**TC DOCUMENT**

1. **Basic Information for TC**

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| --- | --- |
| * Country/Region: | COLOMBIA |
| * TC Name: | Sustainable infrastructure standards and green finance for transport PPPs in Colombia |
| * TC Number: | CO-T1681 |
| * Team Leader/Members: | Sandoval, Jose Manuel (CSD/CCS) Team Leader; Ariza Donado, Natalia (INE/TSP) Alternate Team Leader; Suarez Aleman, Ancor (VPC/002) Alternate Team Leader; Acevedo Calle, Daniela (LEG/SGO); Alvarez Pagliuca, Claudia Patricia (VPC/002); Fanny Bertossi (INE/TSP); Gomez, Juan Carlos (CSD/CCS); Irigoyen, Jose Luis (INE/ENE); Juan Francisco Martinez (CSD/CCS); Luis Restrepo (IFD/CMF); Margarita Jimenez (CSD/CCS); Martinez Alvarez, Juan (IFD/CMF); Nayeli Mayorga (INE/ENE); Patricia Gutierrez Mesones (CSD/CCS); Sara Carias (CSD/CCS); Siqueira Moraes, Marcos (VPC/002); Ayala Roa, Mauricio; Gonzalez Martinez, Julian (BID Invest) |
| * Taxonomy: | Client Support |
| * Operation Supported by the TC: | N/A |
| * Date of TC Abstract authorization: | 06 Jul 2022. |
| * Beneficiary: | Agencia Nacional de Infraestructura –ANI- |
| * 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): | 23 months |
| * Required start date: | January, 2023 |
| * Types of consultants: | Firms; consultants |
| * Prepared by Unit: | CSD/CCS-Climate Change |
| * Unit of Disbursement Responsibility: | CAN/CCO-Country Office Colombia |
| * TC included in Country Strategy: | Yes |
| * TC included in CPD: | Yes |
| * Alignment to the Update to the Institutional Strategy 2010-2020: | Environmental sustainability; Institutional capacity and rule of law; Social inclusion and equality |

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**II.** **Objective and Justification**

* 1. The objective of this non-reimbursable technical cooperation (TC) is to support the National Infrastructure Agency (ANI) and the Government of Colombia (GoC) in their efforts to promote sustainable infrastructure standards in the private-public partnerships (PPP) project portfolio, with an emphasis on climate change mitigation measures, and to facilitate green finance schemes that incentivize private investments for the development of sustainable infrastructure in Colombia´s transport sector.
  2. The transport sector has been identified as a key sector for Climate Change (CC) policy because: (i) it has a great opportunity to implement mitigation measures to reduce Greenhouse Gas (GHG) emissions, and; (ii) its infrastructure can be highly affected by negative climate impacts urging the need for building resilience through adaptation measures. Several policy documents identify the transport sector as a source of GHG mitigation, such as, the Climate Change National Policy (2017), the Country’s National Determined Contribution (NDC), and the Decarbonization Long-Term Strategy (E2050). According to these sources, the transport sector is the third sector with higher GHG emissions, responsible for 12% of the total emission of the country (2018), following deforestation and cattle ranching activities. The freight transport sector accounts for 29,31 Tn CO2 annually. The transport sector is also responsible for 78% of air-polluting emissions, mostly from road transportation (91%). According to the NDC, Colombia aims to reduce its GHG emissions by 51% by 2030, including mitigation measures compromised by the transport sector.
  3. At the same time, transportation faces many challenges to ensure sustainability and resilience as it is highly [vulnerable to the effects of CC, such as floods, hurricanes, the rise of sea level,](https://publications.iadb.org/es/publicacion/15459/impactos-economicos-del-cambio-climatico-en-colombia-sector-transporte) and major soil erosions, which requires the implementation of adaptation measures. The country estimates that annual losses due to landslides on roads could represent more than 130,000 million COP according to the [Long-term Climate Strategy (E2050)](https://unfccc.int/sites/default/files/resource/COL_LTS_Nov2021.pdf). Studies have been carried out to quantify the negative impacts CC may impose on the economy, using the data of impacts during the *La Niña* phenomenon in 2010-2011 and Institute of Hydrology, Meteorology and Environmental Studies (IDEAM) future climate scenarios. [DNP, IDB, and ECLAC](https://publications.iadb.org/es/publicacion/13867/impactos-economicos-del-cambio-climatico-en-colombia) estimated that between 2011 and 2100, there would be an average annual loss of Gross Domestic Product (GDP) of 0.49%, because of climate change, being transportation infrastructure highly affected.
  4. To this end, Colombia has made progress in promoting sustainable infrastructure in the transport sector, however, additional efforts need to be made to have sufficient enabling conditions and strong capacity in the governmental agencies’ sector to move forward in the implementation of concrete and high-impact projects. In 2021, the country issued the Sustainable Infrastructure Policy (SIP) ([CONPES 4060](https://colaboracion.dnp.gov.co/CDT/Conpes/Econ%C3%B3micos/4060.pdf)) for the development of projects under the 5th Generation of public-private concession models (PPP) which recognizes advances in the establishment of regulations which fostered the project's strengthening in their structuring process by adding cost-benefit analysis, value for money and high technical standards. At the same time, the new policy warns about incipient interventions for adaptation to climate change, few incentives for the incorporation of sustainability and green infrastructure criteria, and a low orientation towards compensation for social and environmental damage in the projects, among other gaps. Finally, CONPES 4060 introduces intermodal transport infrastructure for the first time to the PPP model by promoting rail and water transport, due to their potential in reducing costs and GHG emissions. Indeed, we estimate that moving cargo through river and rail modes could reduce emissions by [62% and 33% per ton transported respectively.](https://www.mintransporte.gov.co/publicaciones/10381/intermodalidad-transicion-energetica-y-movilidad-sostenible-las-tres-grandes-acciones-del-sector-transporte-en-cop26/) Recognizing this high potential, the country prepared in 2021, with the support of the IDB, the Railway Master Plan for the reactivation and promotion of rail transport, which has also been prioritized by the current administration, and the government is currently updating the Fluvial and Intermodal Transport Master Plans.
  5. The SIP specifically points out three main barriers to be addressed by this TC:

1. **Shortfall in the institutional governance,** as the country lacks an appropriate corporative governance mechanism, the institutional coordination at the operation level is low and project monitoring systems need to be improved with technical instruments. In 2018, almost 50% of the projects presented delays associated with lack of coordination mechanisms among different agencies ([DNP, 2021:27](https://colaboracion.dnp.gov.co/CDT/Conpes/Econ%C3%B3micos/4060.pdf)).
2. **Lack of alternative financing mechanisms**. Financial markets and domestic capital are insufficient to finance all the projects identified under the country’s transport infrastructure long-term roadmap (Intermodal Transportation Master Plan). As an example, the recent increase of the future national budget appropriations of up to 0,5% GDP (average) allowed by the Ministry of finance for 2021-2051, will not cover all projects.
3. **Lack of a cross-cutting climate change approach** to fulfill the country’s commitments under the Paris Agreement and the Sustainable Development Goals, as well as to prevent the effects of catastrophic climate change events by including resilient designs which may include innovation in material and maintenance under a framework of green infrastructure. Floodings caused by *La Niña* phenomenon in 2010-2011 caused damage to over [1.600 km of route infrastructure](https://repositorio.cepal.org/handle/11362/37958).
   1. As per the experience from ANI all these barriers caused serious damage to the development of the projects including execution delays, cost overruns, and difficulties to give financial closure to the projects. There is a need to further develop tools, methodologies, and regulations to ensure: (i) the governance mechanism is strengthened; (ii) social and environmental sustainability criteria are appropriately incorporated in the project cycle of the transport PPP and; (iii) promote a continuous dialogue between the infrastructure developers, financiers, and the government entities towards the capabilities, of implementing a sustainability-focused strategy within the present and future projects of the ANI.
   2. The Inter-American Development Bank (IDB) in conjunction with the United Kingdom Sustainable Infrastructure Program (UKSIP), has supported the GoC since 2019 to promote sustainable low-carbon infrastructure. To continue with this support, a High-Level Dialogue on June 9th, 2021, was an important milestone in developing a new UKSIP technical assistance for Colombia. The GoC, represented by several agencies including the Ministry of Transportation (MT) discussed with representatives from the IDB group, and the UK Government the strategic areas of intervention. The participants agreed the transport sector and PPP should be a key pillar to continue working under the UKSIP in 2022-2023.
   3. **Beneficiaries:** the main beneficiary will be the agencies from the transportation sector of GoC, who will receive support to improve their capacities to set sustainable infrastructure KPIs and projects. These could overcome (i) project financing difficulties; (ii) unlock new financial resources attached to sustainable KPIs and strengthen the reliance of transportation assets and; (iii) the projects' governance mechanism for the implementation of PPP with a social and environmentally sustainable approach. Some examples are: The Ministry of Transport, and its infrastructure Agency -ANI-, the local mobility agencies at the municipality level, subnational governments that are developing these types of projects such as *Gobernación de Antioquia*, and structuring agencies such as Findeter and FDN. Indirectly, the private sector will benefit from improvements in the procedures to engage in PPP initiatives.
   4. **Strategic alignment.** This TC is consistent with the updated Institutional Strategy of the Inter-American Development Bank Group 2020-2024 (AB-3190-2) and is aligned with the development challenge of (i) environmental sustainability, by supporting the adaptation and mitigation of the impact of the transportation sector on CC in Colombia; (ii) institutional capacity and rule of law, by building capacity of the transportation public sector agencies to overcome bottleneck and delays during the operation of the projects and to better include social and environmental criteria within the projects; (iii) productivity and innovation, by promoting the identification of innovative financial mechanisms to fund sustainable infrastructure and overcome difficulties for private sector participation. The TC also aligns with the IDB Group Country Strategy with Colombia 2019-2022 (GN-2972), in the strategic area of increasing the productivity of the economy through raising the quality of infrastructure, reducing transaction costs in the economy, and improving the international positioning of goods produced in Colombia. Likewise, the TC is aligned with the Transportation Sector Framework Document (SFD) (GN-2740-7) and its focus on “Promote efficient, inclusive, sustainable and quality urban and interurban passenger mobility” and “Promote the technological transformation of the sector”. It is also aligned with the Climate Change SFD (GN-2835-8), as it will contribute to “make CC considerations more central to the transportation sector actions”. It is aligned as well with the Sustainable Infrastructure for Competitiveness and Inclusive Growth IDB Infrastructure Strategy (GN-2710-5), by supporting the development of sustainable transportation infrastructure.
   5. **Synergies:** This TC is complementary to previous and ongoing IDB works in Colombia with which activities and results will be coordinated. The Transport Division is supporting the promotion of sustainable intermodal infrastructure with various operations (3130/OC-CO; 5229/OC-CO; ATN/OC-16766-CO; ATN/OC‑17290-CO; ATN/OC-17310-CO), as well as with two TCs on climate change and transportation in Colombia financed by the UKSIP (ATN/PI-19369-CO and ATN/PI-17108-RG). This last TC allowed to kick-off a dialogue between IDB and the GoC, as well as to carry out a first phase of the work on Sustainable Infrastructure with ANI, including (i) sustainable infrastructure indicators to assess 5G projects within the ANISCOPIO platform; (ii) development of a toolkit for climate resilience assessments for PPP projects, from which this project will build upon. It will also consider useful insights from regional projects focused on PPPs such as: (i) the ATN/MC-15636-RG which developed a “[Climate Resilient Public Private Partnerships Toolkit for Decision Makers](https://publications.iadb.org/en/climate-resilient-public-private-partnerships-a-toolkit-for-decision-makers)”; (ii) ATN/CF-17992-RG (Components 1 and 2) concentrated in the development of financial instruments and financial innovation knowledge sharing across LATAM countries; (iii) ATC/OC-17971-RG, which includes the creation and strengthening of tools and practices in PPP processes for the integration of sustainability measures to address climate change. Finally, this TC will be coordinated with the progress and expected outcomes from operation ATN/SX-19191-CO, which will develop climate and sustainability tools for PPP led by the National Planning Department (DNP).

**III.** **Description of Activities and Outputs and Budget**

3.1 **Component 1. Green Financing for Sustainable Infrastructure Projects   
(US$150,000).** This component aims to contribute to efforts led by the GoC to overcome projects’ financing limitations by developing innovative mechanisms to mobilize green financing in accordance with the country’s policy framework for transport PPPs sustainable infrastructure projects (CONPES 4060/2021, line 17**[[1]](#footnote-2)**). The support will include contracting firms and services to produce recommendation to: (i) facilitate access to sustainable financing based on the integration of best climate mitigation practices during the PPP’s life cycle; (ii) identify incentives or other innovative financing mechanisms for the development of sustainable infrastructure projects; (iii) carry out national and international business roundtables, workshops, capacity building workshops between project developers, funding sources and other relevant stakeholders such as financiers and institutional investors; (iv) explore in-depth the green, social, and sustainable debt markets including bond and project bond markets, as well as carbon bonds and markets.

3.2 **Component 2.**  **Green Infrastructure Guidelines (US$125,000).** This component will finance the development and/or implementation of green infrastructure guidelines for transport PPPs led by the ANI, as proposed by CONPES 4060. These guidelines will have a strong focus on climate mitigation, compatible with the NDC goals and sectoral priorities, but other approaches such as nature-based solutions. The development of a standardized methodology by the ANI for quantifying non-marketable goods to guide investment decisions and environmental compensations, as proposed by CONPES 4060, will be also supported*[[2]](#footnote-3)*. This component will consider all environmental regulations in place, as well as the progress done by the Ministry of Transportation and the ANI on these matters.

3.3. **Component 3. Support the planning and implementation of rail and river transport projects that reduce GHG emissions (US$200,000).** This component will finance activities aiming at: (i) strengthening the strategic planning of rail and river transport projects with ANI’s portfolio, identifying best international practices and innovative technologies that could be integrated in Colombia; (ii) strengthening technical capacities of ANI to generate inputs and financial and legal concepts applied to rail and riverine infrastructure and; (iii) evaluating the implementation of the rail and river mode strategy by the ANI in the short and medium term.

3.4. **Component 4. Governance for sustainable infrastructure (US$125,000):** This component will finance consultancies with the objectives of generating inputs, guidelines, and recommendations for the institutional reorganization of the ANI to reinforce the sustainability approach and strengthen its capacity for social and environmental management. This may include, strengthening the Environmental Management Office, creating, and restructuring the Planning Advisory Office and strengthening the Office of Management and Social Attention to Citizens, among other recommendations resulting from the consultancy.

3.5. The total cost of this TC will be US$600,000 financed by the UK Sustainable Infrastructure Program (SIP). There will be no counterpart for the project.

**Indicative Budget (US$)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Component** | **Description** | **IDB/ SIP Fund Funding** | **Total** |
| **Component 1** | Green Financing for Sustainable Infrastructure Projects | 150,000 | 150,000 |
| **Component 2** | Green Infrastructure Guidelines | 125,000 | 125,000 |
| **Component 3** | Support the planning and implementation of rail and river transport projects that reduce GHG emissions | 200,000 | 200,000 |
| **Component 4** | Governance for sustainable infrastructure | 125,000 | 125,000 |
| **TOTAL** | | **600.000** | **600.000** |

**IV.** **Executing Agency and Execution Structure**

4.1. The IDB will act as the Executing Agency, given the request of the government. The IDB Country Office will be responsible for the supervision and implementation of the resources. The execution of the TC will be led by the Climate Change and Sustainability Division (CSD/CCS) in close coordination with the relevant divisions of the Bank such as Transport (INE/TSP) and the public-private partnership group (VPC/PPP).

4.2. The IDB will execute the operation given its ability to leverage its extensive network of internal and external subject-matter experts and well-established relationships with involved stakeholders, as well as its expertise in the transport, climate change and PPP areas. The project will leverage synergies and complementary with other IDB operations, particularly, from the UKSIP, as well as other projects from the UK Embassy in Colombia.

4.3. The Bank will follow its procurement policies and guidelines related to contracting processes: (i) individual consultants will be hired according to the guidelines established in policy AM-650; (ii) consulting firms of an intellectual nature will be hired according to the “Policy for the selection and contracting of consulting firms for operational work carried out by the Bank” (GN-2765-4) and its Operational Guides (OP-1155-4); and (iii) other non-consulting services in accordance with the “IDB Institutional Procurement Policy” (GN-2303-28).

4.4. The project will not be declared eligible until a non-objection letter is obtained from the country’s official liaison entity.

**V.** **Major Issues**

5.1. Challenges in the availability and capacity of government counterparts to provide feedback during the development of the different outputs, and thus ensure ownership and relevance to the context and needs of the country. To mitigate this risk, a work plan will be agreed upon with government stakeholders specifying timeframes and roles from all parties involved. The scope of the TC has been adjusted by to meet the priorities of the new elected government as reflected in the TC document.

5.2 Delays in the development of the studies due to potential difficulties in coordinating the different counterparts involved within the transportation sector and/or difficulties from displacement for field work associated to climatological events. These risks will be mitigated by involving the counterparts from the beginning of the planning and execution of the TC and planning for in-person a virtual meeting within the consultancies work plans.

**VI. Exceptions to Bank Policy:**

6.1. No exceptions to Bank policies have been identified.

**VII.** **Environmental and Social Strategy:**

7.1 This technical cooperation is not intended to finance pre-feasibility or feasibility studies of specific investment projects or environmental and social studies associated with them; therefore, this TC does not have applicable requirements of the Bank's Environmental and Social Policy Framework (ESPF).

**Required Annexes**

* [Request from the client](http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=EZSHARE-1497782438-5)
* [Results Matrix](http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=EZSHARE-1497782438-7)
* [Terms of Reference](http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=EZSHARE-1497782438-8)
* [Procurement Plan](http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=EZSHARE-1497782438-6)
* [Gender and Diversity Checklist](http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=EZSHARE-1497782438-9)

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1. **CONPES 4060/2021, Line 17:** Seeks to promote the inclusion of innovative proposals to develop sustainable infrastructure alternatives in the bidding and execution of PPP projects. [↑](#footnote-ref-2)
2. **CONPES 4060/2021 Line 18:** seeks to advance in the quantification of marketable goods to facilitate the development of environmental compensation for ecosystem impacts caused by projects. [↑](#footnote-ref-3)