

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

Salt

Financial analysis

Annex 7

JOINT VENTURE OF COTECNO WITH ABT ALCHEMIA CDG MGA

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Table of contents

1.	INTRODUCTION.....	4
1.1	Fiscal Impact.....	4
1.1.1	Public administrations' Incomes.....	4
1.1.2	Public administrations' Expenditures.....	4
2.	SALT CRP OVERALL COSTS AND FINANCIAL PLAN	5
2.1	Financial plan.....	5

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 Salt 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, the new “central square”, 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 action, in the analysis of the whole project only the financial plan has been developed.

1.1 FISCAL IMPACT

The implementation of the Salt 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 analyzed 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 “Up-grading of the street network”.

1.1.2 PUBLIC ADMINISTRATIONS' EXPENDITURES

Over the 5-year implementation period, the Government will have to provide about US\$ 708 thousand in counterpart funds under the Project, with a maximum of US\$ 529 thousand in FY01. This level of investment is less than 0.035 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 85% of the project, the Central Government 10% and the Municipality 3%. Private investors will provide the remaining funds, representing 2% of the total.

The new infrastructures created or rehabilitated by the Project will produce a slight increase in recurrent expenditures, estimated at about 58 thousand US\$ per year.

2. Salt 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 5.5 million US\$, with the main investments being concentrated in the first and second year of implementation (1.3 million US\$ and almost 2.5 million US\$ will be invested in those two years respectively).

As for the single actions, action S.02 – The new “central square” is the most expensive amounting to 2.7 million US\$.

The investment costs of the foreseen PPP action will represent the 2% of the total, amounting to 127,096 US\$.

2.1 FINANCIAL PLAN

The financial plan of the Salt 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 4.6 million US\$ (85% of the total), while the Central Government will finance the land acquisition for almost 529 thousand US\$ (10% of the total). The Municipality will finance the 3% 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 100% of the investment costs envisaged for the PPP action, that account for the 2% 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 42% of the equipment costs envisaged in the eight years and the Central Government will finance the rest.

SALT CRP OVERALL INVESTMENTS COSTS BY ITEM

A) WORKS		Year 1	Year 2	Year 3	Year 4	Year 5	Total
ROAD CONSTRUCTION:							
Type B Al-Dair Str., Oqba ben Nafè Str., Sa'eed Sleeble Street (Total area Sq. Mts 6,650 X JD/sq.mt 16)	USD	15,018	135,159				150,176
UTILITIES UPGRADING (Lump sum from municipal engineer's analyses)	USD	28,370	255,328				283,697
TRAFFIC MANAGEMENT PLAN (lump sum)	USD	4,234	38,109				42,343
hard landscape (Total area Sq. Mts 3,600 X JD/sq.mt 30)	USD		15,243	137,191			152,434
parking lots (Total area Sq. Mts 400 X JD/sq. Mt 17)	USD		960	8,638			9,598
SPECIAL STRUCTURES AND FURNITURES (Lump sum)	USD		21,171	190,543			211,715
NEW BUILDING CONSTRUCTION commercial spaces (Total area Sq. Mts 210 X JD/sq.mt 200)	USD		59,280				59,280
INTERNAL FURNISHING commercial spaces (Total area Sq. Mts 210 X JD/sq.mt 120)	USD			35,568			35,568
TOTAL COST OF THE WORKS	USD	47,622	525,250	371,940			944,811
B) ADDITIONAL PROVISIONS							
b1) TECHNICAL EXPENSES							
Detailed design consultancy (8% of A)	USD	3,810	42,020	29,755			75,585
Construction supervision and management (8% of A)	USD	3,810	40,242	28,688			72,739
Construction site security (3% of new building construction)			1,778	1,067			2,845
Topographical & archaeological surveys/specialistic investigations (5% of A)	USD	2,381	25,077	17,886			45,344
b2) CONTINGENCIES (15% of A)	USD	7,143	78,787	55,791			141,722
TOTAL COST OF THE ADDITIONAL PROVISION	USD	17,144	187,904	133,187			338,235
C) RELOCATION OF EXISTING MUNICIPAL BUILDINGS							
C1) DEMOLITION (Total Volume approx. cubic mts.19,000 X JD/sq.mt 10)	USD	268,172					268,172
C2) LAND ACQUISITION for the bldgs. relocation (Lump sum developed from local market analysis)	USD	529,286					529,286
C3) NEW BUILDING CONSTRUCTION municipal building (Total area approx. Sq. Mts 4,950 X JD/sq.mt 200)	USD		1,397,316				1,397,316
TOTAL COST OF THE RELOCATION	USD	797,458	1,397,316				2,194,774
D) SALT HERITAGE FUND	USD	300,000	300,000	300,000	300,000	300,000	1,500,000
E) 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+E)	USD	1,347,603	2,484,100	842,007	326,880	434,880	5,435,470

SALT CRP OVERALL INVESTMENTS COSTS BY ACTION

		Year 1	Year 2	Year 3	Year 4	Year 5	Total
S.01 - Upgrading of the street network	USD	64,765	582,889				647,654
S.02 – The new “central square”	USD	797,458	1,448,145	457,466			2,703,069
Salt Heritage Fund	USD	300,000	300,000	300,000	300,000	300,000	1,500,000
S.02 private component	USD		79,435	47,661			127,096
Capacity building	USD	185,380	73,630	36,880	26,880	134,880	457,650
Total	USD	1,347,603	2,484,100	842,007	326,880	434,880	5,435,470

SALT 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	1,320,723	2,457,220	815,127	300,000	408,000	0	0	0	0	0
Recurrent costs	26,880	26,880	26,880	26,880	26,880					
Total project costs	1,347,603	2,484,100	842,007	326,880	434,880	0	0	0	0	0
Interest during construction	0	0	0	0	0	0	0	0	0	0
Total Financing	1,347,603	2,484,100	842,007	326,880	434,880	0	0	0	0	0
Financing										
WB	760,817	2,397,944	780,906	306,720	354,000	0	0	0	0	0
Government:										
Central	529,286	0	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	79,435	47,661	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Total Project Financing	1,347,603	2,484,100	842,007	326,880	434,880	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	3,900	20,200	26,500	58,380	58,380	58,380	58,380	58,380
Total project costs	0	0	3,900	20,200	26,500	58,380	58,380	166,380	58,380	58,380
Interest during construction	0	0	0	0	0	0	0	0	0	0
Total Financing	0	0	3,900	20,200	26,500	58,380	58,380	166,380	58,380	58,380
Financing										
WB	0	0	0	0	0	0	0	0	0	0
Government:										
Central	0	0	3,900	17,200	22,500	26,500	26,500	80,500	26,500	26,500
Municipalities	0	0	0	0	0	26,880	26,880	80,880	26,880	26,880
Privates	0	0	0	3,000	4,000	5,000	5,000	5,000	5,000	5,000
Other	0	0	0	0	0	0	0	0	0	0
Total Project Financing	0	0	3,900	20,200	26,500	58,380	58,380	166,380	58,380	58,380