

Technical Cooperation Document

I. Basic Information for TC

▪ Country/Region:	BRAZIL
▪ TC Name:	Brazil Investments Monitor for Sustainability and Innovation at Subnational Level
▪ TC Number:	BR-T1500
▪ Team Leader/Members:	Queiroz Fenyves, Katia (CSD/CCS) Team Leader; Siqueira Moraes, Marcos (VPC/002) Alternate Team Leader; Ana Champloni (CSD/CCS); Brakarz, Barbara (CSD/CCS); Cavazzoni Lima, Rafael (IFD/CMF); Chaparro Garzon, Ana Isabel (ITE/IPS); De Assis Bueno, Fabia Maria (VPC/FMP); Eschoyez, Guillermo Antonio (LEG/SGO); Fioravanti, Reinaldo Daniel (INE/TSP); Gomez, Juan Carlos (CSD/CCS); Maia Ribeiro, Karisa (CSC/CSC); Maria Cristina Mac Dowell (IFD/FMM); Medeiros, Eduardo (CSD/CSD); Milena Marrara (CSC/CBR); Netto De A. C. Schneider, Maria E. (IFD/IFD); Orlando Lima (IFD/CMF); Pereira Dos Santos, Pablo (VPC/002); Salazar, David Agustin (VPC/FMP); Verissimo Da Silva, Carolina (LEG/SGO); Walquiria Campos (CSD/CCS)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	N/A
▪ Date of TC Abstract authorization:	31 Aug 2022.
▪ Beneficiary:	Federative Republic of Brazil, through its Ministry of Development, Industry, Commerce and Services
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	United Kingdom Sustainable Infrastructure Program(SIP)
▪ IDB Funding Requested:	US\$600,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	18 meses
▪ Required start date:	May 2023
▪ Types of consultants:	Consulting Firm (GN-2765), Individual Consultant (AM-650)
▪ Prepared by Unit:	CSD/CCS-Climate Change
▪ Unit of Disbursement Responsibility:	CSC/CBR-Country Office Brazil
▪ TC included in Country Strategy:	Yes
▪ TC included in CPD:	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation; Economic integration; Environmental sustainability

II. Objectives and Justification of the TC

- 2.1 The objective of this technical cooperation operation (TC) is to expand to subnational level the Investments Monitor for Sustainability and Innovation, an infrastructure planning and management tool financed by the Bank to support the Brazilian Federal Government. The Monitor will enhance subnational governments' efforts in the planning, governance, and transparency of infrastructure investments, while integrating sustainability concepts throughout the entire life cycle of infrastructure

projects, from planning to decommissioning. The project will also deliver on enhancement of state governments' institutional capacity to plan and develop a pipeline of infrastructure projects that are: (i) of better quality; (ii) more sustainable (greener, inclusive, equitable, and based on sound governance); (iii) bankable; and (iv) that can more easily attract private investors.

- 2.2 The tool will allow for the determination of criteria to identify, align, prioritize, and present the most relevant information on each state's infrastructure: (i) present status; (ii) expansion plans; (iii) strategies to attract investments; and (iv) progress achieved.
- 2.3 The TC will achieve these objectives by replicating and adapting the existing Investments Monitor for Sustainability and Innovation Platform at the federal level, which presents information on infrastructure projects including: (i) project pipeline and status; (ii) investment gaps; (iii) expansion plans; (iv) investment strategies and infrastructure programs; and (v) progress achieved. The TC also aims to adapt the [Sustainability Methodology of the Investments Monitor](#), a questionnaire based on the IDB's Sustainable Infrastructure Framework, to assess the sustainability of infrastructure projects, in the context of Brazilian subnational entities. Developing these tools for subnational institutions can help to address the infrastructure gap, as well as establish the foundations for a sustainable post-pandemic economic recovery.
- 2.4 The IDB, through a technical cooperation¹ provided support to the former Brazilian Ministry of Economy —now the Ministry of Development, Industry, Commerce and Services (MDIC)— to develop an official digital platform designed for the Federal Government to gather information on infrastructure. This tool, the Investments Monitor, presents a pipeline of projects fed by databases of different relevant agencies, such as the Brazilian Development Bank (BNDES), PPI² and the HUB Latam initiative (ATN/PI-19367-BR – “Strengthening Financial Instruments and Capital Markets for Low Carbon Infrastructure in Brazil”). The Monitor was launched in May 2022 and is hosted by the MDIC, through the Secretariat for Competitiveness and Regulatory Policy.
- 2.5 Through this TC, the Investment Monitor will also be adapted to include the output data of the Infrascope assessment at the subnational level. It will require the adaptation of the methodology developed by IDB and The Economist Intelligence Unit to assess the environment for private participation in infrastructure at the subnational level. The Infrascope index evaluates readiness and capacity by dividing the PPP enabling environment into five components: (i) enabling laws and regulations; (ii) the institutional framework; (iii) operational maturity; (iv) investment and business climate; (v) financing facilities for infrastructure projects.
- 2.6 Infrastructure is one of the essential pillars for a country's development. Investment in infrastructure has a multiplier effect on the economy. Every dollar of infrastructure investment adds about two dollars to the gross domestic product (GDP)³. Investments in its related sectors (such as Transport, Energy, Sanitation, and Telecommunications) promote productivity, augment competitiveness, and create direct and indirect jobs and generate prosperity.

¹ ATN/PI-16991-RG “Integrating the IDB Sustainable Infrastructure Framework into the Planning, Design, Procurement and Financing Process of Infrastructure Assets”.

² The Investment Partnership Program (PPI) created by Law n. 13,334/2016 is currently coordinated by the Special Secretariat of the Investment Partnership Program (SPPI), part of the Civil House of the Presidency of the Republic.

³ BID, 2021. [Oportunidades para un Mayor Crecimiento Sostenible tras la pandemia.](#)

- 2.7 To recover from the effect of the pandemic and improve the quality of life of Brazil's population and its economy, there is an urgent need to accelerate the implementation of investments, particularly, through sustainable investments. There have already been reforms in the infrastructure sector that can further contribute to Brazil's sustainable economic recovery. Regulatory changes have also been made to mobilize private investment, such as tax incentives for infrastructure financing bonds.
- 2.8 Brazil's infrastructure gap is significant. Figure from the G20's Global Infrastructure Hub point to a US\$1.2 trillion infrastructure investment gap in the country by 2040. A significant part of this is at subnational level. The country's investment gap can be addressed through low carbon and resilient infrastructure; with a US\$1.3 trillion green investment opportunity across climate-smart transportation, water and waste management, buildings, and energy efficiency alone⁴. The creation of robust sustainable-aligned pipeline can also attract private sector investors providing the necessary funds for infrastructure projects.
- 2.9 Brazilian subnational entities face multiple challenges in financing infrastructure due to their size, revenues and access to public credit and debt. State infrastructure is funded through a mix of different channels that include tax revenues, transfer from the federal government, specific credit lines and debt issuances, as well as public-private partnerships and concessions⁵. With subnational entities facing fiscal crises their ability to invest has been substantially reduced; currently more than half of Brazilian states have insufficient funds to pay short-term liabilities⁶. In addition, over the last decade the rate of public investment has been decreasing, highlighting the need for private investment.
- 2.10 Avoiding carbon lock-in, creating climate resilience, protecting and enhancing the country's natural capital, and promoting inclusion and equity is of particular relevance. Due to the long-life cycle of infrastructure assets, the policies and investment choices governments make now will determine the growth trajectory for the next few decades.
- 2.11 The population is becoming increasingly vulnerable to the impacts of climate change (from floods, droughts, heat waves, rains storms etc.). The cost of the response to these extreme events has been estimated in US\$34 billion, between 1995 and 2017⁷. Within this context, the construction of climate resilient and sustainable infrastructure becomes even more relevant, as these events impact the continuation (as well as quality and costs) of services provided existing and future infrastructure.
- 2.12 **Need for Subnational Infrastructure Pipeline Management Tools.** The infrastructure pipeline in Brazil is becoming increasingly subnational. IDBs assessments have indicated that there are over 800 subnational infrastructure projects being prepared in sectors such as transport, energy, water and sanitation and social infrastructure. Yet, Information on infrastructure investment and project pipeline is fragmented. The creation of platforms that focuses on data from individual states bringing together information on infrastructure projects will be critical not only to mobilize investments, but to create cohesive indicators and guidelines on public policies that can leverage private sector investment. The integration of information of

⁴ [IDB & CBI 2019.](#)

⁵ [IDB & CBI 2021.](#)

⁶ [IDB, 2021.](#)

⁷ IBID.

subnational infrastructure within the platform will provide greater transparency and be a tool for both policy makers and investors.

- 2.13 This TC is aligned to the country's Nationally Determined Contribution under the Paris Agreement, and with the Federal Government's ambition in attracting investments to infrastructure, the Integrated Long-Term Infrastructure Plan (PILPI), established by Decree No. 10,526, of 2020, with actions planned between 2021 and 2050. The TC is also aligned to the PPI (Investment Partnership Program), by including the portfolio of qualified projects in the Projects Panel of the Investment Monitor.
- 2.14 This TC seeks alignment with the climate actions developed at the state level, and to support the implementation of the Brazilian NDC by facilitating the planning of resilient infrastructure in pursuit of climate goals. For this, the selection of states for pilot projects to adapt the Investment Monitor at the subnational level will prioritize states that have committed to climate action strategies under Race to Zero and Under2Coalition initiatives⁸.
- 2.15 **Strategic alignment.** The TC is aligned with the objective of the Second Update to the Institutional Strategy (IS) 2020-2023 (AB-3190-2) of increasing resource mobilization by aiding government and catalyzing private financing, in building institutional capacity by enhancing government in planning and developing projects. It is also aligned to the IS' cross-cutting theme climate change and sustainability, by supporting the shift to low-carbon and resilient infrastructure by using the IADB's Sustainable Infrastructure Framework⁹ (IDB-TN-01653) as a foundation. It also contributes to the delivery of following objectives of the Brazil Country Strategy 2019-2022 (GN-2973): (i) promote greater economic competitiveness; (ii) increase the role of the private sector by improving business environment, and (iii) facilitate public private investment in infrastructure. The TC is aligned to IDB Group Climate Change Action Plan 2021 - 2025 (GN-2848-9), by mobilizing private-sector investment to meet sustainable financing goals. The TC is also aligned to IDB Disaster Risk Management Policy (GN-2354-5). In addition, this TC is aligned with UK Sustainable Infrastructure Programme's objective to support Brazil (Colombia, Mexico, and Peru) to deliver their NDC.

III. Description of Activities/Components and Budget

- 3.1 **Component 1. Development of the Investments Monitor for Sustainability and Innovation tool at the Subnational Level (US\$300,000).** This component will finance consulting services to support the Federative Republic of Brazil through the MDIC to develop tools to adapt the Investment Monitor to the institutional and regulatory requirements of subnational entities, based on the existing federal platform. This component will deliver tailored monitor tools for at least two states in Brazil to help advance infrastructure planning, prioritization, management, procurement, and accountability to society. The platform will be adapted to organize information regarding infrastructure investment beyond its financial costs, and will incorporate environmental, social, and institutional aspects. Activities will include: (i) assessment of current pipeline, as well as specific tools, platforms, and methodologies used by each state; (ii) development of the platform adapted to the specific states; (iii) proposed mechanisms to enhance the institutional capacity for infrastructure governance and long-term sustainability of the states using the platform; and

⁸ As agreed with the UK Government, financing partner of the UKSIP

⁹ Serebrisky et al. 2018. IDBG Framework for Planning, Preparing, and Financing Sustainable Infrastructure Projects: IDB Sustainable Infrastructure Platform.

(iv) dashboard tool integrated into monitor for business intelligence and georeferenced layering of pipelines of infrastructure projects as an input for planning, prioritization, decision -making and climate risks identification and mitigation.

3.2 The expected outcome of this component is the improved capacity of states to advance sustainable infrastructure planning, prioritization, management, financing, and transparency.

3.3 **Component 2. Sustainability methodology of the Investments Monitor applied to the subnational level (US\$200,000).** This component will finance consulting services to improve sustainability in the planning and structuring of infrastructure projects at the federal and subnational level, by focusing on:

- a. Adaptation of the sustainability methodology to classify infrastructure projects in terms of its sustainability features, to the specific practices, institutions, and regulatory environments of subnational entities. The methodology will also serve to: (i) implement processes of continuous improvement in the infrastructure assets of the states, in all phases of the life cycle, including identification, planning, structuring and preparation, procurement, construction, maintenance and operation as well as decommissioning; and (ii) supporting the development of a pipeline of projects eligible for the issuance of thematic bonds, diversifying the capital structures of projects and facilitating the attraction of private investors. The adapted process will also improve the institutional capacity of government agencies including meetings with experts or workshops for teams from subnational entities on topics related to including sustainability in the infrastructure lifecycle. Activities will include: (i) development of the adjusted methodology at the sub-national level; (ii) inclusion, in the methodology, of additional parameters such as taxonomies linked to sustainability, alignment with Environmental and Social Governance best practices and the Sustainable Development Goals (SDG); (iii) engagement with key government stakeholders, institutions, and experts; (iv) methodology applied¹⁰ to at least five pilot projects and one sector in each state, and six projects and two sectors at the national level; and (v) development of online training courses on the application of the Sustainability Methodology.
- b. Adaptation of the environment assessment methodology for the implementation of Public-Private Partnerships and concessions, originally developed as a partnership between the IDB and The Economist Intelligence Unit (Infrascope), to the subnational level to allow the comparison of the maturity of Brazilian states to attract private investment for infrastructure, especially in terms of incorporating sustainability components into projects. The adaptation includes: (i) assessment of Infrascope scoring criteria and mapping of their applicability to Brazilian subnational jurisdictions; (ii) proposal to adapt the existing criteria, depending on the peculiarities of the sectors, institutional markets, regulatory autonomy, and practices adopted by subnational entities at the state level; (iii) inclusion of specific criteria for the Brazilian state level that preserve the original analysis dimensions of Infrascope, including the dimension referring to the maturity of the processes of incorporation of sustainability factors in infrastructure projects; (iv) conducting a pilot evaluation of the proposed criteria for the subnational level; and (v) integration

¹⁰ States will be prioritized based on their compliance with UK led COP 26 *Race to Zero Campaign*, as well as states that have already handed their Climate Action Plans (Sao Paulo, Minas Gerais, Pernambuco, Pará). Sectors and projects will be defined in coordination with Hub Latam project (ATN/PI-19367-BR).

of the Infrascopes to the Investment Monitor.

- 3.4 The expected outcome of this component is a methodological framework developed for a subnational sustainable infrastructure tool that is integrated with the existing national platform, tailored to each state, and fully applicable to the national sustainable infrastructure framework. Outputs will include: (i) report with improved Sustainability Methodology, adapted for state level projects; (ii) projects evaluated from the perspective of sustainability bonds taxonomy; (iii) training material; and (iv) adapted Infrascopes report, considering sustainability evaluation of state level projects.
- 3.5 **Component 3. Governance and Integration of National and Subnational Monitors (US\$100,000).** This component will deliver consistency between the national and subnational Monitor tools and the sustainability methodology, consolidation of the governance arrangement for continuous application of the Monitor and its integration as a single window for access of information regarding investments at both state and national levels, as well as the development of the necessary in-house capacity for utilization and maintenance of the Monitor in each state and federal government. In this component, alignment between the various actions related to sustainable infrastructure will also be sought. Activities include: (i) capacity building of stakeholders; and (ii) a full-time consultant dedicated to each state —a total of two consultants, who will focus on leading the day-to-day of the project in close contact with the IDB team, managing risks, proposing governance strategy, writing governance and implementation manuals, leading the preparation of final training by other consultancies, keeping the schedule, and piloting the final products.
- 3.6 The expected outcomes are: (i) full integration of state and national level infrastructure investments for improved prioritization, financing and incorporation of climate and sustainability measures into planning and design; and (ii) a methodological framework developed for a subnational sustainable infrastructure tool that is integrated with the national platform.
- 3.7 The total cost of the present operation is US\$600,000, which will be financed with resources from the United Kingdom Sustainable Infrastructure Program (SIP). No local counterpart is contemplated.

Indicative Budget (US\$)

Activity/Component Description	IDB/Fund	Total
Component 1. Investments Monitor for Sustainability and Innovation tool at the Subnational Level.	300,000	300,000
Component 2. Sustainability methodology of the Investments Monitor applied to the subnational level.	200,000	200,000
Component 3. Governance and Integration of National and Subnational Monitors.	100,000	100,000
Total	600,000	600,000

IV. Executing Agency and Execution Structure

- 4.1 At the request of the beneficiary and in accordance with Appendix 10 of the Operational Guidelines for Technical Cooperation Products (GN-2629-1), the Bank will be the Executing Agency due to the Bank's experience in the preparation and development of the operational and technical instruments proposed for this type of operation and its knowledge of the scope of work. The IDB Country Office in Brazil (CSC/CBR) will function as the Disbursement Responsibility Unit (UDR) and will be in charge of the procurement processes, which will ensure that the acquisitions carried out within the framework of the TC are timely and foreseen in the execution time.

- 4.2 The activities to be executed under this operation have been included in the Procurement Plan (Annex IV) and will be executed in accordance with the Bank's established procurement methods, namely: (i) Procurement of individual consultants, as established under AM-650; (ii) Procurement of consulting firms for services of an intellectual nature under GN-2765-4 and its associated Operational Guidelines (OP-1155-4); and (iii) Procurement of logistical and other non-consulting services, in accordance with policy GN-2303-28.
- 4.3 Bank staff is expected to provide expertise in component activities to ensure timely dialogue and coordination of implementation between the Bank and the beneficiaries. TC resources will not be used to cover the costs of Bank personnel for the execution of the project.
- 4.4 The activities financed with the TC will be executed in coordination with the beneficiary and/or public entities designated by the beneficiary.
- 4.5 The timeframe for disbursements and execution of the TC is estimated at 18 months.
- 4.6 The TC does not present fiduciary management risks since it will be executed by the Bank. For the same reason, no financial audit is required. For more information on planned procurement, please refer to the procurement plan.
- 4.7 At the request of the beneficiary or of any of the Brazilian subnational states that are supported by the present TC, contractual agreements may be executed to license or transfer the intellectual property of the products developed within the scope of this TC.
- 4.8 The non-objection letter from the MDIC has been included in the annexes section below. A non-objection letter from the Brazilian Cooperation Agency (ABC), which will be included in the same section, is expected to be received before the start of the execution of the TCs activities.

V. Major Issues

- 5.1 The risks of the project are medium and are related to potential changes from the new government priorities regarding sustainable infrastructure. In addition, there may be lower risks on deploying innovative financing mechanisms. These risks will be mitigated throughout the project and close engagement with technical and high-level government officials and will be closely monitored through the Climate Change and Sustainability specialist.

VI. Exceptions to Bank policy

- 6.1 There are no exceptions to the Bank's policies in this operation.

VII. Environmental and Social Strategy

- 7.1 In accordance with the Environmental and Safeguards Compliance Policy (OP-703), this TC has also been classified as category "C". The terms of reference of the studies to be financed will include environmental and social aspects of the projects in accordance with the Bank's Policies. See Safeguards Analysis Form and Safeguards Policy Filter.

Required Annexes

[Request from the Client - BR-T1500](#)

[Results Matrix - BR-T1500](#)

[Terms of Reference - BR-T1500](#)

[Procurement Plan - BR-T1500](#)