TECHNICAL COOPERATION (TC) ABSTRACT

Environmental, Climate Change and Urban Pillars of the Emerging and Sustainable Cities Initiative (ESCI) – Phase III

(RG-T2310)

I. BASIC INFORMATION

Country/Region:	Regional (Argentina and Mexico)
TC Name:	Environmental, Climate Change and Urban Pillars of the Emerging and Sustainable Cities Initiative (ESCI) - Phase 3
TC Number:	RG-T2310
Team Leader/Members:	Horacio Terraza (INE/WSA), Team Leader; Gabriel Nagy (IFD/FMM) Co-Team Leader; Federico Scodelaro (INE/WSA); David Maleki (INE/WSA); Sebastian Lew (INE/WSA); Ricardo De Vecchi (IFD/IFD); and Irene Cartin (INE/WSA).
TC Type:	Research and Dissemination
Beneficiary:	Intermediate Cities from Latin America and the Caribbean Eligible in ESCI added to the program during 2012-2013
Executing Entity:	IADB through the Emerging and Sustainable Cities Initiative
Financing:	US$980,000 from the Knowledge Partnership Korea Fund for Technology and Innovation (KPK)
Terms:	Execution: 36 months Disbursement: 48 months
Start Date:	August 1, 2014
Consultant Type:	Individual Consultants and Firms
Prepared by:	INE/WSA
UDR:	INE/WSA
Priority Sector GCI-9:	Poverty and inequality reduction and sustainable development

II. OBJECTIVE AND JUSTIFICATION

2.1 The main objective of this operation is to finance the implementation of ESCI methodology in selected Argentine and Mexican emerging cities.[1] This TC represents the third phase of the support program from the Knowledge Partnership Korea Fund for Technology Innovation (KPK) to ESCI.

2.2 The Knowledge Partnership Korea Fund for Technological Innovation (KPK) is directly supporting the Emerging and Sustainable Cities Initiative (ESCI) during the Special Program scaling up period (2012-2015).

2.3 **Background and Methodology.** ESCI is a Bank's non-reimbursable technical assistance program to provide direct support to local governments in their sustainable development plans ("Action Plans") and execution. ESCI employs a multidisciplinary approach to address the challenges that LAC's urban areas face. This transversal approach includes an analysis of three pillars: urban: environmental; and fiscal and

[1] Emerging cities are defined as cities with a population between 100.000 and 2.500.000, with an economic and demographic growth above their respective national average. Currently, Latin America and the Caribbean have more than 140 emerging cities with a total population of nearly 70 million.

governance. The analysis generates an Action Plan for the city, on which prioritized interventions are identified and their strategy for execution outlined. The program selects one prioritized intervention and assists the local government with the required pre-investment financing.

2.4 In order to increase the impact of the ESCI Program in the region and leverage resources, the Bank is developing strategic partnerships ("Operating Agreements") with local development agencies and institutions.[2]

2.5 Three of these strategic partnerships have been established with national development agencies: the first one with Colombia´s Findeter, in 2012, the second with Brazil´s Caixa Economica Federal in 2013, and the third was signed on March 29, 2014, with Mexico´s Banobras. Through this last agreement, which will supported by this operation, a pilot program has been established to implement ESCI's methodology in four Mexican cities during 2014-2015. The cities are yet to be defined, but a preliminary selection includes: Leon (Pop.: 1.4 million); Puebla (Pop: 5.7 million); Aguascalientes (Pop: 700,000); Playa del Carmen (Pop: 150,000); Morelia (Pop: 600,000); Acapulco (Pop: 1.1 million); and Queretaro (2 million). Additionally two cities that are currently undergoing ESCI´s methodology might potentially be benefited by this operation: Xalapa, Financed by the Bank´s Ordinary Capital (Pop: 600,000); and Campeche, financed by the Mexican federal government (Pop: 200,000).

2.6 This TC will also support the Bank´s operations in Argentina through its fourth strategic partnership, signed in November 2013, with national oil company Yacimientos Petrolíferos Fiscales (YPF). Through this agreement, the Argentine company will provide financing for the implementation of ESCI´s methodology in two cities where it will develop new oil fields. These cities are expected to experiment significant economic growth (by tenfold) over the next 5-10 years: Añelo (Pop: 2,500) and Las Heras (Pop: 190,000). Additionally, three other Argentine cities that are currently undergoing ESCI´s methodology in that country and have acquired financing either through the Bank or through their own budget will also be potentially benefited by this operation: Salta (Pop: 620,000); Parana (Pop: 250,000); and Mar del Plata (Pop: 620,000).

III. DESCRIPTION OF ACTIVITIES

3.1 **Component 1. Diagnostic sustainability assessments and action plans (US$160,000).**

This component includes the activities needed to apply the rapid assessment diagnostic tool for the environmental, climate change and urban studies, prioritization exercise (public survey and/or focus groups) and development of the Action Plan.

3.2 **Component 2. Climate change and urban footprint instruments (US$280,000).**

This component is comprised of the baseline studies needed to mitigate and adapt to climate change. They include the following activities: (i) inventories of greenhouse gas emissions (GGE); (ii) vulnerability analysis in response to observed [or expected]

[2] These agreements establish the commitment of the national agencies to replicate ESCI's methodology. The agreements further establish that the local development agencies will provide the financing for the development of the methodology, and the Bank will provide the technical support, capacity building, training and complementary resources.

climate change impacts; (iii) analysis of the economic, technical, and financial feasibility of mitigation and adaptation measures; and (iv) analysis of the urban footprint of the city, as well as the design of its expected growth scenarios.

3.3 **Component 3. Systems to monitor city sustainability ($75,000).**
This component includes the design and implementation of independent monitoring systems in the Initiative's beneficiary cities.

3.4 **Component 4. Operations, capacity building and administration ($75,000).**
This component will cover the operations and administration expenses derived from ESCI intervention in the Initiative's beneficiary cities. This includes the financing of knowledge and dissemination activities focused on providing training workshops for local authorities on ESCI´s methodology and its application.

3.5 **Component 5. Pre-investment for prioritized interventions (US$390,000).**
This component will finance specific pre-investment studies directly related to the results of the activities and areas prioritized in the Action Plan of the cities. Activities to be financed may include engineering, technical, environmental, financial, legal, etc. Funding will be distributed among interventions according to established priorities, local government capacities and the technical analysis performed by Bank specialists.

IV. BUDGET

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

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

V. EXECUTION AGENCY AND STRUCTURE

5.1 In accordance with document GN-2629-1 and, given that this operation is a Research and Dissemination product, the Bank will be in charge of executing this TC through ESCI´s Coordination Group. This Group has the specialized technical knowledge of the required methodology and procedures, as well as the experience providing technical assistance to subnational entities.

VI. RISKS AND ISSUES

6.1 The main risk that may affect the results of the operation is the institutional weaknesses and low technical capacity of some of the participating local governments. To minimize the occurrence of this risk, project implementation will emphasize the incorporation of institutional strengthening measures to enhance the ability of the cities to implement and monitor projects.

VII. ENVIRONMENTAL AND SOCIAL CLASSIFICATION

7.1 It is expected that the project will not generate any significant environmental or social impact. The team recommends a "C" classification for the TC.