

Información Importante

La Universidad de La Sabana informa que el(los) autor(es) ha(n) autorizado a usuarios internos y externos de la institución a consultar el contenido de este documento a través del Catálogo en línea de la Biblioteca y el Repositorio Institucional en la página Web de la Biblioteca, así como en las redes de información del país y del exterior con las cuales tenga convenio la Universidad de La Sabana.

Se permite la consulta a los usuarios interesados en el contenido de este documento para todos los usos que tengan finalidad académica, nunca para usos comerciales, siempre y cuando mediante la correspondiente cita bibliográfica se le de crédito al documento y a su autor.

De conformidad con lo establecido en el artículo 30 de la Ley 23 de 1982 y el artículo 11 de la Decisión Andina 351 de 1993, La Universidad de La Sabana informa que los derechos sobre los documentos son propiedad de los autores y tienen sobre su obra, entre otros, los derechos morales a que hacen referencia los mencionados artículos.

BIBLIOTECA OCTAVIO ARIZMENDI POSADA
UNIVERSIDAD DE LA SABANA
Chía - Cundinamarca



PRIVATE PUBLIC PARTNERSHIPS FOR LOGISTIC INFRASTRUCTURE IN
COLOMBIA

CAMILO ANDRES GOMEZ FRANCO
2015

TABLE OF CONTENTS

1. RESEARCH PROBLEM AND MOTIVATION
2. METHODOLOGY
3. PRIVATE PUBLIC PARTNERSHIPS
4. COLOMBIA'S INFRASTRUCTURE DEVELOPMENT AND PPP'S
5. RESULTS - STUDIED COUNTRIES
 - 5.1 ALGERIA
 - 5.2 ARMENIA
 - 5.3 JAMAICA
 - 5.4 MOLDOVA
 - 5.5 RWANDA
 - 5.6 SERBIA
 - 5.7 SUMMARY TABLE
6. RECOMMENDATIONS - CONCLUSION
7. BIBLIOGRAPHY

1. RESEARCH PROBLEM AND MOTIVATION

Infrastructure investment constitutes a very important instrument of economic policy. It is regarded as a main accelerator of the economy ever since the economic depression of 1929, because it can drive many sectors of the economy and at high rates. Thus, governments continuously work on enhancing infrastructure in order to create comparative advantages, reduce costs of products and attract foreign investment.

Usually, companies and governments operate as isolated agents of society, the former focusing on growing their business, and the latter working on regulation, managing the country and fostering development, among other responsibilities. However, governments are not always efficient or effective in their general performance, and regarding infrastructure the problem is worse. Therefore, governments have promoted infrastructure development or administration via Public-Private Partnerships (PPPs).

In the past decade, Colombia's GDP, foreign investment and international trade showed significant growth, and the country signed several free trade agreements. But regarding logistics, the country was far from international standards of infrastructure, customs regulation, transport, logistics agents and other related services. Therefore, the Congress of Colombia approved in 2012 the PPP Law, which enabled the association between private agents and public entities to develop different kind of infrastructure projects.

However, despite the high rates of foreign investment and the governmental efforts to improve infrastructure seems, the country dropped 33 positions from 64th to 97th on the World Bank Logistics Performance Index (LPI), which measures the perception of logistic agents inside the studied countries and from the countries that have commercial relationship with them.

This capstone project aims to find good practices and lessons for Colombia's PPP structure, from the experience of countries that improved significantly their infrastructure between 2007 and 2014, according to the LPI. The project searches a correlation between the use of PPPs and the comparative good results obtained by countries ranked near Colombia during the past 7 years.

2. METHODOLOGY

In order to measure and compare the performance of countries, the World Bank developed the Logistics Performance Index (LPI). The LPI was first presented in the year 2007, and then in 2010, 2012 and 2014. The LPI has two different perspectives: domestic and international; The results of the first come from logistics partners and agents inside a given country while the results for the latter are based on information from logistics professionals abroad.

The LPI is a tool that shows the current situation of countries in terms of logistics, with their strengths and weaknesses, so that countries can make better decisions. The LPI is based on six main components:

1. **Customs:** The efficiency of customs and border management clearance
2. **Infrastructure:** The quality of trade and transport infrastructure
3. **Ease of arranging shipments:** The ease of arranging competitively priced shipments

4. **Quality of Logistic Services:** The competence and quality of logistics services—trucking, forwarding, and customs brokerage
5. **Tracking and Tracing:** The ability to track and trace consignments
6. **Timeliness:** The frequency with which shipments reach consignees within scheduled or expected delivery times

It is important to note that the LPI is a relative ranking, so a country may have improved in absolute terms, but lost positions in the ranking if other countries improved in a larger proportion.

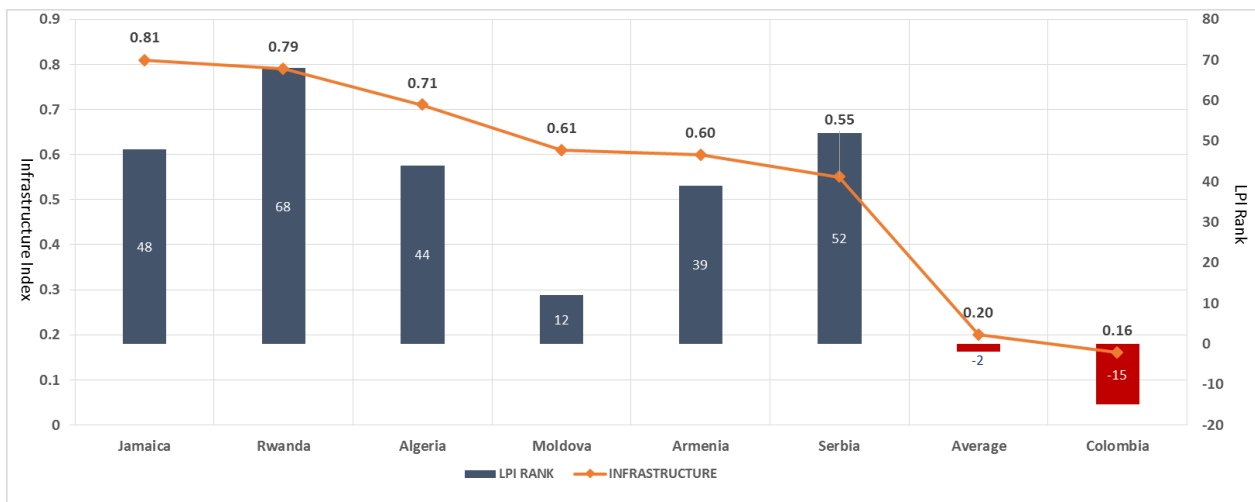
Two sets of countries were selected: first, countries standing five positions up or down from Colombia in the LPI ranking; second, countries with similar conditions to Colombia (not necessarily within +/- 5 positions), which showed significant improvements in the LPI ranking. The analysis is on both the overall LPI ranking and the specific infrastructure component.

The two groups are:

1. **Serbia, Jamaica and Rwanda:** During the last seven years these countries showed significant improvements in infrastructure, but they were not ranked near Colombia in any of the LPI reports.
2. **Armenia, Moldova and Algeria:** These countries are ranked near Colombia in the 2014 LPI report, and showed important improvements in the infrastructure component.

Finally, for the selected countries, a possible link between their LPI improvements and the use of PPPs was researched.

Figure 1 - Studied countries and their LPI performance



An average for the absolute variation 2007-2014 of all countries was calculated. Remarkably, the absolute variation in all components was positive, which means that all countries on average improved in all components. Among the six components of the LPI, the one that had the highest improvement during the last seven years was infrastructure. This is not surprising, since the 2014 LPI report states that “since the previous LPI survey, there is a general

perception that infrastructure has improved (...). If this perception reflects a faster rate of infrastructure improvement from an already strong base in those countries, it might indicate persistence of the “logistics gap” identified in previous editions”. So it shows that all countries in general are encouraged to improve their infrastructure, but there is still a gap between them.

3. PRIVATE PUBLIC PARTNERSHIPS - PPP's

One of the earliest approaches between public entities and private agents occurred in the US in the 19th century, when Congress authorized The Pacific Union and Central Union to build and operate the construction of the transcontinental railroad. The first approach between public entities and private companies that can be compared to the modern concept of PPPs took place in Britain during the 1990's, with the Private Finance Initiatives (PFI), which were created after the abolition of laws that restricted the use of private funds in public initiatives. This model allowed companies not only to actively participate in infrastructure projects via concession models but to find ways to solve common problems via partnerships.

According to the World Bank, PPPs are “arrangements, typically medium to long term, between the public and private sectors whereby some of the services that fall under the responsibilities of the public sector are provided by the private sector, with clear agreement on shared objectives for delivery of public infrastructure and/ or public services”. There are many definitions for PPPs but the concepts presented above cover the most important aspects of the model.

The public and private sectors have complementary strengths and weaknesses. For example, the public sector lacks the economic power that the private sector can provide, and the private sector lacks the political power that holds the public sector in order to make things happen. In general, PPPs combine the strengths of each agent and isolate their weaknesses, in order to promote the development of infrastructure projects that could hardly be completed by one of them on their own.

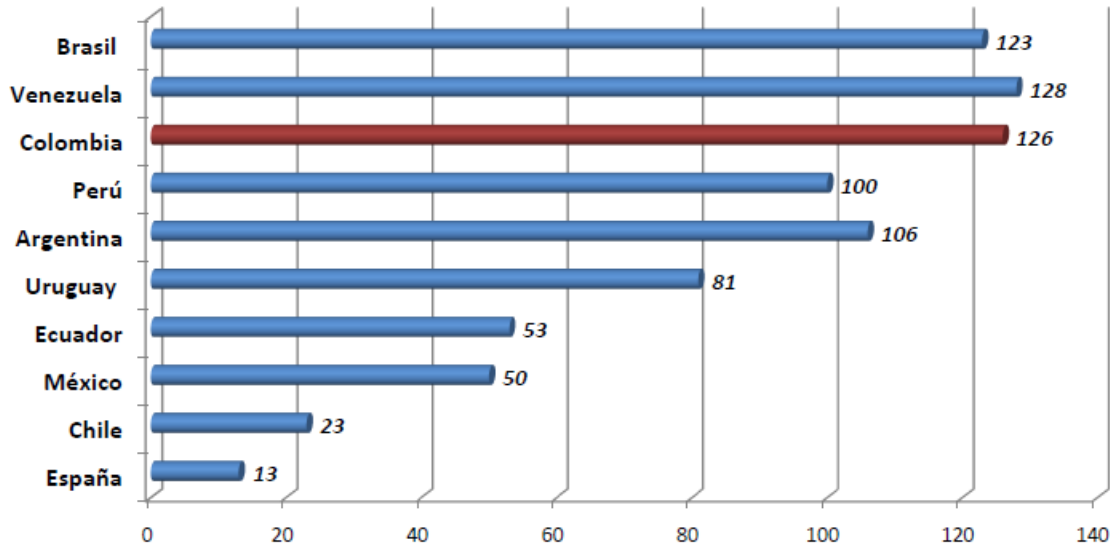
4. COLOMBIA'S INFRASTRUCTURE DEVELOPMENT AND PPP

In recent years, Colombia had important economic growth, based on stable macroeconomic results and important increases of foreign investment. According to the Oxford Business Group OBG Report 2014 for Colombia much of this investment is being used to improve the road network, through the so called Generation 4G road concession programme as well as the expansion of ports, which have already used concessions model and airports infrastructure due the increasing number of passengers.¹

Colombia's road network is in poor state. As evidenced by the Global Competitiveness Report 2012-2013, the country was 126th in 140 countries (see Figure 2). Compared to Latin America, Colombia is near Venezuela and Brazil, but far from countries like Mexico or Ecuador. So Colombia needs to work at a double or triple the pace to reach better positions. Here lies the importance of the 4G concession roads program, which consists in an upgrade of many of existing roads to double lanes, spanning six years and 8,000 km.

¹ OXFORD BUSINESS GROUP (2014). *The Report: Colombia 2014*.

Figure 2 - Quality of Roads Ranking



Source: The Global Competiveness Report 2012-2013

Additionally to the fourth-generation road concessions, Colombia is working on the railroad network, which is currently very old fashioned and misused since the country is only using 800 of 3.300 km actually built.

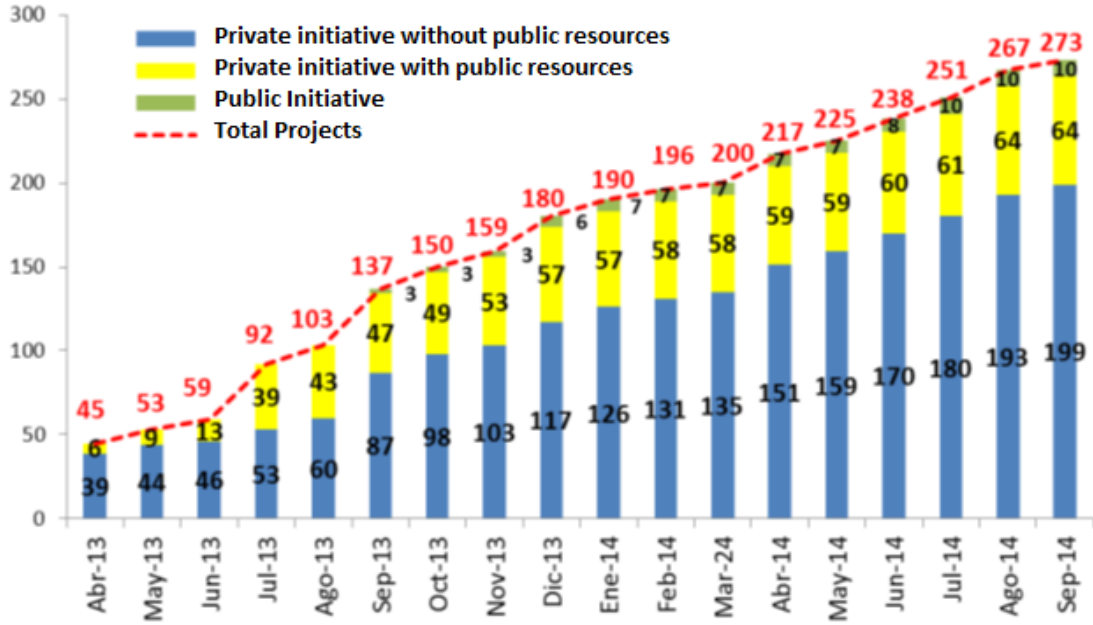
The costs of exporting and importing a container are still very high compared to other countries in the region. This can be partly explained by geography (highlands). Countries have to face their constraints to become more competitive; Colombia has the mountains as a constraint for transport.

Another problem that Colombia faces is the imbalance of the flows of cargo over the country. There is a large difference between the amount of cargo that comes into Bogota and the volume of the outbound cargo. This increases the import costs, because in many cases trucks must leave Bogota empty.

The development of infrastructure in Colombia (especially in roads) for the next decades is based on how PPPs are conceived and agreed now, since it determinates how resources will be raised from foreign investors.

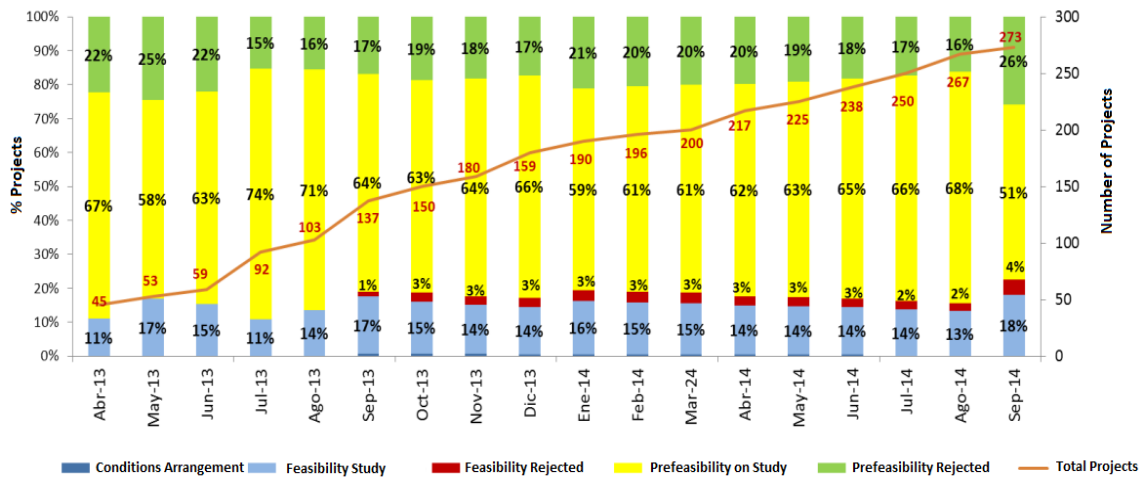
Although Colombia does not have a sole agency dedicated to PPPs, the unique registry of Private Public Partnerships in Colombia (RUAPP) reports 273 PPP projects due to the end of the 3Q of 2014. Of those, 83 have been rejected, 35 have been included during the last year and around 41% of all projects are related to transport and logistics. A big number of PPP projects are from private initiative and will require little use of public funding. This is important because the majority of projects are initiatives from privates, which may need partnerships with public institutions for administrative support or control. Figure 3 shows the flow of initiatives over 18 months, and the nature of initiative and funding.

Figure 3 - PPP projects in Colombia / Nature of initiatives and funding



A problem that Colombia has is that the majority of PPPs (around 80%) are on prefeasibility stage or earlier stages. This means that private parties are encouraged to propose projects but so far it is unclear whether the projects are going to be build or not. 83 (30%) of 273 projects have already been rejected and around 51% are in the prefeasibility stage. This is shown in the Figure 4 below:

Figure 4 - Current Status of PPP Projects in Colombia



Source: RUAPP - DNP

5. RESULTS - STUDIED COUNTRIES

5.1 ALGERIA

Algeria improved 44 positions in the LPI ranking since 2007, increased 0.71 in the infrastructure component, and has the third best result among the studied countries.

Algeria's infrastructure improvement may not be related to the use of PPPs. On the contrary, according to the European Investment Bank "Algeria's infrastructure sector is heavily reliant on public sector investment, which has discouraged the development of PPP initiatives". This occurs because government agencies have sufficient funding to develop projects, so they do not need private sector funds.

Regulatory restrictions on private sector investments have discouraged the use of PPPs. The government ruled out foreign investment, restricting entry of foreign funding, credits and ownership of companies. There is not a dedicated PPP agency promoting the use of this model for infrastructure development. There are some agencies that work on the optimization of public spending and minor management of PPP. The only PPP project developed was the 'Société des Eaux et Assainissement d'Al-ger' (SEAAL), which is a water supply project.

According to the World Bank, Algeria worked on coordinated multimodal planning, first ensuring coordination between road and railway planning, and, second, ensuring consistency between policy making, infrastructure planning and operations. This allowed the country to have a model of development of multimodal infrastructure, aligning different models of transport with policy making and rules of operation.

The government announced in August 2014 a plan to invest 262² USD billion for the next five years to "boost domestic production and move its economy away from reliance on oil and gas". The current plan (2010-2014) for 286 USD billion is still in execution and according to Reuters the results are not as good as the first plan for the years 2005-2009 for 200 USD billion and which had as a main purpose the development of infrastructure in the country in general terms, so this funds include sanitation, energy, transport, etc.

In conclusion, Algeria's progress in the LPI and the remarkable outcomes in the infrastructure component are a result of government investment and good plans to promote it. The country does not seem to be promoting PPP's in infrastructure.

It's possible to draw two lessons for Colombia from Algeria's experience. First, it is important to organize project development and policy making. Second, it is also

² Hamid Ould Ahmed, Reuters (Aug 27, 2014). *Algeria to launch \$262 bln five-year investment plan*. Retrieved from: <http://www.reuters.com/article/2014/08/27/algeria-economy-idUSL5N0QX3DT20140827>

important to note from Algeria, that the dependency on public investment for the funding of infrastructure projects is risky, more when a country is dependable on resources such as gas or oil³.

5.2 ARMENIA

Armenia improved 39 positions in the LPI ranking during the last seven years, and increased 0.60 in the infrastructure component, and has the fifth best result among the studied countries. Armenia has important PPP practices, especially in water supply, electricity supply, tourism and transport; for this study we will focus in the latter. The highest investment of the country until the year 2008 was in transport when Armenia had investments of USD 705 million mainly in Yerevan's airport, roads and railroads.

According to USAID Armenia “has an impressive track record of implementing PPPs in its infrastructure, making the country one of the PPP leaders, in terms of improving service delivery and infrastructure for certain sectors and collecting tariffs at or close to the cost recovery basis”. However, since their independence, the country has relied on foreign aid, and in order to make the PPP's policies sustainable, the country “requires access to long-term project financing, as well as legal and regulatory institutions that investors can trust”.

The Transport Corridor Europe-Caucasus-Asia TRACECA, made a report on Armenia's infrastructure development during the last years and they found that “all main types of PPP models – concessions, divestitures, green field projects, and management and lease contracts are present in Armenia”, this shows that the country has a good experience in these projects. However, according to the TRACECA report all policies related to PPP's depend on the government, as there is no PPP Agency, which makes it difficult to grant sustainability to the established policies.

The report also shows that PPP's depend on foreign investment, since “government usually sees PPP as a method for shifting/sharing the financial burden to/with the private sector, as well as an option for benefiting from a more professional management by a specialized, internationally recognized and financially stable private organization”. This could be a good strategy, as long as the country maintains its capacity to attract investors and maintains them participating in these kind of projects.

In conclusion, Armenia is a good example of country that made good use of partnerships in the past and this helped them to achieve good results in the LPI infrastructure component for the report of the year 2010. However, their policy was not sustainable and the country's performance dropped substantially for the 2012 report and remained stable for the last report, probably, due the dependency

³ According to reports, 60% of the budget revenue and 95% of the export earnings of Algeria depend on hydrocarbon activities, as the country has the 8th largest reserves of gas.

on foreign aid-investment and the weakness of government institutions. The country did well in making partnerships in the past with companies from abroad with experience and enough funds to develop the projects. This brought development but was not sustainable.

Due the experience from Armenia, Colombia should need to strengthen its government institutions to grant the success of PPP. It is important to have a dedicated agency, but it is more important to develop mechanisms and policies that can assure the sustainability of PPP policies. Different from Algeria, in Armenia we found dependency on foreign funding, so the lesson in this case for Colombia should be to maintain a balance between foreign and local investment in the development of PPP projects, so that an international crisis do not affect the interests of the country.

5.3 JAMAICA

Jamaica improved 48 positions in the LPI ranking since 2007, increased 0.81 in the infrastructure component, and has the best result among the studied countries.

Even though Jamaica has developed PPP projects long before, the law of PPP was approved in 2012, and came with a structured framework, to promote the development of PPP projects in the country. Furthermore, the country has a PPP Agency, which gives institutional strength for the execution of all policies. Jamaica is currently working in the development of around 15 PPP projects, around seven in preliminary stages and eight in execution such as the Kingston container port and the North-South Highway.

According to the Caribbean Development Bank, in Jamaica the Government is pursuing a major development, the Global Logistics Hub Initiative to promote value-added industries that take advantage of Jamaica's favourable geographic position, its trained workforce, infrastructure and participation in global trading blocs, in order to promote the Logistics sector of the country.

According to the Development Bank of Jamaica DBJ, the country expects to have USD 10 billion in deals between private and public agents. The report does not show clear information about how it will be invested, apparently some of the funds will go to the mentioned project of Kinston Container port due e expansion of the Panama Canal. Taking into account that the GDP of Jamaica for the year 2012 was USD 25 billion, this means that the country is planning to have around 8% (USD 2 billion) of their GDP per year in PPP projects, which can be one of the most ambitious plans on the matter.

In conclusion, Jamaica can be considered a model of the use of PPP's, because they had used them even before having a proper law, which shows that not necessarily because of having a PPP law a country is more or less likely to have

success in its development. In addition, when the law was approved it created a complete framework to promote, regulate and facilitate the advance of PPP's in Jamaica. It also important to remark the importance of having a PPP Agency, since this entities are exclusively responsible of the development of this kind of projects, not as happens in other countries, where PPP's depend on the will of a dependence of a Ministry.

From Jamaica, Colombia learned that a law is important to develop PPP's but it is not a rule thumb. Jamaica had had partnerships between private and public agents for years without a law on PPP, and when the country issued a PPP law, Jamaica was well prepared and now they have the culture and a proper legal framework on PPP, so it seems they will be a successful PPP country in some years.

5.4 MOLDOVA

Moldova improved 12 positions in the LPI ranking since 2007, increased 0.61 in the infrastructure component, and has the fourth best result among the studied countries.

The law of PPP's was approved in Moldova in the year 2008 and is managed by the Public Property Agency. The Public Property Agency of Moldova reports that the country has currently under study a PPP for the improvement of the Airport of Chisinau and a radiotherapy centre project. Currently in operation, Moldova has a PPP for the construction of a park in the city of Chisinau and a project to enhance the public transport of Chisinau. In addition, TRACECA claims that "the government does not have a great deal of experience with PPP", which can explain why there are not too many projects in the country.

According to the European Bank for Reconstruction and Development EBRD, Moldova is rated with high compliance of PPP standards but with low effectiveness in the development of certain projects, which means that the country has the right legal framework but is having problems implementing it.

In conclusion, the development of PPP in Moldova is fair, so the improvements in LPI Infrastructure component could not be attributed to the use of PPP's as a model to improve infrastructure. The improvements on LPI ranking and infrastructure component could be attributed to the funding that received Moldova from the European Investment Bank EIB and the EBRD, which had been via loans and resources of international cooperation.

From Moldova, the lesson for Colombia is the use of resources from multilateral development banking for the development of infrastructure projects. This sort of funding is not new for the development of infrastructure projects in Colombia, but the country should take more advantage of it.

5.5 RWANDA

Rwanda improved 68 positions in the LPI ranking since 2007, increased 0.79 in the infrastructure component, and has the second best result among the studied countries.

According to Dr. Alfred Nuwagaba, PhD “the state of public private partnership (PPP) in Rwanda stands on stalls of zero presence and what exist in the country are just concessions given to investors in some crucial sectors of the economy”. The reasons given by Dr. Nuwagaba are first, that the PPP law framework is on draft, which means that so far there is no regulation nor a proper policy from the government to encourage the use of PPP to develop infrastructure projects, and second, he claims that the country needs structural reforms in order to ease the work on PPP projects.

In Rwanda, the approach to PPP work is in charge of the Rwanda Development Board RDB. This entity aims to promote investment in the country in the different sectors, not focusing especially in PPP, so they don't have the experience nor the compromise to give results in Private Public partnerships.

The country has worked during the last years in the concessions model to develop infrastructure projects. These concessions models had been ruled by the RDB and during the last years improved the road network of the country, which 86% is currently in good condition with the goal to reach 95% in the following next two years. Via this model, the country has renewed Kigali's airport and is planning to resurface the roadway of Kamambe's airport. In addition, Rwanda has recently begun the construction of railroads to connect the main towns with other countries main cities, such as Kenya's Nairobi and Mombasa and Uganda's Kampala.

In conclusion, Rwanda is model of good use of concessions for the development of infrastructure projects, taking advantage of well conditions for investors and a steady growth of the economy; the combination of these factors has allowed the country to develop important infrastructure projects. On the other hand, Rwanda is not an example of the use of PPP, since the country is just beginning on this process and probably if concession models continues giving good results, the country will hardly move to a different model. In addition, the structural reforms needed may require political will and time, while the government approves them.

The most important lesson for Colombia from Rwanda is the good use of concessions that they have made during the last years, since this model is yet to be more developed in Colombia. This model helped the country to recover the road network and have today around the 90% in good condition.

5.6 SERBIA

Serbia improved 52 positions in the LPI ranking since 2007, increased 0.55 in the infrastructure component, and has the sixth best result among the studied countries.

The law of PPP in Serbia was approved in the year 2011, and the country has a PPP Commission, an independent public body which is in charge of the promotion, evaluation and tracking of PPP projects.

According to a Report from the European PPP Expertise Centre dated June 2014, so far Serbia's PPP Commission has received only 9 PPP projects and has approved 7 of them, which are currently in evaluation process. These projects include transport, energy and ports initiatives. The same report found that the only project in execution is the construction of 240.000 km of optical infrastructure for telecommunications.

Djodje Belanzada, Legal Advisor from the Office of Public Procurement of Serbia states that the explanation to the small amount of PPP projects in Serbia is a "mix of under regulation and over regulation and unresolved property issues". This means that even the country has issued a PPP law, it does not cover all the subjects needed to make it clear to local governments how to promote PPP projects.

For Branko Radulovic and Dragutin Nenezic from the University of Belgrade, the principal obstacle that had had the PPP law so far in Serbia has three important issues:

1. The risk transfer 'limbo' could be considered one of the most important obstacles for the development of PPP projects, since both private and public sector look to protect their interests and elude risks at maximum.
2. The lack of criteria of the PPP Commission, is a big common issue, because there are too much people with experience and criteria in PPP projects.
3. The application of some provisions, is related to the over regulation and the unresolved property issues mentioned above, this is very important because if the government is to promote seriously the use of PPPs, it needs to be agile in resolving law issues, delivering the reforms needed with no hesitation.

Different from the use of PPP, the important results on LPI infrastructure index obtained by Serbia recently can be explained due the investment of China in infrastructure development during the last years. In 2012 the Financial Times reported⁴ that Chinese companies are investing mainly in energy projects, but also

⁴ Andrew Mac Dowall, Financial Times (Sep 28, 2012). *Serbia puts hopes in Chinese finance for infrastructure projects*. Retrieved from <http://blogs.ft.com/beyond-brics/2012/09/28/serbia-puts-hopes-in-chinese-finance-for-infrastructure-projects/>

the EX-IM Bank of China is offering low cost loans for the construction of motor roads in Serbia, and that this is common from several years ago.

What Colombia can learn from Serbia is the use of a PPP Commission. Even in Serbia is not well developed yet and one of the critics of the experts is the lack of experience of that commission, for Colombia could be important to have a multidisciplinary board to promote, review and control the use of PPP's

5.7 Summary Table

| | Law on PPP | Estimated # Projects | PPP Agency | LESSON (S) FOR COLOMBIA |
|-----------------|------------|----------------------|------------|---|
| COLOMBIA | YES | 273 | NO | N.A. |
| ALGERIA | YES | 1 | NO | <ul style="list-style-type: none"> - COORDINATE DEVELOPMENT OF PROJECTS WITH POLICY MAKING - NOT TO RELY ONLY ON PUBLIC FUNDING |
| ARMENIA | YES | 3 | NO | <ul style="list-style-type: none"> - NOT TO RELY ON FOREIGN INVESTMENT TO FUND PPP PROJECTS - DEVELOP SUSTAINABLE POLICIES AND LEGAL FRAMEWORK FOR PPP |
| JAMAICA | YES | 15 | YES | <ul style="list-style-type: none"> - IT IS BETTER TO DEVELOP THE CULTURE OF PPP FIRST RATHER THAN HAVING A LAW - THE IMPORTANCE OF HAVING A DEDICATED AGENCY OF PPP |
| MOLDOVA | YES | 3 | NO | <ul style="list-style-type: none"> - THE USE OF RESOURCES FROM MULTILATERAL DEVELOPMENT BANKING |
| RWANDA | NO | - | YES | <ul style="list-style-type: none"> - THE USE OF CONCESSIONS AS A COMPLEMENTARY |
| SERBIA | YES | 7 | YES | <ul style="list-style-type: none"> - THE USE OF A PPP COMMISSION. |

6. RECOMMENDATIONS - CONCLUSION

After reviewing information about six countries with important improvements not only in LPI ranking but also in LPI infrastructure index it can be said that apparently this results are not related to the use of PPP as a model of enhancement of infrastructure in those countries. There have been found some examples of correct use of PPP and concession models, but there is no evidence of a link between good practices of PPP and improvements on LPI infrastructure index and LPI ranking.

One important finding of this study for Colombia is related to the correct application of the PPP law and the preparation that a country has to have before having successful PPP practices. Colombia's public institutions seems to be not well prepared to manage PPP projects at high scale, so the country needs to review the law and the current norms that rule some institutions in order to find and clear possible disparities in the legal framework of PPP's.

It is also important to have a dedicated Agency of PPP's, it may depend from another institution or be 100% independent (more desirable), but PPP are so important that need a dedicated institution looking to promote, evaluate, audit and control projects by itself, not depending on the will of others. This agency should have not only multidisciplinary professionals in public policy, development and every specialty (energy, logistics, sanity, etc.), but also professionals with experience in PPP development. The last kind of professionals is difficult to find because PPP is a very new topic, so the agency should recruit the best experts in the country and start a R&D area to form new professionals in PPP and generate continuous learning on the matter.

Even the country has been doing a good job recently on attracting foreign investors, a good recommendation from this paper is that countries need a balance between foreign and local funding on the development of PPP projects, since as seen in Armenia, when a country concentrates in developing one and put aside another is putting in risk the development of projects in the future. Colombia needs to continue attracting foreign investors for the development of PPP projects, but also needs to encourage Colombian investors to participate in those projects, considering tax incentives or other benefits, so that the country can generate a constant combination of foreign and local funding for PPP projects.

In conclusion, it can be said that PPP projects can become an important driver for the improvement of the infrastructure of country, but are not the best nor the only way to do so. There are countries with very impressive results in LPI ranking and LPI infrastructure index without too much development of PPP policies (one of them even without a law).

According to the 2014 LPI report all the studied countries worked hard on infrastructure development, so a gap between countries is still active and if a country is to reduce the gaps and go for real improvements, the solution should not be to go and apply what is trending worldwide.

If a country wants to use and apply the PPP model for the development of infrastructure projects it is needed to review the legal framework of the country, the strength of the institutions and the interconnection between them, and if all is well coordinated and organised then promote a PPP law. This was found in Jamaica, where they seem have very strong institutions and a long public-private relationship and in

Algeria, where they achieved to align policies, works and legal frameworks to put in operation a multimodal transport system (railroad and road).

What Colombia needs is to change from the reactive policy of the last years, trying to do what was not done to a strategic policy of defining country's interests and plans for the next 30 or 40 years and develop a serious infrastructure plan. With a serious route note the country will be ready to know how to apply PPP and what is needed to change in order to make them work properly.

7. BIBLIOGRAPHY

- Jean-Francois Arvis (2014). *Connecting to Compete 2014, The Logistics in the Global Economy, The Logistics Performance Index and its indicators*. World Bank.
- Michel Noel, W. Jan Brzeki (2005). *Mobilizing Private Finance for Local Infrastructure in Europe and Central Asia*. World Bank.
- European Bank for Reconstruction and Development (May 2012). *CONCESSION/PPP LAWS ASSESMENT 2011*.
- Alfred Nuwagaba PhD. (Aug 2013). *Public Private Partnerships (PPPs) and their effect on Services Delivery in Rwanda*. ISSN 2307-2466.
- Leonid Polishchuk (2008). *Public-Private Partnerships in Armenia, Concept Note*.
- Sergiu Cornea, Valentina Cornea (Dec 2012). *Public-Private Partnership: Between legal requirements and the real needs*.
- European Investment Bank (May 2011). *Study on PPP Legal & Financial Frameworks in the Mediterranean Partner Countries, Volume 2, Country Analysis*.
- European Investment Bank (Nov 2013). *Armenia, Private Sector Financing and the role of Risk-bearing instruments*.
- USAID. *Expanding Opportunities for Financing Local Government Service Delivery and Infrastructure through Public-Private Partnerships*.
- Mike Canning, Deloitte (2013). *Business Trends 2013*.
- Julian Marquez Aguel (2014). *Quarter Report of the Unique Registry of Private Public Partnerships RUAPP. National Department of Planning of Colombia DNP*.
- Erick Leal-Gabriel Perez (2009). *Logistic Platforms: Concepts and Public Sector Role*. CEPAL BULLETIN No. 274.
- OXFORD BUSINESS GROUP (2014). *The Report: Colombia 2014*.
- Edward Aoum, Michel Gonnet, Amal Chevreau (2011). *Public-Private Partnerships in the Mediterranean*. ISSN 2116-6897.
- Hamid Ould Ahmed, Reuters (Aug 27, 2014). *Algeria to launch \$262 billion five-year investment plan*.
- Andrew Mac Dowall, Financial Times (Sep 28, 2012). *Serbia puts hopes in Chinese finance for infrastructure projects*.
- Thomas Celluci (July 2010). *Innovete Public-Private Partnerships*. US Department of Homeland Security.