TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	REGIONAL/CID - Isthmus & DR
▪ TC Name:	PPP models to expand renewable energy, electricity access and energy efficiency
▪ TC Number:	RG-T3271
▪ Team Leader/Members:	LARREA, SYLVIA VIRGINIA (INE/ENE) Team Leader; PAREDES, JUAN ROBERTO (INE/ENE) Alternate Team Leader; CHUNG, SANGYONG; BONZI TEIXEIRA, AUGUSTO CÉSAR; MARZOLF, NATACHA; LEVY FERRE, ALBERTO; ARAGON SALINAS, RODRIGO; SUBER, STEPHANIE; MÁRQUEZ BARROETA, FIDEL (INE/ENE); SEMINARIO, ANA CECILIA (ITE/ITE)
▪ Taxonomy:	Research and Dissemination
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	13 Mar 2019
▪ Beneficiary:	Regional
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK (IDB)
▪ IDB funding requested:	US$500,000.00
▪ Local counterpart funding:	US$0.00
▪ Disbursement period:	48 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	Energy
▪ Unit of Disbursement Responsibility:	Infrastructure and Energy Sector
▪ TC included in Country Strategy (y/n): ▪ TC included in CPD (y/n):	No No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation; Environmental sustainability

II. Objective and Justification

2.1 The general objective of this TC is to assess the use of public-private partnerships PPPs to finance electricity infrastructure that provide electricity coverage in a secure, reliable and sustainable way. In that sense, the TC will analyze: (i) the regulatory and institutional environment for PPPs in the target countries, their fiscal arrangements and risk management as well as challenges for the implementation of PPPs; and (ii) identify sectors/subsectors where PPPs could be implemented. Based on the opportunities identified, and considering the experience with PPP projects in the electricity sector in Latin America and the Caribbean (LAC), the TC will review and provide a critical analysis of cases of PPP in the region, identifying lessons learned from the design and implementation of PPP projects in the electricity sector; mainly in renewable energy, electricity access and energy efficiency (e.g., public building, street lighting).

2.2 Bringing people their first power connections, ensuring secure and sustainable energy supply and making existing connections more reliable will require large levels of infrastructure investments. The International Energy Agency (IEA) estimates LAC countries will face a large increase in electricity demand, from 11,300 terawatt hours (TWh) to 26,000 TWh – more than the current generation capacity of the entire world – which will require investments of US$48 trillion over the next two decades.

The public sector alone cannot respond to the huge investment needed to meet the growing demand for electricity. In fact, between 2013 and 2015, the LAC region accounted on average for US$9 billion of public investment in renewable energy and dropped to US$3 billion in 2016. Given the fiscal restrictions of governments, bringing in the private sector using PPPs allows governments to materialize projects that otherwise would not be done. During the past two decades, developing countries have been liberalizing and introducing private sector participation in their electricity markets, to ensure sustainable supply of energy and competitive prices and improve the quality of services. As a result, the power sector has been one of the greatest beneficiaries of private investment through PPP projects.

III. Description of Activities and Outputs

3.1 - Analysis of the PPP legal, fiscal and institutional framework in the electricity sector; risk allocation; and challenges.

- Analysis of lessons learned from PPPs projects implemented in LAC, review of impact and benefits of such projects and identification of common PPP models.

- Identification of areas in target countries that could benefit from the PPP models and prepare a matrix of opportunities with a strategic match for introducing the PPP models in these countries and areas.

- Develop country and regional workshops, including training activities and technical notes and publications.

3.2 **Component I. PPP Market environment.** This component will finance a study to better understand the market environment of energy PPPs in different countries.

3.3 **Component II. Case studies and lessons learned of PPP in the electricity sector.** Case studies and lessons learned are invaluable when planning, designing, structuring or executing PPP projects. This component will review cases in the LAC region and identify success stories and lessons learned from the design and implementation of PPP projects in the electricity sector.

3.4 **Component III. Potential areas for PPP implementation in LAC.** The starting point for introducing PPPs is identifying a priority public investment area within a country.

3.5 **Component IV. Knowledge dissemination and capacity building.** This component will finance outreach activities to share the results across LAC and promote capacity building in up to three countries with training programs.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Component 1. PPP Market environment	US$160,000.00	US$0.00	US$160,000.00
Component 2. Case studies and lessons learned of PPP in the electricity sector.	US$140,000.00	US$0.00	US$140,000.00
Component 3. Potential areas for PPP implementation in LAC.	US$100,000.00	US$0.00	US$100,000.00
Component 4. Knowledge dissemination and capacity building	US$100,000.00	US$0.00	US$100,000.00
Total	**US$500,000.00**	**US$0.00**	**US$500,000.00**

V. Executing Agency and Execution Structure

5.1 The Energy Division (INE/ENE) will be the Executing Agency of this TC to facilitate the coordination between the entities. The IDB will contract individual consultants, consulting firms, and non-consulting services in accordance with the Bank's current procurement policies and procedures.

5.2 Given the regional nature of this TC, INE/ENE will act as the Executing Agency to facilitate the coordination and lead the implementation and supervision of the different activities.

VI. Project Risks and Issues

6.1 The main risks to be considered for the execution of this TC are the disparity of information between the countries and the different levels of progress, policies, regulations and project pipeline maturity of PPP projects. To mitigate this risk, INE/ENE would follow an approach that acknowledges this fact, working closely with the energy specialist in the field, BID Invest and the counterparts leveling the playfield for all interested parties.

VII. Environmental and Social Classification

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