

TC Document

I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Leveraging Urban Innovation in LAC
▪ TC Number:	RG-T4140
▪ Team Leader/Members:	Piedrafito, Carolina Marcela (CSD/HUD) Team Leader; Uribe, Maria Camila (CSD/HUD) Alternate Team Leader; Alessandra Richter (CSD/HUD); Avila, Francy Dianela (CSD/HUD); Centeno Lappas, Monica Clara Angelica (LEG/SGO); Leiva Ureta, Carolina (KIC/ICD); Lopez Gross, Juan Pablo Elias (MIF/MSM); Maria Villota (CSD/HUD); Patelli Juliani Boscariol, Ivan (KIC/ICD); Peggy Tsukakoshi (CSD/HUD); Roberto Madera (CSD/HUD); Silvia Perez (CSD/HUD); Laguyas, Natalia.
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	No applicable
▪ Date of TC Abstract authorization:	20 May 2022.
▪ Beneficiary:	All borrowing countries of the Bank
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC SDP Window 2 - Sustainability(W2A)
▪ IDB Funding Requested:	US\$700,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period:	24 months (including the execution period)
▪ Required start date:	
▪ Types of consultants:	Individual consultants and consulting firms
▪ Prepared by Unit:	CSD/HUD-Housing & Urban Development
▪ Unit of Disbursement Responsibility:	CSD/HUD-Housing & Urban Development
▪ 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:	Social inclusion and equality; Productivity and innovation; Environmental sustainability; Gender equality; Diversity

II. Objectives and Justification of the TC

- 2.1 **Objective.** This TC aims to support local and national urban counterparts in the Latin American and the Caribbean (LAC) region by building capacities to address urban challenges and create more resilient cities. The specific objectives are to: (i) provide capacity-building opportunities and cutting-edge knowledge around urban innovation; (ii) identify urban innovation trends; (iii) connect practitioners, solutions, and best practices; (iv) support cities to develop experimentation processes; and (v) strengthen links between public counterparts and the private sector to foster urban resilience.
- 2.2 **Justification.** By 2050, more than 86% of the LAC population will live in cities. The rapid urbanization process, characterized by unplanned growth, has resulted in an uncontrolled expansion of the urban footprint. This has produced a myriad of challenges for the region's development, such as: (i) excessive growth and inadequate patterns of land use; (ii) housing and infrastructure deficits that result in informal housing and settlements; (iii) widening inequalities; and (iv) the acceleration of

environmental and social problems aggravating the quality of life of already vulnerable people.¹

- 2.3 The pandemic and the climate change impact have hit LAC cities' economies and intensified existing gaps and inequalities. In 2020, there was a 7.4% drop in the regional GDP, the largest ever recorded, and nearly 26 million jobs were lost.² This situation directly affects cities' economies because 59% of LAC countries' economic activity is generated in cities with more than 300,000 inhabitants. Additionally, according to the Intergovernmental Panel on Climate Change (IPCC), LAC cities are highly vulnerable and exposed to climate change. This vulnerability is associated with poor and unevenly distributed infrastructure, housing deficits, poverty, informality, and the occupation of risk areas.³ The IPCC states that 80% of the losses associated with climate risks in the region are concentrated in urban areas.⁴ Furthermore, the impacts of the pandemic and climate change in LAC cities have been strongly associated with gender and diverse groups' inequalities (people with disabilities, afro descendants, and indigenous peoples). Job losses from the COVID-19 crisis have disproportionately affected women,⁵ and women's inadequate access to land makes them especially vulnerable to violence and climate change impacts.⁶ Also, people with disabilities are often among those most adversely affected in an emergency, sustaining disproportionately higher rates of morbidity and mortality. Also, indigenous peoples and afro-descendants are highly vulnerable to climate disasters and their effect on agriculture and food.
- 2.4 Innovation enables governments to respond to these challenges more efficiently and faster, but city governments must provide the conditions to incentivize innovation.⁷ Innovation also improves cities' productivity, at individual and institutional levels, by lowering costs and increasing benefits, either by improving processes or developing more efficient tools.⁸ However, most cities in the LAC region still have weak institutional frameworks for building solid and innovative ecosystems. Specifically, public administrations in the LAC region tend to lack: (i) time and resources to access technological tools or solutions; (ii) a culture of innovation or "tolerance for failure" that is needed to be innovative; (iii) the capacity to work collaboratively; (iv) public procurement systems for innovation projects; and (v) formal training services or city exchange networks around urban innovation. These are vital characteristics that cities need to efficiently address urban challenges, such as economic revival, inequity, climate change mitigation or adaptation, resilience building, and biodiversity promotion.

¹ It is estimated that air, soil, and water pollution, the three main categories of pollution in LAC cities, have caused an increase in premature deaths between 131,000 and 173,000 (1990-2015), while these categories of pollution are related to employment losses equivalent to US\$9 billion. Retrieved from: Sall, C. y Narain, U. (2018) Air Pollution: Impact on Human Health and Wealth. En G. M. Lange, Q. Wodon y K. Carey (eds.), The Changing Wealth of Nations 2018: Building a Sustainable Future.

² Inter-American Development Bank (2021). [Las ciudades como motor de crecimiento y bienestar social](#).

³ Intergovernmental Panel on Climate Change (IPCC) (2022). Sixth Assessment Report.

⁴ Ibid

⁵ The World Bank. 2021. The Gendered Impacts of COVID-19 on Labor Markets in Latin America and the Caribbean.

⁶ Abdenur, A. 2020. Gender, Climate and Security in LAC: From Diagnostics to Solutions.

⁷ Galal H. and Haas E. (2016). [The role of innovation in developing competitive cities](#). *Cities Today*.

⁸ Min Kim H., Sabri S., and Kent A. (2020). Smart cities as a platform for technological and social innovation in productivity, sustainability, and livability: A conceptual framework.

- 2.5 To tackle these challenges, the IDB established in 2017 the Cities LAB and the Cities Network as part of the Housing and Urban Development Division (CSD/HUD). During 2020-2021 and supported by the ATN/OC-18804-RG “Innovation and Knowledge Platform for LAC Cities”, the Cities Lab and the Cities Network have consolidated into a single service platform (the platform) for our urban counterparts, sharing a single vision and a collaborative work structure.⁹ To date, the [Cities Lab](#) has positioned innovation as an essential tool to address complex urban challenges in LAC cities, by: (i) strengthening local capacities to implement experimentation processes;¹⁰ (ii) encouraging the incorporation of innovative approaches in the HUD’s portfolio;¹¹ and (iii) identifying and disseminating innovation trends and best practices.¹² The Cities Network has provided mayors and local officials with the tools and knowledge to be influential decision-makers. It has worked towards this goal by: (i) generating opportunities for dialogue between cities, IDB’s divisions, and other relevant actors; (ii) offering a platform that collects and efficiently disseminates knowledge produced within HUD and the IDB group;¹³ and (iii) connecting cities. The Network has over 200 member cities of all sizes, having grown initially from 60 member cities.
- 2.6 The platform has been a vital ally of LAC cities, supporting their plans toward a more inclusive, green, and innovative recovery. The platform has provided technical support, knowledge and mentoring programs, and connections to pursue this objective. For example, in 2021, the Cities Network developed and led [over ten \(10\) webinars](#) on innovation, green recovery, and economic reactivation, which reached more than 5,000 policymakers from over 400 cities. In addition, the Cities Lab mentored six (6) local governments to implement experimentation processes to address challenges that exacerbate – and/or are being exacerbated by – vulnerability to climate change, such as urban heat islands, biodiversity degradation, and housing deficits. It also is working with project teams to incorporate innovative pilot solutions that promote urban resilience to climate change in HUD’s portfolio operations. The platform supported the development of several tailored training and open challenges to strengthen city decision-makers’ skills and connections that help them foster a sustainable recovery.¹⁴ All this work is accompanied by knowledge products (notes, blogs, newsletters, website) that are made available to city members and the public interested in sustainable urban development.¹⁵
- 2.7 The platform’s added value is that its activities directly engage policymakers in LAC cities and convenes experts to build valuable content. The platform has close

⁹ For more information about the Cities Lab and the Cities Network’s lessons learned, [click here](#).

¹⁰ For example, the Cities Lab launched the [Cities for All Challenge](#), an open call that seeks to identify challenges that can be solved with experimental approaches. In addition, it has implemented experimentation processes in various cities, such as [Buenos Aires](#), [Monteria](#), and [Montevideo](#).

¹¹ The Cities Lab developed an open innovation process that identified innovative solutions related to climate change resilience and affordable housing finance. The Lab is working with HUD’s specialists to incorporate the identified solutions and lessons learned from pilots as part of their operations’ design and execution. [Link to the video](#).

¹² For example, the Cities Lab published a [podcast series](#) that presents innovative best practices of urban labs.

¹³ All the material related to the events organized by the Network can be found at this [link](#).

¹⁴ In 2021 the platform developed [Innopolis](#), a challenge to identify innovative solutions implemented by LAC cities to address urban challenges. See this [video for more information](#).

¹⁵ During 2021, we developed and conducted several activities that involved representatives from cities and national governments throughout the region, such as the annual Mayor forum with more than 100 representatives; 11 webinars with more than 50 panelists from the LAC public sector; and tailored workshops on innovation and food markets for 15 LAC cities.

relationships with its members and receives constant feedback to cater to their needs and requirements. Through annual surveys, the region's policymakers share their priorities in terms of topics and formats. According to the previous survey, there is an overwhelmingly positive response to the themes proposed by the platform. There is great interest in continuing to learn about economic reactivation, green recovery, innovation and digitalization, and social inclusion for upcoming activities.

- 2.8 Following on the work that the platform has advanced supported by the ATN/OC-18804-RG, through this new TC, the platform will continue developing a joint work program that will support urban counterparts in the LAC region to address the challenges that are preventing their cities' sustainable development. The work program will include knowledge exchanges, capacity-building initiatives, webinars, and pilot projects that foster innovation in HUD's operational dialogue or are built within CSD/HUD's active portfolio. The platform will develop and consolidate partnerships and alliances with IDB's internal institutions (e.g., IDB Lab, KIC, CTI, Behavioral Economics Department, and the informal network of innovators across divisions whose interests relate to cities), and external institutions (e.g., Local Innovation Network (RIL), Habitat for Humanity, universities, private sector, etc.). These partnerships will increase the impact of the Cities Lab and Cities Network's actions and will generate sustainability over time. For instance, the Cities Lab will partner with the IDB Lab, KIC, and CTI to identify entrepreneurs and private sector companies that can work or create alliances with cities to implement innovative solutions in the long term. Also, the platform will instill capacities in city officials so they can apply the knowledge acquired and continue scaling and/or replicating the experimentation processes, consolidating innovation ecosystems. The thematic priorities will be related to mitigating and adapting to climate change, fostering the digital economy, enhancing cities' productivity and economic growth by leveraging the private sector around urban innovation, and fostering gender empowerment and diversity inclusion.
- 2.9 The TC beneficiaries will be cities selected from the IDB's 26 regional member countries. Capacity-building activities and knowledge exchanges will seek to include all countries or at least a representative number of candidate cities of each IDB's sub-region. Specifically for the annual mayor forum, cities from all the region's countries will be invited. In coordination with country specialists, cities will be selected according to their achievements and challenges so they can fruitfully contribute and share their experiences. For other capacity-building activities, participants will be chosen following thematic relevance criteria, experiences that can be shared, and needs assessments. For pilot projects,¹⁶ cities will be selected based on: (i) demand; (ii) alignment with the TC's thematic priorities; and (iii) HUD's new and active portfolio.
- 2.10 **Strategic Alignment.** This TC is aligned with the "Second Update to the Institutional Strategy UIS" (AB-3190-2) through the development challenges of (i) Social Inclusion and Equality by sharing and showcasing innovative solutions and approaches in a wide range of areas (access to housing, the socio-spatial integration of slums, the economic recovery of urban areas, urban resilience, etc.) to reduce inequality and increase social inclusion; (ii) Productivity and Innovation, by strengthening innovation ecosystems in local governments through capacity building and the implementation of experimentation approaches; and the cross-cutting theme of: (i) Climate Change and

¹⁶ The pilot projects will be developed in cities that differ from the ones included in the previous TC (ATN/OC-18804-RG) and the thematic emphasis will also shift towards urban resilience to climate change.

environmental sustainability, by developing knowledge exchanges, training activities, tools and pilot projects to support effective climate change policy-making and scaling up of climate action at the urban level, and (ii) Gender equality and diversity by developing capacity-building workshops, networking, knowledge exchange, and mentoring programs in thematic areas of gender empowerment and diversity inclusion. The TC is consistent as well with the "Corporate Results Framework" (CRF) 2020-2023 (GN-2727-12). It is aligned to the knowledge and innovation indicators of the IDB Group Performance level, specifically to the indicator projects supporting productivity and innovation. Furthermore, this TC will contribute to the Ordinary Capital Strategic Development Program Window 2, Priority Area 1: Climate Change and Environmental Sustainability (OC-SDP W2A) (GN-2819-14) by supporting the following objectives: (i) expand the knowledge base on climate change mitigation, adaptation, and sustainable energy geared towards leveraging climate investment; and (ii) support municipal governments to prepare for challenges related to rapid urban growth in a sustainable manner.

- 2.11 This TC supports the IDB Vision 2025 contributing to achieving the medium-term strategic goals of Strengthen good governance and institutions (4.11), by offering capacity building and knowledge activities to improve public management and innovation ecosystems; Promoting social progress (4.9), by improving local governments' service delivery related to housing; Reactivate the productive sector (4.5), by encouraging the implementation of innovative and digital approaches from the private sector to solve urban challenges. It will also include the cross-cutting issues of gender equality and diversity, climate change, and climate resilience (4.14) across all the TC's activities.

III. Description of activities/components and budget

- 3.1 **Component 1. Knowledge Exchange and Capacity Building (US\$280,000).** This component will finance those activities that focus on improving local and national governments' capacities to address cities' multifaceted challenges. The expected result is to provide mayors and local officials with the tools to be influential decision makers, helping IDB specialists to have stronger counterparts to design and implement projects. The platform will facilitate activities to connect, disseminate, and strengthen capacities by catalyzing internal and external knowledge, best practices, and solutions. Specifically, this component will finance the development of conferences, capacity-building workshops, networking events, knowledge exchange activities, and mentoring programs with HUD specialists, the IDB group, city practitioners, the private sector, other urban networks, and other relevant actors.¹⁷ For example, it will finance the development of the Annual Mayors' Forum. The thematic areas it will focus on are innovation, climate resilience and adaptation, productivity, and gender empowerment, and diversity inclusion. Regarding gender empowerment, at least 40% of webinar panelists will be women and at least one webinar will be about gender and diversity in cities. Building on the success of past years, the platform will continue to work in a multisectoral way with different IDB sectors, IDB LAB, and IDB Invest.

¹⁷ Some of these activities will be developed in a virtual format, and others, such as the conferences, will be executed in a face-to-face format.

- 3.2 The beneficiary counterparts will be identified according to thematic priorities, strategic issues, and needs IDB specialists highlight.
- 3.3 **Component 2. Experiments in Urban Innovation (US\$300,000).** This component's objective is to generate local governments' capacities to develop innovative solutions through experimentation processes. It also seeks to incorporate innovative approaches into the HUD's project portfolio. It will finance: (i) the design and implementation of at least three pilot projects or experiments to test possible innovative solutions to climate resilience and productivity challenges, through an iterative experimentation process;¹⁸ (ii) the development of evaluation methodologies and strategies to assess the sustainability, regional replicability, and potential for scaling up; and (iii) the development of open innovation¹⁹ processes to identify private sectors' innovative solutions, encouraging the incorporation of innovative approaches in HUD projects' portfolio. Gender empowerment and the inclusion of diverse groups (people with disabilities, afro descendants, LGBTQ+ people, and/or indigenous peoples) will be considered during the design and implementation of all innovative solutions.
- 3.4 The expected results of this component are: (i) strengthening the capacity of at least three local governments to incorporate experimentation and innovation to address urban challenges efficiently; (ii) the co-creation of at least three innovative solutions at the local level that will increase resilience to climate change and productivity; (iii) the generation of methodologies to evaluate, replicate and scale the innovative solutions developed; and (iv) the incorporation of innovative approaches in the HUD's operational portfolio.
- 3.5 This component's beneficiary cities will be selected during the TC implementation, using the following selection criteria: (i) cities with urban challenges that are aligned to the thematic priorities of the platform;²⁰ (ii) local governments with technical capacities and political will to foster innovative ecosystems; and (iii) projects that align to the beneficiary countries' project portfolio.
- 3.6 **Component 3. Communication and Dissemination (US\$120,000).** This component will support the implementation of the platform's joint communication strategy. The expected result is to create awareness and commitment to work towards a more innovative, inclusive, and resilient recovery in LAC cities and IDB teams. Activities will include: (i) showcasing lessons learned and best practices to engage stakeholders with projects and activities of the collaborative platform; (ii) supporting the creation and dissemination of publications and knowledge products;²¹ (iii) the day-to-day socialization of each pilot project's results with clients, counterparts, and communities (e.g., social media, blogs, creation of graphic and visual art); and (iv) any other awareness or dissemination activities aligned with the platform's objectives. These

¹⁸ The process includes the following phases: empathize, define the problem, ideate, prototype, experiment and evaluate.

¹⁹ The Open Innovation methodology consists of exploring the private sector's innovative solutions that can help address specific problems, matching the solutions with various stakeholders who have identified a similar problem (e.g., IDB local specialists, local and national governments, etc.), and then piloting the solution.

²⁰ Thematic priorities are listed in section 2.8. These are related to mitigating and adapting to climate change, fostering the digital economy, enhancing cities' productivity and economic growth by leveraging the private sector around urban innovation, and fostering gender empowerment and diversity inclusion.

²¹ The Bank will have the intellectual property rights of all the publications developed in this TC.

activities will be coordinated by an internal consultant that will be responsible for the implementation of the communication strategy.

- 3.7 The total budget for this operation is US\$700,000, financed through resources from the Ordinary Capital Strategic Development Program (OC-SDP) Window 2 – Sustainability (W2A).

Indicative Budget

Activity/Component	Detailed activities	IDB/Fund Funding	Counterpart Funding	Total Funding
Component 1. Knowledge Exchange and Capacity Building.	US\$280,000.00		US\$0.00	US\$280,000.00
	Conference:	US\$100,000		
	Webinars:	US\$55,000		
	Capacity building workshops:	US\$75,000		
	Mentoring programs:	US\$50,000		
Component 2. Experiments in Urban Innovation	US\$300,000.00		US\$0.00	US\$300,000.00
	Pilot projects:	US\$170,000		
	Experimentation training:	US\$60,000		
	Tools designed:	US\$70,000		
Component 3. Communication and Dissemination	US\$120,000.00		US\$0.00	US\$120,000.00
	Learning material:	US\$60,000		
	Communication and dissemination strategy:	US\$60,000		
Total		US\$700,000.00	US\$0.00	US\$700,000.00

- 3.8 The team leaders of the platform will be responsible for the supervision and execution of this TC. They will work closely with IDB's Country Offices and their contacts of cities participating in the activities of the TC. Disbursements will be done from IDB HQs with the support of IDB's Administrative Services and Corporate Procurement Division.
- 3.9 The platform's team leaders will monitor the form according to the approved budget and result matrix. It will be done annually following the Bank procedure of TC reporting and will not require additional funding.

IV. Executing agency and execution structure

- 4.1 The Bank will be the executing agency. The Housing and Urban Development Division (CSD/HUD) will be responsible for the technical supervision, execution, and administration due to the experience that the Cities Lab and Cities Network have developed across LAC. CSD/HUD will be also responsible disbursement unit. Activities will be executed jointly with the IDB's Country Offices and their contacts in participating cities, and a non-objection will be obtained before the design and

execution stage.²² If an activity is carried out within a beneficiary country, the team will obtain the respective letters of no-objection from the official liaison entity with the Bank, in coordination with the respective Bank Representation in the target country. The execution period of this TC will last 24 months.

- 4.2 The Bank will contract individual consultants following the guidelines set out in the AM-650. The procurement process for consulting firms of intellectual nature follows the Bank's new Policy for the Selection and Contracting of Consulting Firms for Bank executed Operational Work (GN-2765-4) and related Operational Guidelines (OP-1155-4). Non-consulting services will follow the Bank's current procurement policies and procedures.
- 4.3 Its taxonomy justifies the execution by the Bank as a regional research and dissemination TC. The Bank's execution is also justified as this is a regional TC where a regional entity with the legal capacity to execute the TC can't be identified (as it is stated in the guidelines OP-619-4). The TC will finance activities in and across multiple countries and institutions in LAC and thus needs a centralized and internalized execution from Bank headquarters. Also, the HUD Division, and its Cities LAB and Cities Network, have substantial experience in providing technical assistance, particularly in housing, urban planning, sustainability, and areas related to the activities financed under this TC.

V. Major issues

- 5.1 Three main risks have been identified: (i) complexity in the coordination with internal and external stakeholders that might affect the development of the platform's activities and outputs; (ii) institutional weakness and changes in subnational administrations, which could affect the continuity of long-term initiatives or require repeated cycles of capacity building; and (iii) cities' lack of commitment to implementing pilot projects.
- 5.2 The mitigation for these risks derives from the experience and lessons learned²³ from the TCs that have previously financed the activities of the Cities Lab and the Cities Network ([RG-T3397](#); [ATN/OC-17313-RG](#): "Support to the Cities LAB activities to promote urban experimentation and civic innovation in LAC cities," [RG-T3481](#); [ATN/OC-17422-RG](#): "Support for the Development and Execution of Activities of the Second Phase of the IDB Cities Network," and [RG-T3869](#); [ATN/OC-18804-RG](#): "Innovation and Knowledge Platform for LAC Cities"). These lessons indicate that for internal coordination, an informal network of "champions" from different parts of the IDB group (INE, IDBLAB, IFD, SOC) is needed to avoid overlaps and guarantee knowledge dissemination cross-pollination. For external coordination, the platform will seek to maximize established alliances with relevant stakeholders (OECD, UN-Habitat, Lab networks, and urban foundations).
- 5.3 To mitigate the second risk, the collaborative platform encourages the participation of technical personnel, civil servants, and relevant interest groups such as NGOs or city development agencies in their activities. On this matter, the Cities Lab promotes the sustainability of its experiments beyond the specific solutions by instilling an innovative mindset and culture in city officials. Also, the Cities Lab will encourage and support

²² The platform will work together with IDB's Country Offices (CO) to develop programming that will be relevant to and respond to their respective countries' needs. IDB's Representatives will continue to be consulted for input and approval when cities' representatives are invited to take on public speaking roles.

²³ For more information about the Cities Lab and the Cities Network's lessons learned, [click here](#).

beneficiary local governments to create partnerships and alliances with external stakeholders, such as the private sector and civil society organizations, to promote long-term sustainability. Finally, to address the possible lack of commitment of the city governments to implementing pilots, the TC will prioritize financing projects aligned with the operational dialogue or built within the HUD active portfolio. It will always include COF specialists in articulating client needs and co-designing their solutions.

VI. Exceptions to Bank policy

- 6.1 There are no exceptions to Bank policy.

VII. Environmental and Social Strategy

- 7.1 There are no pre-feasibility or feasibility studies of investment projects with associated environmental and social studies financed by this TC. Therefore, this TC falls outside the scope of the Bank's Environmental and Social Policy Framework (ESPF). If specific investment projects including environmental and social studies will result, the terms of reference and outputs of these studies will be consistent with the applicable ESPF requirement

Required Annexes:

[Results Matrix - RG-T4140](#)

[Terms of Reference - RG-T4140](#)

[Procurement Plan - RG-T4140](#)