



Approach Paper

Evaluation of IDB's Emerging and Sustainable Cities Initiative



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I. INTRODUCTION

- 1.1 **The world is increasingly urban, and most economic activity today occurs at the city level.** In the United States more than 80% of the population lives in 256 urban areas, where they produce about 85% of the country's GDP. The figures for Western Europe, Latin America, and Asia are similar, though slightly lower.¹ Yet, for all its importance, the urbanization process is relatively recent: only since 2007—and for the first time in history—do more people live in cities than in rural areas. If this trend continues, by 2050 two-thirds of the world population will live in cities.²
- 1.2 **Urbanization trends vary substantially around the world. Latin America and the Caribbean (LAC) is one of the most urbanized regions in the world: nearly four of every five LAC citizens live in cities.** In addition, LAC is characterized by urban primacy—that is, a high concentration of population in a single metropolis, typically the capital—with almost one-third of its inhabitants living in a city that has a population above 1 million.³ The region also exhibits high levels of urban growth. Between 1960 and 2015 the percentage of urban population in LAC increased from 44% to 78%.⁴ This high urbanization has promoted the growth of new type of city: emerging, intermediate cities.
- 1.3 **Intermediate cities face distinctive challenges that are aggravated by the lack of proper planning.** While defining exactly what an intermediate city is can be difficult, there are key differences between the needs and characteristics of large metropolitan areas and newly formed intermediate cities.⁵ Metropolitan areas have more limited scope for growth, face coordination challenges as they extend over different political jurisdictions, and often need to mitigate the consequences of poor planning (e.g., eradication of shantytowns). Intermediate cities, in contrast, face challenges of rapidly growing urban areas, related mostly to the provision of basic infrastructure and municipal services (e.g., solid waste management).⁶ Conscious urban planning today may help intermediate cities to reduce the need for future mitigation measures.
- 1.4 **The Inter-American Development Bank (IDB, or the Bank) has historically been very active in engaging in the region in urban projects, particularly urban improvement programs.** In the past 10 years IDB has approved over US\$4.5 billion in sovereign-guaranteed loans in the urban development sector, and over US\$95 million in technical cooperation and other grants. Historically,

¹ McKinsey Global Institute, 2012, *Urban America: US cities in the Global Economy*, p. 2.

² United Nations, 2014, *World Urbanization Prospects*.

³ WDI, *World Development Indicators*, 2015.

⁴ LAC is also the region where the proportion of people living in large cities—those with a population above one million inhabitants—has increased the most since 1960.

⁵ In practice, most definitions of *intermediate city*—and of *city*, for that matter—are based on population concentrations rather than territorial jurisdictions or political considerations. IDB defines intermediate cities in terms of population relative to the country population (see Annex II, GN-2652-6).

⁶ See UN-Habitat, 2012, *State of Latin American and Caribbean Cities 2012*, and IDB, 2013, *Urban Development and Housing Framework*.

most of the operations have been concentrated in neighborhood upgrading and housing projects (84% of lending and 55% of grants).

- 1.5 **More recently, the IDB has focused on urban redevelopment and planning, particularly in intermediate cities.** The shift toward planning originated partly in the understanding that the Bank could potentially add more value by limiting the consequences of unplanned growth than by attempting to work with large cities later on to fix them. The overall amounts approved in the sector have increased by 17% in the past five years, while technical assistance has increased by 115%. Through the Emerging Sustainable Cities Initiative (ESCI), launched in 2012, the IDB has redirected its focus to tackling urban planning and redevelopment in midsize cities.
- 1.6 **This document presents OVE's approach to evaluate IDB's support to cities through ESCI.** This evaluation was requested by the Board of Directors and included in OVE's work program for 2016-2017 (RE-492-1). It has as its main objective to assess ESCI's value-added to IDB's support to urban development. The evaluation builds in part on OVE's previous work on urban development and, particularly, on OVE's review in the Special Program Evaluation (RE-476-5) and the evaluation of PROCIDADES (RE-481-4). It will have synergies with the Review of IDB Support to Housing Programs in the Caribbean.

II. OVERVIEW OF ESCI

- 2.1 **The Emerging Sustainable Cities Platform was conceived as a demonstration program to support emerging LAC cities with their planning.** It aimed to help them identify, prioritize, and initially finance sectors and actions that could lead to sustainable development,⁷ applying a multidisciplinary methodology to develop and support the execution of a city action plan. According to the initiative proposal, "[T]he methodological instrument of the Cities Initiative was designed to offer a comprehensive perspective that makes it possible to view problems concurrently so that synergies can be achieved, interdependencies and linkages understood, and this information used to make decisions that produce the greatest effects and impact with the limited financial, technical, and institutional resources available to Latin American and Caribbean cities."
- 2.2 **The program was structured under three cross-cutting pillars: (i) environmental and climate change sustainability, (ii) urban sustainability, and (iii) fiscal sustainability and governance.** The platform included a pilot

⁷ "The general purpose of the Platform has been to improve quality of life in emerging cities of Latin America and the Caribbean in terms of three comprehensive dimensions: (i) environmental sustainability and climate change; (ii) sustainable urban development; and (iii) fiscal and governance sustainability. To this end the Platform has developed a series of instruments that will enable intermediate cities in the region to plan for the medium and long terms, and take action in the short term, by: (i) identifying obstacles that are blocking their path to sustainability; (ii) weighing and prioritizing the problems they identify so they can make investment decisions that generate the greatest positive impact; (iii) identifying solutions with the lowest real cost for resolving specific problems that pave the way to sustainability; and (iv) monitoring the progress made to bridge the gaps that have been identified" (GN-2652).

phase to test the proposed methodology and tools in four cities. From this experience, ESCI was created in 2012 with the aim of applying the methodology to an additional 22 cities over the following four years.⁸ The technical cooperation (TC) program was funded from IDB's ordinary capital (OC) income, complemented by additional funds to be mobilized through a multi-donor trust fund (MDTF).⁹ Since then, the program has received over US\$52.3 million of contribution from both Bank and trust funds, which allowed the approval of TCs for US\$27 million. More broadly, the sustainable cities subsector as classified by the IDB accounts for 6% of lending (US\$150 million) and 54% of grants (US\$35 million) in the urban development sector.

- 2.3 **The initiative was intended to add value by mobilizing additional partners and resources and increasing internal coordination.** Given that LAC cities had serious difficulties financing investment needs, the initiative put particular emphasis on resource mobilization, including the creation of a special MDTF at the IDB. It also committed to engage a wide range of local and international partners. Though the initiative was not meant to serve directly as pre-investment for IDB operations, the Bank was expected to “structure possible financing mechanisms” (GN-2652, para. 2.1). The initiative was also seen as an opportunity for the IDB to “foster a culture of and system of inter-sectoral, comprehensive, and coordinated efforts among the different areas of the Bank” (para. 2.3).
- 2.4 **ESCI support is provided in two phases: diagnosis and pre-investment.** In the first phase, which lasts about a year, a rapid-assessment tool based on an average of 140 indicators¹⁰ helps each city diagnose its condition along each of the three pillars. ESCI complements this exercise with baseline studies on climate change, urban footprint, and public opinion. The first phase produces an action plan in which critical actions for the city's sustainability are identified and prioritized. The second phase (3-4 years) includes the design and development of one of the prioritized actions, the identification and mobilization of financial resources for the action plan, and the establishment of a citizen-run monitoring system to keep track of selected indicators and measure progress since the initial assessment. Implementing the methodology is estimated to cost US\$1.2 million per city.
- 2.5 **By 2015 ESCI had supported 51 cities, twenty more cities were added in 2016 though the support of the partners.** Besides the 26 original cities, other cities were supported through the additional resources in MDTF contributions or through local development partners (Table 2.1). More than half of the funding of the Platform and the Initiative has been provided by partners.

⁸ According to GN-2652, “The specific objective of the Emerging and Sustainable Cities Initiative is to support at least 22 emerging cities of the region, one per country, in the identification, prioritization, and initial financing of sectors and actions that will lead them to sustainable development.”

⁹ The initial allocation of US\$5 million was approved by the Board of Directors in December 2011 (DE-204/11), subject to the submission of a proposal by May 2012. In February 2012, Management submitted a proposal (GN-2652) for “the Establishment of the Special Program and Multidonor Fund for the Sustainable Emerging Cities Initiative,” which was approved in February 2012 (DE-13/12).

¹⁰ The actual number of indicators varies by city.

- 2.6 **Six countries in the region have received support for more than one city, largely because of the partnerships the IDB established with local institutions** (Table 2.2). Since the modification of the proposal in 2013,¹¹ ESCI has established strategic partnerships in six countries, with three different types of organizations: national housing or local development ministries, national development banks, and private corporations. Four local development partners, including three development banks (Findeter, Banobras, Caixa), and one national oil company (YPF) have contributed funds for the implementation of the ESCI methodology.
- 2.7 **The cities supported through ESCI are very heterogeneous in terms of size, population density, and economic structure.** Population ranges from 2,450 to 2,232,630, area from 9 km² to 10,378 km², and densities from 0.3 to 8,922 inhabitants per km². The cities are also economically heterogeneous: large administrative centers (11 national capitals, mostly in Central America and the Caribbean), touristic cities (e.g., Cuzco, Montego Bay, Florianopolis, Cartagena, Bariloche), and mining towns (Añelo, Las Heras). Table 2.3 shows the distribution of the cities by GDP per capita and size.

Table 2.1. Resources assigned and to be executed by partners, by country, in millions of US\$.

	2011	2012	2013	2014	2015	Total
Argentina	-	-	-	4.2	-	4.2
Government (from IDB loans)	-	-	-	3.3	-	3.3
OSSE	-	-	-	0.1	-	0.1
YPF Foundation	-	-	-	0.9	-	0.9
Brazil	-	-	-	1.8	-	1.8
Caixa Economica	-	-	-	1.8	-	1.8
Chile	-	-	-	1.1	-	1.1
SUBDERE	-	-	-	1.1	-	1.1
Colombia	-	-	-	1.8	-	1.8
FINDETER	-	-	-	1.8	-	1.8
Dominican Republic	-	-	-	0.8	-	0.8
Rockefeller Foundation	-	-	-	0.8	-	0.8
Mexico	-	0.7	-	5.0	-	5.7
BANOBRAS	-	-	-	2.4	-	2.4
FEMSA	-	0.2	-	-	-	0.2
Geo-Adaptive	-	-	-	0.1	-	0.1
GIZ	-	-	-	2.5	-	2.5
International Community Foundation	-	0.5	-	-	-	0.5
Others	-	0.3	-	0.4	-	0.7
Consultants (Austria APO, Interns, JCF)	-	0.3	-	-	-	0.3
Microsoft, Cisco, Telefonica, Ferrovial, Everist, SITI	-	-	-	0.4	-	0.4
Total	-	1.0	-	15.1	-	16.1

¹¹ The original proposal did not contain a mechanism for ESCI to support the implementation of the methodology through other partners. This was amended in 2013 (GN-2652-5).

Table 2.2. Strategic partnerships

<i>Country</i>	<i># cities</i>	<i>Partnerships</i>		
		<i>Dev. bank</i>	<i>Nat. public sector</i>	<i>Private sector</i>
Colombia	15	X		
Argentina	12		X	X
Mexico	10	X		
Brazil	8	X		
Chile	3		X	
Peru	3		X	

Source: ESCI Homepage, accessed on May 1st, 2016.

Table 2.3 Distribution of ESCI cities by population and per capita GDP

<i>Population</i>		<i>Per capita GDP</i>		
		<i>Low</i>	<i>Medium</i>	<i>High</i>
	Small	Quetzaltenango, Campeche, Paraná	Añelo, Puerto España, Santa Ana, Valdivia	La Paz, Las Heras, Montego Bay, Palmas
	Midsize	Cumaná, Xalapa, Montería, Pasto, Salta, Valledupar	Manizales, Pereira	Bucaramanga, Cuenca, Florianopolis, Vitoria
	Large	Managua, Tegucigalpa	Asunción Metropolitana, Barranquilla, Cochabamba Metropolitana, Santiago de los Caballeros, Trujillo	Goiania, Joao Pessoa, Mar del Plata, Montevideo, Ciudad de Panamá

Source: Urban Dashboard database, ESCI action plans, and IBGE. Low/Medium/High correspond to the lower, middle, and top third of the distribution of GDP per capita. Similarly, Small/Midsize/Big correspond to the lower, middle, and top third of the distribution of city size.

III. SCOPE AND METHODOLOGY

- 3.1 This evaluation will assess ESCI's relevance, efficiency, and effectiveness in adding value to IDB's overall support for urban development in LAC.** Evaluation questions are shown in Table 3.1. The ultimate objective of this evaluation is to inform the Board and provide lessons for IDB's ongoing and future support to cities. As background, the evaluation will provide a literature review of the work of multilateral development banks in urban development. A portfolio review of the IDB's interventions in the last 10 years¹² will identify the Bank's main areas of intervention and its role in supporting municipalities with planning.

¹² All operations whose final beneficiary is a city will be considered, regardless of the actual borrower (federal government, state governments, the municipalities or even some municipal private enterprises).

- 3.2 **The expected outcomes listed in the initiative proposal are mostly long-term outcomes,¹³ and many of them can only materialize upon the implementation of the action plan designed.** However, given that it is too soon to assess many of the long-term outcomes, OVE plans to focus mostly on the direct outcomes listed by the initiative proposal. The three direct outcomes are: “(i) improve the sustainability indicators of emerging cities in the region that adopt and implement the action plans designed with Initiative support; (ii) plan more sustainable cities using the processes and instruments developed by the Bank through the Initiative; and (iii) improve decision-making by local governments.”

Table 3.1. The Evaluation of ESCI

<i>Evaluation criterion</i>	<i>Evaluative question</i>	<i>Method</i>
Relevance	<ul style="list-style-type: none"> How relevant was the methodology applied by ICES to achieve more sustainable cities? Was the program well integrated with the Bank's general support to cities in LAC? 	Desk review and interviews to assess integration and coordination inside IDB, including specialists of all sectors working with ESCI. Analysis of team composition. Comparison with the work of other organizations in promoting sustainable cities. Survey of all cities participating in the program. Interviews with strategic partners, ministries, academic institutions, NGOs, and private sector companies.
Efficiency	<ul style="list-style-type: none"> How was ICES executed—i.e., what was the involvement of the cities, IDB, and partners? Did the program promote the necessary integration across departments in the Bank to promote multidisciplinary support to cities? How costly were these TCs? How did the cost compare to that of similar studies, to the extent that it is possible to compare? What was the main source of cost? Were there delays? What were the main drives of such delays? 	Analysis of data in the Bank's internal information system. Interviews with government agencies and IDB specialists. Survey of all cities participating in the program. Interviews with strategic partners and ministries..
Effectiveness	<ul style="list-style-type: none"> How appropriate was the methodology developed by ICES? How applicable was it to a wide range of cities in the program? How did the methodology evolve? What lessons have been learned? Were action plans produced? To what extent have cities implemented the proposals in the action plans? 	Desk review to assess and compare the plans produced. Structured interviews with the executing agencies to assess implementation of the TCs. Structured interviews with Bank sector specialists working in ESCI TCs and areas of intervention.

¹³

The expected long-term outcomes defined are: “(i) inclusion of climate change on the agendas of emerging cities; (ii) identification of potential resource leveraging for investment projects that support sustainable development in the cities; (iii) deepening of work at the subnational level using a comprehensive and inter-sectoral approach; (iv) reduced pressure on large cities; (v) strengthening of investment programming processes; (vi) progress with measurements that contribute to the mitigation and/or adaptation of cities to climate change; (vii) improvement in the institutional capacities of local governments, and orientation of sector dialogues to the achievement of sustainable development; (viii) increased number of projects that include measures to mitigate and/or adapt to climate change in priority sectors; and (ix) better quality of life for inhabitants in emerging cities of Latin America and the Caribbean.”

<i>Evaluation criterion</i>	<i>Evaluative question</i>	<i>Method</i>
	<ul style="list-style-type: none"> • Were potential resources for investment projects to support sustainable cities identified? • To what extent did the Bank use partnerships to scale its model? Did partnerships increase the financing of the action plans? • Are the cities more sustainable as a consequence of the intervention? • What has been the Bank's value-added? 	Interviews with selected partners working with the initiative. Analysis of municipal administrative data and IDB internal information systems. Survey of all cities participating in the program and field visit. Interviews with strategic partners, ministries, academic institutions, NGOs, private sector companies, and other development organizations.
Sustainability	<ul style="list-style-type: none"> • What are the main obstacles to sustainability, and how has the Bank mitigated them? • What was the effect of political risk on the implementation of the action plans (and thus the sustainability) financed by ICES? Were there specific Bank mitigation strategies to deal with it? Have they worked? 	Analysis of data in the Bank's internal information system. Interviews with government agencies and IDB specialists. Survey of all cities participating in the program. Interviews with strategic partners, ministries, and academic institutions.

- 3.3 **The evaluation will attempt to collect data from all the municipalities that are part of the initiative to answer some of the key questions; in addition, it will look in greater depth at a selected sample of cities with completed action plans.** The sample has been selected to include a wide range of cities with different needs and initial levels of development, representative of each category in Table 2.4. It includes cities in Argentina, Colombia, Jamaica, Panama, Peru, Mexico, Nicaragua, Trinidad and Tobago, and Uruguay.

IV. TEAM AND TIMELINE

- 4.1 This evaluation will be led by Anna Crespo and Juan Manuel Puerta, with the collaboration of Maria Elena Corrales, Leslie Stone, Julie Biau, Oscar Quintanilla, and Johanan Rivera. It is expected to be concluded in October 2016 (see timeline in Table 4.1).

Table 4.1. Evaluation timeline

<i>Activity</i>	<i>Dates</i>
Approach paper	April 2016
Data collection and field visits	May - July 2016
Draft for Management	September 2016
Final document to Board	October 2016