

Technical Cooperation (TC) Document

I. Basic Information for TC

▪ Country/Region:	Brazil
▪ TC Name:	São Paulo Intercity Train Pre-feasibility studies
▪ TC Number:	BR-T1398
▪ Team Leader/Members:	Gaston Astesiano (VPC/PPP), Team Leader; Dalve Alves (INE/TSP), Alternate Team Leader; Carolina Lembo (VPC/PPP); Reinaldo Fioravanti and Daniel Cabrera (INE/TSP); and Krysia Ávila (LEG/SGO)
▪ Taxonomy	Client Support
▪ If Operational Support TC, give number and name of Operation Supported by the TC:	N/A
▪ Beneficiary (countries or entities which are the recipient of the technical assistance):	State of São Paulo, Federative Republic of Brazil
▪ Executing Agency:	Interamerican Development Bank (IDB)
▪ Donors providing funding (amount and Fund's name):	Global Infrastructure Facility (FGI) ¹
▪ IDB Funding Requested:	US\$337,000.00
▪ Local counterpart funding, if any:	N/A
▪ Disbursement period:	24 months
▪ Required start date:	01/10/2018
▪ Types of consultants:	Firms and Individual Consultants
▪ Prepared by Unit:	VPC/PPP
▪ Unit of Disbursement Responsibility:	VPC/PPP
▪ TC Included in Country Strategy:	Yes
▪ TC included in CPD:	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and Innovation; and Social Inclusion and Equality

II. Objectives and Justification of the TC

- 2.1 The objective of this TC is to provide the State of São Paulo with sufficient prefeasibility information to make a decision as to whether to proceed with the effective implementation of the São Paulo Intercity Train – São Paulo/Campinas/Americana (TIC) and *Companhia Paulista de Trens Metropolitanos* (CPTM) Line 7 Upgrade. Therefore, this TC will: (i) complement existing technical studies; (ii) undertake the missing pre-feasibility analysis; and (iii) support institutional coordination that will allow for a cost-effective analysis of the project.

¹ Although the official acronym of the Global Infrastructure Facility is GIF, in this document, the acronym FGI will be used for this Facility, as this is the official acronym for the IDB.

- 2.2 The planned 130 km São Paulo Intercity Rail Line I (the Project; TIC in Portuguese) is a medium-speed passenger rail service between Americana and São Paulo, with intermediate stops at Jundiaí, Louveira, Vinhedo, Valinhos, Campinas and Sumaré, and incorporating upgrade, maintenance and operation of the existing CPTM Line 7. Those cities are part of the metropolitan region of São Paulo (population 20.9 million), Campinas (3 million) and Jundiaí (0.7 million). The route follows a combination of existing freight and suburban railway (CPTM Line 7) alignments, requiring relaying of tracks, station investments, equipment, rolling stock and regulatory coordination between freight (Federal domain) and passenger (State domain). Early studies, including a number of unsolicited proposals, suggest that the TIC line could carry 60,000 passengers per day, with a two-phase total investment of US\$3.5 bn, including 30-50% from private sources.
- 2.3 **Project development impact.** The objective of the Project is to foster economic development and productivity in the existing corridor conurbation between São Paulo and Americana (including the major city of Campinas), by offering a cleaner passenger transport alternative to the presently saturated road transport, that will enhance accessibility from and to employment hubs, and promote sustainable urban development along the corridor. The Project will improve travel conditions to estimated 60,000 passengers per day using the TIC service, and 450,000 passengers per day using the upgraded CPTM Line 7 service. The investment is expected to contribute towards a reduction of up to 81,956 tons of CO₂ per year². As a secondary objective, the Project will support wider efforts to review the concession model for freight rail in the State of São Paulo, potentially leading to greater open access style operation, reduced externalities from freight transport and reduced transit costs to the Port of Santos.
- 2.4 **Private Public Partnership (PPP) as a working assumption.** Given the expected high upfront costs, high institutional and demand risks, and probable need of some form of viability gap funding, along with a desire to access private finance and avoid increasing the responsibilities of current public transport companies, the State of São Paulo is developing the Project on the working assumption it will be procured as a PPP. In this way, the Project will be able to receive either/both upfront viability gap funding and ongoing availability payments.
- 2.5 **Coordination process and Funding.** The IDB PPP Team (VPC/PPP) was recently created to coordinate PPP activities within the Bank. In this sense, the PPP Team Leader became the liaison contact with the Global Infrastructure Facility (FGI)³.
- 2.6 The IDB PPP Team, in coordination with the IDB Transport Division (INE-TSP) and the World Bank(WB)⁴ jointly requested (through an application process), US\$458,000 non-reimbursable FGI funding to complement ongoing support to the State of São Paulo that both the IDB⁵ and the WB⁶ is carrying out and with the

² World Bank estimate based on following assumptions: average trip of 75 km, an emission rate of 2.128 TonCO₂/km, average occupancy of 447 for train trips, 0.00138TonCO₂/km and 3.5 pax/km for bus trips, and 0.0001888 TonCO₂/km and vehicle occupancy of 1.4 pax for cars, with an average distance of 50 km.

³ In 2016 the IDB Board of Directors has approved that the Bank would become one of the FGI's technical partners and agreement was signed between the two institutions on April 15, 2016 (GN-2841).

⁴ Also a FGI's technical partner.

⁵ INE-TSP is actively engaged on highway and logistics assignments in the State of São Paulo through the loan BR-L1401 (3276/OC-BR).

⁶ The WB has been involved with the Project for many years and recently supported the FGI led Project Readiness Assessment (PRA) analysis.

specific goal to complete the prefeasibility work necessary to develop the first of a series of suburban rail transactions.

- 2.7 **Strategic alignment.** The TC is consistent with the IDB's Updated Institutional Strategy (UIS) 2016-2020 (AB-3008) through the following pillars: (i) productivity and innovation, by supporting well-structured PPPs interventions; and (ii) social inclusion and equality, by promoting the provision of infrastructure that gives the population access to services and better living conditions. In addition, the TC is consistent with the Sustainable Infrastructure Strategy for Competitiveness and Inclusive Growth (GN-2710-5), to support the construction and maintenance of a socially and environmentally sustainable infrastructure, contributing to increase the quality of life, through the encouragement of innovatively channels of private financing. This TC is also aligned with IDB Transportation Sector Framework (GN-2740-7), as it consolidates improvements to the coverage, capacity, quality and connectivity of infrastructure and associated transportation services by expanding the coverage of transportation networks and expanding the capacity and improving the quality of rail transportation networks. In addition, this TC is also consistent with the IDBG Country Strategy with Brazil (GN-2850) which defines its strategic areas: (i) increase productivity and competitiveness by expanding and reform the transport and logistics infrastructure. Furthermore, this TC is aligned with the FGI eligibility criteria, as it generates development impact, contributing to the improvement of service quality and increased coverage (GN-2841).

III. Description of activities/components and budget

- 3.1 As explained above, the São Paulo Intercity Train Pre-feasibility studies will be jointly implemented by IDB/WB in coordination with the State of São Paulo. This CT focuses on the studies that will be conducted by the IDB and, therefore, the resources that FGI will provide to the Bank⁷.
- 3.2 IDB and WB will work actively together, coordinating and providing No Objection on each other's' TORs, consultant selection and product sign-off. Missions will be joint whenever possible. FGI will be included as a member of this coordination team. IDB and World Bank are currently working towards a principle of collaboration agreement, and it is expected that the team will maintain regular progress calls.
- 3.3 IDB will be conducting the following component: **Component 1. High-Level Business Case.** This component will include: (i) High-level business model including financial and economic analysis, key procurement options; (ii) strategic environmental and social analysis; and (iii) peer review of conceptual engineering designs and costs and demand studies.
- 3.4 The total TC budget is US\$337,000.00 financed by the FGI.

⁷ The WB will be conducting a legal assessment and a land value capture study. Their studies budget is US\$95,000.00.

Indicative Budget

Activity/Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
Component 1. High-Level Business Case	Preliminary financial analysis, preliminary environmental and social analysis, peer review of conceptual engineering designs and costs and demand studies.	US\$285,000.00	US\$0	US\$285,000.00
Administrative Costs ⁸	Estimated costs in the implementation of the studies	US\$52,000.00	US\$0	US\$52,000.00
Total		US\$337,000.00	US\$0	US\$337,000.00

IV. Executing agency and execution structure

- 4.1 By request of the government of the State of São Paulo, the IDB through VPC/PPP will be the executor of this TC, and will oversee the studies in coordination with the WB and FGI teams involved. The Project execution by the Bank is justified given the nature of the Fund, experience and knowledge of the IDB on best practices and methodologies in PPPs.
- 4.2 **Procurement.** The IDB will undertake the contracting of consultants or consulting firms in accordance with the IDB's Policy for the Selection and Contracting of Consulting Companies for Operational Work (GN-2765-1), the Complementary Workforce Policy (AM-650), and the Institutional Procurement Policy (GN-2303-20) for additional services, if required.
- 4.3 **Execution period.** The execution and disbursement period of the TC is estimated at 24 months.

V. Major issues

- 5.1 The main risk of this TC is related to the IDB and WB collaboration, as some of the studies will be conducted by the IDB and others by the WB. However, the two institutions have already collaborated in several Projects across Latin America (e.g. metros of Quito, Lima, and São Paulo). IDB and WB will work in a task team in partnership with the State of São Paulo. The scope of work of each party is clearly defined, but it is expected that both provide cross-support for the drafting of the Term of References, revising outputs, and coordinating with the State of São Paulo. Communications with client will be coordinated among the task team from IDB/WB.

⁸ The FGI Operating Guidelines establishes in its paragraph 41.b that FGI funds may be used for FGI Activities approved by the Governing Council and/or the Management Unit, such as: "(...)Technical Partner staff costs and expenditures that can be attributed directly to the Technical Partner's role in a FGI Activity Implementation Team with respect to technical oversight and implementation of FGI project support activities".

VI. Environmental and Social Strategy

- 6.1 The proposed TC will have no environmental or social impacts, as it will not finance direct investments in infrastructure. It will only fund research and project preparation. Taking into account the Environment and Safeguards Compliance Policy of the IDB (OP-703) and due to the nature and objectives of the TC, the classification of this operation is Category "C". (see [Safeguard Policy Filter](#) and [Safeguard Screening Form](#))

Required Annexes:

- Annex I: [No objection letter from the Agência Brasileira de Cooperação](#)
- Annex II: [Results Matrix](#)
- Annex III: [Terms of Reference](#)
- Annex IV: [Procurement Plan](#)