

## TC DOCUMENT

### I. Basic Information for TC

▪ Country/Region:	Regional – Brazil, Colombia, Mexico, Peru
▪ 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:	Maria Tapia (CSD/CCS) and Alfred Grünwaldt (CSD/CCS) co-team leaders; Mariana Silva (CSD/CCS), Daisy Streatfeild (CSD/CCS), Graham Watkins (CSD/CCS), Giovanni Leo Frisari (CSD/CCS), Maria Cecilia Ramirez (INE/INE), Tomas Serebrisky (INE/INE), Ricardo De Vecchi Galindo (INO, NFP), Hilen Meirovich (INO/NFP), Matthieu Pegon (INO/NFP), Elee Muslin (INO/NFP), Juan Gomez (CSD/CCS), Angelo Angel (CSD/CCS), Monica Centeno (LEG/SGO), Andrea Azevedo (LEG/SGO), Denise Salabie (VPC/FMP), Gmelina Ramirez (CSD/CCS), Roberto Esmeral (CSD/CCS), Jaime Fernandez-Baca (CSD/CCS), Barbara Brakarz (CSD/CCS), Eduarda Zoghbi (CSD/CCS), Gaston Astesiano (VPC/VPC), Carlos Güiza (CSD/CCS)
▪ Taxonomy:	Research & Dissemination
▪ Date of TC Abstract authorization:	July, 2018
▪ Beneficiary:	Brazil, Colombia, Mexico, Peru
▪ Executing Agency:	Inter-American Development Bank
▪ Donors providing funding:	United Kingdom Sustainable Infrastructure Program (UK SIP)
▪ IDB Funding Requested:	US\$1,300,000
▪ Local counterpart funding, if any:	N/A
▪ Disbursement period:	36 months (32 Months execution period)
▪ Required start date:	September 2018
▪ Types of consultants:	Firms and individual Consultants
▪ Prepared by Unit:	Climate Change Division (CSD/CCS)
▪ Unit of Disbursement Responsibility:	Climate Change Division (CSD/CCS)
▪ 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 and environmental sustainability.

### II. Objectives and Justification of the TC

- 2.1 The objective of the proposed Technical Cooperation (TC) is to improve the sustainability of infrastructure in Latin America and the Caribbean (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 (SI). The TC will focus on increasing capacity of stakeholders to prepare bankable pipelines of sustainable infrastructure

projects, as well as developing methodologies for classifying projects into national project promotion platforms (i.e. Proyecto's Mexico, pro-inversion, among others) as per the IDB SI framework. The TC will support 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,<sup>1</sup> 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 Brazil, Peru, Mexico and Colombia face the challenge of substantially increasing investment in infrastructure to achieve integrated and equitable growth and regional competitiveness. Recent analyses have indicated that investments of up to five percent of Latin America's GDP (USD 250 billion) will be required to close the gap between future needs and existing infrastructure (Serebrisky 2014). Yet, only three percent of GDP are invested annually in developing and expanding infrastructure (Serebrisky 2014).
- 2.4 Closing the infrastructure gap in LAC, as well as globally, goes beyond just spending more money on roads, power plants, and water sewage systems. There is an urgent need to transform the way infrastructure is being planned, developed and operated. Some initial research has been performed<sup>2</sup> reflecting the need for: (i) an analytical framework that is actionable and; (ii) for in-depth country case studies that yield further insights for decision makers on how to design reforms.
- 2.5 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.
- 2.6 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)<sup>3</sup> 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, green funds, sustainable infrastructure bonds and green asset backed securities, among others.

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<sup>1</sup> Climate Bonds Initiative. 2017. <https://www.climatebonds.net/market/explaining-green-bonds>

<sup>2</sup> Georgoulis et al. 2018. Assessing the Institutional Capacity of Latin American Countries for Sustainable Infrastructure Planning and Delivery.

<sup>3</sup> Serebrisky et al. 2018. IDBG Framework for Planning, Preparing, and Financing Sustainable Infrastructure Projects: IDB Sustainable Infrastructure Platform.

- 2.7 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. Some of the organizations the TC has envisioned to work with are: (i) Banco Nacional de Obras y Servicios Públicos (Banobras), Banco de Mexico, the Investment unit of the Secretaria de Credito publico y hacienda in Mexico; (ii) Proinversion (Private Investment Promotion Agency) and the Unit for Private Investment in the Ministerio de Economia y Finanzas in Peru; (iii) the Programa de Parcerias de Inversiones (PPI) in Brazil; and (iv) the Departamento Nacional de Planeacion in Colombia, among others.
- 2.8 The TC is consistent with the Update to the Institutional Strategy 2010-2020 (AB-3008) and is aligned with the development challenges of: (i) Social Inclusion and Equality since the SIF incorporates gender components into the planning and design of infrastructure assets and emphasizes the affordability of public services; and (ii) Productivity and Innovation, as the SIF identifies sustainability opportunities upstream the planning process, informing decision-makers and investors about the needs, benefits, and opportunities in developing Sustainable Infrastructure. The TC is also aligned with the cross-cutting theme of Climate Change and Environmental Sustainability, as it will integrate the IDB Sustainable Infrastructure (SI) framework into the planning, design, procurement and financing process of infrastructure assets with the goal of attracting private sector investment into sustainable infrastructure, incorporating low carbon resilient strategies into the infrastructure lifecycle.

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

- 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 (US\$400,000).** The component will:
- a. Carry out studies/workshops required to agree on policy and institutional structures for delivering sustainable infrastructure. This stage will include the analysis of approaches and tools to: (i) measure the business and policy environment at country level, identifying readiness conducive to SI; (ii) plan processes and public investment management frameworks integrating SI practices; and (iii) apply sustainable infrastructure procurement strategies aligned to the principles of the SIF. These strategies will develop clear and predictable procurement policies aligned with the public investment framework.
  - b. Develop guidelines for actions at the upstream and design stages of project planning, including the creation of an interactive online platform<sup>4</sup> where governments and private sector access existing sustainability tools classified by type of intervention and their relevance in the project cycle. These guidelines will

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<sup>4</sup> As stated in the Procurement Plan, the firm to perform this task will be hired under a Single Source Selection (SSS) process considering it represents a smaller amount (US \$ 20,000) according to the GN-2765-1.

also support the evaluation of bids using sustainability criteria from a long-term perspective.

- c. Build national capacities to use the available tools to operationalize the SI framework in each country.

Expected results: The objective of this component is to i) improve understanding of Sustainable Infrastructure; ii) drive upstream planning implementation and; iii) foster cross country learning by assisting public and private sector decision makers in better understanding the role that upstream institutional actions can play in delivering sustainable infrastructure.

- 3.3 **Component II. Support country PPP Units in the mainstreaming of SI principles in their operations (US\$260,000).** The second component will: (i) support the inclusion of the IDB SI framework in the evaluation of the viability of PPP projects<sup>5</sup> for LAC countries; (ii) develop tools (i.e. risk identification, impact assessment, and quantification tools) for the public-sector to assess climate change risks in the Value for Money (VFM)<sup>6</sup> analysis during PPP evaluation processes and; (iii) support the inclusion of the IDB framework into the structuring and risk allocation framework of the PPPs.

Expected results: Component II will support Brazil, Mexico, Peru and Colombia PPP units mainstreaming Sustainability and Resilience into their PPP regulations, policies, and Value for Money Tools.

- 3.4 **Component III. Define innovative financing structures/models to match sustainable infrastructure projects with private sector capital (US\$300,000).** This component will focus on the analysis and definition of innovative financial instruments, mechanism and platforms that could be scaled-up for financing SI in the four selected countries (e.g. infrastructure asset recycling schemes, sustainable infrastructure bonds, sustainable infrastructure project preparation platforms, sustainable infrastructure funds and the standardization of smart contracts through blockchain technology to scale small-sized projects for green securitizations).

Expected results: Financial instruments, mechanism and platforms market scoping report to size the sustainable infrastructure investment opportunity in LAC and the delivery of a catalogue of financial instruments available in each capital market for institutional and retail investors.

- 3.5 **Component IV. Understand technological changes' impacts in LACs supply and demand for infrastructure services to capture potential sustainability elements in pipeline planning processes (US\$340,000).** The component will perform an: (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.

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<sup>5</sup> The team will consider applying the [SOURCE](#) project preparation platform.

<sup>6</sup> Optimum combination of whole-of-life costs and quality (or fitness for purpose) of the good or service to meet the user's requirements. The World Bank. 2013. Value-for-Money Analysis—Practices and Challenges: How Governments Choose When to Use PPP to Deliver Public Infrastructure and Services

Expected results: Component IV will develop recommendations for the application of identified technologies into infrastructure projects and will bring light into the regulation, policies and business cases around the identified technologies.

- 3.6 The total cost of this TC will be US\$1,300,000 (one million three hundred thousand dollars), which will be financed by the UK Sustainable Infrastructure Programme.

**Indicative Budget (US\$)**

Components	IDB	Total
Component I. Integrating sustainability principles into infrastructure planning, design, procurement, implementation and development of financing options.	400,000	400,000
Component II. Support country PPP Units in the mainstreaming of SI principles in their operations.	260,000	260,000
Component III. Define innovative financing structures/models to match sustainable infrastructure projects with private sector capital.	340,000	340,000
Component IV. Understand technological change impacts in LAC's supply and demand for infrastructure services to capture potential sustainability elements in pipeline planning processes.	300,000	300,000
<b>Total</b>	<b>1,300,000</b>	<b>1,300,000</b>

#### IV. Executing Agency and Execution Structure

- 4.1. This TC will be administered and executed by the IDB, CSD/CSD in cooperation with CSD/RND, CSD/HUD, CSD/CCS, INE/WSA, INE/TSP and INE/ENE as a pioneer of the sustainable infrastructure (SI) agenda in LAC and its increasing experience in this subject at the global level. The TC will be executed in coordination between the VPS team in headquarters and CCS specialists in the country offices.
- 4.2. 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.
- 4.3. The TC has been categorized as research and dissemination considering that it comprises activities aimed at deepening the Bank's and its clients' knowledge and capacities to adopt the Sustainable Infrastructure framework. For this reason, the team leader will ensure that non-objection <sup>7</sup> letters from the corresponding country authorities are issued before the start of activities.
- 4.4. The activities to be executed are included in the Procurement Plan and will be contracted in accordance with Bank policies as follows: (a) AM-650 for Individual consultants; (b) GN-2765-1 and Guidelines OP-1155-4 for Consulting Firms for services of an intellectual nature and; (c) GN-2303-20 for logistics and other related services.

#### V. Major Issues

- 5.1 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

<sup>7</sup> [Letters from Countries where the team has started dialogues on SI](#)

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.

**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 TC activities will have a negative direct or indirect social or environmental impact, as it will not finance direct investments, but instead it will finance feasibility studies 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](#)

**INTEGRATING THE IDB SUSTAINABLE INFRASTRUCTURE FRAMEWORK INTO THE PLANNING, DESIGN,  
PROCUREMENT AND FINANCING PROCESS OF INFRASTRUCTURE ASSETS**

**RG-T3291**

**CERTIFICATION**

I hereby certify that this operation was approved for financing under the **United Kingdom Sustainable Infrastructure Program (SIP)**, through a communication dated August 7, 2018 and signed by Su Kim (ORP/GCM). Also, I certify that resources from said fund are available for up to **US\$1,300,000** in order to finance the activities described and budgeted in this document. This certification reserves resource for the referenced project for a period of four (4) calendar months counted from the date of eligibility from the funding source. 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:

**Original Signed**

09/21/2018

\_\_\_\_\_  
Sonia M. Rivera

\_\_\_\_\_  
Date

Chief

Grants and Co-Financing Management Unit

ORP/GCM

## MEMORANDUM

File Classification:  
CSD/CCS / EZSHARE-1965787182-3 / 2018

**Date:**

**To:** Ana Maria Rodriguez  
Vice President for Sectors and Knowledge a.i.

**From:** Juan Pablo Bonilla  
Sector Manager, Climate Change and Sustainable Development Sector (CSD/CSD)

**Subject:** REGIONAL. "Integrating the IDB Sustainable Infrastructure Framework into the Planning, Design, Procurement and Financing Process of Infrastructure Assets" (RG-T3291). Non-reimbursable financing up to the amount of US\$1,300,00. United Kingdom Sustainable Infrastructure Program (SIP). Approval.

We are attaching for your consideration and approval, the document describing the Technical Cooperation "Integrating the IDB Sustainable Infrastructure Framework into the Planning, Design, Procurement and Financing Process of Infrastructure Assets" (RG-T3291). This document has been prepared by the Project Team pursuant to the guidelines and procedures established for the preparation and processing of non-reimbursable technical cooperation operations.

Pursuant to Resolutions DE-44/08 and DE-103/14, and in accordance with the delegation of authority granted by the President to the Vice Presidents pursuant to the provisions set forth in the Bank's Operations Processing Manual (PR-501), the Vice President for Sectors and Knowledge has the authority to approve non-reimbursable technical cooperation operations up to the amount of US\$1,500,000.

Therefore, taking into consideration that the amount of this operation does not exceed the amount of US\$1,500,000, it is hereby recommended that the above-referenced operation be approved.

Ms. Maria Tapia Bonilla (mtapia@IADB.ORG, ext. 2062), Project Team Leader, will be available to answer any questions.

Approved: Original Signed  
Ana Maria Rodriguez, Vice President a.i.

Date: 10/19/2018



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VoBo:

Date:

Original Signed  
Rafael de la Cruz, General Manager, CAN/CAN

10/12/2018

Original Signed  
Veronica Zabala, General Manager, CID/CID

10/19/2018

Original Signed  
Jose Luis Lupo, General Manager, CSC/CSC

10/10/2018

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VoBo:

Date:

Original Signed

Amal-Lee Amin, Division Chief, CSD/CCS

09/21/2018

Original Signed

Kevin McTigue, Principal Specialist Attorney, LEG/SGO

09/24/2018

Original Signed

Mariana Alfonso, Sector Lead Specialist, VPS/VPS

09/27/2018