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■ AQ FEATURE

National to City, Diagnosis to Funding

BY [Ellis J. Juan](#)

The IDB tackles climate change at the municipal level.

For too long, Latin America's urbanization has been haphazard and chaotic. As a result, the world's most urbanized region (with over 80 percent of its population living in cities) became associated with sprawl, waste, inefficiency, pollution, and increasing vulnerability to climate change.

But a new approach to this challenge emerged on the sidelines of the turmoil-filled 2009 Copenhagen

Climate Change Conference, when Inter-American Development Bank (IDB) President Luis Alberto Moreno and a few advisors came up with the idea of helping small and midsize cities witnessing rapid growth avoid errors made by their big-city brethren.

“We all know what happened in Latin America when we combined rapid growth with poor planning, lack of financing for infrastructure and little regard for environmental and climate issues,” Moreno said in early 2012. “No one wants today’s emerging cities to become tomorrow’s crowded and unhealthy megacities.”

Two years later, we launched the [Emerging and Sustainable Cities Initiative](#) (ESCI). While we chose five pilot cities, our initial goal was to complete action plans for 50 midsize but fast-growing cities in Latin American and the Caribbean within five years.

Beyond the plan’s ambitious scope, we faced a number of organizational and funding challenges. For one, while we had a good diagnostic tool, the initiative lacked funding, not to mention partners. We spent the first couple of years designing the program and looking for money. Eventually, the IDB put up \$20 million in initial funding. An array of additional donors—from the governments of China, Japan, Austria, Switzerland, and South Korea to Mexico’s *Fundación Femsa*, International Community Foundation, Banamex Foundation, and Nordic Development Fund—has brought the total so far to \$50 million through 2015.

We also didn’t really know if the mayors, not to mention national governments, would be on board. After all, the IDB’s traditional counterparts in its partner countries were national governments, not city governments. We knew that without the partnership of mayors—and the buy-in of national governments—it would be impossible to achieve our goal of effectively changing the way leaders viewed their cities and setting them on a course of sustainable growth.

We are now well on our way to achieving our 50-city goal. Twelve cities are already in the execution phase with completed action plans, including, among others, Mar de Plata, Montevideo, Barranquilla, and Trujillo. Companies in the extractive industries are also joining in the efforts. Oil and mining companies have reached out to us to see if we can bring sustainability to cities where they have operations and that will receive large investments in coming years.

To be successful—indeed, to meet the goals of the original vision that took root in Copenhagen—we have to produce concrete results, such as building rapid transportation systems in areas that make economic and social sense, developing programs that allow residents to feel safe and helping municipalities better manage their budgets.

If the action plans that we have crafted with local partners amount to little more than a grateful handshake from a mayor, then we will have failed. Symbolic gestures will not make up-and-coming cities sustainable, nor will they improve the lives and health of their residents.

The Diagnosis

Although many Latin American cities were born with the help of top European urban planners, the practice of careful urban planning by city leaders—with a few notable exceptions, such as former Mayor Jaime Lerner of Curitiba, Brazil—was largely ignored for over a century.



Signing on to the plan: Mayor of Montevideo Ana Oliveira at City Hall in July 2010. Photo: Andres Stapff/Reuters



The action plans that we develop with local governments (and that cost close to half a million dollars each) have become powerful tools for city governments. As part of the plan, we created a schematic to measure cities on more than 140 indicators—from murder rates to water connections—complemented by consultations with local civil society groups and citizen surveys.

The resulting diagnosis provides a report card for cities, color coding those areas where the city is performing well in green, where progress is average in yellow, and where urgent action is needed in red. We then add to this exercise a list of priorities using several filters—environmental, economic, public opinion—to assist mayors in lining up their short-term priorities within a longer-term planning framework.

Throughout this process, some patterns have begun to emerge.

In several areas, the results were a surprise to me. Before beginning this project, I had thought that each intermediate-size city would face its own unique set of challenges, driven by distinct geopolitical and demographic circumstances. Instead, most cities grapple with similar problems.

Urban territorial growth, particularly in middle-income countries, has outpaced overall population growth in the past 30 years by multiples of two to three. This phenomenon helps explain the disorganized expansion of the region's urban footprints, with both formal and informal settlements taking shape in areas more exposed to natural disaster risks.

Crime and violence are almost always a top concern. Also topping most lists are concerns over municipal finances, solid waste management, water and sanitation, urban transportation, and connectivity.

Our experience and recent evidence has signaled that possibly the single most common challenge is climate

change adaptation and natural disaster management. Latin American cities are increasingly vulnerable to extreme weather disasters, some of them first-time occurrences. For example, almost three-quarters of the region's cities are located at low elevations or in areas near rivers or other bodies of water. However, the institutional capacity to manage natural disasters has not kept pace. In most cases, the capacities to respond to natural disasters are in the hands of national—not local—governments. So when disasters strike, city governments often lack the resources to respond quickly by providing disaster assistance (including potable water, food and health care), and to help residents rebuild. Most important, given the unprecedented nature of climate-change-driven disasters, municipalities are struggling with how to identify at-risk communities and help them prepare before disaster strikes.

All of this means that mayors often find themselves facing hard choices. As rural populations move to cities, informal settlements spring up. City leaders also find it hard to turn down a riverside development project that promises 2,000 new jobs and plenty of extra tax revenues, even if they suspect the area is flood-prone.

What our analysis and consultation process does is provide information that will help a mayor push back against such economic pressure. For example, we provide vulnerability maps that demonstrate the impact of simply allowing spatial growth, in contrast with more planned, risk-oriented, “smart growth” policies. The results are eye-openers for city leaders. One scenario provided for the municipality of La Paz in Baja California showed that rebuilding the clinics and hospitals that would go underwater in the event of a catastrophic flood was equivalent to 120 percent of the city's annual budget.

We are currently negotiating with the Massachusetts Institute of Technology (MIT) to develop an analytical tool that will enable governments to calculate the long-term infrastructural costs of these two trajectories: doing nothing inertial growth versus more intelligent planned policies for growth.

We have been able to turn our process of analysis, in cooperation with city governments that have signed on to this process, into a learning exercise in its own right.

In addition to gathering and organizing data, the development of our action plans is also an exercise in coordination. In particular, the addition of our sector specialists in energy, urban development, transportation, fiscal management, and citizen safety, among others, has played a crucial role when working with their municipal counterparts to thrash out the issues. For example, if the water specialist proposes a desalinization plant to provide a city with fresh water, the energy expert is on hand to determine whether there is enough energy to supply the plant, and the financial expert can weigh in on the cost. It's this balance, this understanding of complementarity and tradeoffs, that the ESCI has helped bring about.

Enter Politics and Money

Our next step is to ensure our action plans are more than just detailed clinical evaluations and that the results produce actions. If ESCI has an Achilles heel, this is it.

The political dimension is crucial. Many Latin American mayors have term limits. For example, in Mexico—a country I know well after serving as the IDB representative there for four years—the term limit for mayors is a mere three years (except for the mayor of Mexico City, which is six) with no consecutive re-election, though the congress recently voted to change the limits. Colombia also prohibits consecutive re-election of mayors.

It helps to have a politically adept mayor. Gustavo Pulti, the mayor of Mar del Plata, needed to invest in wastewater treatment, a critical component for the beachfront city that doubles in population during the peak summer months. Using the ESCI action plan, Pulti successfully lobbied Buenos Aires to include his city in

a federal wastewater treatment program. He has also secured funding for a solid waste management program.

But mayors, even clever ones, can only get so far.

Our strategy for developing citywide action plans is based on a broad process of consultations with multiple city stakeholders—including citizens, universities and city government leaders. The effort helps ensure that there is political support at a grassroots level for the recommendations, beyond mayoral terms.

Financing is also an issue. In the first cities where we completed action plans, we found that the required investments added up to \$5 billion. Even the savviest mayor would be hard-pressed to come up with this kind of money in a city the size of our target emerging cities.

As a result, over the past year, we have looked for ways to bridge the gap between the cities, ESCI and central governments, which control the big investment budgets.

For mayors, the incentive to work with us on developing an action plan is self-evident. We take on the heavy work of analysis and provide them with an indispensable tool. But the question is always where—beyond the mayors' public budgets—they can locate funding to realize some of these sensible but ambitious plans. We turned to the local development banks to help fill that gap. These banks have become our strategic partners to help turn plans into public works and real investments.

Local development banks have found in ESCI a filter to help them identify shovel-ready projects that will have maximum impact. In addition, for many, the opportunity of working with the IDB is an added bonus in terms of prestige and viability. As a result, development banks get projects they can finance quickly, and cities have been able to get money for priority projects, often within the electoral cycle of the current president of the republic.

Take the case of Bucaramanga. Prompted by our work with the mayor and local stakeholders to develop a comprehensive action plan, the Colombian national development bank Findeter will finance \$340 million in new projects for the city, focusing on water and mobility.

In a similar way, the city of Barranquilla is getting the equivalent of \$100 million in long-term financing from the IDB, together with Findeter, to redevelop poorer neighborhoods, build a new control center for traffic, promote security and disaster prevention, and upgrade its budget processes.

Teaming up with a local development bank has another benefit. When the development bank takes ownership of a project flagged as a priority by our broad analysis, it becomes a strong local partner in encouraging a new mayor to stay the course.

Local development banks give the program much greater reach. ESCI was originally designed and staffed for a handful of cities, but we are now growing quickly to reach our 50-city target. By working with local development banks, the initiative could potentially leave a much longer-lasting legacy of holistic and multi-sector support and planning (what we call a regional public good) for an even bigger contingent of cities.

We are doing this by training technical teams within local organizations to implement ESCI methodology. This is the arrangement we have with local development banks like Findeter and Caixa Econômica Federal in Brazil. In Mexico, we will work with Banco Nacional de Obras y Servicios Públicos (Banobras) and nonprofits, such as the *Instituto Mexicano para la Competitividad* (Mexican Institute for Competitiveness), to complete the action plans for Xalapa and Campeche, capitals of Veracruz and Campeche states. We are

currently also hosting conversations with the Ministry of Housing in Peru to create a strategic partnership that would implement the ESCI program under their *Nuestras Ciudades* program.

It Won't Work if We Don't Get Project Preparation Funding

We still face one big bottleneck in ensuring that our action plans lead to concrete actions by cities. For a project to move from an action plan to shovel-ready to finance-ready—be it from a local or multilateral development bank or other financial institutions—there is a critical component in between: project preparation studies. A road engineering study costs about \$700,000—hardly the kind of money available to midsize cities. Even central governments are hard-pressed to finance such studies, given multiple demands. Early on, we anticipated this problem, and in the ESCI budget each city receives around half a million dollars to conduct one project preparation study. But it's not enough. The cost of these studies to determine the priority interventions for the cities where we've completed action plans is \$40 million.

We don't have that. So, we are working on a new, special fund that would finance these critical feasibility studies. We have been reaching out to the private sector. Companies will benefit from our efforts because we create a list of concrete projects ready for execution that these companies will eventually end up carrying out. We need this fund to be significant and strong, so that we can close the circle on identifying the sustainability problems for cities, lining up corresponding projects and getting the work started.

Finally, I must note that the success of ESCI also rests on something a little less tangible: the level of engagement by the mayor and relevant national authorities.

We have found that the best gauge of a mayor's intentions comes from spending time with him or her, discussing the direction of the city and the leader's vision, and spending time outside walking the city center. This gives us a feel for the mayor's enthusiasm, and a guarantee that we will work together to change the future of cities in Latin America and the lives of the people who live in them. Multidisciplinary work directly with cities, with an integral view toward sustainability, reflects the new realities and challenges of our region. The lives, health and welfare of Latin Americans are increasingly linked to the way in which we define urban infrastructure and the fiscal health and governance of cities, and the way they affect quality of life.

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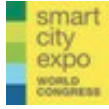


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