

Private investment in Public Infrastructure: the experience of MINEDU - Peru

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Direction of Investment Planning

MINEDU

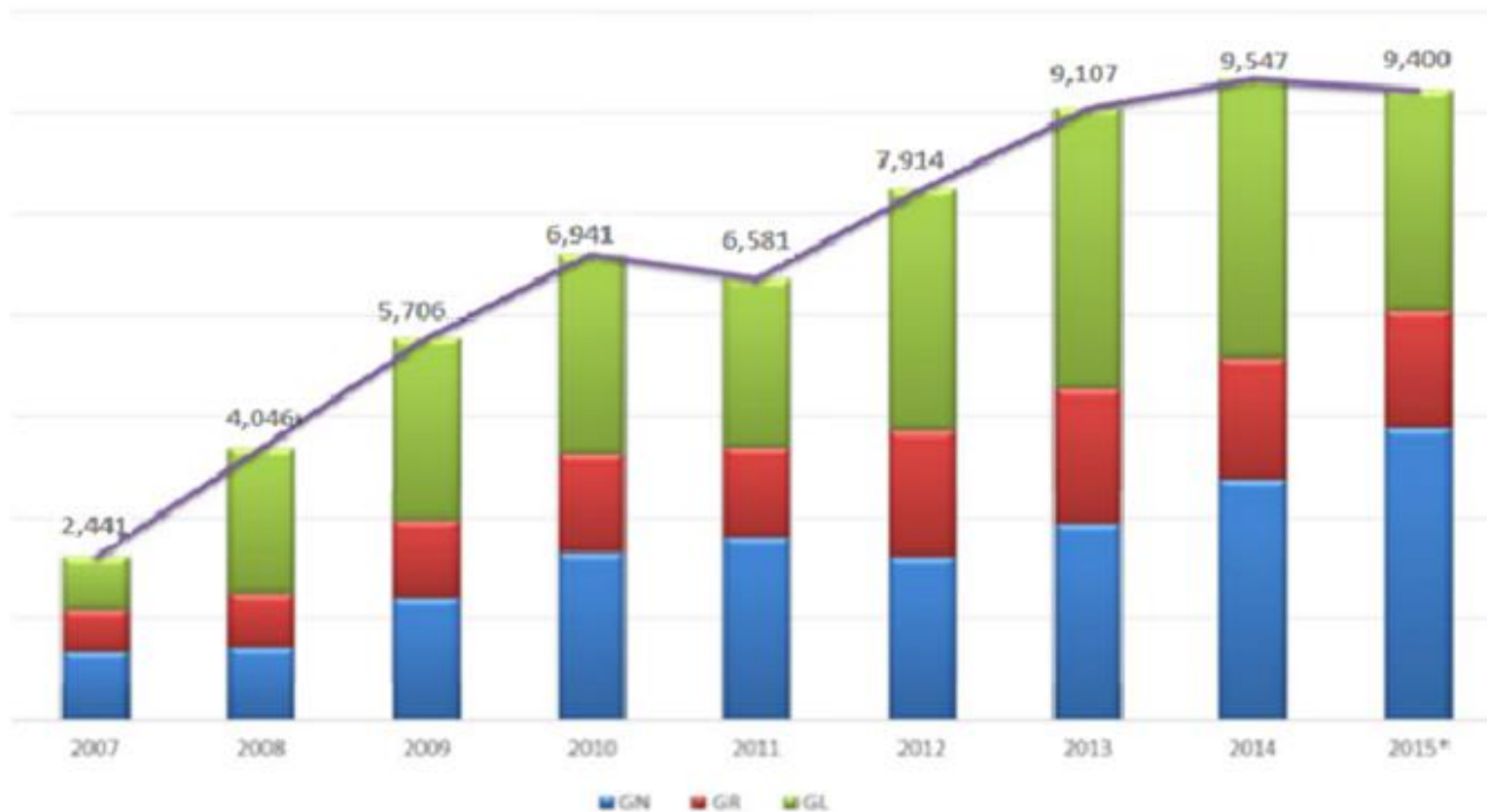
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Institutional context in Peru

Public Investment in Peru: 2007 - 2015 *



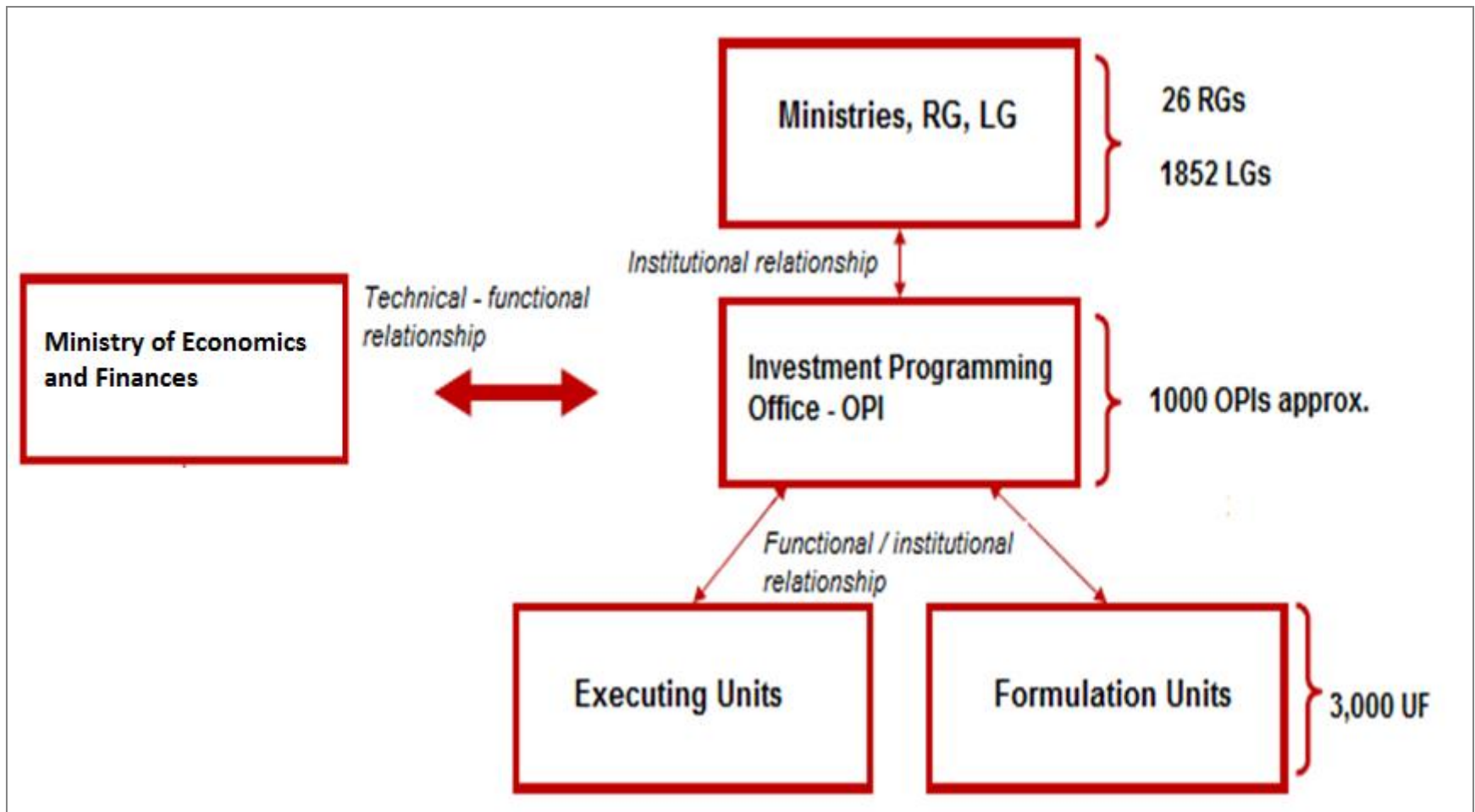
* USD Billions

a) 2000: NG, RG

b) 2002: NG, RG, LG

c) 2007: decentralization of appraisal and feasibility evaluation

The National System of Public Investment

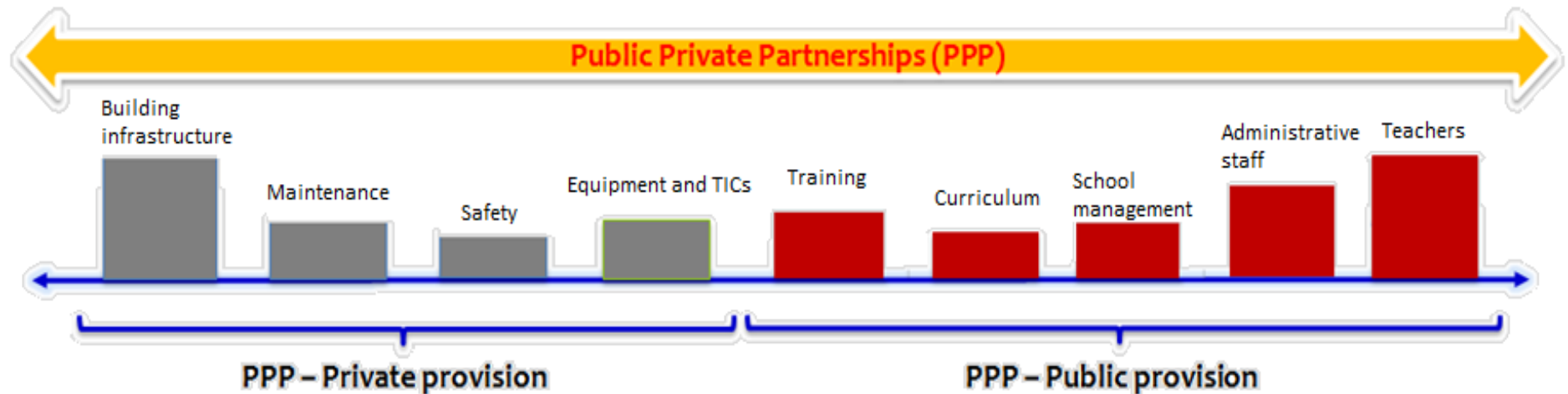


- Fully decentralized system
- Pre-feasibility studies: UF

- MEF is the governing body
- Project appraisal: OPI - MEF

Public Private Partnerships

- DS N° 059-96-PCM: concession to the private sector in public infrastructure and public services
- DL N° 1012 (2008): General Law of PPPs
- DS N° 127-2014-EF and DS N° 376-2014-EF (2014): allows PPP in Education
- Private Investment Promotion Office: Proinversion, Ministries, Decentralized Governments
- PPP: promoted by government or unsolicited private initiatives (co-financed and self-sustainable)



Work for Taxes (Oxl)

Law N° 29230 (2008) : creates Work for Taxes (Oxl)

DS N° 005-2014-EF: regulation of Law N° 29230

DS N° 006-2015-EF: **allows National Government to finance Oxl**

Private Investment Promotion Office: Proinversion, Ministries, Decentralized Governments

- Oxl is a mechanism in which the private companies can pay their income taxes with public works.

The private company finances the work today under the income tax to be paid the following fiscal year to Tax Authority up to 50%.

- Meanwhile, regional/local governments, are funded today and start paying a year after the work is finished and up to ten years without interest from its resources canon, over-canon, royalties, rents customs and shares.

Benefits

Regional/Local Government	Private company
The private company finances infrastructure, which will be discounted from Canon revenues	Directly relates the payments of its taxes with infrastructure of local impact
Simplifies procedures to contract and execute infrastructure: process under private rules	Improves the relationship between the company and the community

Education infrastructure does not meet minimum quality standards

- 64% of the buildings need to be completely replaced.
- 15% require structural reinforcement.
- 79% of rural schools do not have the three basic services.
- 91.5% of rural primary schools do not have internet access

Source: CIE- MINEDU



PPP: Unsolicited private initiatives

- High performance schools (COAR), Schools at risk, and Higher Technological Institutes.

2014 process: USD\$ 371 Millions, 41 schools at risk, 6 COAR; 45,400 students

Contract length: 20 years

Work for Taxes

- Investment in feasible PIPs, according to the Public Investment System

- Infrastructure + equipment. In some cases maintenance

2015: USD\$ 605 Millions, 6 COAR, 23 regular schools; 7,557 students

1) Capabilities

- Training programs: UK Embassy, Development Bank of Latin America (CAF)
- Capabilities ex-ante: a pre-condition?
- Practice makes the master

2) Enabling private investment (PPP and Oxl)

Organization matters

- New institutional structure: DIGEIE – DIPLAN
- PRONIED
- Private/public team composition

Developing a market

- Clear and transparent information
- Continuous consultation
- No fear for coordination with companies

Creating good governance

- Engagement with the OPI - MINEDU
- Engagement with PIP Executor in public procurement: PRONIED
- Close coordination with regional Governors (devolution)

Changes in institutions, not just in techniques.

3) About good decisions

- Service delivery as main objective (PPP) and integral solutions (Oxl)
- Information systems: **first Census of Education Infrastructure + others**
- Institutional management tools for planning: **National Plan of Education Infrastructure 2025**
- **Keep things simple - PPPs**
 - Strategy: right time for unsolicited private initiatives
 - Defining scope of the PPP Program: “products” to be promoted (COAR, IEST, Schools at risk) – Clear information to the market
 - Defining a risk distribution matrix for evaluation of projects
 - Defining prioritization criteria for selecting projects (per product, within regions, per quality of proposal)
 - Qualitative value for money (time, sustainable quality, uninterrupted service, institutional receptiveness of the APP, Institutional strength to conduct PPP process, existence of private investors, competition within investors, risks and uncertainty; urgency)
- **Keep things simple – Oxl**
 - Process systematization: methodology to select projects based in observations of the National Audit Office
 - Close coordination with private actors
 - Transparency in the bidding process: public disclosure of bidding process.