

TC Document

I. Basic Information for TC

▪ Country/Region:	BRAZIL
▪ TC Name:	Strengthening the institutional network of development finance institutions in Brazil for a digital, inclusive, diverse, and sustainable recovery.
▪ TC Number:	BR-T1486
▪ Team Leader/Members:	Schweizer, Luciano (IFD/CMF) Team Leader; Cavazzoni Lima, Rafael (IFD/CMF) Alternate Team Leader; Azar Barros, Karina (IFD/CMF); Bernedo, Cecilia (IFD/CMF); Da Rosa Fernandes, Leonardo (CSC/CDR); Eschoyez, Guillermo Antonio (LEG/SGO); Netto De A. C. Schneider, Maria E. (IFD/CMF); Pereira Porto, Rodrigo (IFD/CMF); Sierra Gonzalez, Eduardo (IFD/CMF); Us Alvarez, Hugo Amador (SCL/GDI)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	N.A.
▪ Date of TC Abstract authorization:	30 Jun 2021.
▪ Beneficiary:	Brazilian Association of Development (ABDE)
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC Strategic Development Program for Institutions(INS)
▪ IDB Funding Requested:	US\$150,000.00
▪ Local counterpart funding, if any:	US\$30,000.00 (In-Kind)
▪ Disbursement period (which includes Execution period):	30 months (Execution period: 24 months)
▪ Required start date:	November, 2021
▪ Types of consultants:	Firms and individual consultants
▪ Prepared by Unit:	IFD/CMF-Connectivity Markets and Finance Division
▪ Unit of Disbursement Responsibility:	IFD/CMF-Connectivity Markets and Finance Division
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Social inclusion and equality; Productivity and innovation; Institutional capacity and rule of law

II. Objectives and Justification of the TC

2.1 The Brazilian Association of Development (ABDE) and the Inter-American Development Bank (IDB) have a relevant history of cooperation for the Brazilian development agenda since 2012. This partnership has been supported in several areas, such as infrastructure investment, socio-environmental sustainability, regulatory aspects toward development financing, among others with a focus on modernizing the public financial sector towards its development goals. Such partnerships have contributed not only to strengthen the role of ABDE, and, consequently, its institutional network of members that constitute the National Development System (SNF), encompassing national and subnational Development Financial Institutions (DFI), credit cooperatives and other technical and financial support entities, such as the Brazilian Micro and Small Business Support Service (SEBRAE).

- 2.2 The joint action between ABDE and IDB has consolidated successful collaborative initiatives of great relevance and scope, such as the Financial Innovation Laboratory (Lab), and also it has allowed the support for operations and activities in several areas: institutional capacity of DFI; subnational public sector modernization; investments in infrastructure, including Public-Private Partnerships (PPP); innovative financial instruments; social and environmental sustainability; regulatory aspects of development financing, among other strategic agendas. Indeed, SNF knowledge regarding coordination of public policies and monitoring of local needs and sector specificities have been key elements in the devise of supporting initiatives, whether at the federal or subnational level.
- 2.3 The severity of the COVID-19 pandemic and countercyclical measures adopted by Brazilian authorities to mitigate its effects on public health and the economy have generated an unprecedented disruptive aftermath in the Brazilian economy. Several shock waves occurred simultaneously through different transmission channels, both on the supply and demand sides, deteriorating the domestic market. Labor supply and demand fell, affecting wages, employment, and corporate revenues. Investments also declined in response to the lower demand for products and services, especially due to the deterioration of business expectations.
- 2.4 Since the onset of the crisis, the SNF has presented itself as a relevant instrument for resource mobilization and countercyclical action. In the first months of the crisis, DFI played a key role ensuring that liquidity resources reached out different sectors of society and the economy, either by direct financing or through risk mitigation instruments.
- 2.5 Notwithstanding, this new panorama also carries out fiscal challenges for the public sector and upsurge of the crisis resulting from COVID-19 over the business and social fabric in Brazil. Such scenario requires design of interventions and programs that go beyond short-term emergency needs, but also encompassing digital, inclusive, diverse, and sustainable recovery. For SNF, the challenge lays on reconciling emergency needs and the implementation of a coordinated agenda for long-term financial resources mobilization aimed at promoting investment, especially by private capital, with a focus on the common objectives of the IDB strategy and public policy.
- 2.6 ABDE is currently working on its strategic plan for the following years. It aims at concentrating efforts toward strategical initiatives aligned to the Agenda 2030 and the Sustainable Development Goals. It means reaching out to an enabling DFI's business environment that seeks to promote financial and social inclusion, jobs creation and enhancing productivity by innovation and digitalization, as well as climate change mitigation and adaptation actions.
- 2.7 For that reason, ABDE and its network are called to provide a new strategic perspective vis-à-vis the institutions they represent, seeking to support SNF to assess short and long-term needs and stimulate opportunities for repositioning. Therefore, technical cooperation from the IDB is required to support ABDE's institutional processes and its associated network to enhance their development agenda and coordinate, more efficiently, ideas, solutions, and knowledge¹.

¹ This process will be accompanied by ABDE Sustainable Development Plan (ABDE-SD Plan) under preparation, is expected to be rolled out 2022 first quarter. This TC and the ABDE-SD Plan are coordinated since both design phase.

- 2.8 **Lessons learned.** As a "client support" initiative, activities under the scope of this Technical Cooperation (TC) should seek to disseminate knowledge and transparency in relation to the objectives and results of the actions to be built and implemented. Furthermore, cooperation should seek to integrate ABDE with the sectoral dialogue instruments already in place and supported by the IDB, particularly the Lab initiative. Such strategy tends to facilitate dissemination of recommendations, principles and tools to enable a better investment environment, including management of risks and opportunities that will arise from this agenda, as revealed in other technical cooperation provided by the IDB, like the TC for LAC Green Finance Program to Mobilize Private Investment in Mitigation Actions and Low-Carbon and Sustainable Business Models through National Development Banks ([ATN/CF-15571-RG](#)). At this regard, and whenever possible, activities will associate socio-environmental guidelines in this context, with a view for an economic recovery on a sustainable basis.
- 2.9 **Alignment.** In this context, this TC is consistent with the Second Update of the Bank's Institutional Strategy (AB-3190-2); particularly, it is aligned with the challenges of: (i) Social Inclusion and Equality, through positive effect of potential public financial and technical support to Micro, Small, and Medium-sized Enterprises (MSMEs) and employment, by new operations, as well as by including the gender perspective in trainings and in tools developed for operational support; and (ii) Productivity and Innovation, through supporting the policies and initiatives design and implementation of ABDE's institutional network through improvement of operational technologies, such as databases structuring, and dissemination of methodologies to promote projects, in line with IFD policies and action plans. Such initiatives aim at providing more productivity by incorporating digital solutions and socio-environmental guidelines in this context, with a view for an economic recovery on a sustainable basis. The TC is also aligned with the cross-cutting theme of Institutional Capacity and Rule of Law, by improving the institutional capacity of the public sector, since the final objective of the program is to support ABDE and its SNF network with the development of capacities and methodologies for action in the face of future challenges of economic recovery, resilience of the productive sector and promotion of sustainable development, including monitoring and analysis of impacts arising from the actions taken by the associates (DFI). Likewise, the TC is aligned to the pillars of IDB Vision 2025 (AB-3266) especially in relation to mobilization, private sector participation, and the digital agenda. Additionally, it is also aligned with Country Strategy with Brazil 2019-2022 (document GN-2973) in three of the following strategic objectives: (i) Promote greater economic competitiveness, particularly through MSME finance; (ii) Increase the role of the private sector by improving the quality of the business environment, by fostering investments in infrastructure through PPPs and other project finance structures for the regional development, for instance; and (iii) Perfect the public investment system, by creating incentives to NDBs to mobilize private resources to promote public investments in line with public policy goals, even in the face of fiscal constraints. In addition, the activities proposed in this TC contribute to strengthening the capacities of public sector and DFI in Brazil toward inclusive and sustainable economic recovery, meeting the needs of different economic sectors, regions, and segments of the Brazilian society. Therefore, this TC is aligned with the priorities of the Strategic Program for the Development of Institutions financed with Ordinary Capital, related to contributing to: (i) improving the quality of institutions and policies; (ii) improving the quality of services delivery and policy implementation by the public sector; and (iii) technological innovation to improve the quality of institutions and policies (GN-2819-1).

- 2.10 **Objective.** The objective of this TC is to strengthen the ABDE and its network capabilities and methodologies for action to promote in better conditions the financing needs of MSMEs, sustainable regional development, and digital inclusion projects, among other strategic Brazilian policy axes that promote the Country economic, inclusive, and sustainable recovery. This TC should also support monitoring and assessment of impacts of those policies through a knowledge agenda to promote more transparency in relation to the objectives and results of the actions adopted.
- 2.11 **Beneficiaries.** ABDE is the direct beneficiary of the activities to be provided under this TC. However, all DFI that are part of ABDE's network may be eligible to receive technical assistance accordingly - SNF. This system network includes national and subnational DFI, besides other research and public services entities, like SEBRAE. The scope and nature of projects to be undertaken may vary according to the SNF entity to be involved on the programs lead by the IDB and ABDE.
- 2.12 **Outcome.** This TC should indicate priorities and support relevant IDB operations with ABDE's network of public financial agents in Brazil, particularly by mobilizing and allocating resources more efficiently in the country. It is expected to generate greater institutional and operational capacity for digital recovery, inclusive, diverse, and sustainable development in the country, which can support new operations in areas such as MSME finance (including the perspective of gender inclusion), investments in infrastructure through PPPs and other project finance structures for the regional development, considering social and environmental sustainability.
- 2.13 **Value added.** The IDB can offer contributions to further strengthen the institutional role of the ABDE and its network, in the face of new challenges stemmed from economic crisis and the COVID-19 pandemic. Financial and technical support are required to provide training activities, studies and surveys, development of operational methodologies and database, knowledge-sharing events organization, and other technical assistance initiatives to support projects on priorities areas set out by the IDB and ABDE.

III. **Description of activities/components and budget (estimated length: 1-2 pages)**

- 3.1 This TC provides consultancy and other services for ABDE, reaching out its member network to develop training and operational technology in accordance with the objectives and expected results mentioned above. This TC addresses the following interrelated components: (i) a knowledge support and capacity building program within ABDE's network; (ii) operational solutions development program; and (iii) institutional dialogue strengthening program.
- 3.2 **Component 1: Knowledge support and capacity building program.** This component will support development of a knowledge agenda and capacity building to favor ABDE and its associates' planning and decision-making process. The knowledge agenda implies carrying out studies and research that help guiding joint strategic actions between ABDE and IDB, supporting SNF members in the face of future challenges of economic recovery, resilience of the productive sector and promotion of sustainable development, including monitoring and analysis of impacts arising from the actions taken by the associates. The proposal for studies on the regulatory environment for development finance can also be covered in this component. The capacity-building agenda includes support for training activities in ABDE's institutional network, which will either incorporate gender and diversity related topics and its relationship with credit access, or mainstreaming gender considerations in the training delivery methodologies.

- 3.3 **Component 2: Operational solutions development program.** This component will include consultancy to support policies and initiatives design and implementation of ABDE's institutional network through improvement of operational technologies, such as databases structuring, and dissemination of methodologies to support projects, in line with IFD policies and action plans. The tools designed will integrate, when possible, aspects to gather inputs and insights on gender considerations (for example, if the tools inquire on sectors, then link those sectors with women's MSMEs in an economic recovery setting).
- 3.4 **Component 3: Institutional dialogue strengthening program.** This component will support mechanisms to expand dialogue among ABDE, its associates and other interested parties, to develop a strategic agenda of broad knowledge and common interests with other actors, such as the public sector. The component benefits from the agendas of Components 1 and 2 to support ABDE's engagement in forums and several working groups in Lab initiative, as well as to provide support for organization and promotion of events to convene partners and experts that contribute to strengthening of institutional role of SNF in the digital, inclusive, diverse, and sustainable recovery process.
- 3.5 **Scope.** The Bank, through the Division of Connectivity, Markets and Finances (IFD/CMF), expects to work in direct cooperation with ABDE and indirectly with its network of DFI for implementation of programs within components mentioned above.
- 3.6 **Budget.** The total cost of this TC will be US\$150,000, which will be financed by the OC Fund for Strategic Program for Institutional Development (INS). The project team expects that consultancy services will provide the support envisioned by the proposed technical assistance to ABDE, which may encompass some of their associates, according to Component 2. ABDE will provide in-kind counterpart resources, including staff time, facilities for meetings, and events for an equivalent of 20% of the services received.

Indicative Budget

Activity/ Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
1	Knowledge support and capacity building program.	45,000	9,000	54,000
2	Operational solutions development program	75,000	15,000	90,000
3	Institutional dialogue strengthening program	30,000	6,000	36,000
	TOTAL	150,000	30,000	180,000

IV. Executing agency and execution structure

- 4.1 This TC will be carried out by the IDB². It justifies thought IDB experience in the sector to execute similar TC, and the possibility of adding lessons learned from other similar projects implemented by the Bank in LAC. However, the CT will be executed close in coordination with ABDE, who is the beneficiary of the TC. Additionally, being the executing agency will not create an excessive administrative burden or undue risks for

² Please see: [letter from ABDE requesting the Bank to be the executing agency of this TC](#).

the Bank, but otherwise will create broader opportunities to make more effective the collaboration between IDB's team and ABDE's network.

- 4.2 ABDE is a traditional partner with which IFD/CMF has maintained a strategic and technical partnership since 2012, from which it was beneficiary in three TCs successfully concluded ([ATN/KR-14637-BR](#), [ATN/OC-16244-BR](#) and [ATN/CF-15571-RG](#)). Since then, it has been a key ally in facilitating and making the communication and training of the main current and potential IFD/CMF clients more effective, as well as a key partner in successful initiatives such as ABDE-IDB Monographies Award and Lab, among others. Within the scope of the Global Credit Program to combat COVID-19 pandemic effects, the IDB's partnership with ABDE has facilitated coordination to obtain information and data required for setting up preparatory documents for financial assistance, as well as fostering dialogue with IDB Invest and IDB Lab.
- 4.3 IDB execution would be carried out in accordance with the Procedures for the Processing of Technical Cooperation Operations and Related Matters (OP-619-4) and its Annex II as a Client Support TC. All activities to be executed under this TC will be included in the Procurement Plan and will be contracted in accordance with Bank policies as follows: (i) AM-650 for Individual consultants; (ii) GN-2765-1 and Guidelines OP-1155-4 for Consulting Firms for services of an intellectual nature; and (iii) GN-2303-28 for logistics, events, and other related services.
- 4.4 The IDB, as the executing agency, will be responsible for approving the knowledge products of the different consultancies of the operation. In this regard, if the Bank requests beneficiaries' technical validation for the approval of a product of this TC, it may do so without prejudice of the Bank's final decision on any matter related to any such product.
- 4.5 **Execution structure.** IFD/CMF will coordinate discussion between ABDE and its associates on the thematic axes to be defined for the IFD/CMF's programmatic action agenda aimed at economic recovery and in line with ABDE Sustainable Development Plan. Cooperation should ensure greater organization in multiple areas involving ABDE and avoid delays in the implementation of support initiatives for institutional capacity building. Given that ABDE is an association, established under private law, no legal or procedural constraints are expected to occur, being ABDE board of directors the maximum instance of decision.

V. Major issues (estimated length: 1 page)

- 5.1 As a "client support" initiative that aims to reaching out ABDE's network, there is a minor risk that some DFI members may not require specific technical support from the Association, or from particular projects connected to this TC, particularly in relation to Component 2. Such circumstance might undermine some specific goals. Nevertheless, that would be an unlikely situation due to ABDE's ongoing leadership role and the growing need of support given the upsurge of Covid effects over economy. Moreover, the TC's knowledge agenda should emphasize the role and importance of proposed activities as a value-added initiative for DFIs in general.

VI. Exceptions to Bank policy

- 6.1 The present TC does not contemplate any exception to the Bank policies.

VII. Environmental and Social Strategy

- 7.1 It is expected that this TC will generate no negative social-environmental impacts. Consequently, it is expected that this project be classified in Category "C", which

means that environmental and social analyses are not necessary (see links: [Safeguard Policy Filter Report \(SPF\)](#) and [Safeguard Screening Form \(SSF\)](#)).

Required Annexes:

[Request from the Client - BR-T1486](#)

[Results Matrix - BR-T1486](#)

[Terms of Reference - BR-T1486](#)

[Procurement Plan - BR-T1486](#)