**Technical Cooperation**

Brazil Infrastructure Project Preparation Fund Second Contribution

(BR-1256)

1. **Basic project data**

* Country/Region: Brazil
* TC Name: Brazil Infrastructure Project Preparation Fund Second Contribution
* TC Number: BR-T1256
* Team Leader/Members: Gaston Astesiano (INE/INE)
* Indicate if: client support
* If Operational Support, TC give number and name of Operation Supported by the TC:
* Reference to Request[[1]](#footnote-1): (IDB docs #)
* Date of TC Abstract: 10/23/2012
* Beneficiary: Ministry of Planning, Budget and Management of Brazil and Infrastructure State and Local Agencies.
* Executing Agency and contact name: Brazil PSP Development Fund, Paulo de Meira Lins, Investment Officer.
* IDB Funding Requested: InfraFund
* Local counterpart funding, if any: US$1 Million from BNDES
* Disbursement period (which includes execution period): 12 months
* Required start date: March 12, 2012
* Types of consultants (firm or individual consultants): N/A
* Prepared by Unit: INE/INE
* Unit of Disbursement Responsibility : INE/INE
* Included in Country Strategy (y/n); TC included in CPD (y/n):
* GCI-9 Sector Priority: Infrastructure for competitiveness and social welfare

1. **Objective and Justification**

The goal of this TC is to finance, jointly with the International Finance Corporation of the World Bank (IFC) and the *Banco Nacional de Desenvolvimento Econômico y Social* (BNDES) the Brazilian Infrastructure Development Fund (Fund). The Fund has been created by the IFC, BNDES and the Bank, with an initial contribution of US$ 1 million each by the IFC and the IADB and US$ 1.9 million by the BNDS. IFC and IADB commit to contribute up to US$ 3 Million each, and the BNDES up to US$5.9 Million. This operation is the second phase of financing of the Brazil PSP, BNDES and the IFC have already completed their second financing by contributing US$ 1 Million BNDES totaling US$2.9 Million and US$0.912 Million totaling US$1.912 Million.

The Brazil Infrastructure Development Fund has as main goal to finance preparatory activities and studies for infrastructure projects, therefore this operation is consistent with paragraph 1.4a.i. of the Infrastructure Project Preparation Fund, which set as eligible activities: “Preparatory activities for investment transactions in infrastructure, . . . and project identification activities not related to specific projects.” One the most attractive features of a project such as the Fund steams from the large leverage effect that the Bank participation will generate. For each dollar of Bank’s funding, almost four additional dollars will be brought into the financing of preparation of new infrastructure projects.

1. **Description of activities**

The Fund’s objective is to promote the development of concessions and public-private partnership projects (“PPPs”) in Brazil by financing project preparation. The Fund would: (i) select eligible projects, following a methodology to be agreed upon with Brazilian authorities, (ii) identify the studies and technical work required to structure the projects so that they could be offered to the private sector for investment; (iii) select and hire consultants to provide the required services; (iv) manage the delivery of consulting services; and (v) pay for the cost of such services.

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| **Project** | **Year of Fin. Closure** | **Brief Description** | **Private Sector Investment Mobilized** | **Benefited Population**  **People Per Year** | **Main Features** |
| BR 116/324 | 2009 | *Transportation*: ROT of 680 km of roads linking the NE and SE of Brazil | US$ 615 million | 912,500 | The project’s contractual structure based on performance influenced the model used for seven road concessions in Brazil (totaling over 2,600 km). |
| BA 093 | 2010 | Transportation: ROT of 126 km of roads | US$ 95 million | 2,500,000 | * 1st concession structured for a network of roads surrounding the metropolitan area of a city; * 1st road concession in Brazil in which the contract requires the compliance of Equator Principles. |
| Hospital do Subúrbio | 2010 | Healthcare: full PPP of a 298-bed emergency hospital | US$ 50 million | 400,000 | 1st Health PPP in Brazil, being the pioneer of several other health PPPs in the country. |
| BH Primary Care | 2011 | Healthcare: PFI of 147 primary care units in the municipality of Belo Horizonte | US$ 220 million | 1,700,000 | 1st PPP involving Primary Care Units in Brazil. |
| BH Schools | 2012 (expected) | Education: PFI of 32 kindergartens and 5 elementary schools | US$ 100 million | 18,000 | 1st Education PPP in Brazil. |
| **TOTAL** |  |  | **US$ 1.08 billion** | **5,530,500** |  |

1. **Budget**

The founder Donors of the Fund; BNDES, IFC and the Bank, agreed that the capital of the Fund would be of US$11.9 million. IFC and the Bank committed up to US$3 million each, with an initial contribution of US$ 1 million. The BNDES committed up to US$ 5.9 million, with an initial contribution of US$1.9 Million. The Fund has a life span of ten years. Upon liquidation, the assets of the Fund will be prorated among donors.

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| **Donor** | **Initial Contribution** | **Max Contribution** |
| IADB | US$ 1 Million | US$ 3 Million |
| IFC | US$ 1 Million | US$ 3 Million |
| BNDES | US$ 1.9 Million | US$ 5.9 Million |
| Total | US$ 3.9 Million | US$ 11.9 Million |

This second contribution of the Bank will be of was US$ 1 Million. BNDES and the IFC have already completed their second financing by contributing US$ 1.05 Million BNDES totaling US$2.9 Million and US$0.915 Million totaling US$1.915 Million.

**Indicative Budget**

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| **Activity/Component** | **Description** | **IDB/Fund Funding** | **Counterpart Funding** | **Total Funding** |
| Second Contribution to the PSP Fund | Support the development of concessions and public-private partnership projects (“PPPs”) in Brazil by financing project preparation | US$ 1 Million | US$ 1.92 Million | US$ 2.92 Million |

1. **Executing agency and execution structure**

The Fund is managed by the Private Sector Advisory Services Department of the IFC. Since its incorporation the fund has been managed in an efficient, flexible and transparent manner, without conflict of interests, and it is done in accordance with the preferences of many instances of Brazilian authorities (i.e., Fund’s clients).

The governing by-laws of the Fund include provisions to assure Donors that key decisions made by management of the Fund are subject to previous approval by the Board of Donors, each Donor has a representative in the Board of Donors of the Fund, see Annex.

1. **Project Risks and issues**

Not important risk or issues are foreseen in the implementation of the project, the Fund has been created for more than 3 years and have collaborated with 5 projects and have a pipeline of another 5 projects what will consume the majority of the undisbursed balance and the second contribution of the Bank in the next 2 years. In this way, the Fund will continue assisting Brazilian authorities in promoting PPPs in its infrastructure sector, through financing the preparation of attractive and relevant projects to be offered to the private sector.

1. **Environmental and Social Classification**

The proposed TC will have no environmental or social impacts as it will not finance direct investment in infrastructure, but instead it will finance feasibility studies in the sector, which will include technical economic, legal and environmental and social studies. In general, the projects to be supported by this operation may be for a traditional infrastructure sector, as it can be seen from the current portfolio of the Fund comprehending the roads, ports, airports and more innovative areas like health and education infrastructure. The terms of reference of the studies to be financed by the Fund will include environmental and social aspects of the projects in accordance with Bank Policies.

1. A copy of the Letter of Request, Programming/Portfolio Review Mission Aide Memoire or Report requesting the TC should be submitted with the Abstract. [↑](#footnote-ref-1)