



MEMORANDO

File classification: PO-BR-T1271

IFD/FMM/139/2013

Date: May 20th, 2013

To: Sonia Rivera
Unit Chief, ORG/GCM

From: Vicente Fretes Cibils
Division Chief, IFD/FMM

Subject: BR-X1030. Supplementary Consulting Services for BR-T1271 (ATN/KK-13719-BR)

I. PURPOSE

- 1.1 The purpose of this Memo is to request a complimentary budget support for the technical cooperation (TC) "BR-T1271; ATN/KK-13719-BR: Financing solutions for fiscal space and investment projects, the role of PPPs". This TC was approved February 14th, 2013 with resources from the Korean Fund for Technology and Innovation (KFTI). The project team requests an increase in the amount of US\$40,000 (increasing total operation budget from US\$105,000 to US\$145,000) to support the Public-Private Partnership Program (PPP) workshop to be held in Brazil.
- 1.2 The Korea Development Institute (KDI) will pay the Bank the additional contribution in the sum of US\$40,000. The content and modality of this budget increase have been discussed and agreed by my team with Teresa Faria (LEG/SGO), Alonso Chaverri-Suarez (LEG/CLA), Claudia Oglialoro (ORP/GCM) and Chung-Keun Park (ORP/ORP). The standard PSG procedures will apply (Document SC-114). This Memo, together with original Plan of Operations for BR-T1271, will be attached to the Administration Agreement Amendment, and both will constitute an integral part of it.

II. JUSTIFICATION AND OBJECTIVES

- 2.1 Infrastructure in Brazil is characterized by low public investment levels, poor coverage and low quality. While in the period 1969-1984, gross capital formation averaged 4%, in the period 1985-2000 was 1.8% and in 2001-2010 was 0.7%. As a consequence, there has been a general decrease in the quality of infrastructure services and a relative scarcity of quantities supplied. To improve its public infrastructure the country implemented, in the

early 90's, a PPP as a means of financing large-scale infrastructure projects, mainly in transportation and energy sectors.

- 2.2 The objective of this TC is to analyze the Brazilian experience under the PPP program and draw lessons learned on three sectors of the economy that have used PPP to finance projects. The TC will enhance FMM's knowledge regarding the role of PPPs in financing solutions for fiscal space at the national and subnational level; the institutional capacity to design, evaluate, process and monitor PPPs; and a better understanding of the fiscal risks embedded to this type of instrument. In assessing the role of the PPPs, the TC will focus on the following issues at the national and subnational level, in the framework of PIM (Public Investment Management).

III. DESCRIPTION

- 3.1 The complimentary budget will fund: (i) supplemental activities for the seminar that will take place in Brazil; and (ii) the participation of co-organizer panelist experts from KDI and the Public and Private Infrastructure Investment Management Center (PIMAC). KDI-PIMAC is a think tank organization that has extensive experience in public procurement and private infrastructure investment projects in Korea. Coordination between KDI and IDB will be reinforced by a senior staff member from the Korean Ministry of Strategy and Finance (MoSF), already working for FMM as a secondee. The expert, which is already financed by a separate Project Specific Grant (PSG) operation (RG-X1123; ATN/CF-12852-RG), will attend the workshop in Rio to provide support to the FMM team, facilitating effective communications between KDI and IDB, and evaluating the results from this research collaboration.

IV. BUDGET

- 4.1 Financial resources for this project to be received from the KDI will be provided to the Bank through a PSG in the amount of US\$40,000. A PSG is administered by the Bank according to the "Report on COFABS, Ad-Hocs and CLFGS and a proposal to unify them as Project Specific Grants" (Document SC-114). As specified in these procedures, the commitment from the KDI will be established through an Administrative Agreement. Under such agreement, the resources for this project will be administered by the Bank, who will charge an administrative fee of five percent (5%) of the contribution, which is duly identified in the budget for this project.

Table 4.1. Budget

Budget	US\$
Complimentary support to the workshop	38,000
IDB Administrative Commission (5%)	2,000
TOTAL	40,000

V. RESPONSIBILITY AT THE BANK

- 5.1 Technical responsibility: Gerardo Reyes-Tagle, Senior Fiscal Economist (IFD/FMM), will have the responsibility for the technical supervision and the disbursements of this TC, as well as for the donor reporting in compliance with the Administration Agreement with KDI; (gerardor@iadb.org), Phone: (202) 623-2839.