



# **5<sup>th</sup> Interim Management Board Meeting Report**

**05 April 2016**

**Brussels, BELGIUM**

DRAFT

<b>Document Version</b>	Draft
<b>Prepared by</b>	Nune Karakhanyan
<b>Cleared by</b>	William Cobbett, Jean Pierre Elong Mbassi
<b>Circulation List</b>	Management Board

## **Contents**

I. Decisions .....	4
II. Meeting Summary.....	5
Item 1: Opening and Welcome .....	5
Director's Report.....	5
Item 2: Report on Finance Standing Committee .....	6
Item 3: Preparations for Cities Alliance Assembly Meeting .....	8
a) Adoption of the Management Board RoP .....	10
b) Appointment Modalities of the Management Board .....	12
c) Appointment Modalities of the Management Board Chairperson .....	13
d) RoP of Assembly and Selection Process of Assembly President .....	13
AOB .....	15
ANNEXES .....	18
Annex I: List of Attendees .....	18
Annex II: V IMB Meeting Agenda .....	19
Annex III: DRAFT Finance Standing Committee Meeting Minutes .....	20

## **I. Decisions**

- 1. The draft meeting Agenda was adopted.**
- 2. The 4<sup>th</sup> Interim Management Board (IMB) Meeting Report was approved.**
- 3. The IMB approved the revised budget.**
- 4. An extraordinary meeting of the Finance Committee will be organised 30 days after the Assembly meeting.**
- 5. The IMB approved a financial threshold of USD one million minimum annual contribution, payable to core funds, to be considered as a sustaining member. Responsibility for making recommendations on the annual work plan and budget is delegated to the Finance Committee.**
- 6. Amendments to Paragraph 19, 22, 23, 28, 32, 42 and 43 of the Cities Alliance Charter were approved. The amendments will be presented to the Assembly for ratification.**
- 7. The Rules of Procedure (RoP) for the Management Board were approved with proposed amendments.**
- 8. Recommendation Note: Appointment of the Management Board was approved and will be recommended to the Assembly on 7 April 2016.**
- 9. The nominating Committee unanimously recommended Clare Short for the post of Chairperson of the incoming Management Board.**
- 10. The RoP for the Assembly were approved with one amendment and will be recommended to the Assembly on 7 April 2016.**
- 11. The nominating Committee unanimously recommended Khalifa Sall for the post of Assembly President.**

## **II. Meeting Summary**

**Date:** 05 April 2016

**Attendance:** (See Annex I for full list of Members in the meeting.)

**Venue:** Cities Alliance, Rue Royale 94, 1000 Brussels, Belgium

### **Item 1: Opening and Welcome**

The fifth and last meeting of the Cities Alliance Interim Management Board was opened by Mr. Jean Pierre Elong Mbassi, Chairperson. Regrets were received from the government of Ethiopia, which was unable to attend the meeting. The Members of the Interim Management Board welcomed the new representative from UN-Habitat, Christine Musisi, Director, External Relations, and a round of introductions was made.

The Chair welcomed all members and reminded them of the importance of this last meeting. The draft meeting agenda and the draft IMB February Meeting Report were presented for comments and approval. The draft meeting agenda was adopted with an additional item under AOB requested by UCLG and UN-Habitat. The fourth IMB Meeting Report was approved with no amendments.

#### **DECISIONS**

- 1. The draft meeting Agenda was adopted.**
- 2. The 4<sup>th</sup> IMB Meeting Report was approved.**

### **Director's Report**

The January-February report highlighting the Secretariat's main activities over the past two months was circulated to Members in advance of the meeting. Cities Alliance Director William Cobbett provided a brief verbal update on several key strategic issues, including the signature of the agreement with Comic Relief for a £ 3.94 million grant for a five-year Liberia Country Programme.

Next, the Director reported that Cities Alliance's Complementary Membership for 2016 was approved by the Clinton Global Initiative (CGI). This is an interesting partnership for Cities Alliance as it expands our reach to new partners, in particular the private sector, and will allow the Secretariat to provide opportunities for networking. The CGI is an initiative of the Clinton Foundation, and its members cluster around nine tracks. Cities Alliance was asked to join the Built Environment track to bring a focus on slum upgrading. CGI has over 900 members and is organised around two main business lines – it convenes a global annual meeting of key thought leaders, and it requires members to make "Commitments to Action". The Cities Alliance "Commitment to Action" will build upon the Liberia Country Programme and is in the planning stages. Through our membership, the Secretariat aims to leverage further investment for the Liberia Country Programme. These commitments help CGI members translate practical goals into meaningful and measureable results. In turn, CGI supports the development of commitments by facilitating dialogue, providing opportunities to identify partners, showcasing the actions taken by commitment makers, and communicating results.

The importance of the Assembly meeting was underlined once again. The meeting will be a mix of networking, thematic sessions and business, with the objective of bringing all members up to speed on how the Cities Alliance currently operates as well as thinking about our contribution to Agenda 2030 and post-Habitat III. It will essentially mark the end of a period of sustained organisational reforms, with several significant decisions and the beginning of the next period for the Cities Alliance. Despite the tragic events in Brussels and the huge logistical complications due to the airport closure, the Assembly meeting has an excellent attendance of over 70 delegates, which is a clear sign of the dedication of the membership.

## **Item 2: Report on Finance Standing Committee**

The Finance Standing Committee held its fourth meeting the morning immediately prior to the Board meeting. The meeting was attended by the following members: Steve Weir (HFHI, Chair); Mikael Atterhög (Sida); Clare Short (Senior Policy Advisor); and Jean-Pierre Elong Mbassi (Chair, Cities Alliance Interim Management Board).

The Chair of the Committee, Steve Weir, presented the highlights of the discussion and several recommendations to the Management Board.<sup>1</sup> The Committee scrutinised and provided feedback on the presented financial update and the draft recommendation for major core donors.

---

<sup>1</sup> Draft Minutes of the Finance Committee Meeting are attached in Annex III.

The Committee reviewed the 2016 budget and revised it slightly, as there were some changes in the expected income assumptions: *Line 4 - the projected carry forward is USD 3.7 million instead of USD 4.6 million.* Approval of this new budget was requested. Sida mentioned that it merely plays an observer role in budgetary approvals. The IMB approved the revised budget.

Next, the Chair reported on the discussions arising from a sense of urgency for a plan to secure resources, increase reserves and mitigate risks. Members agreed that the message of necessity to increase core funds should be passed across the membership and expressed confidence that the new governance arrangements will open doors to more opportunities and the mobilisation of new partners to strengthen the core funds. In this context, the Finance Committee also discussed the necessity of restructuring the membership fees to allow more flexibility in contributing more restricting funds.

At the previous Finance Committee meeting, the Secretariat was requested to prepare conservative and optimistic scenarios of spending; however, due to a very short time period between the meetings and the Assembly preparations, these scenarios were not yet ready. It was decided that 30 days from the Assembly meeting an extraordinary meeting of the incoming Finance Committee will be organised to review these scenarios.

Finally, the Finance Committee reviewed the draft recommendation prepared by the Secretariat on representation of major core donors. At its inaugural meeting on 7 April 2016, the Assembly will appoint a new Management Board for a period of three years. The overall balance and composition of the Board is decided by the Assembly. In case members wish to make significant contributions to the core funds of the Cities Alliance, but are not (s)elected members of the Management Board, special arrangements could be envisaged. Two options were proposed for consideration to the Interim Management Board for decision.

In the first instance, the Management Board would need to establish a financial threshold for participation in either of the two options. This amount could either be established for the three-year term of the Board or revised on an annual basis. In order to give some certainty to prospective core donors, it is recommended that the threshold be established for a minimum of three years or the length of Agreement with an individual member, whichever is longer. It was recommended that the minimum annual contribution be set as USD one million, payable to the core funds of the Cities Alliance for programming by the Management Board.

Two models were presented for discussion and decision:

*a. The first option envisages one special meeting of the Management Board, at which the budget and work plan will be considered and approved. Any member making the threshold financial contribution is invited to participate in such a meeting, and to be treated as a full member of the Management Board in considering the approval of the annual work plan and budget;*

*b. The second option would delegate to the Finance Committee the responsibility for making recommendations on the annual work plan and budget. Such a recommendation would be a prerequisite before the matter could be considered by the full Management Board. Any member meeting the threshold financial contribution would be invited to participate fully in such meetings of the Finance Committee.*

Members agreed with the overall proposals selecting the second option, and the Interim Management Board approved a financial threshold of USD one million as minimum annual contribution payable to the core funds of the Cities Alliance for programming by the Management Board. In addition, the responsibility for making recommendations on the annual work plan and budget would be delegated to the Finance Committee.

**DECISIONS**

- 3. The Interim Management Board approved the revised budget.**
- 4. An extraordinary meeting of the Finance Committee will be organised 30 days after the Assembly meeting.**
- 5. The Interim Management Board approved a financial threshold of USD one million minimum annual contribution payable to the core funds to be considered as sustaining member. Responsibility for making recommendations on the annual work plan and budget is delegated to the Finance Committee.**

### **Item 3: Preparations for Cities Alliance Assembly Meeting**

In advance of the Cities Alliance Assembly meeting on 6-7 April 2016 the Secretariat circulated a Concept Note for the Cities Alliance Assembly, Rules of Procedure (RoP) for the Management Board and the Assembly, Recommendation Notes for the Selection Process of the Management Board, the Chairperson of the Board and the Assembly President, as well as proposed amendments to the Charter. The Director presented the Concept Note for background information, the two-day programme, and the decisions that need to be taken which are summarised in the table below:



Document	Comments	Recommendation by	Approval/Ratification by	When (meeting)
<b>Charter</b>	The proposed amendments to the Charter follow recommendations from UNOPS on the role of the Trustee. They also include some minor changes in terminology.	Board	Assembly	Board meeting 5/4/16 Assembly meeting 7/4/16
<b>Rules of Procedure (RoP) for the Management Board</b>	Define how the Board will operate. Once approved, they will be included in the Standard Operating Procedures of the Cities Alliance. <u>They include the TOR of the Board Chairperson.</u>	Secretariat (as requested by the Board)	Board	Board meeting 5/4/16
<b>Recommendation Note: Appointment Modalities of the Management Board</b>	In the current context and consistent with the relevant RoP, this note recommends specific modalities for the appointment of the new Board.	Board	Assembly	Board meeting 5/4/16 Assembly meeting 7/4/16
<b>Recommendation Note: Appointment Modalities of the Board Chairperson</b>	In the current context and consistent with the relevant RoP, this note recommends specific modalities for the appointment of the new Board Chairperson.	Secretariat (as requested by the Board)	Board	Board meeting 5/4/16
<b>Rules of Procedure (RoP) for the Assembly</b>	Define how the Assembly will operate. Once approved, they will be included in the Standard Operating Procedures of the Cities Alliance. <u>They include the TOR of President and the TOR of the Senior Policy Advisor(s).</u>	Board	Assembly	Board meeting 5/4/16 Assembly meeting 7/4/16
<b>Recommendation Note: Selection Modalities of the Assembly President</b>	In the current context and consistent with the relevant RoP, this note recommends specific modalities for the selection of the new Assembly President.	Board	Assembly	Board meeting 5/4/16 Assembly meeting 7/4/16

The Director proposed starting with a review of the Charter amendments. The Interim Management Board considered changes to the Charter following recommendations from UNOPS on the role of the Trustee, including some minor changes in terminology with regard to the 'Chair' of the Assembly now 'President' and 'membership fees' now 'financial contribution'. These proposed amendments were already discussed, agreed during the last Board meeting on 17 February 2016, and presented for finalisation and recommendation to the Assembly. All the amendments were approved and recommended to be presented to the Assembly for ratification.

### a) Adoption of the Management Board RoP

The Interim Management Board reviewed the draft RoP for the Management Board, which also applies to Board Committees and includes the ToR of the Chairperson. Additional minor edits were proposed by the Secretariat:

*Clause 4 (e) on page 2 – recommend splitting the two sentences into (e) and (f), with consequential renumbering; and*

*Clause 6 on page 3 – recommend removing ‘also’ in the final sentence.*

There were no objections to these edits. Discussion opened around the procedures and coordination between the constituencies, with concern expressed that in the event something went wrong the Board would have no control over the process. Eventually members agreed to keep the proposed provisions of the RoP and refine the RoP of the Assembly on the matter (Articles C 11 and 13). Members agreed to remove that provision regarding alternate members, as it would provide no added value to the alternate member who would have no substantial decision-making power. Members proposed amending the term of the Chairperson to be renewable once and to exclude the Chairperson from the Nominating Committee. It was also underlined that some members who do not want to stand as candidates for the Management Board, but need to be involved in strategic discussions (such as approval of MTS, etc.) should be invited to participate at such meetings of the Management Board.

The RoP for the Management Board was approved with the proposed amendments, which are summarised and highlighted below:

#### **C. Appointment of the Board**

~~Each Assembly Constituency will develop its own~~

~~The rules and procedures to nominate and designate its representative(s) to the Board are defined by the Section II.C of the Rules of Procedures of the Assembly. Generally, the selection process should involve appropriate consultation within each Constituency and be based on the expertise, qualities and competencies necessary to serve on the Board.~~

~~The Assembly will determine final allocation and balance between the six Constituencies’ designations giving due weight to equitable representation, gender diversity and the financial sustainability requirements of the Cities Alliance.~~

~~Members will be appointed by decision of the Assembly, for a period of three years. At the discretion of their Constituency, they may serve one additional term.~~

In the event that a Board Member is absent without notice for three consecutive meetings of the Board, the Board will consider the place vacant.

#### **~~D. Alternate Members~~**

~~Each Assembly Constituency shall designate an Alternate Member to the Board. Alternate Members are entitled to participate as observer in the meetings of the Board through invitation of the principal Member.~~

~~During the absence of the principal Member from a meeting of the Board, the Alternate will serve as the principal Member holding the same rights and responsibilities.~~

#### **N. Chairperson Nomination Modalities**

A Special Nominating Committee shall be established by the Board during the course of the last Board meeting preceding the calendar year in which the elections are scheduled to occur. The Nominating Committee shall be composed of between two to four ~~nominated~~ Members of the Board, plus the Committee Chair.

In its discretion, the Nominating Committee may co-opt up to two additional Members from amongst all Cities Alliance Members;

~~The Board Chair shall be an *ex officio* member of the Nominating Committee and shall serve as its Chair. In the Board Chair's absence, the Nominating Committee shall elect a Chair from amongst its Members.~~

#### **C. Term of the Chair**

The Chair will serve for a term of three years, starting on the date of appointment.

The Chair shall continue serving until a successor has been appointed.

The Chair is eligible to serve one additional term~~s~~ as decided by the Board.

## **b) Appointment Modalities of the Management Board**

The Secretariat presented a document outlining the proposed formula for the allocation of seats for the Management Board for discussion and recommendation to the Assembly. The formula builds upon the difference in size and composition among the six constituencies as follows:

- Constituencies with 1-3 Members: 1 seat;
- Constituencies with 4-7 Members: 2 seats;
- Constituencies with 7+ Members: 3 seats.

Based on the current Membership, this formula would allocate 10 seats as follows:

- ✓ National Governments: 3
- ✓ Multilateral Organisations: 1
- ✓ Local Government: 2
- ✓ Civil Society / NGOs: 2
- ✓ Private Sector / Foundations: 1
- ✓ Knowledge Networks: 1

To allow the Assembly sufficient flexibility to address issues of regional balance, representation and/or effectiveness, it is further recommended that the Assembly consider appointing up to two Members-at-Large to complete the Board.

Members discussed extensively the question of whether the terms of the Management Board should be extended to four years to coincide with the MTS. If so, this would have consequential changes to the terms of the Chairperson, President, and Senior Policy Advisors. This might open the possibility of mid-term rotation for one third or 50 per cent of the Board every two years, allowing for continuity and change. Members also discussed another model of proposing two candidates per constituency; however, that would mean an unequal allocation for large constituencies such as the national governments and a beneficial solution for small constituencies with 2 members. After an in-depth discussion members agreed to accept the text of the document and recommend it to the Assembly.

**c) Appointment Modalities of the Management Board Chairperson**

The Secretariat presented a document outlining the Selection Process of the Management Board Chairperson. The document should be read in conjunction with Annex I of the RoP of Management Board, which deals with the ToR for the Chairperson of the incoming Management Board. The document recommends that the Interim Management Board will act as a nominating Committee, and make one or more recommendations to the incoming Management Board. The nominations for the post of Chairperson must be supported by a minimum of three members of the Management Board. In case there is more than one nomination for the post and discussion fails to establish a consensus, then the Chairperson of the Interim Management Board will invite Members to make a selection based on a secret ballot, on the basis of one vote per Member.

After clarifying the procedure, the floor was open for recommendations and nominations. HFHI proposed Clare Short as a candidate for the position of the incoming Management Board Chairperson based on her long-term engagement and dedication to the Cities Alliance. Ms. Short confirmed her availability. The nomination was supported by Germany, UCLG and UN-Habitat. Members felt that Ms. Short would be the best fit for the position as she has an in-depth understanding of the Cities Alliance, its history and future trajectory, its business model, the various programmes, and the governance structure. Ms. Short's international standing and reputation would be an enormous help to the Cities Alliance in opening new doors and introducing new partners. The practical aspect of Ms. Short's geographical proximity was also taken into account as a factor which would greatly facilitate day-to-day work with the Secretariat. In addition, it was noted that in order to balance the representation, Francophone profiles or representatives of the Global South should be considered for other significant positions including that of the Assembly President and the Senior Policy Advisors.

The nominating Committee unanimously recommended Ms. Short for the post of Chairperson of the incoming Management Board.

**d) RoP of Assembly and Selection Process of Assembly President**

The Assembly RoP were presented to the IMB for discussion and recommendation to the Assembly. As in the case of the Management Board RoP, the Secretariat recommended the deletion of 'also' in Clause 9 to avoid confusion. The Director noted that the section of Appointment of the Management Board would be revised to reflect the changes discussed earlier. The only comment raised by the members referred to the timeframe of virtual decisions, which was extended to up to 15 days. The Assembly RoP were approved with this amendment.

*“Depending on the nature of the decision, the President can stipulate that the decision can take up to fifteen days. The Secretariat will keep records of the process and the decisions taken and circulate the results to all Members.” (Section VI, point 52)*

Next, the Director presented the recommendation note for the Selection of the Assembly President. The IMB is proposed to act as Nominating Committee, and upon its recommendation, one or more candidates may be presented to the Assembly meeting on 7 April 2016 for approval either by acclaim (in the instance of a single nominee), or by a secret ballot, with one vote per full member. In the instance that there are no such nominations presented to the IMB, the matter will be further discussed at the Assembly meeting of 7 April 2016 and, if necessary, delegated to the new Management Board for consideration on 7 April 2016.

The proposed procedure was approved and members were requested to nominate candidates for the post of the President of Cities Alliance. In the spirit of geographical balance and a Francophone profile, UCLG proposed the Mayor of Dakar, Mr. Khalifa Sall, as candidate. An outstanding leader, speaker, dedicated advocate of the urban agenda and President of UCLGA, Mr. Sall would also represent the local authorities strongly involved with Cities Alliance. The nomination was unanimously endorsed by the members.

**DECISIONS**

- 6. Amendments to Paragraphs 19, 22, 23, 28, 32, 42 and 43 of the Cities Alliance Charter were approved and will be presented to the Assembly for ratification.**
- 7. The RoP for the Management Board was approved with proposed amendments.**
- 8. The Recommendation Note: Appointment of the Management Board was approved and will be recommended to the Assembly on 7 April 2016.**
- 9. The nominating Committee unanimously recommended Clare Short for the post of Chairperson of the incoming Management Board.**
- 10. The RoP of Assembly was approved with one amendment and will be recommended to the Assembly on 7 April 2016.**
- 11. The nominating Committee unanimously recommended Khalifa Sall for the post of Assembly President.**

## AOB

### **Campaign for an IPCC Special Report on Cities and Climate Change**

UCLG and UN-Habitat urged Cities Alliance and its members to support the campaign launched by C40, ICLEI and UCLG for an Intergovernmental Panel on Climate Change (IPCC) Special Report on Cities and Climate Change.

On 11-13 April, the IPCC will meet in Nairobi to decide on its work programme and select from a shortlist of Special Reports on climate change. Among the shortlisted reports is the proposal for a Special Report on Cities and Climate Change submitted by the South African government. Following the recognition of cities and other Non-Party stakeholders by the Paris Agreement, the proposed Special Report represents an enormous opportunity to raise awareness of the impact of climate change in cities and of the role of local governments in reducing greenhouse gas emissions.

The Special Report on Cities and Climate Change has been ranked in the top three of the 27 shortlisted Special Reports by the World Climate Research Programme, and the proposal has received positive feedback from all three IPCC Working Groups. President of UCLG and Mayor of Istanbul Kadir Topbaş, President of C40 and Mayor of Rio de Janeiro Eduardo Paes, and President of ICLEI and Mayor of Seoul Park Won-Soon signed a joint letter to the IPCC expressing their support for the report, which also has the support of UN-Habitat and UNSDSN.

It was decided to support the Special Report on Cities and Climate Change by publishing a joint text on the Cities Alliance website on 7 April and by campaigning on social media.



### **Last meeting of the interim Management Board.**

This was the final meeting of the interim Management Board. The Director thanked all of the members for their valuable contribution in overseeing the transition from the final meeting of the Consultative Group in Addis Ababa in November 2014, and guiding the Cities Alliance to the inaugural meeting of the Assembly due to take place over the following two days.

In recognition of this role, Mr Cobbett presented a commemorative award to Jean Pierre Elong Mbassi, Chair of the interim Management Board 2014-2016.







## **ANNEXES**

### **Annex I: List of Attendees**

<b>IMB MEMBERS</b>	<b>PARTICIPANT</b>	<b>AFFILIATION</b>
<i>Chairperson</i>	<i>Jean Pierre Elong Mbassi</i>	-
Senior Policy Advisor	Clare Short	Cities Alliance Senior Policy Advisor
BRAZIL	Ines Magalhães	Ministry of Cities
GERMANY	Franz Marré	BMZ
GERMANY	Anka Derichs	GIZ
HFHI	Steve Weir	Habitat for Humanity International
SIDA	Mikael Atterhög	SIDA
UCLG	Emilia Saiz	UCLG
UN-HABITAT	Christine Musisi	UN-Habitat
UN-HABITAT	Raf Tuts	UN-Habitat
UK	Rubbina Karruna	DFID
Secretariat	Ana Claudia Rosbach	LAC Regional Advisor
Secretariat	Federico Silva	Senior Programme Specialist
Secretariat	Nune Karakhanyan	Executive Associate
Secretariat	Phyllis Kibui	Head, Finance and Operations
Secretariat	William Cobbett	Director

**Annex II: 5<sup>th</sup> IMB Meeting Agenda**

**5th Interim Management Board Meeting**

**05 April 2016**

**AGENDA**

Meeting Venue: Rue Royale 94, 1000 Brussels		
11:00 – 13:00	<b><u>Finance Committee Meeting</u></b>	
13:00 – 14:00	<b>LUNCH</b>	
14:00 – 14:30	<b>1. <u>Opening and welcome</u></b> a) Adoption of meeting Agenda b) Approval of 4th IMB Meeting Report c) Director's Report	<b>Handouts:</b> - Agenda; - IMB Meeting Report 17 Feb 2016; - Director's Report
14:30 – 15:30	<b>2. <u>Report from Finance Committee</u></b>	
15:30 -15:45	<b>Coffee Break</b>	
15:45 – 16:15	<b>3. <u>Preparation for Cities Alliance Assembly Meeting</u></b> a) Adoption of the MB RoP b) Appointment modalities of the MB c) Appointment modalities of MB Chairperson d) Discussion on the Assembly RoP e) Finalisation of Proposed Amendments to the Charter	<b>Handouts:</b> - Cities Alliance Assembly Concept Note and Agenda; -RoP of Management Board; -Rec.Note: Selection Process of MB; -Rec.Note: Selection Process of MB Chairperson; -RoP of Assembly; -Rec.Note: Selection Process of Assembly President; -Proposed Amendments to the Charter
16:15 – 16:20	<b>AOB</b>	
16:20 – 17:00	<b>Executive Session with the Director</b>	
18:30	<b>DINNER: "L'entrée des Artistes" - 42 Place du Grand Sablon</b>	

## **Annex III: DRAFT Finance Standing Committee Meeting Minutes**

### **5<sup>th</sup> Finance Standing Committee Meeting**

**5 April 2016**

**Members:** Steve Weir (HFHI, Chair); Mikael Atterhög (Sida); Clare Short (Senior Policy Advisor); Jean-Pierre Elong Mbassi (Chair, Cities Alliance Interim Management Board)

**Secretariat:** William Cobbett; Phyllis Kibui; Federico Silva; Magdalena Balocova

#### **Agenda Items**

- Item 1: Adoption of Meeting Agenda
- Item 2: Approval of Minutes of 4<sup>th</sup> Finance Committee Meeting on 16 February 2016
- Item 3: Presentation of funding scenarios
- Item 4: Presentation of draft recommendation of “Donors’ Committee”
- Item 5: Presentation of Financial Update:
  - a. 2016 Budgeted Revenues and Expenditure
  - b. 2015 Statement of Revenues and Expenditure
  - c. Summary of Funds Available for Programming (2015 & 2016)
  - d. Statement of Cash Position and Fund Balances
- Summary of Recommendations and Closing Remarks

#### **Meeting Minutes**

##### **1. Adoption of Meeting Agenda of 5<sup>th</sup> Finance Committee Meeting**

- a. The Meeting Agenda was adopted.

##### **2. Approval of Minutes of 4<sup>th</sup> Finance Committee Meeting**

- a. The minutes of 4<sup>th</sup> Finance Committee Meeting on 16 February 2016 were approved.

##### **3. Presentation of funding scenarios**

In the last meeting, the Committee requested the Secretariat to prepare scenario planning with proposed mitigation actions for the top 5 corporate risks, and especially the 1<sup>st</sup> highest risk “*Failure to plan and provide for financial sustainability of the partnership*”.

There was not enough time to dedicate for the Secretariat for a thorough preparation of the scenarios.

**Action.** The Committee remains very concerned about Cities Alliance financial sustainability and noted

that the scenarios should be prepared as soon as possible. Three scenarios are to be prepared: one optimistic, one conservative and one “middle-ground”. In these scenarios, the pipeline of donors should be reflected on the income side and the reallocation of costs between restricted and unrestricted funds on the expense side. The scenarios should include different staffing options. An extraordinary FC meeting will be scheduled within the next month for the presentation of the scenarios.

**Additional considerations.** Regarding the 5<sup>th</sup> highest risk “*Inability to adapt to changes in grant restrictions by donors*”, a question was raised on whether a donor wishing to make a large non-core contribution should present the proposal directly to the Board. The Cities Alliance is currently not in a strong negotiation position but it is vital to promote a perspective of mutual accountability and transparency.

The Committee agreed that this depends on the project amount, alignment with MTS and other conditions. For example, the contribution from Omidyar is small and rather time consuming, but it can lead to other fundraising opportunities.

In the last meeting, the Committee agreed to prepare a screening matrix of go/no-go projects to improve the overall cost awareness. The screening would apply for grants to and from Cities Alliance.

The Secretariat is in the best position to act as intermediary in order to do this screening. If a donor goes directly to the Board, it might be difficult for the Board members to evaluate the proposal without its prior assessment by the Secretariat.

The Secretariat emphasised that a fundraising strategy is emerging right now and it is clear that the outcome of this week will be fundraising as the first corporate priority and concern.

The Committee noted that it is necessary to see how the costs can be reduced in the upcoming months and raise this issue with the IMB and the Assembly.

#### **4. Presentation of draft recommendation of “Donors’ Committee”**

**Background.** On 7 April 2016, the Assembly will appoint a new Management Board for three years. The composition of the Board is decided by the Assembly. For those members that wish to make significant contributions to the core funds but are not members of the Board, the Assembly is asked to consider making special arrangements. Two options are proposed by the Secretariat:

- 1) The first option envisages one special meeting of the Management Board, at which the budget and work plan will be considered and approved. Any member making the threshold financial contribution is invited to participate in such a meeting, and to be treated as a full member of the Management Board in considering the approval of the annual work plan and budget;
- 2) The second option would delegate to the Finance Committee the responsibility for making recommendations on the annual work plan and budget. Such a recommendation would be a prerequisite before the matter could be considered by the full Management Board. Any member

meeting the threshold financial contribution would be invited to participate fully in such meetings of the Finance Committee.

The Committee considered the second option as the most transparent governance process.

**Recommendation.** The Committee recommends the second option with the specification that the MB can approve or reject but not modify the recommendations from the FC.

## **5. Presentation of Financial Update**

- a. 2016 Budgeted Revenues and Expenditure
- b. 2015 Statement of Revenues and Expenditure
- c. Summary of Funds Available for Programming (2015 & 2016)
- d. **Statement of Cash Position and Fund Balances**

Overall, the Committee noted that the updates in the financial reports demonstrate very good progress.

The Committee pointed out the short timeframe of 1.5 years before the reserve of unrestricted funds is depleted which emphasized again the importance of the funding scenarios.

**Action.** The Committee requested that the 2016 Budgeted Revenues and Expenditure and 2015 Statement of Revenues and Expenditure differentiate the funding as (i) core funding – unrestricted and restricted, and (ii) project funding.

**Cash position reconciliation.** The Statement of Cash Position and Fund Balances shows US\$19.9 million cash. The unallocated funds brought forward on the 2016 Budget Revenues and Expenditure shows US\$13.9 million. The difference is made up of the grant awards commitments – the cash includes undisbursed funds for grants awarded amount to US\$6.5 million.

**Action.** The Committee agreed that an additional line should be added on the Statement of Cash Position and Fund Balances to reconcile both figures.

**Summary of Available Funds reconciliation.** The 2016 Summary of Funds Available for Programming shows funding of US\$6.095 million (unrestricted and unrestricted – softly earmarked). The 2016 Budgeted Revenues and Expenditure as approved by IMB on 1 January 2016 shows revenue of US\$7.019 million. The net reduction of 2016 revenue of US\$924,000 was reconciled in the 2016 Budgeted Revenues and Expenditures as adjusted on 5 April 2016 with details under Note 4.

The 2016 Budgeted Revenues and Expenditures as adjusted on 5 April 2016 will be present to the IMB in the meeting on 5 April 2016 (following the FC meeting).

**Additional consideration on the contribution amounts.** The Committee pointed out the difference between the contribution amounts of members of the same constituency.

There is a direct link between the fee structure determination and the fundraising and membership

strategy. The initial focus was to bring in new, diverse members and then to consolidate the overall membership. At this point, it is crucial not to lose the core members for the benefit of higher fees. It was also noted that the OECD classification does not work well for the determination of fee for the countries.

Once the governance reforms are implemented, the Committee agreed on (i) the need of open discussion and transparent principles to set the membership fees, then (ii) the reconciliation of the membership and fee structure and (iii) initiation of members' engagement on the long-term vision of the partnership.

While there were no objections on this approach, it was also noted that it can be problematic if new members are asked to contribute higher amounts than other members of the same constituency.

A final comment was to replace the term "endorsed" by "recommended" in the background information of the Financial Update to the IMB Meetings to read as follows:

*"During its meeting on 16 December 2015, the Finance Committee reviewed and recommended the Cities Alliance Budget for 2016."*

## **7. List of follow-up actions**

1. The Secretariat to prepare three funding scenarios as soon as possible. An extraordinary FC meeting will be scheduled within the next month for presentation of the scenarios.
2. The Secretariat to update the 2016 Budgeted Revenues and Expenditure and 2015 Statement of Revenues and Expenditure to differentiate the funding as (i) core funding – unrestricted and restricted, and (ii) project funding.
3. The Secretariat to add an additional line on the Statement of Cash Position and Fund Balances to reconcile both figures.
4. The Secretariat to replace the term "endorsed" by "recommended" in the background information of the Financial Update to the IMB Meetings as specified above.