

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	REGIONAL/Regional
▪ TC Name:	Integrating the IDB Sustainable Infrastructure Framework into the planning, design, procurement and financing process of infrastructure assets.
▪ TC Number:	RG-T3291
▪ Team Leader/Members:	TAPIA BONILLA, MARIA (CSD/CCS) Team Leader; GRUNWALDT, ALFRED HANS (CSD/CCS) Alternate Team Leader; SILVA ZUNIGA, MARIANA CAROLINA (CSD/CCS); STREATFEILD, DAISY MARGARET JANE (CSD/CCS); WATKINS, GRAHAM GEORGE (CSD/CCS); FRISARI, GIOVANNI LEO (CSD/CCS); RAMIREZ BELLO, MARIA CECILIA (INE/INE); SEREBRISKY, TOMAS SEBASTIAN (INE/INE); DE VECCHI GALINDO, RICARDO (INO/NFP); MEIROVICH, HILEN GABRIELA (INO/NFP); PEGON, MATTHIEU (INO/NFP); MUSLIN, ELEE ISMAEL (INO/NFP); GOMEZ, JUAN CARLOS (CSD/CSD); GUIZA CERON, CARLOS ANDRES (CSD/CCS); ANGEL GOMEZ, ANGELO EDUARDO (CSD/CCS); CENTENO LAPPAS, MONICA CLARA ANGELICA (LEG/SGO); AZEVEDO, ANDREA PEREIRA (LEG/SGO); SALABIE, DENISE ANN (VPC/FMP)
▪ Taxonomy:	Research and Dissemination
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	03 Jul 2018
▪ Beneficiary:	LAC
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	\$ 1,300,000.00
▪ Local counterpart funding:	\$ 0.00
▪ Disbursement period:	36 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	Climate Change
▪ Unit of Disbursement Responsibility:	Climate Chng & Sustainable Dev
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Social inclusion and equality ; Productivity and innovation ; Climate change

II. Objective and Justification

- 2.1 The objective of the proposed Technical Cooperation (TC) is to improve the sustainability of infrastructure in LAC by integrating the IDB Sustainable Infrastructure Framework into the planning, design, procurement and financing process of infrastructure assets with the goal of attracting private sector investment into sustainable infrastructure. The TC will focus on preparing a bankable pipeline of sustainable infrastructure projects and the promotion of private investment in Brazil, Colombia, Mexico and Peru. In addition, and given the importance of expanding the role of the private sector, the proposed TC will also support capacity building for host countries' Public-Private Partnership (PPP) units, to apply the Sustainable infrastructure framework into their value for money assessments, structuring and risk allocation processes.
- 2.2 As evidenced by the rapid growth in the green bond market, investors' appetite for sustainable investments is growing. The continuity of this growth will depend on

bringing to the market a bankable pipeline of sustainable infrastructure projects supported by a set of innovative instruments that link those projects with markets at scale. To meet the growing demand from investors, Infrastructure should be designed, constructed, operated and maintained following certain sustainability attributes. To achieve this, clarity on definitions and practical tools are required to embed sustainability across the upstream planning and project preparation stages in a consistent manner across all stakeholders.

- 2.3 The absence of an articulated vision and ambiguous market signals created by a growing fragmented green standard and by the lack of a shared definition of sustainable infrastructure, prevent LAC countries from accessing these growing funding sources at the international level.
- 2.4 In order to assist countries in the preparation of a bankable pipeline of projects, the proposed TC will support capacity building in target countries' relevant ministries and agencies, including their Public Private Partnership (PPP) units, to apply the Sustainable Infrastructure Framework (SIF) developed by the IDB into their value for money assessments, structuring and risk allocation processes. The TC will evaluate innovative financial models to match sustainable infrastructure projects with private sector capital, such as PPP models, green bonds, sustainable infrastructure bonds and green asset backed securities, among others.

These studies will provide the basis for the structuring of a concrete portfolio of initiatives appealing to the development of joint efforts between the private sector and the selected countries.

III. Description of Activities and Outputs

- 3.1 This TC will develop the following components: Component I. Integrating sustainability principles into infrastructure planning, design, procurement, implementation and development of financing options; Component II. Support PPP Units in the mainstreaming of SI principles in their operations; Component III. Define innovative financing structures/models to match sustainable infrastructure projects with private sector capital; and Component IV. Understand how technological changes in LAC will impact supply and demand for infrastructure services with the goal to better capture potential sustainability elements in the planning process.
- 3.2 **Component I: Integrating sustainability principles into infrastructure planning, design, procurement, implementation and development of financing options.** The component will: i) Carry out studies/workshops required to agree on definitions and principles for sustainable infrastructure at the country level; (ii) Develop guidelines for actions at upstream and design-stage levels including the preparation of studies linked to existing project preparation platforms, such as Source and Sure; (iii) Build national capacities to use available tools to operationalize the SI framework in each country.
- 3.3 **Component II: Support country PPP Units in the mainstreaming of SI principles in their operations.** The second component will: (i) support the inclusion of the IDB SI framework in the evaluation of the viability of PPP projects for LAC countries; (ii) assess climate change risks in value for money and public-sector comparator tools during the PPP evaluation process and; (iii) Identify climate related opportunities and risks to be included in the structuring and risk allocation framework of the PPPs.
- 3.4 **Component III: Define innovative financing structures/models to match sustainable infrastructure projects with private sector capital.** This component will focus on the analysis and definition of innovative financial instruments that could be scaled-up for financing SI in the four selected countries (e.g. infrastructure asset

recycling schemes, sustainable infrastructure bonds and the standardization of smart contracts through blockchain to scale small-sized projects for green securitizations.)

- 3.5 **Component IV: Understand technological change impacts in LAC's supply and demand for infrastructure services to capture potential sustainability elements in pipeline planning processes.** (i) analysis on the impact in the demand for SI due to technological changes such as digitalization and disruptive technologies coupled with demographic trends; (ii) capacity building to incorporate technological change projections into planning processes for SI at national and subnational levels and; (iii) identification of cutting-edge technologies and development of guidelines/recommendations for the application of these technologies in sustainable infrastructure projects.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Integrating sustainability principles into infrastructure planning, design, procurement, implementation and development of financing options	\$ 300,000.00	\$ 0.00	\$ 300,000.00
Support country PPP Units in the mainstreaming of SI principles in their operations	\$ 325,000.00	\$ 0.00	\$ 325,000.00
Define innovative financing structures/models to match sustainable infrastructure projects with private sector capital	\$ 325,000.00	\$ 0.00	\$ 325,000.00
Understand technological change impacts in LAC's supply and demand for infrastructure services to capture potential sustainability elements in pipeline planning processes	\$ 350,000.00	\$ 0.00	\$ 350,000.00

V. Executing Agency and Execution Structure

- 5.1 This TC will be administered and executed by the IDB (CSD and INE in cooperation with their divisions: RND, HUD, CCS, WSA, TSP and ENE) as a pioneer of the sustainable infrastructure (SI) agenda in LAC and its increasing experience in this subject at the global level.
- 5.2 To advance in LAC's SI agenda, the success of the project depends on fundamental country buy-in and partnerships. The IDB Group has developed a unique experience and knowledge of key public and private stakeholders derived from its role of mainstreaming climate change in the LAC region during the last ten years. This role has also allowed the Bank to identify critical opportunities and gaps to further pursue innovative approaches to climate change in the region.
- 5.3 One of the key and innovative elements of the UK-IDBG Sustainable Infrastructure Program is a proactive approach to country dialogue between the IDB, the UK and the

beneficiary countries for pipeline identification and the development of “roadmaps” for sustainable infrastructure. A direct implementation of the Bank will facilitate the development of this strategy for both public and private sectors.

VI. Project Risks and Issues

- 6.1 At this point and considering that the TC will advance research studies, no major risks associated to project execution have been identified.

VII. Environmental and Social Classification

- 7.1 The ESG classification for this operation is "C".