

TC ABSTRACT

I. Basic project data

▪ Country/Region:	Brazil
▪ TC Name:	Brazil Infrastructure Investment Platform
▪ TC Number:	BR-T1327
▪ Team Leader/Members:	Reinaldo Fioravanti (INE/TSP), Team Leader; Mauro Alem (INE/INE); Martin Chrisney (VPP/VPP), Karisa Ribeiro (CBR/TSP), Seth Colby (VPP/VPP) and Virginia Navas (INE/TSP)
▪ Taxonomy:	Client support
▪ Number and name of Operation Supported by the TC:	-
▪ Reference to Request ¹ : (IDB docs #)	IDB docs # 39779899
▪ Date of TC Abstract:	August 6, 2015
▪ Beneficiary:	Ministry of Finance, Ministry of Planning, state/local governments, development banks
▪ Executing Agency and contact name:	IDB
▪ IDB Funding Requested:	US\$300,000
▪ Local counterpart funding, if any:	US\$75,000
▪ Disbursement period (which includes execution period):	12 months
▪ Required start date:	October 1, 2015
▪ Types of consultants (firm or individual consultants):	Firm/individual
▪ Prepared by Unit:	INE/INE and VPP/VPP
▪ Unit of Disbursement Responsibility:	To be determined
▪ Included in Country Strategy (y/n);	Y
▪ TC included in CPD (y/n):	N
▪ GCI-9 Sector Priority:	Y

II. Objective and Justification

2.1 The infrastructure deficit is a major bottleneck to growth in Brazil.² The investment needs in the sector are large. It is estimated that the country will need US\$250 billion of investment between 2015 and 2018.³ While Brazil leads the region in terms of private sector participation in infrastructure project and of regulator's standards, the majority of infrastructure funding has come from public banks in recent years, creating fiscal liabilities for the national government and crowding out the development of financial markets instruments such as project bonds and infrastructure debt funds. The high reliance on public banks has diminished line ministries' capacities to identify and prepare projects that attract international investors. The government has heretofore made use of alternative procurement schemes with mixed results (i.e. *Processo de Manifestacao de Interesse PMI*). This technical cooperation will be a critical part of the Government of Brazil's initiative to attract foreign investment and develop private sector financing in infrastructure projects.

¹ A copy of the Letter of Request, Programming/Portfolio Review Mission Aide Memoire or Report requesting the TC should be submitted with the Abstract.

² IADB, Country Growth Diagnostic for Brazil (2015).

³ BNDES, *Perspectivas do investimento 2015-2018 e panoramas setoriais*. 2014.

- 2.2 This technical cooperation aims at assisting the Ministry of Finance of Brazil to implement and institutionalize structural reforms in the preparation, procurement and financing of infrastructure projects in a 4-year period (¶2.3). The Government would like to shift the composition of infrastructure funding towards a greater reliance on private sector funding. Structural reforms will involve complex issues such as changes in the governance of project preparation, improvements in project design and procurement contracts, regulatory risks mitigation and development of financial instruments. This initial technical cooperation will contribute to the start-up costs of prioritized specific interventions in a first stage (12-month period). Another TC will be prepared to cover activities in the following years and once at least 75% of the initial funding of the current TC has been spent.
- 2.3 The Government expects to concession 103 new projects worth US\$50 billion in the period 2015-2018, and has launched the *Plano de Investimento em Logística* (PIL2) which was presented to international investors in New York las June, 2015. Given the large sums involved, it is important that these operations be conducted through a fair, transparent, and efficient process. The Government is seeking to improve the current model of concessions to reduce financial, operational, and environmental risks and attract international investors. A key objective in the first stage is to create an electronic platform to bring together a community of international experts that will help the Ministry of Finance of Brazil to share information on infrastructure concessions to relevant stakeholders and investors. The platform will enhance the ability of officials at the federal, state and local level to carry out pre-feasibility analysis of projects, inviting experts to provide insight on the structure and details of the proposed project. This will allow the government to alter project design in ways that reduce financial, engineering, and environmental risks at the beginning phases of the project when it is easier and less costly to make alternations. By creating a platform that facilitates external review of project elements, infrastructure concessions are more likely to produce their intended results, stay within budget, and attract private financing.
- 2.4 These goals are consistent with the aims of GCI-9 to promote infrastructure development in the region. Moreover, the approach of this technical assistance will combine public and private sector units of the IDB Group to provide specialized knowledge and skills to the authorities to improve development outcomes.

III. Description of activities and outputs

- 3.1 The proposed technical cooperation will involve three components: (i) developing an electronic platform that facilitates communication between stakeholders, investors, sponsors and others for infrastructure concessions; (ii) pursuing research work regarding appropriate concession schemes and upgrading the analytical capacity of government officials to assess the feasibility and sustainability of potential infrastructure projects; and (iii) creating an investor relations unit in the Ministry of Finance and a communications strategy in order to facilitate information flow between public and private counterparts and to report on financing options, pricing, and term structures for infrastructure projects.
- 3.2 **Component 1: Brazil Infrastructure Investment Platform (BIIP):** The IDB will work with a private partner to adapt an existing electronic platform which will allow Brazilian project sponsors at the state, local, and federal level to feature their

projects before a network of experts⁴. Projects posted on the platform will be subject to an international expert evaluation to enhance their financial and technical viability. The process will serve as a form of pre-consultation that will help potential investors and project sponsors assess infrastructure concessions to see if they meet market criteria. In addition, the platform will pilot a rating tool (EnvisionTM)⁵ that focuses on the sustainability of projects. The knowledge the IDB has generated using this tool will be transferred to the authorities and tested in this program.

- 3.3 The component will include the following activities: (i) adapt an existing web-based electronic platform to the requirements of Brazil's infrastructure concession program; (ii) train staff in the use of the BIIP platform and its maintenance; (iii) design and incorporate an environmental and social sustainability component in the platform; and (iv) support a dedicated team to operate the platform for the first 12 months of operation. The use of such an electronic platform reduces preparation costs and promotes the financial and environmental sustainability of complex infrastructure projects⁶. The technical cooperation will include indicators that measure the efficacy of this component.
- 3.4 **Component 2: Research and Capacity Building:** This component will develop research work to bring international best practices regarding concessions to Brazil and train government officials (federal, state and local) on how to identify, analyze and prepare infrastructure projects to engage market participants, as well as on contract structure in the procurement process. The capacity building will include sessions on project finance, project pre-feasibility analysis, identification of environmental and social issues, procurement process, among others.
- 3.5 The component will include the following activities: (i) hiring international experts to review infrastructure projects' preparation and procurement in a small sample of pre-identified projects; (ii) conducting a workshop to develop a "risk matrix" for each selected project with the participation of relevant public and private actors in concessions; (iii) training staff at the federal, state, and municipal levels to reach a large pool of officials (approximately 50) in classroom sessions, each up to one week each; and (iv) training a small support team to provide ongoing instruction and assistance to end-users working in the field with online responses, phone support, and periodic meetings to review and evaluate operational issues.
- 3.6 The training sessions will ensure communication among different actors and provide standardized approaches to project analysis and concession design, enhancing the quality of projects. The training will also include engagement strategies that work with local stakeholders to facilitate the acceptance of projects local populations. The knowledge building will increase the quality of the projects listed in the platform, improve transparency, and reduce delays arising from technical, social, and environmental risks.

⁴ The target market for these activities includes project sponsors, EPC firms, financial market participants, other relevant parties, as well as local stakeholders interested in learning about the potential impact and benefit of infrastructure investments.

⁵ The Envision tool allows rating infrastructure projects across a range of factors that contribute to project sustainability including: quality of life, leadership, resource allocation, natural world, climate and risk. The tool was developed by the Zofnass Program for Sustainable Infrastructure at Harvard University and has benefited from support from the IDB.

⁶ Similar platforms have reduced the cost of developing a project by up to 60% and shortened project preparation time by as much as 50%.

- 3.7 **Component 3: Investor Relations Unit and Communication Strategy.** The final component will help establish an Investor Relations Unit in the Ministry of Finance. The new unit will collect information from investors that will (i) help public officials assess their performance in real time, (ii) monitor and assess the regulatory environment in Brazil relative to its peers, and (iii) develop an investor database that categorizes the appetite and focus of local and global investors interested in financing infrastructure projects. The component will also articulate and deploy a communications strategy to communicate with private investors and increase investor appetite for infrastructure assets. The aim is to develop an investor relations strategy and create a dedicated team of trained specialists to support the endeavor. The team will be comprised of two persons and will undertake field visits and promotional trips to raise investor awareness.

IV. Budget

- 4.1 The cost of the TC is US\$375,000, the counterpart from the government authorities will be US\$75,000. IDB financing will cover a significant amount (US\$300,000) of the start-up costs in the three components, which will be implemented in 12 months. Another TC will be prepared to cover activities in the following years and once at least 75% of the initial funding of the current TC has been spent.

Indicative Budget

Component	Description	IDB/Fund Funding in US\$	Counterpart Funding in US\$	Total Funding in US\$
Component 1	Brazil Infrastructure Investment Platform	150,000	15,000	165,000
Component 2	Research and Capacity Building	85,000	30,000	115,000
Component 3	Investor Relations and Communication Strategy	60,000	30,000	90,000
Contingency		5,000		5,000
Total		300,000	75,000	375,000

V. Executing agency and execution structure

- 5.1 The executing agency will be the IDB (INE/INE) which will work in collaboration with the Ministry of Finance and other agencies such as Transportation, Ports, Aviation, Mines and Energy. The private sector windows will provide additional expertise during the TC preparation and execution.

VI. Project Risks and issues

- 6.1 The project aims to launch the Brazil Infrastructure Investment Platform as a permanent tool. The risk that the project is not sustainable is mitigated by: (i) the counterpart funding of the Ministry of Finance which demonstrates its commitment to the operation and its continuity, (ii) the adaptation of an existing tool which will shorten the ramp up of the operation and ensure that results are achieved within the 24 month timeframe, and (iii) the engagement of various line Ministries in the use of the instrument ensuring their acceptance of the tool.

VII. Environmental and Social Classification

- 7.1 All TCs must have an [ESG](#) classification. This subheading should state the ESG classification of the TC as assigned by ESG.