

**ENVIRONMENTAL, CLIMATE CHANGE AND URBAN PILLARS
OF THE EMERGING AND SUSTAINABLE CITIES INITIATIVE
(ESCI) – PHASE II**


RG-T2307

CERTIFICATION

I hereby certify that this operation was approved for financing under the Knowledge Partnership Korea Fund for Technology and Innovation (KPK) through a communication dated June 13, 2013 and signed by Jangro Lee, Director, International Financial Institutions Division, International Finance Bureau, Ministry of Strategy and Finance, Republic of Korea. Also, I certify that resources from the Knowledge Partnership Korea Fund for Technology and Innovation (KPK) are available for up to US\$980,000 in order to finance the activities described and budgeted in this document. This certification reserves resources 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 document. 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, for which the Fund is not at risk.



Sonia M. Rivera
Chief



Grants and Co-Financing Management Unit
ORP/GCM

August 2, 2013
Date

APPROVAL

Approved by:



Alexandre Meira Rosa
Sector Manager

Infrastructure and Environment Sector
INE/INE

08/5/2013
Date

TC Document

Environmental, Climate Change and Urban Pillars of the Emerging and Sustainable Cities Initiative (ESCI) – Phase II RG-T2307

I. BASIC INFORMATION

Country/Region:	Regional (Brazil, Colombia)
TC Name:	Environmental, Climate Change and Urban Pillars of the Emerging and Sustainable Cities Initiative (ESCI) - Phase II
TC Number:	RG-T2307
Team Leader/Members:	Horacio Terraza (INE/WSA), Team Leader; Ellis Juan (VPS/VPS), Co-Team Leader; Federico Scodelaro, David Maleki y Sebastian Lew (INE/WSA); Ricardo De Vecchi (IFD/IFD); Irene Cartin (INE/WSA); Marcia Silva (FMM/CBR); and Bernardita Saez (LEG/SGO).
CT Type:	Research and Dissemination
CT Abstract	
Authorization Date:	June 13, 2013
Beneficiary:	Selected emerging cities in Colombia and Brazil
Executing Entity:	IADB through the Emerging and Sustainable Cities Initiative
Financing:	US\$980,000 from the Knowledge Partnership Korea Fund for Technology and Innovation (KPK)
Terms:	Execution: 36 months Disbursement: 48 months
Start Date:	
Consultant Type:	Individual Consultants and Firms
Prepared by:	INE/WSA
UDR:	INE/WSA
Priority Sector GCI-9:	Poverty and inequality reduction and sustainable development

II. OBJECTIVE AND JUSTIFICATION

- 2.1 The main objective of this operation is to finance the implementation of ESCI methodology in selected Brazilian and Colombian emerging cities.¹ This TC represents the second phase of the support program from the Knowledge Partnership Korea Fund for Technology Innovation (KPK) to the Emerging and Sustainable Cities Initiative (ESCI).
- 2.2 The Knowledge Partnership Korea Fund for Technological Innovation (KPK) is directly supporting the Emerging and Sustainable Cities Initiative (ESCI) during the Special Program scaling up period (2012-2015).
- 2.3 Background. ESCI is a Bank's non-reimbursable technical assistance program to provide direct support to local governments in the development of their sustainable development plans ("Action Plans").

¹ Emerging cities are defined as cities with a population between 100,000 and 2,500,000, with an economic and demographic growth above their respective national average. Currently, Latin America and the Caribbean have more than 140 emerging cities with a total population of nearly 70 million.

- 2.4 These Actions Plans act as a guideline for public policy decision makers in intermediate cities and take into account the: (i) environmental, (ii) urban, and (iii) fiscal and governance aspects of the city that need to be addressed to achieve sustainability in the medium and long terms. The plans, through its diagnostic phase, identify a series of strategic interventions that are considered key to improve the current sustainability conditions in the city, and provide support in the development of conceptual solutions through strong interdisciplinary staff involvement for the prioritized sectors. Action Plans are followed by the development of pre-investment studies for the prioritized interventions; by financing a selected number of the studies and by helping the city in identifying suitable financing for them.
- 2.5 In 2013, 26 cities in 16 countries had joined ESCI, 15 of them through the Regular Program and 11 through the Additional Cities Program². Eleven of them have already finished the first stage of the methodology and are currently in the pre-investment period. The remaining 6 cities are expected to have an Action Plan by September 2013. By 2015, 50 cities will have gone through ESCI's methodology.
- 2.6 In order to increase the impact of the ESCI Program in the region and leverage resources, the Bank is developing strategic partnerships ("Operating Agreements") with local development agencies. With these agreements, ESCI commits to provide local capacity building, technical support in the implementation of the methodology and supplementary resources, while the local development agencies provide the financing for the application of the methodology and coordinate the operations in the cities. The first of these agreements was established with Colombia's Financiera del Desarrollo Territorial (Findeter), through an MOU signed on May 25, 2012. In this MOU, Findeter committed to develop ESCI's methodology in Colombian cities, starting with a pilot test in Barranquilla, Manizales, Pereira and Bucaramanga. The Bank provides technical support, capacity building and supplementary resources to complete ESCI's methodology in those cities through the Technical Cooperation ATN/OC-13605-CO "Implementing ESCI's Methodology in Two Colombian Cities". Similarly, on June 21st, 2012, ESCI signed an MOU with Brazil's Caixa Economica Federal (Caixa), where the latter commits to replicate ESCI's methodology in 4 Brazilian cities. Currently, one of those Brazilian cities (Joao Pessoa) is implementing ESCI's methodology financed by Caixa's resources. The Bank, on the other hand, provides technical support, capacity building, training and complementary resources through operation ATN/KK-13748-RG, "Environmental, Climate Change and Urban Pillars of the Emerging and Sustainable Cities Initiative (ESCI)"³. The Bank is currently considering similar agreements with Argentina, Mexico and Peru.
- 2.7 This TC will support Bank's activities for the application of the ESCI Program in additional cities under agreements with Findeter and Caixa. Specifically, one of the following cities (to be defined) will be covered by this operation in Colombia: Pasto, Cali, Monteria, Cartagena Santa Marta, Valledupar or the Island of San Andres. In the case of Brazil, the city (to be defined) will be one the following: Vitoria, Florianopolis or Palmas.

² Regular Program: Cities funded from the Bank's Special Fund. Additional Program: Cities funded from third parties. The objective is to include approximately 50 emerging cities located in different countries of the region by the end of 2015.

³ Operation RG-T2198 represents the first phase of KPK's support to ESCI. This TC represents the second phase.

III. DESCRIPTION OF ACTIVITIES

3.1 **Component 1. Diagnostic sustainability assessment and action plan (US\$160,000).**

This component includes financing for the activities required to apply the rapid assessment diagnostic tools for the environmental, climate change and urban studies; prioritization exercise (public survey and/or focus groups) and development of the Action Plan in cities of the beneficiary countries of this TC. The purpose is to identify areas where the cities face the greatest challenges to achieve environmental and urban sustainability. Subsequent Action Plans will be prepared that incorporate the design, execution, and financing plans for the identified solutions.

3.2 **Component 2. Climate Change and Urban Footprint instruments (US\$450,000).**

This component is comprised by the baseline studies needed to reduce and adapt to the consequences of climate change in cities of the beneficiary countries. They include the following activities: (i) inventories of greenhouse gas emissions (GGE); (ii) vulnerability analysis in response to observed [or expected] climate change impacts; (iii) analysis of the economic, technical, and financial feasibility of mitigation and adaptation measures; and (iv) analysis of the urban footprint of the cities, as well as the design of their expected growth scenarios.

3.3 **Component 3. Systems to monitor city sustainability (\$75,000).**

This component includes the design and implementation of independent monitoring systems in cities of the beneficiary countries. The objective is to monitor and evaluate medium and long-term changes in the conditions of sustainability (urban, environmental, and fiscal) and in the quality of life in the cities that implement action plans. The systems will eventually be turned over to the private sector, civil society (NGOs), and/or academia for their operation.

3.4 **Component 4. Operations, capacity building and administration (\$75,000).**

This component will cover consultancies and training workshops designed to enhance ESCI's operations in beneficiary cities. Consultancies will be focused on activities related to the application of the methodology. The workshops financed by this operation will provide capacity building for local authorities in issues concerning ESCI and its methodology.

3.5 **Component 5. Pre-investment for Prioritized Interventions (US\$220,000).**

This component includes financing for prioritized interventions included in beneficiary cities' future Action Plans. The component will finance the following interventions in beneficiary cities:

- i. In depth analysis and project preparation of selected prioritized interventions. This component will finance consulting services (i.e., engineering, financial, legal, and technical, etc.) to deepen the diagnostic assessments of the activities and areas prioritized in the Action Plans of the beneficiary cities.
- ii. Prefeasibility studies of between one and two investment projects (priority interventions) will be included in this component. Funding from the Initiative will be distributed among interventions in accordance to established priorities, local government capacities and the technical analysis performed by Bank specialists. These interventions will include areas of interest and competence of Korea's corporate sector, among them:

(a) Environmental and climate change sustainability.

- Energy efficiency and renewable energy generation.
- Solid waste treatment.
- Water treatment and distribution.
- Air quality and noise pollution.
- Improving resilience in strategic infrastructure (economic as well as social infrastructure – hospitals and schools).

(b) Urban sustainability

- Urban and regional planning for green growth. Planning for the provision of public services.
- Affordable housing development for low-income households.
- Land use/planning.
- Public transportation and mobility (i.e., railway, BRT, etc.).
- Connectivity (integrated monitoring systems). Cities' safety (crime prevention, and natural disaster prevention).
- Social infrastructure planning and development (hospitals, health centers, and school systems).

IV. BUDGET ([see link](#))

- 4.1 The total cost of the operation is US\$980,000. Funds will be provided by the Knowledge Partnership Korean Fund for Technology and Innovation (KPK).

Components	Costs
1. Diagnostic sustainability assessments and action plans	\$160,000
2. Climate change and urban footprint instruments	\$280,000
3. Systems to monitor city's sustainability	\$ 75,000
4. Operations, capacity building and administration	\$ 75,000
5. Pre-investment for prioritized interventions	\$390,000
Total	\$980,000

Results Matrix

Results Indicators	Baseline	Goal 2014	Verification
The selected cities have adopted ESCI Action Plan	0%	100% (II Quarter)	Sources: (i) Monitoring system and assessment of the operation
Number of investment projects that have prefeasibility studies	0	1 Project (IV Quarter)	Sources: (i) Monitoring system and assessment of the operation; (ii) Reports from the External Review Committee
Product Indicators	Baseline	Goal 2014	Verification
Component 1	Diagnostics Assessments and Sustainability Action Plans		
The participating cities have applied methodological instruments and sectors/areas have been prioritized	0	100% (II Quarter)	Sources: (i) Monitoring system and assessment of the operation

Component 2	Climate Change and Urban Instruments		
Basic studies on climate change (Greenhouse Inventory and Vulnerability Analysis) have been performed and finalized in the participating cities	0	100% (II Quarter)	Sources: (i) Monitoring system and assessment of the operation
Basic urban studies (urban footprint) has been performed and finalized in the participating cities	0	100% (II Quarter)	Sources: (i) Monitoring system and assessment of the operation
Component 3	Systems to Monitor City Sustainability		
Monitoring system has being designed and implemented in the participating cities	0	100% (III Quarter)	Sources: (i) Monitoring system and assessment of the operation
Component 5	Pre-investment for Prioritized Interventions		
Number of completed pre-investment studies	0	1	Sources: (i) Monitoring system and assessment of the operation

- 4.2 Expected Results. This operation is expected to provide the beneficiary cities with (i) a unique technical multidisciplinary diagnostic framework and (ii) the necessary base studies and pre-investment to address the main identified issues. These activities will create an encompassing effect that will positively contribute to achieve the cities' urban and environmental sustainability.

V. EXECUTION AGENCY AND STRUCTURE

A. Executing Entity

- 5.1 In accordance with document GN-2629-1 "Proposal for the Implementation of the Special Program and Multi Donor Fund of the Emerging and Sustainable Cities Initiative" and given that this operation is a Research and Dissemination product, the Bank will be in charge of executing this TC through ESCI's Coordination Group. This Group has the specialized technical knowledge of the required methodology and procedures, as well as the experience providing technical assistance to subnational entities. Additionally, Bank's execution will allow for a minimum level of standardization in the processes and the application of methodological instruments that ESCI provides, as well as the adequate operative coordination needed to ensure the project's success.

B. Procurement

- 5.2 The Bank will hire the required consulting services (individuals and firms), according to the current Bank's procurement policies and procedures.

C. Operational Structure

- 5.3 ESCI's Coordination Group will be in charge of supporting the implementation and monitoring relationships with strategic partners and the bi-annual assessment report. GCC will hire a team of full-time consultants that will be in charge of the administration and

technical execution of this operation. This team will be hired with financing from this operation or from other TCs.

- 5.4 The development of the activities related to each city will be headed by a team leader, which will be a specialist from one of the technical divisions of the Bank. The team leader will coordinate the specialists during the diagnostic period, Action Plan design and the pre-investment phases of the methodology. The team should be comprised of at least one representative of each of the sustainability dimensions of the Initiative. This operational structure will facilitate integration and a higher degree of appropriation of the process by the operative areas. It will also allow establishing a compact administrative organization, thus diminishing operative costs.

VI. RISKS AND ISSUES

- 6.1 There are two key risks that may affect the results of the operation: (i) institutional weaknesses and low technical capacity of some of the participating local governments; and (ii) the difficulty to integrate multidisciplinary technical aspects involved in the operation.
- 6.2 To minimize the occurrence of the first risk, project implementation will emphasize the incorporation of institutional strengthening measures to enhance the ability of the cities to implement and monitor projects. These measures include providing the local governments with training sessions organized by ESCI's Coordination Team, a series of periodic meetings addressing the developments in the implementation of the methodology, and promoting collaborative work between Bank's specialists and local authorities. In order to minimize the second risk, multidisciplinary teams will be set up by the Bank and by the cities that will analyze and address issues from a comprehensive point of view. These teams will perform a series of monthly meetings that will promote capacity building and will enhance cooperation within the Bank's staff and ESCI Coordination Team.

VII. EXCEPTIONS TO BANK POLICY

- 7.1 No exceptions to bank policy have been identified.

VIII. ENVIRONMENTAL AND SOCIAL CLASSIFICATION

- 8.1 It is expected that the project will not generate any significant environmental or social impacts. The studies financed by this TC will contribute to the development of socially and environmentally beneficial projects. They will also improve the quality of life of the inhabitants of the beneficiary cities. This TC has a "C" classification ([see link](#)).

ANNEXES

Procurement Plan ([see link](#))

Terms of Reference ([see link](#))