

REQUEST FOR EXPRESSIONS OF INTEREST CONSULTING SERVICES

Selection #: RG-T2993-P002

Selection Method: Full competitive

Country: Regional

Sector: IFD/CMF

Funding – TC #: ATN/KK-16700-RG

Project #: RG-T2993

TC name: Investment strategies for rural broadband connectivity

Description of Services: Develop an analytical framework to support the design of public investment strategies to expand broadband connectivity to underserved areas, particularly using Public Private Partnerships (PPP).

Link to TC Document: <https://www.iadb.org/en/project/RG-T2993>

The Inter-American Development Bank (IDB) is executing the above-mentioned operation. For this operation, the IDB intends to contract consulting services described in this Request for Expressions of Interest.

The consulting services (“the Services”) include the development of an analytical framework to support public sector decision makers to design investment strategies to expand broadband connectivity to underserved areas.

The consulting services (“the Services”) include

- a. **Review previous work conducted on the topic and consolidate market datasets.** The first activity will be reviewing the academic literature and knowledge produced regarding public investment models and strategies to finance the expansion of broadband infrastructure underserved, with special emphasis on PPP models. Also, this activity includes the development of a telecom market data set for the LAC region with key market trend indicators by country such as: investment in the sector (public and private investment), market structure (market size, number of MVNOs, market share, etc.), financial analysis of key players in the sector (Profitability, liquidity and solvency, debt coverage, and management efficiency ratios, WACC, corporate debt terms, ratings, etc.), number, type and size of co-financing schemes implemented to date, number, type and size of PPP broadband projects implemented to date, comparing LAC region trends with the World over the past decade.
- b. **Assessment of co-financing strategies:** Study of types of co-financing models (i.e. Pure competition, indirect or direct subsidies, public-private partnerships, indirect government control, public infrastructure) applied worldwide for rolling out national broadband plans. The study should: i) include real-world examples of countries implementing these co-financing models to capture international best practices and lessons learnt for Latin American and Caribbean (LAC) countries; ii) include the pros and cons related to each of the models identified; iii) suggest which specific aspects are critical for success (regulatory, institutional, etc.), iv) assess what models are better suited for different projects, developing criteria and analytical tools based on country and sector variables and type of infrastructure to be deployed to support the decision making process of LAC

governments when deciding what co-financing alternative provides higher benefits and is more feasible financially; iv) propose an action plan for each of the models identified including technical, financial, governance and regulatory aspects that should be considered in case they are implemented in the LAC Region.

- c. PPP analysis and preparation:** Study of types of PPP schemes (i.e. DBO, Public outsourcing, Joint Venture) applied worldwide for rolling out national broadband plans. The study should: i) include real-world examples of countries implementing each of these PPP models to capture international best practices and lessons learnt for LAC countries; ii) include the pros and cons related to each of the schemes identified, iii) suggest which specific aspects are critical for success (regulatory, institutional, etc.), iv) assess what models are better suited for different projects, developing analytical tools to support LAC governments assessing what PPP business model is more suitable. Also, include specific guidelines for PPP project preparation applicable to telecom projects, particularly related to risk and financial structuring of different PPP business models, v) propose an action plan for each of the schemes identified including technical, financial, governance and regulatory aspects that should be considered in case they are implemented in the LAC Region, .
- d. Develop PPP financial models.** Development of financial models to assess commercial viability of broadband projects and to estimate required public contributions to close viability gap funding (i.e. Grants, certificates of construction, types of co-lending, public equity participation, guarantees, etc.) to make the project feasible (bankability and minimum internal rate of return). Financial models will follow project finance standards and be developed according to the type of digital infrastructure and technology to be financed and deployed. The development of each financial model will consist of three stages: i) development of the model by the consulting firm; (ii) model testing with theoretical and/or real examples to validate consistency and robustness of behavior in both typical and extreme cases; iii) final audit of the model by the IDB project team.
- e. Carry out a Consultation/Validation Workshop.** The Consulting firm will carry out a consultation and validation workshop to present the draft framework to key stakeholders. The consulting firm may invite subject matter experts and practitioners that may contribute to the discussions. The IDB and the consulting firm will design the consultation and validation strategy as well as workshop agenda and list of key participants. Most likely the workshop will be part of the meetings of the Broadband Environment for Sustainable Transformation (BEST) Network¹ coordinated by the IDB. The consulting firm will produce a report with all the feedback provided during the workshop. The IDB and the consulting firm will decide what feedback is relevant to be incorporated into the final version of the analytical framework.
- f. Prepare final analytical framework.** Based on the activities above, the consulting firm will produce the final version of the analytical framework. The framework will contain guidelines recommending the sequence of key analytical steps to design a public investment strategy for broadband connectivity. The framework will include principles, summary of best practices in establishing successful projects, analytical tools for decision making, and applied examples to guide governments of LAC countries when designing and implementing a new public investment strategy for rolling out telecom networks to underserved areas, including regulatory, financial and institutional considerations. The framework will include how to assess the optimal co-financing strategy but will have more emphasis on how governments should analyze and prepare projects under PPP models. On the basis of the analysis under section (a) to (e) and bilateral exchanges with the relevant public sector institutions and private stakeholders, the consulting firm will produce a Practice Note, setting

¹ <https://digilac.iadb.org/en>

out good practice, enabling factors and recommendations to public sector decision-makers on investment programs.

- g. Discuss the role of public development banks and multilateral development banks.** Discussion paper analyzing how public development banks and multilateral development banks (MDBs) could financially support public investment strategies for broadband connectivity. The analysis will focus on the value added provided by financial instruments of MDBs. The note will include international experiences as well as examples from LAC for both public development banks and MBDs financing broadband projects, and the lessons learnt from these experiences. In the case of MDBs, interventions from both the private sector and public sector windows should be considered. The note will also discuss and compare the value of interventions with different financial instruments such as loans and guarantees in order to provide financing and/or credit enhancement solutions to mobilize additional private capital and/or improve the commercial viability of PPP projects. Finally, the note will consider assessing not only financial products but financial structures/mechanism that the IDB could develop to support mobilizing private capital to broadband such as the development of a Broadband Fund to support PPP projects (following the experience of the European Union).
- h. Apply analytical framework to case studies.** The services include the development of detailed case studies implementing the proposed analytical framework to the context of three national broadband programs/projects of LAC countries to expand connectivity selected by the IDB. The consulting firm will provide expert advice to the IDB project team in identifying the three relevant LAC markets to be analyzed in depth. Initial criteria to be used include: i) low broadband infrastructure development, potential role for public development banks and MDBs; A preliminary assessment indicates Ecuador, El Salvador, Paraguay, Uruguay and Colombia may be relevant markets for consideration. The cases will include at least: i) country context and overview of telecom sector (market structure, regulation, public and private sources of investment and financing); ii) description of current state of coverage and infrastructure deployment and national broadband plan goals in terms underserved coverage goals and quality and international capacity targets; iii) an analysis of co-financing and PPP models and recommend the most suited to meet the specific goals (affordability, universality, and quality) of a given broadband program/project; iv) based on the analytical framework and financial models developed, produce a commercial feasibility analysis, including viability gap funding and the potential role of public development banks and MDBs to enhance the financial structuring of proposed transaction. Staff responsible to develop the case studies must participate in missions to the three countries (5 days each), to hold interviews with public representatives of relevant offices in order to gather the necessary information to properly prepare the cases. The costs of missions (air tickets, hotels, per diem, etc.) must be included in the economic proposal.
- i. Dissemination activities.** The consulting firm will make sure all deliverables follow IDB publishing style. The consulting firm will also develop additional materials to meet IDB's dissemination strategy. The consulting firm will have to prepare training and learning materials such as: i) power points summarizing key sections, tools, methodologies and recommendations of the analytical framework; and ii) brochures reviewing the findings and conclusions of the three case studies. The consulting firm may also be requested to participate in IDB workshops and forums presenting main deliverables such as the analytical framework, the proposed role of public banks and MDBs in financing broadband connectivity, and the case studies.

The estimated timeframe for completion is 9 months.

Eligible consulting firms will be selected in accordance with the procedures set out in the Inter-American

Development Bank: [Policy for the Selection and Contracting of Consulting firms for Bank-executed Operational Work](#) - GN-2765-1. All eligible consulting firms, as defined in the Policy may express an interest. All eligible consulting firms, as defined in the Policy may express an interest. If the Consulting Firm is presented in a Consortium, it will designate one of them as a representative, and the latter will be responsible for the communications, the registration in the portal and for submitting the corresponding documents.

The IDB now invites eligible consulting firms to indicate their interest in providing the services described below in the [draft summary](#) of the intended Terms of Reference for the assignment. Interested consulting firms must provide information establishing that they are qualified to perform the Services (brochures, description of similar assignments, experience in similar conditions, availability of appropriate skills among staff, etc.). Eligible consulting firms may associate in a form of a Joint Venture or a sub-consultancy agreement to enhance their qualifications. Such association or Joint Venture shall appoint one of the firms as the representative.

Interested eligible consulting firms may obtain further information during office hours, 09:00 AM to 05:00 PM, (Washington D.C. Time) by sending an email to: Antonio Garcia Zaballos (antoniogar@iadb.org) and Juan Martinez Alvarez (jmar@iadb.org).

Expressions of interest must be delivered using the IDB Portal for Bank Executed Operations (<http://beo-procurement.iadb.org/home>) by: *December 13th*, 5:00 P.M. (Washington D.C. Time).

Inter-American Development Bank

Division: Connectivity, Markets and Finance (IFD/CMF)

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