

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	Regional
▪ TC Name:	Infrastructure Services in Latin America and the Caribbean – Background research for the DIA 2020
▪ TC Number:	RG-T3175
▪ Team Leader/Members:	Serebrisky, Tomas Sebastian (INE/INE) Team Leader; Irigoyen, Jose Luis (INE/INE) Alternate Team Leader; Cavallo, Eduardo (RES/RES); Powell, Andrew Philip (RES/RES); Diez Roux, Esteban (INE/TSP); Carvalho Metanias Hallack, Michelle (INE/INE); Suarez Aleman, Ancor (INE/INE); Pastor Vargas, Cinthya (INE/INE); Wohlhueter, Andreas (INE/INE); Ramirez Bello, Maria Cecilia (INE/INE); Villa Gonzalez, Maria Fernanda (INE/INE); Centeno Lappas, Monica Clara Angelica (LEG/SGO); Lutz, Liza M. (LEG/SGO); Machado, Fabiana Velasques De Paula (INE/WSA); Parra, Aglae Elizabeth (RES/RES)
▪ Taxonomy:	Research and Dissemination
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	December 08, 2017
▪ Beneficiary:	LAC
▪ Executing Agency:	Inter-American Development Bank
▪ IDB funding requested:	US\$2,000,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	24 months
▪ Types of consultants:	Individual consultants and consulting firms
▪ Prepared by Unit:	Infrastructure & Energy Sector (INE/INE)
▪ Unit of Disbursement Responsibility:	Infrastructure & Energy Sector (INE/INE)
▪ TC included in Country Strategy (y/n):	N/A
▪ TC included in CPD (y/n):	N/A
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Social inclusion and equality; Productivity and innovation; Economic integration; Institutional capacity and rule of law; Climate change; Environmental sustainability.

II. Objective and Justification

- 2.1 The primary research produced through this TC will serve as input for the 2020 edition of the IDB flagship publication DIA: Improving LAC Infrastructure Services: for today and for the future. The main question to answer in the DIA2020 is: When it comes to infrastructure services: How can Latin America and the Caribbean improve today and prepare for the future? To that end, the primary research produced through this TC will deliver major inputs for the three sections of the book: (i) Changing the focus to infrastructure services, and assessing infrastructure services in LAC; (ii) How to improve infrastructure services today: the role of institutions, regulations and policies on the performance of infrastructure services in LAC; and (iii) Preparing for the future: sustainability, innovation and financing dimensions.
- 2.2 Infrastructure is vital for economic growth and development. Production in modern societies and the provision of basic services such as education or health would be impossible without reliable roads, water, sanitation, and electricity. Infrastructure spurs growth by increasing productivity, reducing production costs, facilitating the accumulation of human capital (through easier access to educational opportunities), helping diversify the productive structure, and creating employment (IDB, 2014).

There is an urgent need to focus on infrastructure services: much attention has been devoted to how much infrastructure investment LAC needs, but scarce efforts and research attention has been devoted to the quantity and quality of infrastructure services. While annual investment in infrastructure assets represent 3.5% of GDP, infrastructure services accounts for approximately 20% of GDP. This numbers call for a change in focus from assets to services, or in more intuitive terms from roads to trucking services, from treatment plants to water at home, from dams to electricity services.

- 2.3 The infrastructure sector suffers from a notable lack of information that impedes the formulation of adequate policy recommendations. Given the limited attention that infrastructure services have received in the literature in the past, there is an enormous lack of data that needs to be filled. A comparison of the quality and availability of data between infrastructure and other sectors like health and education is proof of the relative disadvantage of the ability to produce policy recommendations for the infrastructure based on sound evidence. The compilation of data is necessary to detect key variables of interest in this context and allow for international benchmarking exercises. Therefore, a solid groundwork of information is paramount in order to allow for a rigorous analysis and well-elaborated policy recommendations.
- 2.4 When it comes to infrastructure services, LAC deserves better –identifying concrete policies to improve the provision of infrastructure services constitutes the core of this TC: LAC does not have the infrastructure services it needs or deserves given its income level (Cerra et al., 2016). Energy, transport and water and sanitation infrastructure present enormous shortcomings in the region hampering both competitiveness and quality of life. There are several reasons to explain why infrastructure services performance in LAC is worse than in other regions. To a certain extent, these shortcomings are explained by the lack of investment in infrastructure. The supply of infrastructure is not managing to catch up with a steadily growing demand induced by economic growth, urbanization and the rising middle class in LAC. The lack of sufficient investment in infrastructure and maintenance, commonly known as the “infrastructure gap” has received most of the attention in reports produced by MDBs and think tanks in the LAC region. However, the lack of investment is only part of the problem: the management, regulation and governance of services are fundamental determinants for the availability and quality of infrastructure services. Surprisingly, these factors, which determine the production and performance of infrastructure services, have received very limited attention.

III. Description of Activities and Outputs

- 3.1 This technical cooperation has the following three components: 1) Infrastructure services in LAC: definitions, measurement and assessment; 2) How to improve Infrastructure services today: the role of institutions, regulations and policies on the performance of infrastructure services in LAC; and 3) Preparing for the future: understanding emerging trends and technologies related to infrastructure services and identifying policies to foster innovation in the provision of services.
- 3.2 **Component 1: Infrastructure services in LAC: definitions, measurement and assessment.** This first component aims to generate evidence and analysis to change the focus from infrastructure assets to infrastructure services.
- 3.3 **Component 2: How to improve Infrastructure services today: the role of institutions, regulations and policies on the performance of infrastructure services in LAC.** This component aims to identify constraints across infrastructure sectors (energy, water and sanitation and transport) that explain the low quantity and quality of infrastructure services in the LAC region.

- 3.4 **Component 3: Preparing for the future: understanding emerging trends and technologies related to infrastructure services and identifying policies and institutional frameworks to foster innovation in the provision of services.** The objective of this component is to identify how infrastructure services will be affected in the future by: technological changes and the need for more sustainable infrastructure services.

IV. Budget

Indicative Budget (US\$)

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Component 1 – Infrastructure services in LAC: definitions, measurement and assessment.	1,355,000.00	0.00	1,355,000.00
Component 2 – How to improve Infrastructure services today: the role of institutions, regulations and policies on the performance of infrastructure services in LAC.	320,000.00	0.00	320,000.00
Component 3 – Preparing for the future: understanding emerging trends and technologies related to infrastructure services and identifying policies and institutional frameworks to foster innovation in the provision of services.	325,000.00	0.00	325,000.00
TOTAL	2,000,000	0.0	2,000,000

V. Executing Agency and Execution Structure

- 5.1 This operation will be executed by the IDB (Infrastructure and Energy Sector (INE/INE)), which will be responsible for all aspects of this TC, including disbursements.
- 5.2 The Bank will contract individual consultants, consulting firms and non-consulting services in accordance with the Bank's current procurement policies and procedures for Bank-executed operations: Recruitment of individual consultants AM-650; and Contracting of consulting firms for services of an intellectual nature GN-2765-1 and its operational guidelines OP-1155-4. It is expected that all countries will be beneficiaries of the outputs of this TC.
- 5.3 The TC is Bank executed since: (i) the addressed issues are of regional and cross-sectorial nature; and (ii) the Bank is ideally positioned, given its vast presence in the region, its capacity to engage the most relevant stakeholders, and its knowledge across all infrastructure sectors, to undertake the data collection and studies necessary to complete the project, and to disseminate the results among relevant actors in the region.

VI. Project Risks and Issues

- 6.1 Risks of implementation of this TC will be low. This TC ideally aligns with the INE's Infrastructure Department objectives and the work will be under the direct guidance of INE's Principal Economic Advisor. A common concern within the infrastructure sector relates to the ability of finding and gathering the necessary data for the project. However, the team has already identified most of required data sources, so this risk is partially mitigated.

VII. Environmental and Social Classification

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