I. Introduction

The success of efforts to reduce inequality and improve public services hinges on the cooperation between different sectors of society. This is one of the core theses of the Third Way, the normative political theory which inspired the programs carried out by several center-left governments. In the 1990’s, proponents of the Third Way in the United States, the United Kingdom and the Neue Mitte (new center) in Germany sought to reconcile two principles: neoliberal economic efficiency, and central social justice principles from social democracy (Blair & Schroeder, 1998). Advocates of the Third Way argued against excessive expansion of the Government and in favor of strong private participation in strategies for reducing inequality, emphasizing the use of public private partnerships (PPPs) as an important tool for increasing access to public services. Third Way advocates also emphasized the central roles of education and workforce qualification in their political programs. In several countries, including Sweden, the Netherlands, and France, governors implemented policies which can be seen as closely related to the Third Way, such as rigorous fiscal policies combined with State intervention to avoid unemployment (Barrientos & Powell, 2004). The Third Way also had considerable effects in Brazil (Bresser-Pereira, 2001).

The social justice principle in Third Way theory makes inequality and poverty reduction a political objective. In Brazil, there have been considerable advances in relation to this objective. Public data from Instituto de Pesquisa Econômica Aplicada (IPEA), shows that the number of people in extreme poverty in Brazil fell from 26.6 million in 2003 to a little less than 10 million in 2012, taking the extreme poverty rate from 15.2 per cent to 5.3 per cent of the population. In the same period, the poverty rate fell from 35.7 per cent to 15.9 per cent. Rocha (2013) proposes three drivers for this change and the improvement in the standards of living in Brazil: the dynamisation of the labor market, the policy to increase the minimum wage, and the conditional cash transfer programs.

Despite poverty reduction, income inequality remains a significant problem to Brazil and the world (Piketty, 2014). Although there is broad consensus on the risks of inequality, not all types of inequality deserve the same degree of State attention. The economic outcomes of citizens and their capacity to respond to financial crises are substantially influenced by inherited conditions such as their parents’ income and the characteristics of the community where they grew up, as well as the influence of individual effort and dedication. There is an important philosophical school that identifies equality of opportunity as a main political goal, rather than equality of income or welfare (Roemer & Trannoy, 2013). Besides social justice, the Third Way promotes the economic efficiency principle, considering classical socio-democratic policies for inequality reduction counterproductive, as they tend to provoke large fiscal deficits. The Third Way proposes inequality reduction by means of education and incentives for job creation and professional development,
without risking fiscal stability (Reich, 2001). Many Third Way proponents mention the importance of good governance and intersectorial cooperation, without recognizing the enormous size of this challenge.

To overcome inequality of opportunity, it is necessary to give as much thought to governance as to efficiency. The two core Third Way principles, social justice and economic efficiency, should be complemented by good governance. Failure of governance, particularly in intersectorial relations, was one of the main causes of the financial crisis, affecting the credibility of many Third Way governments. Giddens (2000) included the fortification of civil society and its relations with the public and private sector as a major aspect of good governance in the Third Way agenda. While Giddens (2001) advocated for reducing the size of government and cutting inefficient taxes, he also appealed for this reform to occur simultaneously with the strengthening of the government’s regulatory role and its capacity to reduce inequality. The United Nations Development Programme (UNDP) identifies citizen participation, guaranteed access to justice, transparency, and accountability as essential parts of democratic governance (UNDP, 2010). In line with the Third Way focus on education, the UNDP also emphasizes that citizens must be qualified so that they can better participate in the decision making and governance processes of a democracy.

II. PPP6 - Participatory Public-Private Partnerships

Advocates of Third Way politics emphasize the need to form inter-sectoral partnerships to improve public services, rather than expanding the state along classical social democracy lines or transferring a large part of this responsibility to the market as per militant neoliberalism. These partnerships mirror a concept of the State as the guarantor of public services without necessarily being the only provider of these services. In this context, PPPs were incorporated as a key part of Third Way programs, given the potential for improving both the quality and economic efficiency of public services. However, this potential is not realized automatically. It depends largely on the quality and transparency of the performance indicators used to assess partnerships and guide their implementation (Shaw, 2004). The efficiency and effectiveness of PPPs thus depend on civil society participation.

To promote urban, social and economic development in the pacified favelas (slums) of Rio de Janeiro, the Pereira Passos Institute of the Rio de Janeiro Municipal Government (IPP-Rio) has helped formulate and implement various participatory public private partnerships. These partnerships can be considered tools of the new Third Way through the multi-sectoral governance model and the measurement of social justice and economic efficiency with strong citizen participation. IPP-Rio´s work to date indicates that it is useful to disaggregate civil society into three groups of actors for the purposes of good governance: the not-for-profit sector (including associations, community organizations and non-governmental organizations in general), academia and citizens not affiliated with other groups. With additional support of international organizations, Participatory Public Private Partnership can thus be considered a PPP6, counting the three sectors highlighted in civil society and the two sectors already present in normal PPP.

Since Brazil’s democratization in 1988, the public sector continues to play a general coordination role in both PPP6 and normal PPPs. To maximize the efficiency of the partnerships they should be coordinated with public policy and strategic planning of the principle sectors involved in sustainable development. The government offers incentives to
attract participation from other sectors in the PPP6, including financial contributions, tax waivers or rebates, the provision of information processing services, institutional coordination and territorial and community management. The PPP6 is not a normal public private partnership in the sense established by Federal Law 11.079/2004, as it does not necessarily involve financial compensation from the public partner to the private partner, and it allows for low value investments below $BRL20 million, and has a legal structure that leverages existing laws and regulations, without the need for legal or administrative reforms. However, the public partner always offers compensation in services and advice to encourage social and environmental investment from other partners.

In order to understand the origins of PPP6 and its association with Third Way politics, it is worth highlighting contemporary influences and similar models. Beginning in the 1980s and expanding in the 1990s, private participation in infrastructure provision has grown worldwide. According to World Bank data, from 1990 to 2008, rich countries invested US$ 347 billion in developing countries’ infrastructure through foreign aid and official development assistance, including interest-free loans from the International Development Association, while private participation in infrastructure investment amounted to US$ 1.6 trillion (Ingram, Zhi & Brandt, 2013). While the volume of investment through the two mechanisms was similar in the 1990s, private participation has grown substantially, surpassing by almost five times foreign aid in developing countries by 2008. The official development assistance and private participation together already account for 42 per cent of all projected infrastructure in developing countries, significantly complementing their own often-scarce resources. Among these countries, Brazil was the main destination of private investments in infrastructure from 2000 to 2008, followed by India, Russia and China.

Since the establishment of a regulatory framework for PPPs in Brazil (Law 11,079/04), a range of federal entities have launched over 200 PPP projects, with approximately half starting in 2013 (Coscarelli et al., 2014). Only 6 per cent of these projects currently have signed contracts, but the numbers show a growing interest within the country for this shared management model. In Rio de Janeiro, the municipal government created the Special Secretariat for Concessions and Public Private Partnerships (SECPAR) in May 2014, recognizing the importance of this type of investment for municipal development. Many PPPs can attract private participation in key sectors for sustainable development at higher risk or lower profitability, potentially relieving the treasury and strengthening public projects and services with technical assistance and human capital from the private sector.

In 2012, there were at least $USD 53 billion invested in infrastructure by the private sector in Brazil, representing 78 per cent of this type of investment in Latin America and the Caribbean. The majority of projects with private participation in Brazil are in the energy sector. Many of these projects are wind farms and small hydroelectric power stations, technologies for which there is relatively little domestic expertise which increases the uncertainty over risks and the cash flows. Despite these risks, PPPs have become an important source of funds for environmental sustainability and renewable energy projects in Brazil (Garcia-Puente, 2013). In the same way that PPPs can stimulate environmental development, they can also channel resources to areas such as health, education and information technology, among other areas of social welfare, through projects that would attract little investment in the private sector without government support.

The Federal Decree nº 5,977/2006 regulates important innovations in relation to traditional concessions, expressions of interest from private enterprises and the
expressions of interest process, the principal participatory mechanisms for individuals and the private sector in the development of priority projects for development. When a project is selected, the granting authority provides resources to the proposed partners. Through this mechanism, the government can increase its portfolio of projects and access to information (Lohbauer, 2014). Brazilian states have used at least 73 of these projects between 2007 and 2013, helping to overcome the shortage of projects and technical resources in the country.

III – Rio’s Pact

The city of Rio de Janeiro has been going through a significant process of revitalization and transformation. Policies for the sustainable development of the city, targeting socio-economic inclusion and integration have benefited from a unique combination of factors, including public security policies to reduce the incidence of violent crime, increased public and private investment, improved political alignment between Municipal, State and Federal governments, global attention from Rio de Janeiro’s role in mega events such as the 2012 Rio+20 Conference, the 2014 World Cup and the upcoming 2016 Olympics, as well as Rio de Janeiro’s role in innovative international urban development networks such as the Rockefeller 100 Resilient Cities, the C40 Cities Climate Leadership Group and the Sustainable Development Solutions Network.

Significant achievements have been made to revitalize city infrastructure, improve urban mobility, resilience and climate change and disaster responsiveness as well as increasing participation, integration and service delivery in the city’s *favelas* and low income communities. However, many challenges remain before Rio becomes a sustainable, inclusive, and integrated city.

One of the most significant aspects of Rio’s urban structure is the high portion of its population living in informal areas (*favelas*). According to the Pereira Passos Institute, the Municipal organization responsible for producing information and knowledge about Rio, there are 1,024 informal communities in the city, with a total population of 1.5 million (about 22% of the population of the city). In addition to issues of infrastructure and access to services, the population residing in *favelas* has different characteristics to other parts of the city. In 2013, 19.1 per cent of the population in *favelas* was aged between 15 and 24 years compared to 15.4 per cent in the rest of the city. In addition, 52.5% of youth population in the *favelas* is classified as black compared to 44.9% in the rest of the city.

In this context, IPP launched in December 2015 Rio’s Pact. The initiative has the main objective of reducing inequality, focusing its efforts on the creation of opportunities for youth and the integration between the *favelas* and the rest of the city. Integrating the various sectors of society, Rio’s Pact aims to promote, monitor and expand the sustainable development of the city, share qualified information and leverage projects and partnerships. The development of the operations of Rio’s Pact was based on previous examples of participatory PPPs conducted at IPP: Travessia, Favela Criativa, and Agentes da Transformação I, II and III.

IPP-Rio participates in the execution of several PPP6s. The largest PPP by volume of funds is the Travessia Project which undertakes the revitalization of sport facilities in

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favelas with a current budget of R$ 16 million with the potential to double in the short term. The project involves the municipal government of Rio de Janeiro, represented by IPP-Rio, and the State government, represented by the Secretary of Sport and Recreation. The city provided advisory services for the territorial management of the project. The State government and the Brazilian Development Bank (Banco Nacional de Desenvolvimento Econômico e Social - BNDES) include the project in their policies to incentivize sport. The State Government incentive law requires an offsetting contribution from company resources of at least 20 per cent of its total budget. Making use of these incentives, the utilities company Light S/A uses its urban and social development institute to manage the project resources. The civil society organization Institute of Religious Studies (Instituto de Estudos da Religião – ISER) was invited to implement the community mobilization methodology and manage the financing of small sport and cultural activities in the revitalized facilities.

The Travessias project methodology fits the classification of a Participatory PPP, promoting community self-management and local population engagement in sport facilities. Several partners have academic roles in the Travessias project model, although a single specific academic partner to study, monitor and evaluate the project’s impact has not yet been identified. Light S/A also sponsors the Favela Criativa project (Creative Favelas), offering productive, artistic and administrative training to youth with the support of IPP-Rio and other Municipal Secretaries of State. The Favela Criativa budget is R$ 11 million with financing provided by the Inter-American Development Bank (IDB).

Lastly, the Agentes da Transformação project is another Participatory PPP that provides education and resources to undertake household surveys in favelas, with the support of IPP-Rio and the Human Development Institute of Italian telecommunications company TIM. Today at its third phase, with the participation of La Fabricca company, 29 coordinators and almost three-hundred teenage favela residents received TIM Institute scholarships to participate in preparatory courses and to administer questionnaires in households with teenagers within pacified favelas. The large number of favela residents who responded, and the links between the young researchers and local civil society organizations reinforce the participatory nature of the project. Academia is represented in the PPP6 by the Federal University of Rio de Janeiro (UFRJ) which is responsible for the projects methodology.

The success of efforts to reduce inequalities and improve public services depends largely on the cooperation between the various sectors of society. Rio’s Pact was created considering the urgency to meet the challenges of pacified favelas, combined with the large quantity and diversity of socio-political forces involved in the process following the deploy of UPPs on the territories: a set of commitments that seeks to align efforts and goals, so that actions are interconnected and strengthened, forming a network of partners collaborating towards an integrated city.

Rio’s Pact is a set of articulated commitments that seeks to align the objectives of public institutions with private partners, civil society, the third sector, the research sector and international organizations, thus allowing planning and integrated execution of actions, always following the principles of social justice, resource efficiency (economic and environmental) and good governance (ethics, transparency and participation mechanisms).

The final objective of Rio’s Pact is to promote sustainable development in Rio de Janeiro, through the integration of society in improving safety and reducing social
inequality. The pact seeks an integrated city between its urban spaces, more equality in urban conditions, among slum and pavement, and with greater generation opportunities, producing, finally, a safer city for all.

IV. Rio´s Pact – Governance Model

The governance model of Rio’s Pact is based on the principle that there are potential efficiency gains to be obtained from acting together using qualified and shared information. The model establishes a positive net outcome for each of the six sectors/segments that make contributions and receive benefits based on the following scheme. Each of the six segments has 15 per cent of the capital structure of Rio’s Pact of Rio, giving a total of 90 per cent. The other 10 per cent is held, initially, by the Pereira Passos Institute (Instituto Pereira Passos, IPP), as the creator and incubator of Rio’s Pact. Each new member of Rio’s Pact will be allocated to one of the six segments according to their purpose and activity.

Rio’s Pact: Capital Structure

As above-presented, the initiative brings together members of six key-sectors of society, as follows:

1. Public Sector: Responsible for planning, coordinating, implementing and monitoring public policy and programs. It consists of the Executive, Legislative, and Judiciary powers, in the Federal, State and Municipal levels.

2. Private sector: Offering resources and technical experience, this sector consists of companies, banks and private associations.

3. Population: Providing ideas and feedback through participative planning, monitoring, project approval, community engagement, volunteering, and
philanthropy. It is composed of citizens, volunteers, and local associations. It is represented by the *Cariocas in Action* Association.

4. **Non-Government sector**: Offering practical experience in developing, implementing and executing projects. It is formed of nonprofit organizations.

5. **Academia**: Offering expertise in developing theories and methodologies, monitoring and evaluating impact, and training and capacity building. It consists of public and private universities, and institutes of research.

6. **International Organizations**: Offering resources, monitoring, collaborative networks and international expertise. It includes international companies, foreign banks, international development agencies and external government partners.

In addition to the partners, there is a governance structure composed of the Council for Rio’s Pact, as well as Council Committees and an operational management team. The latter two groups are not deliberative and coordinate based on demand. The Council for Rio’s Pact (Conselho do Pacto do Rio, CPR) has 7 full members, with one representative from each of the 6 segments and one representative of IPP. The CPR is an elected assembly of partners, where each segment elects its own representative who will be responsible for strategic direction, monitoring and validation of operational management.

**Rio’s Pact: Boards and operations**

Currently, the following seven members who represent and disseminate the Rio’s Pact in their segments, are:

1. Eduarda La Roque; representing Pereira Passos Institute
2. Marco Simões; representing International Organizations
3. Junia Santa Rosa, representing the Public Sector

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*Carioca* is the traditional term to describe citizens of Rio de Janeiro.
4. Viviane Mosé; representing Population
5. Rique Alison; presenting the Private Sector
6. Pedro Strozenberg; representing Non-Government Sector
7. To be defined; the Research Sector.

**Council for Rio’s Pact**

The participatory capital structure of Rio’s Pact is defined by mutual agreement on the value of each partner's contribution. Based on the effective participation of 20 Pact partners during the incubation phase (August 1, 2014 to June 30, 2015) the Rio’s Pact capital structure was consolidated as of 30/06/2015.3

Any other institution that wants to be part of Rio’s Pact should make a contribution, for example providing human or financial resources to a Rio Pact project or supporting the operational management. These new institutions will be called Investors, until a revision of the capital structure takes place, at which point they are appointed as members with a percentage quota.

Currently Rio’s Pact has 11 new investors, who are potential partners for the next review of the capital structure (scheduled for 31/12/2015). Those institutions that embrace the cause and invest in Rio’s Pact before this date will also have the status of “Founding Partner of Rio’s Pact”.

In addition to its members, Rio’s Pact also has the support of numerous partner institutions, which do not make a formal contribution, but which recognize, disseminate and support the movement's efforts.

Rio’s Pact does not have, or intend to have a formal legal structure. There is no obligation for partners to maintain a specific level of contribution. Partners and investors can contribute during one period, and then suspend assistance. Founding partners will maintain their title, even if they cease formal contributions to Rio’s Pact.

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3 See Annex 1.
V. Bibliography


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VI. Annex 1

Rio’s Pact Capital Structure

<table>
<thead>
<tr>
<th>Segment</th>
<th>Founding Partner</th>
<th>Quota</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Sector</td>
<td>IPP</td>
<td>15%</td>
<td>Incubation of Rio’s Pact and leadership of the Council of Rio’s Pact and the Operational Management Team.</td>
</tr>
<tr>
<td></td>
<td>Ministério das Cidades – Secretaria Nacional de Habitação</td>
<td>5%</td>
<td>Leader of the Committee of Social Housing and Urban Development in Rio’s Pact, accompanying projects in this theme.</td>
</tr>
<tr>
<td></td>
<td>Center of Operations (Centro de Operações Rio – COR)</td>
<td>2,5%</td>
<td>Validation of concepts, especially in relation to socio-economic resilience, and projection of the principles and the governance model of Rio’s Pact together with network to discuss the resilience of the city of Rio de Janeiro.</td>
</tr>
<tr>
<td></td>
<td>Coordinador de Relações Internacionais</td>
<td>2,5%</td>
<td>Aid in the launching ceremony for Rio’s Pact and support in the joint thematic committees.</td>
</tr>
<tr>
<td>Private Sector</td>
<td>d.Think (Design thinking)</td>
<td>5%</td>
<td>Specialized consultancy including the donation of 10 workshops for structuring the initial model Rio’s Pact, as well as other products for communication and governance after the launch.</td>
</tr>
<tr>
<td></td>
<td>Accenture</td>
<td>4%</td>
<td>Development of a governance model for Rio’s Pact through the donation of three consultants for a period of 4.5 months.</td>
</tr>
<tr>
<td></td>
<td>Binder</td>
<td>3%</td>
<td>Preparation of an engagement video, featuring Rio’s Pact which serves as a vehicle to aggregate new members, and participation in the drafting of a communication strategy for Rio’s Pact.</td>
</tr>
<tr>
<td></td>
<td>Agência 3</td>
<td>1,5%</td>
<td>Development and implementation of a social media strategy for Rio’s Pact</td>
</tr>
<tr>
<td></td>
<td>Approach Comunicação Integrada</td>
<td>0,5%</td>
<td>Communication advisory services for Rio’s Pact.</td>
</tr>
<tr>
<td></td>
<td>Casa Digital (Digital House)</td>
<td>0,5%</td>
<td>Development of a website for Rio’s Pact.</td>
</tr>
<tr>
<td></td>
<td>Noo</td>
<td>0,5%</td>
<td>Fundraising, and participation in</td>
</tr>
<tr>
<td><strong>Non-Government Sector</strong></td>
<td><strong>Instituto Igarapé</strong></td>
<td>3%</td>
<td>Leadership of the Citizen Security committee of Rio’s Pact and review of a questionnaire for the program “Agents of Transformation”, focused on dimensions of security and violence.</td>
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<tr>
<td><strong>Brazilian Sustainable Development Foundation</strong> (Fundação Brasileira para o Desenvolvimento Sustentável, FBDS)</td>
<td>3%</td>
<td>Institute of Religious Studies (Instituto de Estudos da Religião – ISER)</td>
<td>Support for development of indicators to monitor social development in the city.</td>
</tr>
<tr>
<td><strong>Instituto Light</strong></td>
<td>3%</td>
<td><strong>Itaú Social Foundation Fundação Itaú Social</strong></td>
<td>Involvement of the Light Institute management team in the coordination and facilitation of the Resource Mobilisation areas of activity for projects developed by Rio’s Pact. Also includes the preparation of proposals, enabling financing together with the BNDES, and monitoring the implementation of the Travessia II and III projects.</td>
</tr>
<tr>
<td><strong>Research Sector</strong></td>
<td><strong>Strategic Council for City Information (Conselho Estratégico de Informações da Cidade)</strong></td>
<td>10%</td>
<td>Institutional and technical support in defining indicators.</td>
</tr>
<tr>
<td></td>
<td><strong>The Rio that We Want (Rio como Vamos)</strong></td>
<td>5%</td>
<td>Support for development of indicators to monitor the evolution of sustainable development in the city.</td>
</tr>
<tr>
<td><strong>International Organisations</strong></td>
<td><strong>Sustainable Development Solutions Network SDSN</strong></td>
<td>15%</td>
<td>Leadership of the International Relationship area of activity to enable coordination of partners for development and funding of Rio’s Pact initiatives.</td>
</tr>
<tr>
<td><strong>Population</strong></td>
<td><strong>Cariocas in Action Cariocas em Ação</strong></td>
<td>15%</td>
<td>Voluntary donation of hours by local residents of Rio de Janeiro (Cariocas) who support the development of Rio’s Pact in conjunction with the operational management team.</td>
</tr>
</tbody>
</table>