

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	REGIONAL/Regional
▪ TC Name:	Strengthening of Regional Public Asset Management
▪ TC Number:	RG-T3240
▪ Team Leader/Members:	Garcia Mejia, Mauricio (IFD/ICS) Team Leader; Farias, Pedro Cesar L. (IFD/ICS) Alternate Team Leader; Pareja Glass, Alejandro (IFD/ICS) Alternate Team Leader; Catano Guzman, Mariana; Rojas Gonzalez, Sonia Amalia; Shin, Sungyeol (IFD/ICS)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	23 Oct 2019
▪ Beneficiary:	Mexico, Brazil, Ecuador, Argentina, Chile, Uruguay
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$500,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	30 months
▪ Types of consultants:	Firms; Individuals
▪ Prepared by Unit:	Innovation in Citizen Services Division
▪ Unit of Disbursement Responsibility:	Institutions for Development Sector
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Institutional capacity and rule of law

II. Objective and Justification

- 2.1 The following Technical Cooperation (TC) has as its general objective to produce and disseminate information and key technical inputs for improving the management of public assets at the regional level, contributing to a better social and economic use of resources. Specifically, this will be achieved through: (i) strengthening the governance of asset management, ii) improving the information available for policy decisions and for the management of public assets in the region; and (iii) identification of innovative practices and support for their implementation in pilot cases.
- 2.2 In Latin America and the Caribbean (LAC), as well as in many other countries, governments have historically accumulated large volumes of physical assets. For example, of the 3.9 billion hectares of world forest, 86% are state property. In the United States in 2011, it was calculated that the value of all public non-financial assets was equivalent to 74% of GDP, while in Korea (2014) government property reached 70% of the country's GDP. In general, the value of the non-financial assets of the States exceeds the financial ones and these together exceed the gross public debt.
- 2.3 Other studies show that the value of public assets can reach extraordinary amounts when it is well accounted for. Unfortunately, in the LAC region most countries do not even have complete records of their assets. Beyond the value of public investment or

the intrinsic value of the infrastructure associated with it, public assets contribute significantly to the total productivity of the factors, and therefore its real contribution to the national economy is more relevant than its accounting value. According to an evaluation carried out by the International Monetary Fund (IMF), non-financial public assets correspond on average to 114% of the national GDP of the countries, which indicates the enormous potential of economic benefits that they can generate if they are properly managed.

- 2.4 There is a wide theoretical and empirical literature on the link between public investment and economic growth. Much of this literature recognizes that this link can be positive because of its effect on the total factor productivity. However, the economic impact of the quality of the management of public assets has received much less academic attention.
- 2.5 Unfortunately, in LAC the management of non-financial public assets has not achieved the generation of the potential benefits that society could expect. The lack of adequate management tools, technological tools, and outdated regulatory frameworks contribute to the limited economic and social impact of these assets.
- 2.6 The limitations can be observed in the various stages of public assets management: low quality of the cadastral registers, lack of parameters for the construction, planning, usage, maintenance and renovation of public assets, and lack of scientific criteria that support decisions on the allocation and use of the assets, their valuation, operation and accounting.
- 2.7 The international literature on public infrastructure assets agrees that a well-managed asset management program provides transparent and responsible management of infrastructure systems with the best value for money and unnecessary cost savings. In this context, a program of this nature underpins the State's ability to obtain the following benefits: i) strengthen policy priorities; ii) reduce the probability of catastrophic failures; iii) achieve higher and sustainable levels of services to the public, at a lower cost; iv) reduce total life cycle costs; v) generate public savings in the medium and long term; vi) improve the efficiency of public resources; v) improve decision-making regarding the allocation of public resources, since the capacity for financial planning increases.

III. Description of Activities and Outputs

- 3.1 **Component I: Component 1: Strengthening the Governance of Asset Management (US\$ 80,000).** The objective of this component is to support the identification of best practices in the governance of asset management, as well as the formulation of policy recommendations for the countries of the region.
- 3.2 **Component II: Component 2: Improvement of Information for Asset Management (US\$ 125,000).** The objective of this component is to support the improvement in the availability and management of information related to public assets in the region to raise awareness of its importance and to make smarter policy, strategic and operational decisions.
- 3.3 **Component III: Component 3: Mapping of Innovative Practices and Pilot Projects Support (US \$ 130,000).** The objective of this component is the identification of innovative projects and experiences in the management of public assets, and to provide technical assistance to a case of application of concepts and innovative instruments. Among the issues to be considered for the pilot projects, 'construction and application of the online asset dis-position system' will be pursued.
- 3.4 **Component IV: Component 4: Training and Dissemination (US \$ 165,000).** . The objective of this component is to share research findings with stakeholders and wider audiences. Dissemination is essential step in research process.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Component 1: Strengthening the Governance of Asset Management (US\$ 80,000).	US\$80,000.00	US\$0.00	US\$80,000.00
Component 2: Improvement of Information for Asset Management (US\$ 125,000).	US\$125,000.00	US\$0.00	US\$125,000.00
Component 3: Mapping of Innovative Practices and Pilot Projects Support (US \$ 130,000).	US\$130,000.00	US\$0.00	US\$130,000.00
Component 4: Training and Dissemination (US \$ 165,000).	US\$165,000.00	US\$0.00	US\$165,000.00
Total	US\$500,000.00	US\$0.00	US\$500,000.00

V. Executing Agency and Execution Structure

- 5.1 The TC will be executed directly by the Bank through IFD / ICS.
- 5.2 There is regional institution specialized in the subject that has a permanent structure that allows it to carry out the corresponding administrative activities. The presence of the Bank would ensure the neutrality of the executing agency and the collaboration required from all parties for the success of the proposed actions. The experience of IFD / ICS in the coordination of issues of public governance, institutional strengthening, transparency and administrative simplification will contribute to the processes of generation and dissemination of knowledge to be promoted by the TC. Additionally, specific knowledge previously acquired by IFD / ICS will be used in the organization and co-ordination of networks of government officials and experts, through the Community of Professionals and Experts in Latin America and the Caribbean (COPLAC), in technical support to countries of the region to strengthen the management of public assets.

VI. Project Risks and Issues

- 6.1 The project team has identified a moderate risk of facing difficulties in expanding the number of countries benefiting from the activities of this TC, due to possible problems in the identification of government counterparts and little familiarity with modern asset management practices in those governments. To mitigate this risk, in addition to the dissemination and awareness-raising activities to be carried out by the Bank, representatives of member countries, especially Mexico, have already initiated actions to promote and disseminate the benefits of asset management in the framework of the Network of Administrators of Public Patrimony of Latin America (RAPPAL). These same dissemination and awareness actions will promote the demand of the countries in which the maturity level measurement methodology will be developed under component 1.
- 6.2 Additionally, the TC member and expected participating country government representatives attended in Korean Trust Fund Workshop hosted by ORP/GCM and made the discussion on the TC in the roundtable session of the Workshop. As the result of the roundtable, Bank and participating countries (Mexico and Brazil) figured out the common interest and benefit from this TC. Both country governments sent the letter of participation to Bank in July.

VII. Environmental and Social Classification

7.1 The ESG classification for this operation is "undefined".