

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	BRAZIL/CSC - Southern Cone
▪ TC Name:	InfraInvest: Sustainable Infrastructure for Brazil
▪ TC Number:	BR-T1377
▪ Team Leader/Members:	BRAKARZ, BARBARA (CSD/CCS) Team Leader; MAIA RIBEIRO, KARISA (INE/TSP) Alternate Team Leader; GOMEZ, JUAN CARLOS (CSD/CCS); ZOGHBI, EDUARDA OLIVEIRA (CSD/CCS); DA SILVA CRUVINEL, RODRIGO ROSA (INE/TSP); DA CRUZ, ADRIANA ALMEIDA (CSC/CDR); CARPIZO RIVA PALACIO, CARLOS IGNACIO (VPC/FMP); CELESTE MARZO, CRISTINA (LEG/SGO); DELGADO, C. RAUL (CSD/CCS); FRISARI, GIOVANNI LEO (CSD/CCS); VOGT-SCHILB, ADRIEN (CSD/CCS); JARAMILLO GIL, MARCELA CRISTINA (CSD/CCS)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	17 Oct 2017
▪ Beneficiary:	Federal Republic of Brazil. Ministry of Planning.
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	\$ 600,000.00
▪ Local counterpart funding:	\$ 0.00
▪ Disbursement period:	24 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	Climate Change
▪ Unit of Disbursement Responsibility:	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:	Social inclusion and equality ; Productivity and innovation ; Climate change

II. Objective and Justification

- 2.1 The objective of InfraInvest is to support the Government of Brazil in the planning, design, and programming of sustainable infrastructure programs, and enable the financial tools, regulatory and policy frameworks required to scale them up. This technical cooperation will support the Ministry of Planning to accelerate implementation of its infrastructure development plans whilst ensuring alignment with its Nationally Determined Contribution (NDC/Paris Climate Accord) and SDGs (Sustainable Development Goals), thus capturing the benefits and maximizing opportunities of a robust and sustainable development for the country. This cooperation program will be double-booked with the Transport Division (TSP/INE).
- 2.2 Investing in sustainable infrastructure is key to tackling three simultaneous challenges: reigniting global growth, delivering on the Sustainable Development Goals (SDGs), and reducing climate risk . Indeed, inclusive growth, human well-being and poverty reduction depend critically on the type, extent and quality of the infrastructure that supports key services: food, energy, water supply, safe and resilient cities, and sustainable industrialization (Bhattacharya et al., 2016a). Furthermore, given the lifespan of infrastructure, choices made today about the types, features and location of infrastructure will heavily influence the extent of the impacts of climate change and the vulnerability or resilience of societies to it . Avoiding potential for lock-in of capital or stranded assets resulting from the changes in the real economy (e.g., the falling cost

of renewables), effects of physical climate change and societal and regulatory responses to the objective of the Paris agreement to limit dangerous global temperature rise to 2°C is critical.

- 2.3 However, according to a report by the IDB, current levels of investment in infrastructure in LAC are generally too low to sustain growth, and often of insufficient quality; furthermore, as a result of the slowdown in economic growth, sub-national governments in Brazil reduced their investment in infrastructure by 46 percent during the first half of 2015.
- 2.4 Due to the current low levels of public investment, along with the fiscal challenges faced by the region and limited funding available from Multilateral Development Banks, the role of private investment must increase in the coming years. Some analysis indicate that private investment would need to triple to reach the threshold of 5 percent of the GDP required to close the existing infrastructure gap at the regional level.
- 2.5 The Government of Brazil is taking steps to tackle these challenges. The Nationally Determined Contribution (NDC) that Brazil presented under the Paris Agreement includes ambitious targets that embrace the need for a major shift in its approach to conceive, build, finance, and use its infrastructure—including not only its energy, transportation, water and other physical infrastructure but, importantly, its natural infrastructure and natural capital, including wetlands and forest landscapes.
- 2.6 In light of climate change and the combination of urbanization and changing socioeconomics, efforts should be directed to infrastructure investments that are sustainable, low-carbon and climate-resilient to capture the economic, social and environmental benefits of those investments. A number of areas need urgent attention, including: developing the institutional capacity to integrate climate considerations into longer-term planning, identifying areas of opportunity and stranded assets risk; incorporating climate change objectives and wider sustainability criteria upstream in policies and regulations; and developing the capacity to identify, prepare and bring forward pipelines of bankable projects. Overcoming potential financial constraints will also require an ongoing dialogue with policy makers and private investors.

III. Description of Activities and Outputs

- 3.1 Comp 1: Strengthen planning and institutional capacity at national level to identify the right investments and required policy/regulatory framework.
Comp 2: Strengthen planning and institutional capacity at city level to identify the right investments, required policy framework and financial instruments.
Comp 3: Structured dialogues between government (national and sub-national), public and private financial institutions.
- 3.2 **Component I: Strengthen NDC planning and institutional capacity at national level.** Work will include: (i) Identify the areas of opportunity and challenges for sustainable infrastructure investments in Brazil, given the NDC, the existing pipeline and other national priorities.
- 3.3 **Component II: Strengthen NDC planning and institutional capacity at city level.** Work will include: (i) Development on NDC guidelines for cities, supporting NDC translation into cities' policy and investments plans; including mapping of key areas of investments in infrastructure given the NDC, existing pipeline and other city level priorities. (ii) Identify financing challenges and solutions to deliver sustainable infrastructure at city level, with a focus on Public Private Partnerships. (iii) Work with one city to develop activities (i) and (ii) in a tailored manner.
- 3.4 **Component III: Structured dialogues.** Work will include project management and: (i) Develop a joint agenda with cities and national government to advance the definition of a portfolio of low carbon sustainable infrastructure investments for the urban mobility

agenda. (ii) Structured dialogues with the public and private sector around sustainable infrastructure opportunities, clarify the role of public policy, financial regulation, public finance and project's structuring to mobilize investors into sustainable infrastructure assets.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Strengthen NDC planning and institutional capacity at national level	\$ 200,000.00	\$ 0.00	\$ 200,000.00
Strengthen NDC planning and institutional capacity at city level	\$ 300,000.00	\$ 0.00	\$ 300,000.00
Structured dialogues	\$ 100,000.00	\$ 0.00	\$ 100,000.00

V. Executing Agency and Execution Structure

- 5.1 The executing agency is the IDBG through the Climate Change & Sustainable Development Department (CCS). CCS will coordinate with Infrastructure & Energy Department (INE) and the International Investment Corporation (IIC) to leverage funds and technical support for the execution of the activities under this project.
- 5.2 The IDBG has the multi-disciplinary technical know-how to successfully carry out the activities of this operation. Besides having local capacity the IDBG has also build relevant relationships in both the public and private sector which are critical for the fruitful execution of this technical cooperation.

VI. Project Risks and Issues

- 6.1 Capacity to access relevant information on planning processes and pipelines of infrastructure in Brazil can pose a risk for the effective execution of this work. To mitigate this risk, CCS staff has been actively engaging with the Ministry of Planning and relevant secretariats, which have been included as partners for the implementation of this work. Furthermore, the ability to engage with the relevant actors at city level and within the private sector will be critical for fruitful dialogues; to mitigate this risk the team carried out initial engagement through a InfraInvest event, which took place in Rio de Janeiro on August 31, 2017; alongside an investors roundtable that brought together local investors to discuss insights gained from IDB-Mercer research, as per papers: Building a Bridge to Sustainable Infrastructure (2016) and Crossing the Bridge to Sustainable Infrastructure Investing (2017).

VII. Environmental and Social Classification

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