

## TC DOCUMENT

### I. Basic Information

▪ Country/Region:	Regional
▪ TC Name:	Technology to improve tender competition and local supplier participation in infrastructure projects
▪ TC Number:	RG-T3051
▪ Team Leader/Members:	Estrazulas De Souza, Francisco Hugo (INT/TIN) Team Leader; Esteves, Yasmin (INT/TIN); Zhang, Ge (INT/TIN); Ramirez Bello, María Cecilia (INE/INE); Rodriguez Molina, Raul (INE/TSP); Tejeda Ricardez, Jesus Alberto (INE/ENE), Marcos Siqueira (VPC/002), Centeno Lappas, Monica (LEG/SGO); María Camila Padilla (VPC/FMP); Margarita Gómez (INT/TIN).
▪ Taxonomy:	Research and Dissemination
▪ Date of TC Abstract authorization:	April 3 <sup>rd</sup> , 2018
▪ Beneficiary:	IDB LAC member-countries
▪ Executing Agency:	The Inter-American Development Bank (IDB) through the Trade and Investment Division (INT/TIN)
▪ Donors providing funding:	OC Strategic Development Program for Infrastructure (INF)
▪ IDB Funding Requested:	US\$ 550,000
▪ Local counterpart funding, if any:	N/A
▪ Disbursement period:	16 months
▪ Required start date:	August 15 <sup>th</sup> , 2018
▪ Types of consultants:	Firms and individuals
▪ Prepared by Unit:	Trade and Investment Division (TIN)
▪ Unit of Disbursement Responsibility:	Integration and Trade Sector (INT)
▪ 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:	Economic integration

### II. Objectives and Justification of the TC

- 2.1. Private participation could play a key role in closing the US\$150 billion per year gap in infrastructure investment in LAC. However, to maximize the value that LAC governments derive from private participation in infrastructure, the levels of competition in infrastructure tenders must increase. In Mexico, for instance, 80% of the infrastructure projects (US\$82 billion) involving private participation since 1990 were awarded to only five firms. According to the World Bank's PPI Database, in Argentina, Belize, Bolivia, Colombia, El Salvador, Guyana, Haiti and Venezuela, the top 4 firms were awarded more than 80% of Public-Private Partnership (PPP) projects<sup>1</sup> since 1990. Also, in none of the 20 LAC countries for which the PPI database has data for that period, the top 4 firms were awarded less than 50% of PPP projects<sup>2</sup>.

<sup>1</sup> Infrascopes 2017, p. 15

<sup>2</sup> World Bank, [Private Participation in Infrastructure Database](#).

- 2.2. Lack of well-structured and well-prepared projects to be offered in the market constitute a barrier to greater levels of private participation and competition in infrastructure tenders in LAC<sup>3</sup>. Also, in many LAC countries, developers have difficulties finding contractors, service providers and advisors with the required technical and financial capacity to deliver and participate in PPP projects<sup>4 5</sup>.
- 2.3. There are numerous efforts aimed at strengthening institutional capacity to improve the quality of infrastructure tender documentation. IDB's VPC has put together a fund to help countries prepare and structure PPP infrastructure tenders.
- 2.4. Also, the Sustainable Infrastructure Foundation<sup>6</sup> has created [SIF SOURCE](#) (SS), an online platform designed to help government officials prepare better quality tender documents for infrastructure projects. SS consists of a set of template forms with mandatory fields and a final checklist that ensure that government officials provide the information and data that bidders require to assess a project and prepare a bid. Out of the 187 projects being prepared in SS currently, 42 are in the following LAC countries: Brazil, Chile, Colombia, Mexico, Paraguay, Peru and Uruguay<sup>7</sup>.
- 2.5. The benefits provided by the use of SS include: (i) collaboration and coordination among project stakeholders, and notably among different government agencies. Having all concerned agencies gathered in a single platform greatly facilitates the processes, (ii) common language between the public sponsors and private investors and financial players, (iii) government capacity building by providing a comprehensive guide to all the elements that must be taken into account during project preparation (this helps identify capacity and resource gaps, draft TORs for external advisors, manage external advisors, and access project preparation facilities), (iv) dissemination of global principles, standards and best practices to the right professional at the right juncture of the lifecycle of the project, and (v) customization to fit the country's regulatory framework, and existing IT tools (e-procurement platform, project management system, etc.)<sup>8</sup>.
- 2.6. Some of the key obstacles to the use of SS are: (i) lack of structured incentive and/or obligation to implement it at the operational level, which is being addressed by integrating process to national and subnational systems, (ii) lack of capacity/resources to take this additional task on-board, which is being addressed by developing a Project Preparation Fund Finder to address this constraint, (iii) data sovereignty and security/confidentiality issues, which is being addressed by moving SS servers under the UN jurisdiction, and (iv) misunderstanding of what SS is, which is being addressed by conducting outreach activities throughout the world.
- 2.7. To contribute to making it easier for companies from all over the world and governments from LAC to find qualified suppliers in LAC, IDB has created [ConnectAmericas.com](#) (CA), a social media platform for businesses where users can post or apply to purchasing announcements, access learning materials and apply to receive financing. ConnectAmericas has over 200,000 registered businesspeople that have reported over

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<sup>3</sup> TC Document for RG-T3222 "Contingent Recovery Technical Cooperation" prepared by VPC/PPP, paragraph 2.10, p. 3.

<sup>4</sup> IDB OVE, "Evaluation of Public Private Partnerships in Infrastructure", Annex III: "Operational Lessons of MDBs from their Operational Experience", p. 2.

<sup>5</sup> CA carried out a survey of firms in the infrastructure sector. Out of 349 respondents, only 22% expressed satisfaction with the quality of the tender documents published in the region, and only 10% stated that it was easy to find local partners and suppliers.

<sup>6</sup> <https://public.sif-source.org/about/about-sif/>

<sup>7</sup> Interview with Mr. Christophe Dossarps, CEO of SIF SOURCE.

<sup>8</sup> Idem

US\$500 million in transactions. There are currently 2353 registered infrastructure firms from 25 IDB borrowing member countries in CA<sup>9</sup>. CA carried out a survey of these firms to inform the design of this TC. Out of 349 respondents from 16 LAC countries, 99% expressed interest in the solution we are proposing in this Technical Cooperation (TC).

- 2.8. **Objective.** The objective of this TC is to increase the value that LAC governments derive from private participation in infrastructure by helping: (i) increase competition in LAC infrastructure tenders, and (ii) increase the participation of local suppliers and partners in infrastructure projects in LAC. To that end, this TC will use information and communication technologies to interconnect existing efforts and complement them with additional features and services.
- 2.9. Specifically, the resources will be used to: (i) develop software<sup>10</sup> that will import into CA information about infrastructure projects being planned, prepared or tendered, (ii) develop algorithms that will display relevant local suppliers and partners for those projects, based on the typical supply chains for each type of infrastructure project and the company profile attributes entered into CA, (iii) build, through marketing activities, a larger database of infrastructure developers, as well as local suppliers and partners, in CA, (iv) build a database of technical contents to be shared with infrastructure developers, local partners and suppliers, and (v) develop algorithms that will recommend contents to infrastructure developers, as well as local partners and suppliers, based on the projects that they are interested in.
- 2.10. Also, to help increase data-driven decision-making in infrastructure by Multilateral Development banks (MDBs), governments and businesses, CA will track the types of projects imported, the number and type of suppliers and partners recommended, the number of connections between bidders and local suppliers, the contents that bidders and local suppliers consume, the standards that bidders tend to require from local suppliers.
- 2.11. **Expected results.** This TC will contribute to an increase in competition in infrastructure projects in LAC by improving the quality of tender documents through the use of SS during project preparation, and by lowering the costs that infrastructure developers face when looking for local suppliers and partners to prepare bids and implement projects. The TC will contribute to an increase in the participation of local suppliers and partners by displaying their company information within the infrastructure project profiles and, thus, making it easier for developers to contact them.
- 2.1. **Alignment.** This TC is aligned with eligible activity 7 of the OC-SDP for Infrastructure: “Support for the development and dissemination of innovative approaches, methodologies, data, and practices that have potential for replication or scaling-up in a country or sub-region, including pilot and demonstrative projects”. The TC is also aligned with the objectives of the OC-SDP for Infrastructure. Firstly, it is aligned with the objectives of improving the quality of infrastructure projects in LAC and promoting greater investment<sup>11</sup>. By creating the conditions for increase competition through the improvement in tender documents by using SS and lowering the costs to new infrastructure developers through the information about potential suppliers and partners, the quality of projects is expected to improve. Secondly, it is aligned with the objective of enhancing the efficiency in the execution of infrastructure projects. By recommending relevant contents and

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<sup>9</sup> Brazil 471, Colombia 379, Mexico 278, Peru 275, Argentina 176, Ecuador 140, Venezuela 118, Chile 90, Bolivia 82, Costa Rica 73, Uruguay 51, Panama 45, El Salvador 40, Paraguay 38, Guatemala 37, Dominican Republic 21, Honduras 10, Nicaragua 9, Trinidad and Tobago 5, Barbados 4, Belize 3, Haiti 3, Jamaica 3, Bahamas 1, Guyana 1.

<sup>10</sup> The software will be owned by the IDB.

<sup>11</sup> Ordinary Capital Strategic Development Programs, June 2016, page 25.

providing face-to-face training to infrastructure developers, as well as local suppliers and partners, this TC helps improve the skills of firms involved in the implementation of infrastructure projects in LAC, and thus, their efficiency. Finally, it is aligned with the objective of improving the design and monitoring of public policies and transmission of lessons learned in infrastructure. By adapting the CA data warehouse and data visualization tool to quickly understand how users interact with the functionalities and contents developed under this TC, IDB staff and LAC policy makers will be to design programs and policies based on the behavior of the private sector on the platform. Also, this TC's focus on energy, transport and water and sanitation subsectors is aligned with the themes stated in the OC-SDP for Infrastructure Results Framework.

- 2.2. Finally, in terms of the outcomes that the OC-SDP for Infrastructure Results Framework pursues, this TC will contribute to “capacity to effectively prepare, execute, monitor and evaluate infrastructure projects”.
- 2.3. Also, this TC is aligned with the IDB’s Institutional Strategy 2010-2020. Specifically, it is aligned with the sector focus set out in objective 3.5.e as this project focuses on the following sectors: Sectors: Energy (hydroelectric, wind, solar photovoltaic), water and sanitation (treatment plants, distributions, wastewater collection, wastewater treatment), and transport (roads, bridges, rail, ports, airports). It is also aligned with objective 3.6.c as this TC is designed to “support the expansion of new and more sophisticated SMEs” by providing them with training and the opportunity to connect with foreign and local infrastructure developers. It is also aligned with objective 3.7.b as this TC is designed to promote the participation of local SMEs in infrastructure value chains. It is also aligned with objective 3.11 as this project is designed to help increase private sector competition in infrastructure tenders.
- 2.4. This TC is also aligned with several of the Guiding Principles set out in the IDB’s Institutional Strategy 2010-2020 (IS). In terms of inter-disciplinary and multisectoral solutions (4.10), this TC aims to provide a solution that is viable for several sectors (energy, transport, water and sanitation). In terms of promoting cross-collaborative work (4.11), this is a clear example for this as the proposed team involved staff and consultants from INT, INE, FMP, and VPC. Guiding principle 4.13 states that the bank should continue to ensure the highest development impact per dollar invested. This TC aims to increase competition in infrastructure tenders in order to increase the value that governments derive from their infrastructure procurement. The TC is also aligned with the Limited Economic Integration Challenge that the (IS) looks to address. Specifically, the IS states that poor integration infrastructure hinders the productivity and competitiveness of our countries because they hamper the development of our SMEs and their ability to join value chains and engage in joint ventures (2.11). This TC will, on the one hand, help increase the value that LAC countries derive from their integration infrastructure investments. On the other hand, it will set up an online tool that will help SMEs connect with buyers and suppliers, thus, helping build regional supply chains.
- 2.5. Finally, this TC is aligned with the long-term vision for CA. The platform seeks to become the “go to” platform for LAC suppliers looking to insert themselves in more demanding and sophisticated supply chains. To that end, CA currently provides purchasing announcements from governments and corporations, and learning materials to inform suppliers about the standards, requirements and good practices that buyers are looking for. This TC is designed to help suppliers in the infrastructure sector become more visible to infrastructure developers and strengthen their skills by providing technical contents about good practices, standards and other requirements that infrastructure developers are looking for.

### III. Description of activities and Outputs

- 3.1. Component I: Software<sup>12</sup> development: this component will engage a technology consultancy to carry out the following activities: (i) develop Application Programming Interfaces (APIs) and other software to automatically import into CA information about infrastructure projects in the procurement plans of IDB infrastructure programs<sup>13</sup>, projects under preparation or already published on SS<sup>14</sup>, projects being tendered and disseminated through UNDB, as well as other sources, (ii) develop in CA a new content type called “infrastructure project profile” where the system will display the information imported through the APIs and other software, (iii) develop an algorithm that will display relevant local suppliers and partners within each infrastructure project profile on CA, based on typified supply chains for the different types of projects, and the information provided by users when creating company profiles in CA, (iv) develop a mechanism to notify local partners and suppliers that their companies are being displayed for a project and give them the opportunity to add a project specific pitch or remove their company from the list, (v) develop an algorithm that will recommend relevant contents to local partners and suppliers as they are informed that their companies are being displayed in the context of a specific project, (vi) develop an algorithm that will recommend relevant contents to infrastructure developers as they are viewing infrastructure project profiles on CA (none of the software developed through this TC will recommend bidders or local suppliers and partners to government agencies), and (vii) introduce changes to the CA data warehouse and data visualization tool so that the data generated by users interacting with the functionalities and contents developed through TC can be quickly accessed and analyzed to inform decision making by IDB and LAC governments. In addition, this component will engage an infrastructure consultancy to produce the typified supply chains<sup>15</sup> that will be used to develop the algorithms on point iii above. All this software will reside in CA and its Amazon Web Services (AWS) infrastructure, which is compliant with the highest online security standards<sup>16</sup>. All of the software developed under this component will be owned by the IDB. The expected results of this component is the creation of a database of infrastructure projects in CA the displays relevant local partners an suppliers, and technical contents for each of the projects in the database. Also, the software developed under this component will generate data that will be collected by the CA data warehouse and visualized through the CA data visualization tool.
- 3.2. Component II: Content identification and production: To strengthen the capacities of infrastructure developers, and local partners and providers, this component will engage consultants to carry out the following activities: (i) identify relevant articles, videos, online courses, and tools through desktop research, (ii) identify, through interviews with key players, information gaps that are not covered by the contents found through activity i of

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<sup>12</sup> All software developed under this TC will be owned by the IDB.

<sup>13</sup> This will be initially done using the SEPA system and the public Excel charts with procurement plans for those countries that do not use SEPA. The SEPA system and the Excel charts will be integrated into Convergence. Once this is done, the team will develop an integration with this new system.

<sup>14</sup> INE will carry out a pilot of the SIF-SOURCE platform in Argentina. the use of this tool in other countries will depending on the results of the pilot.

<sup>15</sup> Sectors: Energy (hydroelectric, wind, solar photovoltaic), water and sanitation (treatment plants, distributions, wastewater collection, wastewater treatment), transport (roads, bridges, rail, ports, airports)

<sup>16</sup> CA currently hosts its infrastructure architecture in an independent AWS instance, which is composed by: Production, Staging and Quality Assurance environments. Roles and password configuration parameters comply with the IDB password policy. In addition, CA has two availability regions to ensure the business continuity in case of a total or partial failure and backups are scheduled, monitored and performed for each environment (production environment backups has a retention period of 15 days) in case of any data loss event.

this component, (iii) produce, in partnership with Knowledge Partners (governments, universities, and corporations), original content to fill those gaps, and (iv) classify contents using a taxonomy to be defined with consultancy engaged for Component I. This content will be recommended (using software to be developed under activity (i) of Component I). Knowledge Partners will be given access to the platform's backend so they can upload any new content and remove/edit any of their content<sup>17</sup>. Knowledge Partner access to the platform is free of charge. Because this platform will recommend their contents to the key players as they are drafting bid and setting up the supply chains and consortia to implement infrastructure projects, Knowledge Partners will have the incentive of using this platform as a unique dissemination channel that reaches key infrastructure players at the right time. The result of this component will be a database of technical contents relevant to infrastructure developers and local partners and suppliers.

- 3.3. Component III: Marketing and dissemination: this component will engage consultants to design and implement a marketing campaign to build the database of local suppliers and partners, and bidders on CA, and inform all key players about the services being developed under this TC. Specifically, this component will fund: sponsorships of infrastructure events<sup>18</sup>, a launch event<sup>19</sup>, online marketing activities, the development and dissemination of training and marketing materials, and the implementation of face-to-face training events. The online marketing activities will engage providers through sole source selection of three globally renowned providers (Google AdWords, FacebookAds, and LinkedIn Ads). As stated in the IDB's Corporate Procurement Policy (GN2303-20), this type of contracting is justified because "there is only one proprietary source from which the goods and services may be obtained". These are the only three companies that can offer the reach that we need for the specific audiences that we are looking to reach through this TC. The result of this component will be the creation of a larger database of infrastructure developers and local partners and suppliers in CA.

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<sup>17</sup> The publication of contents uploaded by Knowledge Partners will be carried out by the CA Editorial Team to ensure quality, relevance and correct classification of the content.

<sup>18</sup> These sponsorships will be made in exchange for management of the registration systems for the events. The registration forms will include an opt in button where users will be able to authorize the creation of an account on ConnectAmericas.

<sup>19</sup> This service will be officially launched at the PPPAmericas event in June 2019.

#### IV. Description of Activities/components and budget

**Table 1 Indicative Budget**

<b>Component</b>	<b>Description</b>	<b>IDB Funding</b>	<b>Total</b>
Component I: Software Development	<p>Develop Application Programming Interfaces and other software</p> <p>Develop new content type in CA</p> <p>Develop algorithm to display relevant local suppliers and partners</p> <p>Develop a mechanism to notify local partners and suppliers that their companies are being displayed</p> <p>Develop algorithms to recommend relevant contents to local partners and providers</p> <p>Develop algorithms to recommend relevant contents to infrastructure developers</p> <p>Introduce changes to the CA data warehouse and data visualization tool</p> <p>Produce the typified supply chains</p>	US\$311,267	<b>US\$311,267</b>
Component II: Content Identification and Production	<p>Identify contents</p> <p>Identify gaps</p> <p>Produce original content</p> <p>Classify contents</p>	US\$39,567	<b>US\$39,567</b>
Component III: Marketing and dissemination	<p>Design and implement marketing campaign</p> <p>Event Sponsorships</p> <p>Launch Event</p> <p>Online Marketing</p> <p>Marketing Materials</p>	US\$199,167	<b>US\$199,167</b>
<b>TOTAL</b>		US\$550,000	<b>US\$550,000</b>

#### V. Executing agency and execution structure

- 5.1. This operation will be executed by the Trade and Investment Division of the Inter-American Development Bank, in accordance with the Bank's Technical Cooperation Policy.
- 5.2. There are two main reasons that justify the execution of the project by the IDB. First, as a regional project that involves coordination with several public and private sector stakeholders in LAC, the IDB is in a unique position to manage and coordinate the activities given its presence in the countries. Second, the IDB, through the Integration and Trade Sector is implementing ConnectAmericas.com platform, the online platform that will be used to disseminate project information and help international infrastructure developers find local partners and suppliers, as well as relevant contents

- 5.3. The contracting of project consultants will be carried out by the IDB in accordance with document AM-650 (Policies for the Selection and Procurement of Consulting Services Financed by the IDB), while the procurement of goods and related services will be carried out by the Bank in accordance with document GN-2349-9 (Policies for the Procurement of Goods and Works Financed by the IDB).
- 5.4. INT/TIN will be responsible for the technical aspects of the project, as well as disbursements and basic administration.

## **VI. Major issues**

The success of the project will depend on several factors. Firstly, the IDB's commitment to requiring the use of SS in the preparation of tender documents will have an impact on this TC's capacity to improve the quality of infrastructure tender documents. Secondly, the marketing component needs to be effective at getting local suppliers and developers to register on the platform.

## **VII. Exceptions to Bank Policy**

- 7.1. No exceptions to Bank policies were identified.

## **VIII. Environmental and Social Strategy**

- 8.1. This operation does not present environmental and social risks as it is an internet-based platform designed to (i) connect infrastructure developers with local suppliers and partners, and (ii) recommend contents to these key players. According to the Environment and Safeguards Compliance Policy (OP-703), this TC was classified as Category C (see [Environmental and Screening Classification](#))

### **Required Annexes:**

- Annex I: [Results Matrix](#)
- Annex II: [Terms of Reference](#)
- Annex III: [Procurement Plan](#)

**TECHNOLOGY TO IMPROVE TENDER COMPETITION AND LOCAL SUPPLIER PARTICIPATION IN  
INFRASTRUCTURE PROJECTS**

**RG-T3051**

**CERTIFICATION**

I hereby certify that this operation was approved for financing under the **ORDINARY CAPITAL STRATEGIC DEVELOPMENT PROGRAM FOR INFRASTRUCTURE (INF)**, through a communication dated April 5, 2018 and signed by Felipe Caicedo. Also, I certify that resources from said fund are available for up to **US\$550,000** in order to finance the activities described and budgeted in this document. This certification reserves resource for the referenced project for a period of four (4) calendar months counted from the date of eligibility from the funding source. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, representing a risk that will not be absorbed by the Fund.

Certified by:	_____ Original Signed Sonia M. Rivera Chief Grants and Co-Financing Management Unit ORP/GCM	_____ 07/23/2018 Date
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Approved by:	_____ Original Signed Antoni Estevadeordal Manager Integration and Trade Sector INT/INT	_____ 07/24/2018 Date
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