

Thematic Evaluation

Evaluation of the IDB's Emerging and Sustainable Cities Initiative



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Office of Evaluation and Oversight
1350 New York Avenue, N.W.
Washington, D.C. 20577
www.iadb.org/evaluation

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TABLE OF CONTENTS

[ACRONYMS AND ABBREVIATIONS](#)

[EXECUTIVE SUMMARY](#)

I.	INTRODUCTION.....	1
II.	ESCI: RATIONALE AND OVERVIEW	4
	A. Rationale and Organization	4
	B. Implementation Overview	9
III.	MAIN FINDINGS	12
	A. Relevance of the Approach.....	12
	B. Relevance of the Methodology.....	13
	C. Effectiveness	20
	D. Sustainability	26
	E. Sustainable Cities and the New IDB Structure	29
IV.	CONCLUSIONS AND RECOMMENDATIONS	31

[Annex I Tables](#)

[Annex II ESCI Methodology](#)

[Annex III Events organized by IDB for the creating of network of cities](#)

[Annex IV Partnerships](#)

[Annex V Main Characteristics of Investments Prioritized in Action Plans](#)

[Annex VI Argentina Case Study](#)

[Annex VII Caribbean Case Study](#)

[Annex VIII Central America Case Study](#)

[Annex IX Colombia Case Study](#)

[Annex X Mexico Case Study](#)

ACRONYMS AND ABBREVIATIONS

BANOBRAS	<i>Banco Nacional de Obras y Servicios Públicos</i> (Mexican Development bank)
Bn	Billion
CAF	<i>Corporación Andina de Fomento</i> (Development Bank of Latin America)
CCLIP	Conditional Credit Line for Investment Project
CEF	<i>Caixa Econômica Federal</i> (Brazilian public development bank)
CSD	Climate Change and Sustainable Development Department
ECLAC	Economic Commission for Latin America and the Caribbean
ESCI	Emerging and Sustainable Cities Initiative
FINDETER	<i>Financiera de Desarrollo Territorial</i> (Colombian national development institution)
FMM	Fiscal and Municipal Management department
GCM	Grants and Co-financing Management Unit
GDP	Gross Domestic Product
GEF	Global Environment Facility
GHG	Greenhouse gases
GIZ	<i>Gesellschaft für Internationale Zusammenarbeit</i> (Government of Germany)
HUD	Housing and Urban Development division
IDB	Inter-American Development Bank
IFD	Institutions for Development department
INE	Infrastructure department
JICA	Japan International Cooperation Agency
KPK	Knowledge Partnership Korea Fund for Technology and Innovation
LAC	Latin America and the Caribbean
MDB	Multilateral Development Bank
MDTF	Multi-donor trust fund
MIF	Multilateral Investment Fund
NDF	Nordic Development Fund
ORP	Office of Outreach and Partnerships
OVE	Office of Evaluation and Oversight
PPP	Public-private partnership
PROCIDADES	Facility for financing urban interventions by lending to Brazilian municipalities
PRODEV	<i>Programa de Implementación del Pilar Externo del Plan de Acción a Mediano Plazo para la Efectividad en el Desarrollo</i> (IDB technical cooperation program)
RES	Research department
SECCI	Sustainable Energy and Climate Change Initiative
SECO	State Secretariat for Economic Affairs (Government of Switzerland)
SUBDERE	<i>Subsecretaría de Desarrollo Regional y Administrativo</i> (Government of Chile)
TC	Technical cooperation
VPC	Vice-Presidency for Countries
UN	United Nations

VPS	Vice-Presidency for Sectors
UNDP	United Nations Development Programme
YPF	<i>Yacimientos Petrolíferos Fiscales</i> (Argentine state oil company)

EXECUTIVE SUMMARY

The Emerging and Sustainable Cities Initiative (ESCI), launched in 2012, is the Bank's most recent response to the urban development needs in the region. Through ESCI the Inter-American Development Bank (IDB) aimed at redirecting its focus to improving urban planning practices and shaping development in midsize cities. The shift toward planning in intermediate cities originated partly in the understanding that the Bank could add more value by helping to prevent unplanned growth than by mitigating its consequences later on. In general ESCI aimed to help cities identify, prioritize, and initially finance sectors and actions that could lead to sustainable development. It did so by applying a multidisciplinary methodology to develop and support the execution of a city action plan. It was conceived as a demonstration program to support urban planning in emerging Latin America and the Caribbean (LAC) cities, starting as a pilot in five cities and later extended throughout the region.

OVE's evaluation aims to take stock of IDB's work with emerging cities through ESCI to date, even though it is still early to assess the effectiveness of individual action plans produced by the initiative. The ESCI Special Program ended in December 2015 and is now being mainstreamed into the work of the Housing and Urban Development division (HUD) within the new Climate Change and Sustainable Development Department (CSD). This transition provides an opportunity for a productive stocktaking.

From its origin until 2016, ESCI reached 71 cities across all 26 IDB borrowing member countries. The number of beneficiary cities is much larger than was initially envisioned, and the initiative was successfully scaled up and replicated in six countries—the ones with the largest numbers of intermediate cities. This evaluation attributes the fast growth of the initiative to two main factors: the development of strong partnerships and the development of a product that had high acceptance by the cities. Based on qualitative interviews with team members and city stakeholders and analysis of the resulting city action plans and ESCI-financed studies, the initiative appears to have successfully targeted the needs of participating cities.

ESCI has developed a strong brand. This brand grew from the ESCI urban planning process, which fostered cooperation and coordination among stakeholders both inside and outside the city. The prioritization exercise, while it typically did not identify different priorities than other (more traditional) planning exercises, was evidence-based and credible to all parties involved. In addition, ESCI provided cities with access to some “club” goods such as increased access to knowledge and best practices from other cities and partners within and outside the region. Moreover, ESCI seems to have facilitated cities' access to technical assistance and infrastructure investment from national, bilateral, and multilateral sources.

The model for knowledge generation and dissemination, combined with a culture of openness and transparency, was particularly valuable and novel. The initiative was very open and transparent, with all base studies, surveys, indicators, and action plans available on line. Moreover, an effort was made to make the methodology publicly available and to provide training to implement it. In addition, ESCI reported on the individual expenditures of each technical cooperation (TC) financed with ordinary capital and multidonor funds. This culture of openness and transparency contribute to the value of the ESCI brand.

ESCI was successful at implementing different types of partnerships with over 70 development partners from government, academia, and the private sector, both inside and outside the region. The key to establishing so many partnerships was flexibility. No single model was applied; instead, in each case the initiative identified mutually beneficial opportunities for cooperation.

The evaluation found that certain factors affected the degree of implementation of the methodology at the city level. Political support—both from the mayor and from other layers of government—is important to ensure ownership and facilitate coordination within the municipality and between the municipality, the state/province, and the national government. This, in turn, facilitates the timely provision of the data and information needed to carry out the assessment and continued support in the pre-investment and investment stages. The rapidity of the exercise and the fact that it is carried out early in the term of the mayor was also important. A second key factor is related to the city's capacity. Cities with effective bureaucracies that have tackled the basic provision of basic services are more likely to have both the incentives and the capacity to engage in a medium- to long-term planning exercise. In addition, the higher the city's capacity to finance and execute infrastructure projects, the more likely that it will profit from the implementation of ESCI through its greater ability to mobilize financing for action plan priorities. Strong civil society monitoring has been shown to be crucial for providing continuity to the planning efforts (for example, in La Paz). Unfortunately, the conditions to generate strong citizen monitoring are not yet clear.

At the national level, the initiative was most successful in the presence of strong (i) political decentralization, (ii) subnational fiscal capacity, (iii) planning capabilities, (iv) development partners, and (v) demand from intermediate cities. Political decentralization and subnational fiscal capacity imply that municipalities have the competences to effectively manage interventions in the territory as well as resources to fund them. Planning—especially if development plans are linked with the budgeting process—implies an opportunity for the ESCI methodology to be incorporated into the actions of the municipality. The existence of a partner, such as a development bank, that finances the actual investments is also key to the success of the initiative, as is the existence of a large number of intermediate cities that can borrow.

While generally useful, the ESCI methodology (i.e., studies, indicators and prioritization) lacked some flexibility and did not place enough attention on governance issues. The methodology could have benefitted from more flexibility in the selection of indicators and base studies, particularly as it expanded beyond the original target of intermediate cities. The initiative had also restricted flexibility in the application of its community monitoring approach. In addition, the Office of Evaluation and Oversight (OVE) found that the methodology had limited coverage of ex ante institutional capacity, particularly regarding city competencies and fiscal aspects.

The methodology also generated significant expectations of investment in the cities, without providing an “exit strategy.” In that regard, relatively few cities have been able to mobilize financing for action plan activities, and several cities demanded some coaching on the next steps (pre-investment, investment, continuity) after the approval of the action plan.

Going forward, the Bank will need to consider carefully the effects of the Bank's new institutional structure on the incentives to work on sustainable cities. On the

one hand, the institutionalization of the initiative should increase the incentives and ownership of staff who are now in CSD. However, the informal coordination mechanisms with other sector departments (e.g., water, transportation) may now be weaker. In addition, the new CSD, unlike ESCI, has an explicit lending mandate, and harmonizing the two agendas—sustainable cities and operations – could be challenging.

In view of these strengths and challenges, OVE recommends the following:

- a) Maintain the “ESCI” brand with some minor adjustments.** One of the most recognized achievements of the initiative has been the ability to position the Bank as a key player in terms of sustainable planning for the cities in LAC. This has generated an intangible asset that the IDB should maintain. The ESCI brand depends on IDB’s leadership in the development, improvement, and continued application of the methodology across LAC as part of the action of the new HUD division. Regarding modifications, IDB might want to limit the number of new cities added each year and the profile of cities considered, focusing on intermediate-sized cities to the extent possible. In addition, OVE recommends increasing the flexibility of the application of the methodology, thinking of its indicators and studies as a toolkit rather than a fixed “must do” set of inputs. Finally, it is important to strengthen some aspects of the methodology, such as the analysis of governance and fiscal issues and the link between the prioritized programs and potential financing sources.
- b) Develop mechanisms to channel investment resources to finance action plans developed by ESCI.** The new Bank structure provides a lending mandate to HUD, which is now in charge of ESCI. The Bank should identify how it can align the incentives and create new instruments to lend to cities to finance the projects identified and prioritized. To this end, the Bank needs to identify strong national partners. In doing so, the Bank will be able to support cities with the next steps in actually implementing the plans.
- c) Reassess ESCI after more time has passed.** Given that it is too early to evaluate the effectiveness of the action plans and the recent change in IDB structure, OVE recommends a re-evaluation of ESCI five to seven years from now. To facilitate this, OVE recommends that the action plans be prepared with a number of traceable indicators for measuring the effectiveness of the interventions implemented.
- d) Explore ways to use the ESCI model of partnerships and knowledge sharing in other initiatives.** One novel and successful element of ESCI was its approach to knowledge and partnerships, which added to the perceived value of the initiative and contributed to positioning the Bank. ESCI’s innovative approach to partnership and knowledge could usefully be expanded to other areas of Bank work.

I. INTRODUCTION

- 1.1 **The world is increasingly urban, and most economic activity today occurs in cities.** In the United States more than 80% of the population lives in 256 urban areas, where they produce about 85% of the country's gross domestic product (GDP). The figures for Western Europe, Latin America, and Asia are only 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.**³ In addition, LAC is characterized by large cities and urban primacy—that is, a high concentration of the 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.⁴ 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%,⁵ and since the 1970s, growth rates of cities with population between 50,000 and 1 million has outpaced growth of the primate city.⁶ Despite the dominance of megacities, recent population growth is concentrated in small and medium sized cities, a reflection of both the growing importance of intermediate cities, and suburban growth within the metropolitan areas of primate cities.⁷
- 1.3 **To secure the urbanization benefits of increased productivity and economies of scale, adequate planning and management are needed to accommodate population growth and the changing nature of urban development.** While cities are productive places of social and economic opportunities,⁸ rapid urbanization puts pressure on infrastructure and demands expansion of basic services and housing. Unmanaged growth can amplify urban challenges like traffic congestion, poor air quality, and insecurity.⁹ The Global

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

² United Nations, 2014, World Urbanization Prospects.

³ Urbanization in LAC varies by sub-region. Argentina, Chile, Uruguay and Venezuela are the most urbanized countries with at least 90% of the population living in urban areas, while the Caribbean (63%) and Central America (59%) are the least urbanized.

⁴ WDI, World Development Indicators, 2015. According to ECLAC (2012), "Population, Territory and Sustainable Development". The number of cities in LAC with more than 1 million inhabitants grew from 8 in 1960 to 56 in 2010, with 186 million inhabitants that represent 32% of the population.

⁵ 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.

⁶ ECLAC (2000), A Territorial Perspective: Towards the consolidation of urban settlements in Latin America and the Caribbean.

⁷ ECLAC (2012), Population, Territory and Sustainable Development

⁸ McKinsey Global Institute (2011), Urban world: Mapping the economic power of cities.

⁹ National Research Council (1996), Meeting the Challenges of Megacities in the Developing World: A collection of working papers.

Agenda Council argues that unmanaged expansion is unsustainable for cities, and Cities Alliance suggests that planning must anticipate future growth, particularly in the fastest growing cities. According to the United Nations, achieving sustainable cities requires providing adequate infrastructure and services, and implementing strategies for reducing waste, retrofitting buildings, and addressing issues of urban governance and inequality.¹⁰

- 1.4 **In particular, in LAC there are three main areas to be considered when working with these emerging cities: i) urban poverty and informality; provision of basic services; and iii) mobility.**¹¹ The rural-urban migration that fueled rapid urbanization in the past decades in the region resulted in deficits in housing, exposure to environmental risks, gaps in coverage and quality of basic services, and social challenges like segregation. In 2010, 23.5% of the urban population in LAC lived in slums. Despite efforts to regularize informal settlements, the number of urban dwellers in informal settlements continues to grow in the region, reaching 40% of the urban population in many cities and metropolitan areas.¹² In terms of provision of basic services, although access to potable water has increased in past years, reaching over 80% of the urban population in most countries, sanitation remains a challenge; particularly in the urban peripheries where extending the sewage system is costly. There are countries in LAC where less than a third of the urban population has access to sanitation. Rapid urban growth also brought problems related to transport, as the disconnect between transport investments and land use policies have resulted in longer commute times, high public transport fares, and unequal access to social services and economic opportunity for families in the peripheries.
- 1.5 **The Inter-American Development Bank (IDB, or the Bank) has historically been very active in engaging in LAC in urban projects, particularly urban improvement programs.** In the past 10 years IDB has approved over US\$4.5 Bn in sovereign-guaranteed loans in the urban development sector, and over US\$95 million in technical cooperation (TC) and other grants. Most of the operations have been concentrated in neighborhood upgrading and housing projects (84% of lending and 55% of grants).¹³ The main issue the Bank faced in urban development projects was dealing with clients that many times lacked a more integrated view of how the city should be growing. In 2006 the Bank approved a credit facility to reach the municipalities in Brazil, PROCIDADES, with loans for integrated urban development. In evaluating this program, the Office of Evaluation and Oversight (OVE) found that even though most cities valued the integrated approach, keeping it integrated across sectors throughout the project's implementation was often challenging. In fact, the loans were originated in the cities with a sectoral approach, and the Bank had limited scope to shape them afterwards.

¹⁰ United Nations Department of Economic and Social Policy, (2013), "Toward Sustainable Cities" in World Economic and Social Survey 2013.

¹¹ ECLAC (2012), Population, Territory and Sustainable Development

¹² Idem.

¹³ In addition, the Bank has had strong participation in other infrastructure projects at the city level, such as water and sanitation and transport, which are not accounted for here.

- 1.6 **The Emerging Sustainable Cities Initiative (ESCI), launched in 2012, is the Bank's most recent response to regional urban development needs.** It was conceived as a demonstration program to support urban planning in emerging LAC cities. ESCI started as a pilot in five cities,¹⁴ and was then extended then initially extended to 22 other cities. According to the proposal for the initiative (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." Through ESCI the IDB has redirected its focus to improving urban planning practices and shaping development in midsize cities. The shift toward planning in intermediate cities originated partly in the understanding that the Bank could add more value by helping to prevent unplanned growth than by mitigating its consequences later on. In fact, most of the Bank's urban work up until then had been supporting large metropolitan cities in the region. In general ESCI aimed to help cities identify, prioritize, and initially finance sectors and actions that could lead to sustainable development.¹⁵ It did so by applying a multidisciplinary methodology to develop and support the execution of a city action plan.¹⁶
- 1.7 **Since the end of the ESCI special program in December 2015, the initiative is being mainstreamed into IDB's work as one of the areas of the Housing and Urban Development division (HUD) within the new Climate Change and Sustainable Development department (CSD).**¹⁷ Thus the time is ripe for taking stock of IDB's work with emerging and sustainable cities, even though it is still early to access the effectiveness of individual action plans produced by the initiative.
- 1.8 **This document presents OVE's independent assessment of the ESCI initiative.** The main objective of the evaluation is to assess the initiative as IDB's first step into promoting sustainable cities. Therefore, it is focused on drawing out lessons learned and analyzing ESCI's value-added to IDB's support to urban development, rather than on assessing the effectiveness of each individual action plan completed. It is still too recent to access the actual impact on the beneficiary cities, as most of them are only starting to implement the actions in their action plan.

¹⁴ Originally the pilot had only four cities—Goiania, Trujillo, Santa Ana, and Port of Spain. Montevideo was added as a pilot city later. This addition explains why the sum of the pilot cities (5) and the regular program cities (22) exceeds one city per borrowing member country (26).

¹⁵ "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).

¹⁶ According to the initiative proposal, "The 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."

¹⁷ "The Special Program will conclude at the end of 2015 unless the Board of Executive Directors decides to allocate funds in subsequent years" (GN-2652, para. 4.4).

Evaluating Sustainable cities – Challenges and Method

It is not a trivial task to evaluate technical assistance to urban planning, and the challenges involved in doing so shape OVE's approach to this evaluation. Urban planning is by nature very complex and intangible process, whose development is inherently subjective and uncertain, as it is vulnerable to political cycles. The effectiveness of urban plans is measured by the combination of their technical soundness and their likelihood of implementation. There are many challenges to assessing technical quality of an urban plan, not least the fact that urban planning is not a science and what constitutes a “good” plan is in and of itself highly subjective. With this in mind, OVE focused its evaluation on the value added of the proposed methodology and, particularly, on the mechanisms developed to ensure higher probability of implementation.

Another particular challenge in evaluating the ESCI is related to its large range and its very recent development. ESCI is spread throughout the region and its methodology has been under constant change and adaptation from country to country. While this was good for the beneficiaries, it poses a methodological challenge to the evaluator. In order to better assess the initiative, OVE opted to carry out case studies defined geographically, in order to minimize logistic problems. The countries/ regions chosen were: Argentina, Caribbean, Central America, Colombia and Mexico. Brazil, Chile, Ecuador and Peru were also visited to provide a broader view of the initiative. In particular, this evaluation collected data on all the 35 cities with completed action plans and conducted in-depth studies of 16 of them, including field visits and semi-structured interviews with key players. OVE also visited four cities in the implementation phase and conducted interviews with authorities in three other cities to capture the most recent changes in the initiative. The sample was selected to include a wide range of cities with different needs and initial levels of development.

OVE also conducted interviews with cities authorities and a wide range of the initiative partners. OVE interviewed the authorities in the beneficiary cities to better understand the origination of the technical assistance, the relation developed with the Bank, their view on value added of the methodology proposed, and the externalities of being part of ESCI. Partners of the initiative were interviewed regarding their motivation to partner with IDB and the results of such partnership.

II. ESCI: RATIONALE AND OVERVIEW

A. Rationale and Organization

- 2.1 **The ESCI initiative had its roots in two trends at the IDB: fostering an integrated approach to urban development and emphasizing climate change mitigation and adaptation.** ESCI's origins can be traced back to the discussions around IDB's Realignment. It was anticipated that the focus on client countries and the knowledge sector would leave less space to work across different knowledge sectors; and indeed, after the Realignment, IDB's engagement on urban development was reduced.¹⁸ At the time the IDB's urban development team was considering how to increase the engagement with cities, sustainability and climate change were only starting to feature in the development agenda. These areas became more prominent with the Kyoto protocol (2005), which prompted the IDB to launch the Sustainable Energy and Climate Change Initiative. It was soon noted that cities are a key factor in climate change, as most of the economic activity and a significant part of the emissions

¹⁸ Before the Realignment, the Bank was organized in regions, which facilitated working across different sectors, at least within a single region. For the impact of the Realignment on coordination issues see OVE (2014), “Evaluation of the Results of the Realignment,” RE-451-2.

are produced in cities (e.g., transportation)¹⁹ or because of the demands that occur in cities (e.g., electricity). In addition, cities tend to be highly vulnerable to climate change because of their geographical characteristics and the high concentration of population that is affected in case of a natural disaster. The combination of the will to foster integrated urban development approaches and the increased emphasis on climate change led to the development of a new concept in IDB: ESCI. The initiative was 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” (GN-2652, para. 2.3), including those dealing with climate change.

- 2.2 **The Bank was to some extent a pioneer in defining and characterizing sustainability at the city level,²⁰ though the discussion is still far from settled.** Even before the creation of ESCI, the Bank was one of the pioneers in discussing what sustainability means at the city level and to operationalize this concept. Even today, there is no universally agreed concept of *sustainable* at the city level, though there is a generalized consensus on the idea that cities should be “inclusive, safe, resilient and sustainable,” where sustainability is to be interpreted in a broad economic, environmental, and institutional sense.²¹ Some divergence within the academic and policy-making community still remains regarding the exact definition of sustainable urban development, and particularly the focus to be given to each aspect of sustainability.²² Irrespective of how desirable the idea of having sustainable cities is, some authors have questioned even the practicality of the definition by noting that there are many issues central to the definition of sustainability (e.g., climate change mitigation) for which cities may have very limited scope for action or decision-making.²³

¹⁹ Transportation activities are the largest and fastest growing source of GHG emissions in LAC, driven by increasing urbanization, urban sprawl, and increasing motorization to the detriment of public transit and non-motorized transport, as pointed out in OVE (2014), Transport Sector Study in “Climate Change and IDB: Building Resilience and Reducing Emissions.”

²⁰ Other multilateral development banks (MDBs) have identified the challenges facing cities and have created different programs to address them. The World Bank created a Sustainable Cities Initiative focused on the Europe and Central Asia region in 2011. It has a four-step methodology that includes awareness-raising, local diagnostic tools, policy reform proposals, and financing of investments with a mix of technical assistance, project financing, and implementation support. More recently, the Global Environment Facility (GEF) partnered with the World Bank, IDB and other MDBs to launch the Global Platform for Sustainable Cities, which seeks to promote integrating environmental sustainability with urban planning and management. It expects to mobilize up to US\$1.5 Bn for cities in 11 developing countries over a period of five years. In LAC, besides IDB’s work, in 2012 the Development Bank of Latin America (CAF) launched a program to measure greenhouse gas (GHG) emissions and water consumption called “Huellas de Ciudad.” Its methodology helps cities identify, prioritize, and develop actions to adapt to climate change and creates an action plan that guides cities towards a low-carbon development strategy. In 2012 CAF also presented the Cities with Future vision, with the goal of promoting “more inclusive, competitive, efficient, smart, and sustainable cities”.

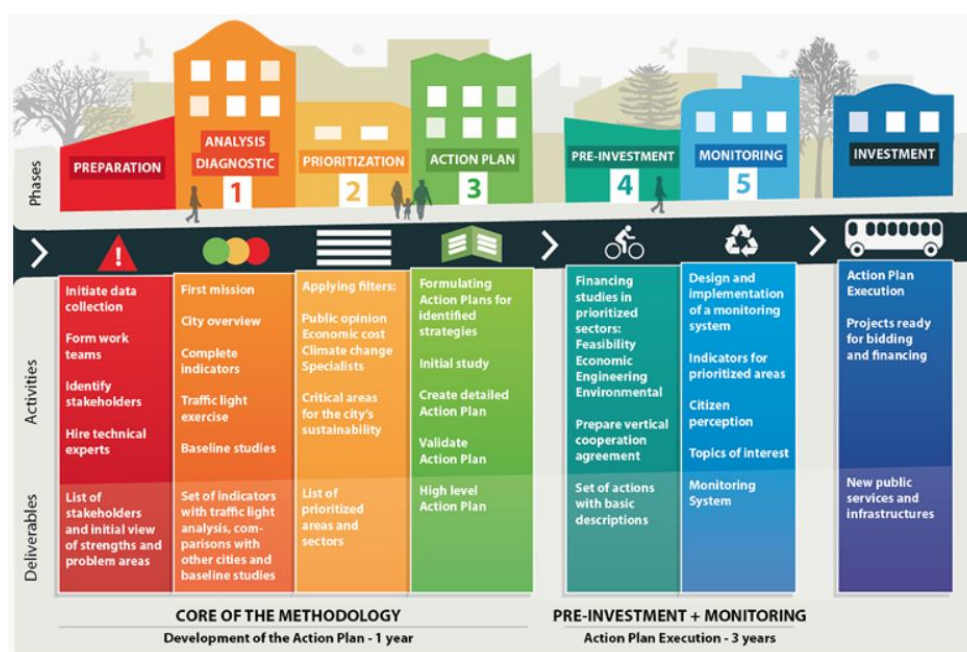
²¹ The quote comes from Goal 11 of UN’s “17 goals to transform our world”. The World Economic and Social Survey (2013) states that “it is important to understand cities’ sustainability as a broader concept which integrates social development, economic development, environmental management and urban governance, which refers to the management and investment decisions taken by municipal authorities in coordination with national authorities and institutions.”

²² Winchester, L. (2006). “Desafíos para el desarrollo sostenible de las ciudades en América Latina y El Caribe,” *Revista Eure* XXXII (96).

²³ Bulkeley, H., and M. Betsill (2005). Rethinking Sustainable Cities: Multilevel Governance and the ‘Urban’ Politics of Climate Change. *Environmental Politics* 14 (1).

- 2.3 **The literature seems to agree that a sustainable approach implies jointly considering environment, urban space, and socioeconomic aspects.** In that sense, cities aiming at sustainable development should go beyond the traditional approach of working through isolated sectors. Instead, cities need to be thought of in a more holistic way, considering the interrelationships among space, environment, and population. Since most environmental and demographic processes take long periods of time to unfold, an important aspect to ensure sustainable development is long-term, integrated planning (Barton, 2006).²⁴ However, a perennial challenge to long-term planning is the short-term incentives of local governments.

Figure 2.1. The phases of the ESCI methodology



Source: ESCI's webpage.

- 2.4 **IDB embraced these views and started developing a methodology²⁵ to work with cities in their planning, which would take into consideration the essential dimensions of sustainable development and all related sectors.** The ESCI methodology aimed at bringing an integrated, multidisciplinary, and participative approach to planning. It was designed to provide a fast diagnosis of the main issues and problems faced by the city, and to identify the actions that would support the city in dealing with them and ensuring future sustainability. It was structured under three cross-cutting pillars—(i) environmental and climate change sustainability, (ii) urban sustainability, and (iii) fiscal sustainability and governance—and it was to be applied in a two-stage, five-phase process (Figure 2.1). Implementing the methodology is estimated to cost US\$1.2 million per city, and its main output is the production of an action plan for the city.

²⁴ Barton, J. (2006). "Sustentabilidad como planificación estratégica," *Revista Eure* XXXII (96).

²⁵ The Bank used McKinsey to help develop this methodology.

2.5 A few fundamental aspects received particular emphasis in the initiative.

- **The methodology was targeted to intermediate cities.** Though defining exactly what an intermediate city is can be difficult,²⁶ there are at least three good reasons for focusing attention on such cities. First, intermediate cities face distinctive challenges that are significantly different from those faced by small towns or large metropolitan areas. For instance, while metropolitan areas face complex challenges (e.g., pollution) that often require coordination with different actors with territorial jurisdiction, emerging intermediate cities tend to have challenges related to the provision of basic services in the context of a rapidly expanding urban sprawl but typically under a single political jurisdiction.²⁷ Second, intermediate cities are at a stage of development in which urban planning can be most helpful. In fact, by properly planning their expansion, these cities can avoid the costly mitigation measures that large, unplanned metropolises face. Finally, intermediate cities may face their weakest link in terms of institutional capacity: they may have a limited amount of human and material resources for planning their expansion, relative to the challenges they face. While institutional capacity might be even lower in small cities, so are the size and complexity of the challenges; and while large metropolises have sophisticated problems, they also have many more resources to devote to urban planning.
- **The methodology stressed the importance of a rapid assessment.** The Bank chose a methodology that implemented quickly and allowed for a fast diagnosis, based on collecting a large number of indicators.²⁸ The idea was to be able to more easily engage municipal governments, which tend to need faster results because of the short timeframe of their political cycle. Following this rationale the Bank opted for a methodology that would lead to a quick assessment with base studies and a prioritization exercise and could be complemented by additional studies.
- **The methodology was anchored on a public opinion survey and three base studies that, together with the indicators, were the basis for the rapid assessment.**
 - **Opinion survey.** An important element in the prioritization exercise is the population's perceptions, reflected by the opinion survey carried out as part of the methodology. This exercise was intended to increase the community's sense of participation and ownership.

²⁶ 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).

²⁷ 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 the challenges of rapidly growing urban areas, related mostly to the provision of basic infrastructure and municipal services (e.g., solid waste management), according to UN-Habitat, 2012, State of Latin American and Caribbean Cities 2012, and IDB, 2013, Urban Development and Housing Framework.

²⁸ A complete list of the indicators proposed is found in Annex II table A.2.3

- **Urban footprint study.** This study aimed at understanding the present pattern of growth of cities in the context of a medium-term planning exercise. The study mapped the pattern of urban sprawl growth to 2020 and 2050 under different planning scenarios (business as usual, optimal scenario, intermediate scenario) and presented the costs associated with each of them. The objective was to raise awareness of the costs of unplanned urban growth (e.g., the cost of providing basic services).
- **Climate change vulnerability study.** This study is based on the notion that key to planning is the knowledge of natural disaster risk areas (floods, earthquakes, etc.). Combined with the urban footprint study, this analysis can help policymakers estimate the costs of the expansion of the city under different scenarios. The vulnerability study is in a sense a climate change adaptation study, as many of the sources of vulnerability (precipitation regimes) are directly affected by climate change.
- **Climate change mitigation study.** This study aimed at measuring greenhouse gas (GHG) emissions and providing a mitigation plan. Since LAC cities—particularly smaller cities—are more subject to the consequences of climate change than contributors to emissions, this study had the rationale of bringing awareness to the region about the potential sources of emissions and the establishment of a baseline for each city.
- **With the indicators and the base studies in hand, a prioritization exercise was conducted.** The ESCI methodology used the information collected in consultation with experts, the public opinion survey, and the indicators to prioritize the areas of action. The purpose of the prioritization exercise was to provide an evidence base for the prioritization decisions, which could otherwise be highly political. The idea was that by using evidence to prioritize, the planning exercise could be both more focused and resilient to political changes. In addition, though most cities already have a clear sense of their main problems, there is less clarity as to the relative importance of those problems or how to go about tackling them.
- **A final key element of the initiative was its emphasis on monitoring.** In line with increasing citizen ownership and participation, the initiative envisioned the establishment of a civil society monitoring system as a way for the society to follow up with the recommendations of the action plan. The rationale behind this was that engaging the society and making available progress reports on the implementation of the action plan would put pressure on the city officials to ensure the continuity of the actions proposed. This was also envisioned as a way of providing resilience to political changes.²⁹

²⁹

This step was based on the *Bogotá, Como Vamos* Initiative, which was established in 1997 as a means for civil society to ensure local government accountability. It aims at empowering civil society through basic information on how the city is doing, based on basic indicators of the city (including technical indicators and public opinion indicators). Throughout the years it has had important impacts for Bogotá.

- 2.6 **Though the initiative was not meant to serve directly as a pre-investment tool for IDB operations, the Bank was expected to “structure possible financing mechanisms”** (GN-2652, para. 2.1). In this sense, the initiative was intended to add value by mobilizing additional partners and resources. Given that LAC cities had serious difficulties financing investment needs, the initiative put particular emphasis on resource mobilization, including the creation of a special multidonor trust fund (MDTF) at the IDB. It also committed to engage a wide range of local and international partners.
- 2.7 **To manage the initiative and allow for more intersectoral collaboration, an ad hoc structure linking the relevant departments was created** (Figure A.2.1 in Annex II). The initiative was placed within the Vice-Presidency for Sectors (VPS), linking all the divisions at the Infrastructure department (Water and Sanitation, Transport, Energy, and Climate Change and Natural Resources) with the urban and fiscal management division under the Institutions for Development (IFD) department. More specifically, the implementation of the initiative was delegated to an Initiative Coordinating Group, led by a general coordinator and including a coordinator for each of the departments, plus a support team. To comply with the TC policy, a Review Committee was established as the highest authority with decision power over the selection and proposals as well as the overall direction of the initiative. The Review Committee was co-chaired by a VPS Secretary and the Infrastructure (INE) and Institutions for Development (IFD) sector managers and included the participation of the Grants and Co-financing Management Unit (GCM), the Office of Outreach and Partnerships (ORP), the Research department (RES), and the Vice-Presidency for Countries (VPC). The main tasks of the Coordinating Group and the Review Committee are listed in table A.2.1 in Annex II.

B. Implementation Overview

- 2.8 **From its creation to June 2016, ESCI worked with 71 cities and used total funding of US\$69.3 million** (Table 2.1).³⁰ Besides the 26 original cities, 45 more were supported through the additional resources in MDTF contributions or through local development partners (partners contributed directly some US\$12.9 million, as shown in Table A.1.1 in Annex I). Most of the additional support was concentrated in six countries in the region, which account for 70 % of the cities, many of which benefitted from partnerships with local institutions (Table 2.2). More than half of ESCI’s funding has been provided by partners.
- 2.9 **The initiative’s strategic partners were very heterogeneous and included national housing or local development ministries, national development banks, and private corporations.** The initiative concluded cooperation agreements with national development institutions in Colombia (FINDETER), Mexico (Banobras), and Brazil (Caixa Econômica Federal, CEF). In addition, it established partnerships with national institutions in charge of regional and municipal development in Argentina (Ministry of the Interior, Undersecretary of Municipal Affairs), Chile (Undersecretary of Regional Development, SUBDERE), and Peru (Ministry of Housing). It also concluded an agreement with a national state oil company, YPF, for the implementation of the methodology in oil towns in Argentina. Furthermore, a

³⁰

In 2016 alone, 20 new cities are projected to be supported, according to ESCI.

number of cooperation agreements were signed with partner institutions in nonborrowing member countries.³¹

**Table 2.1. Approved amounts for ESCI and Platform TCs, by fund origin
(US\$ millions)**

	2011	2012	2013	2014	2015	2016	Total
Initial funding (pilot TC)	4.0	-	-	-	-	-	4.0
Sust. Energy and Climate Change Initiative (SECCI)	1.5	-	-	-	-	-	1.5
TC/Trust Funds (KPK, ICSF)	2.5	-	-	-	-	-	2.5
Emerging and Sustainable Cities Initiative	0.0	6.2	10.9	10.0	7.0	2.7	36.8
Sustainable Cities Initiative (Ordinary Capital)	-	5.0	5.0	5.3	4.0	2.7	22.0
TC/Trust Funds (MTDF)	-	1.2	5.9	4.7	3.0	0.0	14.8
Other resources for ESCI	-	2.0	4.0	19.9	2.3	0.4	28.5
Bank-executed	-	1.0	4.0	8.0	2.3	0.4	15.6
Non-Bank-executed (partners)	-	1.0	-	11.9			12.9
Total	4.0	8.2	14.9	29.9	9.3	3.1	69.3

Note: The other IDB resources allocated to ESCI come from (a) Bank-executed funds from the Knowledge Partnership Korea Fund for Technology and Innovation (KPK), the Citizen Security Fund, the Nordic Development Fund (NDF), the Specialized Institutions Trust Fund (ITC), the Multilateral Investment Fund (MIF), the Infrastructure Project Preparation Fund, PRODEV, and the Social Fund; (b) non-Bank-executed funds from the International Community Foundation (ICF), FEMSA, Geo-Adaptive, GIZ, FINDETER, CEF, the Rockefeller Foundation, SUBDERE, YPF, OSSE, and NADBANK, as well as in-kind pro-bono contributions from Microsoft, Cisco, Telefónica and others (estimated at US\$250,000 equivalent). Note that this does not include any investment financing mobilized from the GEF (US\$22 million) or from ESCI-related IDB loans, as the table focuses on the financing of the methodology's implementation (phase 1) as opposed to its execution (phase 2).

Table 2.2. Strategic partnerships up to June 2016

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

Source: Own elaboration from information on ESCI webpage.

- 2.10 **The cities supported by the initiative varied in terms of their level of institutional capacity, governance, size, population density, and resources.** Among the 71 cities, 11 are national capital cities, mostly in Central America and the Caribbean. Also, depending on the country and its organization, there is a great deal of variance in the cities' competences: in smaller countries, where decentralization levels tend to be lower, cities tend to have fewer competences. Among the ESCI cities population ranges from 2,450 to 2,449,519 inhabitants, area from 9 km² to 10,378 km², and population densities from 0.3 to 8,922 inhabitants per km². Per capita income levels vary significantly, as do the cities' socioeconomic and productive characteristics: some are large administrative centers (the 11 national capitals), touristic cities (e.g., Cuzco, Montego Bay, Florianopolis), or mining towns

³¹

Rockefeller Foundation, GIZ, Korean Research Institute for Human Settlements, Nordic Development Fund, Austrian Government. The Austrian Government supported both specific projects and the implementation efforts in general.

(Añelo, Las Heras). Table 2.3 shows the distribution of the cities by per capita GDP and size.

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, Port of Spain, Santa Ana, Valdivia	La Paz, Las Heras, Montego Bay, Palmas
	Midsized	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: Own elaboration from 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/Midsized/Big correspond to the lower, middle, and top third of the distribution of city size. This table includes only the cities (35) that have finalized their Action Plan.

2.11 There have been a few modifications to the initiative since its inception; one increased the scope of the initiative and others focus on methodological refinements. In 2013 ESCI's constitutive document was altered to allow supporting additional cities beyond the 19 that were allowed under the supplementary program.³² That condition had proven too restrictive, given the amount of demand, particularly from high-middle-income countries, and the availability of local partners that were interested in supporting the implementation of the methodology. There have also been a few changes to the methodology over time, most of them involving adding details to the methodology or increasing the specificity of the studies. For instance, it was decided to include disaster risk assessment and multisectorality as part of the prioritization filter. In a third iteration of the methodology, ESCI is adding a fourth pillar: local economic development and competitiveness. It also added 10 new topics of analysis, 17 indicators, and 3 optional base studies. Finally, the Initiative has asked IDB's Fiscal and Municipal Management (FMM) division to develop a diagnostic tool that can help incorporate the fiscal and municipal management analysis for all participating cities.³³

2.12 The initiative is now becoming a consolidated program inside the new HUD division. On March 30, 2016, the Board of Directors approved the reorganization of VPS (Res. DE-13/16). The main change approved was the creation of a new department, CSD, in VPS.³⁴ According to GN-2845, it was expected that the reorganized VPS would be better able to capture the synergies among the

³² The proposal allowed for one additional city per country on a first-come first-served basis (GN-2652, para 3.13).

³³ A complete review of the methodology changes is presented in Annex II.

³⁴ The existing departments in VPS were Research and Chief Economist (RES, headcount 31), Knowledge (KNL, 37), Integration (INT, 42), Social (SCL, 117), INE (Infrastructure, 198), and IFD (Institutions, 171). In total (including the front office, 14), VPS has a headcount of 643. With the changes CSD would have an approximate headcount of 90, coming mostly from INE (about 60-70) and IFD (about 20-30). See Budget (GA-258-9 for headcounts) and GN-2845, para. viii.

different units working on sustainability issues. The new CSD has three divisions; two directly transferred from INE and a third, HUD, which resulted from merging the ESCI initiative and the FMM urban group. With the new organization, ESCI is no longer a floating unit between INE and FMM.

III. MAIN FINDINGS

A. Relevance of the Approach

- 3.1 **OVE found the approach to be highly relevant, as the initiative correctly identified and targeted the planning needs of a niche of cities.** Cities in LAC have little planning tradition and lack the incentives or resources to devote to planning, and the political short-term bias is aggravated by the day-to-day demands of city administration. As a consequence, investments are often made without clear prioritization, responding to a short-term logic. By providing the platform and the financial and human resources to support the planning exercise, the initiative allowed cities to organize and prioritize their needs according to less subjective standards. The number of cities which opted to use its own resources to fully or partially finance ESCI implementation provides evidence of the relevance of the initiative (specifically Salta, Paraná, La Serena–Coquimbo, Puerto Montt–Puerto Varas, Valdivia, La Paz, and several of the cities participating in the Additional Program in Colombia). Additionally, there have been a number of partners that have expressed interest in paying the IDB (under a fee-for-service structure) for services related to the ESCI methodology. Such choices suggest that these cities found enough value added in the ESCI process to justify devoting their own resources to its implementation.
- 3.2 **The sectors identified as priority in the cities with completed action plans are in line with the usually identified in the region, and are similar across cities of different sizes and per capita GDP levels.** The sectors featuring most prominently in Action Plan budgets were transport (28% of budgeted investment needs), land use and planning (12%), drainage (9%), inequality (9%), and urban revitalization (8%). These sectors also matched the most highly ranked sectors in terms of the indicators and filters, suggesting that the correct sectors were prioritized from a methodological point of view.³⁵ On the other hand, the following sectors did not feature in any investment budget or in any top 3 ranking according to the ESCI methodology: noise, connectivity, public-private partnerships (PPPs), culture and sports, and debt. Cities with lower GDP per capita levels and/or smaller populations do not seem more inclined to prioritize

³⁵

The most frequently prioritized sectors in the action plans following the ESCI methodology are inequality, land use, transport, and water (making the top 3 sector priorities in 13, 11, 11 and 9 action plans respectively). Of these, land use and transport were frequently prioritized in investment needs (featuring in 19 and 20 budgets respectively). Nevertheless, certain sectors were not equally represented in the methodology prioritization exercise and in the investment budgets. For example, inequality is relatively under-represented in investment budgets (it is a top priority according to methodology scores in 13 action plans, but features only on the investment needs of 6 cities), whereas climate change, drainage and modern public management are 'over-represented' (these were only identified as top priorities according to the methodology in 3 action plans, but featured in the investment needs of 10, 8 and 14 action plans respectively).

basic needs sectors, or less inclined to prioritize public management or climate change sectors.

B. Relevance of the Methodology

- 3.3 **Despite the general high satisfaction expressed by beneficiary cities, this evaluation identified some challenges regarding the design of the methodology.**

1. Intermediate City Target

- 3.4 **The high demand for ESCI and its rapid expansion came at the price of reduced focus on intermediate cities, particularly as many of the additional cities depended on the financial support of partners.** Though ESCI intended to target intermediate cities (GN-2652), of the 71 cities that have been selected for the program, only 38 (55%) meet the population criteria described in the guidelines.³⁶ Most of the cities that were outside the eligibility criteria were concentrated in the countries with partnerships, particularly Argentina, Brazil, and Mexico. There was a bias in these countries—and particularly in Argentina—to target smaller cities. In the countries that did not have partnerships, the main reason for noncompliance with the eligibility guideline was that the countries mostly chose their capitals — which exceeded the population of an intermediate city (e.g., Uruguay, Paraguay, and all Central American countries but Guatemala).
- 3.5 **The application of the ESCI methodology was less useful in small, fast-growing towns, even though OVE found potential value in partnering with extractive companies.** The partnership with YPF in Argentina led to the application of the methodology in two small mining towns, Añelo and Las Heras.³⁷ The methodology as implemented to date is not tailored to the needs or characteristics of small towns. First, the data and information requirements (particularly the indicators) of the initiative might not be available or relevant for these “cities.” Also, the relative importance of studies is likely to be different in a small boom town, where probably the main concern is how to organize urban growth and capture the surplus value from future growth to extend the provision of basic infrastructure at the lowest cost. Finally, the methodology assumes a counterpart that has some level of technical expertise and sophistication and that can engage technically with the Bank on different sectors;³⁸ small towns are not likely to have such a counterpart.

³⁶ Of the rest 23 are too small (32%), while only 9 were too big (13%). In one case, northern economic pole (Pole Nord) in Haiti, population statistics were not available as it involves a sparsely populated area with several population centers. See Annex I, Table B.

³⁷ As the region has many important extractive industries, there is potential for supporting the sustainable urban development of small boom towns in LAC. Moreover, there is some indication that the incentives might be aligned with those of extractive companies that benefit from sustainable communities to reduce their operational costs and the conflict of their operations. Though the experience working with extractive companies so far has been positive, there is a potential reputational risk for the IDB if this line of work is deepened in the future.

³⁸ For instance, Añelo did not have a territorial organization ordinance, a municipal cadaster, or an inspection office to enforce municipal ordinances. The ordinance regulating tariffs and taxes dated from the early 1990s when the town was a small village. When the counterpart is weak, as in Añelo, the application of the methodology may be less effective.

- 3.6 **The methodology is also not ideally suited to the needs of larger metropolitan areas, for which there is a growing demand—particularly from the larger countries.** As the methodology focuses on providing an integrated solution, ESCI aimed at targeting cities that were a unique administrative area that had jurisdiction over the whole territory. However, in practice the initiative has been applied to many metropolitan areas with many political jurisdictions (e.g., Gran Asuncion, Vitoria, Joao Pessoa, Gran Parana). In metropolitan areas there is a complexity to the institutional and governance structure that the methodology does not fully analyze. In addition, as the ESCI beneficiary was originally only one municipality and in metropolitan areas the studies often required looking at broader geographical areas, there were many challenges related to the lack of ownership by and dialogue with the non-beneficiary municipalities.³⁹ Also, the multiple different geographical levels (region, metropolitan area, city, neighborhoods) needed to understand certain city dynamics (e.g., urban-rural migration) were not fully captured by the methodology, reducing the relevance and comparability of some base studies. Despite all these challenges, there is an increasing and emerging demand for applying the methodology to metropolitan cities.⁴⁰ Currently, the Bank has been including the whole metropolitan area as beneficiary in ESCI, thus promoting coordination across the municipalities within the metropolitan area. However, working with metropolitan areas introduces new challenges such as dealing with increased number of actors and higher chances of political risks due to government changes. The Bank also seems to be moving toward having an earlier engagement on some basic municipal governance aspects before applying the methodology, and an increased engagement of the provincial/state or even national government to compensate for the lack of local capacities and coordination of municipalities in a common metropolitan area.

2. Rapid Assessment

- 3.7 **The first step in promoting the fast assessment is the collection of data on several indicators.** However, many cities mentioned issues related to the relevance, quantity, or quality of the indicators (Box 3.1).⁴¹ While there is general agreement that it can be very useful to have all the information provided by the indicators, the large number of indicators might hinder the speed of the analysis because the process of data collection can be lengthier and more costly than initially expected, defeating the original attempt of providing a fast diagnosis. Some cities, for example, reported that the indicator-gathering process took most of the diagnosis time, leaving less time for potentially more useful discussions around the base studies. For metropolitan areas, there might be increased complexity regarding collecting a set of comparable indicators for each of the area's municipalities. In

³⁹ For instance, in both Panama and Managua, the cities are formed by multiple jurisdictions, with concurrent competencies with the national government, and without a governance structure that allows for metropolitan-level planning. In both cases the analysis and diagnosis reflect this reality, but the specific actions are focused in the municipal limits.

⁴⁰ Particularly in Argentina (Gran Jujuy, Gran Mendoza, Gran La Plata) and Chile (La Serena-Coquimbo, Puerto Montt-Puerto Varas). In fact, the Chilean partner (SUBDERE) places the interest of ESCI as a part of their development strategy in view of the proposed Metropolitan Area Law.

⁴¹ Although the ESCI indicator database contains 209 distinct indicators, only 125 of these have data for at least half the cities. On average, cities have data available for 113 indicators, ranging from 142 in Barranquilla to 72 in Santa Ana.

addition, some cities also found that, although there were many indicators, they did not adjust to their specific needs. For instance, several cities (Mar del Plata, Cuenca, and Cusco, among others) added specific indicators particularly related to tourism. Finally, the quality of the indicators was variable, reducing their value both in the prioritization exercise and in the cross-city benchmarking exercises that are often carried out.⁴² Partners independently applying the methodology tended to reduce the number of indicators collected.⁴³ In sum, there was a perception that the initiative could benefit from more flexibility to focus on fewer and more relevant indicators in some cities, while still promoting the collection of a larger set of indicators for future discussion and policymaking.

Box 3.1. Methodological challenges

OVE found a number of shortcomings in the methodology, which stem from the inevitable trade-offs between methodological rigor and flexibility. First, regarding indicator choice, there is a trade-off between indicator comparability between cities, and adaptability to city needs. Because ESCI cities are very heterogeneous in terms of their initial levels of development, and cross-city comparison is not the final purpose of the exercise, the methodology's decision to allow cities to expand or reduce the indicator set is sensible. Second, regarding the transition from issue identification to prioritization, the traffic-light benchmarking system makes complex information easy to present and operationalize, yet this comes at some cost to transparency because of the ad hoc nature of the aggregation method. It is unclear how such factors should be combined, and any strict statistical methodology for doing so – such as principal component analysis or even simple averaging – brings built-in assumptions as to component weights and relative importance that may not be equally applicable to each city.

OVE identified the following main shortcomings:

Indicator relevance: certain indicators did not match municipal competences (for example in citizen security), and others were not clearly formulated. Additionally, the wide range in certain indicator values raises concerns about data reliability.

Indicator comparability and completeness: ESCI indicators varied among cities, as did the variables collected by public opinion surveys. On average, each indicator or survey variable had data on only 19 of the 35 ESCI cities with completed action plans. Of the more than 200 indicators collected across all cities, only 16 had data for all 35 cities, and 61 had data for fewer than 10. Similarly, a recent IDB analysis of public opinion surveys required significant data harmonization efforts to obtain a comparable set of variables.

Applicability of benchmarks: using regional averages as benchmarks makes sense for cities lacking basic services, but in cities performing far above average in all topics, benchmarking does not help prioritization. Additionally, several of the qualitative benchmarks lack precision.

Relevance and design of filters: the economic filter does not include a cost-benefit analysis to weigh the fiscal feasibility and/or impact of intervening on a certain topic, nor does it assess the socioeconomic distribution of an intervention's benefits, to know whether intervening in employment rather than mobility, for example, will have more concentrated social benefits.

Discretion in the aggregation method: indicators are aggregated to the topic level based on overall color dominance rather than on numerical scores, and the filter scores are combined with indicator scores without clear justification of the weights to be applied to each filter.

⁴² For instance, indicators such as pedestrian traffic, traffic accidents, or motorization rates show very large disparity across cities and extreme values that cast doubt on their reliability; additionally, the quality of some indicators was questionable as they are rarely statistically defined at the city level. Another example is GDP, which is typically defined at the national or state/provincial level, so that measurements at the city level are only broad approximations.

⁴³ For instance, the cities in Colombia that participate in the FINDETER program *Ciudades Emblemáticas* only collect 90 indicators. FINDETER reduced the number of indicators because of the difficulty of collecting some information at the municipality level for these smaller cities.

3. Public Opinion Survey and Base Studies

- 3.8 **Though the public opinion surveys can be converted into an important instrument for policymaking beyond ESCI, they often pointed in directions that go beyond the competences of the cities.** Public opinion surveys were conducted in almost all cities with action plans, except in four of the pilot cities (excluding Montevideo) and in Tegucigalpa. Though useful, public opinion surveys may prioritize things that are beyond the control of the municipality. For instance, the comparison of prioritization according to public surveys in ESCI cities lists safety, inequality, health, transportation, and employment as the top five priorities for the region's citizens. Most of the cities in the region have limited competences to tackle safety, inequality, or employment. In contrast, the most standard competences of municipal governments (public spaces, drainage, water and sanitation, housing, and noise) have a lower level of prioritization according to public opinion surveys.⁴⁴ Moreover, in some cases, citizen perception can be at odds with the evidence. A clear example of this is Cuenca, where one of the main concerns of the population was the high level of contamination of the rivers, while the evidence shows that the rivers are not polluted.
- 3.9 **With some differences, all base studies were carried out in most cities, and the urban footprint and vulnerability studies were considered the most useful.** The urban footprint study seems to have been the most used study in all cities interviewed, and it was carried out by all but 7 of the 35 cities that completed an action plan.⁴⁵ Interviewees also considered the vulnerability study to be very useful, but it is less reflected in the action plans, especially because of the high complexity, and consequent high cost of the potential interventions.⁴⁶ Only 5 of the 35 countries with completed action plans do not have this study.⁴⁷ The least useful of the studies for preparation of the action plan seems to have been the mitigation study, which is also the one that was not conducted by the largest number of cities (9 cities).⁴⁸ In fact, very few cities incorporated the actions related to mitigation in their action plans. Whenever the IDB was not financing the study, there was a tendency not to carry it out at all, indicating its limited usefulness for city planning. However, among the cities that conducted the GHG emission inventory, there seems to be an increased awareness

⁴⁴ This is based on a recent knowledge product produced by the ICES initiative based on the opinion surveys collected with the initiative. See IDB, 2016, *Voces Emergentes*, p. 30.

⁴⁵ Among them are the cities from the pilot (except for Goiânia) and the first three additional Colombian (Bucaramanga, Manizales, and Pereira), which chose to not have any of the studies because of their cost.

⁴⁶ Vulnerability risk management numbered among the top 3 priorities according to the ESCI methodology in 8 action plans (of the 29 reviewed) and featured on the investment needs of 10 action plans. However, this sector accounts for only 3% of the total financing needs identified in the action plans reviewed (US\$736 million out of a total of US\$23.5 Bn).

⁴⁷ For the cities sponsored by YPF – Añelo and Las Heras – the study of vulnerability was combined with the urban footprint study. The five cities that did not complete the study included the three Colombian cities that did not conduct any of the studies, Salta, which opted out because of the cost of the study, and Port of Spain, from the pilot phase.

⁴⁸ These were Añelo, Bucaramanga, La Paz, Las Heras, Manizales, Montevideo, Parana, Pereira, and Salta. The mitigation study was most likely to be omitted when a partner in the region was funding and implementing the methodology.

regarding potential sources of emission, which aligns with the purpose of the study.

- 3.10 **Several general challenges were observed for all three basic studies.** One of the main issues was the definition of the geographic scope, as in many instances the political borders are not relevant for the questions covered by the studies (e.g., adaptation study).⁴⁹ Another issue was the low quality and dispersion of the basic data needed. In some cases, the quality of the study (e.g., vulnerability) depends crucially on the quality of the input data (e.g., precipitation), which may not be available at the level of disaggregation needed. Also, in many cases the fact that a wide variety of agencies collect the data makes the data impossible to compare, or unreliable. Besides affecting the final product, these challenges extended the diagnosis time and thus reduced the prioritization time. While having the results of the baseline studies in 5-6 months allows keeping up to date with city developments, in reality it took much more (average 10 months). Setting up all the needed meetings and carrying out the required missions and the initial information-gathering period may take much longer than expected.
- 3.11 **In addition, it has been observed that the urban footprint study could benefit from a closer understanding of the political economy behind territorial organization and development rights in LAC.** Urban footprint studies were intended to inform decisions on development rights and territorial organization, which have important financial implications. A closer look at the political economy of the process was pointed out as a possible way to strengthen the usefulness of this study. In that sense, it might be desirable to obtain ex ante political commitment from the municipality in order to implement the recommendations of the urban footprint studies to increase their effectiveness.
- 3.12 **The vulnerability study also had some issues regarding its original emphasis on risks and natural disasters.** The reliability of data was particularly important here, as many cities lacked the basic data to run the models for risk assessment. For instance, in many cases the lack of meteorological data, geologic maps, or information about hydraulic infrastructure at the needed level of detail affected the reliability and usefulness of the resulting risk maps. In addition, the usefulness of the study was limited by its high focus on the estimation of risks rather than the identification of concrete and implementable solutions, though this issue was progressively tackled. Also, the terms of reference focused on vulnerability to natural disasters. What has been identified in these years of implementing the methodology is that many cities in LAC are more exposed to man-made vulnerability (for example, issues related to drainage investments without a coherent plan) than natural disasters. In response to these problems, the Bank has recently approved a regional TC (RG-T2652 – Strengthening Climate Resilience in ESCI Cities) to work on the methodology of this study and increase its usefulness.

⁴⁹

Different studies may call for different territorial scopes. For instance, the GHG inventory is best based on administrative borders within which action can be taken. The natural disaster and risk study should consider geographical areas (e.g., basins), irrespective of jurisdictions. The urban growth study should be based on the urbanization pattern, irrespective of borders or geography.

4. Prioritization

- 3.13 **As mentioned above, most beneficiaries agreed that the exercise of prioritization was very valuable; however, many of the areas prioritized require long-term projects.** About half of the beneficiaries suggested that the delivery of short-term projects might be key to keeping the cities engaged during the early stages of the implementation of the initiative.

5. Citizen Monitoring

- 3.14 **Whenever an active civil society was present, ESCI seemed to have benefitted from citizen monitoring.** In fact, citizen monitoring was crucial in ensuring the continuity of the implementation of the priorities identified by ESCI during political changes. Cities that already had a culture of public participation seemed to have benefited the most from the participatory approach. For instance, in La Paz, a strong and engaged organized civil society has been key to the continued political support of the action plan amidst major political changes. *¿La Paz Cómo vamos?*, the citizen monitoring group modeled after Bogota's example, managed to engage the newly elected state and municipal governments (from a rival party) and ensure the continuation of some of the action plan activities.⁵⁰ Also, the *¿La Paz Cómo vamos?* team has been involved since the beginning of the ESCI implementation.
- 3.15 **However, it is not entirely obvious how the initiative can foster citizen participation and monitoring in cities that do not have a tradition of participation.** The Bank model has been based extensively in the *¿Bogotá Cómo vamos?* model. This approach, though useful for Colombia, would need to be adapted to other countries in the region with different social and political attitudes. For instance, residents of Quetzaltenango had limited trust in local government and little experience participating in local planning processes. In Managua the government argued that their political model of public participation and direct democracy gives them enough information, leaving to IDB the challenge of finding an alternative mechanism to monitor the action plan without the citizen participation component. Also, the *¿Bogotá Cómo vamos?* model was not designed to monitor the implementation of action plans, but rather to gather the population's perception of local government performance. In that sense, the usefulness of citizen monitoring can be diluted.
- 3.16 **The Bank is aware of the challenges in fostering public participation.** Different approaches are being considered. Mar del Plata is a good example of the work being done in this direction: the group in charge of the monitoring has put a lot of effort into polling different stakeholders on their findings. They have also partnered with the local radio station to have periodic discussions on their findings, thus disseminating the information obtained and hoping to engage the population of the city. This has been a recent effort and the results cannot yet be observed. IDB is currently considering moving the establishment of a citizen monitoring system to an earlier phase, allowing the Bank and cities to identify relevant actors and encourage participation in the prioritization process.

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This group has also facilitated the efforts to leverage resources from other donors (UNDP, JICA, GIZ, etc.) for the municipality to explore additional funding options.

6. Missing elements

3.17 In addition to the findings related to the main elements of ESCI, OVE identified a few aspects that have received less attention.

- **In the implementation of the methodology, OVE found that the analysis of the governance and fiscal issues was weak.** In its design and application, the methodology had a strong bias toward planning and put less emphasis on governance, for which most of the systematic work was captured on the indicators. In particular, there was a limited ex-ante analysis of the exact competences of the municipality or its institutional capacity to plan and execute pre-investment and investment activities. Part of this issue was meant to be addressed by PRODEV. In fact, 12 of the ESCI beneficiaries had a PRODEV TC (for a total of US\$4.9 million), although for half of them it had been approved before ESCI. Since the end of PRODEV, few ESCI cities have received this type of assistance.
- **There is a weak connection between the list of projects in the action plan and the practical funding and executing implications.** The action plans typically ended with a list of projects but generally had limited information on how these activities could be financed. For only a few cities (13 of 35) do the action plans explicitly identify financing sources and amounts, which average about 28% of their total budgeted financing needs. The average action plan listed operations for US\$810 million,⁵¹ equal to some 6.15 times the average annual municipal budget. Since in most ESCI cities 79% of municipal spending is current expenditure (mostly salaries and wages), this means that action plans equal more than 30 times the municipalities' annual capital budgets.⁵² The combination of these large investments identified by ESCI and the support of the Bank in the implementation of the methodology generated significant investment expectations. Moreover, the prioritization effort in general omitted the consideration of implementation costs, focusing instead on the technical parameters of interventions. In sum, OVE found that there is a need to strengthen the analysis of the investment proposals of the action plans, linking them more closely with financing possibilities and fiscal implications for the city, and, to the extent possible, to incorporate cost-benefit notions in the prioritization exercise.
- **Given the large expectations generated, OVE found that the transition from the completion of the action plan to the investment stage was not always smooth.** More generally, an "exit strategy" was missing. Many cities found that after finalizing the diagnostic stage, it was difficult to transition from the ideas and priorities to the actual pre-investment and investment stages. Though the Bank supported some cities by financing the pre-investment of a specific initiative, this support covered only "demonstration" interventions and was made available only for the regular cities. In some cases, the Bank supported the countries and the cities in obtaining funding from other donors

⁵¹ This is the average for 15 cities with available information on municipal budgets, based on the financing needs identified in the action plans.

⁵² See Annex V for more details on the investments prioritized by ESCI action plans.

(e.g., GEF financing of three projects in Mexico). These interventions, while very welcome, were done on an individual case-by-case basis. A general exit strategy, which would allow the IDB a smooth disengagement from the city while endowing the city with the tools to carry out its investment program, was in general missing. The general demand from cities was for support to leverage resources from all sources (national, multilateral, private), and support to mitigate political risk.

- **Within the “exit strategy,” the methodology could be strengthened to provide more guidance on leveraging resources.** A variety of possible resources could be leveraged, each requiring a different approach. For example, Panama City has the financial resources to finance part of its action plan but faces a bottleneck in terms of planning and implementing investments. More commonly, however, municipalities need to leverage resources from their national governments or national development banks and need some guidance to access these pre-investment and investment funds. Finally, many cities were interested in bringing in private investment in the form of PPPs, and they needed support in structuring such arrangements. There are many forms of PPPs. One model, which has been considered by many ESCI cities (e.g., Barranquilla), is to exchange development rights for actual investment in the provision of basic services or the revitalization of the city. Other (more traditional) forms of PPP involve delegating the provision of the public service to a firm that can bring managerial or operational efficiency and reduce costs.

C. Effectiveness

- 3.18 **The initiative successfully expanded faster than anticipated and had high acceptance by the cities, which allowed IDB to create a strong ESCI brand.** This initiative permitted the Bank to engage cities and work with them in an integrated manner. Also, as the initiative became known in the region, it created a “club” effect associated with participation in ESCI. ESCI cities benefitted from access to knowledge and technical assistance from renowned urban planners (e.g., Gehl architects and their tactical urban interventions) and from numerous knowledge-sharing events. As the experience of Colombia and Mexico clearly shows,⁵³ many cities had an easier time attracting the attention and contribution of other bilateral and multilateral donors. All these elements explain the high demand for ESCI, which almost tripled the original number of cities covered (from 26 to 71).
- 3.19 **At the city level, there is already evidence of implementation of action plans.** About half of the cities in the initiative (35) have finished their action plans, and the other half are in different stages of implementation of the ESCI methodology. Among the cities with completed action plans are all five from the pilot, 13 from the regular program, and 17 additional cities. Of the 16 OVE visited

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For instance, the cities in Mexico were able to secure support from the German cooperation (GIZ) to deal with the solid waste management challenges identified by the plan.

with completed action plans,⁵⁴ 13 have already begun implementing activities prioritized in their ESCI action plans.⁵⁵ Challenges with continuity after political leadership changes, the participation of stakeholders, and availability of resources might impose a risk to the implementation of the interventions proposed in the action plans. However the high initial number of cities implementing their action plans – notice that the first action plans to be completed are not much more than 2 years old - suggests that the technical assistance provided by the initiative has gone beyond just provision of knowledge to a potential real impact on cities. The resources necessary for the implementation of such actions were beyond IDB and attribution to the initiative has to be considered with caution.

- 3.20 **As the methodology evolved, more focus was given to the resources to implement the identified interventions in the action plans – even though this was not an explicit objective of the original methodology.** Of the 35 cities with completed Action Plans, 29 clearly identified investment and pre-investment volumes required to finance Action Plan activities. These financing needs totaled US\$23.5Bn (US\$694 million in pre-investment and US\$22.8 Bn in investment), for an average of US\$810 million per city.⁵⁶ In general, Action Plan investment budgets tended to be higher for cities of high GDP levels and of larger size. Only 12 of these 29 cities explicitly identify potential financing sources and amounts in their Action Plans, which average about 28% of their total budgeted financing needs. However, as the ESCI team does not always track all the funds actually mobilized, OVE was only able to estimate the financing mobilized for Action Plan activities in the cities that it visited on mission. Of these, 16 had completed Action Plans but 3 had not identified financing needs. Of the 13 cities with available information, therefore, the financing mobilized to date reached an estimated total of US\$243 million, representing on average 4.37% of a city's total financing needs. Note that when including available estimates of financing mobilized for cities not visited on mission, the total of mobilized financing is higher (US\$327.9 million), but this estimation is incomplete and cannot be compared to cities' initial financing needs. Mobilized financing came from a variety of sources, including ESCI strategic partners

⁵⁴ For this evaluation OVE visited Barranquilla (CO), Cuenca (EC), Campeche (MX), Goiania (BR), La Paz (MX), Managua (NI), Mar del Plata (AR), Montego Bay (JA), Montería (CO), Panama City (PA), Port of Spain (TT), Quetzaltenango (GU), Tegucigalpa (HO), Trujillo (PE), Valledupar (CO), and Xalapa (MX), among the cities with action plan. OVE also visited Bahia Blanca (AR), Cusco (PE), Huancayo (PE), and La Serena (CH), which are still implementing the methodology.

⁵⁵ Implementation varies from city to city; more detail is provided in the case studies.

⁵⁶ The cities with the highest budgeted financing needs were Panama City (US\$3.8 Bn) and Asuncion (US\$3.4 Bn), followed by Santiago de los Caballeros, Barranquilla, Valdivia and Vitoria, in that order (each with approximately US\$1.1 Bn). The cities with lowest budgeted financing needs were Añelo (US\$247million), Las Heras (US\$238 million), Port of Spain (US\$187 million), and Xalapa (US\$74 million).

(Banobras, FINDETER and YPF), the IDB (ESCI pre-investment funding,⁵⁷ IDB loans – especially in Colombia and Argentina -, and IDB Infrafund), other donors - including the Nordic Development Fund (NDF), the Global Environment Facility (GEF), the Japan International Cooperation Agency (JICA), the State Secretariat for Economic Affairs (SECO), and the Development Bank of Latin America (CAF) -, private foundations or companies (Microsoft, the Prosperity Fund, Corporación Rafael Pombl), and in some cases national governments and municipalities.

Table 3.1. Financing Needs

Cities analyzed (#)	Topic	Simple average per city	Total
Cities with completed action plans that include clear pre-investment and investment budgets (29)*	Action Plan total financing needs (investment & pre-investment)	US\$ 810 million	US\$ 23,487 Bn
Cities with completed action plans that include clear pre-investment and investment budgets and identify potential sources of financing (12)	Financing sources identified in Action Plan	271 million	US\$ 3,257 Bn
		28.03%	
Cities with completed action plans that include clear pre-investment and investment budgets and visited by OVE mission (13)**	Financing actually mobilized to date	US\$ 19 million	US\$ 244 million
		4.38%	
Cities with completed action plans that include clear pre-investment and investment budgets and with information on municipal budget in Action Plan (15)	Action Plan total financing needs compared to annual municipal budget	615%	

Notes: *29 action plans were reviewed of the 35 cities having completed action plans. Of the remaining cities, 5 were excluded as their action plans did not identify investment needs due to having been carried out at an early/pilot stage of the ESCI methodology (La Paz, Montevideo, Santa Ana, Trujillo, Goiania) and 1 (Cochabamba) was excluded as the investment plan presented was not summarized or readily editable.

**Of the 16 cities with action plans visited on mission, this excludes Goiania, La Paz, and Trujillo, whose action plans did not identify investment needs due to having been carried out at an early/pilot stage of the methodology.

3.21 **IBD's stamp and the publishing of action plans helped empower cities and supported them in mobilizing resources.** Lack of resources is a major bottleneck for the implementation of the projects prioritized, as pointed out above, and cities have found that having the IDB behind the proposed

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Total pre-investment funding provided to cities through the ESCI regular program totaled US\$48.2 million, of which US\$38.6 million (80%) financed pre-investment studies for the sustainable mobility plan of the Haiti Northern Development Corridor (HA-T1195/HA-T1196). The remaining pre-investment funding (US\$10.2 million) was quite evenly distributed between cities, with the largest shares going to Tegucigalpa (15%), Barranquilla (15%) and Quetzaltenango (8%). The main types of activities financed included urban revitalization and urban development plans; mobility plans or pre-investment studies; pre-feasibility studies or masterplans for flood protection, sanitation and drainage, and solid waste management; public space studies; executive projects for housing initiatives; technical support to citizen security; and feasibility studies on broadband connectivity and e-governance.

interventions has helped them engage with potential sources of funding. For example, the high demand of Colombian cities for the application of the methodology is explained, among other factors, by the fact that the action plan puts them in a better position to qualify for FINDETER financing. Besides that, the simple availability of a sound action plan has been found to attract technical assistance from other bilateral and multilateral cooperation agencies. For example, through ESCI, Managua obtained from JICA financing to develop an urban development master plan and metropolitan mobility plan. Similarly, Guatemala was able to get resources from MIF (Multilateral Investment Fund) to design an alternate public-private concession scheme for improving the solid waste collection and disposal service, as suggested in its action plan.

- 3.22 **OVE found that, regardless of the city size, the ones that profited most from the initiative had a combination of qualities: (i) significant ex ante capacity, (ii) legal competences and economic resources to tackle the challenges identified in their action plans, and (iii) strong political commitment to the ESCI exercise, ideally at all levels of government.** The initiative ended up targeting cities of different sizes and different needs. Not all the municipalities had technical staff that could handle the demands of ESCI or interact with Bank sector specialists during its implementation. When the local team of counterparts was large and strong (e.g., in Mar del Plata), the value-added of the exercise was highest. Also, higher-capacity municipalities typically have both enough management capacity and more resources to be able to engage in and benefit from a more thorough planning exercise. In contrast, some low-capacity municipalities (e.g., Quetzaltenango) devote most of their human and financial resources to day-to-day city management. The methodology was most useful when it helped identify issues that could actually be tackled by the city's government, which had the ownership of the application of the methodology. For instance, mobility was identified as an important issue in La Paz and Xalapa; however, in Mexico the states have the main responsibility for metropolitan mobility, hindering the implementation of the proposed actions. In the Caribbean, cities are smaller and have fewer delegated competences, reducing the value-added of applying the ESCI methodology. Finally, it was repeatedly pointed out that the key to seamless coordination within the municipality was the direct involvement of the mayor in the initiative (e.g., Goiania, Xalapa, Mar del Plata). In that regard, ESCI has made important efforts to reinforce the commitment of mayors by including them in the dissemination and knowledge activities (e.g., Hamburg seminar in 2016).
- 3.23 **All beneficiaries of the initiative recognized the high value of the integrated and participatory approach to planning, particularly when compared with most tools and assistance offered by other development partners.** By participating in ESCI, cities could organize and document the analysis and assessment of multiple sectors and prioritize investments. For example, municipal authorities in Panama City have seen that participating in ESCI before engaging other development partners has allowed them to coordinate and target the specific support provided by World Bank and CAF, and authorities in Cusco are now having a similar experience. Cities benefited in two ways from the participatory aspect of the methodology: first, the support of IDB to engage different stakeholders in the process of prioritization, and second, the actual participation of the population in defining the projects. Public participation has

proven to be very important in ensuring continuity and smooth implementation⁵⁸—even more in the Latin American countries than in the Caribbean.⁵⁹

- 3.24 **Overall, OVE found that the highest value-added of the ESCI process was based on its ability to organize and effectively support the planning process and organization.** In that regard, the most valuable element of ESCI—more than the specific methodological contributions—was that it helped to consolidate a new way of working, a new process of urban planning that emphasized a multisectoral approach and had several advantages over the traditional planning process. First, it is more expedient than the traditional planning approaches. Second, it fosters a culture of cooperation and interdisciplinary dialogue within the municipality and between the municipality, public enterprises, and other levels of government (states/provinces, central government); for instance, several of the inputs such as the collection of indicators required dialogue with and cooperation by many actors. Third, ESCI brought a culture of evidence-based planning and prioritization that, supported with citizen monitoring, may contribute to building a long-term city development agenda, which is still absent in most LAC cities.
- 3.25 **In terms of the effectiveness of the initiative as a whole, ESCI contributed to the creation of public goods by connecting cities and fostering a culture of transparency and openness.** Beyond the creation of partnerships, ESCI generated a network of cities, which several beneficiaries mentioned as one of the main advantages of having worked with the Bank. This network allowed them to share knowledge and experiences, and helped them define benchmarks for themselves. (Annex III lists a number of events promoted by the initiative to foster the network of cities.) In addition, all the studies, the indicators collected for the cities, and the results of the surveys are publicly available on the ESCI homepage, a resource for both beneficiary and nonbeneficiary cities. ESCI also invested significant amounts to make its methodology publicly available and to train people on how to apply it. Regarding transparency, it is important to highlight that all the financial and contract information of the consultancies financed by ESCI technical assistance is disclosed in a donor report.
- 3.26 **Finally, ESCI created strong and flexible partnerships, particularly involving knowledge sharing and dissemination.** In addition to the partnerships related to the application of the methodology, the initiative was successful in establishing partnerships with 71 external institutions, with different types of cooperation agreements in the public and private sector in nonborrowing

⁵⁸ For instance, in Monteria all the urbanization projects were extensively discussed with the affected population, which embraced the changes and accepted more easily the relocation necessary to install the park and public market. Similarly, in Valledupar, the community had already taken ownership of the eco-park established in the action plan, so despite the change in government it is still going to be implemented.

⁵⁹ In Montego Bay, OVE found a lack of awareness of the initiative among some stakeholders that should have been aware of it, and even less awareness among those not involved in the initiative. For example, the climate change unit in the Ministry of Environment and the Ministry of Economic Growth staff were not very familiar with the initiative; the National Solid Waste Management Authority focuses mostly on national priorities regardless of the action plan; and the Tourism Product Development Company was not invited to ESCI workshops.

member countries. These partners assisted almost all the ESCI cities in a variety of ways. The partnerships included direct transfers of resources to be managed by the IDB (the standard TC trust fund approach) such as those provided by the Ministries of Finance of Austria and Japan or the Secretariat of Cooperation of Switzerland, which contributed to the ESCI MDTF. In addition, the initiative brought a number of partners from the private sector that provided in-kind contributions, working pro bono.⁶⁰ Others provided a particular expertise on a specific topic—for example, the Korean Research Institute for Human Settlements helped with the implementation of monitoring centers in Goiania and Montevideo. Through ESCI, the Bank also partnered with several academic institutions. This flexibility to bring more topics and partners to the table proved useful, not only to improve the ESCI methodology, but also to strengthen the debate around sustainable cities in the region (see Box A.4.1 in Annex IV on the main knowledge sharing and dissemination initiatives; Table A.4.1 in Annex IV lists all partnerships developed by the program.) This level of external engagement is atypical of IDB technical co-operations, and appears to have helped extend the influence of the initiative beyond its initially contemplated scope. In particular, several of the city-partner relationships facilitated by ESCI are still ongoing and have allowed cities to mobilize funding for the financing of Action Plan activities.⁶¹

- 3.27 The Bank has been less successful at scaling up the initiative and its investments in the smaller countries in the region.** Given the size of these countries, the potential market of client cities is limited; thus there are fewer opportunities for the Bank to defray the fixed costs of working in the country. In smaller countries, with low levels of decentralization, it is also difficult to find a partner at the national Government that will engage the IDB in scaling up the initiative. Finally, municipal governments in smaller countries tend to suffer more from weak institutional capacity because the cities are generally smaller and have a lower level of economic development. Though there has been some ESCI-related lending in smaller countries (e.g., Honduras, Trinidad and Tobago), they have been isolated cases and not systematic.
- 3.28 In particular, the ESCI model does not seem to apply to the Caribbean.** Like most small states, the English-speaking Caribbean nations are highly centralized, and their local government functions tend to be limited. The concept of the “city” in the Caribbean differs from that of Latin America. Because of centralization at the sector level, priorities are national and sometimes overlook the needs of the city. Central control over local authorities is tightened by local governments’ excessive financial dependence and weak institutional capacity. This centralization of funds and decision-making plays a major role in the effectiveness and sustainability of ESCI, making it difficult for the city to completely internalize and translate the depth of knowledge created through the action plan into policy and actual investments. Given the consensus-based nature of many Caribbean governments, the action plan needs to be subject to a significant level of consultation among all stakeholders to ensure their ownership.

⁶⁰ These included CISCO, Telefonica, Deloitte, Acceplan, and Mondragon, which conducted different studies for different cities.

⁶¹ For example in Montego Bay and Goiania the Korean government is financing the implementation of the IOCC (Integrated Operation and Control Centre).

- 3.29 **The fast expansion of the initiative put strain on the capacity of the Bank to ensure good-quality assistance.** Although all beneficiaries interviewed agreed that the Bank has had a constant presence and they had not lacked assistance when they needed it, ESCI has a very small team, which is stretched thin in all the TCs. Until the reorganization of 2016, ESCI had a small coordination unit with only 5 staff members including the general coordinator and one coordinator each from INE and IFD. The implementation of the TCs and the programs in the countries was done entirely with the support of consultants at headquarters (22) and in the field (17).⁶² At least in the short run, ESCI is likely to continue to depend on consultants to lead the implementation of the initiative in the countries.⁶³ However, with the reorganization, staff who were previously engaged with ESCI might not be part of the new structure.

D. Sustainability

- 3.30 **The experience of the four countries where ESCI has been most successful highlights the basics elements of a sustainable approach.** As mentioned above, though ESCI was present in all the region, most of its cities and activities are concentrated in 4 countries, namely, Colombia, Argentina, Brazil and Mexico. Moreover, it is in these countries where ESCI was most successful leveraging resources. In Colombia, besides supporting planning efforts in 15 cities, the initiative led to a Bank operation to finance the investment plans—a US\$600 million CCLIP - Conditional Credit Line for Investment Project - (CO-X1018) that FINDETER approved in 2014. A first operation (CO-L1133), to the city of Barranquilla (US\$100 million) is already disbursing, and a second operation for Bucaramanga, Monteria, Manizales, Pereira, and Pasto was approved in May 2015 (US\$150 million). In Brazil, the Bank is currently negotiating loans for all cities with action plans except Goiania, which did not have the capacity to borrow. One loan—BR-L1421 (US\$100 million)—is already in the pipeline, while the other three are being negotiated with the Brazilian Government. Argentina has traditionally worked with IDB on approving large CCLIP operations for different sectors (transport, neighborhood improvement, water and sanitation, energy), and has a loan for intermediate metropolitan areas.⁶⁴ Most of these CCLIPs are multiple works loans that can finance projects in municipalities and provinces, and some of them are currently being allocated to ESCI cities (Table A.I.3 in annex I).

- 3.31 **From the implementation of ESCI in Colombia it is possible to identify factors for success at the country level.** ESCI covered more cities in Colombia than in any other country—15 directly through the IDB program and 10 indirectly

⁶² This list includes the personnel that are directly involved in the implementation of the sustainable cities initiative. However, staff from INE and FMM serve regularly as team leaders/members and support the execution of ESCI operations.

⁶³ Now, after the reform, the new HUD department has 53 employees, 23 of whom are Bank staff and 11 of whom are located at headquarters. In addition, the new department has 30 consultants directly linked to HUD. Another 20 consultants (INE/ESC), though officially linked to INE, work mostly on the execution of the sustainable city program. Since it was agreed that the reform should be budget-neutral, it is not clear how the initiative would rebalance the work of the staff inside.

⁶⁴ Direct lending at the subnational level—while not impossible—has historically been low. Only a few provinces have borrowed directly from the IDB. Lending at subnational level was explicitly discouraged in the past Government.

through the sister program developed by FINDETER (“Ciudades Emblemáticas”). Some specific characteristics of the country can help explain the rapid growth and success of the initiative there (see annex VII):

- **Planning tradition.** Colombia has a long-standing planning tradition at national, departmental, and municipal levels that effectively links development plans to the budgeting process. Thus it was relatively easy for the ESCI process to be embedded in the municipal planning and resource allocation process.
- **Fiscal institutions.** Since the governmental reorganization that followed the 1998-1999 crisis, there has been a systematic effort to strengthen municipal finances and reduce municipalities’ debt burden. In addition, the reform of the royalty regime provided new resources to be used for debt reduction and new investment. Municipalities are increasingly fiscally stronger and able to finance investment.
- **Decentralization of competences.** The 1991 Colombia constitution established a mandate for decentralization and community participation. Municipalities today are responsible for the provision of public services and social investment.
- **Development partner.** A key element in Colombia was the existence of a committed partner with perfectly aligned incentives (see Box 3.2). FINDETER’s mission is to support territorial development, particularly infrastructure finance at the subnational level. In that regard, the existence of an action plan—particularly insofar as it translates into priorities of the binding development plan—is a useful tool to promote FINDETER loan operations that, in turn, it can be financed with IDB resources.
- **Intermediate city market.** A final element that contributed to the dynamism of the ESCI program in Colombia is the large number of intermediate cities in the country. Though the urbanization levels are similar to those of the rest of the region (about 80%), for historical and geographical reasons Colombia lacks urban primacy.

Box 3.2 Aligned incentives and complementarity between IDB and FINDETER

The IDB-FINDETER partnership offers a number of advantages for the Bank. In fact, IDB and FINDETER have an important financial and operational complementarity at the investment stage. From FINDETER's perspective, IDB funding seems to be very competitive and is associated with technical support to implement the action plans. In turn, the partnership with FINDETER allows IDB to benefit from a significant reduction in transaction costs. More specifically, the partnership with FINDETER allows IDB to mitigate some operational challenges.

- **Currency mismatches.** Municipalities' revenue is denominated in Colombian pesos, while IDB loans are always denominated in US\$.⁶⁵ While national governments have instruments to diversify risks stemming from currency mismatches, municipalities do not. By assuming the currency mismatch into its balance sheet, FINDETER renders the IDB funds competitive for municipalities to borrow.
- **Small operations.** FINDETER's intervention allows IDB to bundle smaller loans into a single larger operation, thereby reducing the transaction and operational costs. The bundling process also simplifies compliance with fiscal responsibility regulations and IDB's own due diligence, as the loan is entirely on FINDETER's balance sheet.
- **Institutional capacity issues.** By working with FINDETER, which has both execution capacity and territorial capillarity, IDB can reduce some of the supervision costs. IDB disburses to FINDETER, which ensures compliance with IDB's financial and procurement policies. This saves the time of the IDB's fiduciary and technical specialists, reducing costs for the institution.
- **Support to provide continuity.** One lesson of experience is that government changes can be particularly destructive for municipalities because of their lower institutional capacity. By partnering with FINDETER, IDB can actually help to keep a long-term agenda alive, even when there have been political changes.
- **Resource leverage.** Aside from its own funding for nonreimbursable TC, FINDETER manages nonreimbursable resources from the State Secretariat for Economic Affairs of Switzerland and LAIF (EU), to increase the amount of resources directed to finance ESCI action plans or actual investment.

3.32 **Though the Colombia case was particularly successful in closing the link between planning and investment, other models with different partners also show potential.** Not all of the five elements linked to the success of the Colombia case are fully replicable. However, the fact that some element is not present in a country does not necessarily mean that the initiative cannot be successfully scaled up in that country, but rather that the specific Colombia model does not apply.

3.33 **Under Argentina's new government, ESCI is increasingly becoming an effective way of organizing subnational investment and aligning incentives.** The Bank was successful in establishing a partnership with the national Government for supporting the pre-investment and investment actions linked to ESCI. In essence, Argentina decided to have a program consisting of many sector-level CCLIPs with the IDB to finance pre-investment and small infrastructure projects (multiple works) in the territory. The Government then needs to generate a continuous stream of small projects at all three levels (national, provincial, municipal). Consequently, the national Government sees ESCI as a potential way of organizing and prioritizing municipal investments. In turn, the structure gives the right incentives to municipalities, as after participating in the ESCI methodology there is a natural financing outlet for the pre-investment and investment operations prioritized. Finally, at the Bank level, linking the implementation of the methodology to disbursement of the Bank

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While IDB tried repeatedly to create a local currency instrument, the depth of the local currency markets and the risk appetite of the IDB have undermined these repeated efforts.

portfolio strengthens the incentives of sector specialists to work on implementing the ESCI methodology. In sum, by linking lending at the federal level, prioritization at the municipal level, and strengthening of IDB incentives, the Argentina model provides an alternative model to scale up ESCI in a country.

- 3.34 **Success in scaling up ESCI interventions in Mexico will likely depend on a closer link with federal and state development programs, particularly those related to special economic areas.** Like Colombia, Mexico also has a public national development bank (Banobras) that is interested in supporting ESCI implementation. However, instead of creating a technical sustainable city unit, as FINDETER did, Banobras has preferred to outsource the implementation of the initiative to the IDB with a fee-for-services structure (ME-R1002).⁶⁶ More importantly, in Mexico, unlike in Colombia, most of the potential ESCI clients are not credit subjects for direct loans from Banobras. A financing solution would in this case require the intervention of national and state governments. In fact, the Government is now trying to link the application of ESCI with the new law on special economic areas that aims at transforming depressed areas, particularly in the south of the country. Another difference is related to the competitiveness of IDB funding, which is less clear for Banobras than for FINDETER.
- 3.35 **In Brazil, the incentives of the development partner are not fully aligned, and the options for scaling up are likely to rely more on individual IDB operations.** A partnership with CEF has been attempted in the past, but changes in CEF's organization led to discontinuation of the partnership. As a matter of fact, the incentives between ESCI and CEF were only weakly aligned, given that the potential market of ESCI is small relative to CEF's other lines of business. The likely investment scale-up strategy in Brazil is the (already emerging) direct lending to cities with the potential support of the private sector.⁶⁷ For such a strategy to be economically feasible for the IDB, operations would probably have to be biased toward larger municipalities with more institutional capacity, to avoid the pitfalls identified in PROCIDADES (RE-481).

E. Sustainable Cities and the New IDB Structure

- 3.36 **Although based on informal coordination mechanisms, the old ESCI structure was able to avoid the most common problems of incentives related to technical assistance operations.** OVE has repeatedly pointed out the challenges of working with stand-alone TCs that are not linked with the operational portfolio of the IDB (see, for instance, RE-412, par. 3.35, or RE-364, par. 4.29). ESCI was highly successful in avoiding the common implementation disincentives of lack of ownership in TCs for several reasons:
- Most of the ESCI TCs were Bank-executed, and the management of the initiative relied on a group of consultants dedicated to making sure that the TCs were implemented.

⁶⁶ This is for supporting the implementation of ESCI in six Mexican cities. It is the largest fee-for-service operation ever approved by the Bank, representing 55% of the total amount approved.

⁶⁷ The most recent city in Brazil to enter ESCI, Três Lagoas, is being sponsored by Instituto Votorantim. Other partners are currently being considered.

- Though nominally the team leaders were in the field, most of the activities and decisions regarding the ESCI TCs were actually made at headquarters. At the cost of weakening the sense of ownership of some team leaders in the field, the centralized and consultant-intensive approach to execution was successful in securing the timely implementation of most of the TCs.
- The contribution ESCI required from sector specialists within VPS departments (particularly Water and Transport) was limited to a few interactions and visits, mostly in the early stages of implementation. Also, the multidisciplinary nature of the initiative ensured that the costs were not concentrated on a single specialist.
- Finally, the ad hoc floating coordination structure between FMM and INE served as a semiformal mechanism that facilitated exchanges.

3.37 **The effects on incentives of the new IDB structure are not yet clear.** With the recent changes, the new division in charge of ESCI (HUD) will have a dual mandate to carry out both technical assistance and lending operations (GN-2845-1). By incorporating ESCI as a permanent line of work of the Bank—rather than an initiative with a floating structure that relied mostly on consultants to implement action plans—the new structure increases the institutionalization of the initiative and should, in the medium term, limit the number of staff members available to work on ESCI.⁶⁸ However, HUD also inherits an ambitious housing and urban development agenda (over US\$4 Bn in 57 loans in preparation and execution) that would also require some attention. In that regard, one challenge for HUD will be to seamlessly integrate the old housing and urban development lending portfolio, staff, and agenda with ESCI. On the positive side, having a lending mandate may increase the incentives to spend time implementing ESCI TCs, which now may be more closely aligned to the Bank lending program. Also, the initiative will become less reliant on temporary personnel (consultants), decreasing the likelihood of losing institutional memory.

3.38 **Coordination will become easier with some divisions (Environment, Rural Development Disaster Risk Management Division and the Climate Change division) but more difficult with the rest.** Coordination between HUD personnel and other divisions within CSD will become easier, and it will be easier to manage tensions and potential competitions (particularly with the Climate Change division). In contrast, without the direct reporting line to VPS and the coordination structure with INE and FMM, aligning the incentives with the other divisions within the infrastructure department may now prove more difficult. This might be a particular problem for the Water and Transport divisions, which have had closer relationships with ESCI in the past, since the challenges prioritized by the cities tend to be concentrated in issues such as drainage, solid waste management, and mobility.

⁶⁸

The restructuring does not have any budgetary implication and, in particular, does not increase the headcount of the Bank.

IV. CONCLUSIONS AND RECOMMENDATIONS

- 4.1 **ESCI has reached 71 cities across all 26 IDB borrowing member countries, a much larger number than was initially envisioned, and positioned IDB as a strong partner for urban development in the region.** This evaluation attributes the fast growth of the initiative to two main factors: the development of strong partnerships with multiple partners and the development of a product that had very high acceptance by the cities. In this sense, the initiative seemed to have successfully targeted the needs of cities in the region and created a strong brand associated with ESCI. Moreover, the ESCI brand facilitated cities' access to technical assistance and infrastructure investment from national, bilateral, and multilateral sources.
- 4.2 **The success of the initiative in generating and disseminating knowledge and in building partnership is noteworthy.** The model for knowledge generation and dissemination, combined with the culture of information openness and transparency, was particularly valuable and novel. ESCI was also particularly successful at implementing many different types of partnerships with a wide array of development partners from government, academia, and the private sector, both inside and outside the region.
- 4.3 **OVE found that at the national level, the initiative was most successful in the presence of strong (i) political decentralization, (ii) subnational fiscal capacity, (iii) planning, (iv) development partners, and (v) demand from intermediate cities.** At the individual city level, among the key factors for success were (i) political support, (ii) timing of the planning exercise, (iii) ex-ante institutional capacity and (iv) citizen monitoring. Political support—both from the mayor and from other layers of government—ensures ownership and facilitates coordination within the municipality and between the municipality, the state/province, and the national government. This, in turn, facilitates the timely provision of the data and information needed to do the assessment, and continued support in the pre-investment and investment stages. Other key factors for success are the rapidity of the exercise and the fact that it is carried out early in the term of the mayor. Another element has to do with the city's capacity to plan and execute investments. Additionally, strong civil society monitoring has been shown to be crucial for providing continuity to the planning efforts, though it is not clear how it can be generated.
- 4.4 **While generally useful, the ESCI methodology (i.e., studies, indicators and prioritization) lacked some flexibility and did not place enough attention on governance issues.** In addition, it seems to have generated significant expectations of investment in the cities, without providing an “exit strategy.” The methodology could have benefitted from more flexibility in the selection of indicators and base studies, particularly as it expanded beyond the original target of intermediate cities. Also, cities need some coaching on the next steps (pre-investment, investment, continuity) after the approval of the action plan.

4.5 **In view of these strengths and challenges, OVE recommends the following:**

- a) **Maintain the “ESCI” brand with some minor adjustments.** One of the most recognized achievements of the initiative has been the ability to position the Bank as a key player in terms of sustainable planning for the cities in LAC. This has generated an intangible asset that the IDB should maintain. The ESCI brand depends on IDB’s leadership in the development, improvement, and continued application of the methodology across LAC as part of the action of the new HUD division. Regarding modifications, IDB might want to limit the number of new cities added each year and the profile of cities considered, focusing on intermediate-sized cities to the extent possible. In addition, OVE recommends increasing the flexibility of the application of the methodology, thinking of its indicators and studies as a toolkit rather than a fixed “must do” set of inputs. Finally, it is important to strengthen some aspects of the methodology, such as the analysis of governance and fiscal issues and the link between the prioritized programs and potential financing sources.
- b) **Develop mechanisms to channel investment resources to finance action plans developed by ESCI.** The new Bank structure provides a lending mandate to HUD, which is now in charge of ESCI. The Bank should identify how it can align the incentives and create new instruments to lend to cities to finance the projects identified and prioritized. To this end, the Bank needs to identify strong national partners. In doing so, the Bank will be able to support cities with the next steps in actually implementing the plans.
- c) **Reassess ESCI after more time has passed.** Given that it is too early to evaluate the effectiveness of the action plans and the recent change in IDB structure, OVE recommends a re-evaluation of ESCI five to seven years from now. To facilitate this, OVE recommends that the action plans be prepared with a number of traceable indicators for measuring the effectiveness of the interventions implemented.
- d) **Explore ways to use the ESCI model of partnerships and knowledge sharing in other initiatives.** One novel and successful element of ESCI was its approach to knowledge and partnerships, which added to the perceived value of the initiative and contributed to positioning the Bank. ESCI’s innovative approach to partnership and knowledge could usefully be expanded to other areas of Bank work.

ANNEX I

A. Resources assigned and to be executed by partners for ESCI methodology implementation, by country, in millions of US\$.

	2011	2012	2013	2014	2015	Total
Argentina	-	-	-	0.9	-	0.9
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	-	5.3	-	6.0
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
Nadbank	-	-	-	0.3	-	0.3
Others	-	0.3	-	0.3	-	0.5
Consultants (Austria APO, Interns, JCF)	-	0.3	-	-	-	0.3
Microsoft, Cisco, Telefonica, Ferrovial, Everist, SITI	-	-	-	0.3	-	0.3
Total	-	1.0	-	11.9	-	12.9

B. ESCI CITIES ACCORDING TO ELIGIBILITY CRITERIA

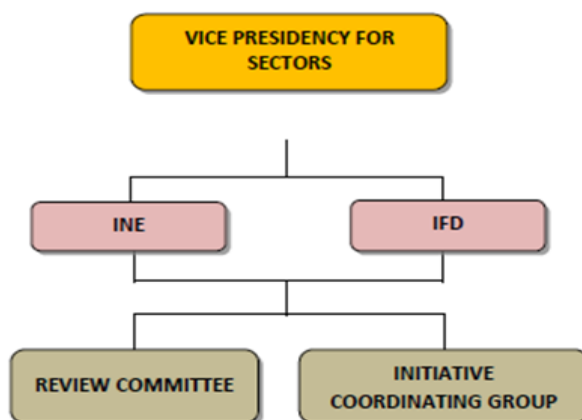
Country	Number Ineligible	Perc. Ineligible
Argentina	7	58%
Colombia	3	20%
Brazil	5	63%
Mexico	7	70%
Panama	1	100%
Belize	1	100%
Costa Rica	1	100%
Uruguay	1	100%
Nicaragua	1	100%
Paraguay	1	100%
Trinidad and Tobago	1	100%
Dominican Republic	1	100%
Bolivia	1	100%
Honduras	1	100%

Source: own elaboration based on eligibility criteria (GN-2652-5, Annex II) and the official list of ESCI cities as available in the initiatives webpage as of April 30th, 2016.

C. IDB Loans related to ESCI

Operation	Loan name	Country	Beneficiary Cities	Loan amount	Amount related with ESCI	Approval year
Approved						
TT-L1003	Citizen Security Program	TRINIDAD AND TOBAGO	Port of Spain	24,500,000	7,000,000	2008
AR-L1101	Development Program for Metropolitan Areas Outside the Capital	ARGENTINA	Parana	40,000,000	2,000,000	2010
AR-L1084	Water and Sanitation Program for Urban and Suburban Centers (PAyS)	ARGENTINA	Mar del Plata	200,000,000	32,000,000	2010
PR-L1044	Modernization Metropolitan Public	PARAGUAY	Assuncion	125,000,000	45,000,000	2010
AR-L1149	Multisectorial Preinvestment Program IV (CCLIP)	ARGENTINA	Parana, Salta, Añelo, Las Heras, Goya	20,000,000	3,935,961	2012
AR-L1152	Program to Support the Policy on Improving Equity in Education - PROMEDU III	ARGENTINA	Mar Del Plata & Parana	280,000,000	3,848,550	2013
AR-L1148	Urban Municipal Infrastructure Program	ARGENTINA	Parama/ Anelo/ Las Heras	250,000,000	12,000,000	2013
AR-L1033	SMEs Credit Access and Competitiveness Program	ARGENTINA	Las Heras / Anelo	50,000,000	350,000	2013
CO-X1018	Fiscal and Public Expenditure Strengthening in Subnational Entities	COLOMBIA	FINDETER cities	600,000,000	600,000,000	2013
TT-L1036	Flood Alleviation and Drainage Program	TRINIDAD AND TOBAGO	Port of Spain	120,000,000	120,000,000	2013
AR-L1151	Integrated Urban Solid Waste Management Program.	ARGENTINA	Mar Del Plata	300,000,000	15,600,000	2014
ME-L1111	Subnational Credit for Infrastructure, Public Services and Projects- III	MEXICO	Xalapa La Paz	400,000,000	400,000,000	2014
PR-L1029	Integrated Sanitation Program of Asuncion	PARAGUAY	Campeche	110,000,000	25,000,000	2014
HA-L1101	Productive Infrastructure Program IV	HAITI	Assuncion	41,000,000	15,000,000	2015
In Pipeline						
BR-L1421	Integrated Development Program of Joao Pessoa program	BRAZIL	Joao Pessoa	100,000,000	100,000,000	
HO-L1091	Integrated Urban Development Program of Tegucigalpa	HONDURAS	Tegucigalpa	21,250,000	70,000,000	
TT-L1041	Urban Sustainability and Mobility Program - Phase I	TRINIDAD AND TOBAGO	Port of Spain	25,000,000	25,000,000	
TT-L1037	Women's City Centres Program in Trinidad and Tobago	TRINIDAD AND TOBAGO	Port of Spain	10,000,000	10,000,000	

ANNEX II
ESCI Organization and Methodology
Figure A Sustainable Cities Organizational Chart



A . Main Tasks of the Review Committee and the Initiative Coordinating Group

Review Committee	Initiative Coordinating Group
Ensure the initiative objectives are implemented	Provide technical guidelines
Provide strategic guidelines	Implement the actions approved by the RC
Guide the calls for proposals (CP) for city selection	Technical and operational coordination for the CP
Examine the findings and evaluations reports	Determine eligibility of city based on CPs
Approve amendments to these Guidelines	Propose amendments to these Guidelines
Select the beneficiary cities from the list of eligible cities	Update the identification of cities and countries
Issue the record of decision of each call for proposals	Communicate results and sign the agreements cities
Identify which cities will receive support through the mechanism for co-financing diagnostic assessments.	Analyze and classify expressions of interest for the co-financing of diagnostic assessments
Support the annual resource allocation process	Lead the annual resource allocation process
	Coordinate the implementation of the supplementary activities provided for under the Initiative
	Act as the Review Committee's technical secretariat
	Coordinate implementation of the projects

Source: GN-2652-5

B. EVOLUTION OF THE METHODOLOGY.

Topic	Methodology 1 (2012)	Methodology 2 (2014)
Dimensions	Urban, environmental, fiscal	Same
Indicators and benchmarking	About 150 indicators Traffic light benchmarking system based on green-yellow-red compared to benchmarks set according to regional best practices or other criteria as determined by Bank and city teams	About 120 indicators Benchmarking system is mostly the same
Base studies	Not mentioned	3 core studies with guidance on how to elaborate them: <ul style="list-style-type: none"> • climate change vulnerability • urban growth • GHG emissions As well as guidance on possible additional base studies on case-by-case basis
Eligibility criteria	Not explicitly mentioned	Definition of sustainable and emerging cities
Outreach and knowledge sharing	'Red de ciudades' described	'Red de ciudades' described, as well as Urban Dashboard and other outreach activities
Human resources allocation from IDB	Basic structure consisting of a general coordination group (GCI) in VPS with representation in INE and IFD, and support from VPP country office representative. Also includes a technical and administrative group consisting of 4 IFD/INE experts.	Same structure, explained in a bit more detail
Human resources allocation from city	Counterpart team with at least one coordinator (preferably from executive level of local administration)	Same
Sector dialogue	Sector dialogue takes place with full counterpart team and then individually by sector	Same basic process but provides more guidance on interviews with specialists in each sector (including preparing 'fichas sectoriales' to gather qualitative information)
Filters	4 filters are defined: <ul style="list-style-type: none"> • Public opinion • Environmental and climate change • Economic 	4 filters are defined, with changes: <ul style="list-style-type: none"> • Public opinion • Climate change and disaster risk (<i>modified to include disaster risk</i>)

	<ul style="list-style-type: none"> Specialist valuation (<i>this is carried out with local counterpart experts based on (i) scores from the traffic-light benchmarking system and (ii) degree of interdependence with other areas</i>) 	<ul style="list-style-type: none"> Economic Multisectoriality (<i>this filter replaces the 'specialist valuation' filter, keeping only its second part. The first part (scores from traffic-light benchmarking system) becomes a stand-alone filter in the prioritization process</i>)
	<p>Methodology for applying filters is relatively flexible:</p> <ul style="list-style-type: none"> Public opinion: allows for focus groups and interviews or use of previous surveys if carrying out an ESCI-specific survey is not possible Environmental and climate change: would ideally be based on a vulnerability map but if not available, could be based on valuation by the Bank or city experts (<i>note that the document explains that the systematization of this filter via vulnerability and GHG studies will be carried out in 2012</i>) Economic filter: two options are suggested, (i) back of the envelope calculation of social cost of inaction in each area based on existing information, and (ii) multi-criteria approach based on impact on GDP, job creation and competitiveness Specialist valuation 	<p>Methodology for applying filters is more rigorous:</p> <ul style="list-style-type: none"> Public opinion: clear description of a relatively standardized, ESCI-specific survey to be carried out Climate change and disaster risk: based on vulnerability and GHG studies Economic filter: two options are suggested, and explained in more detail than in original methodology, (i) method for estimation of socio-economic benefits (which is described in more rigorous terms with examples of acceptable methods), and (ii) multi-criteria approach (similar to original methodology) Multisectoriality: no substantial changes with respect to part (ii) of previous 'specialist valuation' filter
Prioritization decision	Mentions that the Bank team and local counterpart will have the possibility to select an area not prioritized in the traffic-light process (i.e. a 'green' indicator) with due justification	The flexibility to prioritize 'green' indicators is not mentioned. Instead, the methodology explains the method for aggregating scores across filters and prioritization in fuller detail, leaving less room for discretion
Execution and monitoring	Basic steps for identifying and selecting solutions are described, as well as options for attracting additional financing and requirements for ESCI monitoring system	Execution steps and monitoring system are more fully described

C. Indicators used in the ESCI Methodology

Dimension	Pillar	Topic	Number of indicators	Indicator example (unit of measurement)
Environmental Sustainability and climate change	Management of the environment and consumption of natural resources	Water	6	Continuity of water service (hours/day)
		Sanitation and drainage	3	Households with a home connection to the sewer system (percentage)
		Management of solid waste	7	Remaining life of the site where the landfill is located (years)
		Energy	8	Average length of electrical interruptions (hours/customer)
	Mitigation of greenhouse gases (GHG) and other forms of pollution	Air quality	3	Air quality index (number)
		Mitigation of Climate change	4	Existence and monitoring of GHG Inventory (Yes/No)
		Noise compliance	1	Existence, monitoring and enforcement of regulations on noise pollution (Yes/No)
	Reduction of vulnerability to natural disasters and adaptation to climate change	Vulnerability to natural disasters in the context of climate change	8	Critical infrastructure at risk due to inadequate construction or placement in areas of non-mitigable risk (percentage)
	Urban sustainability	Land use, Planning, and zone	8	Quantitative housing deficit
		Urban inequality	3	Percentage of housing located in informal settlements (percentage)
		Promotion of sustainable urban transport	12	Average age of the public transport fleet (years)
		Promotion of competitive and sustainable local economic development	3	Days to obtain a business license (number of days)

ANNEX III

A. Events organized by IDB for the creating of network of cities

YEAR	EVENT	LOCATION	ESCI ROLE
2013	China-LAC Business Forum	San José, Costa Rica	Organizer
2014	World Urban Forum (WUF)	Medellín, Colombia	Participant
2014	Global Infrastructure Basel	Basel, Suiza	Participant
2014	Foro Alcaldes US-LAC	Dallas, USA	Organizer
2014	Curso de Sostenibilidad de Ciudades BID-UIMP	Santander, España	Organizer
2014	China-LAC Business Forum	Changsha, China	Organizer
2015	LAC y Corea: Taller de Preparación Foro KSF	Washington, DC	Participant
2015	Foro Iberoamericano Alcaldes ICES	Madrid, España	Organizer
2015	Foro Mundial de la Bicicleta	Medellín, Colombia	Participant
2015	Foro de intercambio KSF	Busan, Corea	Participant
2015	Smart Cities Expo	Montreal, Canadá	Participant
2015	Planificación y Gestión de Áreas Metropolitanas	Santiago de Chile, Chile	Organizer
2015	China Intl Urbanization Forum	Shanghai, China	Participant
2015	Urban Forum	Viena, Austria	Participant
2015	Premiación Concurso URBANLAB	Washington, DC	Organizer
2015	Demand Solutions Ciudades	Washington, DC	Organizer
2015	Foro Red de Ciudades ICES	Washington, DC	Organizer
2015	Foro Iberoamericano de Ciudades	Cuenca, Ecuador	Participant
2015	Smart Cities Expo, IV Global Meeting	Barcelona, España	Participant
2016	Encuentro de Alcaldes Costa Caribe	Santa Marta, Colombia	Co-organizer
2016	Foro Mundial de la Bicicleta	Santiago, Chile	Co-organizer
2016	Foro Ciudades Puerto	Cartagena, Colombia	Co-organizer
2016	Masterclass Gehl Architects	Buenos Aires, Argentina	Co-organizer
2016	Foro Alcaldes Alemania – LAC	Hamburgo, Alemania	Co-organizer
2016	PPP Américas	Santiago, Chile	Co-organizer
2016	<i>Evento Pre-UN Hábitat (Demand Solutions)</i>	<i>Quito, Ecuador</i>	<i>Co-organizer</i>
2016	<i>UN Hábitat</i>	<i>Quito, Ecuador</i>	<i>Participant</i>
2016	<i>Encuentro Ciudades Creativas, UADE</i>	<i>Buenos Aires, Argentina</i>	<i>Co-organizer</i>
2016	<i>Expo Smart Cities Barcelona</i>	<i>Barcelona, España</i>	<i>Participant</i>
2016	<i>China LAC Business Forum</i>	<i>China</i>	<i>Participant</i>

Note: italicized events forthcoming. Source: ESCI 2015 donor report.

ANNEX IV Partnerships

Table A . Partnerships and their contribution to ESCI

Type of institution	Activity description	Cities benefitted
Multinational companies (19)	Instruments, tools and studies to support ESCI's program	Santa Ana, La Paz, Xalapa, Quetzaltenango, Vitoria, Cusco, Valledupar, San Jose, Tres Lagoas, multiple cities in Colombia, Regional
	Conducted Connectivity Study (Pro-Bono)	
	Conducting Connectivity Study (In Process)	
	Contribution of funds to cities in the program, implementation of the ESCI Methodology	
	Developed the Urban Dashboard	
	Conducted River Sanitation Study (Pro-Bono)	
	Collaborating on Citizen Monitoring Programs	
	Conducted Urban Transportation Study (Pro-Bono)	
Local academic institutions (19)	Other academic support	Santiago de los Caballeros, Regional
	Conducted a Tourism and Cultural Study	
	Signed Joint MOU with Ayuntamiento de Santander and Universidad de Cantabria	
External academic institutions (12)	Other academic support	Cusco, Regional
	Secondment of staff to cities, support creating studies to fine-tune Action Plan priorities	
	Signed MOU; collaborating in knowledge exchange events such as PPP Americas	
	Smart City Case Studies	
	Technical studies in the water and sanitation sectors area	
	Conducted Accessibility Study (Pro-Bono)	
	Signed Joint MOU with Ayuntamiento de Santander and Universidad Int Menendez Pelayo	
Bilateral donors (5)	Member of the ESCI Multidonor Fund	Regional
	Contribution of funds to the program	
National development banks (3)	Contribution of funds to cities in the program, implementation of the ESCI Methodology	Campeche, La Paz, Mazatlan, Puebla, Toluca, Florianopolis, Joao Pessoa, Vitoria, Palmas, Barranquilla, Bucaramanga, Manizales, Monteria, Pasto, Pereira, Valledupar
National public sector (3)	Assistance with initiative implementation	Multiple cities in Argentina, Chile and Peru
International NGOs (3)	Contribution of funds to the program	La Paz
	Studies of Resilience to climate change	
	Technical studies, seminars and publications materials	
International public sector (2)	Joined Cities Alliance as an Associate Member	Quito, Regional
	Coordinating Events during Habitat III	

Multilateral donors (1)	Contribution of funds to the program	Regional
National companies (1)	Contribution of funds to cities in the program, implementation of the ESCI Methodology	Regional
Local NGOs (1)	Partner in citizen monitoring aspects	Regional
Bilateral Development Banks (1)	Contribution of funds to cities in the program, implementation of the ESCI Methodology	Hermosillo
Local banks (1)	Contribution of funds to the program	La Paz
TOTAL PARTNERS	71	

Box A. ESCI knowledge-sharing and dissemination

As part of ESCI's objective of improving the quality of life and promoting sustainable cities in LAC, the initiative has been very successful in developing knowledge sharing and dissemination tools. This box describes some of the main channels created for this purpose:

URBELAC (Urban European and Latin American and Caribbean cities). This urban knowledge transfer network, cofinanced by ESCI and the European Commission, was launched in 2012 with the dual objective of facilitating knowledge-sharing between European and LAC cities on urban sustainability practices, and of assisting city policymakers in LAC to define concrete follow-up actions. The network twins LAC cities with European cities based on an application and selection process, organizes experience-sharing events (seminars, working groups, field visits, etc.) and finances international consultants to assist LAC cities in identifying strategic actions. So far, URBELAC's two editions have connected 13 LAC cities and 9 European cities.

Urban Labs. These are permanent or temporary "idea laboratories" that support municipalities in proposing solutions to rapid urbanization. This initiative, financed by ESCI in collaboration with the Technical University of Vienna, has been implemented in 17 ESCI cities to date. The urban labs are generally linked to a public entity (such as the municipal planning department) and encourage open discussions among academics, municipal planners, and local support groups.

Urban Dashboard. Managed by the ESCI team, this information portal compiles data from all city-level ESCI indicators and public opinion surveys to create interactive rankings, as well as city and sector profiles. It contributes to data openness and knowledge-sharing about urban phenomena in the region by allowing users to download the raw data and to generate customized data reports. It also serves as a one-stop-shop for ESCI publications, including city action plans, public opinion surveys, and base studies.

Knowledge products and events. In 2016 alone, ESCI is planning 19 knowledge events with various partners (including academic debates and presentations, mayors' meetings, and technical workshops), and is mobilizing the participation of ESCI cities in three annual forums (such as the UN Habitat World Urban Forum). In addition, the ESCI team has published a variety of knowledge products, including a study on the LAC urbanization experience (2015) and a paper analyzing the challenges of financing urban infrastructure in the region (2016), both based on ESCI action plans.

Massive Open Online Courses (MOOCs). With ESCI funding and in partnership with the Harvard/MIT EdX platform, the IDB has developed a MOOC entitled "Leading Sustainable Development in Cities," which is freely available to the public and includes a general introduction to the ESCI methodology of indicator collection and action plan preparation, as well as modules on specific topics such as subnational financial management. The course is meant to be used as training on the ESCI methodology before its implementation, but it has also reached a wider audience. The Spanish version of the course, launched in November 2015, has already reached about 34,000 enrolled participants from more than 100 countries, but mostly concentrated in LAC (more than 90% of all participants). The final retention rate is around 45% and the final certification pass rate around 10%, compared to an average of 16% and 5% for a sample of 17 other MOOCs offered by EdX. Additionally, a Portuguese version of the course reached 1,932 enrolled participants from 64 countries, of which 5.3% obtained certification. Participant ratings regarding the quality and usefulness of these three editions were very close to the average for all IDB MOOCs (4.53 out of 5).

ANNEX V

MAIN CHARACTERISTICS OF INVESTMENTS PRIORITIZED IN ACTION PLANS

Investment and pre-investment needs budgeted in completed ESCI Action Plans totaled US\$23.5Bn (US\$694M in pre-investment and US\$22.8Bn in investment), **for an average of US\$810M per city.**

Characteristics by sector

The sectors receiving priority scores according to the ESCI traffic light and filter methodology were usually also prioritized in terms of budgeted investment needs. The sectors most frequently prioritized in the action plans according to the ESCI methodology are inequality, land use, transport, and water (making the top 3 sector priorities in 13, 11, 11 and 9 action plans respectively). Of these, land use and transport were frequently prioritized in investment needs (featuring in 19 and 20 budgets respectively). Most sectors were similarly represented in the methodology prioritization exercise and in the investment budgets, with some exceptions:

- **Inequality is relatively under-represented in investment budgets** (it is a top priority according to methodology scores in 13 action plans, but features only on the investment needs of 6 cities).
- **Climate change, drainage and modern public management are 'over-represented'** (these were only identified as top priorities according to the methodology in 3 action plans, but featured in the investment needs of 10, 8 and 14 action plans respectively).

Priority sectors remained similar across cities of different sizes and per capita GDP levels. Cities with lower GDP per capita levels and/or smaller populations do not seem more inclined to prioritize basic needs sectors, or less inclined to prioritize public management or climate change sectors.

- **Sectors featuring most prominently in Action Plan budgets:** transport (28% of budgeted investment needs), land use and planning (12%), drainage (9%), inequality (9%), and urban revitalization (8%).
- **Sectors that did not feature in any investment budget or in any top 3 ranking according to the ESCI methodology:** noise, connectivity, PPPs, culture and sports, and debt.

Characteristics by city

Action Plan investment budgets tended to be higher for cities of high GDP levels and of larger size. The average per-city financing needs for a city of in the top third of the sample's per capita GDP distribution is US\$148M, compared to US\$137M and US\$86M for cities in the middle and bottom thirds respectively. Likewise, the average per-city financing needs for a city in the top third of the sample's population distribution is US\$196M, compared to US\$111M and US\$66M for cities in the middle and bottom thirds respectively.

- **Cities with the highest budgeted financing needs:** Panama City (US\$3.8 Bn, 16% of the total) and Asuncion (US\$3.4 Bn, 14% of the total), followed by Santiago de los Caballeros, Barranquilla, Valdivia and Vitoria, in that order (each with approximately US\$1.1 Bn and 4-5% of the total).

- **Cities with lowest budgeted financing needs:** Anelo (US\$247M), Las Heras (US\$238 M), Port of Spain (US\$187 M), and Xalapa (US\$74 M).

Pre-investment supported by the IDB

Total pre-investment funding provided to cities through the ESCI regular program totaled US\$48.2M, of which US\$38.6M (80%) financed pre-investment studies for the sustainable mobility plan of the Haiti Northern Development Corridor (HA-T1195/HA-T1196). The remaining pre-investment funding (US\$10.2M) was quite evenly distributed between cities, with the largest shares going to Tegucigalpa (15%), Barranquilla (15%) and Quetzaltenango (8%).

The main types of activities financed included urban revitalization and urban development plans; mobility plans or pre-investment studies; pre-feasibility studies or masterplans for flood protection, sanitation and drainage, and solid waste management; public space studies; executive projects for housing initiatives; technical support to citizen security; and feasibility studies on broadband connectivity and e-governance.