



Urban Sector Operational Strategy

2021-2025

Sustainable & Inclusive Urban Development



Urban Practice Unit

Economic & Social Infrastructure Department

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Sustainable & Inclusive Urban Development

URBAN SECTOR OPERATIONAL STRATEGY, 2021-25

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ACRONYMS & ABBREVIATIONS

10YS	IsDB Ten Year Strategy
BED	Board of Executive Directors
BMGF	Bill & Melinda Gates Foundation
BPRD	Budget, Performance and Results Department
CCU	Climate Change Unit
COO	Chief Operating Officer Directorate
CPO	Chief Product and Partnership Officer Directorate
CSC	Country Strategy & Cooperation
CWIS	City-wide Inclusive Sanitation
DoST	Department for Strategy & Transformation
EE	Energy Efficiency
EID	Economic Infrastructure Division
ESID	Economic & Social Infrastructure Department
ESCO	Energy Service Company
FS	Faecal Sludge
FSM	Faecal Sludge Management
GHG	Green House Gases
GVC	Global Value Chain
IFSDD	Islamic Financial Sector Development Department
IUOM	Integrated Urban Operating Model
IsDB	Islamic Development Bank
MC	Member Country
MDB	Multilateral Development Bank
MCPS	Member Country Partnership Strategy
NDCs	Nationally Determined Contributions
OED	Operations Evaluation Department
P5P	President's Five-Year Plan
PPP	Private-Public Partnerships
RE	Renewable Energy
RH	Regional Hubs
RSD	Resilience and Social Development Department
SDG	Sustainable Development Goal
SID	Social Infrastructure Division
STI	Science, Technology & Innovation
TA	Technical Assistance
TST	Transport Sector Team under PCO
UST	Urban Sector Team under CPO
US	Urban Specialists with CPO & COO Staff
UN Habitat	United Nations Human Settlements Program
USOS	Urban Sector Operational Strategy
USP	Urban Sector Policy
WATSAN	Water and Sanitation
WST	Water Sector Team under CPO
WYE	Women & Youth Empowerment

“Unsustainable cities are burdening the future of our societies and, without definitive commitment to invest in innovative technologies, our cities will remain unprepared for the challenges associated with rapid urbanization¹.”

H.E. Dr. Bandar M.H. Hajjar

Former President, Islamic Development Bank and
Chairman of the Board of Executive Directors

¹ H.E.'s speech delivered at the Transformers summit in December 2018, in Cambridge, UK.

EXECUTIVE SUMMARY

Most IsDB Member Countries (MCs) are passing through their most formidable stages of urbanization. How they manage that process -- leveraging it for sustainable and inclusive economic growth or becoming overwhelmed with informality, slums, and growing urban unemployment -- will depend to a great extent on whether they have a sound urban policy framework and a commitment to keep pace with needed urban investments. In that regard, IsDB is well-positioned to be a supportive partner, bringing crucially needed technical know-how and financing to promote sustainable and inclusive urban development.

IsDB approved its first comprehensive Urban Sector Policy (USP) in September 2020 and this Operational Strategy serves as a guiding framework for implementation of the USP over the coming five years (2021-25). This strategy is designed to align the actions and practices of the Urban Sector (staff under the CPO and COO directorates) with global and corporate urban development policy goals specifically the SDG11, SDG6 and SDG13. It is also designed around two main implementation modalities namely: (i) the Integrated Urban Operating Model (IUOM) and (ii) the Priority Interventions by Regional Groups, Country Attributes and Income Classification.

Urban is a sector and a space at the same time; as such the **Integrated Urban Operating Model** reflects the fact that many different IsDB sector and thematic teams will be working in urban space and thus the IUOM provides a basis for “co-location”, fostering cooperation and collaboration among IsDB CPO & COO Sector Specialists to provide IsDB MCs with a seamless package of investment financing and technical know-how to take on the growing challenges of urban development. Using the IUOM approach will help to develop “co-location” of projects, leverage synergies and cooperative engagement of multiple IsDB sector and thematic teams and expertise to support urban development. While the possibilities for collaboration are quite extensive, this IUOM elaborates several specific modes of collaboration and ways of determining lead and supportive roles where there are areas of intersection.

The second implementation modality recognises that every country has its unique history, political configuration and cultural identity. Besides, there are general patterns of development assistance needs across country income groups, regional groupings, and special needs and priorities for landlocked, fragile and conflict-affected countries (FCA). Based on these broad characteristics, and in line with the country-focused selectivity, this Urban Operational Strategy makes an attempt to outline **Priority Interventions by Regional Groups, Country Attributes and Income Classification** and for landlocked and Fragile and Conflict Affected (FCA) countries.

The implementation arrangement also emphasises the important role played by development partners in the urban sphere and strives to encourage and promote active

partnerships to "share the burden" and optimize the delivery of urban development assistance to IsDB MC cities in line with the President' 5-Years Programme (P5P, i.e. Linkages pillar).

Finally, the Urban Operational Strategy focuses on establishing and regularly updating a monitoring framework with key performance indicators and supporting indicators. By configuring these elements up front into the design of urban development projects and activities, the outcomes and impact of IsDB urban development assistance will be easier to monitor and more likely to yield tangible, robust results as recommended by the P5P (i.e. Delivery pillar). As such, this strategy is as relevant and important to IsDB management as it is to individual team members working in urban space.

This Operational Strategy is a living document and should be reviewed, revised and updated during its five-year implementation period.

I. INTRODUCTION AND SECTOR BACKGROUND

This Urban Sector Operational Strategy (USOS) is a tool aimed at guiding implementation of IsDB's new Urban Sector Policy (USP), which was approved by IsDB's Board of Executive Directors (BED) in September 2020. This is the first USP ever adopted by IsDB, where urban sector operations, which began in 1976, have been guided by an Urban Sector Guidance Note since May 2012. The USOS spans a five-year period from 2021-2025 and provides a framework for monitoring USP implementation and tracking development impacts planned from year to year during that period.

IsDB's USP, on which the USOS is based, recognizes the critically important role played by cities in IsDB Member Countries (MC) today, as many are experiencing periods of unprecedented urban growth, as well as economic structural transformations from economies once dominated by the agricultural sector to industrialized economies where manufacturing and service sectors are growing dramatically. This transformation is coinciding with an urban transition in many IsDB MCs, which will help to fuel the formation of strong labor markets in cities and other urban areas that can promote economic and productivity growth, as well as sustainable and inclusive development. As more labor shifts to higher productivity manufacturing and service sector activities in cities, agricultural productivity will also likely improve over time, thus benefitting sectors across the IsDB MC economy.

This USOS tries to synthesize and integrate the guiding principles of the USP that carry over important elements from IsDB's organizational policies and strategies as well as those that represent global good urban management practices². These guiding principles comprise (i) *Country-focused Selectivity* to ensure that IsDB support for the urban sector is appropriately customized and tailored to the needs of MCs, (ii) *Capacity Building and Knowledge Sharing*, which recognizes that development solutions are dependent not on infrastructure alone but also on good urban management practices that are built upon lessons learned regionally and globally, (iii) using innovative *Financing Mechanisms, including PPPs*, because financial resources are scarce and need to be optimally deployed with opportunities for private sector participation fully leveraged, and (iv) *Women and Youth Empowerment*, which is particularly important in urban areas where there are growing youth bulges in many MCs and the need to incorporate their needs, as well as those of women and other disadvantaged groups to achieve sustainable and inclusive urban development.

While conventional sector operational strategies are prepared almost exclusively for staff within that practice group, the USOS is designed primarily for Urban Sector management and staff (under the CPO), but also for several other key internal development partners at the sector and thematic level. This is because the USOS

² As reflected in the SDGs, NUA, and other relevant global urban policies.

adopts an *Integrated Urban Operating Model for CPO directorate*³ and is aimed to enhance the interface and close collaboration among IsDB sectors and thematic teams within urban space. As such, this USOS elaborates working mechanisms for “co-location”, joint programming, composing of multi-skill set project and operations teams that integrate other sector and thematic group staff within urban operations.

The USOS also develops a rigorous performance monitoring framework to track implementation of the USP and individual project performance, which at times may complement and contribute to other sector and thematic performance areas. Monitoring indicators are built on a range of envisaged outputs, and outcomes, depending on the nature of the intervention and have strong linkages to the SDGs and other standardized metrics for monitoring urban development. Supporting monitoring indicators will enable the USOS to ensure that guiding principles and cross-cutting enablers are fully utilized and leveraged during the implementation process and monitored over time.

To be practical and flexible, the USOS provides guideposts and indicative standards and topics to facilitate and guide the work of Urban Sector Specialists both from CPO & COO directorates, their complementary team members from other thematic groups and sector specialists. It is deliberately not intended to be overly prescriptive or rigid in setting out the framework, and where implementation bottlenecks may arise, they should be revised and refined in this USOS to ensure it is an effective living and working document.

³ As advocated for in the IsDB Urban Sector Policy.

II. SECTOR CONTEXT AND TRANSITION CHALLENGES

A. Sector Context

The twenty-first century has often been called the urban century or the century of cities. It's not difficult to see why. For the first time in human history, the world's urban population surpassed its rural population in 2008 and the urban growth trend that fueled it is continuing, exponentially in fact, with demographic projections suggesting that cities will add another 2.5 billion inhabitants by 2050⁴.

Rapid urbanization is a dynamic force taking place across the developing world, but it's focused in two IsDB sub-regions in particular – Sub-Saharan Africa (SSA) and South Asia (SA). This *urban transition* that most IsDB MCs are experiencing today calls for a concerted focus on preparing IsDB MC cities to manage their transition *sustainably* and *inclusively*. This is a tall order for many secondary cities that just a few years ago were small towns with modest administrations. IsDB therefore has a critically important role in helping IsDB MCs manage their urban transition effectively, leveraging the tremendous new economic potential that comes with urbanization, while minimizing the down-side risks so that its MCs can achieve the SDG11 by 2030.

Globally, cities account for some 80 percent of a country's gross economic output⁵. No longer are cities and towns being viewed as simply the providers of basic services. Today, they are expected to supply world class infrastructure and develop efficient management systems and services at an unprecedented scale to improve livelihoods, create jobs, and stimulate innovation and modernization for today's emerging market countries. The risk of not being positioned to do so will consign millions of new urban migrants to living in informal housing and slums, without security of tenure; create large and growing pockets of unemployed youth with limited economic prospects and increasing social instability; and consume larger amounts of valuable arable land because urban planning is failing to promote density and avoid costly urban sprawl.

Urban health has come to the forefront agenda with the spread of COVID-19 pandemic. The World Health Organization introduced the concept of Healthy Cities in 2008, although the Healthy cities programmes was first introduced in Canada, America and Australia in 1986. **Healthy Cities is a framework for a participatory process initiated by WHO to respond to health issues that have emerged due to urbanization.** The report of the WHO Commission on Social Determinants of Health highlights the importance of urbanization and urban settings on physical and psychological well-being and highlighted the need to “place health and health equity at the heart of urban governance and planning”⁶

⁴ 2018 Revision of World Urbanization Prospects, United Nations Dept of Economic and Social Affairs, 2018.

⁵ World Bank Urban Global Practice Profile, 2019 (worldbank.org/urban development)

⁶ Closing the gap in a generation: health equity through action on the social determinants of health. Final Report of the Commission on Social Determinants of Health. Geneva: World Health Organization, 2008.

IsDB MC cities are facing significant challenges today. For many of them, more than 50 percent of their urban populations are living in informal urban settlements or slums⁷; the transition to an urban economy with the promise of productivity gains and expanding employment for growing populations is constrained and not delivering on its promise due to (i) lack of sufficient urban land serviced for manufacturing investment and operations; (ii) urban roads and other municipal services are overwhelmed by growing populations without sufficient investments in infrastructure or adequate urban planning and management systems.

Mega-Cities. Mega-Cities are becoming an increasing urban management challenge in IsDB MCs. Of the top 28 cities in the world by population size, a considerable seven or 25 percent are in IsDB MCs. MENA region is represented most prominently with five, led by Cairo; Asia region is next with two, headed by Jakarta, which is estimated to be the third largest city in the world; but SSA countries are also represented by Lagos, which has over 21 million inhabitants, ranking it at as the fourteenth largest city in the world. With increasing urban growth pressures, IsDB MCs will need to develop more sophisticated urban management systems to deal with the complexity that comes with size and to avoid the negative externalities of congestion spillovers on urban efficiency and productivity.

Secondary Cities. While much of the attention these days is paid to megacities (generally with populations of 10 million and upwards), which have shifted from once being mainly concentrated in high income countries to now being concentrated in developing countries, secondary cities have often been overlooked. This is unfortunate because most urban inhabitants still reside in cities of 500,000 or fewer inhabitants (50 percent), and they perform important functions within a country's system of cities, particularly during periods of rapid urbanisation.

First, they provide can provide regional balance across a large geographic country, serving as service and manufacturing hubs to the small towns and villages within the region. Second, they can absorb the "overflow" from large megacities, by offering an alternative, more affordable urban alternative to their larger counterparts. Housing is generally more affordable, congestion is generally much less, and quality of life in some respects can be much better. Third, they can help a country retain its manufacturing base as large megacities shift to primarily service-based economies and land costs rise, making manufacturing less cost effective. Many countries will experience an outflow of manufacturers to the periphery of a larger megacity or to an alternative secondary city, provided there are strong transport connections that prevent the cost of moving goods prohibitive for firms located outside a primate city.

Secondary cities are in many OIC countries growing as fast or faster than primate cities. While urbanisation is often discussed as a mega city growth phenomenon, over the past two decades secondary cities are in many instances contributing more towards urban growth than their primate counterparts both globally

⁷ World Development Indicators, World Bank, 2014 Data.

and in Organization of Islamic Cooperation (OIC) countries. Globally, secondary city growth has been exponentially high over the last half century when cities of 500,000 grew from 14 in 1950 to 202 in 2015 and are expected to reach 343 by 2035. Within this global context, OIC countries are urbanizing faster than their non-Islamic counterparts, averaging over 3 percent urban growth annually. (SESRIC 2019).

Taken together, OIC countries account for 22 percent of the world's urban population despite having eight countries (Uganda, Niger, Chad, Comoros, Tajikistan, Afghanistan, Guyana and Burkina Faso) that rank among the 20 least urbanized countries. In Turkey between 2000-12, many secondary cities -- such as Bursa, Gaziantep, and Kocaeli (often referred to as Anatolian Tigers) have consistently outstripped Istanbul in terms of their annual urban growth. (World Bank 2015) This noteworthy rapid urban growth in OIC secondary cities is not only happening in large land-mass, high-middle income countries, such as Turkey, but also in lower income countries with secondary cities like Batam (Indonesia), Nnewi (Nigeria), and Abomey-Calavi (Benin), which are among the fastest growing OIC cities, all of which are growing at a pace of over 6 percent annually. This reality underscores the need for IsDB's urban policy to have a specific angle on assisting MCs with rapid urban growth in secondary cities. (SESRIC 2019).

2020 represents an important milestone in IsDB urban sector team history, as it is the year in which the first Urban Sector Policy (USP) has been issued (Sept 2020), and now is coupled with this Operational Strategy to ensure effective implementation of the USP over the coming five years (2021-25). The new USP and this Operational Strategy are designed to align with both global urban policy trends and IsDB corporate strategies and policies, but also with the growing and transitioning demands of IsDB MCs in their quest to better manage their urban transitions. Much of the world's attention has been focused on the burden cities face in hosting larger and rapidly growing urban populations -- in other words, people in numbers that were never fully planned for.

Rapid urbanization will be a dominant trend over the Operational Strategy's implementation period in the next five years. Many IsDB MCs are struggling with a growing wave of rural-urban migration that is shifting rural poverty to urban poverty, largely because many cities are not designed, planned, and managerially equipped to handle the rapid growth that is taking place. IsDB's Operational Strategy will therefore focus specifically on helping IsDB MC cities to better manage urban growth with improved urban strategic and spatial planning, financing for investments in crucially needed urban infrastructure, helping to develop urban development policies and plans that enable the market to respond to rapid urban growth, paying greater attention to supporting urban economies that will generate the jobs that are needed to accommodate the growing influx of rural migrants.

Urban economies are a major focus today of IsDB MC cities because many, though not all, have not been able to generate the jobs and economic opportunities to facilitate their country's transitions from a prior over-reliance on the agricultural sector, while demographics indicate that cities are in many cases not positioned to promote industrial and service sector growth that is a vital part of their economic transition. Working closely with other departments within IsDB, there are now opportunities to help cities position themselves to better exploit Global Value Chains (GVC) that can help improve both city and national economic growth and competitiveness. Investments in promoting urban economies will also help IsDB MC cities to become more inclusive by generating economic opportunities for youth and the many other dislocated, unemployed urban residents, thereby promoting urban poverty reduction.

Urban Mobility has become a major concern for rapidly urbanizing cities globally, and in IsDB MCs in particular. Urban congestion contributes significantly to air pollution, while economic productivity is constrained by cities that pose daunting challenges to navigate, particularly during commuting times, and especially for lower income households, which are typically located at the periphery of the city. Urban mobility improvements, including public transport, dedicated bike paths and pedestrian walkways, provision of adequate off-street parking, relieving congestion through intersection improvements and road widening at pinch points, and improved smart traffic management systems, are just a few ways the IsDB is positioned to help MC cities confront major urban mobility challenges to improve their sustainability and make them more inclusive for women, lower-income households and other traditionally overlooked groups in society and hence help them achieving the SDG11.

Urban Housing & Slum Upgrading stands as the central pillar of the USP and will be reliant on effective implementation of this Operational Strategy to address one of the most critical urban challenges, which will be supported and reinforced by the other pillars. As IsDB MC cities rapidly urbanize, urban housing markets have become overwhelmed with unanticipated urgent housing demands. Several IsDB MCs have over 50 percent of their populations living in informal settlements and slums in their growing urban areas. Many of the key problems are on the supply side with inadequate urban planning that anticipates the growth in new residents and uses planning and zoning regulations to enable densification, adequate land and regulatory provisioning for residential development, and infrastructure to service new developments. IsDB will continue to provide ongoing support for slum upgrading, as in the past, but greater emphasis will be placed on developing an enabling market for private investment in housing, including provisioning for low income households. A strategic blend of policy guidance, technical support and infrastructure financing to ramp up new housing development, as well as support for incremental improvements to existing housing stock and slum upgrading will be provided to IsDB MCs to address this most urgent need.

Urban Water and Sanitation represents the largest share of the current IsDB Urban Sector portfolio and that is expected to remain the case for some time, as demand for water and sanitation improvements continues to be robust and urgent in IsDB MC cities. However, there will be an increased focus on improving utility and water supply/sanitation service management to reduce unaccounted for water losses, attention to improvements in water quality, as well as efforts to promote cost savings and enhance the sustainability and inclusiveness of water supply and sanitation services. Recent partnership agreements signed with global partners, such as the Bill and Melinda Gates Foundation, will enable IsDB to help MCs ensure sanitation services are inclusive, for example, by following a City-wide Inclusive Sanitation (CWIS) approach, and sustainable by applying Faecal Sludge Management (FSM) technologies in managing household collections and the residual from wastewater treatment, and finally sustainable solid waste management. IsDB will continue to be supporting the design of water and sanitation systems that are responsive to IsDB MC city needs without overburdening beneficiaries with complicated systems that cannot be operationally sustained over time and, hence helping them achieving the SDG6.

Cities and Climate Action now figures prominently on IsDB's Urban Sector Policy and is combined with *Disaster and Environmental Resilience*. It is widely acknowledged that cities consume most of a country's energy resources and generate a substantial portion of GHG emissions. Aligning with the global Sustainable Development Goals (SDGs) and to promote improved sustainability in IsDB MC cities, this Operational Strategy will support increased diagnostic work and green investments aimed at enabling cities to identify concrete ways of mainstreaming renewable energy and energy efficiency options, reducing carbon emission in urban transport interventions, and providing MC cities with the tools to monitor and track their performance over time in a view to reach the SDG13 by 2030.

Other ways of supporting cities in the midst of the COVID-19 pandemic will include specially targeted measures to improve urban spacing, enhance health care facilities, and increase awareness of city populations of the measures to take to improve resilience against natural disasters, such as COVID. This USOS will help achieving the 'Healthy cities approach'⁸ into its investments in MCs. Being a Healthy City will rely upon, a commitment to improve a city's environs and a willingness to forge the necessary connections in political, economic, and social arenas to i) provide a health-supportive environment ii) provide a good quality of life, iii) basic sanitation & hygiene needs, and iv) supply access to health care⁹.

⁸ A healthy city is one that is continually creating and improving those physical and social environments and expanding those community resources which enable people to mutually support each other in performing all the functions of life and developing to their maximum potential.

⁹ https://www.who.int/healthy_settings/types/cities/en/

B. IsDB Urban Sector Operations & Lessons Learned

Outlook. The genesis of IsDB's urban development sector program dates to 2009 when the Urban Development and Services Division (UDSD) was established under an organization reform at IsDB. Historically, however, the IsDB's urban and water investment financing dates back to 1976. A second reform was undertaken in January 2018 when the UDSD was folded into the Social Infrastructure Division (SID) which remains in place until January 2021. As of today, Urban Sector and Water Sector have been merged into one Unit alongside the Education and Health Units which are all part of the Economic and Social Infrastructure Department (ESID). The Urban Sector is among the largest in terms of volume of lending and number of operations. During the forthcoming operational strategy period (2021-2025), it can be expected that the newly adopted Urban Sector Policy (USP) will shape the operational strategy in the following ways: (i) the urban portfolio will diversify to include more operations in dedicated policy pillars for urban economy, urban mobility, and climate/disaster resilience, which did not exist as distinct pillars before; (ii) given the urgency of need and indicative strong demand from MCs, Urban Housing can also expect to expand; (iii) Urban Water and Sanitation is expected to remain roughly the same in operations and financing volume as the prior five years, but will likely shrink in relative terms as a share of the portfolio; and (iv) in terms of regional engagement, it is expected that MENA and SSA will likely increase slightly with potential for deeper engagements in Uganda and Nigeria (SSA), while ASIA should see a strong upsurge in urban operations, based both on urban development needs and the relatively limited Urban Sector coverage of the sub-region in the past, particularly Indonesia, which is facing significant challenges in urban transport, urban water and sanitation, and climate/disaster/environmental resilience.

Sub-sector Composition of the Urban Portfolio. A vast majority of IsDB's current Urban Sector Portfolio is comprised of urban water, sanitation, or integrated water and sanitation projects, which, taken together account for 72 percent of the portfolio. (See Figure 1 below) The second largest sub-sector of the urban portfolio is Urban Infrastructure, which generally includes integrated elements of roads, sidewalks, and street lighting, public spaces and facilities, cultural heritage investments, and integrated infrastructure for urban serviced industrial land, among others. Storm water drainage infrastructure is a relatively small portion of the portfolio at 5 percent, while housing and solid waste comprise only one percent each.

The Urban Sector Team is poised for growth in portfolio lending with newly defined business lines under the urban economy, urban housing, and urban transport and climate pillars. While the current portfolio composition represents a "revealed preference" of MCs in terms of their development priorities, many factors figure into portfolio composition, including a financial institution's lending capacity, country operation coverage of sector staff, among other factors. Global trends and IsDB's own

portfolio shifts are beginning to show emerging demand for supporting MCs in building urban economies, housing and slum upgrading, and urban transport as many of IsDB's MCs are facing the toll of congestion on urban roads. These are all areas of potentially strong growth for which the Urban Sector Team will need to be well positioned. Putting in place the new urban policy and operational strategy should help reversing the trend in the urban water/sanitation share of the portfolio (in relative terms) and the emergence of distinct practice areas in urban economy, housing and slum upgrading, urban transport, and likely in climate, disaster, and environmental resilience.

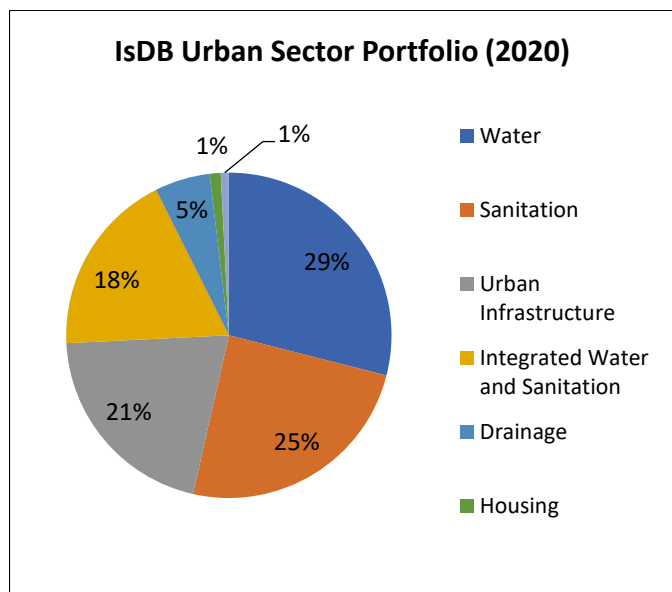


Fig.1 IsDB Urban Sector Portfolio (2020)

Global trends in urban operations growth is illustrated in the evolution urban portfolios in other MDBs. Following their issuance of new urban strategies and diversification of urban operations to include emerging areas of demand, the World Bank's and ADB's urban portfolios have experienced substantial new growth over the past 5-10 years. For this to happen at IsDB in response to MC demand, the Urban Sector (both under CPO & COO) will need to be well-resourced, backed by solid outreach to MCs, and monitored and tracked well. A first step to enable this is by the creation of dedicated policy pillars in the USP for urban economies, urban housing, urban mobility and for climate/disaster resilience, which was not the case previously.

Beyond urban sub-sectors, there are issues for the Urban Sector to address in regional and country engagements. Taken together, from 1976 to Q2-2018, 316 Urban/Water operations have been financed at an aggregate total of US\$7,027 million. Over the past nine years, (2009-18), IsDB has extended financing to operations in the urban sector estimated at US\$4 billion, making it one of the more prominent sectors for development assistance at IsDB. Table 1 below outlines the historical composition and breakdown of the urban portfolio by regional grouping. MENA region countries exceed the other two regions in terms of urban project financing volume, while SSA has tallied a relatively large number of operations of lower financing amount.

In Asia, Bangladesh has been the primary beneficiary of urban operational lending with 11 projects and over US\$230 million in IsDB financing. There is a large dip after that in countries like Indonesia and some of the Central Asian republics, which have only had 1-3 IsDB urban operations each over the last few decades, suggesting there might be scope for increased urban development assistance there based on their

objective need to facilitate the urban transition under all five pillars of the USP. Specific countries of focus should be in Indonesia and several of the Central Asian Republics (Uzbekistan, Tajikistan, Turkmenistan, and Kazakhstan), all of which are low or lower-middle income countries with the exceptions of Turkmenistan and Kazakhstan.

In MENA, most IsDB MCs are well represented with urban operations. However, conflict-affected countries, such as Iraq, Afghanistan and Palestine have only benefitted from one urban operation in total, suggesting that there is more that needs to be done by the Urban Sector in helping to address conflict-affected countries in the region. This is particularly important for the Urban Sector because urban operations, which often use integrated skills and methods to support neighbourhood or district upgrading, will help IsDB better respond to urgent needs for urban water and sanitation access and urban road reconstruction during reconstruction and recovery periods.

In SSA, IsDB Urban Sector engagement has been generally broad and well distributed across the region's MCs. Over the coming five year implementation period for the Operational Strategy, the distribution by country across the region is expected to remain largely the same. However, given major urban challenges in Nigeria and Uganda, in which only 3 and 2 IsDB urban operations have been implemented, there is significant scope for an increase in both number of operations and lending volume.

Table 1: IsDB Urban/Water Investment Project Portfolio (1976 - Q2/2020)

Regional Grouping	Number of Urban/Water Projects	Average Number of Projects per Country	Urban/Water Financing Volume (millions)	Average Urban/Water Financing Amount per Operation (millions)	Average Urban/Water Financing Amount per IsDB MC (millions)
<i>MENA</i>	163	6.8	\$4,579.60	\$28.10	\$190.82
<i>SSA</i>	135	5.9	\$2,096.60	\$15.53	\$91.15
<i>ASIA</i>	20	2	\$478.50	\$23.93	\$47.85
TOTAL/AVG	318	4.9	\$7,154.70	\$22.50	\$125.52

Source: Author Calculations based on data from IsDB Operations At-A-Glance (Q2-2020) Report

Table 2 (below) shows a breakdown of the top 17 IsDB MCs by number of urban/water projects financed by IsDB from the inception of its urban/water program.

The numbers are generally in line with current IsDB MC regional composition.

MENA is the largest country grouping with 24 MCs, followed by SSA with 23 MCs, and ASIA with 10 MCs. Bangladesh is the only country represented by the ASIA (Group 3) country cluster in the top 17. Apart from Bahrain (high income) and Lebanon (upper middle income), all other countries in the top 17 are lower-middle or low income countries.

Going forward, the Operational Strategy will be devoted to exploring latent, untapped demand for urban development support in countries where the Urban Sector has not been prominently engaged in the past, including ASIA as a region, and some sub-regional countries in SSA in particular, such as Uganda (currently with the fastest urbanization rate in the world) and Nigeria (with one of the largest megacities in SSA and many critical urban challenges to be addressed in secondary cities beyond Lagos and Abuja). With Urban Housing and Slum Upgrading now serving as a prominent central pillar of the new Urban Sector Policy, countries in SSA and ASIA in particular will need to be a greater focus of support in this sub-sector, building on the positive experience gained in Indonesia and elsewhere.

In MENA, where many of the high and upper middle income countries are located, an increased emphasis on sustainability will be needed by helping IsDB MCs improve water conservation measures at the city level, reduce urban congestion, enhance the performance of urban economies, and ramp up climate actions.

Table 3 (below) presents the top 17 IsDB MCs by amount of IsDB financing received for urban operations since the inception of urban/water lending. Iran is by far the largest borrower, followed at a distant second by Oman. With an average country income about 9 times larger in MENA than SSA and about nearly double ASIA, the financing distribution is likely reflective of borrowing capacity of IsDB MCs by regional composition. With only two ASIA countries represented and increasing urban development needs, ASIA is projected to expand under this Operational Strategy, but that will be dependent on MC demand and the deployment of IsDB human and financial resources to respond to any latent ASIA demand.

Table 2: Top 17 IsDB MCs with Urban/Water Projects (1976 -Q2 / 2020)

IsDB Member Country	IsDB Regional Group	Income Category	No. of Urban Projects
Senegal	SSA	LM	22
Morocco	MENA	LM	20
Lebanon	MENA	UM	17
Tunisia	MENA	LM	17
Sudan	SSA	LM	17
Iran	MENA	UM	15
Mauritania	MENA	LM	15
Guinea	SSA	L	12
Bangladesh	ASIA	LM	11
Algeria	MENA	LM	9
Mali	SSA	L	9
Yemen	MENA	LM	9
Bahrain	MENA	H	8
Burkina Faso	SSA	L	8
Egypt	MENA	LM	8
Syria	MENA	LM	8
Cote d'Ivoire	SSA	LM	8

Many Fragile and Conflict-Affected states are in the MENA region and have experienced significant economic distress and will likely need recovery operations on modest terms given that their ability to repay has been severely compromised in recent years. Special consideration should be given to how IsDB will engage with other donors in "sharing the burden" of support for countries overwhelmed by refugees (Jordan, Lebanon and Iraq), facing severe financial distress (Lebanon), or recovering from extended periods of instability (Tunisia, Libya, Egypt, Syria, and Iraq).

Table 3: Top 17 MCs with Urban/Water Operations by Financing Amount (1976 - Q2 / 2020)

IsDB Country	IsDB Region	Income Categ.	IsDB Projects	IsDB Financing (millions)
Iran	MENA	M	15	\$1,228.2
Oman	MENA	H	6	\$583.5
Senegal	SSA	LM	22	\$514.6
Lebanon	MENA	UM	17	\$497.2
Bahrain	MENA	H	8	\$461.0
Morocco	MENA	LM	20	\$431.5
Cote d'Ivoire	SSA	LM	7	\$428.1
Azerbaijan	MENA	UM	4	\$265.2
Qatar	MENA	H	3	\$243.4
Tunisia	MENA	LM	17	\$242.7
Bangladesh	ASIA	LM	11	\$231.6
Sudan	SSA	LM	17	\$173.7
Algeria	MENA	LM	9	\$162.6
Nigeria	SSA	LM	3	\$146.0
Mauritania	MENA	LM	15	\$145.9
Mali	SSA	L	9	\$118.9
Indonesia	ASIA	LM	3	\$115.8

C. Urban Water and Sanitation Portfolio Review and Lessons Learned

OED carried out a comprehensive evaluation of IsDB's water and sanitation (WATSAN) portfolio that it issued in a report in February 2020. The evaluation spanned from the very inception of IsDB financing for WATSAN to October 2015 (1436H). Of the 332 projects reviewed, 238 have been completed, 89 remain active, and five were cancelled or frozen. The scope of the evaluation was to assess (i) project quality in design and implementation, (ii) results or impact of the project, and (iii) lessons learned. The key findings that need to be factored into this Operational Strategy were the following:

- **Relevance.** All of the project goals and objectives were found to be *highly relevant* and consistent with MC development strategies as reflected in national and regional plans, or national emergency programs.
- **Analytical Underpinnings.** A key deficiency was noted in the *lack of comprehensive technical and feasibility studies at project appraisal*, which often led to a relatively high number of changes in the project scope due to hydrological conditions that were not anticipated by the investment project at inception. Only 15 of 37 projects had Cost Benefit Analysis (CBA), EIRR or FIRR

completed by appraisal for the investments to be financed, and only 8 projects had post-project evaluations including CBA.

- **Project Preparation.** An additional observation was that a number of WATSAN investment projects had a flawed design due to (i) lack of identification of the project's *target beneficiaries* at inception, (ii) *poor siting of bore holes*, and (iii) *lack of in-depth consideration of social and cultural acceptance of the intervention*.
- **Effectiveness.** The WATSAN program's effectiveness as a whole in meeting intended results was good overall. Notable among the key achievements were (i) provision of rapid access to water points in reduced time by women; (ii) improved access to water overall in terms of volume of water consumed and coverage; (iii) improved health conditions with a reduction in water borne diseases and infant mortality, attributable to the projects; and (iv) increased meat and milk production in rural farm settings. Rural water interventions, however, were not found to be as effective as urban operations.
- **Efficiency.** The average *project performance was found to be less than the ideal efficiency*, mainly due to a large number of cost variations (actual costs were 69.8 percent higher than estimated costs) on sewage projects, compared to integrated water/sanitation project, which had cost under-runs in aggregate. The large number of variation orders and high cost of them was also a notable deficiency with respect to efficiency, leading to extension of the average implementation period from 4.8-6.7 years. A number of causes were cited for inefficiencies, including (i) lack of hydro-geological studies completed by appraisal stage, (ii) lack of financial and technical capacity of the beneficiary water utility or entity, (iii) delays in the delivery of vital equipment that was sourced from abroad, and (iv) lack of familiarity with IsDB procurement procedures, which caused delays.
- **Sustainability.** Sustainability of the projects varied. 19 percent were rated most likely and 43 percent likely to be sustainable, while **38 percent were rated less likely to be sustainable**. A number of reasons were cited, including (i) absence of a suitable regulatory framework for cost recovery from users, (ii) a weak institutional environment, (iii) absence of systematic assessment of co-financiers, though it was found that parallel financing of other donor projects had a positive effect in general on IsDB performance with the Kampala Urban Water Supply Project being one positive example.

Lessons Learned & Recommendations in IsDB WATSAN Projects. Lessons learned from the evaluation of IsDB's WATSAN Program can be summarized as follows:

- **Financial and Management Planning.** All receiving water utilities or entities should have a clear financial and managerial plan and provisions for operating and maintenance (O&M) of the entire water supply/sanitation network and

system. *Best practice would include updating or providing support to the receiving entity in preparing a financial model* so that O&M budgeting is realistic and feasible. In cases where institutional capacity is particularly weak in the areas of delivering services and billing and collections, there may be the need to bring in the private sector. In line with P5P, finding entry points for the private sector in the delivery of WATSAN services, and particularly billing and collections, can be an important and innovative solution to draw on private sector expertise and know-how, shift the commercial risk and burden to the private sector (using PPPs and concessions involving private investment), critical in reducing non-revenue or unaccounted for water losses through performance-based contracting.

- Advances in Pre-paid Metering. Several countries have had successful pilots in introducing pre-paid metering for services provided by public sector utilities or private sector providers. Pre-paid metering has a number of advantages, including (i) improvements in cost recovery by utility companies, making water supply and sanitation more institutionally sustainable, (ii) enabling users to more effectively budget their consumption patterns, particularly when they face large water/sanitation bills on a quarterly basis that they can't afford, and (iii) pre-paid metering can help better target subsidies by introducing tokens or vouchers for recharging meters at households determined to be eligible for subsidies. Learning from these pilots will be important for IsDB countries facing problems of high Non-Revenue Water (NRW), poor cost recovery, and financially distressed low income households. Under the USP Capacity Building and Knowledge Sharing Enabler and Reverse Linkage Strategy, IsDB could help by being a broker of knowledge on the uses of this innovative technology, including *initiating pre-paid metering in pilot projects of MCs*.
- Encouraging sustainable reuses for water. Some IsDB WATSAN projects have been successful at promoting *reuses of treated wastewater for agricultural purposes*. While this is becoming a widely applied practice globally, there are still some communities that will reject treated waste water for agriculture use, so there is an important need to carry out willingness and ability to pay studies in advance and to promote community awareness of the advantages and ways of mitigating the risks.
- Sound investment project preparation. Many of the operational deficiencies noted downstream were due to insufficient attention to project preparation at and before appraisal, including *ensuring the feasibility studies and geophysical surveys are prepared* and revised if necessary until they are deemed appropriate before appraisal. Greater attention will need to be devoted to improving the robustness of IsDB's appraisals of water and sanitation projects but ensuring feasibility and geological studies are completed before or at appraisal.
- Pre-qualification of Contractors and Supervision consultants. In country contexts where client institutions and commercial contractor capacity is weak,

it may be necessary to carry out a pre-qualification stage to reduce the number of bidding firms down to those that have already been determined to be qualified to undertake the work being proposed. Such contractors should have proven capacity and the financial ability to complete the task in the contract. Additionally, it may be necessary to contract out and pay for the services of an engineering consulting firm to systematically review the work of the contractors to ensure the technical specifications of the work order are adhered to.

- Social and Environmental Safeguards. *Foster greater adherence to IsDB social and environmental safeguards* with particular attention to increasing community ownership of assets built under the project. Carrying out willingness to pay and ability to pay studies, coupled with community awareness campaigns to promote community ownership and awareness about water conservation and water-related public health issues would be good practice to encourage. Working with or through existing Water User Associations (WUAs) or establishing ones where they don't exist and where such collective action is needed could be further explored.
- Innovative Financing Solutions. Because IsDB MCs do not have sufficient financing of their own to cover their vast infrastructure needs, and because IsDB itself has limited financial resources, it will be critical to *find new financial sources and financial mechanisms* through innovative financing solutions. Emphasis should be placed on leveraging limited own resources with those of others, particularly the private sector. Options could include Social or Development Impact Bonds (SIBs or DIBs), where IsDB could be a sponsor a make payment to private sector companies carrying out the work, where payments are made upon completion of works. Bonds could be used to mobilize private sector financing with returns below typical market rates due to the social and/or development impact. An increasing number of commercial banks and institutional investors are seeking to include SIBs/DIBs in their investment portfolio to demonstrate their social commitment to improving lives of the poor. Such approaches are consistent with the P5P emphasis on mobilizing private sector finance.
- Human Resource Capacity Building. Contracting can be used as an important instrument to ensure continuity of operation of built assets and facilities in accordance with technical specifications and standard operating procedures. Contractors should have training and handover arrangements to the receiving entity clearly specified in the terms of their contract, including for payments.
- Improving the targeting of subsidies. Too many WATSAN systems are by design subsidizing all users by charging user fees well below the investment costs for installed infrastructure, and even below operating costs, which is clearly unsustainable. Accordingly, IsDB MC governments will need to carefully review the pricing for WATSAN services and ensure the water tariff and pricing regulations are adequate to ensure service providers can recover operating

costs, if not full cost recovery. One way of doing this is through a tiered tariff that provides a base rate that is affordable to all for a basic household consumption volume and increase the rate as consumption increases over successive tiers. This structure has two benefits: (i) it is flexible in that it allows higher income household users that have a higher demand for water and the ability to pay to consume at a higher rate at a higher cost, thus subsidizing consumers in the lowest tier; and (ii) it discourages waste and overconsumption, thus promoting more effective water conservation, by imposing a higher cost on larger increments of water consumption.

- Water supply system design can be a critical cost factor in undermining cost recovery. Many utility companies in developing countries, e.g. Lebanon, face inordinate electricity costs for water pumping, which is by far their largest cost of operation. In countries where it is suitable, *gravity-fed systems should be considered as an alternative to pump-powered supply systems.* Turkey is an example of a country that has heavily invested in such systems and where they continue to benefit from dedicating time and cost to ensuring appropriate water supply system design up front. Where this cannot be achieved, increasing use of solar-powered pumps, with adequate supply tank storage capacity will be an important improvement to reduce peak time pumping costs by other means when power supply is a chronic problem in most IsDB MCs.

The above findings, recommendations and lessons learned should help to inform the preparation and implementation of urban development operations within the new Operational Strategy. Several tools are suggested in sections below to serve as checklists and guidelines to promote inclusion of this learning into new operations going forward.

D. Comparative Advantages of IsDB

The foregoing analysis (and the technical study carried out for the USP) identified strengths, weaknesses, opportunities and threats to IsDB's urban development program in the coming period. Findings are based on a review of IsDB official project and program documents, review of evaluation reports and portfolio data, comparisons made with other MDBs, and client-focused workshops organized to consult IsDB MCs on early drafts of the urban technical study and urban sector policy. These are now summarized in the matrix below and will provide strategic guideposts for the new Operational Strategy.

Table 4: SWOT Analysis for the USP and Urban Sector Team

Strengths	Weaknesses
<ul style="list-style-type: none"> • Strong track record of urban project relevance and alignment with MC priorities & country strategies • Islamic Finance Products that are the preferred choice of MCs • South-South Cooperation Model that fosters trusted partnerships • Demonstrated ability to collaborate and forge solid cooperation with development partners • Demonstrated ability to innovate and adapt to MC needs • Sizable share of the IsDB portfolio, particularly for water/sanitation operations. 	<ul style="list-style-type: none"> • Limited country sector work to understand, document and communicate UST country sector knowledge and convey technical guidance • Weak project readiness leading to implementation problems, cost overruns and delays • Urban Sector (CPO & COO) staffing and resources insufficient to deliver on growing demand • Insufficient portfolio engagement on some critical MC urban development needs: e.g. housing, local economic development • Insufficient deployment and use of off-the-shelf tools for urban assessments and capacity building • Lack of Urban Portfolio Dashboard
Opportunities	Threats
<ul style="list-style-type: none"> • Urbanization is creating high MC demand for UST urban infrastructure financing and technical know-how • Municipal PPPs and other opportunities for mobilizing private sector finance for MC cities • Expansion of partnerships with Development Partners to increase effectiveness while remaining cost effective • New USP Framework, aligned to corporate strategies and global urban development agenda, to guide Urban Sector engagements • Well-positioned to support MC cities in linkage to GVC through urban economy pillar • Potential for developing new financial instruments with fewer transaction costs and greater focus on outcomes/results 	<ul style="list-style-type: none"> • Urban Sector (CPO & COO) staffing and resource constraints potentially limit capacity to deliver on growing demand • Sustainability of Urban Sector operational impact due to weak capacity of beneficiary institutions • Potential erosion of portfolio quality due to inconsistent Quality at Entry (QaE) • Potential for becoming marginal development player in sector without further expansion/ leverage of partnerships and co-financing • Inadequate or underutilized financial instruments for policy/institutional-based lending to incentivize municipal performance improvements

III. URBAN STRATEGY OPERATIONAL FRAMEWORK

The aim of this Operational Strategy is to provide a framework for implementation of IsDB's newly adopted Urban Sector Policy, linking key principles and development results commitments to the way projects and technical assistance are designed and implemented. This framework is codified in a concise Action Plan (Annex 1), which provides a matrix of the activities, institutional roles, intervention timing, and target objectives and results of the envisaged urban development assistance provided by IsDB to its MCs.

This Operational Strategy is also equipped with new implementation tools, helping urban development teams to adhere to newly adopted standards for project preparation and quality assurance, while linking activities to concrete and measurable development results captured in a robust Performance Monitoring Framework (Section V below).

This Operational Strategy goes further by recognizing that urban space is comprehensive in that it spans areas where health care and epidemics need to be effectively managed (e.g. COVID-19). Education needs to link with and support the needs for businesses in the urban economy and provide economic opportunities for the many countries experiencing youth bulges with large numbers of unemployed among them. Where possible, STI & ICT can be leveraged to improve urban management, increase efficiency and service delivery quality, while also increasing citizen engagement through a myriad of ways to enhance public disclosure and citizen participation.

The Urban Strategy Operational Framework with its Vision, Overarching Goals and Strategic Objectives are detailed below.

A. Vision: Prosperous and Livable Cities

IsDB's vision is to help its MCs build prosperous and livable cities. Prosperous cities need to be economically vibrant, productive, and innovative, with a well-educated workforce, while being livable cities will require sound spatial planning, reliable access to vital infrastructure services, such as water and sanitation, affordable housing, accessible public health services.

B. Overarching Goals: Sustainable and Inclusive Development

The Urban Operational Strategy will be oriented to addressing two overarching goals: Sustainability and Inclusion. *Sustainability* is so fundamental to the global development agenda that it stands as the most comprehensive and overarching framework for development in the United Nations' Sustainable Development Goals (SDGs). Each sector

and thematic area have a contributing role towards fulfillment of the SDGs. But the urban sector may have the broadest and most comprehensive mandate, as it spans across several sectors and thematic areas. *Inclusion* is equally important and underscores the need to ensure that the benefits of urban development are appreciated broadly, by lower income groups and disadvantaged social groups, as well as the affluent; by ensuring participation in policy decision-making and at the community level through the adoption of community engagement methodologies.

C. Strategic Objectives:

- **Strategic Objective 1:** Promote vibrant urban economies that create the needed job opportunities for youthful urban populations and rural migrants
- **Strategic Objective 2:** Increase urban productivity by reducing congestion and enhancing urban mobility, contributing to greater firm efficiency in cities
- **Strategic Objective 3:** Stimulate housing markets to expand urban housing stock, while ensuring housing delivery reaches down market to the under-served, poor and vulnerable urban residents
- **Strategic Objective 4:** Increase access to safe and clean water and sanitation services in cities with systems that achieve cost recovery and are sustainable over time
- **Strategic Objective 5:** Enhance urban resiliency to climate and human induced disasters, while reducing cities' carbon footprint and safeguarding the environment

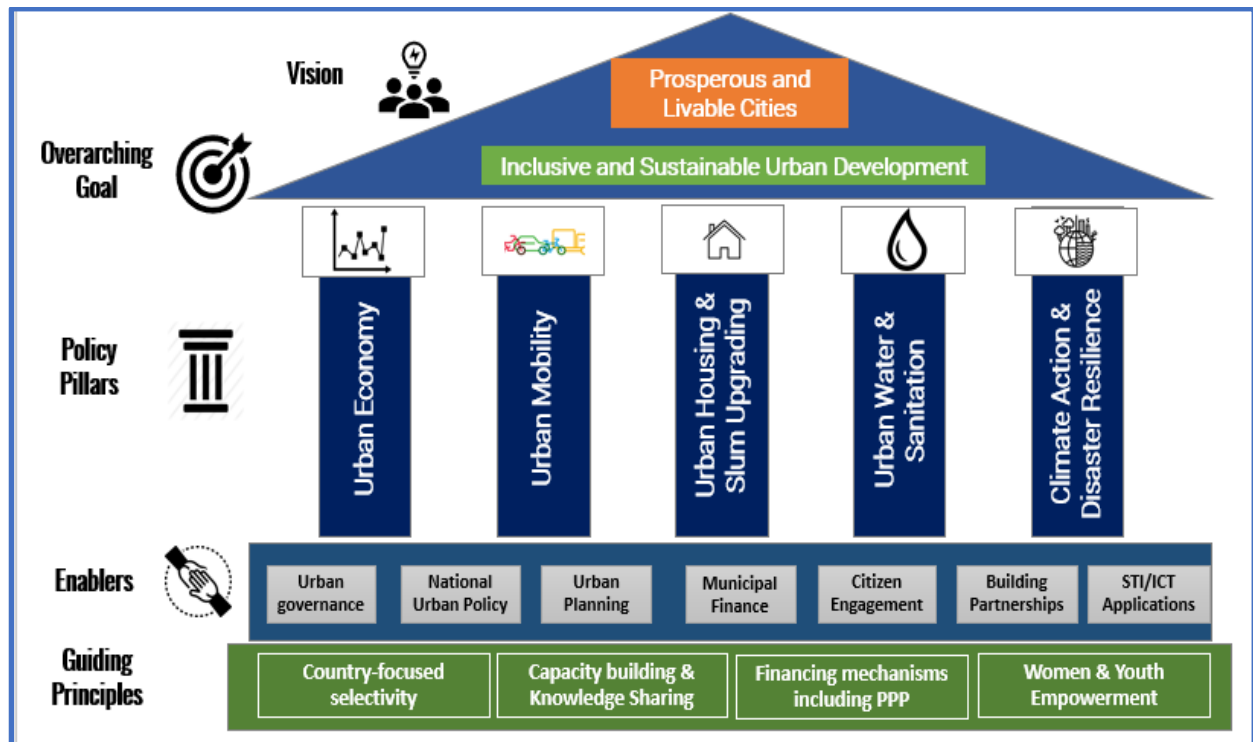
D. Modalities for Implementation

- **Modality 1:** Build and develop an Integrated Urban Operating Model (IUOM) that leverages the multi-dimensional strengths of IsDB CPO & COO units and promotes co-location of projects and programmes.
- **Modality 2:** Identify urban priority investment areas at the regional level depending on MC economy readiness, implementation capabilities and regional dynamics.

E. Overview of the Urban Sector Policy

IsDB's newly adopted Urban Sector Policy (USP) set out in the illustration below was adopted in September 2020 and shall serve as the framework for Urban Sector Operational Strategy. The five policy pillars are elaborated to capture the main business lines of the USP and will support more effective engagement strategy formulation as well as monitoring and tracking of impacts and results. Each of the five policy pillars is briefly outlined below to illustrate the engagement modalities linked to the Operational Strategy.

Fig.2 Urban Sector Policy (USP) Objectives, Pillars, Guiding Principles & Enablers Diagram



Pillar 1: Urban Economy

Urban economies are essential to sustainable and inclusive cities (i.e. achieving the SDG11). In the context of rapid urbanization, cities need to ensure they keep pace with the influx of rural migrants, where it is now advancing at an unprecedented scale, particularly across Africa, by creating jobs and the enabling environment to attract and retain businesses.

Many rural migrants come to cities as economic migrants looking for improvement in their living conditions either to find employment or improve their compensation. This is referred to as the "pull" factor that cities can generate when they are performing well economically, which is much better than cases when rural migrants are being "pushed" from their rural villages because of unemployment or an inability to meet the economic needs of their households. Particularly in the SSA region, but also in other IsDB MCs, many cities have not been able to deliver on their promise of

fostering economic growth, causing the phenomenon that is called "urbanization without growth."

There are a variety of binding constraints that can hold back urban economies, ranging from lack of serviced industrial land to attract investment and create jobs; underutilized urban cultural assets to promote cultural heritage tourism; or congestion costs in central business districts (CBDs) and other commercial districts that undermine firm productivity and discourage new investment, among a number of other factors. The USP advocates expanding in all three areas under this policy pillar, particularly in low and lower-middle income countries in SSA that are urbanizing rapidly, creating large labor pools in urban areas, but without enough employment opportunities, resulting in growing urban unemployment.

To address these binding constraints, the Urban Economy Pillar will: (i) support the establishment and expansion of municipal enterprise or industrial parks/zones; (ii) help to restore cultural heritage assets and leverage them for tourism-led development; and (iii) improve the productivity of commercial districts and make them attractive for new investment.

Municipal enterprise or industrial parks have several inherent advantages. They can supply firms with the necessary bundle of infrastructure services that would otherwise make investment by a stand-alone business prohibitive if it had to drill its own wells for water supply, invest in its own generator for power supply, and provide the ancillary roads and supportive infrastructure necessary to be competitive (which many of them do at high cost to the firm). Co-location of firms in a common production area, like an enterprise or industrial park benefits firms and cities in several ways.

Firms in the same industry can learn from one another, innovate, and establish strong trade networks; dedicated infrastructure services for power and water can be more cost-effectively concentrated rather than trying to deliver high standard, reliable infrastructure city-wide, which is beyond the financial capability of many IsDB MCs; and environmental services can be enhanced to deal not only with solid waste, but also waste water, hazardous waste and its disposal in an environmentally-sound manner. In sum, municipal enterprise or industrial parks provide a range of bundled services that are more cost-effective to deliver, save firms the cost of developing adequate infrastructure services on their own, enable efficient management and disposal of solid and liquid waste, and can help to foster innovation, the building of networks, and sharing of spare parts among firms through the benefits of co-location. Many cities also have managed to establish One-Stop-Shops at such enterprise parks to facilitate issuance of building permits, licensing, and minimize a range of other transaction costs that would otherwise deter new investment.

Municipal enterprise parks would also enable IsDB MC cities to link to Global Value Chains (GVC), a prominent approach to development advocated by the President's Five-Year Plan (P5P). GVCs imply a shift from the export of pure raw materials (where cities only play a marginal role) to strategically rising up the value chain by entering into processing and production of intermediate goods and finished

goods (where cities and the infrastructure services they offer can play a critical role). This is a key economic function, but IsDB MC cities will need to have infrastructure appropriate for GVC and other manufacturing activities to be successful.

Tourism is a fast growing industry globally and many IsDB cities have managed to effectively promote the tourism industry through tourism-led development. Doing so requires preservation of historic city areas, old cities, historic buildings and other cultural attractions that can be developed to promote a city as a destination. But many cities have not taken advantage of their cultural heritage assets due to weak regulations to protect historic buildings and inadequate financing to restore and protect such assets. IsDB's USP will enable them to do so with financing and technical assistance under the Urban Economy Pillar. Among other options, there is the opportunity to partner with the private sector, which can bring in critical investment capital, financing and know-how.

A third and most common way of helping urban economies is through improvements and upgrading to commercial districts in a city by reducing congestion costs, upgrading amenities in public and green spaces, developing alternative transit options to enhance mobility, and a range of other interventions for which IsDB financing is urgently needed.

Finally, the urban economy pillar encompasses several other components that have not been developed here e.g. Local Economic Development (LED), digital economy, microfinance, development of Small and Medium Enterprises (SMEs), etc.

Prioritization across regional groups. While most high income economies concentrated in MENA and Brunei in ASIA would likely need less support in this area, because they already passed through rapid urbanization long ago and have the facilities and infrastructure necessary for urban economies, cities in low, low-middle, and upper-middle income countries in the SSA region should be prioritized to position them for urbanization that is ongoing, make up for weak infrastructure capacity country-wide, help address the problem of youth unemployment, and improve the efficiency and productivity of their enterprises. Mega-cities like Lagos with "thick" labor markets would be especially promising for support in helping to diversity and promote urban economies. It is also cited, along with Cote d'Ivoire and Senegal as trade sub-region hubs that could form the backbone of manufacturing sector growth fostered through cities. Many of the upper-middle income countries in MENA have already undertaken numerous cultural heritage projects (e.g. Morocco, Tunisia, Turkey, Egypt, Lebanon), restoring historic old cities and other cultural heritage endowments, and have developed municipal enterprise zones, but others in the lower middle income group would be strong candidates, especially those experiencing high rates of youth unemployment (e.g. Yemen, Djibouti, Mauritania, Pakistan and Afghanistan). In Asia, Bangladesh has already established highly successful industrial zones, but Indonesia could be a strong candidate. Municipal enterprise park development will depend on

availability of public land that is well-situated with access to commuting routes and housing concentrations to be effectively implemented.

Pillar 2: Urban Mobility

Urban mobility has become a justifiable concern for many developing country cities experiencing rapid urbanization. Congestion costs reduce the quality of life of city residents, impose transaction costs (long commuting times to work) that undermine firm efficiency and overall city productivity, contribute to high road injury and fatality rates, and usually disproportionately impact the urban poor, women, and other disadvantaged groups. Hence, Urban mobility is a key component of the SDG11.

Interventions under this policy pillar would promote urban sustainability by reducing carbon emissions and energy consumption, while advancing inclusivity by provisioning for urban transport and alternative mobility needs for women and other disadvantaged groups that have inadequate access to affordable and safe urban transport. **Under the 2021-25 Operational Strategy, attempts will be made to ramp up the Urban Sector's engagement on urban mobility improvements, including a range of interventions to lower a city's carbon footprint, increase access to transport, and invest in alternative mobility options as well as clean (or lower emission) mobility.** These interventions will include dedicated support for sustainable urban mobility planning (SUMP), which links new development and infrastructure locations with spatial planning that enhances access to jobs city-wide, including for low income households that are often located outside the downtown area and can involve long commute times. Investments would include urban road upgrading and extensions, improved off-street parking (parking garages and more suitable street parking designations), bike paths and walking paths as an alternative to motorized transport, bus terminals, Bus-Rapid Transit (BRT) lanes, low-emission public buses, traffic management systems, solar street lighting, traffic signals, and intersection improvements to reduce congestion, among other options.

Prioritization should focus on improving urban road safety in the MENA region in particular, targeting MCs with high road injury and fatality rates (e.g. all Gulf countries), and selected SSA and ASIA countries where road injuries and fatalities among pedestrians, bicyclists, and 2/3 wheel vehicles is highest. Because of the significant air pollution levels in many ASIA countries, efforts would be made to reduce reliance on heavy-polluting diesel vehicles and motorbikes by expanding public transport options using clean energy.

All other interventions to promote mobility would be relevant and potentially a priority for low, lower-middle, and upper-middle income countries across all regions, particularly in MENA and ASIA where there are large mega cities, as well as Lagos in SSA.

Pillar 3: Urban Housing and Slum Upgrading

IsDB has a limited portfolio in urban housing and slum Upgrading, but seeks to expand this engagement with MCs, recognizing its critical importance in contributing to positive development outcomes. Access to affordable housing and reduction of slums is a major component of the SDG11 within the urban development agenda. Support for urban housing and slum Upgrading can contribute to a country's development in a myriad of ways, ranging from improvements in tenure security (which in turn can lead to improvements in access to credit and encourage housing self-improvement measures by residents), improvements in health outcomes and in livelihoods, as well as contributing to an economic sector (housing production) that is vital to any emerging market economy in terms of creating construction jobs and employment in the manufacturing sector for building materials. Often these spillover effects into the wider economy are overlooked or not sufficiently quantified to understand the broader benefits of having a vibrant housing market and improved urban living conditions for the urban poor.

Approaches to addressing urban housing and slum upgrading challenges have both supply-side and demand-side dimensions, which need to be factored into housing market analysis and interventions to avoid creating distortions. Such distortions could take place on the supply side, for instance, if project-induced demand-side subsidies create sharp increases in demand that overwhelm supply-side responses and have the ultimate effect of driving housing costs even higher, making housing less affordable. Similarly, interventions intended to increase housing supply should consider the often-uneven market supply in many housing markets globally, e.g. a substantial oversupply of housing at the upper end of the income spectrum and severe shortages down market. Supply side responses, therefore, should be specifically aimed at addressing housing needs down market where income levels are low and where affordable housing is an urgent need.

When focusing on supply-side housing market improvements, supply of various tenure types should be considered, including rental housing, which in many markets is more affordable to low income households. The over-arching objective on the supply side is to take policy actions to reduce the cost of housing supply, by increasing access to and affordability of serviced land, reducing housing development costs, making standards more flexible to account for low income households, and reducing costs associated with land titling, among other measures. A focus on all these areas should enable housing markets to function more effectively and can stimulate supply-side improvements, including going down market with housing supply, ultimately requiring little or no subsidies.

Under this pillar, IsDB, along with its development partners, will need to support countries in developing sound housing market fundamentals to improve the overall functioning of the market. But interventions in the form of subsidies are still likely to be needed to address clear cases of market failure. Such interventions should be targeted carefully to ensure that they are benefitting low income households by making

housing more affordable or improving access to services and tenure security for residents of informal settlements. Security of tenure and active community engagement have been shown time and again across all regions of the developing world to be key elements of successful slum upgrading programs.

Access to affordable housing and eradication of urban slums is a high level Sustainable Development Goal, and IsDB accordingly has formulated its Urban Sector Policy with urban housing and slum upgrading as its central pillar. This pillar will support slum upgrading, as well as interventions that improve the functioning of the urban housing market, including housing policy and institutional development, as well as targeted subsidies to make housing more affordable and help IsDB MCs achieving the SDG11.

Pillar 4: Urban Water and Sanitation

This pillar addresses the largest portion of IsDB's Urban Sector in prior years relating to urban water and sanitation networks, extraction of groundwater or surface water for urban water supply, quality of urban water supply, wastewater treatment, solid waste management (SWM), faecal sludge management (FSM), and potential reuse in agriculture. It would apply good practice principles in promoting safely managed water and sanitation services and facilities. It would do so by supporting urban water supply and sanitation providers at the national, regional or local level, including ministries of water or environment on water and sanitation policy, water authorities, water utilities and municipalities to promote safely-managed water and sanitation services and facilities, particularly through an enhanced focus on hand hygiene, improved water supply quality and networks and facilities, promoting sustainability of water and sanitation operations aimed at cost recovery, reduction in unaccounted-for- water and appropriate tariff pricing, while ensuring inclusion through improved targeting of subsidies to low income households and the urban poor.

While this pillar is tied to SDG 6 and its focus on safely managed water and sanitation services and facilities (including through lessons learned and recommendations of the OED water operations review), greater emphasis has been placed under the new USP on improving sanitation outcomes. This orientation is based on strong MC demand but also prevailing concerns about insufficient efforts and impacts to date across the sanitation service chain. Weak or missing sanitation authority mandates and lack of accountability for services has constrained efforts to formalize and improve them.

The IsDB USP will embrace the citywide inclusive sanitation (CWIS) concept, informed by the principles that: Everyone benefits from adequate sanitation service delivery outcomes; human waste is safely managed along the whole sanitation service chain; effective resource recovery and re-use are considered; a diversity of technical solutions is embraced for adaptive, mixed and incremental approaches; and innovative onsite and sewerage solutions are combined, in either centralized or decentralized systems to better respond to the realities found in developing country cities.

Pillar 5: Disaster, Climate and Environmental Resilience

This pillar will support IsDB MC cities in responding to the Nationally Determined Contributions (NDCs) of the country (both mitigation and adaptation) with respect to climate action, in addition to measures provisioned under the pillars promoting urban mobility and urban water and sanitation. Its scope covers IsDB-financed operations that contribute to climate change mitigation and adaptation, as well as dealing with routine storm water drainage and flood protection, and environmental management, including solid waste management and landfills. This pillar will contribute towards achieving the SGD13 within IsDB MCs.

Renewable energy and energy efficiency applications are increasingly finding uptake in IsDB MCs and will be supported under this pillar. **This will include use of newly-developed tools, such as TRACE (Tool for Rapid Assessment of City Energy) developed by ESMAP, to help cities gauge their energy consumption across utilities (e.g. water and sanitation), housing, municipal buildings, transportation systems, among other areas and prioritize intervention strategies where IsDB can support on the financing side.** Infrastructure might include solar panels installed on municipal buildings to lower city energy costs, solar street and other public lighting, conversion of wastewater treatment plants to biogas energy generators using wastewater sludge, faecal sludge and organic waste, and a myriad of other applications.

There are also opportunities to crowd-in the private sector through involvement of ESCOs (Energy Service Companies) that can invest in energy efficient infrastructure (e.g. solar lighting) and recover their investment plus a margin over a 7 to 10 year investment period before transferring the asset back to the municipality. This arrangement allows municipalities to avoid the upfront investment cost, bring in the technological know-how through a private sector partner, while ultimately owning the asset after the cost has been recovered by the investor.

Support to MC cities includes the **development and implementation of local climate action plans, city resilience plans and related local policies.** This helps structuring the different interventions under a clear framework. City management plans should emphasize the use of nature based solutions for urban resilience. This includes the development or rehabilitation of public parks, recreational areas, community gardens... with multiple benefits: air temperature regulation, flood protection, coastal protection, improvement of urban water supply, among others.

Urban fragility needs also to be considered. All cities are fragile. The intensity of their fragility, however, varies considerably across time and space. Some cities are affected by acute fragility and are close to collapse. Others are also at risk, albeit to a lesser degree. **The intensity of fragility is conditioned by an accumulation of different type of risks** (pace of urbanization, income and social inequality, youth unemployment, homicidal and criminal violence, poor access to key services, and exposure to climate threats) – **which are more serious than others.**

F. Guiding Principles of the USP

In order to implement the IsDB Urban Sector Policy effectively and help IsDB MCs achieve sustainable and inclusive urban development, several guiding principles have been adopted. These are: (i) Country-focused Selectivity; (ii) Capacity Building and Knowledge Sharing; (iii) Financing Mechanisms, including PPPs; (iv) Women and Youth Empowerment. Each is further described below in terms of its relevance and how it will provide guidance and underpinning support to IsDB Urban Sector Policy.

1. ***Country-focused Selectivity.*** Every country is at a different stage of development with different institutional capacities, sector investment needs and priorities. A multi-year MC Partnership Strategy (MCPS) is prepared between IsDB and its respective MCs with the aim of identifying its most urgent development needs and prioritizing them, and then providing the means to address them in its MCPS. Financing constraints, absorptive capacity, and ongoing engagements with other donor partners will invariably affect programming needs in an MCPS. While all IsDB Sector Teams have valuable contributions to make, the sequencing and phasing of that development support can often mean that one sector team or another would have less of a priority and thus a limited engagement in a country. This process must be driven at the country level to sustain strong client relationships, so that the formulation of investment and development programs are demand- not supply-driven. Accordingly, the USP calls for preparation of an Urban Sector Note by the UST (under CPO) once every few years, with timing to coincide with preparation of a new MCPS. The note would both update IsDB Urban Sector management and staff knowledge of the sector in the country, present updated sector analysis, as well as policy areas in need of strengthening, technical assistance, and investment options for consideration of MC counterparts in discussions. Where there is strong MC demand, the Urban Sector team (under CPO and COO) will be able to respond, grounded within its USP framework. Where urban development is less of a priority at that time, and in the interest of selectivity, engagement will not be pursued in that country.

2. ***Capacity-Building and Knowledge-Sharing.*** Beyond a need for infrastructure financing, IsDB MCs need support for building institutional and human resource capacities to enable the intended services to be delivered, the asset to be operated and maintained over time, to improve overall management and monitoring systems, all of which are vital to sustainable and inclusive urban development. Accordingly, across all of its operational engagements in IsDB MCs, the UST will analyze and assess human and institutional capacities in the areas where the Urban Sector is engaged and will identify gaps that could pose risks to successful implementation and sustained operation of an IsDB-financed asset. Where appropriate, each IsDB urban development operation will include an element for capacity building that may include provision of ICT equipment, facilities, training, toolkits and operating manuals as appropriate. In doing so, Urban Sector teams (under both CPO & COO directorates) will first ensure full exploitation of good practice off-the-shelf guides, manuals or toolkits that can be easily, and cost effectively deployed. Working under its close collaboration framework with

UN-Habitat and other development partners, this arrangement will help to avoid duplication while addressing any urgent capacity needs of an MC.

3. *Financing Mechanisms, including PPPs.* A wide range of new financing mechanisms have emerged over recent years to expand financing for development in general and urban development in particular, some of which are designed to foster private sector participation on the investment side, through performance-based contracting, or through other means. Energy Service Companies (ESCOs) have gained traction in the area of street lighting in cities where they invest in replacing inefficient incandescent light fixtures with more efficient LED lighting, many of which are solar powered. Already existing payment streams by municipalities to electricity providers for street lighting are securitized and used for by the ESCO in recovering the initial capital outlay, plus a margin, within a payback period of on average 7 years. The new LED street lights thereafter revert to the municipality as its own assets, including the cost savings they generate. This financing mechanism helps municipalities by allowing them to avoid having to make the up-front capital investment, for which they often don't have the funds, while benefitting from the reduced costs of operating their street lights. They also benefit from the know-how and experience of the ESCO. On a wide-scale use across many cities, ESCOs can help reduce energy demand in a country and make it available for users that can't take advantage of alternative power sources.

Another mechanism gaining currency in several developing countries is Development Impact Bonds or Social Impact Bonds, where an investor will put forward capital and accept a marginal return based on satisfying pre-specified development outcomes. Such financing mechanisms has been used to tap into capital markets in ways that were once unheard of.

Other MDBs, such as the World Bank, have also begun using policy and institutional development lending (performance-based grants) where satisfying pre-agreed development outcomes (e.g. increased access to safe potable water) triggers payments to municipalities rather than strictly financing contractors to implement infrastructure projects, some of which fail to benefit target beneficiaries for a variety of reasons. Such operations have proven to have fewer transaction costs and function more efficiently, while enabling a focus on development outcomes, rather than infrastructure delivery. Working with its development partners, both internal and external, the USP calls for Urban Sector to explore and utilize innovative financing mechanisms to the extent possible and in line with MC demand.

Finally, the Bank could as well mobilize additional resources dedicated to addressing climate adaptation and mitigation issues at the urban level, through partnerships or from dedicated funds e.g. GCF, IKI, C40. UNCDF LoCAL among others¹⁰.

¹⁰ GCF = Green Climate Fund; IKI = International Climate Initiative; C40 = C40 Cities; UNCDF LoCAL = The Local Climate Adaptive Living (LoCAL) Facility of the UN Capital Development Fund

4. **Women and Youth Empowerment.** Women, youth, and other disadvantaged groups are often overlooked in investment project identification and programming, and infrastructure system designs often are not adapted to the needs of those users. With critical challenges of a demographic youth bulge in many IsDB countries and problems of youth unemployment, many of whom reside in cities, the USP has been designed to ensure the guiding principle of inclusion is mainstreamed into the work of the Urban Sector. There are many tools and mechanisms to achieve this, as proposed in Table 5 below. They include: participatory planning that makes a dedicated commitment to ensure consultations of women and youth via their representative CSO when available; ensuring inclusive design as a standard for public parks, city facilities and utilities (e.g. water and sanitation) and infrastructure financed by IsDB; providing cities with tools and mechanisms to improve their active participation as decision-makers and not just as project beneficiaries. Ultimately, the aim is to mainstream these and other tested approaches that foster greater participation by disadvantaged groups in contributing to their own urban development, thereby making IsDB interventions more valued and sustainable in MCs across the portfolio.

G. Cross-cutting Enablers

The cross-cutting enablers of the USP are thematic areas that are essential to effective urban development but do not form a core area or business line of the USP. In most cases, they cut across all or most of the policy pillars, reinforcing them and helping to promote sustainability and inclusion across the Urban Sector portfolio. For instance, Urban Governance, recognized as a foremost priority in the New Urban Agenda (NUA) isn't a core operational area that IsDB can finance, but it is essential to the effective functioning of developing cities, which require a sound legal and regulatory framework, robust institutions and rules that support city planning, investment and service delivery.

The table below outlines the seven Cross-Cutting Enablers and suggests both internal and external partners with whom to collaborate, as well as the purpose of each and some relevant applications.

Table 5: USP Enablers, Institutional Partners and Potential Applications

USP Enablers & Institutional Partners	Purpose & Applications
<p><i>Urban Governance</i></p> <p>External: National Government, City</p>	<p>Urban governance is recognized as one of the most vital elements of the New Urban Agenda (NUA). It touches on the following:</p> <ul style="list-style-type: none"> • Legal/regulatory framework for urban development; • Phasing and sequencing of decentralization; • Ensuring clarity and alignment of actions within mandates by national/regional/local governments as stipulated by law; • Promoting good Intergovernmental fiscal relations;

<p>Government, UN-Habitat & MDBs</p>	<ul style="list-style-type: none"> Facilitates Accountability/Transparency regarding municipal conduct in its relations with national government institutions (upward) and citizens (downward); Encourages good relations with civil society organizations and the private sector. <p>Potential Applications:</p> <ul style="list-style-type: none"> MC Urban Sector Notes: Highlights critical urban governance issues and scopes areas for policy dialogue Citizen Report-Cards integrated into operations to enhance downward accountability ICT Applications integrated into operations to promote efficiency, accountability and transparency
<p>National Urban Policy <u>Internal:</u> Potentially TST, WST, and others, depending on the scope of the NUP <u>External:</u> UN-Habitat for assistance in developing and monitoring the NUP, which it is doing in many countries</p>	<p>As noted earlier, NUPs are a central feature of the NUA. Raising their profile, enhancing their scope and monitoring their implementation will be critical in virtually all IsDB member countries. Their purpose is to:</p> <ul style="list-style-type: none"> Foster policy and institutional coordination in urban space across all urban settlements in a country They can be broad in scope to touch on national policy objectives -- job creation, poverty reduction, or be more sector specific, focusing on housing policy, spatial planning policy, aspects of decentralization and a range of other areas, depending on the country. They can help to monitor progress against SDG, NUP and other global, national or project level goals and objectives. Progress against the implementation of NDCs can also be monitored. <p>Potential Applications:</p> <ul style="list-style-type: none"> Provision in each operation a review of an MC's NUP and technical assistance in areas where it can be strengthened, expanded or updated
<p>Urban Planning <u>Internal:</u> TST, WST, Women & Youth Empowerment, EPG, Climate Action Team <u>External:</u> National and Local Governments, UN-Habitat and other</p>	<p>Urban planning stands at the core of sound urban management and planning for urban growth. Typical problems that arise in developing countries are (i) outdated planning legislation and regulations; (ii) conflicts between different planning tiers/tools and their implementers; (iii) lack of a willingness or ability to enforce and apply urban planning guidelines; (iv) too inflexible to implement in conditions of rapid urbanization when land use changes annually; (v) inadequate funding and/or human resources to plan in work programs, prepare and oversee implementation of urban plans; (vi) weak human resource capacity and lack of standards for urban planning and planners in the country. When urban planning is conducted well it can help to achieve many things in urban environments, including:</p> <ul style="list-style-type: none"> Help coordinate spatial planning across national, regional and local levels Prevent or mitigate uncontrolled urban sprawl

<p>MDBs and development partners, civil society organizations and the private sector</p>	<ul style="list-style-type: none"> • Provision for urban growth by advocating for the release of public land and designate area development plans as and when a city needs to expand • Ensure adequacy of vital energy, water and other resources that a city needs and associated infrastructure capacity to carry current and planned loads • Protect fragile environmental areas from urban intrusion and misuse • Ensure adequate provisioning for residential housing and commercial districts to promote quality of life and livelihoods • Provision for adequate green and other public space ratios, safe neighborhoods with building setbacks and transport corridors • Promote inclusion of disadvantaged groups through participatory consultative processes and inclusion of urban design features that respond to those needs <p><u>Potential Applications:</u></p> <ul style="list-style-type: none"> • Ensure identified investments for IsDB financing are consistent with the city urban plan • Support cities as an element of an investment operation in carrying out rapid participatory planning in beneficiary cities • Mobilize other development partners to support urban planning as a complement to IsDB interventions (e.g. UN-Habitat, WB, AfDB, ADB)
<p><i>Municipal Finance</i> <u>Internal:</u> Macro-Fiscal, and Country Economists</p> <p><u>External:</u> Ministries of Finance and Urban Line Ministries, and Local Governments. WB (Credit-worthiness Academy)</p>	<p>Municipal Finance is so essential to cities and their residents and hence to UPS formulation and implementation that it would require an entire volume to cover it adequately. Typical problems that arise in developing countries are the following: (i) inadequate revenue assignment authorities to raise revenues necessary to meet expenditure assignments; (ii) inability to set the base and rate for local revenues; (iii) inadequacy and inequitable fiscal transfers; (iv) weak local capacity to prioritize and prepare bankable municipal investments; (v) legal or financial impediments to accessing market-based credit; (vi) contingent liabilities in municipal enterprises, including water utilities, among others.</p> <p><u>Potential Applications:</u></p> <ul style="list-style-type: none"> • Condition all IsDB urban financing on sound investment appraisal, provisioning for O&M costs of financed investments • Ensure IsDB urban investments are cost effective to construct and maintain • Provide ITC equipment and training to bolster MF management systems at municipalities and utilities benefitting from IsDB financing operations • Co-host with WB Credit-Worthiness Academies and other training opportunities
<p><i>Citizen Engagement</i> <u>Internal:</u></p>	<p>Citizen engagement is crucial to the Urban Program, because local governments are the front-line service providers to citizens and enable a government to reach out and respond to its citizens. Good citizen engagement and consultations can: (i) improve downward accountability by local governments; (ii) improve project interventions through participatory</p>

<p>Women & Youth Empowerment, Social Development Practice</p> <p><u>External:</u> Local governments, CSOs, city residents</p>	<p>planning and identification of priority investments; (iii) foster inclusion and ensure all strata of society and disadvantaged groups are consulted; (iv) promote sustainability of IsDB-financed investments based on strong local ownership.</p> <p>Potential Applications:</p> <ul style="list-style-type: none"> • Many local governments, with support from development partners have introduced and used Citizen Report Cards to solicit feedback on municipal service performance, which could be included in some Urban Sector operations when appropriate • Urban Planning is a critical area for citizen engagement and all planning exercises should have dedicated and multiple phases for soliciting citizen views and feedback • With the advent of advanced ITC tools and widespread use of cellphones, crowd-sourcing techniques have been used to identify where municipal services need to be enhanced or where roads, water system leaks and other network problems can be identified. This could be included in an urban operation design, as appropriate.
<p>Building Partnerships</p> <p><u>Internal:</u> Selected relevant sector specialists and thematic groups.</p> <p><u>External:</u> Development partners, CSOs, private sector</p>	<p>The enormity of urban development financing needs across IsDB MCs requires all development actors to strive for greater collaboration and complementary in their interventions. This will need to take place internally across relevant practice groups and externally with development partners, civil society organizations and the private sector. Ultimately, the aim should be to improve efficiency, cost-share to reduce costs whenever possible, eliminate or substantially reduce duplication of effort.</p> <p>Possible Applications:</p> <ul style="list-style-type: none"> • Building on its existing relationship with UN-Habitat and given the complementarity of IsDB's financing with UN-Habitat's broad engagement on capacity building and technical assistance to cities, this is a natural partnership that has been enhanced recently through a cooperation agreement. • Co-financing is another opportunity to expand partnerships where IsDB is either taking the lead and seeking other donor co-financing or the reverse order. Either way, a programmatic approach tends to reduce frictions, harmonize interventions, and maximize impacts and results, which is what all development agencies strive for.

<p><i>STI & ICT Applications</i></p> <p><u>Internal:</u> STI & ICT team</p> <p><u>External:</u> MC national and local governments</p>	<p style="text-align: center;"><u>Possible Applications of STI & ICT</u></p> <p>STI & ICT are essential elements of any enabling strategy, but particularly for urban policy. Advanced technology in computerized management information systems, GIS technologies, cell-phone and crowd-sourcing technologies, cloud storage, and a range of other applications have fostered the advance of "Smart Cities". STI & ICT can help to improve efficiency, transparency, communications, accountability, security and policy decision making, based on the ability to inventory and analyse large amounts of data and information, and to publicly disclose what is appropriate in the public domain. The following are just a few applications that can help foster sustainable and inclusive urban development under urban operations:</p> <ul style="list-style-type: none"> • GPS technology and systems to monitor municipal assets and inventories (e.g. municipal service vehicle use). • GIS technology and urban planning software to plan and avoid conflicts in infrastructure delivery, provide spatial data and information, among other uses. • Municipal Financial Management Information Systems (MFMIS) have become an essential tool for upgrading municipal financing management capacity, improving reporting, and increasing transparency and accountability in the use of public funds. • The STI Department has established an Intellectual Property Office under the STI Strategy Division to provide guidance on technology transfer such as: identification of technologies ready for commercialisation; identification of firms that could benefit from a particular technology; IPR-related advisory services to researchers and firms; and manage the interaction between firms and knowledge-producing organisations. • Use of innovative construction technologies to develop low cost social housing in IsDB MCs: example of moladi. The moladi construction method of using modular reusable plastic formwork system replaces the cumbersome bricklaying process with an approach to injection molding. Workers erect the building's formwork with reusable plastic panels, leaving wall cavities which once the windows, doors, wiring and pipework have been put in place are filled with fast setting aerated mortar. Using this technology, a house can be constructed within 2 days and with a construction cost as low as US\$ 10,000. • Energy efficiency in Water and Wastewater treatment plants. STI/ITC applications can be used as well for automation of water and wastewater
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	<p>treatment plants. This automation process can help saving energy, chemicals and labor costs plus providing additional security.</p> <ul style="list-style-type: none">• Smart energy and water: It involves the municipal grid at household level, businesses and commercial level, state or country-level energy and water systems. Smart energy and water management are based on smart meters that gather data about energy demands and uses.• Thames Water (UK) has developed an innovative technology that makes energy efficient bricks made from human waste to help build new homes. The sludge is tuned into dried residue ash and reacted with carbon dioxide, water, sand and a small quantity of cement to form aggregate for individual breeze blocks – each weighing 17kg.
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H. Science Technology and Innovation (STI) support to Urban Sector Operational Strategy through Engage Platform & Transform Fund

To support our MCs under this strategy through the application and power of innovation, IsDB launched a USD 500 million innovation Fund (Transform) and set up a pioneering online platform “Engage” to incentivize and catalyse the harnessing of innovations and creation of new technologies and solutions that has the potential to address key development challenges and hence can be mainstreamed in the national development interventions in MCs.

Engage (www.engage-isdb.org) is an online community platform that creates a global innovation ecosystem for engaging and connecting key actors of the ecosystem (innovators, investors, academics, start-ups and philanthropists and governments) to cross filter ideas that has the potential to address most pressing development challenges in the developing world as well as offering them market linkages and funding opportunities. Through Engage, subscribers will benefit from a range of services tailed to support innovations, including **mentoring** and expert knowledge sharing that will help activate and nurture their ideas and proposals to become development solutions, **Matchmaking**: connecting innovator looking for funding with investors exploring new business opportunities, **Technology Transfer**: North-South and South-South and **Call for Innovation**: a structured tool designed for sourcing innovations across various sectors/themes. Engage complemented by Transform creates a global innovation ecosystem engaging the key players of the ecosystem where innovative ideas can flourish to become a development solution.

Engage through its Call for Innovation service and its embedded comprehensive screening process is an effective source for identifying and leveraging innovations and new technologies that have the potential to address key development challenges faced by our MCs. Transform Fund provides the financial resources to pilot, scale up and commercialize those innovations to become development solutions that can be mainstreamed in IsDB sector development interventions and sector operations. Development solutions to be mainstreamed are not only the ones selected and financially supported by Transform Fund but also unselected shortlisted proposals that could be interesting to industry and business and be further developed and integrated within development projects.

The following are some of the innovative solutions leveraged and supported through Engage and Transform Fund that can support can help foster sustainable and inclusive urban development under urban operations:

Use of innovative construction technologies to develop low cost social housing in IsDB MCs:

H.1 Smart Cities

According to OECD (2020)¹¹, the “smart city” concept initially referred to initiatives that use digital and ICT-based innovation to improve the efficiency of urban services and generate new economic opportunities in cities.

In the IsDB Transformers Summit Journal (2019), H.E. the President, Dr Bandar M. H. Hajjar, stated that “**there is no single smart city model that fits all. In general, STI and the digital economy is important to facilitate and make the quality of life better. But we cannot implement one level of smart cities everywhere – it changes from city to city, community to community, and country to country.**”

Building inclusive, safe and resilient cities in MCs requires focusing on four key areas that sit within the SDG11.

- ❖ Education and inspiring the ever-growing Youth population
- ❖ How climate change is impacting urbanization and housing in growing cities
- ❖ Transport I'm public spaces connecting the word cities and communities
- ❖ Improving the Health of city – dwellers.

Applications of STI play a critical role in creating smart and sustainable cities around these areas. The following are some innovative solutions leveraged and supported through Engage and Transform that contribute to creating smart cities .

Case Study 1: “Technopreneurship” with the International Islamic University of Malaysia (IIUM)

With Transform Fund support in Malaysia, IIUM university professors Nabilah Ramli and Mimi Aminah Binti Wan Nordin are developing an innovative ‘technopreneurship’ engineering education by combining technical, practical and entrepreneurial knowledge in order that students can conceptualise, test and strategise innovations to resolve real-life industrial challenges. The Integrated Design Project (IDP) framework is being realised at the International Islamic University of Malaysia (IIUM) where the ‘technopreneur’ graduates will aspire to use their education to excel in innovations in three industrial specialisations, namely renewable energy, affordable healthcare and smart agriculture. In the long run, this education will pave the way to sustainable business models, that are expected to contribute to a sustainable society, and then sustainable cities at large. The professors believe that Malaysia is one of the Asian leaders in terms of development, urbanisation and steadily-improving infrastructure. In this context, the project aims to contribute to building the top-layers on the existing infrastructures, as many leaders in the society envisage as the next level development, they share.

¹¹ OECD Policy Paper, Building on the outcomes of the 1st OECD Roundtable on Smart Cities and Inclusive Growth (2020)

H.2 Innovative Construction Technologies

An innovation leveraging Bangladesh's natural abundance of jute resources to build jute-based housing. The buildings will be made of jute made tin and tiles that will be resistant to water, heat and extreme weather. We are trying to make the roof of the house photochromic, formed of jute tiles and photochromic dye.

Traditional houses in the Rohingya refugee camps have poor air condition, no electricity supply and vulnerable to natural disasters. Therefore, the proposal is **developing a low-cost, portable, photochromic, earthquake resilient and eco-friendly housing model for refugee camps**. It will be resistant to earthquake, bio-acceptable and recyclable with a life span of 50 years. The photochromic roof will store the solar energy which will be supplied to a battery storage area and will be converted to household electricity. icddr,b is collaborating with Bangladesh Jute Mill Corporation who will develop the prototype and will assess the innovation's acceptability and feasibility.

Farjana Jahan, a researcher at International Centre for Diarrheal Disease Research, Bangladesh, is building environmentally friendly and earthquake-resilient housing for displaced Rohingya people at the refugee camps in Cox's Bazaar, Bangladesh. Using naturally abundant jute resources in Bangladesh, the buildings will be made of jute-made tin and tiles that will be resistant to water, heat and extreme weather. The roofs with photochromic dye will store solar energy to be converted into household electricity.

Built with Transform Fund support these houses will generate renewable, affordable and clean energy. This innovation can be transformed into a huge industry, and an eco-friendly, self-sufficient and durable housing solution, it will make the cities sustainable too. More than 2 million housing units could potentially be delivered to the Rohingya refugees along with refugees in other IsDB member countries in 3 years (estimate).

Case Study 2: Transform Fund Winner build affordable homes with soil-based bricks in Uganda.

Sustainable construction expected to help Africa's infrastructural ambitions. In Uganda, rental poverty affects many families looking for affordable shelters because income levels for around 7 million households do not match high rental expenses. As high rental cost is associated with high construction costs, one the ways to overcome rental poverty is to focus on low-cost construction, leading to inexpensive housing projects.

The Transform Fund winning social enterprise Smart Havens Africa builds affordable housing for Ugandan families, women in particular who earn less than USD 8 per day. They use a particular type of soil-based blocks that do not undergo the traditional large-scale industrial burning process. Smart Havens also secure clearance for lands, employ skilled workers including women and use these sustainable building blocks to provide with homes costing less than USD 6,000, which would cost as much as USD 45,000 to be built without sustainable materials.

These houses made from soil-bricks are superior and stronger than other constructions and the innovation has a potential in building larger infrastructures like schools and office buildings with the same material in future. The soil-based bricks are built through a process with zero carbon emission.

H.3 Wastewater Treatment Plants

With Transform Fund support, Engr Zeina Annab, Country Director of BORDA (Bremen Overseas Research and Development Association), is strengthening national and local capacities in project areas to improve the sanitation systems through the ISSRAR (Sanitation Solutions for Underserved Communities in Jordan) project, working to **create sustainable sanitation systems project to enable water reuse in underserved communities**. In the Jordanian city of Azraq, desludging tankers dumps around 100 cubic-metres of household wastewater and sludge every day in open sites.

ISSRAR proposed a combined Wastewater Treatment Plant (WWTP) and Fecal Sludge Treatment Plant (FSTP), which will use safe and odourless biological, chemical and physical treatment processes with primary and secondary disinfection units to produce high-quality of treated wastewater. It will be reused mainly for irrigation by local farmers, and can also be reused for landscaping, roadside greening or watering drought-tolerant trees and shrubs in small parks to contribute to the environment.

In Mozambique, sanitation is still a big challenge to the government and their stakeholders, so this proposal brought to the market a toilet seat that uses as little as 2dl of water for each flush, it is colourful and at the moment is the cheapest solution in the market, being sold for 800Mt each, combined to that the product inoculate Black Soldier Fly larvae on the pit to eat the human faeces and turn it to a liquid. The business also comes with a training program for youth on entrepreneurship through sanitation. **The target group is low income population with low access to sanitary facilities.**

Case Study 3: Capacity Building in STI Youth Empowerment for Water and Environmental Innovation

Cewas, the international centre for water management service, and the Palestine Polytechnic University Hebron are partnering up to deliver **the first programme in Palestine fully dedicated to establishing institutional and individual capacities in the field of water and environmental entrepreneurship**. The programme directly responds to the challenges Palestine is facing in regards to scarce and polluted water and natural resources as well as a limited labour markets and job opportunities within the traditional sector actors, by building up support structures for young start-up talent growth, foster entrepreneurial solution development and develop the capacity of the respective environmental markets. on entrepreneurship through sanitation. The target group is low income population with low access to sanitary facilities.

H.4 Smart Energy and Water

Reyhan Jamalova, an under-20 high school student in Azerbaijan founded **Rainergy that produces electricity from rainwater to solve the problem of energy efficiency in rainy countries**. Rainergy devices transfers the rich potential energy of rainwater into electricity through the motion created by the wheel. The electric energy is then stored in the accumulator for further use. The electricity produced is stored in the batteries and the prototype produces 120 watts of power. Moreover, Rainergy reduces the amount of CO₂ emissions to 10 g per KW/ H during the production of the electricity. This is a very low level of CO₂, compared to the other current alternative energy solutions. With Transform Fund support, Rainergy will improve our current prototypes, increase their efficiency.

Considering that the price of general electricity is 25 euro cent per KWH and 5 euro cents per KWH for solar energy in rainy countries. The innovation has the potential to create a much sustainable solution for the target market. Compared to current alternative energy solutions, Rainergy offers the same amount of energy at a cheaper price.

Based on researches, the total available market for Rainergy is about 1.5 billion (+) people who live in rainy countries. In these countries, 33m peoples live in rural areas who have no or very limited access to energy and therefore the Rainergy has huge potential to be a painkiller for these segments. The plan is to sell the product to 2% of this segment (660,000 poor people).

H.5 Energy Efficient Bricks

Anne K Rweyora, head of Smart Havens Africa, Uganda is building affordable housing using eco-friendly soil-based blocks for families whose daily income is less than eight US dollars. In Uganda, rental poverty affects many families looking for affordable shelters because income levels for around 7 million households do not match high rental expenses. Smart Havens Africa uses a particular type of soil-based blocks that do not undergo the traditional large-scale industrial burning process. With Transform Fund support, many of these houses are made from the soil-bricks, resulting in superior and stronger constructions. Smart Havens Africa is quite optimistic about building larger infrastructures like schools and office buildings with the same material in future. They also secure clearance for lands, employ skilled workers including women and use these sustainable building blocks to provide homes costing less than USD 6,000, which would cost as much as USD 45,000 to be built without sustainable materials.

IV. IMPLEMENTATION ARRANGEMENTS FOR THE URBAN STRATEGY

A. Implementation Modalities

Modality 1: Integrated Urban Operating Model (IUOM)

As noted earlier, this Urban Sector Policy Operational Strategy is distinct from other sectors, as it aims to provide a more comprehensive *Integrated Urban Operating Model (IUOM)* for CPO directorate to formally build both cross-sectoral and thematic collaboration into urban sector operations (see Fig.1 below). Using the IUOM approach will help to develop “co-location” of projects, leverage synergies and cooperative engagement of multiple IsDB sector and thematic teams and expertise to support urban development. While the possibilities for collaboration are quite extensive, this section elaborates several specific modes of collaboration and ways of determining lead and supportive roles where there are areas of intersection.

Specifically, this section will cover intersections between Urban-Water, Urban-Transport, Urban-Energy, Urban-Health and Education, Urban-Climate Action & Environmental Resilience, and Urban-Disaster and Risk Management. As ICT is already identified as a cross-cutting enabler for the USP, the points of intersect are identified and modalities elaborated in Section III.C. Institutional roles are broken down into 'Lead' and 'Support' capacities. Lead will typically involve a policy dialogue or operational lead role, while support can range from inclusion on an Urban Sector operational team, to a consultative role, or other facilitative support as appropriate for the task.

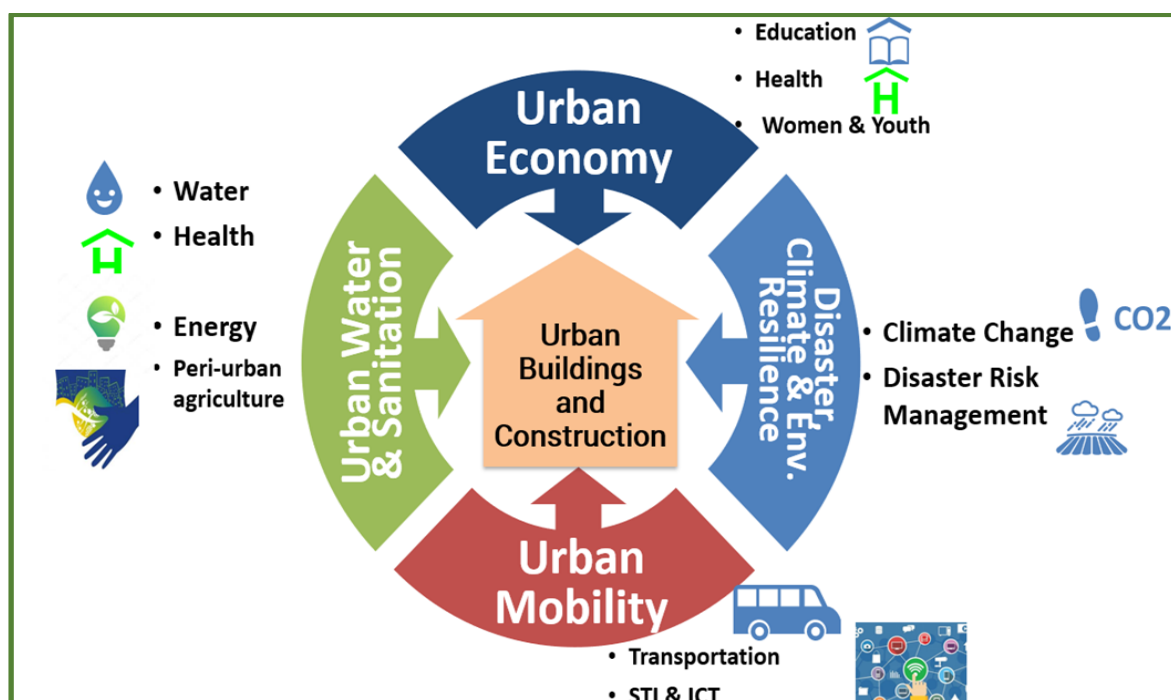


Fig.2 From Policy to Strategy: Integrated Urban Operating Model

(i) Urban Water and Sanitation

It will be important to leverage the range of IsDB technical capacities in dealing with water and sanitation issues across their respective Value Chains, particularly by harmonizing the scope, intervention area, and complementarities of the Urban Sector and Water Sector in particular. For the sake of clarifying the main orientation or scope of the Urban Sector, the following sets out what is within/outside this sector unit. The benefits of ensuring effective collaboration across the water and sanitation value chains is tied to global good practice where water basin management is integrated from source extraction to ultimate disposal so that the principles of sustainability can be fully applied in ensuring sound water supply protection, conservation, and sanitary and safe treatment and disposal of wastewater effluent.

Table 6: Urban Water and Sanitation IUOM Scope

Within the Scope of the Urban Policy & Operational Strategy	Outside the Scope of the Urban Policy and Operational Strategy
<ul style="list-style-type: none"> • Water distribution within the city (interfacing with municipalities) • Household connections (interfacing with households, municipalities) • Water & Wastewater Utilities Management and Service Delivery (interface with municipal finances, urban economy and impacts on all urban services, i.e. housing, commercial activities, businesses, etc.) • Drainage works within the city (often associated or carried out jointly with road resurfacing, urban mobility, and solid waste) • Urban Sanitation (wastewater management and faecal sludge management) 	<ul style="list-style-type: none"> • Water resource development, Integrated Water Resources Management (IWRM), water resources mobilization, water for agricultural uses (except for treated urban wastewater for reuse purposes) • Transmission mains, trunk mains connecting one region to another • Groundwater development, groundwater supply, borehole drilling, regeneration • Field studies, water investigation, water quality monitoring • Refurbishment of water supply works without any network connections involved

The following table translates the scope of the respective urban and water operational strategies into practical illustrations and applications. It aims to set out ways of coordinating interventions in the area of urban water supply and sanitation with the Water Sector. Generally, the Urban Sector team is expected to undertake all urban-based water supply and sanitation projects and take the lead/coordinate with the Water Sector team on any water supply extraction to ensure effective planning and water balance, as further detailed below:

Table 7: Urban Sector / Water Sector Synergy Matrix

Need/Intervention	Scale	MC Counterpart Institution (s)	IsDB US/WS Unit in Lead/Support Role
Regional Water Resource Management, Production and Regional Wastewater Treatment Plants	Regional	National or Regional Institution	Lead: WS Support: US (providing data and institutional background on city institutions and end-users)

Water for Agricultural Uses	Regional/ Rural	Ministry of Agriculture/Minist ry of Water, Rural End-Users	Lead: WS
Water production wells, transmission mains, regional water reservoirs	Regional/ Rural	National Water Authority/ Ministry of Water, City/Municipality /Water Utility	Lead: WS Support: WS (providing guidance on water extraction, maintaining water balance, etc.)
Water distribution and storage tanks/reservoirs within the city (interfacing with municipalities); Household connections and metering (interfacing with households, municipalities); Water & Sanitation Utilities Management and Service Delivery (interface with municipal finances, urban economy and impacts on all urban services, i.e. housing, commercial activities, businesses, etc.); FSM; Wastewater networks, treatment, reuse, and disposal within city administrative areas; Drainage works within the city (often associated or carried out jointly with road resurfacing, urban mobility)	City or District Level	City, Municipality, Water Utility, National Water Authority or Ministry of Water	Lead: US Support: WS (providing technical inputs, data, and relevant interface information on national and regional water issues and facilitation where relevant)

Note: In any instance when a determination cannot be made using the above operational guidance, the following rule will be applied to determine the basis for which sector unit will take the lead. As in other MDBs, the estimated financing percentage is typically used whereby the financing percent X would represent water and the financing percentage Y will represent urban. If $X < Y$ the project will be classified as urban and Urban team would take the lead; If $Y < X$ the project will be classified as water and Water Sector would take the lead.

(ii) Urban Mobility

The following table sets out ways of coordinating interventions in the area of urban mobility with the Transport Sector (TS). Generally, in the case of regional transport and highly complex metro and light rail systems, TS should take the lead, as further detailed below:

Table 8: Urban Sector / Transport Sector Synergy Matrix

Need/Intervention	Scale	MC Counterpart Institution	IsDB US/TS Unit in Lead/Support Role
Intercity Road Connectivity & Transport System to other cities/towns and airports/ seaports	Region	Ministry of Transport	Lead: TS Support: US - link with urban plan to ensure consistency with city spatial development

Public Transit High-volume Metro System	City-wide System	Ministry of Transport or City Government	Lead: TS Support: US - link with urban plan to ensure consistency with city spatial development
Public Transit Light Rail	City-wide System	Ministry of Transport or City Government	Lead: TS Support: US - link with urban plan to ensure consistency with city spatial development
Bus Rapid Transit (BRT System)	City-wide System or Transit Corridor	City Government	Lead: US Support: TS - link with regional transit hubs at city boundary intake points
Urban roads, traffic signals, intersection improvements, traffic management systems, bus terminals, parking garages, sidewalks, pedestrian walkways, street lighting	City/ District	City Government	Lead: US Support: TS - to ensure consistency with national transport system standards

(iii) Urban Energy

Cities are known to be the highest consumers of energy and steps that they take to conserve energy, shift to renewable energy, and adopt energy efficiency measures can contribute significantly to lowering national energy consumption, decreasing a country's carbon footprint, and reducing energy costs. For this reason, close collaboration of the US and ES will be key in ensuring that cities contribute their share toward all of these efforts, while also reaping the co-benefits of energy cost savings. The following matrix outlines potential areas of intersection and collaboration with respective roles for the US and ES teams.

Table 9: Urban Sector / Energy Sector Synergy Matrix

Need/Intervention	Scale	MC Counterpart Institution	IsDB US /ES Unit in Lead/Support Role
Delivery of industrial grade high voltage energy connections to municipal enterprise zones	Region	Ministry or Authority of Energy	Lead: ES Support: US - link with urban plan to ensure consistency with city spatial development; also assumes supportive role in bringing down high voltage to low voltage lines in municipal enterprise zones

Support for residential RE and EE initiatives in urban settings	National/ Region	Ministry or Authority of Energy	Lead: ES Support: US - link with municipalities to the extent they are involved in initiative
Energy Efficiency in Municipal Buildings, Street Lighting	City-wide System or District	Ministry of Energy or City Government	Lead: US Support: ES - relevant national policy/ regulations; support on technical and energy sector capacity and development issues
Renewable Energy in Municipal Buildings (solar), WW Treatment Plants (Biogas)	City-wide System or District	Ministry of Energy or City Government	Lead: US Support: ES - relevant national policy/ regulations; support on technical and energy sector capacity and development issues.

(iv) Urban Health & Education

Linkages between urban and health and education have become more prominent in recent years, as cities strive to improve competitiveness and seek support for higher education and vocational training to ensure strong human capital and improve city economic growth potential. The Healthy Cities approach provides a platform to mainstream coherent strategies to address relevant strategies to ensure the health and wellbeing of the population. Even more prominent in the current conditions is the link to national health policies and pandemic response with the prevailing COVID-19 epidemic that is challenging city leaders. Collaboration can range for collective support, peer reviews, sharing of global knowledge and toolkits that can strengthen and reinforce fulfillment of performance results across multiple sectors and policy areas.

Table 10: Urban Sector / Health and Education Sector Synergy Matrix

Need/Intervention	Scale	MC Counterpart Institution	IsDB US/HS Unit in Lead/Support Role
Promoting Healthy Cities approach	National Citywide	WHO, AFHC ¹² Ministry of Health Local Authorities	Lead: HS Support: US - link with urban plan to ensure consistency with city spatial development. Healthy cities will be guided by the principles of health for all, universal health coverage, intersectoral governance for health, health-in-all-policies, community participation, social cohesion and innovation.
General population health in cities	National	Ministry of Health	Lead: HST Support: UST - link with urban plan to ensure consistency with city spatial development

¹² Alliance For Healthy Cities -http://www.alliance-healthycities.com/htmls/join/index_join.html

City/Municipal Public Health Policies and Supervision	City wide System or District	City Government	Lead: US Support: HS - guidance and technical support on city public health good practices
City Medical Emergencies/Pandemic Preparedness & Response	City-wide System or District	City Government	Lead: US Support: HS – ❖ guidance on formulation and rollout of national/regional/city medical emergency ❖ pandemic preparedness & response
Delivery of Heavy Health Infrastructure/Facilities	City-wide System or District	Ministry of Health Local Authorities	Provision of Specifications and Building Standards for the construction of Hospitals or Clinics in flood prone areas or in zones subject to seismic activities; Supervision of Construction Activities for hospitals or other heavy engineering facilities.
EDUCATION SECTOR			
Higher Education and Vocational Training in cities	National	Ministry of (Higher) Education	Lead: ES Support: US - link with city competitiveness and human resource, labor market training needs
Capacity building & knowledge programs on improved living conditions in urban slums	City-wide System or District	Ministry of (Higher) Education	Lead: US Support: ES Thematics: ❖ Provide affordable education & training for urban poor to improve livelihoods ❖ Raising Awareness about Water, Sanitation and Hygiene in Schools ❖ Awareness campaigns & civic engagement for improve living conditions in slums.
Delivery of Heavy Education Infrastructure/Facilities	City-wide System or District	Ministry of (Higher) Education	Lead: US Support: ES Provision of Specifications and Building Standards for the construction of schools and universities in flood prone areas or in Zones subject to seismic activities; Supervision of construction activities for universities or other heavy engineering facilities.

(v) Disaster, Climate & Environmental Resilience

Cities, by virtue of their high population densities, can be highly vulnerable to natural, human, and climate-induced disasters. While the IsDB Disaster Resilience Team within the Resilience and Social Development Department (RSD) is not an operational unit, it houses the institutional expertise of IsDB in the area of disaster resilience, preparedness and response and thus has a critical role to play at the city level. Urban sector operational teams will fully exploit this knowledge and expertise in the preparation of operations, provision of technical assistance and to support policy dialogue on City Disaster Resilience.

Climate Action is a prominent feature of the SDGs and the Paris Agreement NDCs. However, it requires close coordination between national level policy makers and local level city leaders to translate beyond a paper commitment. Data needs to be collected, plans and strategies devised, and actions need to be taken in a coordinated manner at the local level. Through IsDB's Integrated Urban Operating Model (IUOM) the combined expertise of the Climate Change team and the operational engagement of the Urban Sector will be positioned to provide seamless support to MCs in developing policies, making use of best international practice, and implementing agreed actions on the ground.

The matrix below provides a framework by which the Urban Sector of ESID and relevant IsDB thematic teams from RSD will collaborate on Disaster, Climate Actions and Environmental Resilience at the City Level:

Table 11: Urban Sector /Climate & Disaster Thematic Teams Synergy Matrix

Need/Intervention	Scale	MC Counterpart Institution	IsDB US/Fragility & Resilience Unit /Climate Change Unit in Lead/Support Role
FRAGILITY & DISASTER UNIT			
National Disaster Preparedness & Response -- Policy and Institutional Capacity	National	National entity assigned to Disaster Preparedness/ Response	Lead: Fragility & Resilience (F&R) Support: US - provide city level data and facilitate cooperation with national-level planning; deploy toolkits and finance disaster preparedness investments at local level
City Disaster Preparedness & Response	City-Level	Municipality	Lead: US Support: F&R - provide guidance and tools based on national/international policy for city-level disaster preparedness and response
CLIMATE CHANGE UNIT			
Climate Action: NDCs	National	Relevant national ministry	Lead: CCU Support: US - provide relevant city level input data and facilitation at the local level

City-level climate actions supported under IsDB operations	City-level	Municipality	Lead: US Support: CCU - provide global guidance, tools and monitoring support of climate actions for NDC compliance, and other agreed climate actions
Promotion of green jobs within urban economy pillar and the Disaster, Climate Actions and Environmental Resilience pillar.	National City level	Relevant national ministry	Lead: US Support: CCU Areas of intervention: Improvements to solid waste management, environmentally-sound disposal, recycling and methods to reduce the volume of waste to landfills.
Use of nature based solutions in cities.	National City level	Municipality Relevant national ministry	Lead: US Support: CCU benefits, including through the development of public parks, recreational areas and community gardens, etc.

Modality 2: Priority Interventions under USP Pillars by Regional Groups, Country Attributes and Income Classification

While every country has its unique history, political configuration and cultural identity, there are general patterns of development assistance needs across country income groups, regional groupings, and special needs and priorities for landlocked and fragile and conflict-affected countries. Based on these broad characteristics, and in line with the country-focused selectivity, **this Operational Strategy makes an attempt to outline likely priority needs by USP pillar and intervention area for IsDB MCs by region (ASIA, MENA & SSA), income group (H/UM/LM/L) and for landlocked and FCA countries.** These priorities are reflected in Table 12 on the following page.

As IsDB places heavy emphasis on being country-focused (guiding principle no.1) each IsDB MC has a specific Member Country Partnership Strategy (MCPS) that is developed based on the MC's priorities and needs. The priorities set out in Table 12, therefore, should be taken as a general guide for broad-based planning and regional team configurations, and should not be a basis for dictating or forcing an MC into adopting one type of support or another.

There may be a need as well to adjust the prioritization of development assistance planning based on actual demand and ongoing dialogue with client countries during the five year implementation period of this Operational Strategy.

In summary, the main outcomes of this classification for priority interventions by regional groups, country attributes and income classification can be summarised as follows:

 **High priority interventions for SSA region:**

- 1) Municipal Enterprise/Industrial Parks or Zones
- 2) Water and Sanitation Network Rehabilitation/Extension
- 3) Alternative Transport Mobility Options
- 4) Slum Upgrading
- 5) Serviced Land for Private Housing
- 6) Water Supply Conservation/Energy Efficiency + Utility Management, including responses to Droughts.

 **High priority interventions for MENA region**

- 1) CBD/Commercial District Congestion Relief Measures
- 2) Water Supply Conservation/Energy Efficiency + Utility Management, including responses to Droughts
- 3) Urban Road Safety
- 4) Conflict-induced Displacement Disasters
- 5) Urban Regeneration/Upgrading Commercial Districts
- 6) Slum upgrading.

 **High priority interventions for ASIA region**

- 1) Urban Road Safety
- 2) CBD/Commercial District Congestion Relief Measures
- 3) Stormwater Drainage and Flood Protection Measures.

 **High priority interventions for Landlock country**

- 1) Municipal Enterprise/Industrial Parks/Zones, SEZ.

 **High priority interventions for Fragile and Conflict Affected Countries**

- 1) Slum Upgrading
- 2) Water and Sanitation Network Rehabilitation/Extension
- 3) Conflict-induced Displacement Disasters.

Table 12: Priority Interventions under USP Pillars by Regional Group and Income Classification

IsDB USP Pillar & Area of Need	IsDB USP Potential Project Intervention Typologies Infrastructure and/or Equipment & Technical Assistance (Entire Project or Component of Project)	IsDB Regional Group, Country Income Classification & Priority Rank												
		SSA (1)				MENA (2)			ASIA (3)			LL	FCA	
		UM	LM	L	H	UM	L M	L	H	UM	LM			L
Urban Economy	Urban Regeneration/Upgrading Commercial Districts	M	L	L	L	H	H	L	M	M	L	L	M	M
	Cultural Heritage, Historic City Tourism-led Development	M	M	L	L	M	M	M	L	M	L	L	M	L
	Municipal Enterprise/Industrial Parks or Zones	H	H	H	L	M	M	H	L	M	M	M	H	L
Urban Mobility	Alternative Transport Mobility Options	H	H	H	L	H	H	L	L	H	H	M	M	M
	Low Carbon Public Transit Development or Expansion	H	H	M	L	M	M	M	M	H	H	M	M	L
	Urban Road Safety	M	M	M	H	H	H	M	L	H	H	H	M	L
	CBD/Commercial District Congestion Relief Measures	M	M	L	L	H	H	H	M	H	H	H	M	M
Urban Housing	Slum Upgrading	H	H	M	L	M	H	H	L	M	H	H	M	H
	Serviced Land for Private Housing	H	H	M	L	H	H	M	L	M	M	M	M	L
	Low Income Public Housing	M	H	H	L	M	H	H	L	M	H	H	M	M
Urban Water & Sanitation	Water and Sanitation Network Rehabilitation/Extension	H	H	H	L	M	M	H	L	M	H	H	M	H
	Water Supply Conservation/Energy Efficiency + Utility Management, including responses to Droughts	M	H	H	H	H	H	M	L	M	M	M	M	L
	Wastewater & FSM Treatment Plants	M	L	L	M	M	L	L	L	M	M	L	M	L
	Water Supply Treatment Plants	H	H	M	L	M	M	M	L	M	M	M	M	L
Disaster, Climate & Environmental Resilience	Energy Efficiency and Safe Municipal Public Buildings & Residential Housing	M	M	M	L	M	M	M	M	M	M	M	M	L
	Solid Waste Landfills and SW Management Enhancement	M	H	H	L	M	M	M	L	H	H	H	M	M
	Stormwater Drainage and Flood Protection Measures	M	M	M	L	M	M	M	M	H	H	H	M	M
	Energy Efficiency and Disaster Resilient Residential Housing	L	M	M	L	M	M	M	L	M	M	M	M	L
	Conflict-induced Displacement Disasters	L	M	M	L	H	H	H	M	M	M	M	M	H
	Emergency Response, Disaster Preparedness & respect of Norms of Construction in sensitive areas.	M	M	M	L	H	H	H	M	M	M	M	M	H

Note: Priorities – High (H), Medium (M), Low (L); Land-locked (LL); Fragile & Conflict-Affected (FCA)

B. External Partnerships

Partnerships with external development partners will remain a cornerstone of IsDB's Urban Policy and Operational Strategy. Such partnerships will be sustained and amplified given the enormity of development assistance needs today and limitations on both financial development assistance and technical support capacity. Through its strategic partnerships with like-minded urban development organizations, IsDB Urban Sector seeks to (i) expand its impact beyond what any one agency can achieve on its own, (ii) build synergies and further develop complementarities in work programs to take advantage of what each agency may contribute toward meeting the SDGs, (iii) avoid duplication and harmonize development assistance and policy dialogue, wherever possible, to deliver seamless, complementary development support to IsDB MCs, and (iv) use its development partnerships to share knowledge and promote IsDB MC collaboration among themselves and with other countries through south-south knowledge exchanges.

Development partnerships can help share global expertise and draw on complementary resources and skills sets of IsDB and its development partners to support IsDB MCs in pursuing *sustainable* and *inclusive* urban development. One such example is the collaboration between IsDB Urban Sector (under CPO) and UN-Habitat in producing "Informal Settlements in the Arab Region: Towards Arab Cities without Informal Areas," Analysis and Prospects Report that was jointly produced in February 2020. The report helps to update knowledge and outline critical actions in a key IsDB region of engagement that is expected to inform urban development interventions over time.

IsDB institutionally and at the UST level has many long-standing development partnerships in the urban development arena. In addition to UN-Habitat, which is a key partner with whom IsDB has confirmed in long-standing partnership in UN-Habitat's recent Strategic Plan for 2020-23 Partnership Strategy, are UNDP (with whom IsDB signed a renewed Action Plan for strategic collaboration in achieving the SDGs) in areas such as crisis response, resilience and stabilization, Cooperation in Africa, promotion of South-South cooperation, and particularly in the Program of Assistance to the Palestinian People (PAPP) to which IsDB has contributed over \$150 million since 2010. More recently, IsDB signed a technical cooperation agreement with the Bill and Melinda Gates Foundation (BMGF) to advance CWIS and FSM interventions, as well as promoting the adoption of transformative sanitation technologies in IsDB MCs.

Urban Sector has already taken measures to underscore its engagement on the New Urban Agenda and to further its efforts at working collaboratively with partner organizations in the Urban Development arena. These corporate signals are important both within and outside the IsDB in that they communicate a seriousness of commitment and an interest in prioritizing and promoting the urban development program. Such

actions are also consistent with the P5P, which emphasizes IsDB's role in fostering new partnerships and working collaboratively with other partner organizations.

C. Quality Assurance

In order that the USP is implemented effectively and helping to improve overall operations and delivery to IsDB MCs, and in response to some of the identified gaps and lessons learned from prior Urban Sector Guideline experience, several management tools and measures are proposed below to enhance the quality of the Urban Sector performance and the urban portfolio:

(a) For Member Country Counterparts: The UST commits to identifying and deploying cost-effective and tested urban development and management tools that are publicly available but potentially un-known or underutilized by MC cities, including a range of city assessment and diagnostic tools, such as TRACE 2.0 (City Energy Assessments), Resilience Assessment and Response Tools, Municipal Finance Guidebooks, SUMP (Sustainable Urban Mobility Planning); CWIS diagnostics tools, FSM toolbox, and a range of other tools useful to cities that have been implemented successfully by UN-Habitat and other development partners.

(b) For Urban Sector management and staff: The table below outlines the management tools that will be developed during the Operational Strategy implementation period.

Table 13: Management and Implementation Tools to Support the Operational Strategy

TOOL	PURPOSE & USES
1. <i>Portfolio Dashboard (PD)</i>	Until such time as SAP is operational with an enterprise system and business warehouse, the UST will prepare a spreadsheet that functions as a Portfolio Dashboard. Its design will enable immediate use to enhance portfolio management, while also serving as a means of communicating functional requirements for SAP system design. The Portfolio Dashboard would contain all vital operational information, including investment projects by Board decision and closing date, financing amount, disbursement data, disaggregated data on financing by component and USP Pillar to monitor programming against each of the pillars as business lines; data on the results framework; data on implementation status, among other variables. The PD will enable informed management decisions on portfolio operations, while providing valuable insights for future programming needs.
2. <i>Urban Sector Note (USN)</i>	A USN would be a standard way of maintaining knowledge of the urban sector in each IsDB MC where the Urban Sector is engaged. The Note, of about 5-6 pages, is intended to be executive in format, highlighting key policy issues, the status of various aspects of urban development at the national policy and local level, and

	<p>would identify key accomplishments and gaps that need to be addressed under the five pillars of the USP, among possibly other areas. It would be updated at the time or preparing a new operation, when Urban Sector teams (under COO) are engaged in policy dialogue with counterparts, and in conjunction with the preparation of a new MCPS, in which it would be an important input. It would also be used to brief incoming new staff, as well as management on the important and strategic issues of the urban development sector in an IsDB MC.</p>
<p>3. Project Readiness Filter (PRF)</p>	<p>The PRF would essentially be a checklist of items to review prior to proceeding to appraisal, addressing some of the deficiencies noted earlier in the project cycle at preparation stage. This would include, readiness of technical and feasibility studies for investments to be financed, confirmation of availability of IsDB MC Government counterpart funds, where cofinancing is involved, or availability of financing from other involved stakeholders (e.g. water utility, electric company), confirmation that the project implementation team on behalf of counterparts is in place and with the requisite skills and qualifications necessary for successful implementation; social and environmental safeguards requirements have been met; arrangements for meeting project effectiveness conditions; any land on which IsDB-financed infrastructure would be situated has been confirmed to be public land with relevant documentation, and so forth.</p>
<p>4. Project Intersection & Synergy Matrix Checklist</p>	<p>This Checklist will be utilized at the very first stage of preparing a new operation. Its purpose will be to run through a checklist of items relating to areas for potential intersection or synergy with other IsDB CPO Sector or Thematic Groups to ensure they are considered for various roles and capacities in preparing a new operation. The checklist will both identify if there is a point of collaboration to be addressed and, if so, what that role would be in a supportive capacity -- either integration of a complementary specialist on an Urban Sector team or a consultative function. The conclusion of this exercise will be achieved when the respective management unit of the collaborative team is approached and provides authorization for the team collaboration to take place in the appropriate capacity.</p>

D. Urban Sector Teams: Staffing & Resources

IsDB Urban Sector teams (urban specialists under both CPO & COO directorates) will need to be equipped to deliver on the new Urban Sector Policy over the period ahead and this Operational Strategy will help to do that. Accordingly, it will be important to review Urban Sector's current operational set up, skills levels and the key challenges it is facing to determine any adjustments that may be needed. Two key factors that emerge immediately are adequacy of staffing and project preparation budgets.

The Urban Sector has delivered an average of eight operations a year, which is impressive and just below the World Bank Urban Practice (9.6) on a global scale, but has had to do so with only a fraction of the staff (i.e. 10 compared to 210) and with half the average project preparation budget (\$200,000 as compared to \$400,000 for the World Bank), as presented in Table 7 below. This comparison suggests that IsDB Urban Sector team is under-resourced in trying to meet the growing demands of IsDB MCs for urban development support.

Table 14: Benchmarking IsDB Urban Sector Project and Budget Performance to the World Bank

Urban Project Portfolio	IsDB (2005-19)	World Bank (2013-19)
Average Annual Number of Project Approvals	8	9.6
Average Annual Aggregate Financing Amount	\$400 million	\$1.5 billion
Average Financing per Project	\$60 million	\$ 157 million
Urban Sector Staff (CPO & COO)	10*	210
Average Project Preparation Cost (excluding Trust Funds)	\$200,000	\$400,000

Source: Main coefficients presented are reported by IsDB and World Bank staff with Author calculations

**Out of these 10 staff, 5 at least are water specialists working both on water and urban projects.*

On the demand side, the vast majority of the Urban Sector's financing to date has been for water and sanitation, as it represents (72%) of the portfolio (although many projects classified as water/sanitation investments are integrated with urban roads and other urban investments that are not coded and thus not captured). This is a likely indicator of demand and thus urban water and sanitation is likely to have a large share of the portfolio going forward. However, diversifying the portfolio in order to meet new areas for urban development financing needs of MCs, and to better align with IsDB corporate goals and global urban trends (i.e. the New Urban Agenda and SDG Agenda 2030) will require a different skill mix at IsDB in the years ahead.

These resource needs could be addressed in whole or part by (i) developing an HR plan with future recruitments that align with emerging needs and enable fulfilment of and support for implementing the five pillars of the USP; (ii) providing additional budget for project preparation that would enable existing Urban Sector staff to contract consultants with complementary urban skills or specializations to effectively respond to emerging demands; and/or (iii) defining areas within the five pillars where IsDB will have a dedicated team of professionals with requisite skills to deliver operations, while reserving other areas for support only in cases where IsDB is co-financing operations of another MDB, where the other MDB has the appropriate skills mix drawing on its own staff. These various avenues of "retooling" will be further explored by the ESID management and lead officers to find a solution that is both responsive to MC demands and needs while being a financially sustainable business model and cost-effective for IsDB.

Other areas that are being considered for portfolio diversification include: (i) identifying Trust Funds and other sources of concessional financing from bilateral donors that could be used to complement IsDB urban preparation budgets with project preparation facilities (PPFs) that would support low income countries in particular with sufficient financing to carry out the due diligence necessary for more thorough project appraisals; (ii) entering into collaborative relationships with development partners that have comparative advantages in areas where IsDB could contribute or benefit from undertaking joint actions, participating in knowledge exchanges, provision of training to update the skills of Urban Sector staff, among other means; (iii) considering initiating pilots that are explicitly design on a trial and experimental basis, with a plan for careful monitoring and review and decision-making regarding mainstreaming and rolling out new product lines in areas more responsive to the evolving demands of IsDB MCs.

V. PERFORMANCE MONITORING FRAMEWORK

A. Monitoring Framework

Urban sector unit under CPO will need to work closely with Regional Hubs (RHs) to establish a comprehensive and reliable performance monitoring system based on the framework set out below. The framework shall be used to program development activities and project operations and an annual report will be prepared as part of an annual portfolio review to determine whether the USOS is on track over the next five years.

The choice of indicators was determined based on (i) Global SDG and other urban indicators; (ii) Corporate Objectives Policies and Guidelines, and (iii) adopted Policy Pillars of the USP. Standardized indicators linked with the UN system and other global development partners were used to the extent possible for ease of data collection and monitoring. The following two matrices present Key Performance Indicators (B) and Supporting Indicators (C) for Operational Strategy implementation.

B. Key Performance Indicators

Table 15: Key Performance Indicators by USP Policy Pillar

Policy Pillar	Specific Objectives	Activities	Monitoring Indicators	
			Outputs	Outcomes
<i>Urban Economy</i>	Inclusive urban growth fostering investment attraction and job creation	<ul style="list-style-type: none"> • Municipal Enterprise Zones: Serviced urban land for manufacturing • Cultural Heritage and Tourism-led development • Upgraded and enhanced urban commercial districts 	<ul style="list-style-type: none"> • Area of urban land in Enterprise Zones fitted with economic infrastructure (m2) • Number of historic buildings/cultural areas upgraded 	<ul style="list-style-type: none"> • Volume of private investment attracted (SDG 11.c.1; 10. b.1; 17.3) • Number of urban jobs created (SDG 8.9.2) • Increased tourism receipts at city level (SDG 11.4.1) • Increased property tax base (%) (SDG 11.4.1)
<i>Urban Mobility</i>	Improved urban mobility with a reduced carbon footprint	<ul style="list-style-type: none"> • Upgrade/extend urban roads, intersections, parking areas • Promote public transport with public buses, stations, terminals and BRTs • Provision for off-street parking, traffic management • Reduce carbon footprint via pedestrian walkways & bike paths • Introduce urban mobility planning tools 	<ul style="list-style-type: none"> • Length of urban road improvements • Number of urban buses, stations, terminals & routes commissioned • Number of parking garages and traffic management systems installed • Length of walkways and bike paths • Number of planning tools adopted 	<ul style="list-style-type: none"> • Increase in urban population access to safe and affordable public transport (SDG 11.2.1; 9.1.2) • Increase in disadvantaged group access to safe and affordable transport (SDG 11.2.1; 9.1.1 & 9.1.2) • Reduced urban congestion (% reduction in commute times) • Reduced number of urban traffic fatalities and injuries (SDG 3. 6..1) • Reduced city carbon emissions (SDG 13.2.1)

Urban Housing & Slum Upgrading	Improved access to affordable housing across the income spectrum	<ul style="list-style-type: none"> • Expand urban serviced land for new residential development • Upgrading of informal settlement • Housing subsidy programs for low income HHs in the form of down payments and incremental housing loans • Enabling policy framework for housing market development supported • Public housing developed when justified 	<ul style="list-style-type: none"> • Area of land serviced for residential development (m2) • Area of informal settlement upgraded • Area of informal settlement regularized • Number of beneficiaries of housing subsidy programs • No. units of low income housing delivered 	<ul style="list-style-type: none"> • Reduced number of people living in slums (SDG 11.1.1) • Improved tenure security through regularization (no. of households) (SDG 11.1.1) • Increased access to services in informal settlement (SDG1.1.1) • Increase in affordable formal housing stock (city-level) (SDG 11.1.1)
Urban Water & Sanitation	Improved access to safely managed water and sanitation services	<ul style="list-style-type: none"> • Installation of water network, connections and meters • Installation of wastewater and faecal sludge treatment plants • Installation of pre-paid meters • Implementation of viable service delivery models to ensure sustainability of water and sanitation infrastructure and services • Programs to support reuse and sale of treated wastewater and FS in agriculture 	<ul style="list-style-type: none"> • No. of HHs connected to water and sanitation networks • Increase of urban population served by FS & WW treatment plant • Increased number of water and sanitation service providers 	<ul style="list-style-type: none"> • Increased access to safe water (SDG 6.1.1) • Increased % of national/city WW effluent & FS subjected to treatment (SDG 6.3.1) • Increase in water-use efficiency (SDG6.4.1) • Increase in volume of treated wastewater and FS reused in agriculture (SDG 6.3.1)
Disaster, Climate & Environmental Resilience	Increased urban resilience to disaster and climate impacts, while mitigating environmental impacts	<ul style="list-style-type: none"> • Installation of sanitary landfills • Rehabilitation of dump sites and transfer stations • Installation of disaster resilient and climate mitigation /adaptation equipment & infrastructure • Supply and training on RE/EE toolkits for diagnostics and climate action investment planning 	<ul style="list-style-type: none"> • Reduced number of uncontrolled dump sites • Length of flood structures installed • No. of disaster risk buildings retrofitted • No. of EE lighting fixtures, water pumps, vehicles replaced • No. of solar panels installed 	<ul style="list-style-type: none"> • Increase in local govts adopting disaster risk reduction strategies (SDG 13.1.2) • Decrease in city population exposed to disaster risks (SDG 13.1.1) • Increase in % of RE consumed by municipality (SDG 7.2.1) • Decrease in energy consumed by municipality (SDG 7.b.1)

C. Supporting Indicators

Table 16: Performance Monitoring Framework: Supporting Indicators

Performance Area	Specific Objectives	Activities	Monitoring Indicators
GUIDING PRINCIPLES			
<i>Country-focused selectivity</i>	Optimize selection of urban operations with RHs based on MC needs and circumstances	<ul style="list-style-type: none"> • Prepare country-specific Urban Sector Review as input to MCPS • Use Annual Urban Portfolio Review to monitor urban program • Limit urban projects in each MC to 1-2 pillars 	<ul style="list-style-type: none"> • Urban Sector Review prepared and shared with government (% of MCs) • Number of urban policy pillars covered by approved projects in each MC
<i>Capacity Building and Knowledge Sharing</i>	Urban development knowledge generated, utilized and/or shared with MCs	<ul style="list-style-type: none"> • Production and sharing of analytical reports and/or advisory notes • Establish and/or expand knowledge partnerships • Organize South-South capacity building and knowledge exchanges 	<ul style="list-style-type: none"> • No. of independent or joint knowledge products produced • No. of knowledge partnerships established or renewed • No. of capacity building trainings or knowledge exchanges
<i>Financing Mechanisms, including PPPs</i>	Identify optimal financing mechanisms suitable for MC city needs	<ul style="list-style-type: none"> • Government and Development partner co-financing identification • Municipal PPPs, including urban revitalization transactions with private sector • Islamic co-financing • Municipal Development Impact Bonds 	<ul style="list-style-type: none"> • Number of municipal PPP transactions supported • Number and volume of co-financing mobilized • Number and volume of urban Islamic financing transactions and DIBs supported
<i>Women & Youth Empowerment</i>	Include women and youth participation in planning and beneficiary tracking	<ul style="list-style-type: none"> • Encourage and monitor inclusion of women and youth in participatory urban planning exercises • Disaggregate and track women and youth beneficiaries of Urban Sector activities 	<ul style="list-style-type: none"> • Number and percentage of women and youth included in planning exercises in MCs • Portfolio tracking of number and percentage of women and youth beneficiaries of urban operations
CROSS-CUTTING ENABLERS			
<i>Urban Governance</i>	Improve the governance framework for urban sector performance	<ul style="list-style-type: none"> • Urban legal and regulatory framework review & support for updating • Introduce municipal citizen report cards in selected MC urban operations • Integrate ICT applications to improve transparency and public disclosure practices 	<ul style="list-style-type: none"> • No. of Urban Sector Reviews with legal/regulatory framework assessment • No. of urban operations where citizen report cards are featured • No. of urban operations with ICT applications to improve transparency and disclosure
<i>National Urban Policy</i>	Promote formulation of national urban policies	<ul style="list-style-type: none"> • Monitor NUP status of MC via USR, Operation • Support IsDB MCs in updating NUPs, training, knowledge exchanges 	<ul style="list-style-type: none"> • No. of countries supported in strengthening NUP
<i>Urban Planning</i>	Update and modernize urban planning practices	<ul style="list-style-type: none"> • Advocate for and advice MCs in updating of urban planning tools 	<ul style="list-style-type: none"> • No. of MC cities supported in preparing new urban plans

		<ul style="list-style-type: none"> • Support preparation of urban spatial planning in selected MC cities 	
<i>Municipal Finance</i>	Update and modernize municipal finance practices	<ul style="list-style-type: none"> • Support MC cities in updating and modernizing MF systems through automation, guidelines, manuals, training, knowledge exchanges 	<ul style="list-style-type: none"> • No. of MC cities supported in upgrading MF systems • No. of personnel trained in MF at MC cities
<i>Citizen Engagement</i>	Increase citizen engagement and participation in MC cities	<ul style="list-style-type: none"> • Structure citizen participation into formulation of urban plans, infrastructure investment prioritization, etc. • Develop and deploy citizen report cards as monitoring tool as appropriate 	<ul style="list-style-type: none"> • No. of city residents consulted in urban planning, investment planning prioritization • No. of citizen report cards issued annually by cities supported in IsDB MCs
<i>Building Partnerships</i>	Increase cooperation and share the burden	<ul style="list-style-type: none"> • Forge partnerships with urban development partners and MDBs for co-financing and sharing of knowledge tools 	<ul style="list-style-type: none"> • No. and volume of development partner project co-financing mobilized • No. of global knowledge tools mobilized from development partners
<i>ISTI & ICT Applications</i>	Improve efficiency and transparency of municipal operations	<ul style="list-style-type: none"> • Supply and install ICT systems: MF Management Systems, GIS systems, Revenue/Billing Collection Systems, public disclosure websites 	<ul style="list-style-type: none"> • No. of projects incorporating ICT elements to improve efficiency • No. of projects using ICT to improve transparency

ANNEXES

- ANNEX 1: USOS Action Plan (2021-25)
- ANNEX 2: Grouping of IsDB Member Countries by Region
- ANNEX 3: Outline and Scope of Urban Sector Note for Country Programs
- ANNEX 4: Table of SDG Global Urban Indicators for Sustainable & Inclusive Cities

ANNEX 1 : USOS Implementation Action Plan 2021-25

ACTION PLAN	2021	2022	2023	2024	2025	RESPONSIBILITIES	IMPACTS
Policy Pillar A: Urban Economy							
A1. Support urban regeneration in MC cities by helping to upgrade CBDs and other commercial districts	x	x	x	x	x	ESID (US), RHs,	Promote sustainable urban economic growth; increase inclusion through urban job creation
A2. Promote tourism-led development through revitalization and restoration of urban cultural heritage and historic building assets and districts		x	x	x	x	ESID (US), RHs	Promote sustainable urban economic growth; increase inclusion with new service sector jobs
A3. Support MC cities establish or expand municipal enterprise zones		x	x	x	x	ESID (US), RHs, BPRD, DoST	Link IsDB MCs to GVCs, create sustainable jobs and enhance inclusion
Policy Pillar B: Urban Mobility							
B1. Upgrade urban roads, sidewalks and parking areas in main transit corridors	x	x	x	x	x	ESID (US,TS), RHs,	Increase inclusion through improved access; improve road safety
B2. Promote public transport in congested cities through public buses, stations, terminals and BRTs	x	x	x	x	x	ESID (TS & US), RHs,	Promote sustainability; reduce carbon emissions and road accidents; Improve inclusion through affordable access
B3. Reduce congestion and improve traffic safety through provision of off-street parking, improved traffic management, upgrading of pinch point intersections	x	x	x	x	x	ESID (US & TS), RHs,	Increase road safety, reduce congestion; Improve sustainability thru reduced carbon emissions
B4. Reduce city carbon footprint by providing alternative transport via pedestrian by expanding pedestrian walkways and bike paths	x	x	x	x	x	ESID (US), RHs,	Improve sustainability thru reduced carbon emission; Improve public health and mobility/access
B5. Introduce urban mobility planning in spatial plans and through sustainable urban mobility planning tools		x	x	x	x	ESID (US & TS), RHs,	Improve sustainability and inclusion through enhanced mobility planning
Policy Pillar C: Urban Housing and Slum Upgrading							
C1. Increase tenure security through informal settlement upgrading and regularization	x	x	x	x	x	ESID (US), RHs,	Enhance inclusion by targeting low income households
C2. Support well-targeted demand-side housing subsidy schemes for down payments and incremental improvements for low income households	x	x	x	x	x	ESID (US), RHs,	Reduce urban slum populations; increase urban inclusion thru boost in affordable housing
C3. Help MCs expand serviced land with basic services (water, sanitation, access roads, electricity, etc.) for residential housing development to improve quality, density and supply of urban housing	x	x	x	x	x	ESID (US), RHs,	Increase urban densities and expand housing stock; shift more city dwellers to formal housing market

C4. Promote PPPs in the housing sector through improvements to housing legal and regulatory framework		x	x	x		ESID (US,), PPP, RHs,	Increase private investment in housing; expand housing sector jobs; supply growth improves pricing.
Policy Pillar D: Urban Water and Sanitation							
D1. Improve access to safely managed water supply through infrastructure to expand and upgrade pumping stations, water supply networks, water supply tanks, water meters and other ancillary investment needs	x	x	x	x	x	ESID (US), RHs,	Increase access to safe water; improve water utility cost recovery; increase water system efficiency
D2. Introduce pre-paid metering and other water and sanitation utility management systems to improve cost recovery and sustainability	x	x	x	x	x	ESID (US), RHs,	Reduce water wastage and loss; Increase cost recovery and sustainability of water utility operations
D3. Support MCs in increasing WW & FS treatment, expanding sanitation network coverage and regulating stand-alone sewage disposal	x	x	x	x	x	ESID (US), RHs,	Reduce environmental degradation; reduce risk of water supply contamination
D4. Introduce and expand treatment of WW & FS for reuse in agriculture	x	x	x	x	x	ESID (US), RHs,	Reduce water consumption; increase WW treatment cost recovery
D5. Organize capacity development programs on CWIS and FSM to RHs and relevant internal IsDB staff	x	x				ESID (US), RHs	Strengthen capacity of RHs and IsDB staff in CWIS and FSM planning and integration of related technologies in urban sanitation projects
Policy Pillar E: Disaster, Climate & Environmental Resilience							
E1. Support upgrading and retrofitting of municipal infrastructure, including buildings, with Energy Efficiency, Renewable Energy and disaster resilience requirements	x	x	x	x	x	ESID (US), RHs,	Reduce MC city carbon footprint; lower electricity costs; increase jobs in the green economy; increase resilience to disasters
E2. Expand capacity of sanitary landfills, reduce uncontrolled dumpsites, introduce and encourage waste segregation at source (and other recycling methods), and organic composting	x	x	x	x	x	ESID (US), RHs,	Reduce volume of waste going to landfills; increase capacity for sanitary waste disposal; prevent water supply contamination; increase adoption and use of organic compost in agriculture
E3. Plan for and update municipal infrastructure subject to climate-induced risks in urban coastal areas, flood zones, seismic risk, and any other related high impact urban area risks	x	x	x	x	x	ESID (US), RHs, CCD	Reduce urban risks related to climate-induced disasters

E4. Plan for and strengthen city resilience to any natural or human-induced disaster (relating to conflict/ violence, health threat/pandemics)	x	x	x	x	x	ESID (US), RHs, CCD	Reduce urban risks related to human or natural-induced disasters
Urban Sector Team Portfolio-Wide							
UST 1: <u>Portfolio Dashboard</u> : To monitor and track urban operations and technical assistance and strengthen quality assurance, with links to development results. Prepare and set-up in Year 1 and monitoring in subsequent years.	Set-up	x	x	x	x	ESID (US), BPRD OED	Improve overall portfolio management, quality assurance, and forward planning for MC urban sector engagements
UST 2: <u>Urban Sector Note</u> : To update urban sector knowledge in each MC as an input to each multiyear MCPS. To facilitate investment and TA programming in response to country-specific development needs.	x	x	x	x	x	ESID (US), CSC, RHs	Improve country selectivity and targeting of urban development assistance as well as timing/ deployment of urban operations and TA
UST 3: <u>Project Readiness Filter</u> : To improve project readiness, the filter will serve as a tool or checklist to ensure all critical elements for successful implementation are in place, based on prior evaluations and lessons learned.	x	x	x	x	x	ESID (US), BPRD OED	Enhance project and portfolio quality; improve implementation quality and efficiency; ensure project impact and results achievement
UST4: <u>Urban Sector Integration & Synthesis Matrix & Checklist</u> : Collaborative tool and exercise to systematically identify and program cross-cutting themes, inter-sectoral and thematic collaboration and team building in new urban operations and TA (undertaken in preparing each new operations)	x	x	x	x	x	ESID (US, WS, TS, ES,AS, ect), PPP,CCD, DoST, WYE, STI, RSD (as relevant)	Enhance synergies and leverage talents and expertise across IsDB departments in response to MC development and operational needs

ANNEX 2: IsDB Member Country by Regional Grouping



GROUP 1: Sub-Saharan Africa and Latin America with 23 Countries (BLUE)			
Benin	Djibouti	Mozambique	Sudan
Burkina Faso	Gabon	Niger	Togo
Cameroon	Gambia	Nigeria	Uganda
Chad	Guinea	Senegal	Maldives
Cote d'Ivoire	Guinea Bissau	Sierra Leone	Suriname
Comoros	Mali	Somalia	

GROUP 2: Middle East, North Africa and Europe with 24 Countries (GREEN)			
Algeria	Bahrain	Oman	Turkey
Libya	Iraq	Palestine	Albania
Morocco	Jordan	Qatar	Azerbaijan
Tunisia	Kuwait	Saudi Arabia	Iran
Egypt	Lebanon	United Arab Emirates	Pakistan
Mauritania	Syria	Yemen	Afghanistan

GROUP 3: Asia with 10 Countries (RED)			
Kazakhstan	Turkmenistan	Guyana	Bangladesh
Kyrgyz	Uzbekistan	Indonesia	
Tajikistan	Brunei	Malaysia	

ANNEX 3: Outline and Scope of Urban Sector Note for Country Programs

- A. Urban Sector Snapshot (one page)
 - 1. Urban Share of Population and Urban Growth Rate (preceding five years)
 - 2. Urban Poverty and Growth/Reduction Trends
 - 3. Urban Housing Dynamics
 - 4. Number of local governments and institutional set up
 - 5. Status of Municipal Finances
 - 6. Status of Intergovernmental Fiscal Transfers

- B. Country Development Context (one page)
 - 1. Introduction
 - 2. Economic and social context
 - 3. Country development challenges and priorities

- C. Urban Sector Situation Analysis (one-two pages)
 - 1. Existing situation of the Urban Sector
 - 2. Existing National Government and city strategies & plans for developing the urban sector
 - 3. Activities of other Development Partners in the urban sector

- D. Lessons from previous IsDB urban operations (one page)
 - 1. Status of any ongoing IsDB urban operations
 - 2. Lessons Learned

- E. Priority urban policy pillars and engagement areas for future operations (Coming five years)
 - 1. Policy Pillars: Operational mix of investment financing and technical assistance
 - 2. Alignment with national, IsDB corporate and Urban Sector Policy
 - 3. Envisaged results and impact

Note: The Urban Sector Review will draw upon and contribute to the formulation of MCPS (depending on their status) in each country where the USR is prepared.

ANNEX 4: Urban-Related Sustainable Development Goals (Targets & Indicators)

This global indicator framework was developed by the Inter-Agency and Expert Group on SDG Indicators (IAEG-SDGs) and agreed to, as a practical starting point, at the 47th session of the UN Statistical Commission held in March 2016. The report of the Commission, which included the global indicator framework, was then taken note of by ECOSOC at its 70th session in June 2016.

TARGETS	INDICATORS
SDG 11: SUSTAINABLE CITIES AND COMMUNITIES	
11.1 BY 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums	11.1.1 PROPORTION of urban population living in slums, informal settlements or inadequate housing
11.2 BY 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons	11.2.1 Proportion of population that has convenient access to public transport, by sex, age and persons with disabilities
11.3 BY 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries	11.3.1 Ratio of land consumption rate to population growth rate 11.3.2 Proportion of cities with a direct participation structure of civil society in urban planning and management that operate regularly and democratically
11.4 STRENGTHEN efforts to protect and safeguard the world's cultural and natural heritage	11.4.1 Total expenditure (public and private) per capita spent on the preservation, protection and conservation of all cultural and natural heritage, by type of heritage (cultural, natural, mixed and World Heritage Centre designation), level of government (national, regional and local/municipal), type of expenditure (operating expenditure/investment) and type of private funding (donations in kind, private non-profit sector and sponsorship)
11.5 By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations	11.5.1 NUMBER of deaths, missing persons and persons affected by disaster per 100,000 people 11.5.2 Direct disaster economic loss in relation to global GDP, including disaster damage to critical infrastructure and disruption of basic services

<p>11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management</p>	<p>11.6.1 Proportion of urban solid waste regularly collected and with adequate final discharge out of total urban solid waste generated, by cities</p> <p>11.6.2 Annual mean levels of fine particulate matter (e.g. PM2.5 and PM10) in cities (population weighted)</p>
<p>11.7 By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, for women and children, older persons and persons with disabilities</p>	<p>11.7.1 Average share of the built-up area of cities that is open space for public use for all, by sex, age and persons with disabilities</p> <p>11.7.2 Proportion of persons victim of physical or sexual harassment, by sex, age, disability status and place of occurrence, in the previous 12 months</p>
<p>11.A Support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning</p>	<p>11.A.1 Proportion of population living in cities that implement urban and regional development plans integrating population projections and resource needs, by size of city</p>
<p>11.B By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030, holistic disaster risk management at all levels</p>	<p>11.B.1 Proportion of local governments that adopt and implement local disaster risk reduction strategies in line with the Sendai Framework for Disaster Risk Reduction 2015-2030a</p> <p>11.B.2 Number of countries with national and local disaster risk reduction strategies</p>
<p>11.C Support least developed countries, including through financial and technical assistance, in building sustainable and resilient buildings utilizing local materials</p>	<p>11.C.1 Proportion of financial support to the least developed countries that is allocated to the construction and retrofitting of sustainable, resilient and resource-efficient buildings utilizing local materials</p>
<p>SDG 6: CLEAN WATER AND SANITATION</p>	
<p>6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all</p>	<p>6.1.1 PROPORTION of population using safely managed drinking water services</p>
<p>6.2 BY 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations</p>	<p>6.2.1 PROPORTION of population using safely managed sanitation services, including a hand-washing facility with soap and water</p>
<p>6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials,</p>	<p>6.3.1 Proportion of wastewater safely treated</p>

halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally	6.3.2 Proportion of bodies of water with good ambient water quality
6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity	6.4.1 Change in water-use efficiency over time 6.4.2 Level of water stress: freshwater withdrawal as a proportion of available freshwater resources
6.A BY 2030, expand international cooperation and capacity-building support to developing countries in water- and sanitation-related activities and programmes, including water harvesting, desalination, water efficiency, wastewater treatment, recycling and reuse technologies	6.A.1 AMOUNT of water- and sanitation-related official development assistance that is part of a government-coordinated spending plan
6.B SUPPORT and strengthen the participation of local communities in improving water and sanitation management	6.B.1 PROPORTION of local administrative units with established and operational policies and procedures for participation of local communities in water and sanitation management
SDG 7: AFFORDABLE AND CLEAN ENERGY	
7.A BY 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology	7.A.1 INTERNATIONAL financial flows to developing countries in support of clean energy research and development and renewable energy production, including in hybrid systems
SDG 13: CLIMATE ACTION	
13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries	13.1.3 Proportion of local governments that adopt and implement local disaster risk reduction strategies in line with national disaster risk reduction strategies