

Cities Alliance

Portfolio Review

CDS & SU Projects for Fiscal Years 2000 - 2008

Cities Alliance
Cities Without Slums

First Draft, December 2008

Table of Contents

1. INTRODUCTION	5
1.1 Portfolio Analysis as Part of the M & E System	5
1.2 Purpose of this Report	6
2. PORTFOLIO OVERVIEW	7
2.1 Growth	7
2.2 Geographical Distribution	7
2.3 Implementation	9
3. FUNDING ALLOCATIONS	11
3.1 Funding Sources	11
3.2 Allocation of Funds by DAC Classification	12
3.3 Grant Recipients	14
3.4 Grant Extensions	15
4. PROJECT SPONSORSHIP	16
4.1 Member Sponsorship	16
5. CITY DEVELOPMENT STRATEGIES	18
5.1 CDS Proposal Processing	18
5.2 Geographical Distribution of CDS Projects	19
5.3 CDS Implementation	19
6. SLUM UPGRADING	20
6.1 SU Proposal Processing	20
6.2 Geographical Distribution of SU Projects	21
6.3 SU Implementation	21

List of Figures

Figure 1.1.1 Portfolio Analysis Learning Cycle

Figure 1.2.1 Portfolio Analysis Scope

Figure 2.1.1 Portfolio Growth

Figure 2.2.1 Geographical Distribution of All Projects

Figure 2.2.2 Geographical Distribution of Active Projects

Figure 2.2.3 Ratio of Projects in Low and Middle Income Countries

Figure 2.3.1 Project Implementing Partners

Figure 2.3.2 National and Local Government Implementation

Figure 2.3.3 Non-Member Project Implementation

Figure 3.1.1 Ratio of Core and Non-Core Funding Allocations for CDS and SU Projects

Figure 3.2.1 Allocation of Approved Funds by DAC Classification

Figure 3.2.2 Distribution of Projects by DAC Classification

Figure 3.2.3 Distribution of Small Grants in Low and Middle Income Countries

Figure 3.3.1 Grant Recipients

Figure 3.3.2 Member vs. Non-Member Grant Recipients

Figure 3.3.3 Ratio of Approved Funds for Member and Non-Member Grant Recipients

Figure 3.4.1 Grant Extensions

Figure 4.1.1 Sponsor Engagement

Figure 5.1.1 CDS Proposal Approval Rate

Figure 5.1.2 CDS Proposal Rejection Rates by Region

Figure 5.2.1 Geographical Distribution of City Development Projects

Figure 5.3.1 CDS Project Implementing Partners

Figure 6.1.1 SU Proposal Approval Rate

Figure 6.1.2 SU Proposal Rejection Rates by Region

Figure 6.2.1 Geographical Distribution of Slum Upgrading Projects

Figure 6.3.1 SU Project Implementing Partners

List of Acronyms

CA	Cities Alliance
CDS	City Development Strategy
CG	Consultative Group
DAC	Development Assistance Committee
EAP	East Asia and Pacific
ECA	Europe and Central Asia
FY	Fiscal Year
LAC	Latin America and the Caribbean
LDC	Least Developed Country
LIC	Low Income Country
LMIC	Low Middle Income Country
MNA	Middle East and North Africa
M&E	Monitoring and Evaluation
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
OLIC	Other Low Income Country
SAR	South Asia Region
SSA	Sub-Saharan Africa
SU	Slum Upgrading
UMIC	Upper Middle Income Country

1. Introduction

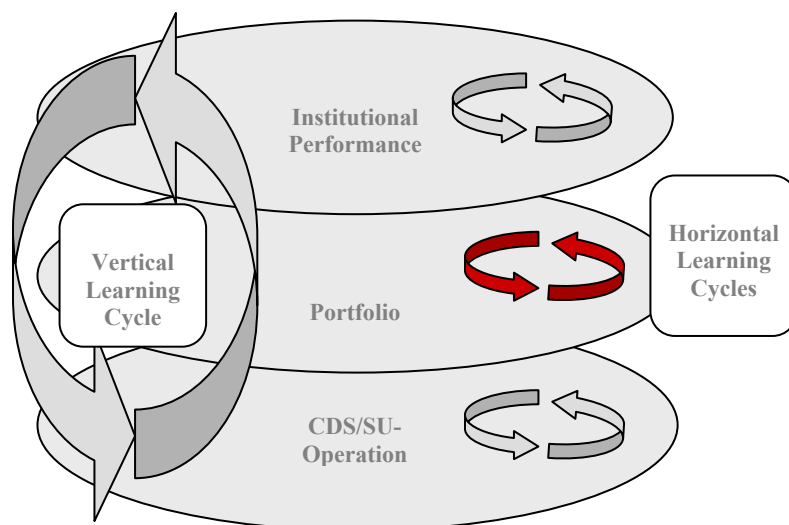
After nearly a decade of members providing funds to the Cities Alliance (CA) to finance projects – now more than 190 – the moment has come to commence the systematic analysis of the project portfolio. A database of all Alliance-funded City Development (CDS) and Slum Upgrading (SU) projects was set up in 2008 as part of objective four of the CA’s Medium Term Strategy, *to continually improve management of the CA work programme*. This new device made it possible for the CA Secretariat to carry out a first systematic portfolio review.

1.1 Portfolio Analysis as Part of the M & E System

Meant to become a **core tool in the CA’s M&E system**, the analysis will enable the Secretariat and the Consultative Group (CG) to think strategically about the future orientation of the CA.

Portfolio analysis aims at providing concise visualised information on the composition and quality of the portfolio, thus (1) accounting for the use of funds and (2) providing an evidence base for strategic planning.

Figure 1.1.1



- (1) **Accountability for the Use of Funds**, i.e. reporting on
 - a. The composition of the portfolio (regional distribution, geographic scope, grant type, recipient type etc).
 - b. The quality of the portfolio regarding the Cities Alliance’s overall institutional performance¹ on input, output, outcome and impact level.
- (2) **Evidence Base for Strategic Planning**: The patterns and trends revealed by the portfolio analysis will provide an evidence base on which management can draw conclusions on the future direction of the Cities Alliance.

¹ As laid out in the CA Charter and Medium Term Strategy

1.2 Purpose of this Report

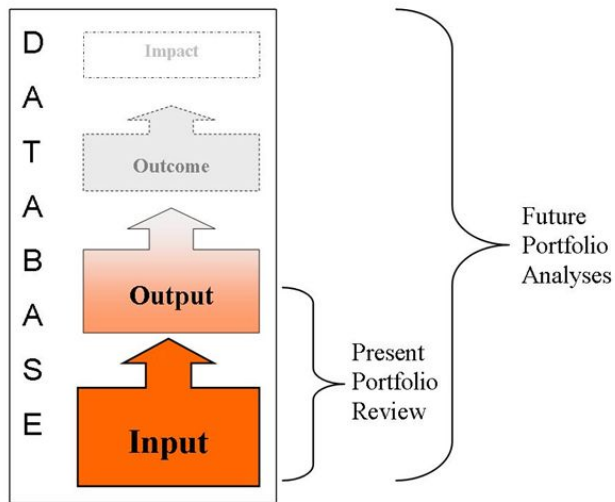


Figure 1.2.1

This first generation portfolio review will **focus on the composition of the CA's core business**, the CDS/SU project portfolio, making use of the available input and partly output level data.

Once the newly established M&E system is fully operational, it will feed in more data on the composition and quality of project outputs and outcomes for future portfolio analyses.

The present portfolio review will try to answer the following **questions** on the distribution of CDS and SU projects:

1. What is the Cities Alliance funding?
2. Who are the beneficiaries?
3. How are Cities Alliance members involved?

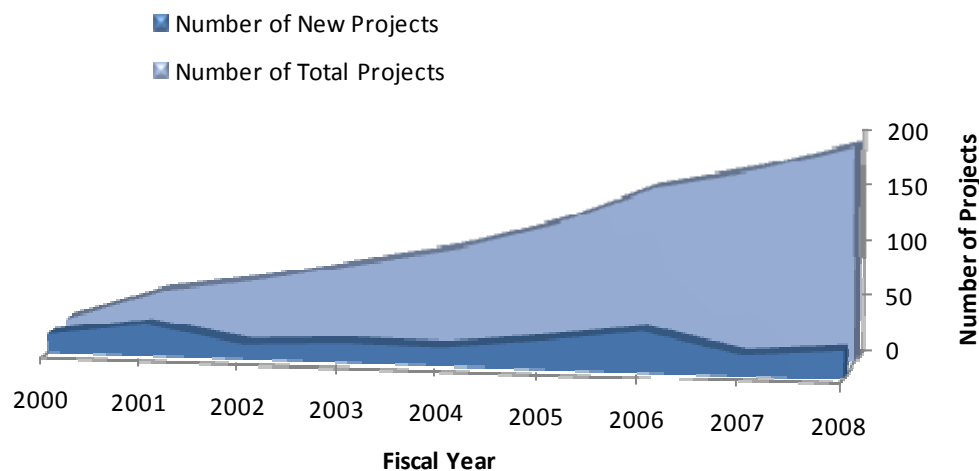
2. Portfolio Overview

2.1 Growth

Since its launch in 1999, Cities Alliance has expanded its portfolio of country-specific² and regional City Development Strategy (CDS) and Slum Upgrading (SU) projects to cover more than 60 countries and over 190 projects in six regions³.

Portfolio Growth
Fiscal Years 2000 - 2008

Figure 2.1.1



The growth of the portfolio (Figure 2.1.1) has been gradual and consistent over the last nine fiscal years with a balanced ratio of received CDS and SU proposals, and an equally balanced rate of approval. As of the end of fiscal year 2008 (June 30, 2008), a total of 194⁴ projects had been approved for funding, out of which 103 were CDS projects and 91 were SU projects⁵. Of the 194 projects, 32 contained both CDS and SU components but were classified as either CDS or SU based on a weighing of components.

2.2 Geographical Distribution

Cities Alliance has had multiple engagements in 55 percent of all the countries in the portfolio. The largest clusters of funded projects are found in India, Brazil, and South Africa with 18, 15, and 11 projects, respectively. In total, these three countries account for 27 percent of all country-specific projects.

² Projects undertaken in one or more cities within one specific country

³ As of June 30, 2008

⁴ For the purpose of this review Slum Upgrading Facility (SUF) and Community-Led Infrastructure Finance Facility (CLIFF) have been excluded from the dataset as they would represent anomalies in the figures.

⁵ Classification of either CDS or SU is based on the main focus of the planned project activities

While the number of new projects has fluctuated over the years, the regional distribution (Figure 2.2.1) has remained stable. There is no evidence of significant growth in any one particular region. The Sub-Saharan Africa region has consistently accounted for the largest number of projects over the years, with a total of 29 percent of all Cities Alliance funded projects.

Geographical Distribution of All CDS & SU Projects

Total of 194 projects, as of 30 June 2008

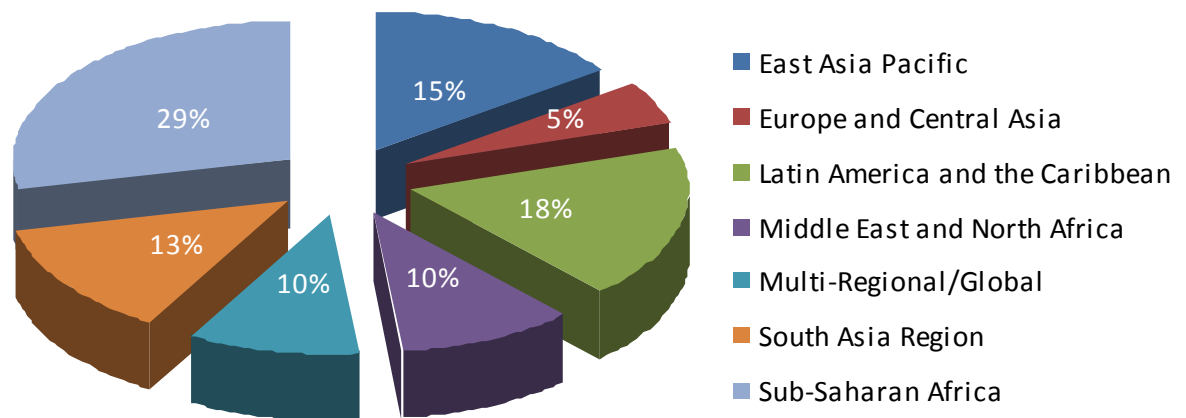


Figure 2.2.1

The geographical distribution of active projects (Figure 2.2.2) is reflective of the overall portfolio. As of the end of fiscal year 2008, there were 27 active projects in Sub-Saharan Africa—a total of 38 percent of all active projects—while the remaining projects were fairly equally distributed amongst the remaining regions, with the exception of ECA, which is the least represented region⁶.

Geographical Distribution of Active Projects

Total of 72 projects, as of 30 June 2008

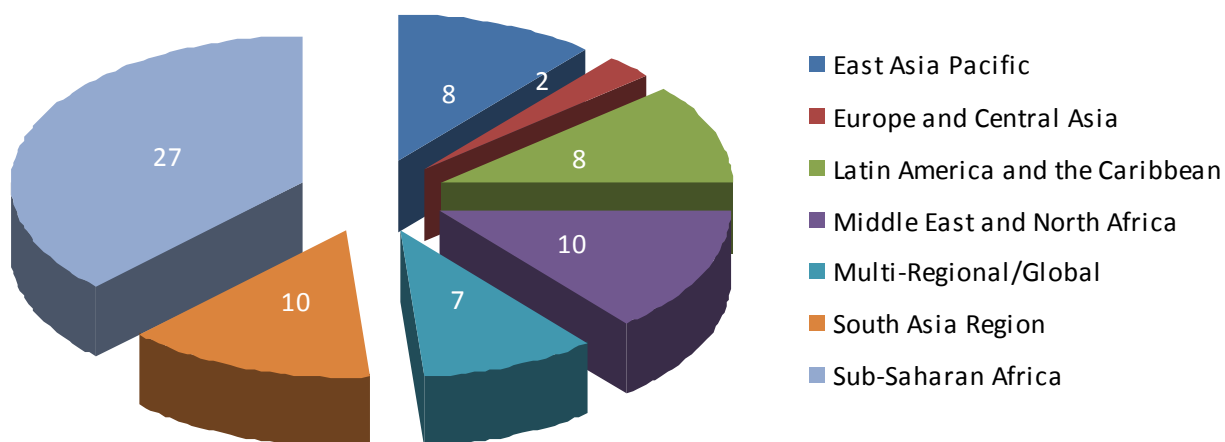


Figure 2.2.2

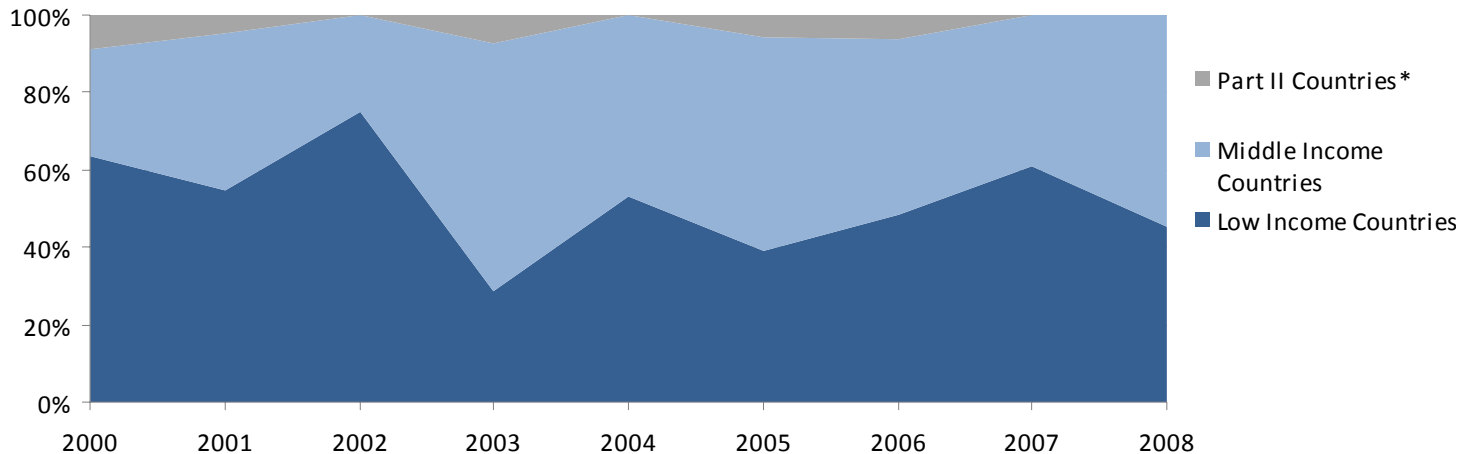
⁶ This has been affected by changes in the DAC list with the discontinuation of Part II countries (see page 9)

Based on the Development Assistance Committee (DAC) List of Recipients of Official Development Assistance (ODA) every project has been classified by middle income and low income country categories. Until 2005 the DAC list was divided into Part I and Part II countries, with the latter representing “more advanced’ developing and eastern European countries...”⁷ This division was discontinued as of January 2006 (see Funding Allocations on page 11 for a more detailed breakdown).

Although the project ratio for low and middle income countries has fluctuated over the years, the proportion of projects in low income countries (Figure 2.2.3) has remained above 45 percent over the last three fiscal years.

Ratio of Projects in Low and Middle Income Countries

Figure 2.2.3



* Countries include Bulgaria, Latvia, and Russian Federation

2.3 Implementation

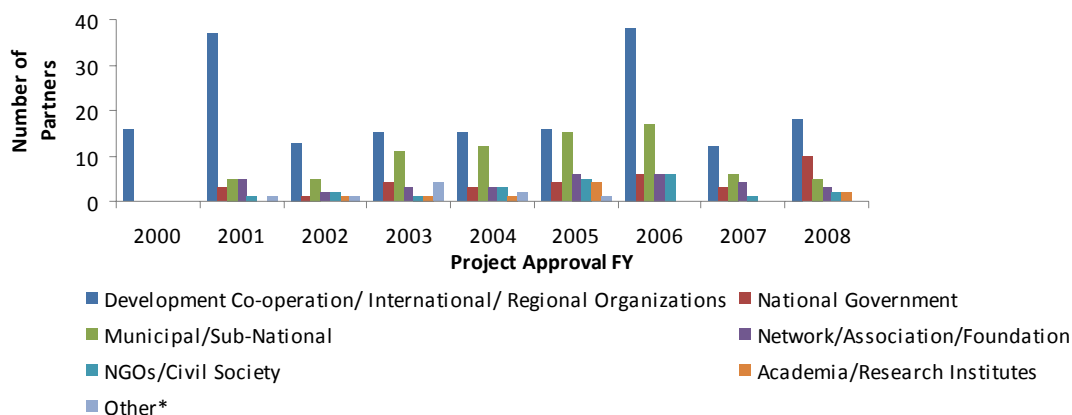
Data on implementing partners presented in this review is largely based on information captured in the approved proposals. Figures below (Figure 2.3.1) are based on a count of implementing partners by category, for each fiscal year.

The data shows an increase in the role of local and regional partners in project implementation. This is not countered by a decrease in the role of development co-operations and multilateral/bilateral organisations, but rather a broadening of the range of partners involved in project implementation, coupled with a gradual growth in projects implemented entirely by clients.

Project Implementing Partners

Figure 2.3.1

Number of Partners Listed as Implementing Agency on Approved Proposals



*includes private sector

⁷ Source: http://www.oecd.org/document/55/0,3343,en_2649_34485_35832055_1_1_1_1,00.html

In fiscal year 2008 a total of 25 percent of projects approved are expected to be entirely implemented by local and regional partners and 45 percent entirely implemented by Cities Alliance members. The remaining 30 percent will, or have, received co-implementation from a Cities Alliance member.

Most notably, involvement of national and local government in project implementation has grown (Figure 2.3.2). A total of 60 percent of projects approved in fiscal year 2008 were either entirely or co-implemented by national, sub-national, or local government.

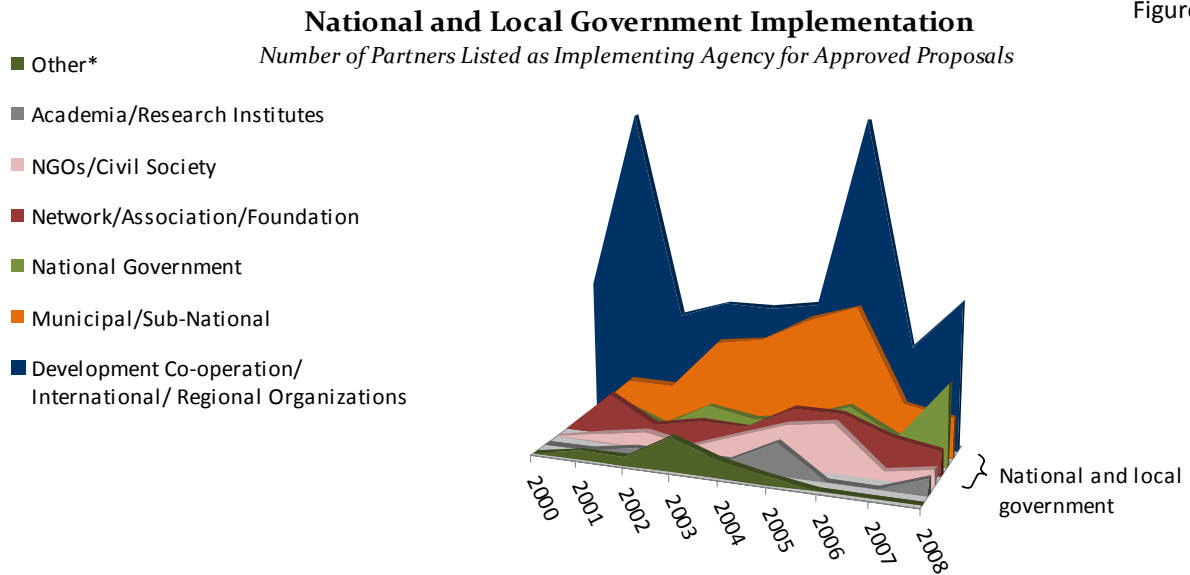


Figure 2.3.2

*Includes private sector

Member involvement in project implementation decreased during the first two years as the Cities Alliance outreach improved and proposals were increasingly generated by city and national partners. From fiscal year 2002 the trend stabilized and has remained to date. This is illustrated in Figure 2.3.3, below, based on a count of member and non-member implementing partners for projects approved each fiscal year.

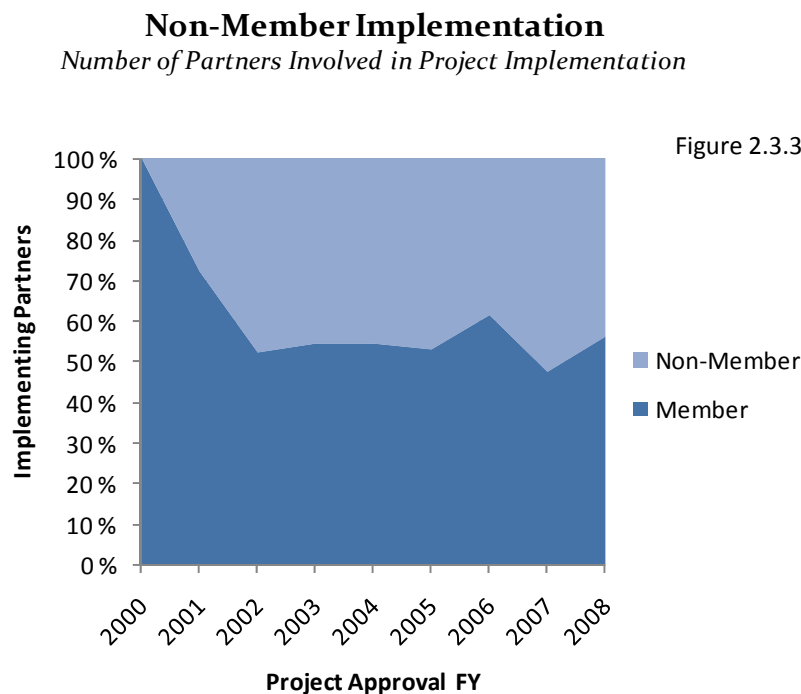


Figure 2.3.3

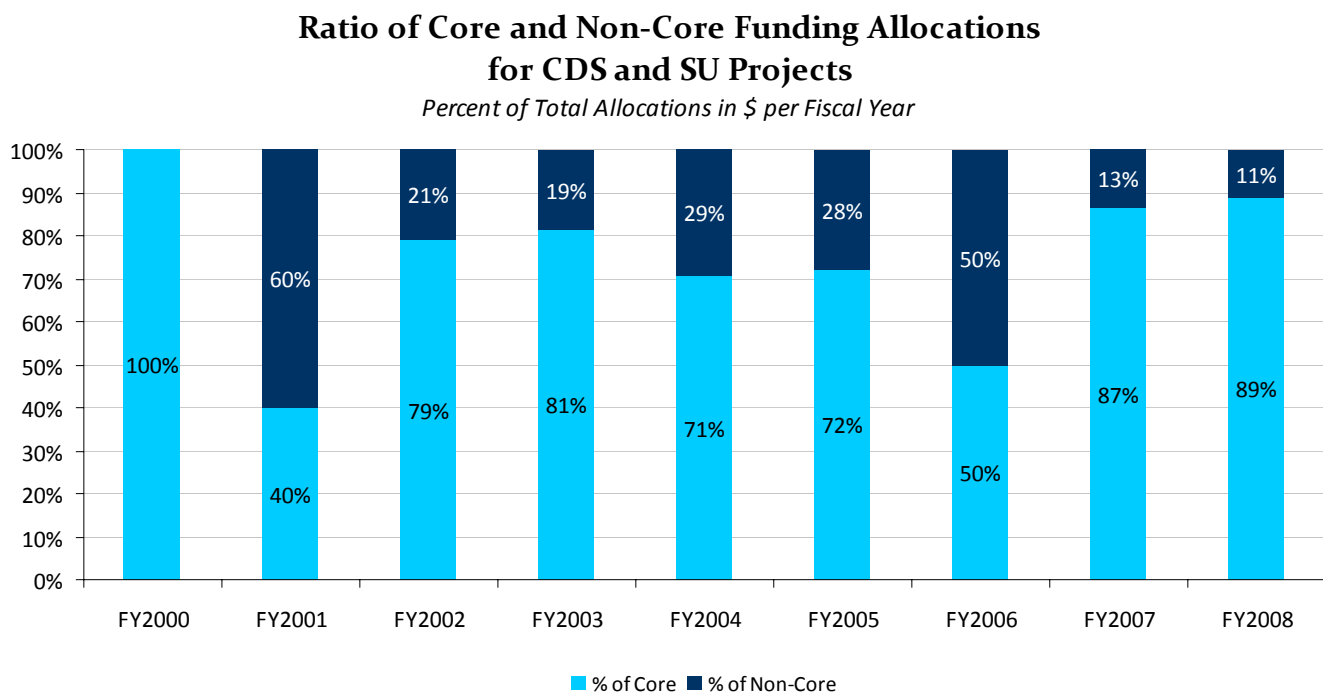
3. Funding Allocations

3.1 Funding Sources

Cities Alliance funding allocations are divided into core and non-core contributions. The majority of project funding is based on core contributions which are not restricted and the fund has no cap on number of approvals. Non-core contributions include donor restrictions tied to regions and issues of particular focus⁸.

The figures below (Figure 3.1.1) show the ratio of non-core versus core allocations per fiscal year.

Figure 3.1.1



In fiscal years 2001 and 2006 non-core contributions were of considerable size. In 2001 the bulk of non-core contributions were allocated for projects in Latin America, with one single \$4,400,000 allocation to the slum upgrading project in Bahia, Brazil. In 2006 non-core allocations were distributed over several regions with Brazil, India, and South Africa receiving the bulk of the non-core allocations. The latter three countries account for, as mentioned previously, 27 percent of all Cities Alliance funded projects.

The top six recipients, by country, of the largest non-core contributions are Brazil, South Africa, Philippines, India, China, and Indonesia, ranked high to low. All have received single contributions of over a half million dollars in non-core funds.

⁸ Recent changes to the World Bank trust fund policy will affect this two-tiered system as earmarking of funds will be phased out, except in very specific circumstances.

3.2 Allocation of Funds by DAC Classification

The List of Recipients of Official Development Assistance (ODA) classifies countries as *Least Developed Countries (LDC)*, *Other Low Income Countries (OLIC)*, *Low Middle Income Countries (LMIC)*, and *Upper Middle Income Countries (UMIC)*. Classification of CA projects has been based on the most current list available at the time of project approval⁹.

The figures below (Figure 3.2.1) show the allocation of funds for country-specific and regional projects for each category. Annual figures have been adjusted for grant increases where applicable.

Allocation of Approved Funds* Distribution by DAC Classification**
 FY2000-FY2008

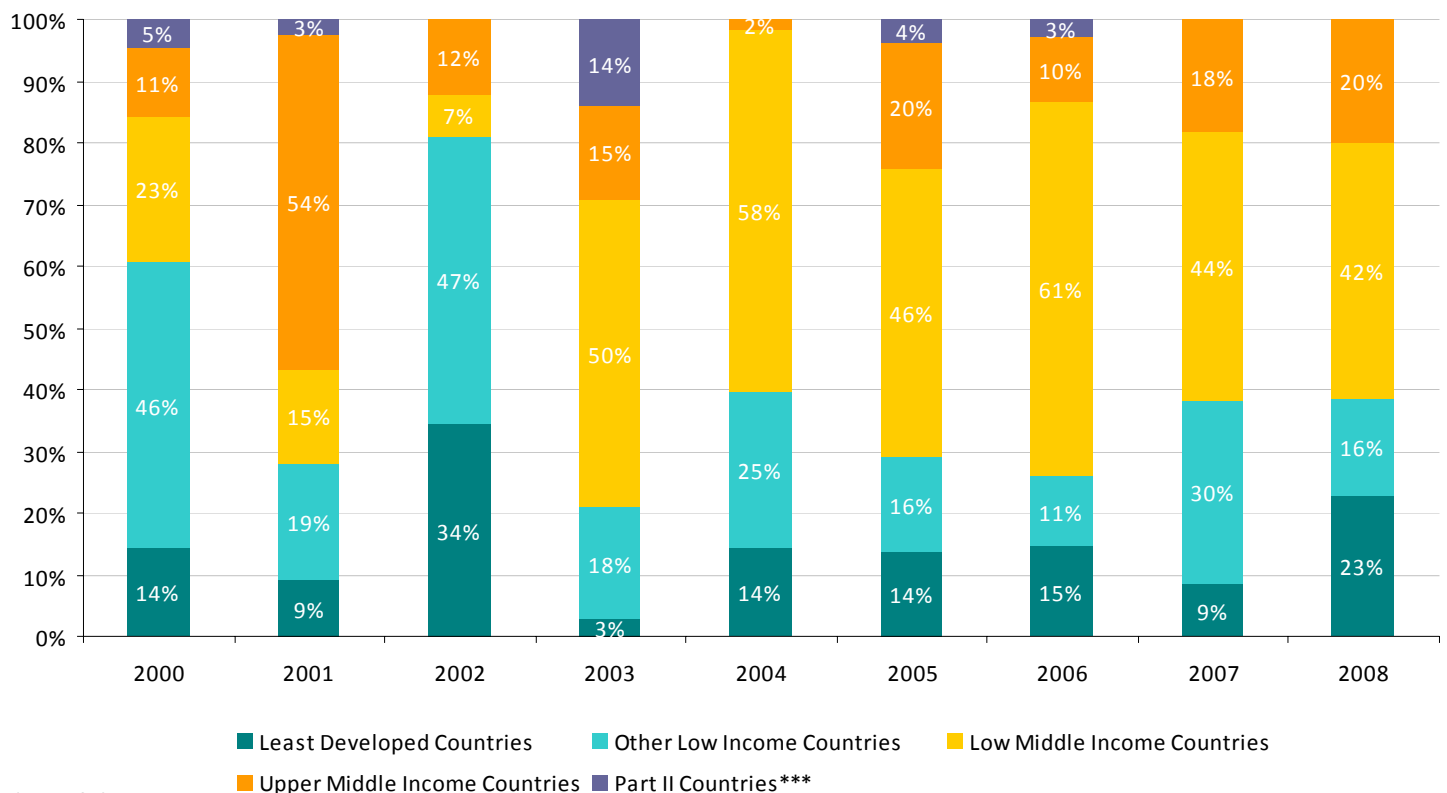


Figure 3.2.1

Note: Projects do not include global and multi-regional projects

* Figures are based on approved funds and do not reflect actual disbursements

** www.oecd.org/dac/stats/daclist

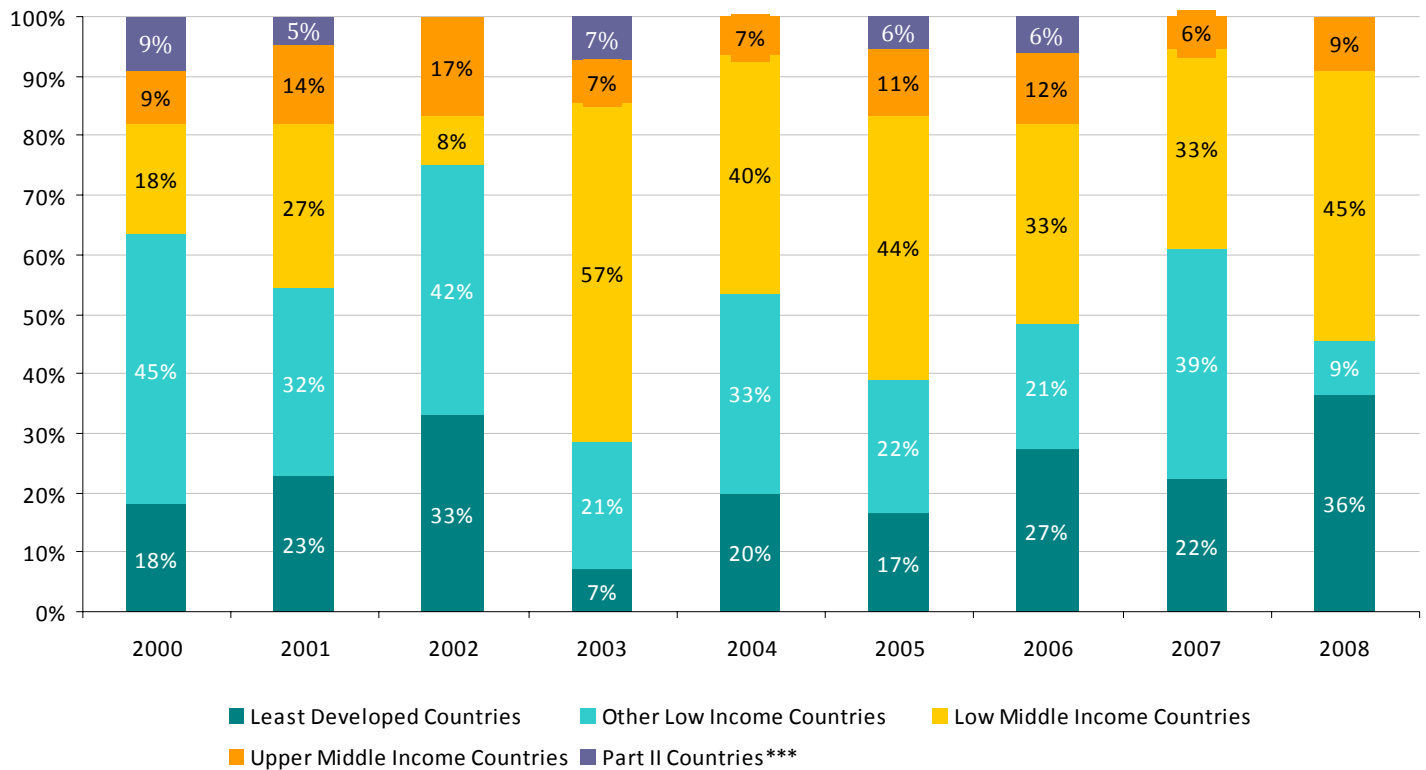
*** Part II countries include Bulgaria, Latvia, and Russian Federation

Allocations to low income countries (LDC and OLIC) tend to be somewhat lower than the project distribution. This is partly due to the large proportion of small grants being approved for low income countries, as illustrated in Figure 3.2.3 on the next page. Distribution of projects by DAC classification is shown in Figure 3.2.2 on the next page.

⁹The DAC list is reviewed every three years with some country classifications added retroactively. In the case of CA project approvals (and consequently data in this review) decisions are based on the most recent list available at the time of approval and not retroactively adjusted.

Distribution of Projects* by DAC** Classification FY2000-FY2008

Figure 3.2.2



* Projects do not include global and multi-regional projects

** www.oecd.org/dac/stats/daclist

*** Part II countries include Bulgaria, Latvia, and Russian Federation

Distribution of Small Grants in Low and Middle Income Countries *Number of Grants \$0 - \$75,000*

Figure 3.2.3 is based on the number of small grants given to low income countries (LDC and OLIC combined) and middle income countries (LMIC and UMIC combined). It must be noted that not all small grants are preparatory grants. Nonetheless, it is evident that the majority of preparatory grants (\$75,000 and less)—their purpose being capacity enhancement for project and proposal preparation in low income countries—are being utilised as intended.

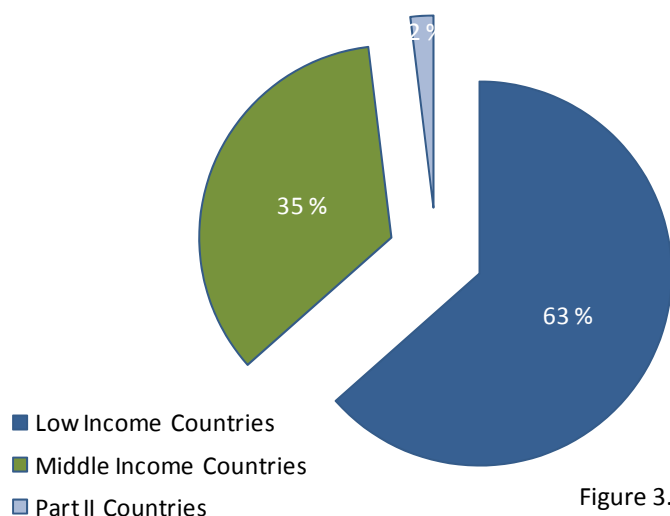


Figure 3.2.3

3.3 Grant Recipients

The grant recipient is responsible for the funds allocated for the project. The grant recipient may or may not be an implementing partner, and one project may have more than one grant recipient.

Since the launch of Cities Alliance, 68 percent of all CDS and SU grant agreements have been signed by international/regional organisations (development co-operations, multi- and bilateral organisations) (see Figure 3.3.1)

Grant Recipients
Number of Recipients for Fiscal Years 2000 - 2008

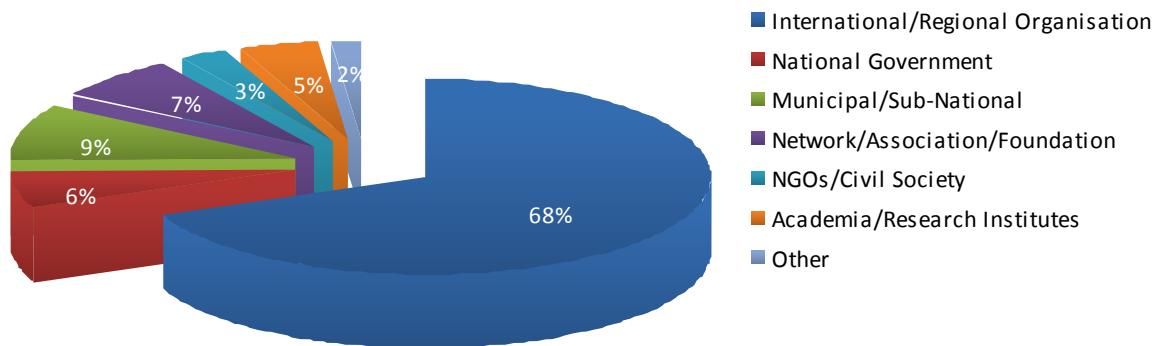


Figure 3.3.1

Figure 3.3.2 shows grant recipients by member and non-member status. It is important, however, to distinguish number of recipients from the amount allocated. While only 25 percent of all grants have been signed by non-members, the distributions of amounts received are much more balanced, as illustrated in Figure 3.3.3 on page 15. Approximately 44 percent of all approved¹⁰ CDS and SU project allocations have been signed for by non-members. One factor in this discrepancy is the number of small grants, often preparatory grants, which are frequently received by members. Only 10 out of a total of 56 small grants were signed for by a non-member. Small grants account for 29 percent of the overall portfolio.

Member vs. Non-Member Grant Recipients
Number of Grant Recipients for Fiscal Years 2000 - 2008

7% (Germany, Philippines, UCLG, ADB)

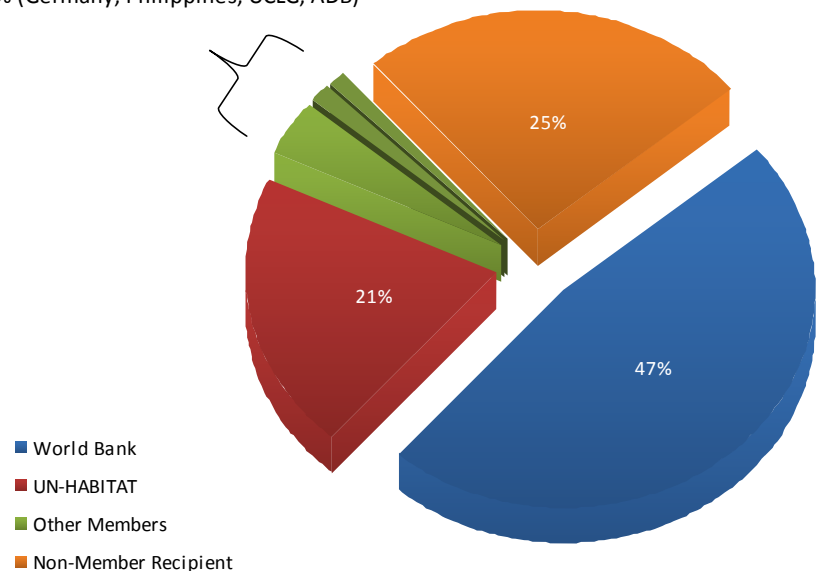


Figure 3.3.2

¹⁰Figures are for approved allocations only. Actual disbursements are not accounted for.

Ratio of Approved Funds* for Member and Non-Member Grant Recipients
Amount of Funds Signed for During Fiscal Years 2000 - 2008

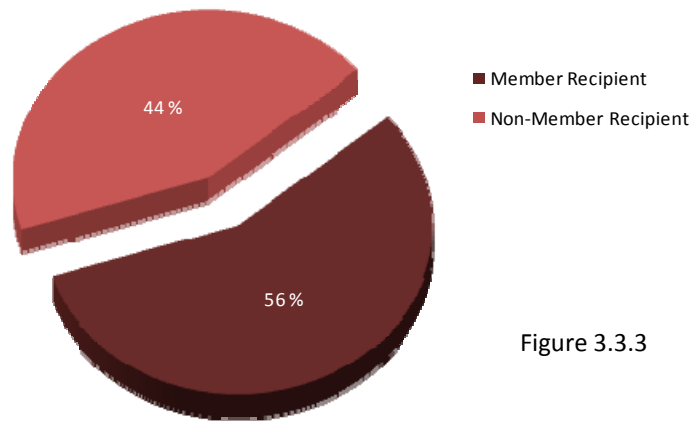


Figure 3.3.3

* Approved funds only, as signed for in grant agreements. Figures do not reflect actual disbursements.

3.4 Grant Extensions

An extension of the expected duration for project implementation has to be approved by the Secretariat and formalised in a grant amendment. For the purpose of exploring how many signed grants have been formally extended through an amendment, the figure below illustrates the ratio of grant extensions to non-extended grants. The figures below (Figure 3.4.1) are based on a count of approved extensions (extended agreements, not projects) for closed projects during fiscal years 2000 – 2008.

Overall, 45 percent of all grant agreements signed during fiscal years 2000 – 2008 have been extended one or more times. Although grants over \$500,000 have the highest extension rate (86%), these grants make up only 7 percent of the total number of grants. Medium¹¹ and large¹² grants have extensions rates of 53 and 52 percent, respectively, and 23 percent of small¹³ grants have been extended.

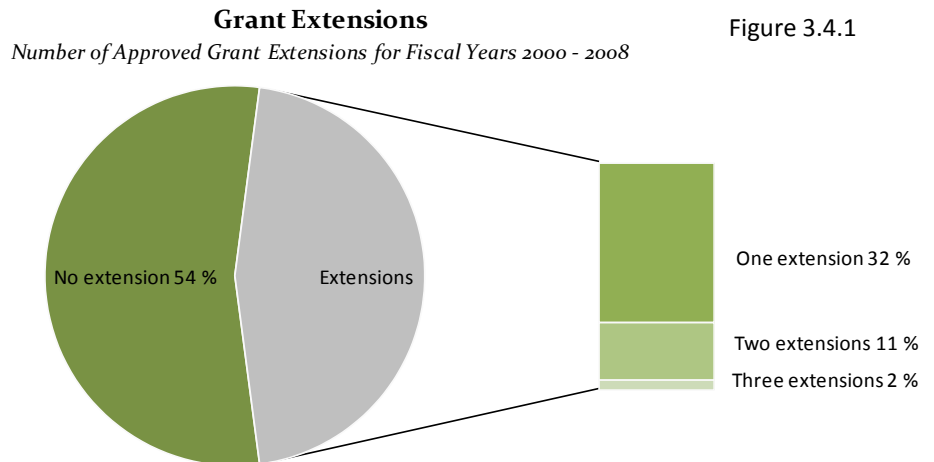


Figure 3.4.1

¹¹ Over \$75,000, up to and including \$250,000
¹² Over \$250,000, up to and including \$500,000
¹³ Up to and including \$75,000

4. Project Sponsorship

4.1 Member Sponsorship

Of the most active (10 or more projects) members in terms of project sponsorship, six have a balanced ratio of sponsorship for city development strategy and slum upgrading projects. Of the remaining five, four have sponsored more city development strategies than slum upgrading projects. While only members have been listed here it must be noted that in its position as associate member, UNDP has sponsored 13 projects during the same period. Members that have sponsored less than 10 projects are Canada (6), Brazil (5), Sweden (5), Netherlands (3), and Metropolis (2), and the EU, Australia, Ethiopia, Philippines, and South Africa (one project each).



The eleven members in Figure 4.1.1 above are presented briefly below with information on regional distributions and type of project.

World Bank:

Joined Cities Alliance (FY): Founding member, 2000

Sponsored Projects in: All regions

Project Type: Balanced distribution of CDS and SU projects

UN-HABITAT:

Joined Cities Alliance (FY): Founding member, 2000

Sponsored Projects in: All regions

Project Type: Balanced distribution of CDS and SU projects

United States (USAID):

Joined Cities Alliance (FY): 2000

Sponsored Projects in: All regions

Project Type: Balanced distribution of CDS and SU projects

Germany (BMZ, GTZ, KfW, DED):

Joined Cities Alliance (FY): 2000

Sponsored Projects in: All regions, except SAR

Project Type: 71 % of sponsored projects are CDS

United Kingdom (DFID):

Joined Cities Alliance (FY): 2000

Sponsored Projects in: EAP, SAR, SSA, and global/multi-regional projects

Project Type: Balanced distribution of CDS and SU projects

France (MAE, AFD, ISTED):

Joined Cities Alliance (FY): 2000

Sponsored Projects in: EAP, MNA, SSA, and global/multi-regional

Project Type: 68 % of sponsored projects are CDS

UCLG¹⁴:

Joined Cities Alliance (FY): 2000

Sponsored Projects in: All regions except EAP and ECA

Project Type: Balanced distribution of CDS and SU

Asian Development Bank (ADB):

Joined Cities Alliance (FY): 2002

Sponsored Projects in: All Asian regions (ECA, EAP, SAR)

Project Type: 62 % of sponsored projects are CDS

United Nations Environment Programme (UNEP):

Joined Cities Alliance (FY): 2003

Sponsored Projects in: All regions, no global/multi-regional projects

Project Type: 77 % of sponsored projects are CDS

Italy

Joined Cities Alliance (FY): 2000

Sponsored Projects in: LAC and SSA (82 % of projects in LAC)

Project Type: 82 % of sponsored projects are SU

Japan

Joined Cities Alliance (FY): 2000

Sponsored Projects in: EAP, SAR and global/multi-regional projects

Project Type: Balanced distribution of CDS and SU projects

¹⁴ For purposes of this analysis IULA, FMCU, WACLAC, and local government associations that are members of UCLG have all been included and counted as UCLG.

5. City Development Strategies

5.1 CDS Proposal Processing

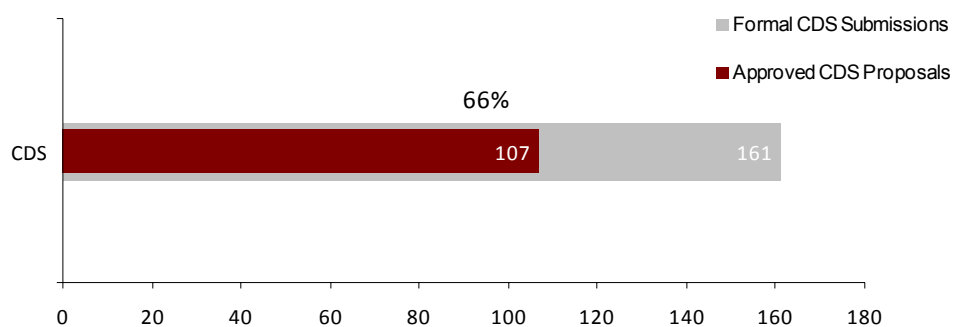
City development strategies account for 53 percent of the overall Cities Alliance portfolio. As of the end of fiscal year 2008 there were 44 active CDS projects (includes CDS projects with SU components).

Approval rates for CDS proposals have been fairly consistent over the years, with a total approval rate of 66 percent (see Figure below, 5.1.1).

CDS Proposal Approval Rate

Figure 5.1.1

Fiscal Years 2000 - 2008



Rejection rates¹⁵ vary greatly by region and are reflected in the geographical distribution of approved projects. The figures below (Figure 5.1.2) show only rejections and do not include proposals that are dormant or under review. Most notably, LAC has the highest rejection rate while MNA has no rejections for CDS proposals.

CDS Proposal Rejection Rate by Region

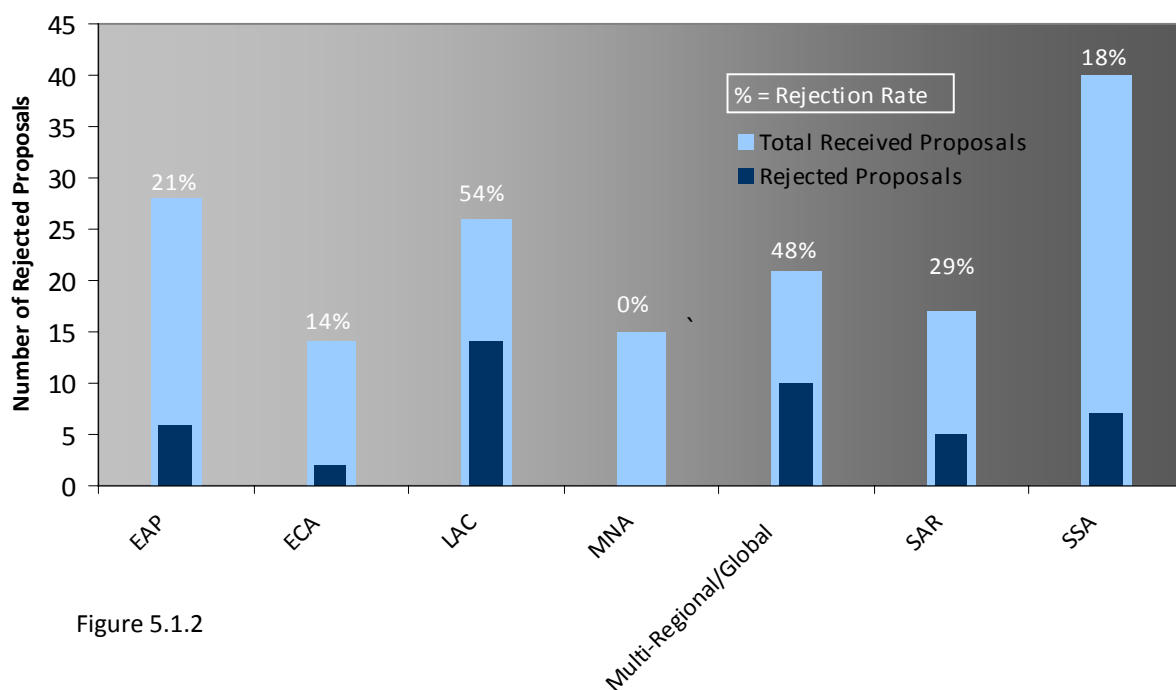


Figure 5.1.2

¹⁵ Rejection rates are based on formal submissions and do not reflect proposals that are withdrawn or not submitted following consultations with the secretariat

5.2 Geographical Distribution of CDS Projects

The geographical distribution of CDS projects is consistent with the distribution of the overall portfolio, with the exception of Latin America and the Caribbean (LAC). While LAC accounts for 18 percent of the overall portfolio, only 6 percent of the projects implemented in the region have been CDS projects (Figure 5.2.1).

Geographical Distribution of City Development Strategy Projects

Fiscal Years 2000 - 2008

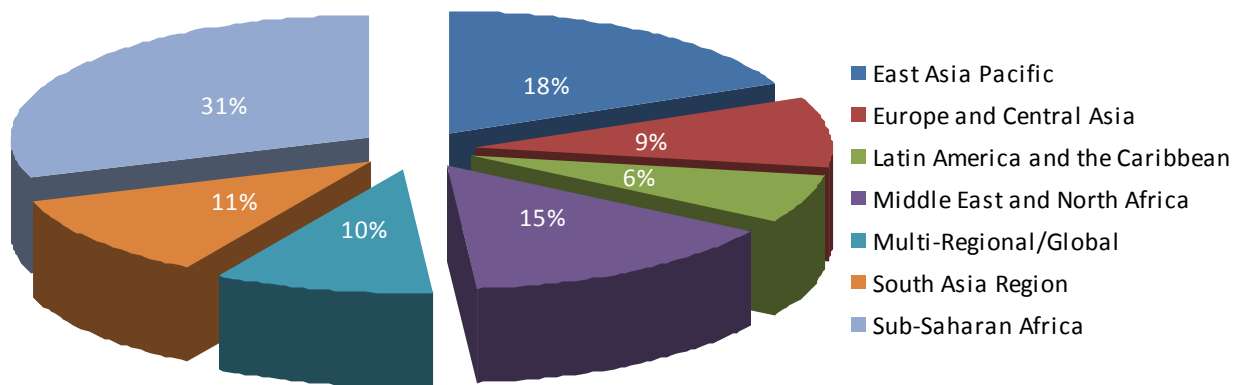


Figure 5.2.1

5.3 CDS Implementation

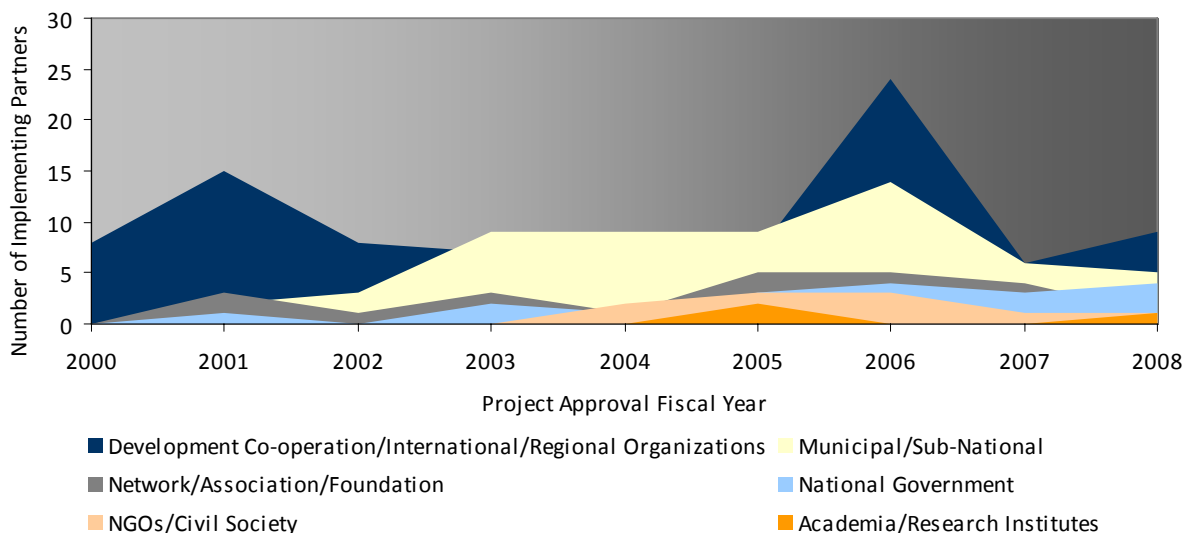
Figure 5.3.1 is based on a count of implementing partners by type, and by fiscal year of project approval.

It is clear that involvement in project implementation from sub-national/municipal partners followed by national government partners has increased over the years.

Figure 5.3.1

CDS Project Implementing Partners

Number of Implementing Partners listed on Approved Proposals



6. Slum Upgrading

6.1 SU Proposal Processing

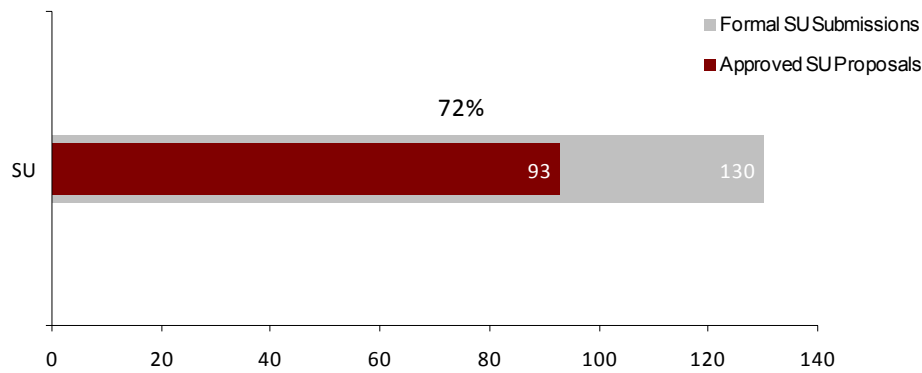
Slum Upgrading projects account for 47 percent of the overall Cities Alliance Portfolio. At the end of fiscal year 2008 there were 28 active slum upgrading projects (includes SU projects with CDS components).

Approval rates for SU proposals have been fairly consistent over the years, with a total approval rate of 72 percent (Figure 6.1.1 below).

SU Proposal Approval Rate

Figure 6.1.1

Fiscal Years 2000 - 2008



As with CDS proposals, slum upgrading proposals vary greatly in rejection rates¹⁶. LAC has the highest rejection rate (Figure 6.1.2), as in the case of CDS proposals (see Figure 5.1.2 on page 18). It is important that rejection rates are seen in comparison with total number of received proposals.

SU Proposal Rejection Rate by Region

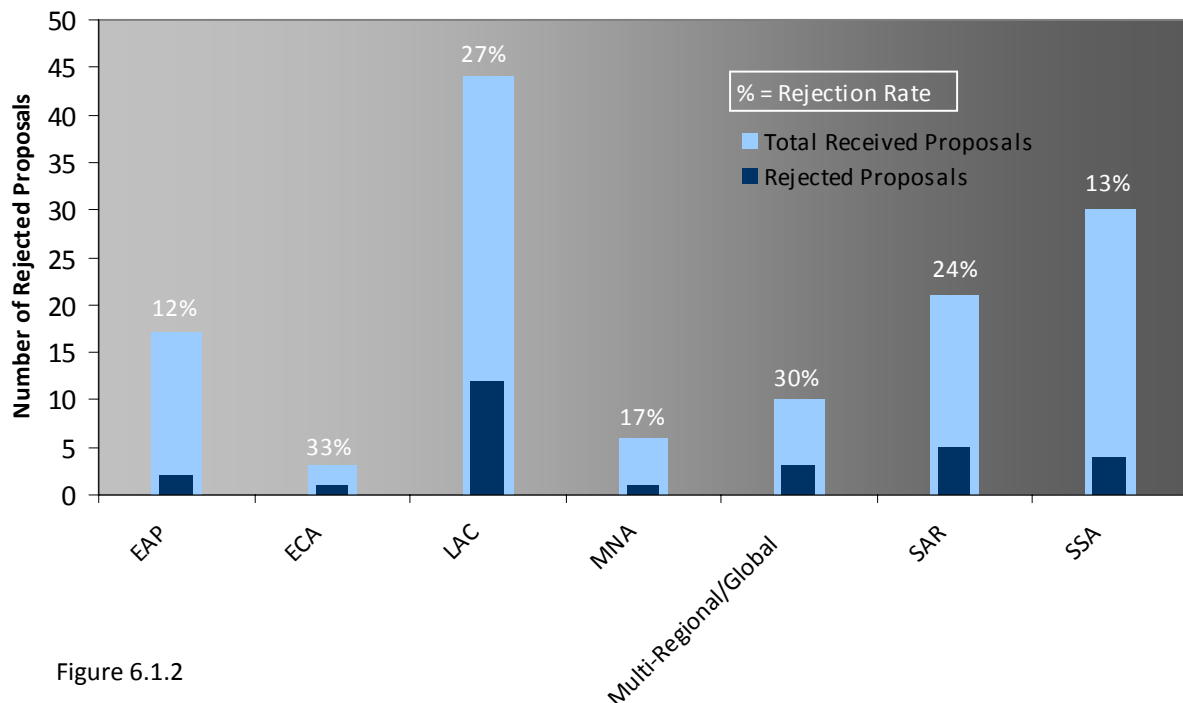


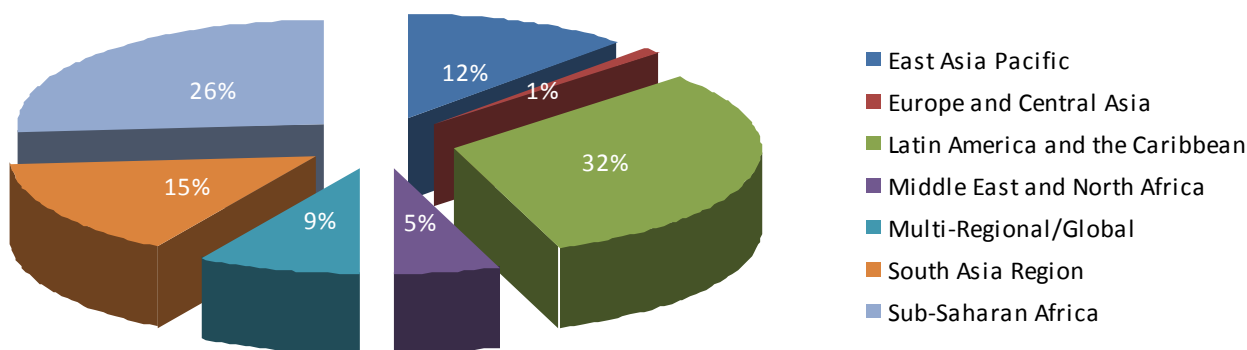
Figure 6.1.2

¹⁶ Rejection rates are based on formal submissions and do not reflect proposals that are withdrawn or not submitted following consultations with the secretariat

6.2 Geographical Distribution of SU Projects

The geographical distribution of SU projects (see Figure 6.2.1 below) is slightly less consistent with the distribution of the overall portfolio compared to CDS projects. Latin America and the Caribbean (LAC) and Sub-Saharan Africa (SSA) both account for the majority of SU projects, while Middle East and North Africa (MNA) and Europe and Central Asia (ECA) are considerably less represented compared to the CDS portfolio and overall figures (see Figure 2.2.1 on page 8 for overall figures).

Geographical Distribution of Slum Upgrading Projects Figure 6.2.1
Fiscal Years 2000 -2008



6.3 SU Implementation

Figure 6.3.1 is based on a count of implementing partners by type, and by fiscal year of project approval.

Compared to involvement in CDS project implementation, slum upgrading projects have significantly less engagement from sub-national and municipal partners. A slight, gradual increase in the involvement of national government is evident but not adequately consistent to project a trend.

SU Project Implementing Partners Figure 6.3.1
Number of Implementing Partners listed on Approved Proposals

