TC Document

I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Addressing Common Challenges in LAC cities through Urban Innovation and Knowledge Sharing
▪ TC Number:	RG-T4448
▪ Team Leader/Members:	Uribe, Maria Camila (CSD/HUD) Team Leader; Menezes Fajardo, Washington (CSD/HUD) Alternate Team Leader; Villarroel Oyarzun Karin Orit (CSD/HUD); Fernanda Balbino (CSD/HUD); Bonilla Merino Arturo Francisco (LEG/SGO); Avila, Francy Dianela (CSD/HUD); Perez Moreno Silvia (CSD/HUD); Hillman, Eugenio F. (VPC/FMP); Jessica Guzman (CSD/HUD); Pelaez Enrique Alberto (CSD/HUD); Piedrafita, Carolina Marcela (CSD/HUD); Hernandez Yader Antonio (CSD/HUD); Madera Arends Roberto Jose (CSD/HUD); De Barros Torres Gabriel (CSD/HUD) Piedrafita, Carolina Marcela (CSD/HUD); Hernandez Yader Antonio (CSD/HUD); Madera Arends Roberto Jose (CSD/HUD); De Barros Torres Gabriel (CSD/HUD)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	Non applicable
▪ Date of TC Abstract authorization:	March 27, 2024
▪ Beneficiary:	All borrowing countries of the Bank: Argentina, Barbados, Bahamas, Belice, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Perú, Panama, Paraguay, Surinam, Trinidad and Tobago, Uruguay and Venezuela
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC SDP Window 2 - Sustainability(W2A)
▪ IDB Funding Requested:	US$500,000.00
▪ Local counterpart funding, if any:	US$0
▪ Disbursement period (which includes Execution period):	24 months
▪ Required start date:	June 1st, 2024
▪ Types of consultants:	Individuals consultants and consulting firms
▪ Prepared by Unit:	CSD/HUD-Housing & Urban Development
▪ Unit of Disbursement Responsibility:	CSD/HUD-Housing & Urban Development
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2024-2030:	Environmental sustainability; Productivity and innovation; Social inclusion and equality

II. Objectives and Justification of the TC

2.1 **Objective.** This Technical Cooperation (TC) aims to equip local and national urban counterparts to effectively tackle common urban regional challenges through capacity-building activities, knowledge sharing, and innovation in Latin America and the Caribbean (LAC) cities. The specific objectives are to: (i) promote capacity-building opportunities and networking activities for city leaders and officials to identify common urban challenges and opportunities, share best practices, and strengthen urban management and leadership; (ii) support the preparation, implementation, and evaluation of innovative urban projects, pilots, and experiments; and (iii) strengthen IDB's role as the leading partner for promoting sustainable urban development in the

region by disseminating capacity-building activities and results, cutting-edge knowledge related to urban innovation, and by promoting synergies between IDB divisions, city officials, partner institutions, public counterparts, private sector and academia.

2.2   **Justification.** LAC cities present tremendous challenges and opportunities. Two thirds of the LAC population live in cities with 20,000 inhabitants, and 81% live in urban areas.[1] Rapid, unplanned, and skewed urban growth has increased vulnerability, infrastructure service gaps, spatial inequality, and limited opportunity accessibility. LAC Housing deficit affects 45% of all households,[2] and one in every five households resides in informal neighborhoods, lacking access to essential public services[3] and educational, economic, and cultural opportunities. LAC cities generate approximately 70% of the region's greenhouse gas emissions, bear over 80%[4] of the losses from climate disasters, and are highly vulnerable to heat waves, urban heat island effects, and natural disasters, which are particularly harmful to low-income urban households. On top of this, gender and diversity gaps leave women and minority groups in a worse position to face climate change impacts in LAC.

2.3   Nevertheless, cities are also engines of economic growth and prosperity. They are estimated to contribute over 80% of the global gross domestic product (GDP).[5] Due to agglomeration effects and economies of scale, cities generate substantial economic activity and wealth, with tangible benefits for urban residents, allowing possibilities for innovation and technology to improve individual and institutional productivity significantly.[6] Innovation and technology in cities can greatly improve governmental efficiency, service delivery, mobility, security, and green areas, among other elements. Cities have tremendous potential to lift people out of poverty, increase productivity, and change consumption patterns to protect the environment.

2.4   All these challenges and opportunities may be faced more effectively and faster if city governments provide the necessary conditions and incentives to promote innovation.[7] Nevertheless, subnational public administrations in the LAC region tend to lack: (i) objectives to guide a sustainable city plan and pipeline of projects that transcend political periods may be detached; (ii) technical capacity to design, implement, and manage large urban projects; (iii) time and resources to learn from peer cities experiences and to access technological tools or solutions; (iv) public procurement systems for innovation projects and a culture of innovation or "tolerance for failure" that is needed to be innovative; and (v) formal training services or city exchange networks around urban innovation. Therefore, it is essential to straighten subnational institutional frameworks promoting innovations that address urban challenges, such as economic revival, inequity, climate change mitigation or adaptation, resilience building, and biodiversity promotion.

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[1]   Comisión Económica para América Latina y el Caribe (CEPAL), 2024, Plataforma Urbana y de Ciudades Estadísticas urbanas regionales | Plataforma Urbana y de Ciudades

[2]   Bouillon, 2012

[3]   UHPH, 2021; CEPAL, 2018.

[4]   IPCC, 2022.

[5]   WCR, 2022.

[6]   Min Kim H., Sabri S., and Kent A. (2020). Smart cities as a platform for technological and social innovation in productivity, sustainability, and livability: A conceptual framework.

[7]   Galal H. and Haas E. (2016). The role of innovation in developing competitive cities. Cities Today.

2.5   The Housing and Urban Development Division (CSD/HUD) created in 2017, the IDB Cities Network and the IDB Cities Lab have addressed these challenges and opportunities since then, through the following TCs: "Support to the Cities LAB activities to promote urban experimentation and civic innovation in LAC cities" (ATN/OC-17313-RG); "Support for the Development and Execution of Activities of the Second Phase of the IDB Cities Network" (ATN/OC-17422-RG); "Innovation and Knowledge Platform for LAC Cities (ATN/OC-18804-RG)", and "Leveraging Urban Innovation in LAC" (ATN/OC-19526-RG). The Cities Lab and the Cities Network have consolidated into a single service platform for our urban counterparts, sharing a single vision and a collaborative work structure. The IDB Cities Network and the Cities Lab's synergies and strategic approach have been enhanced by supporting the region's local and national urban counterparts through building capacities and promoting innovative approaches to address urban challenges and create more resilient cities.

2.6   The Cities Lab has positioned innovation as an essential tool to address complex urban challenges in LAC cities by: (i) strengthening local capacities to implement experimentation processes, (ii) encouraging the incorporation of innovative approaches in the HUD's portfolio, and (iii) identifying and disseminating innovation trends and best practices.[8]

2.7   The IDB Cities Network has been positioned as a platform for LAC cities to promote capacity building, facilitate the exchange of knowledge and solutions, and address common urbanization challenges by providing mayors and local officials with tools and knowledge to be effective decision-makers. The Network has over 250 member cities of all sizes, having grown initially from 70 member cities.

2.8   The IDB Cities Network and the IDB Cities Lab have been an essential ally to LAC cities, spurring urban innovation for sustainable development, providing technical support, knowledge and mentoring programs, and connections to pursue this objective. They have supported the development of several tailored training and open challenges to strengthen city decision-makers' skills and connections that help them foster a sustainable recovery.[9] All this work has been accompanied by knowledge products (notes, blogs, newsletters, websites) made available to city members and the public interested in sustainable urban development.[10]

2.9   Cities Network developed and led in 2024 nine webinars on food security in cities, transit-oriented development, and climate action in cities, which reached more than 6,500 policymakers. It also published 23 blogs and one monography and delivered Workshops on Local Economic Developing Agencies (LEDAs) with public and private representatives from 13 LAC cities, helping them develop a regeneration urban project considering governmental, financial, and urban considerations in the framework of Local Economic Developing Agencies (LEDAs). Furthermore, the network organized the IDB Mayors Forum in Denver with the participation of 120 city leaders from 52 cities and organized three panels at the IDB Pavilion at COP 28, positioning cities in

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[8]   For example, the Cities Lab published a podcast series that presents innovative best practices of urban labs.

[9]   In 2021 the platform developed Innopolis, a challenge to identify innovative solutions implemented by LAC cities to address urban challenges. See this video for more information.

[10]   During 2021, we developed and conducted several activities that involved representatives from cities and national governments throughout the region, such as the annual Mayor forum with more than 100 representatives; 11 webinars with more than 50 panelists from the LAC public sector; and tailored workshops on innovation and food markets for 15 LAC cities.

the forefront of the climate action discussion, and supported the creation of the Amazon Cities Forum, which will serve as a platform to prepare Amazon cities for COP 30 in Belen, Brazil2025. In addition, the Cities Lab is managing a portfolio of more than twenty pilots and proofs-of-concept that address climate change, housing, and local governance challenges. It also provides on-demand advisory to HUD specialists to identify and strengthen innovation opportunities within loan operations.

2.10 **Strategic Alignment**. This TC is consistent with the IDB Group Institutional Strategy: Transforming for Scale and Impact (CA-631) and it is aligned with the objectives of: (i) addressing climate change by supporting cities in identifying common challenges and solutions to adapt to climate change by developing knowledge exchanges, training activities, tools and pilot projects to support effective climate change policy-making and scaling up of climate action at the urban level; and (ii) promoting sustainable regional growth by fostering the exchange of best practices to encourage actions leading to sustainable urban development among the various stakeholders involved in managing cities in the region. The TC is also aligned with the operational focus areas of: (i) biodiversity, natural capital, and climate action by developing capacity-building workshops, networking, knowledge exchange, and training programs in thematic areas of climate action, gender empowerment and diversity inclusion; (ii) gender equality and inclusion of diverse population groups by sharing and showcasing innovative solutions and approaches in a wide range of areas (access to housing, the socio-spatial integration of slums, the economic recovery of urban areas, urban resilience, etc.) to reduce inequality and increase social inclusion; (iii) productive development and innovation through the private sector and (vi) regional integration by strengthening innovation ecosystems in local governments through capacity building and the implementation of experimentation approaches

2.11 Additionally, this TC is aligned with the Climate Change Sector Framework (GN-2835-13), specifically in what refers to supporting "Line of Action 2, Promote a multisector approach to tackling climate change" by fostering dialogues and sharing experiences between countries to scale up successful projects and supporting coordination and dialogue between the national and subnational levels, and linkages between the public and private sectors, in coordination with IDB Invest, for sustainable infrastructure investments. It is also aligned with the Housing and Urban Development Sector Framework (GN-2732-11), specifically with "Line of Action 4, of Promoting Good Urban Governance" by improving coordination among territorial units and providing Knowledge to Promote Good Urban Governance through capacity building and network activities for city leaders and managers. The TC is also aligned with "Line of Action 3. Boosting Urban Productivity" by promoting Innovation in the built environment by implementing innovative pilot projects that could be replicated in the region.

2.12 This TC is also aligned to Window 2 of the Regular Capital Strategic Development Program, Priority Area 1: Climate Change and Environmental Sustainability (OC-SDP W2A) (GN-2819-14) by supporting the following objectives: (i) expanding the knowledge base on climate change mitigation, adaptation and sustainable energy geared towards leveraging climate investment; and (ii) supporting municipal governments to prepare for the challenges related to rapid urban growth in a sustainable manner. Furthermore, the TC is consistent with the Urban Development and Housing Sector Framework Document (GN-2732-11), in considering key issues affecting urban development in the context of the New Urban Agenda and its strategic

priority of "building cities that can serve as engines of prosperity and centers of cultural and social well-being, while protecting the environment" (UN, 2016).

2.13 The TC's regional approach will enable the identification of cross-cutting issues across countries, generating synergies and connections leading to increased integration. When working in specific countries, this TC will be aligned with the respective country's strategy and country-specific priorities and needs.

III. Description of Activities/Components and Budget

3.1 **Component 1. Knowledge Exchange and Capacity Building for the Design of Sustainable Urban Projects (US$150,000).** This component aims to enhance the capabilities of local governments in addressing the multifaceted challenges of cities. It also seeks to strengthen the IDB's role as the main partner in promoting sustainable urban development in the region and foster synergies among IDB divisions, city officials, partner institutions, public counterparts, the private sector, and the academic sector. It also intends to shorten the knowledge gap on sustainable urban project development at the subnational level. Additionally, building on the successes of previous years, the platform will continue to work in a multisectoral manner with different IDB sectors, IDB LAB, and IDB Invest, as well as with various partner organizations such as C40, ICLEI, Mercociudades, the Lincoln Institute, and other academic, private, and public partner organizations. It will finance: (i) a diagnostic study to identify and prioritize the knowledge and capacity gaps among the member cities of the IDB cities network, which will serve as input for the conceptualization of the capacity-building program and webinars; (ii) development of public webinars to build capacities at the subnational level in urban planning, housing, transportation, gender, productivity, and/or climate change; disseminating as well IDB's work in the region and promoting synergies with partner organizations; and (iii) a capacity building program to leverage city officials' technical knowledge and capacities to shorten the knowledge gap on sustainable urban project development at the subnational level.

3.2 **Component 2. Leadership Straightening in Cities (US$100,000).** This component objective is to straighten city leadership by providing Mayors with the tools to be influential decision makers, helping IDB specialists to have stronger counterparts to design and implement projects. It also aims to promote: (i) governmental frameworks that facilitate innovation and include climate considerations (ii) the consolidation of clear visions, objectives, and urban action plans to detach a pipeline of projects that could transcend political periods; (iii) the importance of straightening public service capabilities and interdepartmental coordination for the design, implementation, and follow-up of projects; (iv) a more fluid dialogue between IDB specialist, local leaders, and other key city actors; and (v) the straightening of networks and synergies for cities to share challenges, opportunities and lessons learned. It will finance: (i) the development of the Annual Mayors' Forum; and (ii) a technical document for the Annual Mayor's Forum, focusing on the promotion of sustainable urban development.

3.3 **Component 3. Monitoring, Evaluation, and Dissemination (US$100,000).** This component objective is to measure and manage the impact at the IDB Cities Network in promoting a more sustainable urban development in the region. It also aims to promote the dissemination of lessons learned and the continuity of the network's connections with its members cities. It will finance: (i) a Cities Network's Monitoring and Evaluation Plan to define indicators to measure the network's impact; and (ii) the implementation of a communication strategy to effectively disseminate the lessons

learned and key messages from the capacity-building initiatives, and to ensure the ongoing engagement with the member cities of the IDB Cities Network.

3.4 **Component 4. Implementation and Dissemination of Urban Innovation Projects (US$150,000).** This component aims to develop and disseminate innovative solutions that positively affect LAC cities. It also seeks to incorporate innovative approaches into HUD's projects. It will finance: (i) the scouting, identification, and dissemination of innovative solutions, trends, and key stakeholders; (ii) the design and implementation of at least two pilot projects or experiments to test possible innovative solutions to climate, social, governance, and productivity challenges; and (iii) the development of proposals to assess, incorporate, streamline, and scale up urban innovation components in HUD operations. Special attention will be given to innovation trends, solutions, and changemakers with positive impacts on gender and diversity gaps in urban areas.

3.5 This component's beneficiary cities will be selected during the TC implementation, using the following selection criteria: (i) cities with urban challenges that are aligned to the thematic priorities of the platform[11]; (ii) local governments with technical capacities and political will to foster innovative ecosystems; and (iii) general alignment to IDB's priorities in the country.

3.6 The total budget for this operation is US$500,000, financed through resources from the Ordinary Capital Strategic Development Program (OC-SDP) Window 2 – Sustainability (W2A).

Indicative Budget

Activity/Component	Detailed activities	Total Funding
Component 1. Knowledge Exchange and Capacity Building for the Design of Sustainable Urban Projects.		**US$150,000**
	Diagnostic study of cities knowledge and capacity needs	US$30,000
	Capacity building program for city officials	US$100,000
	Webinars	US$20,000
Component 2. Leadership straightening in cities.		**US$100,000**
	Technical Document for the Annual Mayor's Forum	US$20,000
	Annual Mayors' Forum	US$80,000
Component 3. Monitoring, evaluation, and dissemination.		**US$100,000**
	Cities Network's Monitoring and Evaluation Plan	US$60,000
	Dissemination of lessons learned	US$40,000
Component 4. Implementation and Dissemination of Urban Innovation Projects.		**US$150,000**
	Design and Implementation of Pilot projects	US$100,000
	Knowledge Generation and Dissemination	US$50,000
Total		**US$500,000**

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[11] Mitigating and adapting to climate change, fostering the digital economy, improving the living conditions in informal settlements, addressing the housing deficit, enhancing cities' productivity and economic growth, and promoting gender empowerment and diversity inclusion.

3.7   The platform's team leaders will be responsible for supervising and executing this TC. They will work closely with IDB's Country Offices and their contacts in cities participating in the TC's activities. Disbursements will be made from IDB HQs with the support of IDB's Administrative Services and Corporate Procurement Division.

3.8   The platform's team leaders will monitor the form according to the approved budget and result matrix. It will be done annually following the Bank procedure of TC reporting and will not require additional funding.

IV.   Executing Agency and Execution Structure

4.1   The Bank will be the executing agency through the Housing and Urban Development Division (CSD/HUD), and it will be responsible for the technical supervision, execution, and administration due to the experience that the Cities Lab and Cities Network have developed across LAC. CSD/HUD will be responsible for the disbursement unit. Activities will be executed jointly with the IDB's Country Offices and their contacts in participating cities, and a non-objection will be obtained before the design and execution stage.[12] Suppose an activity is carried out within a beneficiary country. In that case, the team will get the letters of no-objection from the official liaison entity with the bank in coordination with the respective bank representation in the target country. The execution period of this TC will last 24 months.

4.2   The Bank will contract individual consultants following the guidelines set out in AM-650. The procurement process for consulting firms of an intellectual nature follows the Bank's new Policy for the Selection and Contracting of Consulting Firms for Bank Executed Operational Work (GN-2765-4) and related Operational Guidelines (OP-1155-4). Non-consulting services will follow the Bank's current procurement policies and procedures.

4.3   Its taxonomy justifies the execution by the Bank as a regional research and dissemination TC. The Bank's execution is also warranted as this is a regional TC where a regional entity with the legal capacity to execute the TC can't be identified (as stated in the guidelines OP-619-4). The TC will finance activities in and across multiple countries and institutions in LAC and thus needs a centralized and internalized execution from Bank headquarters. Also, the HUD Division and its Cities LAB and Cities Network have substantial experience in providing technical assistance, particularly in housing, urban planning, sustainability, and areas related to the activities financed under this TC.

V.   Major Issues

5.1   Three main risks have been identified: (i) complexity in the coordination with internal and external stakeholders that might affect the development of the platform's activities and outputs; (ii) institutional weakness and changes in subnational administrations, which could affect the continuity of long-term initiatives or require repeated cycles of capacity building; and (iii) cities' lack of commitment to implementing pilot projects.

5.2   The mitigation for these risks derives from the experience and lessons learned[13] from the TCs that have previously financed the activities of the Cities Lab and the Cities Network "Support to the Cities LAB activities to promote urban experimentation and

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[12]   The platform will collaborate with IDB's Country Offices (CO) to develop programming relevant to and responding to their respective countries' needs. When cities' representatives are invited to take on public speaking roles, IDB representatives will continue to be consulted for input and approval.

[13]   For more information about the Cities Lab and the Cities Network's lessons learned, click here.

civic innovation in LAC cities (ATN/OC-17313-RG); "Support for the Development and Execution of Activities of the Second Phase of the IDB Cities Network" (ATN/OC-17422-RG) and "Innovation and Knowledge Platform for LAC Cities" (ATN/OC-18804-RG); "Innovation and Knowledge Platform for LAC Cities" (ATN/OC-18804-RG); and "Leveraging Urban Innovation in LAC" (ATN/OC-19526-RG). These lessons indicate that for internal coordination, an informal network of "champions" from different parts of the IDB group (INE, IDBLAB, IFD, SOC) is needed to avoid overlaps and guarantee knowledge dissemination cross-pollination. The platform will seek to maximize established alliances with relevant stakeholders (OECD, UN-Habitat, Lab networks, and urban foundations) for external coordination.

5.3   To mitigate the second risk, the collaborative platform encourages the participation of technical personnel, civil servants, and relevant interest groups such as NGOs or city development agencies in their activities. On this matter, the Cities Lab promotes the sustainability of its experiments beyond the specific solutions by instilling an innovative mindset and culture in city officials. Also, the Cities Lab will encourage and support beneficiary local governments to create partnerships and alliances with external stakeholders, such as the private sector and civil society organizations, to promote long-term sustainability. Finally, to address the possible lack of commitment of the city governments to implementing pilots, the TC will prioritize financing projects aligned with the operational dialogue or built within the HUD active portfolio. It will always include COF specialists in articulating client needs and co-designing solutions.

VI.   Exceptions to Bank policy

6.1   There are no exceptions to Bank policy.

VII.   Environmental and Social Aspects

7.1   This Technical Cooperation is not intended to finance pre-feasibility or feasibility studies of specific investment projects or environmental and social studies associated with them; therefore, this TC does not have applicable requirements of the Bank's Environmental and Social Policy Framework (ESPF).

Required Annexes:

Results Matrix_57120.pdf

Terms of Reference_93906.pdf

Procurement Plan_27198.pdf