

TC Document

I. Basic Information for TC

▪ Country/Region:	JAMAICA
▪ TC Name:	Preparation of Public-Private Partnerships (PPP) projects for the development of efficient and sustainable infrastructure in Jamaica through a Project Preparation Facility
▪ TC Number:	JA-T1212
▪ Team Leader/Members:	Astesiano, Gaston Team Leader; Siqueira Moraes, Marcos Alternate Team Leader; Bornholdt, Luciano (VPS/ESG); Johnson, Jodi (VPS/ESG); Mendoza Benavente, Horacio (LEG/SGO); Alvarez Pagliuca, Claudia Patricia; Astesiano, Gaston; Castrosin, Maria Pilar; Siqueira Moraes, Marcos; Suarez Aleman, Ancor Team Leader; Siqueira Moraes, Marcos Alternate Team Leader; Horacio Mendoza Benavente (LEG/SGO); Alvarez Pagliuca, Claudia Patricia; Astesiano, Gaston; Castrosin, Maria Pilar; Siqueira Moraes, Marcos; Suarez Aleman, Ancor
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	17 Feb 2022.
▪ Beneficiary:	Development Bank Of Jamaica
▪ Executing Agency and contact name:	Development Bank Of Jamaica
▪ Donors providing funding:	OC SDP Window 2 - Economic Growth(W2F)
▪ IDB Funding Requested:	US\$750,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	40 Months
▪ Required start date:	08/01/22
▪ Types of consultants:	Firms
▪ Prepared by Unit:	VPC/PPP-Private-Public Partnership Unit
▪ Unit of Disbursement Responsibility:	VPC/PPP-Private-Public Partnership Unit
▪ TC included in Country Strategy (y/n):	n
▪ TC included in CPD (y/n):	n
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Social inclusion and equality; Productivity and innovation

II. Objectives and Justification of the TC

- II.1 The objective of this TC is to generate a pipeline of environmentally sustainable, bankable, fiscally responsible PPP projects in Jamaica that can increase the infrastructure investment in the country, promote good practices in project preparation and produce value for money for government, infrastructure-based service users and taxpayers.
- II.2 This effort is in line with the support of the IDB Group to the region in terms of Public-Private Partnerships (PPP) project preparation through the Facility created in 2017 with the RG-T2998 technical cooperation, and later reinforced with other resources. The relevance of the efforts to support Project Preparation Facilities (PPF) are presented in section II.4. The fiscal challenges that the region is currently facing (IDB Macroeconomic Report, 2020) make it even more necessary to promote private

participation through efficient and sustainable infrastructure projects in solid and stable regulatory and institutional environments – that allow to enhance the multiplier effect of infrastructure over the economy.

- II.3 The preparation of high-quality PPP projects is a key condition for the success of private sector investment programs in public infrastructure.** The experience of the IDB Group since the establishment of the PPP single window shows us how it is still necessary to act on the generation of a socially sustainable and bankable projects portfolio, as well as on various mechanisms and facilities for the preparation and structuring of projects that allow channeling a better and greater mode of financing for infrastructure.
- II.4 The establishment of Project Preparation Facilities (PPF) has been a very successful strategy for developing countries.** The IDB's Office of Oversight and Evaluation has identified in a report published in 2016 that several multilateral organizations have been dedicated in creating dedicated institutions to concentrate expertise and manage specific resources to conduct the preparation of PPP projects. These project preparation facilities can help governments to overcome the most common challenges for PPP project preparation because 1) they can guarantee that the adequate amount of resources is dedicated to project preparation, irrespective of the short term budgetary cycles; 2) they can consolidate knowledge and expertise to guarantee that best practices are applied to projects, independently of sector or contracting agency; and 3) they can obtain financial sustainability through the mechanism of contingent recovery. There are two triggers for the costs' recovery: First, if the project reaches commercial closure, the winning bidders repay the costs of project preparation, effectively internalizing the preparation costs to the project life-cycle. Second, if a viable project is cancelled by the public agency without technical justification, the cost should be reimbursed appropriately to the PPF.
- II.5 Jamaica can improve its project preparation capabilities.** Jamaica has been building its institutional PPP capacity since 2012, when it issued its PPP framework. According to Private Participation in Infrastructure (PPI) Database, Jamaica has financially closed eight projects since then, including the US\$452m Kingston container terminal project and the US\$330m Old Harbour combined cycle power station project. Jamaica has also successfully developed PPP projects such as the Solar Energy and Energy Efficiency in Schools project and the international airport project under a long-term concession agreement. Since 2002, Jamaica has reached financial closure on ten PPPs. The PPP unit reports that Jamaica is currently reviewing four possible PPPs in the health, economic development, tourism, and water and sanitation sectors. These include the solid waste management reform PPP, the Northern Parishes water supply project, the Centres of Excellence in Oncology and Nephrology project, and the development of the Caymans special economic zone.
- II.6** Although the Caribbean country has had a relevant experience with PPPs, but still faces the challenge to guarantee that the appropriate practices of project preparation are fully implemented considering international best practices. This creates the opportunity for the implementation of a Project Preparation Facility in Jamaica which dedicated resources managed by a local institution with capacity and the correct

incentives can act to generate a pipeline of sustainable, fiscally responsible, and bankable projects. The PPF in Jamaica should seek the availability of an adequate amount of resources for project preparation, the permanent consolidation of knowledge and expertise, and financial sustainability through the mechanism of contingent recovery.

- II.7 The PPF will focus on selecting projects that meet key sustainability criteria, in line with IDB's sustainable infrastructure framework and structuring projects that can deliver effective value for Money, increasing the efficiency of infrastructure services. Thus, the initiative is aligned with the axis of Productivity and innovation and Social inclusion and equality, as determined in the Update to Institutional Strategy. Also, the initiative is closely aligned with the area B of Strategy Implementation of the Country Strategy for Jamaica, namely, Increase private sector productivity and growth.

III. Description of activities/components and budget

In order to complete the objectives of this operation, two components will be developed:

- III.1 **Component I: Sectorial planning studies, pipeline identification and prioritization. (US\$90,000)** This component will finance consulting services to generate studies required to preliminarily screen projects to be prioritized and later supported by the PPF. This component will leverage from existing international best practices and tools to identify aspects of pre-selected projects related to their viability or feasibility (such as, commercial, environmental, fiscal, technical and political) and the impact (such as, social, environmental, developmental and economic impact). The output of the studies to be financed by this component is the recommendation of which projects should be considered for support under Component 2.
- III.2 **Component II: PPP project preparation. (US\$650,000)** PPP projects that meet initial screening criteria and are prioritized by DBJ will have part of their preparation costs covered by this component. This component will finance consulting services to produce studies necessary for the preparation and structuring of the selected PPP projects, including the design of the full business case, at the prefeasibility and feasibility levels. The studies will include legal, technical, socioeconomic, economic-financial, value for money, and social, environmental and fiscal affordability. Furthermore, the component will finance consulting services to produce the documentation necessary for the structuring of the contracts and tender processes, including the design of the legal, technical and financial instruments of the PPP transaction model, necessary for the bidding, awarding, contracting and financial closure of the selected PPP projects. This component will also finance consulting services to support public agencies during the bidding, contracting and financial closing of the prioritized projects.
- III.3 The total cost of this non-reimbursable TC has been estimated in USD 750,000, which will be financed with resources from the Bank's Ordinary Capital (OC Strategic Development Program, Window 2).
- III.4 The cost distribution is shown in the following table:

Indicative Budget

Activity/Component	Description	IDB/Fund Funding	Total Funding
Component I: Sectorial planning studies, pipeline identification and prioritization	This component will finance the studies required to preliminarily screen projects to be prioritized and later supported by the PPF.	US\$90,000	US\$90,000
Component II. PPP project preparation.	Successful development of the preparation and structuring phases of the prioritized PPP projects. This will include technical, legal, fiscal, commercial and financial viability assessments as well as contract.	US\$650,000	US\$650,000
Financial Auditing	Final Auditing	US\$10,000	US\$10,000
Total		US\$750,000	US\$750,000

III.5 The Procurement Plan is presented in Annex IV.

IV. Executing agency and execution structure

- IV.1 The Development Bank of Jamaica will be the executing agency of this TC. The Development Bank of Jamaica (DBJ) is a wholly owned Government institution, and its only shareholder is the Accountant-General of the country. The Bank is a result of the merger of two national development entities, the Agricultural Credit Bank Limited and the National Development Bank, on April 1, 2000. The National Investment Bank of Jamaica Limited was further amalgamated into the DBJ in 2006. The DBJ falls under the purview of the Ministry of Finance and the Public Service. The DBJ currently is the only national development financing organization in the country.
- IV.2 DBJ counts with a successful track record of executing IDB loan operations. For example, DBJ is responsible for the execution of the operation JA-L1075 "Credit Enhancement Programme for Micro, Small and Medium Enterprises (MSME)" which has been in operation since Mar 2018, and its performance classification has been Satisfactory every year. DBJ is also executing JA-L1085 (Boosting Innovation, Growth and Entrepreneurship Ecosystems Programme). Furthermore, DBJ was the beneficiary of a regional TC to create the Climate Resiliency Toolkit for PPPs.
- IV.3 DBJ will create a dedicated executing unit responsible for management of the Project Preparation Facility that will be responsible for the operational, procurement, financial management and disbursement arrangements necessary to the adequate implementation of the TC.
- IV.4 As part of the monitoring actions, IDB will hold regular meetings with DBJ regarding the programming and the progress of the execution of the TC.
- IV.5 The PPP Team Leader, the Country Representative, Chief of Operations, Project Team Leader and Sector Specialists in the Country Office, according to the selected projects' sector, will participate in the discussion regarding the outputs of Component 1, in order to guarantee alignment with the sector and country directives and strategies.
- IV.6 The project team leader will supervise the TC with the support of the team members. The IDB team will determine the frequency of follow up meetings with the counterpart according to the different project stages.

- IV.7 The approval of the Program Operating Manual (POM), in terms previously agreed by the Bank, will be a condition precedent to first disbursement. This condition will ensure the proper execution of the TC. The minimum content of the POM will include specific requirements regarding monitoring and evaluation routines, as well as details on the supervision of the fiduciary aspects of the project in line with the relevant IDB policies.
- IV.8 **Financial Management:** Project financial management and disbursement activities will be carried out by a dedicated executing unit and will use same financial management systems (budget, treasury, accounting and financial reporting, and internal and external controls) and follow IDB's policies and practices such as the ones that are currently being used by Loan JA-L1075. Because of the low risk in terms of financial management aspects, the supervision will be carried out annually through in site visits and ex- posts expenditure reviews and a one-time single audit at the end of the project will provide assurance on the proper use of project funds.
- IV.9 **Procurement:** The executing agency will contract consulting firms in accordance with the Bank Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (GN-2350-15).

V. Major issues

- V.1 The main risk for the implementation of this TC is the formation of a relevant pipeline of projects that can offer opportunities for preparation. This demand risk is going to be addresses through component I, that will make resources available to plan and screen projects to constitute a feasible pipeline of PPP projects.

VI. Exceptions to Bank policy

- VI.1 There are not exceptions to Bank's policy.

VII. Environmental and Social Strategy

- VII.1 In accordance with the Environmental and Social Policy Framework, Technical Cooperations do not receive an Environmental and Social Impact Classification. However, in compliance with paragraph 4.9 of the ESPF Policy statement, as the Technical Cooperation finances pre-investment activities including environmental and social studies, the Terms of Reference and outputs of such studies must be consistent with the applicable requirements of the ESPF.

Required Annexes:

[Request from the Client - JA-T1212](#)

[Results Matrix - JA-T1212](#)

[Terms of Reference - JA-T1212](#)

[Procurement Plan - JA-T1212](#)