounting for the counterfactual, which tests and estimates the impact of reform on an exceptionally wide set of outcome indicators. As a result, this book presents the most in-depth study to date of the private sector participation experience in Latin America, and it substantially advances the existing literature by offering robust econometric analysis.

*The Impact of Private Sector Participation in Infrastructure* presents compelling arguments to isolate the impacts and effects of private

participation in the electricity, telecommunications, and water sectors. The authors examine and evaluate the determinants of that impact in terms of the characteristics of the regulatory environment and private participation contracts to help governments improve the design of the coming programs of private participation in infrastructure.

The robust results of this analysis show that the benefits of those programs are quite large, particularly in terms of productivity gains, quality of service, and coverage. It highlights the fact that the benefits can be even larger with better design and implementation, and an appropriate institutional capacity and legal and regulatory framework. By separating the facts from the perceptions, this book will help governments to secure broader support for those types of programs and to improve the outcomes of the second phase and overall sector performance, much-needed objectives to support sustained growth and poverty alleviation.

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# Abbreviations

ANEEL	Agência Nacional de Energia Elétrica
ARIAE	Asociación Iberoamericana de Entidades Reguladores de Energía
BOO	build-own-operate
BOT	build-operate-transfer
CARICOM	Caribbean Community
CIER	Comisión de Integración Energética Regional
CORFO	Corporación de Fomento de la Producción
CTC	Compañía de Teléfonos de Chile
EAP	East Asia and Pacific
ECA	Europe and Central Asia
ECLAC	Economic Commission for Latin America and the Caribbean
ENDESA	Empresa Nacional de Electricidad S.A.
ENTel	Empresa Nacional de Telecomunicaciones (National Telecommunications Company)
ESEBA	Empresa Social Eléctrica de Buenos Aires
FGLS	feasible generalized least square
GDP	gross domestic product
GLS	generalized least square
GWh	gigawatt hour
IEA	International Energy Agency
IPP	independent power producer
IRIS	Integrated Records and Information System
IRR	internal rate of return
ITU	International Telecommunication Union
IV	instrumental variable
kW	kilowatt
LAC	Latin America and the Caribbean
MENA	Middle East and North Africa
MWh	megawatt hour

OECD	Organisation for Economic Co-operation and Development
OFWAT	Water Services Regulation Authority
OLADE	Organización Latinoamericana de Energía
OLS	ordinary least square
ONS	Operador do Nacional do Sistema Eléctrico
OSINERG	Organismo Supervisor de Inversión en Energía
POLS	pooled ordinary least square
PPI	private participation in infrastructure
PPIAF	Public–Private Infrastructure Advisory Facility
PSP	private sector participation
SA	South Asia
sd	standard deviation
SEGBA	Servicios Eléctricos del Gran Buenos Aires
SIN	Sistema Nacional Interconectado (National Interconnected System)
SOE	state-owned enterprise
SSA	Sub-Saharan Africa
TFP	total factor productivity
WACC	weighted average cost of capital