

TC ABSTRACT

I. Basic Project Data

| | |
|--|---|
| ▪ Country/Region: | BRAZIL/CSC - Southern Cone |
| ▪ TC Name: | Promotion of Infrastructure Innovations in Small and Medium-Sized Municipalities in Brazil |
| ▪ TC Number: | BR-T1415 |
| ▪ Team Leader/Members: | MAIA RIBEIRO, KARISA (INE/TSP) Team Leader; BRAKARZ, BARBARA (CSD/CCS) Alternate Team Leader; COCHA, AGUSTINA (INE/TSP); ROSA DA SILVA CRUVINEL, RODRIGO (INE/TSP); CELESTE MARZO, CRISTINA (LEG/SGO); ALARCON, ARTURO (INE/ENE); MENDEZ TORRICO, E. GUSTAVO (INE/WSA); ZOGHBI, EDUARDA OLIVEIRA (CSD/CCS); HOBBS, JASON ANTHONY (CSD/HUD); NUNES NISHIYAMA, LEANDRO (CSC/GBR); CARPIZO RIVA PALACIO, CARLOS IGNACIO (VPC/FMP); CABRERA BOTERO, MARIA MARGARITA (CSD/CCS); BALADI RODRIGUEZ, AZIZ (INE/TSP); VALENTE LINS, PAULA (CSC/GBR); DE OLIVEIRA SANTOS, LORAYNE (CSC/GBR) |
| ▪ Taxonomy: | Operational Support |
| ▪ Number and name of operation supported by the TC: | PUBLIC INFRASTRUCTURE MANAGEMENT INVESTMENT PROGRAM FOR MUNICIPAL EFFICIENCY - BR-L1503 Open innovation for infrastructure projects for municipalities in Brazil - BR-T1375 Support for the Development of Renewable Distributed Generation and Energy Efficiency Projects in Brazilian Municipalities - BR-T1395 |
| ▪ Date of TC Abstract: | 30 May 2019 |
| ▪ Beneficiary: | Municipalities of Brazil (subnational) |
| ▪ Executing Agency: | INTER-AMERICAN DEVELOPMENT BANK |
| ▪ IDB funding requested: | US\$1,000,000.00 |
| ▪ Local counterpart funding: | US\$0.00 |
| ▪ Disbursement period: | 36 months |
| ▪ Types of consultants: | Individuals; Firms |
| ▪ Prepared by Unit: | Transport |
| ▪ Unit of Disbursement Responsibility: | Country Office Brazil |
| ▪ TC included in Country Strategy (y/n): | Yes |
| ▪ TC included in CPD (y/n): | Yes |
| ▪ Alignment to the Update to the Institutional Strategy 2010-2020: | Social inclusion and equality ; Institutional capacity and rule of law |

II. Objective and Justification

- 2.1 The objectives of this technical cooperation are: (i) to support the implementation of the supervision and monitoring platform for the credit operation with Banco do Brasil (4691/OC-BR); (ii) to technically support the eligible municipalities of the operation for the implementation of sustainable infrastructure projects; and (iii) to strengthen the development of activities to identify innovative and more efficient technologies to increase the efficiency of resilient infrastructures of Brazilian municipal public entities.

- 2.2 IDB approved a credit operation of US\$600 million with Banco do Brasil (BB) called Investment Program in Public Infrastructure Management for Municipal Efficiency (Municipal Efficiency Program) (4691/OC-BR), in the Global Credit modality, which its main objective is to execute sub-loans in municipalities of up to 500,000 inhabitants in order to support the modernization of their infrastructures in the transport, energy and water sectors. It is important to mention that it was a great challenge for the Bank to approve this operation since the beneficiary is not very common in IDB loans, because of the high transaction cost it takes to structure these kinds of operations in these kind of clients (municipalities).
- 2.3 Despite the BB's capacity throughout the national territory, the weak institutional capacities present in a large portion of the Brazilian municipalities have limited the BB to transfer good practices, particularly in infrastructure projects. Due to its nature as a commercial bank, BB has encountered difficulties in: (i) creating internal institutional capacities to design innovative instruments; (ii) transfer good practices in its lines of credit to government entities.
- 2.4 As a consequence of the situation, at requested of BB, the IDB approved a TC (ATN/OC-16563-BR) to support the process of structuring the credit operation and the preparation of innovative tools to support the execution of the credit operation. The innovative tool will be an online platform, which will include: i) financial, administrative and technical information of the operation in the same repository; ii) the automation in the generation of supervision reports of the program to the IDB and of statistical data, with the use of machine learning for the identification and mitigation of risks; iii) scripts and documents for the municipalities institutional strengthening, for public procurement processes and for the preparation of projects; iv) an "open innovation" sheet, to disseminate innovative tools offered by startups that promote infrastructure efficiency in the areas covered by the loan.
- 2.5 The resources currently provided with ATN/OC-16563-BR are only enough for the structuring of the online platform. For this reason, there is an important challenge for the maintenance and operation of the platform, an essential activity that is the responsibility of the IDB to carry out open innovation actions, for the realization of the process of identification, updating and advertising of the existing technologies together with the sub-borrowers. In addition, it was identified an opportunity to support and train municipalities to adopt elements of sustainability in the planning and execution of infrastructure projects, helping the Bank and the country to meet its sustainable development goals.
- 2.6 The TC is aligned with the Institutional Strategy Update 2010-2020 (AB-3008): (i) social inclusion and equality; (ii) productivity and innovation; and (iii) climate change. It is aligned with the Brazilian Country Strategy (GN-2850) in: (i) expand and reform the transport and logistics infrastructure; (ii) expand and improve the conditions of drinking water and basic sanitation; and (iii) improve efficiency in the management of public resources. Brazil's new country strategy is being prepared by IDB, in which the TC must align with: (i) promotion of domestic and international integration; and (iii) strengthening private-sector participation in economic development.

III. Description of Activities and Outputs

- 3.1 Component 1. Development of Platform Maintenance. It will support the maintenance and execution of the monitoring and monitoring platform of municipal infrastructure projects. The activities that would be financed would include: (i) feeding, maintenance, monitoring and supervision of the infrastructure project platform developed in TC ATN/OC-16563-BR; (ii) technological support to the platform for the maintenance and offering of interactive training of the society and users for the accompaniment, monitoring of infrastructure undertakings; (iii) courses and workshops to disseminate

the knowledge obtained with the operation of the platform and the credit operation with BB; and (iv) preparation of an interactive manual for the municipalities.

- 3.2 Component 2. Technical support to eligible municipalities of smaller size in the development of sustainable and low carbon infrastructure. It will support municipalities with a sectorial technical team for the implementation of project 4691/OC-BR, and also it will support the process of identification and regionalization of innovative technologies developed for the monitoring of resilient, sustainable and low carbon infrastructure focused on municipalities. The activities that would be financed would include: (i) promoting standards for project designs, project analysis; (ii) encourage the implementation of innovative solutions in all sectors; (iii) making public calls to identify technologies; (iv) holding regional events to promote existing technologies; (v) preparation of sectorial materials (water, transport and energy) for dissemination; (vi) holding a tender to encourage the development of sustainable, low-carbon innovative technologies focused on the modernization of infrastructures of small and medium-sized cities; and (vii) conduct a study to measure the regional impacts of new sustainable infrastructure technologies in municipalities and their impacts in order to meet the goal of the NDC in Brazil.
- 3.3 Component 3. Dissemination of knowledge on issues of resilient infrastructure and climate change. It will support the dissemination of knowledge through different means: (i) studies for the adoption of new technologies in credit operations and their impacts on national and subnational entities; (ii) studies to improve the management of infrastructure projects; and (iii) structuring of products for dissemination of knowledge, including printed and digital materials.
- 3.4 **Component I: Development of Platform Maintenance.** Support the maintenance and execution of the monitoring and monitoring platform of municipal infrastructure projects
- 3.5 **Component II: Technical support to eligible municipalities of smaller size in the development of sustainable and low carbon infrastructure.** Technical support for identification and regionalization of innovative technologies developed for the monitoring of resilient, sustainable and low carbon infrastructure focused on municipalities
- 3.6 **Component III: Dissemination of knowledge on issues of resilient infrastructure and climate change.** Knowledge dissemination about impacts of new technologies in credit operation for Brazilian governments and infrastructure project management

IV. Budget

Indicative Budget

| Activity/Component | IDB/Fund Funding | Counterpart Funding | Total Funding |
|--|-------------------------|---------------------|-------------------------|
| Development of Platform Maintenance | US\$170,000.00 | US\$0.00 | US\$170,000.00 |
| Technical support to eligible municipalities of smaller size in the development of sustainable and low carbon infrastructure | US\$700,000.00 | US\$0.00 | US\$700,000.00 |
| Dissemination of knowledge on issues of resilient infrastructure and climate change | US\$130,000.00 | US\$0.00 | US\$130,000.00 |
| Total | US\$1,000,000.00 | US\$0.00 | US\$1,000,000.00 |

V. Executing Agency and Execution Structure

- 5.1 The IDB will be the executing agency of this TC. In this sense, the Bank will be responsible of: (i) identifying the studies and technical work necessary to structure the project; (ii) selecting and hiring consultants to provide the necessary services; and (iii) manage the execution and delivery of consulting services.
- 5.2 The Bank will hire consultants or firms in accordance with the Policy for the Selection and Hiring of Consulting Firms for Operational Work Executed by the Bank (document GN-2765-1), the Complementary Labor Force Policy (AM-650) and the Policy on Institutional Acquisitions (document GN-2303-20). It will also follow the Policies for the Selection and Hiring of Consulting Firms (GN-2350-9), Policies for Selection and Hiring of Consulting Firms for or Works Executed by the IDB (GN-2765-1 and OP-1155-4). TSP / CBR will act as the Basic Responsibility Unit (URB) of these contracts.
- 5.3 This execution structure justifies due to the experience of the IDB in the preparation of the platform, developed under TC ATN/OC-16563-BR, and experience with innovative activities in infrastructure in Latin America and the Caribbean, to provide technical knowledge in the development and execution of the components, as in TC ATN/OC-12472-RG, whose included a pilot study on vulnerability and adaptation of transport systems, and in TC ATN/OC-15782-RG, that developed a platform to reduce asymmetry of information in the utilities urban services of transport, water and sewage.
- 5.4 Considering this, the IDB staff is expected to provide specialized technical and quality knowledge on the activities that will be implemented, and, in this regard, missions are foreseen to support the execution of the proposed activities. This is essential for the proper application of the TC and to ensure adequate and coordinated cooperation between the Bank and the BB.

VI. Project Risks and Issues

- 6.1 Some important risks for the TC are the adaptation of processes and cultures between the banks to encourage innovative processes by combining the vision of a development bank a commercial bank in processes of management and structuring of government projects, and the stimulation of the adoption of the measures for the management of infrastructure projects together with the municipal entities. To mitigate these risks, the TC will be executed in close collaboration with the BB, and will demand important action from specialists of Infrastructure and Energy Sector (INE - ENE, TSP and WSA), of Competitiveness, Technology and Innovation Sector (CTI), of the Fiscal and Municipal Management Sector (FMM), and the Climate Change and Sustainability Sector (CCS).

VII. Environmental and Social Classification

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