

6. Other Issues

6.1 Partnerships with the Private Sector

Initially, the Secretariat took soundings with international financial organisations and the World Bank's IFC to explore the possibility of developing partnerships with private business interests to facilitate the provision of infrastructure to cities in developing countries. Ultimately, it was decided at that stage, with limited time and a small staff, to concentrate on suppliers, actual or potential, of finance to slum dwellers directly. The focus was therefore directed at mechanisms of supplying commercial lending to upgrade slum dwellings under various kinds of guarantee. The details were listed earlier. These explorations are now coming to fruition in terms of projects in Latin America, Uganda and Indonesia. Furthermore, as noted, DFID has launched a \$10 million CLIFF (with USAID, Swedish and World Bank interest) to underpin slum dwellers' commercial borrowing; Norway is considering a similar facility for Sub-Saharan Africa.

However, it is possible that the CA might want to return to the issue of private finance to fund large scale infrastructure in the cities of developing countries and to facilitate financial flows to the mass of smaller financing units in developing countries (through, for example, credit guarantee schemes). The long-term scale of need for such financing over the next quarter of a century, particularly in the light of any realistic level of up-scaling to reduce slums significantly, is far beyond the scope of official donor funds. Indeed, the use of official funds to explore methods of offsetting commercial risk is a most welcome innovation and the vital lead in to large-scale private parallels. Furthermore, as cities become more capable of servicing private loans, as city financial systems become more transparent and reliable and so less risky, the scope for city borrowing through the issue of bonds is likely to grow and thus the market for such bonds. Early moves by groups of financial institutions in the leading centres to facilitate this access may then prove of particular value.

6.2 In-country Collaboration

Originally, as we have noted, the CA envisaged itself as constituting a very small central secretariat, with its in-country work managed by "the regional operational units of the World Bank, Habitat and other multilateral and bilateral partners" (*Charter*, para 5). In fact, this has happened with all projects financed from core-funds – the Task Managers of each project have been drawn from the World Bank, Habitat and now other partners, including LGAs. In the case of CLIFF, a non-core funded project, this role is being played by an NGO.

However, this is only one small part of the potential collaboration between partners involved in an alliance learning from the urban development programmes of all the partners relevant to the two selected themes. A number of donors have argued that the need for donor partnerships and aligning different urban development programmes is much more pressing at the country or regional level than at the global. Indeed, as we have noted, the exchange of information at the CG level on the programmes of each of the partners is quite limited and does not allow the detailed project discussion which might open up the opportunity for collaboration between partners. The CG can and should spotlight key issues or consider in depth a particular project or its evaluation, but this will only by accident promote systematic collaboration.

This would suggest a gap in the operations of the CA at the in-country level, a gap which could be filled by an in-country CA, paralleling the format of the global operation – that is, bringing together the in-country representatives of donors and LGAs (and possibly now, some local NGOs). There has been much stress in this report on the potential for a strengthened in-country LGAs:

- i) to provide a focus for in-country dissemination (in, where necessary, local languages) of CA materials;
- ii) to offer the base for organising in-country training schemes to support the implementation of up-scaling the two CA programmes;
- iii) and to provide a resource for the evaluation of projects (with country-specific indicators and performance criteria).

If the donors, engaged in urban development, can also be brought in to the local CA, then we can add a fourth aim:

- iv) to foster collaboration between in-country partners in order to upscale activity and secure the alignment of existing programmes.

In country LGAs in developing countries are frequently not strong enough to play this role in the first instance, so that no general formula can be applied. However, the opportunity to grow into this role may be an important mechanism for enhancing their capacity and thus simultaneously making CA initiatives effective at the same time as strengthening the LGA.

With time, the global CA will be able to move increasingly from the direct funding of actions to financing the means to facilitate actions by others in order to upscale them, and that role will require an in country base or local CA. This is not a means to create a new in-country organisation, but merely replicate the principles of the alliance in-country – the partners within the alliance remain the key actors.

There have been various moves in this direction:

- i) the appointment of regional managers to facilitate in-country co-operation, in south Asia (financed by DFID) and in Latin America (financed by the Italian government); the development of a finance facility for Sub-Saharan Africa might provide the opportunity for a similar appointment for Africa;
- ii) the Secretariat has attempted to use the in-country consultative networks of the UMP, now in the process of being decentralised, as a local base. There has been some success in this in Latin America and East Asia, and similar efforts are being made in Sub-Saharan Africa (with the involvement of important NGOs);
- iii) some of the city networks might – as for example in the case mentioned of the nine largest cities of South Africa – constitute a similar kind of nucleus;
- iv) in Vietnam an Urban Forum of donors has been set up to contribute to the coherence of urban development programmes;
- v) as we have noted, the LGA, League of Cities of the Philippines has been playing the directing role for CDS-2, and, we understand, the Association of Chinese Mayors may become important for the management of the next generation of CDSs in China. However, the LCP is perhaps not strong enough at present to rally a broader coalition of interests e.g. local NGO, CBOs, business leaders, external support agencies.
- vi) the proposed creation of a new country-level network of UN-Habitat programme managers could immensely enhance the development of in-country CAs, giving them a solid organisational stability as well as linking them directly to the UMP networks mentioned in para ii).

The route to in-country work, to aligning urban development programmes and securing collaboration between programmes, need not follow the same recipe in all countries – there is no need for a uniform prescription. The importance of the involvement of the LGA is that it establishes the fundamental link to the cities of the country.

The Secretariat does need to begin to facilitate and guide the process, to create a local entity of the 'learning alliance', feeding into the global learning process and vice versa. If the idea of an in-country CA is acceptable, the Secretariat should begin to formulate a strategy on assisting the creation – through different routes – of local CAs, and listing the different functions to be performed through this means.

6.3 The Sustainable Financing of the City Alliance

By mid-2002, the CA had secured financial pledges from the partners and associates of some \$42 million, well within the first three-year (2000-2003) cumulative target of \$40 million. The Secretariat was then preparing to push on to the next financial target for pledges of \$115 million by 2005.

The changing source of these pledged funds illustrates what was earlier described as a shift in the balance of power on the CG, from the two multilateral founders of the CA to, by 2002, the nine bilateral donors. By then, the bilaterals had assumed responsibility for 85.3 per cent of the pledged sums, 92.4 per cent of the funds actually paid in (see Annex I, table 4). For non-core funds, the bilateral role was even greater – 94.4 per cent of promises (but only 73 per cent of what was paid in).

In fact, the concentration was more pronounced than this. Four of the bilaterals (UK, Netherlands, Japan and Sweden) accounted for nearly 2/3rds of the pledged core funds, and three bilaterals (Italy, UK, Japan) for 94.4 per cent of non-core funds.

The two multilateral founders of the CA sustained the Secretariat from the beginning, providing three quarters of the funding (in cash or kind) up to mid-2002. It was then that the CG decided that the Secretariat should be fully funded from core-funds, thus breaking the financial link with the two founders and establishing the CG's ownership of the CA. Overall, Secretariat costs represent twelve and a half per cent of the sums pledged for the CA. To put it another way, for each dollar spent on the Secretariat, nearly seven dollars were leveraged for core and non-core funds.

The record so far encourages moderate optimism that the later targets will be achieved. The degree of concentration of contributions suggests that other donors may, with growing confidence in the CA's capacity to meet its targets, increase their transfers to core funds to come closer to the leading donors. Furthermore, there are numerous potential donors as yet not engaged in the CA. In both cases – existing donors and potential donors – the performance of the CA is crucial in persuading them to commit increased funds. Existing donor commitments take time to run out, so that changes in opinion only feed through to behaviour and agency expenditure patterns after some lag. What is remarkable is that, despite this, the CA was able to take off with such speed.

In addition, as the CA moves towards facilitating actions rather than financing the actions themselves, not only will this become a means to dramatically upscale what is being done, much larger sums will be required, perhaps generally in non-core pledges. DFID's pledge on CLIFF, still tiny by the scale of the need for finance in cities of developing countries, has had a dramatic effect on CA non-core funds and is attracting the interest of other

donors to commit comparable sums. The other explorations in micro-finance may well produce equally dramatic financial commitments.

In sum, then, the record so far suggests that as the CA has gathered pace and experience – particularly in innovation and up-scaling – supply has expanded faster than demand. That process can be sustained provided the CA delivers what it and its partners have promised: the ‘learning alliance’, the alignment of programmes, exchange of experience and up-scaling.