

Downstream support to the preparation of sustainable and efficient PPPs in LAC (D4543)

Description:

Despite sustained efforts by countries in Latin America and the Caribbean to mobilize private investment in infrastructure through Public-Private Partnerships (PPPs), the limited availability of well-prepared, bankable PPP projects remains a binding constraint to scaling private participation. Experience across the region shows that many PPP initiatives fail to reach market or do not achieve competitive outcomes due to insufficient project preparation, including weaknesses in technical design, economic and financial analysis, risk allocation, environmental and social structuring, and procurement strategy. Project preparation requires specialized, multidisciplinary expertise and sustained resources that are often unavailable to client governments, particularly at subnational levels or in emerging PPP markets. Budgetary constraints, institutional fragmentation, and short-term planning cycles further limit governments' ability to finance and manage high-quality preparation processes. As a result, potentially high-impact infrastructure investments are delayed, cancelled, or structured in ways that undermine value for money and fiscal sustainability.

This Regional Technical Cooperation directly addresses these challenges by providing targeted client-support resources for the preparation of PPP projects, enabling governments to advance priority infrastructure initiatives from concept to bankability while applying international best practices and IDB standards. The objective of the TC is to support client governments in the preparation and structuring of priority PPP projects that are technically sound, financially viable, environmentally and socially sustainable, and attractive to private investors.

The TC will finance client-requested, project-specific support, including:

- Identification and prioritization of PPP projects aligned with national or sector strategies
- Pre-feasibility and feasibility studies (technical, economic, financial, legal)
- Value-for-money and fiscal affordability analysis
- Risk allocation and contractual structuring
- Environmental and social assessments in line with IDB standards
- Market sounding and commercial outreach; and
- Support through transaction and bidding stages, as requested by clients.

This demand-driven approach ensures strong country ownership and direct relevance to client investment programs

Submitted by:

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Category:

Client Support (CS)

Tags:

Linked Ideas:

Whiteboard:

Team Leader Name

Marcos Siqueira Moraes

Alternate Team Leader Name

Eduardo Cafe

Team Leader Responsible Department

INE

If you selected "Other" above, please specify the Team Leader Responsible Department.

Secondary Responsible Department(s)

CAN

CCB

CID

CSC

If you selected "Other" above, please specify the Secondary Responsible Department(s).

Pre-identified Funding Source

Is the loan that this TC intends to support registered on Convergence?

What is the name, operation number, and amount of the related loan?

What is the type of support?

What is the estimated funding that you need in order to implement this proposal?

2,343,101.85

Specify the beneficiary countries for this TC proposal

All 26 borrowing member countries

Describe how the proposal aligns with the respective country strategy (for each country selected), as applicable

Across LAC, Country Strategies consistently emphasize closing infrastructure gaps, mobilizing private investment, and strengthening institutional capacity, while identifying weak project preparation as a binding constraint. This Regional Technical Cooperation directly operationalizes those CS priorities by transforming strategic infrastructure objectives into bankable, high-quality PPP projects, thereby maximizing development impact at both country and regional levels.

Country	Country Strategy Reference (Document & Section)	Relevant CS Pillar / Section	Alignment with the TC
Argentina	Strategic Agreement between Argentina and the IDB Group. Country Strategy 2025 – 2028 (GN-3288), Section II “Pillars of Action and Expected Impact”, Pillar 2	Liberalizing the economy to unlock private investment and growth	The TC supports preparation of bankable PPP projects that operationalize private investment in infrastructure while reducing fiscal exposure through robust project appraisal.
Brazil	Brazil and IDB Group Strategic Agreement. Country Strategy 2024-2027. Approved version, Chapter II “Building Main Pillars of Action”, paras. 2.32–2.33	Infrastructure modernization; mobilization of private investment via PPPs	The TC addresses CS-identified constraints related to governance, risk allocation, and subnational capacity by strengthening PPP project preparation and structuring.
Colombia	Country Strategy priorities reflected in PPP institutional framework strengthening (referenced in CS diagnostics and enabling environment assessments)	Connectivity, logistics, and private participation in infrastructure	The TC complements CS objectives by supporting feasibility, VfM analysis, and transaction readiness of PPP projects aligned with national infrastructure priorities.
Ecuador	IDB Group Country Strategy with Ecuador 2022-2025. Revised version, Section 3 “Productivity and Economic Growth”, subsections on private infrastructure financing and PPPs	Infrastructure financing; climate-resilient investment	The TC supports preparation of PPP projects that integrate climate resilience and improve private participation, directly responding to CS-identified preparation and capacity gaps.
Jamaica	IDB Group Country Strategy with Jamaica 2022-2026, Section 5.8 “Support to the PPP Agenda”	Fiscal sustainability; resilient infrastructure; private sector participation	The TC mirrors the CS emphasis on project preparation facilities and supports generation of a sustainable, bankable PPP pipeline.
Belize	Belize and IDB Group Strategic Agreement. Country Strategy 2026–2030, Pillar 1 “Boosting Private Sector Competitiveness”, pages 18–19	PPP policy implementation; institutional capacity	The TC directly supports CS actions related to PPP policy implementation and preparation of PPP projects

Identify and describe how the proposal aligns to the sector framework(s)
 Select the Core Objective(s) of IDBStrategy+ with which the proposal aligns

Bolstering Sustainable Growth

Select the Operational Focus Area(s) of IDBStrategy+ with which the proposal aligns

Productive Development and Innovation through the Private Sector

Justify alignment with each selected Operational Focus Area.

The proposed Regional Technical Cooperation is fully aligned with the IDB Group Operational Focus Area "Productive Development and Innovation through the Private Sector", as it directly targets the structural constraints that limit private investment, productivity gains, and innovation in infrastructure and public service delivery across Latin America and the Caribbean (LAC).

1. Addressing Binding Constraints to Private Investment and Productivity

Country diagnostics and IDB operational experience consistently identify weak project preparation and limited bankable pipelines as key obstacles preventing private sector participation in infrastructure. Even in countries with established PPP frameworks, inadequate preparation increases transaction risks, raises financing costs, and discourages innovation in project design and delivery.

By financing high quality feasibility studies, financial structuring, risk allocation, and transaction support, this TC reduces information asymmetries and uncertainty faced by private investors. This directly supports productive development by:

- Lowering entry barriers for private firms;
- Increasing competition and innovation in infrastructure markets; and
- Improving allocative efficiency of capital toward high impact projects.

These mechanisms are central to the private sector led productivity agenda articulated under IDB Strategy+.

2. Crowding In Private Capital through PPP Project Preparation

The Operational Focus Area emphasizes crowding in private investment as a means to expand productive capacity and improve service quality. The TC operationalizes this objective by supporting the preparation of PPP projects that are:

- Technically robust;
- Financially viable and bankable; and
- Structured to allocate risks efficiently between public and private partners.

IDB experience shows that PPP preparation facilities and client support TCs are among the most effective instruments for mobilizing private capital, as they internalize preparation costs into the project lifecycle and align incentives toward commercial closure.

By increasing the likelihood that projects reach market and financial close, the TC directly contributes to expanding private investment in productive infrastructure sectors such as transport, energy, water, digital, and social infrastructure—sectors with strong spillovers for economy wide productivity.

3. Enabling Innovation in Infrastructure Delivery and Business Models

The TC also supports innovation through the private sector by enabling governments to structure PPPs that incorporate:

- Performance based payment mechanisms;
- Lifecycle asset management approaches;
- New technologies and operational efficiencies; and
- Climate resilient and sustainable design solutions.

Such innovations are difficult to implement without adequate preparation and specialized expertise. By financing incremental preparation costs and advanced structuring, the TC enables innovation that would otherwise be unaffordable or too risky for public counterparts.

This is particularly relevant in social infrastructure and emerging sectors, where PPP models are newer and require tailored contractual and financial solutions to attract private operators and financiers.

4. Strengthening Markets and Firm Capabilities through Demonstration Effects

Beyond individual transactions, the TC contributes to productive development by generating market wide demonstration effects:

- It creates repeatable PPP models that can be scaled across sectors and countries;
- It strengthens local and regional private firms' ability to participate in complex infrastructure projects; and
- It improves the overall functioning of PPP markets by standardizing practices and reducing transaction costs over time.

These effects are explicitly recognized in IDB operational documents as a pathway through which PPP support contributes to private sector development and long term productivity growth, rather than isolated project outcomes.

5. Complementarity with Upstream and Downstream Private Sector Support

The TC is also consistent with the IDB Group's integrated approach to productive development, which combines:

- Upstream policy and institutional support;
- Project level preparation and structuring; and
- Downstream financing and mobilization of private capital.

By focusing on the project preparation stage, the TC fills a critical gap between policy reforms and financing operations, ensuring that private sector engagement materializes in concrete investments with measurable economic impact.

Select the expected outputs of this proposal

Public-Private Partnership (PPP) Project Preparation or Execution Support (Assessments, Contracts, Designs, Evaluations, Plans, Studies, Transactions, etc.)

Outputs: Please provide a brief description of the output(s) selected above (i.e. number of units planned, estimated cost, etc.) If you selected others, please specify.

1. Diagnostic and Screening Studies

Output: Technical, legal, institutional, and financial diagnostics of candidate PPP projects, including review of existing studies and gap analysis against international best practices.

Estimated Units: 3 project diagnostics (regional aggregate).

Indicative Cost: 350,000.

2. Pre-Feasibility and Feasibility Studies

Output: Integrated feasibility studies (technical, legal, financial, environmental, and social), including value-for-money and fiscal affordability analysis.

Estimated Units: 2 PPP projects.

Indicative Cost: 1,493,101.85

3. PPP Structuring and Transaction Documentation

Output: Financial models, risk matrices, draft PPP contracts, bidding documents, and transaction structuring reports consistent with IDB and international PPP standards.

Estimated Units: 2 PPP projects reaching full structuring stage.

Indicative Cost: 250,000

4. Transaction Support and Market Outreach (as requested)

Output: Support to client governments during tendering, including clarification rounds, bid evaluation assistance, and support up to commercial close.

Estimated Units: 2 PPP transactions.

Indicative Cost: US\$250,000

Outcomes: If the outputs are delivered successfully, what is the change expected (in capacity, knowledge, behavior, etc.)?

If the planned outputs are delivered successfully, the Technical Cooperation is expected to generate measurable changes in government capacity, project readiness, and private sector participation, leading to improved infrastructure investment outcomes across beneficiary countries.

Outcome 1: Increased Readiness and Bankability of PPP Project Pipelines

Expected Change

Public entities will move from fragmented or early stage project concepts to well prepared, bankable PPP projects that are ready to be tendered or to reach commercial close.

Outcome 2: Increased Mobilization of Private Investment in Infrastructure

Expected Change

Improved project preparation reduces uncertainty and transaction risk, resulting in greater private sector participation and capital mobilization in infrastructure projects.

Outcome 3: Improved Quality, Efficiency, and Sustainability of Infrastructure Projects

Expected Change

Infrastructure projects prepared under the TC exhibit higher technical, financial, environmental, and social quality, resulting in better lifecycle performance.

Outcome 4: Strengthened Institutional Capacity through Learning by Doing

Expected Change

Beneficiary institutions develop practical, replicable capacity to prepare and manage PPP projects beyond the life of the TC.

Outcome 5: Improved Credibility and Functioning of PPP Markets

Expected Change

By delivering successful and well structured PPPs, the TC contributes to greater market confidence, benefiting both governments and private investors.

Team Leader Responsible Department

Secondary Responsible Department (if more than one)

Has the proposal been discussed and authorized by the responsible sector or country department/division, as applicable?

Are there specific countries that will directly benefit from your proposal?

Does this proposal involve more than 19 beneficiary countries?

Does the proposal align to one or more sector frameworks?

Select the operational focus areas of the new Institutional Strategy to which the proposal aligns

Indicate if the proposal aligns/contributes to one or more of the strategic priorities established by Management, please select from below

Justify the alignment to each selection above

Are outputs strictly Knowledge Products?

Describe the motivation and main question(s) this TC intends to answer.

If outputs include Knowledge Product(s), please specify which one:

Justify the alignment to each selection above

Additional Information for consideration

Describe the methodological approach to be used and the type of data (when applicable) which will be used

Please confirm the year of the Regional Technical Cooperation Call you are applying for

Specify the beneficiary countries for this TC proposal

(0) Attachments

0 Comments