

## TC ABSTRACT

### I. Basic Project Data

▪ Country/Region:	BRAZIL/CSC - Southern Cone
▪ TC Name:	Sustainable Transport and Logistics in Brazil (InfraLog)
▪ TC Number:	BR-T1478
▪ Team Leader/Members:	BRAKARZ, BARBARA (CSD/CCS) Team Leader; FIGUEIREDO, ANA (INE/TSP) Alternate Team Leader; GOMEZ, JUAN (CSD/CCS); CELESTE, CRISTINA (LEG/SGO); CALLAU, VANESSA (CSD/CCS); VALENTE, PAULA (CSC/CCR); DE FREITAS, LIGIA (CSC/CCR); NETTO, MARIA E. (IFD/CMF); NAVACERRADA, PABLO (INE/ENE); MADRIGAL, MARCELINO (INE/ENE); PIERECK, GUILHERME C. (INT/TIN); FRISARI, GIOVANNI (CSD/CCS); BETANCOURT, MARCELA; CARDENAS, ANNA (ORP/GCM); CARPIZO, CARLOS (VPC/FMP); DINIZ, JOAO; MAIA, KARISA (INE/TSP)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported:	N/A
▪ Date of TC Abstract:	23 Feb 2021
▪ Beneficiary:	Ministry of Infrastructure
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$800,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	27 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	CSD/CCS - Climate Change
▪ Unit of Disbursement Responsibility:	CSC/CCR - Country Office Brazil
▪ TC included in Country Strategy:	Yes
▪ TC included in CPD:	Yes
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation ; Environmental sustainability

### II. Objective and Justification

- 2.1 The objective of this TC is to support the Brazilian Government's efforts in delivering sustainable infrastructure by promoting a modal shift to low carbon transportation system through improvements in long-distance transport and logistics planning and infrastructure services. It will achieve this by: i) developing feasibility assessments for sustainable transportation and logistics, ii) mitigating climate risk and vulnerability in transport and logistic infrastructure, iii) design of tailored sustainable financial instruments to enable private and public investment; and iv) knowledge transfer on sustainable transport infrastructure and logistics.
- 2.2 Brazil's infrastructure gap represents a vast opportunity for new investments, especially in sectors where financial returns are highly associated with significant social and environmental co-benefits. Between 1990 and 2016, Brazil's annual average investment in infrastructure was just over 2% of its GDP (CBIC, 2015; Oliver Wyman, 2018). Infrastructure investments dropped from an average 5.2% of GDP in the early 1980's to an average 2.25% of the GDP over the last two decades. Transport and Logistics are a major constraint to competitiveness. According to the World Bank's 2010 Enterprise Survey, 28% of businesses in Brazil considered transportation to be a major constraint, both long distance freight and urban mobility, to the sector's competitiveness, against 23% in LAC countries.

- 2.3 Transportation has become the major source of greenhouse gas emissions from non-land use sectors, and the sector's emissions are the fastest growing globally. With the demands to improve existing transport and logistics infrastructure and services, and the need for new infrastructure projects, there is an opportunity to incorporate sustainability throughout the infrastructure cycle. In Brazil, it has been responsible for 209 MtCO<sub>2</sub>e per year, and is the main emitter of CO<sub>2</sub>e of the energy sector in Brazil, accounting for 48% of energy total. (SEEG 2020). There are clear benefits when the focus of the investment is on sustainable infrastructure. Investments in sustainable infrastructure are a "win-win" for economies: they help increase productive capacity and lift economic growth rates, while strengthening a country's resilience to withstand and even combat future climate risks (World Bank, 2019).
- 2.4 Investing in infrastructure leads to economic growth. OECD and IMF analyses have shown that for every dollar of investment in infrastructure (such as motorways, bridges, power plants, grids, communication systems, ports, airports, housing, water, sewers and social infrastructure), there is an average 1.6x multiplier in the form of a boost of short-term employment combined with a long-term productivity gain in the economy. Decarbonization of the sector will lead to a cleaner, healthier, and more sustainable future for all.
- 2.5 Therefore, reducing emissions from energy in Brazil means reducing emissions from transport, and mainly away from roads. Sustainable infrastructure, that is inclusive, is essential for achieving a wide range of social and economic development outcomes aiming to contribute to the Sustainable Development Goals. With the demands to improve existing transport and logistics infrastructure and services, and the need for new infrastructure projects, there is an opportunity to incorporate sustainability throughout the infrastructure cycle. Sustainable infrastructure refers to infrastructure projects that are planned, designed, constructed, operated, and decommissioned in a manner that ensures economic, financial, social, environmental (including climate resilience), and institutional sustainability over the entire life cycle of the project (IDB, 2018). In the project cycle there is three main stages of infrastructure delivery: (i) policy and planning (or upstream level), (ii) project preparation and design, and (iii) financing.

### III. Description of Activities and Outputs

- 3.1 **Component I: Economic Impact Assessment and Feasibility Studies for Sustainable Transportation and Logistics Infrastructure.** . Assessment of potential economic impacts of both low carbon transportation and logistics in Brazil—including in urban areas crossed or impacted by federal infrastructures— leveraging the existing and planned base infrastructure, as well as providing projections for expansion.
- 3.2 **Component II: Mitigation of climate risks and exposure on transport systems and logistics infrastructure.** Integration of climate resilience in infrastructure planning and multi-modal integration planning, at the strategic and tactical levels. Strengthen institutional capacity on governance and management criteria of planning instruments by establishing clear guidelines, goals, and indicators leading to a sustainable transport and logistic development system able to mitigate climate risk and exposure.
- 3.3 **Component III: Design of Sustainable Infrastructure Investment Instruments.** Resolve financial bottlenecks to finance low-carbon and resilient transportation and logistics infrastructure, including capital and operational requirements, encouraging partnerships between the government and the private sector, while providing a proposed structure for financial risk mitigation products such as guarantees, insurance and credit enhancement. This includes structuring of a pilot project to test sustainable infrastructure investment instruments.
- 3.4 **Component IV: Knowledge Dissemination on Sustainable Transport and Logistic Infrastructure and Climate Change.** Dissemination of knowledge through different

approaches, including: (i) organization of workshops to present results; and (ii) structuring products to disseminate knowledge, including printed and digital materials.

#### **IV. Budget**

**Indicative Budget (US\$)**

<b>Activity/Component</b>	<b>IDB/Fund</b>	<b>Counterpart</b>	<b>Total</b>
Economic Impact Assessment and Feasibility Studies for Sustainable Transportation and Logistics Infrastructure.	100,000	0	100,000
Mitigation of climate risks and exposure on transport systems and logistics infrastructure.	300,000	0	300,000
Design of Sustainable Infrastructure Investment Instruments	300,000	0	300,000
Knowledge Dissemination on Sustainable Transport and Logistic Infrastructure and Climate Change	100,000	0	100,000
<b>Total</b>	<b>800,000</b>	<b>0</b>	<b>800,000</b>

#### **V. Executing Agency and Execution Structure**

- 5.1 At the request of the beneficiaries and in accordance with Appendix 10 of the Operational Guidelines for Technical Cooperation Products (GN-2629-1), the IDB will be the Executing Agency for the operation
- 5.2 Given its experience in the preparation and development of the operational and technical instruments proposed for this type of operation, as well as its knowledge of the work to be executed and its scope, the IDB will act as the executing agency for this operation.

#### **VI. Project Risks and Issues**

- 6.1 The risks of the project are medium and are related to upcoming elections in 2022 and potential changes to government priorities regarding sustainable infrastructure. In addition, there may be lower risks on deploying innovative financing mechanisms. These risks will be mitigated throughout the project and close engagement with technical and high-level government officials and will be closely monitored through the Climate Change and Sustainability and Transport specialists.

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

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