

ADMINISTRATION AGREEMENT

between

THE INTER-AMERICAN DEVELOPMENT BANK

and

THE KOREA RESEARCH INSTITUTE FOR HUMAN SETTLEMENTS

regarding

**Project Specific Grant to the Inter-American Development Bank for Project
No. RG-T3125 titled, “Lessons from Korea: Sharing Experience for
Revitalizing Urban Areas in LAC”**

THIS ADMINISTRATION AGREEMENT is entered into between the Inter-American Development Bank (the "Bank") and the Korea Research Institute for Human Settlements (the "Donor") (together referred to as the "Parties").

WHEREAS, the Bank has approved Project No. RG-T3125 titled, "Lessons from Korea: Sharing Experience for Revitalizing Urban Areas in LAC" (the "Project"), as described in the attached project document (the "Project Document");

WHEREAS, the Donor has agreed to support the execution of the Project by providing a project specific grant (PSG) to be administered by the Bank; and

WHEREAS, the Bank is prepared to receive and administer the contribution funds to be made available by the Donor.

NOW, THEREFORE, the Parties hereby agree as follows:

1. The Donor will make available to the Bank a grant contribution in the amount of U.S.\$180,000.00 (one hundred eighty thousand dollars of the United States of America) (the "Contribution") to be administered by the Bank to finance the Project.
2. The Contribution will be solely for the purposes indicated in the Project Document. Any material deviations from the objectives and activities of the Project described in the Project Document will require the Donor's written approval.
3. Following the signature of this Administration Agreement by the Parties, the Donor will transfer the Contribution to the Bank in one single installment, upon the Bank's written request, to the account indicated by the Bank in writing (the "Account"). The Account is denominated in U.S. dollars and includes resources provided as grant funds by other donors for other Bank projects. The Contribution will be administered in the Account without distinction from other donors' contributions.
4. The Bank will administer the Contribution in accordance with the provisions of this Administration Agreement and the Bank's applicable policies and procedures, including those applicable for third party resources administered by the Bank. The Bank will exercise the same care in the discharge of its functions, as described in this Administration Agreement, as it exercises with respect to the administration and management of resources from other donors, and will have no further liability to the Donor in respect thereof.
5. The Contribution will be accounted for separately from the Bank's assets, and will be administered together with other contributions received by the Bank. The Bank may freely exchange the Contribution funds into other currencies as may facilitate their administration and disbursement. The Bank will not be responsible for

foreign exchange risk in the receipt, conversion or administration of Contribution funds. Further, the Bank may at its discretion invest and reinvest the resources of the Contribution pending their disbursement in connection with the Project.

6. To assist in the defrayment of the administrative costs in relation to the Contribution, the Bank will charge and retain:
 - (a) a non-refundable fee equal to five percent (5%) of the total Contribution amount at the time the Contribution is deposited by the Donor into the Account; and
 - (b) any investment income generated by the Contribution pending its disbursement towards the Project.
7. The Bank's procurement policies and procedures will be applicable to the contracting of consulting services, as well as the procurement of non-consulting services, if applicable, carried out with the Contribution, as required by the different components of the Project. Further, the Donor accepts that:
 - (a) the resources of the Contribution will be completely untied; and
 - (b) the consultancy services financed with the Contribution may be provided and executed by companies, specialized institutions or individuals from any Bank member country.
8. The Donor will not be responsible for the activities of any person or third-party engaged by the Bank as a result of this Administration Agreement, nor will the Donor be liable for any costs incurred by the Bank in terminating the engagement of any such person.
9. Promptly following the completion of the Project, the Bank will submit to the Donor a final Project report. The Donor may also request a non-audited financial expense report of the Contribution. In addition, the Donor may request an "agreed upon procedures" report issued by an external auditor selected by the Bank on the use of the Contribution resources. The cost of such auditor's report will be borne by the Donor and will not be deducted from the Contribution. The Donor will reimburse the Bank for the cost of this report promptly after receiving a written request from the Bank. The Bank will not provide audited financial statements for the Account.
10. As soon as possible upon completion of the Project, the Bank will return to the Donor any remaining uncommitted Contribution funds, unless otherwise agreed to in writing by the Parties.
11. The Donor acknowledges that the Bank's commitment to use the Contribution as contemplated herein will be subject to the Bank's formalization of all internal approvals necessary for the Project and/or the Project Document.

12. The offices responsible for coordination of all matters and receiving any notice or request in writing in connection with this Administration Agreement or the Project are as follow:

(a) For the Bank:

- i. All communications pertaining to donor relations and resource mobilization will be directed to:

Inter-American Development Bank
1300 New York Avenue, NW
Washington, D.C. 20577
UNITED STATES OF AMERICA
Attention: Manager, Office of Outreach and Partnerships (ORP)
Tel.: +1 (202) 623-1583
Fax: +1 (202) 312-4072
E-mail: partnerships@iadb.org

- ii. Day-to-day communications regarding the management of the Contribution and the implementation of this Administration Agreement will be directed to:

Inter-American Development Bank
1300 New York Avenue, NW
Washington, D.C. 20577
UNITED STATES OF AMERICA
Attention: Chief, Grants and Co-financing Management Unit
Office of Outreach and Partnerships (ORP/GCM)
Tel.: +1 (202) 623-2018
E-mail: orp-gcm@iadb.org

(b) For the Donor:

Korea Research Institute for Human Settlements
5, Gukchaegyeonguwon-ro,
Sejong-si, 30147
REPUBLIC OF KOREA
Attention: Director, Global Development Partnership Center (GDPC)
Tel.: +82-44-960-0390
Fax: +82-44-211-4772
E-mail: gdpc@krihs.re.kr

13. This Administration Agreement will come into force on the date of its last signature by the Parties.

14. The Parties may amend any provision of this Administration Agreement in writing.
15. Subject to their respective policies and procedures with respect to the disclosure of information, the Parties may make this Administration Agreement publicly available.
16. Nothing in this Administration Agreement may be construed as creating an agency relationship between the Parties.
17. Nothing in this Administration Agreement may be construed as a waiver of the Bank's privileges and immunities, under international or any applicable law, including any privileges and immunities agreement.
18. The Parties will seek to settle amicably any disputes that may arise from or relate to this Administration Agreement.

IN WITNESS WHEREOF, the Inter-American Development Bank and the -Korea Research Institute for Human Settlements, each acting through its duly authorized representative, have signed this Administration Agreement in the English language as of the dates indicated below.

**INTER-AMERICAN
DEVELOPMENT BANK**



Bernardo Guillamon
Manager
Office of Outreach and Partnerships

Date: DEC. 12 / 2017

**KOREA RESEARCH INSTITUTE
FOR HUMAN SETTLEMENTS**



Jinkyu Chung
Director
Global Development Partnership Center

Date: Dec. 13, 2017

TC DOCUMENT

I. Basic Information for TC

▪ Country/Region:	Regional
▪ TC Name:	Lessons from Korea: sharing experience for revitalizing urban areas in LAC
▪ TC Number:	RG-T3125
▪ Team Leader/Members:	Andrés Blanco (CSD/HUD), Team Leader; Hyuna Lee; Federica Volpe; Sarah Benton, David Razu (CSD/HUD), Victoria Florez Toro (ORP/PTR) and Claudia Ogliaro (ORP/GCM) Team member; Dianela Avila, and Maria Aguilar Blandon (CSD/HUD) Project Assistant, Margie-Lys Jaime Ramirez (LEG/SGO) Lawyer
▪ Taxonomy:	Research & Dissemination
▪ Beneficiary:	IDB Borrower members
▪ Executing Agency:	Inter-American Development Bank through the Housing and Urban Development Division (CSD/HUD)
▪ Donors providing funding:	Korea Research Institute for Human Settlements (KRIHS)
▪ IDB Funding Requested:	US\$ 234,823 ¹
▪ Local counterpart funding, if any:	
▪ Disbursement period:	12 months
▪ Required start date:	December 15 th , 2017
▪ Types of consultants:	Individual Consultants
▪ Prepared by Unit:	Housing and Urban Development (HUD)
▪ Unit of Disbursement Responsibility:	Climate Change and Sustainable Development Sector (CSD)
▪ 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:	Provide inclusive infrastructure and infrastructure services, Provide urban planning and rural infrastructure

II. Objectives and Justification of the TC

- 2.1 The objective of this Technical Cooperation (TC) is to learn from the experience of South Korea in housing and urban development and identify practical policy solutions that could be applied in Latin American and Caribbean (LAC) cities.
- 2.2 Urbanization is one of the most critical phenomena today. Cities are the main driver of economic and social development and most industries and businesses are located within urban areas, so they attract skilled workforce and constitute centers of knowledge. This urbanization process has contributed to the reduction of poverty and increased access to education and health thanks to better infrastructure and public services.
- 2.3 However, access to these benefits can be extremely unequal. Especially for LAC, a considerable portion of the urban population lives in substandard conditions and

¹ These funds will be administered by the IDB through a non-reimbursable Project-Specific Grant (PSG). Korea Research Institute for Human Settlements will contribute US\$180,000, and US\$ 54,823 will be added from the remaining balance of RG-X1210 once this balance is cancelled and the TC operation is closed, as described in greater detail in paragraph 3.5 below.

access to basic infrastructure, housing, and services is still insufficient or substandard. Moreover, in most LAC cities the absence of suitable urban governance and planning has created additional problems such as excessive urban sprawling, social and spatial fragmentation, lack of serviced land and affordable housing, traffic congestion, and environmental degradation, among other phenomena, which results in uncontrolled, dispersed, and unsustainable urban areas.

- 2.4 Although investments in public infrastructure and good land policies are key factors to overcome these problems and foster sustainable urban areas, LAC countries face great economic, financial, and institutional challenges that have so far prevented the cities to implement comprehensive solutions.
- 2.5 One strategy to respond to these problems is to develop programs focused on the revitalization of specific areas within the existing urban environment. This kind of programs should not promote just the physical rehabilitation of urban centers, but emphasize institutional, legal, and regulatory reforms that foster social inclusion and count with strong political commitment from the central government. Solutions to effectively achieve this goal could come from countries that have faced similar obstacles.
- 2.6 One example of effective policies to solve urban problems in Korea. This country has experienced a rapid urbanization and massive urban development process until the 1990s – reaching an urbanization rate of 83% (World Bank, 2016) – along with a dramatic economic expansion. However, due to later changes of its industrial and demographic structure, most provincial cities showed signs of decline in terms of public infrastructure, commercial facilities, and housing. Therefore, the government of Korea started urban regeneration projects to revitalize ailing city centers. For example, the Ministry of Land, Infrastructure and Transportation (MOLIT) in collaboration with the city government conducted the Changdong Art Village project in Changwon City, under the Act of urban regeneration in 2006. The targeted area was considered a symbol of urban decline in the nation despite being the city a commercial center with expanding manufacturing industries until the 1980s. The central government provided the funds and suggestions for the design of the roads and building facades whereas the city government intervened to face-lift the physical appearance of the target area. These efforts encouraged artists to open shops and, consequently, the numbers of visitors and tourists increased.
- 2.7 By this model, the central government provides the legal and institutional framework and injects seed capital to support projects for the designated areas. Local governments and civil society actors, on their side, implement the corresponding urban regeneration plans. While this scheme focuses on community participation and leveraging local assets, it also places emphasis on inter-ministerial coordination and central-local cooperation for effective policy implementation. With the support of central and local government, Korea is now witnessing plenty of experiences in urban regeneration strategies across the nation.
- 2.8 Since Korean and LAC cities have experienced a similar urban growth trajectory, the Korean model can be taken as a reference to deal with the challenges that LAC cities are currently facing. The case of Korea can be a proof that a very rapid urbanization is not necessarily a problem. The quality of urban life in Korea has

improved enormously over the years in terms of the quantity and quality of housing services, the quality of air and water, the access to and the quality of infrastructure, public services, and various amenities. Despite the pressing challenges caused by urbanization, LAC cities have an enormous potential for development.

- 2.9 To this effect, this TC will make operational a PSG with the Korea Research Institute for Human Settlements (KRIHS), which is one of the leading national think-tank of Korea. KRIHS supports both central and local governments in the country in establishing and implementing urban regeneration policies and strategies designed to rehabilitate degraded urban areas and it can provide a solid reference to learn from. This TC is aligned to RG-X1210, "South Korea affordable housing policies: Lessons for Latin American and Caribbean countries." KRIHS was involved in the RG-X1210 in the last three years and offered solutions based on Korean cases regarding urban settlements, the facilitation of the private sector's effort to supply affordable housing, government-led direct provision of social housing, slum clearance, settlement upgrading, and provision of demand-side subsidies. This TC will also contribute to facilitating the collaboration and the exchange of experiences with KRIHS as well as best practices in the design and implementation of policies to revitalize urban areas in LAC countries².
- 2.10 The TC is consistent with the Update to the Institutional Strategy 2010-2020 (AB-3008) and is aligned with the following challenges: (i) provide inclusive infrastructure and infrastructure services and (ii) provide urban planning and rural infrastructure. This TC is also aligned with the cross-cutting theme of Climate Change and Environmental Sustainability. Furthermore, it aligns with the objectives of the Sustainability Results Framework (GN-2819-1) in that it will support municipal governments to prepare in innovative ways for challenges related to rapid urban growth and climate change in a sustainable manner. This TC follows the recommendation of the Urban Development and Housing Sector Framework Document (GN-2732-2) in promoting a multi-sectoral approach to address urban deficits, in strengthening institutional capacities to foster urban governance, and in increasing technical knowledge through research and dissemination about LAC urban challenges.

III. Description of activities and outputs

- 3.1 This TC serves to operate a Project Specific Grant (PSG) from KRIHS to develop operational instruments, knowledge products, and policy dialogues through three components. The activities will be pursued with matching funds from KRIHS.
- 3.2 **Component I. Joint Research (US\$ 107,823).** This component will support the development of a joint research program that aims to exchange knowledge from Korea and the LAC region on revitalization of urban areas. The goal is to develop a practical guide to promote sustainable urban areas (diagnostics and identification of key issues, and policy recommendations) based on the Korean experience and how this can be adapted to LAC. Specifically, the research topic will be Revitalization of Urban Neighborhoods in LAC: Learning from Korea's experiences. The research will review and identify the general urban situation, planning issues, successful factors and key policy limitations.

² In addition, KRIHS has been supporting the Bank through TC to contribute to improvement in the IDB's Emerging and Sustainable Cities Initiative (ESCI) since 2012. KRIHS has shared the knowledge of smart city in Brazil, Uruguay, El Salvador, Jamaica and Argentina in order to assist the activities of ESCI.

- 3.3 **Component II. Capacity Building (US\$ 98,000).** This component will support knowledge exchange programs around the topic of revitalization, such as the KRIHS-IDB Urban Development Academy (KIUDA). This is a knowledge exchange and capacity building workshop with the highest authorities in urban development and housing from LAC countries. Since 2014, this policy dialogue has been held annually in Korea with the support of previous PSG's from KRIHS, and it consists of lectures and site visits, with the objective of learning from the Korean experience and drawing implications to adapt it to the LAC region according to each city's specific needs. So far 53 participants from 17 countries have attended including ministers, vice ministers, and vice mayors. In addition, this component will finance knowledge exchange activities about the methods that Korean cities have used to stimulate economic growth, strengthen competitiveness, and improve degraded residential areas.
- 3.4 **Component III. Support to the Cities LAB (US\$ 20,000).** The Cities LAB (RG-T2983) is a knowledge platform recently established within the Housing and Urban Development (HUD) division of the Bank to promote innovations for sustainable urban development projects in LAC. The LAB seeks to provide lasting and comprehensive solutions by promoting the transfer of knowledge and the development of collaborative interventions and management tools between the sectors and the different disciplines involved with the city and urban issues. As a service platform that incubates and applies innovative projects with the potential for adding value in the area of sustainable urban development in LAC, the Cities LAB will benefit from the support of KRIHS and its expertise in urban revitalization. This component will support the design and implementation plan of a pilot project that will include phased-development strategies, financial mechanisms, and schemes for innovative solutions to be tested in topics defined by the Bank's clients and in coordination with the work of the Cities LAB. Based on results of exploration carried out by the LAB, we will identify the projects more aligned with and adaptable to the Korean experience.

Indicative Results Matrix

Outcome: Cities in LAC that incorporate lessons learned and exchange best practice from Korea							
Indicators			Unit of measure	Base line	Base line Year	Means of verification	EOP
LAC cities involved in knowledge exchange and capacity building with Korea			Cities #	0	2017	Annual report	3
Outputs							
Components	Outputs	Output Description	Unit of Measure	Base line	Base line Year	Means of verification	EOP
Component I. Joint Research	Working paper prepared	Working paper on the comparison between Korea and LAC countries on urban regeneration	Papers (#)	0	2017	Internal publication	2

Component II. Capacity Building	Policy dialogue events organized	KRIHS-IDB Urban Development Academy (KIUDA), which is the knowledge exchange workshop in the field of urban development and housing with the highest national authorities from LAC countries	Events (#)	0	2017	Annual report and back to office report	1
	Seminars organized	Dissemination workshop to share results of collaboration	Seminars (#)	0	2017	Seminar report	1
	Seminars organized	Follow up events of KIUDA	Seminars (#)	0	2017	Seminar report	1
Component III. Support to the Cities LAB	Working Papers prepared	Working paper to support the pilot project design and implementation plans and evaluation of effectiveness	Papers (#)	0	2017	Annual report	1

Indicative Budget (US\$)

Activity / Component	Description	New Budget	Residual Value from RG-X1210	Total Funding
Component I. Joint Research	Draw political recommendation on urban regeneration of LAC based on the Korean experience	66,000	41,823	107,823
Component II. Capacity Building Program	Hold policy dialogues covering policy issues on housing and urban development with the highest national authorities from LAC countries	85,000	13,000	98,000
Component III. Support to the Cities LAB	Support to design of IDB operations, and development of project proposals based on knowledge and experience of Korea	20,000	-	20,000
Administrative fee	5% of Administrative fee	9,000	-	9,000
Total		180,000	54,823.81	234,823

※ The 5% administrative fee has already been deducted from KRIHS contribution to RG-X1210. Thus, it has not been included in this budget table.

3.5 The total cost of this TC will be US\$234,823 which will be financed by the Korea Research Institute for Human Settlements. The IDB and KRIHS will sign a new administration agreement corresponding to the new contribution of US\$180,000. US\$54,823, corresponding to the residual unspent/uncommitted resources from RG-X1210, will be added to the budget of this operation once RG-X1210 will be closed³.

3.6 Resources of this project will be provided to the Bank through a Project Specific Grant (PSG). A PSG is administered by the Bank according to the "Report on

³ KRIHS has agreed to the incorporation of this amount into the new operation.

COFABS, Ad-Hoc and CLFGS and a Proposal to Unify Them as Project Specific Grants (PSGs)" (Document SC-114). As contemplated in these procedures, the commitment from Korea Research Institute for Human Settlements will be established through a separate administration agreement. Under such agreement, the resources for this project will be administered by the Bank and the Bank will charge a non-refundable administration fee of 5% of the contribution, which is identified in the budget of this project. The administration fee will be charged upon the Bank's receipt of the contribution.

IV. Executing Agency and Execution Structure

- 4.1 The Bank through the Housing and Urban Development Division (HUD) will be responsible for executing this TC. HUD has substantial experience in providing technical knowledge and assistance to cities, particularly in the areas of housing, urban planning, and sustainability. The Bank will be responsible for the contracting of consultancies and will carry out the selection and hiring of the consulting services in accordance with the Bank procedures. The fact that the TC will finance activities in and across multiple countries and institutions in LAC requires a centralized and internalized execution from Bank headquarters. The activities to be executed are included in the Acquisition Plan (Annex III) and will be contracted in accordance with Bank policies as follows: (a) AM-650 for Individual consultants; (b) GN-2765-1 and Guidelines OP-1155-4 for Consulting Firms for services of an intellectual nature and; (c) GN-2303-20 for logistics and other related services.
- 4.2 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.
- 4.3 The project team will be responsible for the preparation and submission to the donor of the project reporting, which will be fulfilled in compliance with the stipulations of the Administration Agreement.

V. Major Issues

- 5.1 No major issues have been identified.

VI. Exceptions to Bank policy

- 6.1 No exceptions to Bank policy have been identified.

VII. Environmental and Social Strategy

- 7.1 The components financed by this TC will not have negative environmental or social impacts. On the contrary, the outputs are expected to have positive environmental and social impacts, by promoting policy and practice that supports improvements in urban and environmental conditions and quality of life of inhabitants. According to the Environment and Safeguard Compliance Policy (OP-703) this operation is classified as category "C".

Required Annexes:

- Annex I: Result Matrix
- Annex II: Terms of Reference
- Annex III: Procurement Plan