

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	REGIONAL/CSC - Southern Cone
▪ TC Name:	Accelerating NDC implementation. Unlocking clean buses in LAC
▪ TC Number:	RG-T3078
▪ Team Leader/Members:	ALATORRE FRENK, CLAUDIO (CSD/CCS) Team Leader; MOJICA, CARLOS HERNAN (INE/TSP) Alternate Team Leader; MONTER FLORES, ERNESTO (INE/TSP); CHEVALIER, OPHELIE (CSD/HUD); NETTO DE A. C. SCHNEIDER, MARIA E. (IFD/CMF); VASA, ALEXANDER (IFD/CMF); NERET, MATILDE I (SCL/SPH); EZQUERRA PLASENCIA, FELIPE (INO/IEN); ROBBERECHTS, ELIZABETH M. (INO/IEN); MEIROVICH, HILEN GABRIELA (CSD/CCS); PEGON, MATTHIEU (INO/NFP); DE VECCHI GALINDO, RICARDO (INO/NFP); CASTILLO MARTINEZ, PAULA (DSP/DCO); REBOLLEDO GARZA, ENRIQUE (DSP/DCO); VISCONTI, GLORIA (CSD/CCS); GOMEZ, JUAN CARLOS (CSD/CCS); GUIZA CERON, CARLOS ANDRES (CSD/CCS); FRISARI, GIOVANNI LEO (CSD/CCS); LEFEVRE, BENOIT JEAN MARIE (CSD/CCS); JAIME RAMIREZ, MARGIE-LYS (LEG/SGO); SOTO-AGUILAR, MARIA TERESA (VPC/FMP); PINTO, ILEANA (VPC/FMP)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	25 Aug 2017
▪ Beneficiary:	Argentina, Brasil, Colombia, Costa Rica, Mexico y Paraguay
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	\$ 1,200,000.00
▪ Local counterpart funding:	\$ 0.00
▪ Disbursement period:	36 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	Climate Change
▪ Unit of Disbursement Responsibility:	Climate Change and Sustainable Development Sector
▪ 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:	Productivity and innovation ; Climate change

II. Objective and Justification

- 2.1 The general objective of this Technical Cooperation (TC) is to improve public transportation in LAC cities through the replacement of diesel buses with low-carbon hybrid or electric alternatives. Its specific objectives are to reduce transportation operating costs, noise levels, local pollution (which also has health benefits), and greenhouse gas emissions, to increase the reliability and service quality of transit for women and men, and to develop a job market for clean technology.
- 2.2 As demonstrated by many cities around the world, clean buses have the potential to reduce GHG emissions, generate significant co-benefits and improve the quality of the service and so the attractiveness of public transport; making this technology-shift a key element of a long-term strategy toward low-carbon sustainable transport. Clean buses are already deployed at scale in USA, Europe and China. The

technologies are now mature, alternative business models have been successfully mobilized. Despite political support for decarbonizing bus systems, the uptake of clean bus options is limited in LAC cities. The potential market volume is large, but adoption is slow, despite good experiences worldwide. As many LAC cities will be renewing their fleet in the next 3 to 5 years, the window of opportunity is open to explore innovative business models and financial incentives to increase the penetration of clean technologies in these cities. Failure to embed clean technologies could lock-in cities with high-emission buses for the lifespan of these vehicles (10-12 years).

- 2.3 From an economic perspective, the higher costs of hybrid and electric buses are offset by their long-term benefits in terms of lower operating costs and their co-benefits. Their financial and fiscal feasibilities, from the perspectives of the concessionaires and of the public authorities, depend on variables such as the interest rate, tenure, grace period, technical and passenger tariffs, compensation, and fuel and electricity prices, etc. All economic, financial and fiscal feasibility need to be confirmed to ensure success of clean technology bus adoption. Market barriers signal that the incorporation of clean technologies is unlikely, unless a combination of business model analyses, regulatory adjustments, technical assistance and financial incentives are enacted to ensure their viability for private investors and sustainable from a fiscal standpoint. The TC is part of a wider program that brings together a suite of IDB Group services (technical assistance and financing) under a single-engagement aimed at creating viable markets for clean buses in each client country. This “one-stop-shop” program aims to increase the likelihood of adopting clean buses in client cities that hope to improve the greenhouse gas footprint of their transport systems. The successful implementation of this program across multiple countries will create a new regional market for clean buses and will increase the likelihood of the financial sector participating in these projects. The additionality of this Technical Cooperation (TC) will be (i) to build the knowledge and capacity of public and private stakeholders, (ii) to address institutional coordination and capacity barriers, and (iii) to support the high transaction cost.

III. Description of Activities and Outputs

- 3.1 Component 1. This initial step will consist of an in-depth assessment of the potential opportunities, through the engagement with transport authorities, bus operators, bus providers and local investors. Component 2. Pre-investment support. It has the following sub-components: (i) project preparation (i) the preparation of a Bid; (ii) a tender process and its award.
- 3.2 **Component I: Component 1. Engagement preparation.** . This initial step will consist in an in-depth assessment of the potential opportunities, through an engagement with transport authorities, bus operators, bus providers and local financiers.
- 3.3 **Component II: Component 2. Pre-investment support.** It has three sub-components (as described below)
- 3.4 **Component III: Project Preparation.** assessment of technological alternatives and a pilot test with stakeholders and results measurement. Also, an economic analysis providing a business case (feasibility studies, cost-benefit analysis), and a legal, regulatory, financial and target sector needs analysis (regulations, vehicle import requirements, tariffs, etc.). Finally, this component will involve capacity building and sectoral dialogue to support viable alternative business and financial models.
- 3.5 **Component IV: Bid preparation.** technical studies (modelling, service planning, infrastructure, fleet size, vehicle typology, IT requirements). Support the preparation of legal and regulatory documentation, the tender and project documents (full bid

package), and financing, insurance, and credit enhancement. This component will also support the project “road shows” and dissemination activities

- 3.6 **Component V: Tender process and award.** This component will support the tender process and award. It will provide support to the request for qualification, the bidder consultation, the request and review of proposals and the ratification of project documents

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Component 1. Engagement preparation.	\$ 75,000.00	\$ 0.00	\$ 75,000.00
Component 2. Pre-investment support	\$ 0.00	\$ 0.00	\$ 0.00
Project Preparation	\$ 450,000.00	\$ 0.00	\$ 450,000.00
Bid preparation	\$ 450,000.00	\$ 0.00	\$ 450,000.00
Tender process and award	\$ 225,000.00	\$ 0.00	\$ 225,000.00

V. Executing Agency and Execution Structure

- 5.1 Given the regional coverage of the activities to be performed, the Bank through the Climate Change division (CCS) and the Transport division (TSP) will be responsible for executing this IDB+IIC cross-division TC. Prior to the initiation of any project activities in any of the beneficiary countries, the project team will obtain a non-objection letter from the corresponding official entity in each country.
- 5.2 CCS and TSP have substantial experience in providing technical assistance and knowledge, particularly in the areas of Nationally Determined Contributions (NDC) implementation, urban public transport, low-carbon technology and sustainability. The Bank will be responsible for hiring consultants in accordance with its procedures. The execution structure is that of a demand-driven program. Specific resources will be allocated upon request and compliance with the following eligibility criteria: (i) letter of request by the country, and, if relevant, a letter of interest by the municipality and / or the transport authority or regulator that is leading the fleet renewal project; (ii) substantial evidence of the alignment and commitment of the project with the ongoing government program; (iii) pledge of counter-part resources in a 1:2 ratio for each project, which might include in-kind contributions.

VI. Project Risks and Issues

- 6.1 Introduction of clean buses in renewal schemes of bus fleet requires coordination between public administrations, as well as dialogue between private stakeholders and public agencies. Components I and II of the TC will give a particular attention to the development of the necessary institutional capacity and support the sectoral dialogue.

VII. Environmental and Social Classification

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