

## TC ABSTRACT

### I. Basic Project Data

▪ Country/Region:	REGIONAL/CID - Isthmus & DR
▪ TC Name:	Promoting Sustainable and Inclusive Real Estate Development to Address Subnational Fiscal Challenges and Foster Socioeconomic Growth
▪ TC Number:	RG-T4556
▪ Team Leader/Members:	SCHLOETER, LUIS (CSD/HUD) Team Leader; SALAZAR ECHAVARRIA, CARLOS (CSD/HUD) Alternate Team Leader; PEREZ MORENO SILVIA (CSD/HUD); AVILA, FRANCY DIANELA (CSD/HUD); DE BARROS TORRES GABRIEL (CSD/HUD); HERNANDEZ YADER ANTONIO (CSD/HUD); BONILLA MERINO ARTURO FRANCISCO (LEG/SGO)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	31 Jul 2024
▪ Beneficiary:	Dominican Republic, El Salvador, and Colombia
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$270,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	24 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	CSD/HUD - Housing & Urban Development
▪ Unit of Disbursement Responsibility:	CSD/HUD - Housing & Urban Development
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2024-2030:	Social inclusion and equality; Environmental sustainability

### II. Objective and Justification

- 2.1 **Objective.** The primary objective of this technical cooperation (TC) is to support the development of publicly owned, underutilized, and undervalued non-financial assets, such as land and buildings, to increase fiscal revenues and stimulate socio-economic development in the Dominican Republic, Colombia and El Salvador.
- 2.2 **Justification.** Countries in Latin America and the Caribbean (LAC) are facing significant fiscal challenges, resulting in delayed or canceled capital projects and insufficient funding for infrastructure development, operations, and maintenance. Addressing the infrastructure investment gap will require at least 3% of the region's gross domestic product (GDP) annually until 2030 in addition to securing the financial resources required to meet climate goals. This financial strain is particularly acute in urban areas, highlighting the urgency for subnational governments to explore new funding mechanisms.
- 2.3 Innovative approaches are necessary to achieve fiscal sustainability and promote economic vibrancy in LAC. One potential solution is to leverage the region's underutilized and undervalued publicly-owned non-financial, real estate assets. This involves strategically utilizing government properties, such as land and buildings, that are not being used to their full potential or are undervalued in the market. By optimizing these assets, governments can unlock their economic value, increase fiscal revenues, and support broader socio-economic development goals.

- 2.4 The potential scale and scope of publicly-owned buildings and land are considerable, presenting a significant opportunity for fiscally strained administrations. Globally, the value of these assets is substantial, with public sector real estate alone accounting for a considerable portion of government wealth. Recent estimates suggest that the total value of public sector non-financial assets, including real property, corresponds on average to 54 percent of countries' GDP. This indicates a vast resource that, if managed effectively, could provide substantial fiscal and social benefits.
- 2.5 As highlighted in a recent publication by the World Bank (2022), several studies indicate significant untapped potential in optimizing public properties and land use, both within the public sector and through PPP. Despite this potential, countries in LAC have not fully capitalized on these resources, missing out on the economic and social benefits they could provide. This underutilization is primarily due to three main obstacles. Many governments do not comprehensively know their assets, including their location, value, and condition. A second significant barrier is the lack of technical and institutional capacity, especially at the subnational level, to assess real property's potential and develop strategies to leverage it effectively. A third reason is that governments lack adequate management structures to manage public assets properly.
- 2.6 **Strategic Alignment.** The TC is consistent with the IDB Group Institutional Strategy: Transforming for Scale and Impact (CA-631) and is aligned with the objective of: Bolstering sustainable growth to increasing the region's real GDP per capita, by promoting investment in sustainable, resilient, and inclusive physical and digital infrastructure. The TC is also aligned with the operational focus areas of: (i) Institutional capacity, rule of law, and citizen security; (ii) Sustainable, resilient, and inclusive infrastructure; and (iii) Productive development and innovation through the private sector.

### III. Description of Activities and Outputs

- 3.1 **Component I. Design and apply a methodological framework to leverage publicly owned assets (US\$220,000).** This component will finance the development of an integrated methodological framework aimed at cost-effectively prioritizing public assets for development or regeneration in LAC.
- 3.2 **Component II. Public Commercial Asset Management Models for Real Estate Properties (US\$50,000).** This component will finance research activities to identify international best practices for public, commercial asset management models for real estate properties.

### IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Total Funding
Design and apply a methodological framework to leverage publicly owned assets	US\$220,000.00	US\$220,000.00
Public Commercial Asset Management Models for Real Estate Properties	US\$50,000.00	US\$50,000.00
<b>Total</b>	<b>US\$270,000.00</b>	<b>US\$270,000.00</b>

### V. Executing Agency and Execution Structure

- 5.1 The Bank will execute the TC through the Housing and Urban Development Division (CSD/HUD).
- 5.2 This execution mechanism is justified due to: (i) the added value that the Bank provides through its knowledge in real estate development and public asset management; and (ii) the need to promote and facilitate the transfer of knowledge between the beneficiary countries and the Bank.

**VI. Project Risks and Issues**

6.1 No major issues have been identified.

**VII. Environmental and Social Aspects**

7.1 This TC does not have applicable requirements of the Bank's Environmental and Social Policy Framework (ESPF).