

## TC ABSTRACT

### I. Basic Project Data

▪ Country/Region:	BRAZIL/CSC - Southern Cone
▪ TC Name:	Integrated Urban Development Project Design Support for Brazilian Municipalities
▪ TC Number:	BR-T1474
▪ Team Leader/Members:	Alves, Dalve Alexandre Soria (CSD/HUD) Team Leader; Arcia, Diego Andres (CSD/HUD) Alternate Team Leader; Hobbs, Jason Anthony (CSD/HUD); Tribouillard, Clementine Claire Dominique (CSD/HUD); Verissimo Da Silva, Carolina (LEG/SGO); Avila, Francly Dianela (CSD/HUD); Guzman Osorio, Jessica (CSD/HUD); Villota Coral, Maria Alejandra (CSD/HUD)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	04 Mar 2021
▪ Beneficiary:	Brazilian National Development Bank (BNDES) and Brazilian Municipalities
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$450,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	24 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	CSD/HUD - Housing & Urban Development
▪ Unit of Disbursement Responsibility:	CSC/CBR - Country Office Brazil
▪ 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:	(i) Social inclusion and equality; and (ii) Environmental sustainability

### II. Objective and Justification

- 2.1 This Technical Cooperation (TC) aims at supporting Brazilian municipalities to design integral urban development projects to promote urban economic reactivation and socio-economic development. The specific objectives are (i) to set up a joint strategy with the Brazilian National Development Bank (BNDES) to design and implement financial mechanisms for integral urban development projects, and (ii) provide technical assistance to medium and large-sized municipalities during the preparation of proposals for urban development projects, including mobilizing expertise and resources from the private sector; and (iii) ensure that those proposals contemplate the requirements and the necessary studies aligned with IDB strategies.
- 2.2 In the last years, Brazilian cities are enduring the effects of a prolonged economic crisis, with worsening urban infrastructure conditions and unsustainable urban planning strategies recently aggravated by the pandemic. Development banks, especially the IDB, could play a vital role in recommending and financing innovative local urban solutions by integrating creative social, environmental, and economic ideas into new municipal projects and mobilizing the private sector's expertise and resources. In particular, the IDB is a well-positioned partner, considering its vast experience in designing and implementing initiatives such as PROCIDADES in Brazil or the Emerging and Sustainable Cities Initiative (ESCI) and several multisectoral projects in different countries of the region. However, most municipalities have institutional, technical, or

budgetary deficiencies for preparing the necessary studies to obtain a national government recommendation for sovereign guarantees and the IDB technical and quality acceptance for a credit operation.

### III. Description of Activities and Outputs

- 3.1 **Component 1. Financial Mechanisms for Urban Development Projects.** This component will (i) assist the BNDES in developing a strategic urban framework for DEURB; and (ii) devise financial mechanisms or a new credit line instrument for comprehensive urban projects to promote urban economic reactivation and socio-economic development.
- 3.2 **Component 2. Technical Assistance for Project Preparation.** This component will carry out feasibility studies for comprehensive urban development projects at the subnational level, identifying, designing, and promoting better urban living conditions and socio-economic development.

### IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
1. Financial Mechanisms for Urban Development Projects	US\$150,000.00	US\$0.00	US\$150,000.00
2. Technical Assistance for Project Preparation	US\$300,000.00	US\$0.00	US\$300,000.00
<b>Total</b>	<b>US\$450,000.00</b>	<b>US\$0.00</b>	<b>US\$450,000.00</b>

### V. Executing Agency and Execution Structure

- 5.1 The Bank will be the executing agency. The Housing and Urban Development Division (CSD/HUD) will be responsible for the technical supervision and administration of this TC due to its housing, urban planning, and sustainability technical expertise.
- 5.2 Bank as an executing agency will enable the Federal and local levels to exchange experiences on progress and lessons learned. One of the critical challenges is designing federal orientations with local feasibility (top-down approach) and promoting local innovations with national scalability (bottom-up approach). By executing the TC, CSD/HUD will incorporate the activities' results directly into the ongoing dialogue with the BNDES and the subnational authorities in the investment projects for the Urban Development Sector.

### VI. Project Risks and Issues

- 6.1 The following risks and mitigation measures have been identified: (i) Difficulties to align the IDB and BNDES operative and financial instruments; (ii) Local governments resist endorsing co-financing programs due to technical, legal, financial requirements, or even to lack of accurate information; (iii) There is an over demand for financing that could be restraint by a limited resource availability; and (iv) Delay in the studies of Component 1 that can allow the project preparation under Component 2. The mitigation measures considered are: (i) Specific consultancies that explore the possibilities to make not only "joint co-financing" but also "parallel co-financing", latter case with flexible requirements for co-financing; (ii) Consultancies should work in an operative manual detailing the co-financing mechanisms, and should propose a strategy for dissemination and framework of them to facilitate the dissemination process; (iii) Consultancies should present technical and fiscal requirements for selecting the pilots to be prepared by Component 2, besides that, consultancies should also develop studies for a long term credit line which could count on the participation of other financial agencies or blended

financing models; and (iv) IDB will conduct the hiring process to have the consultants in time to design and develop the products identified in the Component 1, in parallel Component 2 could also assist projects that were not identified at Component 1, since they present the main objective of this TC, i.e., support Brazilian municipalities to design integrated urban development projects to promote urban economic reactivation and socio-economic development

## **VII. Environmental and Social Classification**

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