
PRESSURE MANAGEMENT

Luis Alberto Moreno, President of the Inter-American Development Bank is a keen advocate of public-private infrastructure partnerships. Here he explains how building social consensus early can avoid later resistance



LUIS ALBERTO MORENO

Luis Alberto Moreno has been President of the IDB since 2005. Before that, he was Colombia's Ambassador to the US for seven years. In the early 1990s, he served in the Colombian government, including as Minister of Economic Development, and led a successful privatization program. Moreno has also worked in the private sector, focusing on investment in Latin America, and as a journalist he received a Nieman Fellowship from Harvard. In 2012, he won a Clinton Global Citizen Award for Leadership in Public Service.

THE INTER-AMERICAN DEVELOPMENT BANK

Established in 1959, the IDB is the leading source of development finance for Latin America and the Caribbean. With average annual lending of \$10bn, the bank is a key regional provider of loans for infrastructure, energy, water, education and health.

When the Porce III hydroelectric complex was inaugurated in Colombia in 2011, the media was notable for its absence. Located in a deep gorge some 90km from the city of Medellín, Porce III is the largest hydroelectric project built in Colombia in the past two decades. Construction of the \$1.3bn, 660-megawatt facility required the relocation of 2,700 people, along with complex works to mitigate its environmental impact.

And yet Porce III did not provoke the organized protests and extensive press coverage that have become standard for large energy projects with significant social and environmental impacts. In fact, the process of compensating and resettling the affected families was carried out virtually without incident. The few press reports on the project were positive in tone, and some even profiled families that expressed their satisfaction with its impact on their future.

This outcome is remarkable at a time when large infrastructure projects almost inevitably attract scrutiny by the media, local activists and international advocacy groups. In Latin America and the Caribbean, this scrutiny is evidence of a thriving democratic culture where open debate and press freedom are increasingly the norm.

But the growing sophistication of project-focused protest campaigns also poses a challenge to governments under pressure to generate jobs, improve infrastructure, and expand access to basic services. Indeed, in recent years numerous energy, transportation and mining projects in Latin America have either been delayed or canceled outright because of negative publicity and conflicts with indigenous groups or non-governmental organizations.

This is a critical issue for the region's development. The Inter-American Development Bank (IDB) estimates that in order to meet anticipated demand for services and become competitive with Asian economies,



Latin America will need to double its current infrastructure spending from roughly 3 percent to 6 percent of GDP. Most of these investments will involve partnerships with the private sector, which would need to commit more than \$100bn a year to infrastructure projects in the region under this scenario.

Today, fiscal and macroeconomic conditions in the majority of the countries served by the IDB enable them to better meet investment needs with public resources than in the past. Lingering social issues are more than public sector responsibilities; they are private sector opportunities. At the bank, we have learned that the best partnerships are not short-term or standalone projects. They are long-term commitments to share knowledge and create platforms for collaboration.

We are building on our experience to strengthen all our infrastructure work, especially the financing and implementation of these partnership projects. First, we are deepening our activities in the pre-investment stage. To increase the supply of works eligible for financing, we created a special fund at the bank to finance infrastructure project preparation. Second, we continue to finance these projects proactively through direct lending, co-financing, and guarantees. These partnerships enable us to support more complex and ambitious projects and to share the risk. Third, we are exploring the mechanisms necessary to make infrastructure project financing viable through private pension funds. Last, we are helping our partners to develop their regulatory frameworks and to evaluate and structure projects.

An effective engagement strategy cannot be formed without knowledge of the region, market, and community that a project will impact. So, with the Economist Intelligence Unit, we have created the Infrascopes index which provides an objective analysis tool for assessing risk and evaluating the environment for private infrastructure investment in the region.

make larger pre-emptive investments in the traditional best practice of community relations. Empresas Públicas de Medellín (EPM), the public utility that built Porce III, has a history of effective engagement with stakeholders. For Porce III the company put together an experienced team of sociologists, technicians, lawyers, and communicators with extensive knowledge of the communities that would be affected by the dam construction.

Starting in 2005, the team held hundreds of hours of meetings with affected families and established a negotiation mechanism that stakeholders considered fair, transparent, and equitable. EPM also ensured that resettlement plans included measures to create economic opportunities in the project area and steps to minimize the impact of migration pressure created by the project.

On the environmental side, EPM hired an independent environmental audit partner and invested \$7m in projects to improve urban and rural sanitation in the four municipalities in the project's area of influence. The company also carried out monitoring throughout the construction period to ensure the effectiveness of ecological restoration around the affected zone.

Throughout the project, EPM also reaped the benefits of a history of effective engagement with its customers. With its reputation as a provider of potable water, sanitation, electricity, and telecommunications, EPM is known for the quality of its customer relations and its flexibility that enables low-income customers to manage their utility bills. The company also has a reputation for world-class communications campaigns that continually reinforce its image as a service provider that is completely focused on improving the quality of life of its customers.

To be sure, the success of Porce III owes a great deal to other factors that are critical to public-private partnerships. Colombia has built a regulatory and institutional framework that helps to mitigate uncertainty and prevent corruption. And EPM has a long track record of designing and executing ambitious infrastructure projects.

Private sector involvement will be indispensable in taking on future infrastructure challenges. We are working to improve the division of risk between public and private sectors, and on ways of structuring public-private partnerships so that they create value for taxpayers while generating good earnings for contractors.

But sound regulations, technical expertise, and financing are not enough. Latin America is full of well-designed public-private partnerships that have the necessary financing but are paralyzed by political, environmental, or civil society disputes.

Without investing in communications campaigns and engaging the community, there is little hope of persuading them of a project's benefits. Public perceptions shift in a matter of minutes, often fueled by media scrutiny, so effective communications must be a constant.

The challenge, as Porce III has quietly proved, is to lay the groundwork of social consensus so expertly that any potential controversy is nipped in the bud. 🌱

BUILDING CONSENSUS

How can these public-private partnerships secure the necessary public support, and what does the success of Porce III tell us about how to build social consensus around a complex project? First, Porce III shows that governments and companies must



The Porce III hydroelectric dam (left), a public-private project near Medellín in Colombia, encountered little public resistance, despite the relocation of 2,700 people. Luis Alberto Moreno of the IDB says social consensus played a large part in its success. Above: the project during construction. Photographs: EPM