

**THIRD TOURISM DEVELOPMENT PROJECT
SECONDARY CITIES REVITALIZATION STUDY**

Jerash

Financial analysis

Annex 7

JOINT VENTURE OF COTECNO WITH ABT ALCHEMIA CDG MGA

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Abbreviations and acronyms

CAS	Country assistance strategy
CH	Cultural heritage
CBO	Community based organisation
CRP	City revitalisation program
DOS	Department of Statistics
EIA	Environmental Impact Assessment
GOJ	Government of Jordan
IBRD	International Bank for Reconstruction and Development
ITFCSD	Italian trust fund for culture and sustainable development
JTB	Jordan Tourist Board
MENA	Middle East and North Africa
MOE	Ministry of Environment
MOMA	Ministry of Municipal Affairs
MOPIC	Ministry of Planning and International Cooperation
MOTA	Ministry of Tourism and Antiquities
NEAP	National Environmental Action Plan
NGO	Non-Government Organization
PA	Public Awareness
PPP	Public-private partnership
STDP	Second Tourism Development Project
TOR	Terms of reference
TTDP	Third Tourism Development Project
UNESCO	United Nations Educational, Scientific and Cultural Organisation
URP	Urban regeneration program
VEC	Valued Environmental Components
WB	The World Bank
WHL	World heritage List
WTO	World Trade Organisation

1. Introduction

The financial analysis of CRP proposal for Jerash has been developed at two levels:

- internal financial analysis of the PPP action (described in Attachment C of this report);
- global financial analysis of the entire project.

In the analysis of individual PPP action, a three-level parking facility, the perspective considered is that of the single operator directly managing the economic activity. All the necessary investment costs have been considered in the financial analysis.

Revenues and operating costs are those directly connected with running of the activities. Consequently, also the costs associated with the rent of the areas and buildings are included under these items.

In the global financial analysis of the entire project, the perspective is that of the agency promoting, realizing, and managing the project.

Therefore, the investments costs considered are all-inclusive and comprise items shared by the different uses, primary and secondary infrastructure works as well as resettlement.

Given that the operating costs and revenues derives from the same management hypothesis formulated for the individual actions, in the analysis of the whole project only the financial plan has been developed.

1.1 FISCAL IMPACT

The implementation of the Jerash CRP will have effect on the public administrations' budget in terms of both incomes and expenditures. The professional capacity and soundness related to the realization and management of the projects envisaged in the Program will be analysed in Annex 5 "Municipal organization, management and finance".

1.1.1 PUBLIC ADMINISTRATIONS' INCOMES

The Program will have a positive impact on public administrations' incomes, thanks to the increasing tax levies applied to the additional earnings generated by the Program implementation. Such new earnings will originate mainly from:

- the increase in tourist flows, that will consequently stimulate growth in all the economic sectors directly and indirectly related to the tourism one;
- the increase in the overall revenues of the commercial activities located in the city core, that will directly benefit from the interventions foreseen by the physical action n.01 "Upgrading of the street network".

1.1.2 PUBLIC ADMINISTRATIONS' EXPENDITURES

Over the 5-year implementation period, the Government will have to provide about US\$ 670 thousand in counterpart funds under the Project, with a maximum of US\$ 565 thousand in FY02. This level of investment is less than 0.030 percent of the 2003 country's total gross domestic investment (about US\$2.2 billion) thus, it should not cause any fiscal constraint. WB will finance 69% of the project, the Central Government 7% and the Municipality 2%. Private investors will provide the remaining funds, representing 22% of the total.

The new infrastructures created or rehabilitated by the Project will produce a slight increase in recurrent expenditures, estimated at about 120 thousand US\$ per year.

2. Jerash CRP overall costs and financial plan

The tables at the end of the paragraph show the overall investment costs of Jerash CRP in each of the envisaged five years of program implementation, together with their distribution both by item and by program action.

The total investment will amount to 8.3 million US\$, with the main investments being concentrated in the second and fourth year of implementation (3 million US\$ and almost 4 million US\$ will be invested in those two years respectively).

As for the single actions, action J.01 - Upgrading of the street network is the most expensive amounting to 2.7 million US\$.

The investment costs of the foreseen PPP action will represent the 30% of the total, amounting to more than 2.5 million US\$.

2.1 FINANCIAL PLAN

The financial plan of the Jerash CRP has been developed considering separately the implementation and the operational periods. This allows to better understand the different financial sources.

As for the implementation phase, the World Bank will be the major financing institution, with 5.8 million US\$ (69% of the total), while the Central Government will finance the land acquisition for almost 565 thousand US\$ (7% of the total). The Municipality will finance the 2% of the investment costs, mainly equipment (50% of the total envisaged for this item) and personnel recruitment (from 0 during the first year to 100% during the fifth year) related ones, while private investors will finance 70% of the investment costs envisaged for the PPP action, that account for the 22% of the overall costs.

During the operational phase, private investors will finance the costs related to the management of the PPP action, the municipality will finance 50% of the equipment costs envisaged in the eight years and the Central Government will finance the rest.

JERASH CRP OVERALL INVESTMENTS COSTS BY ITEM

A) WORKS		Year 1	Year 2	Year 3	Year 4	Year 5	Total
ROAD CONSTRUCTION:							
Type B (Total area Sq. Mts 46,590 X JD/sq.mt 16)	USD	83.308	749.774	21.905	197.149		1.052.136
Type C (Total area Sq. Mts 23,000 X JD/sq.mt 11)	USD	36.358	327.226				363.584
UTILITIES UPGRADING (see detailed cost estimate)	USD	32.519	292.674	2.414	21.722		349.329
SOUTH BRIDGE JUNCTION - SITE SPECIFIC ACTION (Lump sum)	USD	16.937	152.434				169.372
TRAFFIC MANAGEMENT PLAN (lump sum)	USD	3.529	31.757				35.286
HARD LANDSCAPE (Total area Sq. Mts 4,500 X JD/sq.mt 30)	USD		9.527	19.054	161.962		190.543
SOFT LANDSCAPE (Total area Sq. Mts 28,000 X JD/sq.mt 23)	USD		45.448	90.896	772.617		908.961
PUBLIC PIAZZA AND GARDEN (Total area Sq.Mts 7,000 X JD/sq.mt 23)	USD		12.336	121.411	93.493		227.240
PARKING LOTS (Total area Sq. Mts 300 X JD/sq. mt 17)	USD		720	6.478			7.198
SPECIAL STRUCTURES and furnishing (Lump sum)	USD		9.880	88.920			98.800
PARKING STRUCTURE (Total parking stall = 270 X JD/parking stall 4,700)	USD		0	179.110	1.611.994		1.791.105
TOTAL COST OF THE WORKS	USD	172.652	1.631.777	530.190	2.858.936		5.193.554
B) ADDITIONAL PROVISIONS							
b1) TECHNICAL EXPENSES							
Detailed design consultancy (8% of A)	USD	13.812	130.542	42.415	228.715		415.484
Construction supervision and management (8% of A)	USD	13.812	130.542	42.415	228.715		415.484
Topographical & archaeological surveys/specialistic investigations (5% of A)	USD	8.633	81.589	26.509	142.947		259.678
b2) CONTINGENCIES (15% of A)	USD	25.898	244.767	79.528	428.840		779.033
TOTAL COST OF THE ADDITIONAL PROVISION	USD	62.155	587.440	190.868	1.029.217		1.869.680
C) PRIVATE BUILDINGS FACADE REHABILITATION	USD		3.529	7.057	59.986		70.572
D) LAND ACQUISITION	USD		564.572				564.572
E) BUILDINGS DEMOLITION	USD		70.572				70.572
F) MARKET STALLS ACQUISITION	USD		98.800				98.800
G) MARKET STALLS DEMOLITION	USD		14.114				14.114
H) CAPACITY BUILDING							
Recruitment of personnel	USD	26.880	26.880	26.880	26.880	26.880	134.400
Training	USD	13.500	6.750				20.250
Municipal Information System	USD	10.000	20.000	10.000			40.000
Technical Assistance	USD	20.000	20.000				40.000
In-kind Assistance	USD	115.000				108.000	223.000
TOTAL COST OF THE CAPACITY BUILDING	USD	185.380	73.630	36.880	26.880	134.880	457.650
FINAL ACTION PROJECT COST (A+B+C+D)	USD	420.186	3.044.433	764.995	3.975.019	134.880	8.339.513

JERASH CRP OVERALL INVESTMENTS COSTS BY ACTION

		Year 1	Year 2	Year 3	Year 4	Year 5	Total
J.01: Upgrading of the street network	USD	234,806	2,113,258	33,074	297,664		2,678,802
J.02 - The landscape restoration of the Wadi area	USD		78,295	791,733	1,331,012		2,201,040
J.03: The East Baths Node	USD		144,107	280,733			424,840
J.04: The reuse of the ex-market place for a new parking structure	USD						
J.04 private component	USD		128,859	257,718	2,190,604		2,577,181
Capacity building	USD	185,380	73,630	36,880	26,880	134,880	457,650
Total	USD	420,186	2,538,148	1,400,138	3,846,160	134,880	8,339,513

JERASH CRP FINANCIAL PLAN

IMPLEMENTATION PERIOD (amounts in US\$)										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Total Financing Required										
Project costs:										
Investments costs	393.306	3.017.553	738.115	3.948.139	108.000	0	0	0	0	0
Recurrent costs	26.880	26.880	26.880	26.880	26.880					
Total project costs	420.186	3.044.433	764.995	3.975.019	134.880	0	0	0	0	0
Interest during construction	0	0	0	0	0	0	0	0	0	0
Total Financing	420.186	3.044.433	764.995	3.975.019	134.880	0	0	0	0	0
Financing										
WB	362.686	2.473.141	571.152	2.331.235	54.000	0	0	0	0	0
Government:										
Central	0	564.572	0	0	0	0	0	0	0	0
Municipalities	57.500	6.720	13.440	20.160	80.880	0	0	0	0	0
Privates	0	0	180.403	1.623.624	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Total Project Financing	420.186	3.044.433	764.995	3.975.019	134.880	0	0	0	0	0
OPERATIONAL PERIOD										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Total Financing Required										
Project costs:										
Investments costs	0	0	0	0	0	0	0	108.000	0	0
Recurrent costs	0	0	0	800	35.800	80.880	99.080	108.880	117.880	117.880
Total project costs	0	0	0	800	35.800	80.880	99.080	216.880	117.880	117.880
Interest during construction	0	0	0	0	0	0	0	0	0	0
Total Financing	0	0	0	800	35.800	80.880	99.080	216.880	117.880	117.880
Financing										
WB	0	0	0	0	0	0	0	0	0	0
Government:										
Central	0	0	0	800	10.600	20.400	30.200	94.000	49.000	49.000
Municipalities	0	0	0	0	0	26.880	26.880	80.880	26.880	26.880
Privates	0	0	0	0	25.200	33.600	42.000	42.000	42.000	42.000
Other	0	0	0	0	0	0	0	0	0	0
Total Project Financing	0	0	0	800	35.800	80.880	99.080	216.880	117.880	117.880