

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

REGIONAL

ASSISTANCE TO THE PUBLIC SECTOR FOR THE STRUCTURING OF EFFICIENT, RESILIENT AND AFFORDABLE PUBLIC PRIVATE PARTNERSHIPS

(RG-T4810)

PROJECT DOCUMENT

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REGIONAL ASSISTANCE TO THE PUBLIC SECTOR FOR THE STRUCTURING OF EFFICIENT, RESILIENT AND AFFORDABLE PUBLIC PRIVATE PARTNERSHIPS RG-T4810		
PROJECT SUMMARY		
Operation Type:	Technical Cooperation	
Sector:	OTHER	
Subsector:	N/A	
TC Taxonomy:	Client Support	
Project Number under the Operational Support Taxonomy:	N/A	
Technical Responsible Unit:	INE/PPP-Public Private Partnerships Single Window	
Unit with Disbursement Responsibility (UDR):	INE/PPP-Public Private Partnerships Single Window	
Executing Agency:	Inter-American Development Bank	
PROJECT OBJECTIVE		
The objective of this TC is to improve the preparation of PPP projects in beneficiary countries to increase effectiveness of their infrastructure programs.		
FINANCIAL INFORMATION		
Financing Type	Fund	Amount in US\$
TCN - Nonreimbursable	W2F - OC SDP Window 2 - Economic Growth	285,000
Total IDB Financing		285,000
Counterpart Financing		0
Total Project Budget		285,000
Donors:	N/A	
Disbursement Period:	36 months	
Execution Period:	36 months	
ADDITIONAL FINANCIAL INFORMATION		
N/A		

I. JUSTIFICATION AND OBJECTIVE

I.1 Diagnostic.

- 1.1 According to the calculations of an IDB study, Latin America and the Caribbean need to invest more than 2,220 billion in the water and sanitation, energy, transport, and telecommunications sectors by 2030 to expand and maintain the infrastructure necessary to meet the SDGs ([Brichetti et al 2021](#)). Of this total, 59% should be allocated to investments in new infrastructure and 41% to investments in maintenance and replacement of assets that reach the end of their useful life and are essential for infrastructure services to be provided with adequate quality standards. In terms of investment effort relative to the size of the economy, Latin America and the Caribbean will need to invest at least 3.12% of their GDP in infrastructure each year until 2030. Closing the infrastructure gap will require Latin America and the Caribbean to increase their current investment by more than 70%, from 1.8% of GDP (average investment between 2008 and 2019) to 3.12%. Additionally, there are investment needs in social infrastructure. For hospitals, the estimated investment required in the sector is around USD 153 billion, which is designated solely for new hospital construction and the modernization of existing facilities and equipment
- 1.2 Infrastructure investment has a direct impact on economic growth as part of gross fixed capital formation, and an indirect impact to increase productivity (Cavallo and Powell 2019). According to estimations, the net benefit of investing in resilient infrastructure reaches four dollars for every dollar invested (Hallegatte et al., 2019). Of course, the development of infrastructure and the provision of its associated services is a costly activity and not without risks (Dominguez and Suarez-Alemán, 2023). However, not investing not only impacts GDP growth, but also is regressive, affecting the poorest of the income distribution (Cavallo and Powell, 2019).
- 1.3 Public investment in LAC has been insufficient to address the region's infrastructure gap. Historically, the public sector has contributed two-thirds of total infrastructure investment, with some economies experiencing a more significant involvement from the private sector. However, public investment in infrastructure has proven to be highly inefficient. According to studies by the Inter-American Development Bank (IDB), the efficiency of infrastructure spending in LAC is below the international average. The region effectively wastes one out of every two dollars allocated to public infrastructure investment due to issues such as cost overruns, time delays, and poor planning, among other factors (Suárez-Alemán, Serebrisky, and Perelman 2019; IDB 2020). This inefficiency is especially challenging given the current fiscal constraints.⁵
- 1.4 Closing infrastructure gaps and achieving growth goals cannot rely solely on increased public investment. Instead, a more effective approach focuses on improving the efficiency of public spending while promoting active and diversified participation from the private sector. Well-structured and properly implemented Public-Private Partnerships (PPPs) offer a valuable opportunity to address both of these issues. By enhancing innovation and efficiency in infrastructure development and service delivery, PPPs can ultimately drive economic growth and productivity.

1.5 In this context, adequate preparation of PPP projects is an essential component to ensure that infrastructure investments are sustainable, efficient, and generate public value. Recent studies by ECLAC and the World Bank highlight that one of the main causes of poor performance in infrastructure projects in the region is the lack of adequate preparation. According to ECLAC's FAL Bulletin (2024), improving the quality of public investment requires strengthening the pre-investment phase, as project performance is dependent on aspects such as correct identification of risks and the subsequent adoption of the correct mitigation strategies. Moreover, data for the Infrascope 2023-2024, shows that just less than 60% of the project reached financial closure showing that the lack of well-prepared and bankable projects remains a primary constraint for infrastructure development in the region.

I.2 Request.

1.6 The governments of ALC have a need to access to resources and technical guidance to develop one or more studies for different PPP projects like diagnosis, gap analysis, pre feasibility and feasibility studies for the preparation of efficient, tractive and bankable PPP in several sectors. These studies usually include technical, financial, economic, risk, fiscal, bankability and legal dimensions. Particularly, the PPP Unit has identified two countries, and received letters of request, interested in receiving IDB support for project preparation, Argentina and Jamaica¹.

I.3 Objective.

1.7 The objective of this TC is to improve the preparation of PPP projects in beneficiary countries to increase the effectiveness of their infrastructure programs. This TC will structure resilient and efficient infrastructure projects with private through robust and bankable business models for social and economic sectors that can be replicated in LAC. The TC will boost institutional and technical capacities of the LAC countries to in preparing PPP projects in a structured, sustainable manner and aligned with international standards. The initiative seeks to support public entities in the identification, structuring, and evaluation of PPP projects that attract private investment and improve the provision of infrastructure and public services. Within the specific objectives of this TC are:

- To implement appraisal and structuring studies in terms of pre-feasibility and feasibility exercises in the legal, technical, financial and environmental dimensions of selected projects.
- To enhance the capacity in the beneficiary entities to implement identified PPP project preparation processes.
- To design replicable business models that deliver value for money and promote fiscal affordability and environmental sustainability.

¹ See Annex I Request Letters

I.4 Complementarity.

1.8 The PPP Unit of the IDB, has been working since 2017 in helping the countries in Latin America and the Caribbean to enhance its enabling environment for the identification, prioritization, preparation and implementation of PPP Projects. The PPP Unit works in two complementary areas *upstream* that focus on the diagnosis, development of solutions and its implementation to strengthen the regulatory and institutional frameworks for the development of PPP and *downstream* that supports countries in the identification, preparation and implementation of specific PPP projects ensuring that they are efficient, attractive, transparent and competitive. So far, the downstream area has supported 15 projects that reached commercial close with almost U\$S 3 billion of direct private investment mobilized by the end of 2024 and working currently in 49 transactions that are estimated to mobilize an additional U\$S 14 billion by 2028. This technical cooperation focuses on the downstream area and will provide resources to keep supporting countries in preparation of high impact PPP projects.

I.5 Strategic Alignment.

1.9 This technical cooperation is aligned with the new Institutional Strategy of the IDB Group: Transformation for Greater Scale and Impact 2024–2030 (CA-631) in the strategic objectives of: bolstering sustainable regional growth by creating the conditions for increasing private investment in sustainable and efficient infrastructure which contributes to economic growth directly and job creation and productivity gains through the services offered; reduce poverty and equality since a priority will be given on studies that address PPP projects focused on basic services such as health and education, thus improving the quality of services delivered to the poor strata of the population of beneficiary countries. The TC is also aligned to the operational focus areas of the Institutional Strategy of productive development and innovation through the private sector and sustainable, resilient and inclusive infrastructure.

1.10 In summary, this operation not only responds to the needs of the countries in the region, specifically Argentina and Jamaica, but also represents a concrete tool to implement the transformative vision of the IDB Group, promoting impact, scale, and sustainability in public investments through strategic partnerships with the private sector.

1.11 This proposal also aligns with the IDB Infrastructure Strategy ([GN-2710-5](#)), which underscores the importance of enhancing countries' implements PPP. It also emphasizes the need to create a well-defined portfolio of substantial and high-quality infrastructure projects, supported by a clear and predictable regulatory framework.

1.12 The TC has as beneficiaries Argentina and Jamaica and it is aligned with each one of their country strategies that mention the importance of assisting the countries in the enhancement of their PPP project preparation:

- For Argentina, the Country Strategy 2025-2028 ([GN-3288-1](#)) highlights the importance of providing support for the agenda of public enterprise reform, new concessions, and public-private partnership (PPP) schemes in infrastructure and

services, particular in the pillar II: Liberalizing the economy to unlock private investment and growth.

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or the Jamaica Country Strategy 2022-2026 ([GN-3138](#)) states that IDB Group will continue to support with focus the generation of a portfolio of sustainable, profitable, and bankable projects, as well as on various mechanisms and facilities for preparing and structuring projects that allow channeling a better and greater mode of financing towards infrastructure, highlighting the importance of the operationalization of the Climate Resilience Toolkit. This focus is discussed in the strategic area A: Reactivate the productive sector for sustainable growth.

- 1.13 Finally, the TC aligns with the Window 2 of the Ordinary Capital Strategic Development Program (GN-2819-14) - W2F - Inclusive Economic Growth since there is a direct connection between investment in the countries, economic growth and reduction of inequality through the intended provision of infrastructure services through private capital mobilization in Public-Private Projects.

II. Components.

- 2.1. Component I: Public-Private Partnership (PPP) Project Preparation or Execution Support** (Assessments, Contracts, Designs, Evaluations, Plans, Studies, Transactions, among others)². This component will fund, through non-reimbursable financing, transaction advisors and consultants that, under IDB PPP Team supervision, will provide support for different studies needed and identified, according to each beneficiary PPP project proposal identified, for PPP project preparation that will leverage infrastructure investment while explores synergies between private and public sectors in the delivery of efficient and sustainable infrastructure.

- 2.2 The scope of the activities delivered through this TC will guarantee that world-class PPP structuring technics are applied. The outputs identified and to be financed will contemplate the following:

- The use of internationally recognized best practices such as the workflow recommended by the APMG PPP guide, that indicates the recommended sequence of appraisal exercises and structuring components to be delivered. The scope will also consider the use of the international methodology, originally developed by the British government, of the 5 business cases, as a toll to access project feasibility.
- The implementation of intensive project management tools and practices to guarantee that the project preparation activities are coordinated adequately in terms of its scope, schedule, costs and stakeholders management.
- Focus on regional lessons of risk allocation, payment mechanism and fiscal regulation contractual provisions, to promote cross-country learning strategies.

² The final list of activities per project will be defined once the projects are prioritized by INE/PPP team and TORs will be adjusted accordingly

a. Expected Results.

2.3 This component will enable the delivery the following activities according to the needs of each project:

- Diagnostic Studies: Assessment of PPP studies already concluded by public agencies such as technical, legal and financial components to compare project aspects with international best practices to generate bankable and efficient projects.
- Pre-Feasibility and Feasibility Studies: Financing of technical, legal, financial, and environmental studies for prioritized PPP projects.
- Project Structuring: Support for the structuring of PPP projects, including risk analysis, financial modeling, and preparation of tender documents.
- Capacity Building: Training and workshops for public officials on PPP structuring and risk management, associated with the PPP preparation activities mentioned above

2.4 **Beneficiaries.** The beneficiary countries of this TC will be Argentina and Jamaica according to the requests received and their competent institutions to develop PPP projects, which will be prioritized according to paragraph 4.4.³

III. BUDGET

3.1 **Budget.** The funding to finance the activities contemplated in Component I will be of non-reimbursable character and will come from the OC SDP W2F Inclusive Economic Growth window for the amount of USD\$ 285,000 and will be allocated according to the following budget table:

Budget in US\$		
Components	W2F	Total
Component 1: Public-Private Partnership (PPP) Project Preparation or Execution Support (Assessments, Contracts, Designs, Evaluations, Plans, Studies, Transactions, among others).	U\$S 285,000	U\$S 285,000
Total	U\$S 285,000	U\$S 285,000

³ In the case of Jamaica, we have received a letter from the PPP Unit of the Development Bank of Jamaica (DBJ) expressing their interest in continuing to collaborate with the IDB to identify and prepare PPP projects. Once the specific project is identified by DBJ and IDB, the corresponding letter from the Ministry of Finance and the Public Service will be requested and processed through the Country Office. The IDB will not undertake any activities until a Non objection letter has been received.

- 3.2 Due to the complexity and the particular nature of the studies needed and the gap between existing studies within each PPP preparation phase of the identified or to be identified projects in the future⁴, this TC contemplates the possibility of a future increase of its amount of up to an additional \$1,000,000 given that the supported projects evidence the need for it and that resources have been identified and are available. Different funding sources will be considered according to availability, and they may be processed as contingent recovery or non-reimbursable. In such a case it is not expected to increase the number of components, but beneficiaries may be added, and activities may be modified in number or in scope. Such increase would be processed according to Bank policies.

IV. EXECUTION STRUCTURE

- 4.1 The TC will be executed by the Inter-American Development Bank (IDB), based on a request by the beneficiaries in their request letters provided as Annex, in accordance with the Bank's Technical Cooperation Policy (GN-2470-2) and the Procedures for the Processing of Technical Cooperation Operations and Related Matters (OP-619-4). The INE/PPP Unit of the Infrastructure and Energy Department will be in charge of supervision and delivery, as well as all activities related to disbursements, management and reporting, having the UDR at INE/PPP.
- 4.2 The identified beneficiaries of Argentina and Jamaica have requested the Bank to carry out the TC through the IDB PPP Unit due to the fact that it has specialized knowledge in supporting countries in the preparation and implementation of PPP projects in a variety of sectors in LAC such as transport, water, education, health, among other sectors. As well the IDB through the PPP unit as executor carries significant advantages since the bank has a regional and international perspective which gives it a unique position for coordinating activities among the advisors, consultants, beneficiaries and other stakeholders in implementing international best practices to increase the efficiency, effectiveness and impact of each PPP project.
- 4.3 **Institutional Capacity.** As the executing agency will be the IDB PPP Unit and has more than seven years of experience supporting countries in the preparation of PPP projects through bank executed TC, it is understood that there are none or minimal risks associated with the institutional capacity to execute the current TC.
- 4.4 **Eligibility Criteria to Select Projects.** The IDB PPP Unit has received requests from Argentina and Jamaica to provide support for PPP projects. The projects to be supported will be prioritized, from demands presented by the beneficiary institutions to the Country Representatives, considering the dimensions of sustainability, feasibility and impact, according to the methodology presented in the publication "A prioritization tool for Public-Private Partnerships in Economic and Social Infrastructure"² and the availability of resources.

⁴ Potential future beneficiaries include, but are not limited to, Brazil, Colombia and Ecuador.

- 4.5 **Procurement.** All procurement to be executed under this Technical Cooperation have been included in the Procurement Plan (Annex IV) and will be hired in compliance with the applicable Bank policies and regulations as follows: (a) Hiring of individual consultants, as established in the regulation on Complementary Workforce (AM-650) and (b) Contracting of services provided by consulting firms in accordance with the Corporate procurement Policy (GN-2303-33) and its Guidelines.
- 4.6 **Execution and Disbursement Period.** The expected executing and disbursement period are estimated in 36 months, which includes the possible increase of resources mentioned in the previous section.
- 4.7 **Monitoring, Reporting, and Supervision.** As this is a bank executed TC with technical assistance on demand, the request from each country will be processed through the country office. After it, the team leader will put together a team including at least the PPP Unit specialist, the sector specialist and a focal point in the country office. They will oversee monitoring and supervising deadlines, result matrix, execution as planned and preparation of the Technical Cooperation Monitoring and Reporting System (TCM). The TC teams will comply with all monitoring, reporting and supervision according to the current TC policies and guidelines of the Bank.

V. POTENTIAL RISKS

- 5.1 The implementation risks of this TC are low. This TC is fully aligned with the objectives of the IDB, and the work will be carried out under the direct coordination and guidance of the IDB PPP team leader. As mentioned previously, in no case will any work be advanced without first obtaining the no-objection letter from the corresponding Government, which will be incorporated into the Bank's systems. The key execution risk of this technical cooperation is the uncoordinated action of the involved public sector entities. To mitigate this risk, the Bank, through the PPP unit, will work closely with the corresponding Country Offices, external counterparts, and various internal counterparts (through the PPP focal point network) to ensure harmonization in the implementation of the appropriate protocols and the efficient development of the requested technical assistance.
- 5.2 **Intellectual Property.** The knowledge products generated from Bank-executed activities within this technical cooperation will be the property of the Bank and may be made available to the public under a creative commons license. However, at the request of the beneficiaries, in accordance with the provisions of AM-331, the intellectual property of said products may also be licensed through specific contractual commitments that shall be prepared with the advice of the Legal Department.

VI. EXCEPTIONS TO BANK POLICIES

- 6.1 There are no exceptions to any Bank policy.

VII. ENVIRONMENTAL AND SOCIAL ASPECTS

- 7.1 This Technical Cooperation is intended to finance pre-feasibility or feasibility studies of specific investment projects and the environmental and social studies associated with them; therefore, the terms of reference and products of this TC will be consistent with the applicable requirements of the Bank's Environmental and Social Policy Framework (ESPF).
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REQUIRED ANNEXES:

- Annex I: Request from Client
 - Annex II: Results Matrix
 - Annex III: Terms of Reference
 - Annex IV: Procurement Plan
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