

## TC DOCUMENT

### I. Basic Information for TC

▪ Country/Region:	Regional – Brazil, Colombia, Mexico, Peru
▪ TC Name:	Country dialogues and program preparation for the UK Sustainable Infrastructure Program (UK SIP)
▪ TC Number:	RG-T3337
▪ Team Leader/Members:	Maria Tapia (CSD/CCS) Team Leader; Daisy Streatfeild (CSD/CCS); Mariana Silva (CSD/CCS); Giovanni Frisari (CSD/CCS); Jaime Fernandez-Baca (CSD/CCS); Olga Bautista (CSD/CCS); Gmelina Ramirez (CSD/CCS); Eduarda Zoghbi, (CSD/CCS); Ismael Muslin (INO/NFP); Oscar Vielman (CID/CGU); Pilar Jimenez (LEG/SGO); Juan Gomez (CSD/CCS); Carlos Güiza (CSD/CCS)
▪ Taxonomy:	Research & Dissemination
▪ Date of TC Abstract authorization:	August, 2018
▪ Beneficiary:	Brazil, Colombia, Mexico and Peru
▪ Executing Agency:	Inter-American Development Bank
▪ Donors providing funding:	United Kingdom Sustainable Infrastructure Program (UK SIP)
▪ IDB Funding Requested:	US\$1,000,000
▪ Local counterpart funding, if any:	N/A
▪ Disbursement period:	24 months (21 months execution period)
▪ Required start date:	November 2018
▪ Types of consultants:	Firms and individual Consultants
▪ Prepared by Unit:	Climate Change Division (CSD/CCS)
▪ Unit of Disbursement Responsibility:	Climate Change and Sustainable Development Department (CSD/CSD)
▪ TC included in Country Strategy:	N/A
▪ TC included in CPD:	N/A
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation, climate change and environmental sustainability.

### II. Objectives and Justification of the TC

- 2.1. The objective of the proposed Technical Cooperation (TC) is to inform and develop the programming activities of the UK Sustainable Infrastructure Program (UK SIP). The UK SIP is a new fund to be implemented by the Inter-American Development Bank Group (IDBG) with the purpose of accelerating and enabling the implementation of Nationally Determined Contributions (NDCs) by supporting and catalyzing strategic private sector investments in sustainable low carbon infrastructure in Brazil, Colombia, Mexico and Peru.<sup>1</sup>
- 2.2. Infrastructure is essential to a country's development and prosperity. However, in Latin America and the Caribbean the level and quality of infrastructure is inadequate and identified as one of the principal barriers to growth and development (IMF, 2016). To

<sup>1</sup> Four countries were prioritized by the donor to enable funds to be provided at scale, based on the potential for large scale emissions reductions in these countries, and the existence of developed capital markets facilitating deployment of more innovative capital market instruments to leverage private investment at scale.

close this 'infrastructure gap', the region will need to raise its investment levels in this area to at least 5% of its Gross Domestic Product (GDP), which equates to an additional infrastructure investment of about 2 to 2.5% of GDP annually, or around US\$120 to 150 billion a year over an extended period (IDB, 2015). Private sector funding mobilization is key to this end given that countries in LAC have limited fiscal space to cover such a significant investment gap.

- 2.3. Moreover, how these infrastructure investments are made will be crucial. This is because infrastructure assets are typically long-lasting and can influence firms and households' investments choices that are difficult to reverse, creating lock-ins. As such, infrastructure decisions need to be forward looking. In light of climate change and the combination of urbanization and changing socioeconomics, the region's infrastructure investments must be sustainable, low-carbon and climate-resilient (Fay et al, 2017).
- 2.4. Through a combination of grants for technical cooperation and blended finance investments, the UK SIP intends to promote private investment in sustainable low carbon infrastructure sectors that deliver NDC goals, including: (i) renewable energy (excluding large hydro); (ii) transmission and distribution networks for renewable energy; (iii) lower-carbon and efficient energy generation (excluding thermal power plant retrofit to promote a transition from Greenhouse Gas (GHG) intensive fuel to a less GHG-intensive fuel); (iv) energy efficiency (excluding for high carbon industries); (v) non-energy GHG reductions (industrial processes only); (vi) waste and wastewater; and (vii) transport. This could also consider the relevance of green (nature based) infrastructure that deliver low carbon solutions relating to these sectors. TC and Investment Grant Operations may also be related to cross-cutting themes related to sustainable infrastructure investment in one or more sectors, such as sustainable infrastructure planning, policy and regulation reform-related activities, and capacity building and market creation activities.
- 2.5. The four countries mentioned above have ambitious emissions reduction objectives in their NDCs, and specific priorities for action which are relevant to the UK SIP:
  - a. Brazil: committed to reduce the country's GHG emissions by 37% in 2025 and by 43% in 2030, from 2005 levels. The measures relevant to the UK SIP to deliver reductions are: (i) increasing the share of renewables (other than hydropower) in the power supply to at least 23% by 2030, including by raising the share of wind, biomass and solar; (ii) achieving 10% efficiency gains in the electricity sector by 2030; (iii) promoting new standards of clean technology and further enhancing energy efficiency measures and low carbon infrastructure in the industry sector; and (iv) promoting efficiency measures in the transportation sector and improving infrastructure for transport and public transportation in urban areas.
  - b. Colombia: committed to reduce GHG emissions by 20% against business as usual (BAU) by 2030, or by 30% in the context of international support. To achieve this the government has identified 37 lines of action of which a number are particularly relevant to the UK SIP: (i) diversification of the energy matrix; (ii) energy efficiency and electricity demand management; (iii) recycling and waste treatment; (iv) electrification/hybridization of vehicle fleets; and (v) development of intermodal transport system.
  - c. Mexico: aims to reduce GHG emissions by 50% by the year 2050, with respect to the year 2000 and has committed to reduce GHG emissions by 25% by 2030. The mid-century climate strategy sets out areas of action to deliver these reduction

targets, of which three are particularly relevant to the UK SIP: (i) accelerating the clean energy transition; (ii) energy efficiency and sustainable consumption; and (iii) sustainable cities with mobility systems, integrated waste management and low carbon footprint buildings.

- d. Peru: committed to achieve GHG emissions reduction of 20% against BAU by 2030, or 30% in the context of international support. Several areas of action have been prioritized which are relevant to the UK SIP: (i) regional electricity integration; (ii) reduction of investment risk in non-conventional renewables and geothermal; (iii) promotion of energy efficiency in industry and services; (iv) delivery of integrated multimodal transport systems; (v) low carbon and climate resilient urban development; and (vi) efficiency in the water sector.

2.6. The UK SIP will also seek to build on and complement existing efforts underway to implement NDCs, and promote investment in sustainable infrastructure, in particular:

- a. The InfraInvest: Sustainable Infrastructure for Brazil (ATN/MC-16594-BR), identifying economic opportunities associated with the implementation of the NDC to develop a pipeline of projects. The objective is to plan and finance sustainable infrastructure at city level, improve the current Public-Private Partnerships (PPP) framework and mobilize investors into sustainable infrastructure assets.
- b. Recent work in Colombia on the “Plan de Ascenso Tecnológico” to develop electric buses in Bogota, as well as government initiatives including CONPES 3919/2018<sup>2</sup> on sustainable construction, bicycle-sharing systems in cities like Medellin, small electric taxis pilots in Medellin and Bogota, and the climate change plan for the mining and energy sectors.
- c. In Mexico, the IDBG is collaborating with the government to develop a roadmap towards vertical integration of NDCs, focusing on mobilization of public and private low carbon investments at the subnational level. Furthermore, IDBG is working with the Ministry of the Environment and Natural Resources (SEMARNAT) to strengthen institutional and technical capacities towards transparency under the Paris Agreement related to National and Subnational Contributions and tracking towards Mexico’s NDC.
- d. In Peru, the government created in 2016 the Multisectoral Working Group on NDCs (MWG-NDC), which is composed of thirteen Ministries and the National Strategic Planning Centre. The MWG-NDC has been working on the identification of mitigation and adaptation measures for the implementation of the NDC. The IDBG, through its *NDC Invest Platform* is currently assisting the government in identifying opportunities for involving the private sector in this process. In addition, the IDBG provides technical assistance to identify financial mechanisms that facilitate the incorporation of electric buses in the public transport system, as well as explore the viability of government issued sovereign green bonds.

2.7 More generally the activities which can be supported by the UK SIP and through this TC align to key objectives of the IDBG country strategies and Corporate Results Framework (CRF) for the four eligible countries as follows:

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<sup>2</sup> National Policy on Sustainable Buildings that seeks to promote the inclusion of sustainability criteria within the life cycle of buildings infrastructure.

- a. Brazil. Expand and reform the transport and logistics infrastructure, expand and improve water supply and basic sanitation.
  - b. Colombia. Raise the quality of infrastructure and urban development and reduce transaction costs in the economy, strengthen the resilience of infrastructure to climate change.
  - c. Mexico. Promote the orderly, safe, and sustainable growth of cities, support the implementation of national climate change policy mechanisms fostering adaptation measures taking a long-term approach, and increase the level of finance to the real economy.
  - d. Peru. Improve the available infrastructure, improve access to and quality of water and sanitation service and strengthen environmental management.
- 2.8 Given that three of the four administrations are in transition, the TC will seek to align activities to emerging country priorities and updated IDBG country strategies (see paragraph [5.2]).
- 2.9 As a core component of the program agreed by the IDBG with the donor, a process of “country dialogues” will be undertaken to enable the identification and development of priorities for programming activities, engagement/consultation with relevant public and private stakeholders and responsive implementation of identified priorities. This process is designed to ensure a strategic and programmatic approach to using the UK SIP resources to meet the objectives to catalyze low carbon infrastructure investment and support countries priorities for NDC implementation.
- 2.10 Country dialogues will involve a number of specified activities for each year of the program: (i) technical missions to explore and define potential priorities for programming; (ii) high level meetings or events with relevant ministries, agencies and other stakeholders to facilitate engagement and buy-in between the IDBG, the UK and beneficiary countries; (iii) engagement and consultations with private sector stakeholders to inform programming; and (iv) showcasing and knowledge dissemination events to promote understanding of UK SIP activities and facilitate learning in relation to relevant topics. Research, analysis and preparatory activities relating to the identification of potential priorities for programming and to facilitate implementation will also be required. To ensure sustainability, activities supported by this TC will engage both private and public stakeholders to ensure dialogues and resulting implementation and knowledge activities are aligned to stakeholder priorities with potential for significant long-term impact and have strong buy-in at all levels. Opportunities for south-south communication and learning will also be considered in relation to all country dialogues activities and components supported by this TC, which can also broaden the long-term impact and ensure greater sustainability of impact across the region.
- 2.11 The TC is consistent with the Update to the Institutional Strategy 2010-2020 (AB-3008) and is aligned with the development challenges of: Productivity and Innovation through the support to the development of programs that promote private sector investment in sustainable infrastructure such as the improving of the planning capacity for urban mobility; the increase of local capacity for logistics planning; the diversification of country energy portfolios; increase in efficiency of infrastructure operation (e.g. reducing electricity or water losses); investments in electricity infrastructure; access to high-quality and affordable modern energy sources; connectivity of infrastructure at the national level and infrastructure’s resilience to disaster and climate

change risks among others. The TC is also aligned with the cross-cutting theme of Climate Change and Environmental Sustainability, as it identifies opportunities to foster low carbon resilient infrastructure development and investment and, generates and disseminates knowledge on these themes. The TC will support activities that help contribute to the following indicators of the Corporate Results Framework 2016-2019 ( ): Reduction of emissions with support of IDBG financing (annual million tons CO<sub>2</sub> e); Installed power generation from renewable energy sources (%); Households with solid waste disposed in a sanitary landfill (#); Urban rail and bus mass transit systems built or upgraded (km); Interurban rail lines built or upgraded (km).

### **III. Description of Activities/Components and Budget**

- 3.1 This TC is designed to support activities in relation to country dialogues and program preparation for the UK SIP for the first two years of the fund.
- 3.2 **Component 1. Engagement and consultation relating to the UK SIP (US\$120,000).** This component will support activities under the technical missions and private sector consultation elements of the country dialogues which aim to identify, develop and inform priorities for SIP programming. The main activities to be funded are: (i) logistics and development of content for meetings, workshops or roundtables with public and private sector stakeholders; and (ii) collation of information and analysis of activities already carried out by governments with their own resources or with the cooperation of other agencies that inform the basis for discussions of future UK SIP priorities.
- 3.3 Expected results: dialogues involving public and private stakeholders held in all four UK SIP countries to develop and inform ongoing priorities for effective UK SIP programming.
- 3.4 **Component 2. Analysis and preparatory cooperation activities (US\$660,000).** This component aims at the identification of the UK SIP priorities within eligible interventions, the effectiveness of the activities proposed for funding and the support of early stage implementation of cooperation activities included in the priority areas agreed with the UK and partner governments for intervention. Activities to be funded include:
  - a. Assessment of potential programming sectors and themes, including analysis of barriers to investment or investment gaps, political and regulatory environment and feasibility of potential programming interventions.
  - b. Workshops to develop interventions to be funded by the UK SIP, and enable cross-government or multi stakeholder processes to develop programming activities.
  - c. Initial studies or activities to facilitate early stage implementation of agreed programming priorities to be supported by dedicated TC operations over the longer term.
- 3.5 Expected results: assessment of potential sectors and programs for UK SIP support to enable effective design of interventions and early initiation of activities under programming priorities agreed with country governments.
- 3.6 **Component 3. Knowledge and Dissemination in relation to the UK SIP (US\$220,000).** This component will focus on the generation and dissemination of knowledge in relation to the UK SIP program activities and themes relevant to the acceleration of sustainable low-carbon infrastructure in LAC. Activities to be funded

include: (i) development of case studies and communication materials relating to UK SIP funded activities; and (ii) preparation, sponsorship and implementation of knowledge and communications events.

- 3.7 Expected results: increased stakeholder knowledge and understanding of sustainable low carbon infrastructure development and UK SIP programming activities.
- 3.8 The total cost of this TC is US\$1,000,000 (one million dollars), financed by the UK Sustainable Infrastructure Program UK SIP. The indicative allocation between components is outlined in the table below. No pre-defined allocation between each of the four eligible countries is envisaged, as activities will be developed based on need. The IDBG's Climate Change Division (CSD/CCS) will pursue engagement with each of the four mentioned countries to facilitate a balanced portfolio of the UK SIP amongst all.

**Indicative Budget (US\$)**

Components	IDB	Total
Component I. Engagement and consultation relating to the UK SIP	120,000	120,000
Component II. Analysis and preparatory cooperation activities	660,000	660,000
Component III. Knowledge and dissemination in relation to the SIP	220,000	220,000
<b>Total</b>	<b>1,000,000</b>	<b>1,000,000</b>

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

- 4.1 This TC will be administered and executed by the IDBG (CSD/CCS in cooperation with relevant country offices, departments, divisions and the IDB Invest), reflecting the responsibilities and roles agreed with the UK in relation with the divisions relevant to the implementation of the program.
- 4.2 One of the key and innovative elements of the UK-IDBG Sustainable Infrastructure Program is a proactive approach to country dialogues between the IDBG, the UK and the beneficiary countries for pipeline identification and the development of "roadmaps" for sustainable infrastructure. A direct implementation by the Bank will facilitate the development of this strategy for both public and private sectors.
- 4.3 According with the provisions of Appendix 10 of the Operating Guidelines for TC Products (GN-2629-1) and since this TC is an initiative of the Bank categorized as *Research and Dissemination* considering that it will deepen the Bank's knowledge to catalyze strategic private sector investments in sustainable low carbon infrastructure, contracting by the Bank may be relevant to enhance independence in assessment of potential programming priorities and ensure the most appropriate use of donor funds.
- 4.4 The team leader will ensure that non-objection letters from the corresponding country authorities are issued prior to the start of activities in a specific country.
- 4.5 The IDBG will procure services in accordance with its policies and procedures, as necessary to support the objectives set out above. The activities to be executed are included in the Procurement Plan (Annex III) 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-2303-20 for logistics and other related services.

## **V. Major Issues**

- 5.1 A possible risk is low engagement and participation of high-level officials and experts in the different aspects of the country dialogues. This can most effectively be mitigated by strong engagement between IDBG and with particular government stakeholders. The role of country representatives and country office counterparts in engaging with the partner governments to advertise the opportunities presented by the UK SIP funds will be key to mitigate this risk.
- 5.2 There is also a significant challenge given three of the four countries eligible for UK SIP are in transition to new administrations. In general, the focus on country dialogues will enable the UK SIP to engage with new administrations to ensure alignment with the new administrations' priorities and with IDBG country strategies. Where the political direction of governments in relation to the specific objectives of the UK SIP is unclear or evolving, CCS will work closely with the Representations to assess risks and opportunities for UK SIP, in order to engage partner governments effectively on the program through the country dialogue process and respond to their emerging priorities.
- 5.3 Similarly, for communication events the impact will be limited if the operation is not able to attract relevant high-level participants and speakers. This risk is mitigated through early preparation and engagement with potential participants as well as the ability to cover travel and per-diem expenses as relevant.

## **VI. Exceptions to Bank Policy**

- 6.1 No exceptions to Bank policy are envisioned.

## **VII. Environmental and Social Strategy**

- 7.1 It is not anticipated that this operation will have a negative direct or indirect social or environmental impact, as it will not finance direct investments, but instead it will finance research and analyses, events and workshops, and knowledge products in the sector. Per the Environment and Safeguards Compliance Policy of the IDB (OP-703), the operation has been classified as 'Category C' (see the [Safeguards Screening Form](#) and the [Safeguards Policy Filter](#)).

### **Required Annexes:**

- Annex I: [Results Matrix](#)
- Annex II: [Terms of Reference](#)
- Annex III: [Procurement Plan](#)

**COUNTRY DIALOGUES AND PROGRAM PREPARATION FOR THE UK SUSTAINABLE  
INFRASTRUCTURE PROGRAM (UK SIP)**

**RG-T3337**

**CERTIFICATION**

I hereby certify that this operation was approved for financing under the **United Kingdom Sustainable Infrastructure Program (SIP)**, through a communication dated November 26, 2018 and signed by Su Kim (ORP/GCM). Also, I certify that resources from said fund are available for up to **US\$1,000,000** in order to finance the activities described and budgeted in this document. This certification reserves resource for the referenced project until December 12, 2018. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, represent a risk that will not be absorbed by the Fund.

Certified by:	<b>Original Signed</b>	<b>11/28/2018</b>
	_____ Sonia M. Rivera	_____ Date
	Chief	
	Grants and Co-Financing Management Unit	
	ORP/GCM	

Approved by:	<b>Original Signed</b>	<b>11/29/2018</b>
	_____ Juan Pablo Bonilla	_____ Date
	Manager	
	Sector de Cambio Climático y Desarrollo Sostenible	
	CSD/CSD	