

TC Document

I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ 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; Bonilla Merino Arturo Francisco (LEG/SGO); Avila, Francy Dianela (CSD/HUD); Hernandez Yader Antonio (CSD/HUD); De Barros Torres Gabriel (CSD/HUD)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	31 Jul 2024.
▪ Beneficiary:	Dominican Republic, Colombia and El Salvador
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	Multidonor Trust Fund for the Development of Sustainable Cities in Latin America and the Caribbean(CIT)
▪ IDB Funding Requested:	US\$270,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	24 months
▪ Required start date:	September 2024
▪ Types of consultants:	Consulting firms and individuals
▪ 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 Institutional Strategy 2024-2030:	Environmental sustainability; Institutional capacity and rule of law

II. Objectives and Justification of the TC

- 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. The TC aims to achieve this by: (i) developing a comprehensive methodological framework to assist governments in leveraging these assets; and (ii) identifying effective public and commercial asset management models, establishing frameworks for efficient governance, sustainable practices, and long-term revenue generation to ensure these assets contribute to local development and economic growth.
- 2.2. The above-mentioned comprehensive methodological framework will guide governments in conducting portfolio-level analyses to prioritize assets for development or regeneration cost-effectively using a multi-criteria approach. It will help identify potential uses for assets based on real estate market data, assess the financial and economic returns from developing or regenerating assets from a public

sector perspective, and evaluate delivery strategies for asset development or regeneration, including public-private partnerships (PPP). The framework will then be piloted in the Dominican Republic, Colombia, and El Salvador through case studies to prepare business cases and a project pipeline that could be replicated in other countries.

- 2.3. **Background.** 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. LAC must invest US\$2.2 trillion in water, sanitation, energy, transportation, and telecommunications infrastructure. Addressing the infrastructure investment gap will require at least 3% of the region's gross domestic product (GDP) annually until 2030,¹ in addition to securing the financial resources required to meet climate goals. This financial strain is particularly critical in urban areas, highlighting the urgency for subnational governments to explore new funding mechanisms.
- 2.4. **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 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.
- 2.5. **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. Publicly owned buildings and land encompass many properties, including government offices, schools, parks, and undeveloped land. Recent estimates suggest that the total value of public sector non-financial assets, including real property, corresponds to 54 percent of countries' GDP on average.² This indicates a vast resource that, if managed effectively, could provide substantial fiscal and social benefits.
- 2.6. **In urban contexts, the value of publicly owned real estate is particularly noteworthy.** For example, studies have shown that the total value of public real estate within a city can be equivalent to the city's GDP, representing a significant portion of the total market value of urban real estate.³ This suggests that urban areas have an extensive reservoir of value in their public land and buildings, which can be leveraged to support infrastructure projects, urban development, and public services. Moreover, the International Monetary Fund (IMF) has emphasized that professional asset management could generate revenues equivalent to what advanced

¹ Inter-American Development Bank. (2021). [La brecha de infraestructura en América Latina y el Caribe](#). Inter-American Development Bank.

² IMF. (2018). Fiscal Monitor. Managing Public Wealth - Public Sector Balance Sheet Database. Washington, DC.

³ Detter, D., & Fölster, S. (2017). The Public Wealth of Cities: How to Unlock Hidden Assets to Boost Growth and Prosperity. Brookings Institution Press.

economies collect in corporate taxes annually.⁴ By implementing best practices in public asset management, governments can tap into the economic potential of their properties, turning them into vital revenue streams and enhancing local financial stability and growth.

2.7. **The Copenhagen City and Port Development Corporation Case Study.** To illustrate the potential of securing additional financial resources through improved management of city-owned real estate, consider the example of Copenhagen's *By og Havn* (City and Port) urban development project. *By og Havn* was established in 2007 through the merger of the Copenhagen Port Authority and the Ørestad Development Corporation, creating a unified entity responsible for managing and developing significant urban and port areas. This organization manages approximately 1,290 acres of waterfront and inland districts, which include commercial, residential, and mixed-use properties.⁵

2.8. *By og Havn's* strategic management of these assets has enabled substantial urban development. The revenues generated from the port's commercial activities, such as leasing land for business and residential purposes, have been reinvested into urban infrastructure projects. This approach has facilitated the construction of over 33,000 new housing units, 100,000 workspaces, and a new university for more than 20,000 students. Additionally, *By og Havn* has developed new parks, retail spaces, and cultural facilities, transforming underutilized areas into vibrant, economically productive zones.⁶ Moreover, the financial returns from these developments have been critical in funding further infrastructure investments, including the expansion of Copenhagen's metro system.

2.9. As highlighted in a recent publication by the World Bank (2022),⁷ Several studies indicate significant untapped potential in optimizing public properties and land use within the public sector and through private-public partnerships (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.⁸ This underutilization is primarily due to three main obstacles:

2.9.1. **Many governments do not comprehensively know their assets' location, value, and condition.** Often, non-financial assets are held by the state or local authorities due to historical legacies rather than strategic acquisition. These assets may have been inherited or accumulated without a clear strategic purpose, making it difficult to manage them effectively or understand the investments needed to maximize their use. Without accurate and detailed asset inventories, it is challenging for governments to plan and execute strategies for optimizing these assets.

⁴ Lagarde, C. (2018). [Managing Public Wealth](#). IMF Speeches.

⁵ By & Havn. (2023). [About By & Havn](#).

⁶ Brookings Institution. (2017). [The Copenhagen City and Port Development Corporation: A Model for Regenerating Cities](#).

⁷ World Bank. (2022). Bringing public assets out of the shadows: Optimizing infrastructure services, unlocking revenues. International Bank for Reconstruction and Development.

⁸ Inter-American Development Bank. (2021). [Our untapped wealth: Toward modern management of public assets](#).

- 2.9.2. **A second significant barrier is the lack of technical and institutional capacity to assess real property's potential and develop strategies to leverage it effectively, especially at the subnational level.** Many local governments need more expertise and methodological frameworks to design public real estate management strategies that can effectively improve the productivity of public real estate. This deficiency hinders their ability to create comprehensive and practical real estate asset utilization plans.⁹ Furthermore, local governments usually need more knowledge regarding delivery strategies, including PPPs, for developing or regenerating nonfinancial assets.
- 2.9.3. **A third reason is that governments lack adequate management structures to manage public assets properly.** Effective public asset management requires robust institutional frameworks defining roles, responsibilities, and asset utilization and maintenance processes. Many governments, however, operate with fragmented and outdated management structures that are not equipped to handle the complexities of modern asset management.
- 2.10. **Examining the Potential of Leveraging Real Estate Assets.** The Dominican Republic, Colombia, and El Salvador face significant infrastructure gaps that could benefit from additional fiscal revenues from leveraging public real estate assets.
- 2.11. For instance, the Dominican Republic invests only 2.8% of its GDP in infrastructure, far below the 6% recommended by the Economic Commission for Latin America and the Caribbean (ECLAC) and the IDB.¹⁰ This underinvestment mirrors a regional trend in LAC, where the average investment in infrastructure is less than 3% of GDP.¹¹ Most public funds in the country are directed toward current expenditures rather than long-term infrastructure, which is vital for economic development.
- 2.12. Meanwhile, in Colombia, infrastructure deficiencies are widespread, impacting transportation, energy, water and sanitation, telecommunications, and social infrastructure like schools and hospitals. The country exemplifies the challenges many emerging markets face, which collectively experience an annual infrastructure financing gap of up to US\$1.5 trillion.
- 2.13. Like its regional counterparts, El Salvador also needs help directing sufficient public funds toward long-term infrastructure projects, which are essential for sustainable economic growth. According to recent analyses, the country must invest approximately US\$1.339 billion annually over the next five years to address its infrastructure deficits.¹²

⁹ World Bank. (2020). [Wealth of opportunities: Public real estate management as a tool for good governance](#). World Bank Blogs.

¹⁰ Forbes Centroamérica. (2019, December 12). [Infraestructura: Las piezas que faltan en República Dominicana](#). Retrieved June 4, 2024.

¹¹ Ibid.

¹² Observatorio Regional de Planificación. (2024). National Public Investment System of El Salvador: 2019-2030 Infrastructure Master Plan. Retrieved from Regional Observatory on Planning for Development.

- 2.14. Efforts are underway in all three countries to address the initial barrier to leveraging public assets. The Dominican Republic government has recently initiated its first-ever inventory of all state properties and real estate assets. This initiative aims to increase transparency and provide a comprehensive overview of state-owned real estate assets, including properties, buildings, infrastructure, and mining. This inventory is expected to benefit the country by better understanding the government's asset portfolio and improving asset management strategies.
- 2.15. A similar effort has been undertaken in Colombia, particularly in the capital city of Bogota. A detailed cadaster revealed the existence of 2,177 state-owned lots in Bogota alone.¹³ This cadaster provides valuable information that can enhance the management and utilization of public real estate assets, contributing to more effective governance and financial planning.
- 2.16. In El Salvador, the Metropolitan Area Planning Office of San Salvador is currently mapping the locations of publicly owned assets throughout the metropolitan area.
- 2.17. **Rationale and Justification.** This TC was initiated at the request of the governments of Colombia, El Salvador, and the Dominican Republic, which have sought the Bank's support for advancing public asset utilization. Leveraging public assets presents a significant opportunity to utilize state-owned properties for developing real estate projects. This approach has the potential to boost fiscal revenue while simultaneously addressing critical urban challenges, including the growing housing deficit, neighborhood deterioration, and socio-spatial segregation in the three beneficiary countries.
- 2.18. The TC aims to assist LAC countries by designing a comprehensive methodological framework to guide governments in optimizing the potential of underutilized and undervalued public assets. It will identify and analyze various public and commercial asset management models and build the institutional capacity of government bodies responsible for managing these assets. By supporting the leveraging of underutilized public assets, this TC seeks to contribute meaningfully to cities' overall socio-economic growth, fostering sustainable and inclusive urban development. Moreover, the enhancement of public spaces and the surrounding areas of public assets is expected to generate positive externalities, such as improved community well-being, increased social cohesion, and the promotion of safer urban environments that stimulate local economic activity and improve residents' quality of life.
- 2.19. **Strategic Alignment.** The TC is strategically aligned with the IDB Group Institutional Strategy: *Transforming for Scale and Impact* (CA-631), supporting sustainable growth by fostering initiatives that increase the region's real GDP per capita and promote investment in sustainable, resilient, and inclusive physical infrastructure. The TC specifically supports institutional capacity, rule of law, and citizen security by transferring knowledge and tools to identify, prioritize, and optimize the use of public real estate assets, thereby enhancing public asset management. It also aligns with sustainable, resilient, and inclusive infrastructure by offering insights into how real

¹³ Catastro Bogotá. (2023). [Censo Inmobiliario Bogotá](#) 2023.

estate assets can contribute to climate change objectives, local economic development, and the creation of sustainable urban environments. Additionally, the TC fosters productive development and innovation through the private sector by identifying opportunities to involve private entities in real estate development via mechanisms such as public-private partnerships (PPPs). By addressing these critical areas, the TC aims to advance sustainable development and long-term economic growth across the region.

- 2.20. This TC aligns with the respective IDB Group Strategies for the beneficiary countries by addressing key priorities in each context. In Colombia (GN-2972), the TC supports increasing social and territorial inclusion, promoting greater growth and productivity, and strengthening fiscal execution and public management. In the Dominican Republic (GN-3084), it aligns with the priority of improving public management and the institutional framework, with a focus on enhancing institutional capacity, the rule of law, and transparency in the management of public resources. For El Salvador (GN-3046-1), the TC addresses two critical areas: fiscal sustainability and efficiency, as well as reducing social vulnerability, ensuring its relevance to the country's development agenda.

III. Description of activities/components and budget

- 3.1 **Component 1. Design and Apply a Methodological Framework to Leverage Publicly Owned Assets (US\$220.000).** This component will support the development of a methodological framework aimed at prioritizing and determining the optimal use of public assets. The primary goal is to equip governments with tools to identify underutilized public assets and strategically prioritize their use through a multi-criteria approach that balances financial risks and returns. This approach will also address critical factors such as feasibility, long-term sustainability, and alignment with national policy objectives.
- 3.2 The framework will analyze potential uses for public assets by incorporating essential elements such as real estate market data, infrastructure needs, and sociodemographic trends. It will evaluate a wide range of impacts, including direct financial returns, fiscal contributions (such as property, sales, and hotel taxes), and broader economic and social benefits, including job creation and increased economic activity. Furthermore, the framework will establish clear criteria for determining the most effective delivery strategies, covering procurement methods, transaction structures, and contractual arrangements to ensure efficient and impactful implementation.
- 3.3 The methodology will be applied, refined, and validated through case studies conducted in the Dominican Republic, in collaboration with "Santo Domingo 20250"; in Colombia, working alongside the Bogotá Urban Renewal and Development Company; and in El Salvador, in coordination with the San Salvador Metropolitan Area Planning Office (OPAMSS). These studies will showcase the practical implementation of the framework using real-world data, providing tailored business cases that address the specific contexts, challenges, and priorities of each country.
- 3.4 **Component 2. Public Commercial Asset Management Models for Real Estate Properties (US\$50.000).** This component will fund research activities aimed at

identifying international best practices for managing public commercial real estate assets. The research will provide a comprehensive assessment of the current management frameworks in the beneficiary countries, analyzing their strengths and weaknesses while benchmarking them against successful global models. Insights from this analysis will guide the development of tailored institutional frameworks for case studies in the Dominican Republic, Colombia, and El Salvador. This component aims to produce a customized guide designed to meet the specific needs of the target countries, offering practical tools and guidelines for effective public real estate asset management.

- 3.5 Additionally, the findings from the study and pilot projects will be published by the IDB and shared with public entities across the region¹⁴. To further disseminate the results, a webinar will be organized at the conclusion of the TC's implementation. This initiative aims to raise awareness and encourage the adoption of international best practices for managing commercial public assets. By fostering knowledge exchange, improving operational efficiency, and promoting long-term sustainability, it will contribute to strengthening public asset management across the LAC region.
- 3.6 The project total cost of US\$270,000 will be financed by the Multidonor Trust Fund for the Development of Sustainable Cities in Latin America and the Caribbean (CIT).

Indicative Budget

Component	IDB Funding (US\$)
Component 1. Design and pilot a methodological framework to support the development or regeneration of publicly owned, underutilized, and undervalued assets	220,000
Component 2. Governance models for public commercial asset management.	50,000
Total	270,000

IV. Executing agency and execution structure

- 4.1 The Bank will execute the TC through the Housing and Urban Development Division (CSD/HUD) at the beneficiaries' request. This execution mechanism is justified due to: (i) the added value that the Bank provides through its knowledge of real estate development and public asset management; (ii) the lack of experience of the counterpart regarding the Bank's procedures and policies for project management; (iii) the necessity of fostering and facilitating knowledge transfer between the beneficiary countries and the Bank; and (iv) the regional nature of this technical cooperation, which requires coordinated efforts to ensure the successful implementation of the project.
- 4.2 All activities to be executed under this TC have been included in the Procurement Plan (Annex IV) and will be contracted in accordance with Bank policies as follows: (a) Complementary Workforce (AM-650) for Individual consultants; and (b) Corporate Procurement Policy (GN-2303-33) and its associated guidelines for Services

¹⁴ 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.

provided by firms.

- 4.3 The unit responsible for disbursements will be CSD/HUD, and the project execution period is 24 months.
- 4.4 To supervise the implementation of this TC, the project team will organize periodic meetings with beneficiaries across the three countries to discuss progress on consultancy deliverables and objectives.

V. Major issues

- 5.1 No significant issues have been identified.

VI. Exceptions to Bank policy

- 6.1 There are no exceptions to Bank policy.

VII. Environmental and Social Aspects

- 7.1 This Technical Cooperation is not intended to finance pre-feasibility or feasibility studies of specific investment projects or environmental and social studies associated with them; therefore, this TC does not have applicable requirements of the Bank's Environmental and Social Policy Framework (ESPF).

Required Annexes:

[Request from the Client_73052.pdf](#)

[Results Matrix_37643.pdf](#)

[Terms of Reference_36148.pdf](#)

[Procurement Plan_11537.pdf](#)