

**Report of the Meeting
of the
Cities Alliance Consultative Group
29 November – 1 December 2006
Washington, DC, USA**

The Consultative Group meeting was chaired by Maryvonne Plessis-Fraissard of the World Bank and Inga Björk-Klevby of UN-Habitat. The Co-Chairs began by warmly welcoming South Africa and Ethiopia, the newest members of the Cities Alliance. This also marked the first CG meeting for Chile and the Philippines, participating as Associate Members. In her opening remarks Inga Björk-Klevby noted the new spirit of collaboration between UN-Habitat and the World Bank and reinforced UN-Habitat's commitment to strengthening the Cities Alliance's coalition of urban organisations.

The CG Meeting followed a Public Policy Forum focused on the environment, poverty and development in an urbanising world. Among the topics of discussion were the significance of cities for the environment, how cities represent an expanding ecosystem, how the environment benefits urban development, and meeting urban energy demands whilst addressing climate risk issues. Discussions were complemented by cases studies of the citywide urban upgrading experience in Salvador da Bahia (Brazil) and of Mumbai's (India) transformation process. Presentations made at the PPF are available on the Cities Alliance website.

A Special Session on urban policies was held prior to the opening of the CG Meeting, co-chaired by PAB members Clare Short and Sheela Patel, which provided an opportunity to exchange views and information on a number of CG members' recently completed urban policies and strategies, as well as members' priorities. Among the issues discussed and debated, in the context of declining recognition of the urban agenda within members' own agencies, were strategies for advocating and scaling up the positive impacts of urbanisation. In addition to underscoring key issues for the Cities Alliance agenda, a number of concrete recommendations emerged from the Session, including:

- Lobbying by CG members for the next (2008) *World Development Report* of the World Bank to focus on urban issues;
- Member outreach and advocacy at strategic events (e.g., G7/8 summits, World Economic Forum Meeting at Davos);
- Outreach to the African Development Bank (e.g., Asian Development Bank to hold talks with AfDB); and
- Maximisation of opportunities presented by Germany's upcoming presidency of the G8.

1. Secretariat Report

Summaries of the individual presentations made by the Secretariat follow. The full powerpoint presentations are on the Cities Alliance website.

Summary of Secretariat's Keynote Presentation (William Cobbett)

- The urban debate remains dominated by the mega-city perspective, despite evidence that portends the continued growth of cities of less than 1 million.
- The Cities Alliance's portfolio remains its primary source of learning, which demands continued emphasis on quality and impacts. Essential elements for a strengthened Cities Alliance portfolio include: the city/country setting the agenda and choosing its partners; the city and national government reinforcing each other; Alliance members collaborating, in support, and; stable and consistent Cities Alliance support.
- As in the climate change debate, there is a small - but rapidly closing – window of opportunity to promote the positive impacts of urbanisation. The absence of policies promoting sustainable urbanisation can yield: high costs of retroactive expenditure, contingent liabilities incurred through informal shelter production, social tension, and constraints on local (i.e., national) economic growth.
- The Cities Alliance and its members need to move beyond urban policies and promote national strategies for cities, which would include: national policies and standards, intergovernmental fiscal relations, connectivity of cities; capacity of cities; infrastructure investment; and environmental health. For the Cities Alliance, this reinforces the need to ensure that cities provide leadership, that the Cities Alliance learns from cities, and that cities learn from cities.

Summary of Slum Upgrading Portfolio Presentation (Joerg Haas, Farouk Tebbal)

- The urban agenda requires actions at scale, which calls for:
 - The prevention of new slum formation and upgrading of existing slums becoming core business of national and local governments;
 - The involvement of all actors. Whilst scaling up means involving the slum dwellers themselves as main actors, it cannot be done without the political will of local and national governments as well as the private sector.
- City and nationwide slum upgrading experiences have reinforced the following lessons on the essential elements for scaling up:
 - The need for long term and increased financial engagement by all actors, which should entail: involving the private sector and slum dwellers themselves; linking sectoral investments to citywide slum upgrading; leveraging domestic capital for sustainable financing, and; focusing international development assistance on slum upgrading policy and prevention;
 - Real partnerships between public and private sectors, including slum dwellers and local government as central actors.
- Members were invited to consider how future Cities Alliance-funded activities might contribute to the promotion of both slum upgrading *and* new slum prevention. Promoting slum prevention would entail, for instance, anticipating and planning for future urban growth, making land available for the urban poor and mobilising the necessary financial resources. Of additional note:
 - The planning horizons of politicians are often too short to engage in the long-term planning and preparation required for orderly urban expansion. Forward-looking urban development policies are critical.
 - The costs associated with addressing the growth of slum retroactively is three to four times that of planning up front.

- Looking forward, Cities Alliance-supported slum upgrading activities were encouraged to be characterised by: (i) active partnerships (coherence of effort) from design to implementation and beyond; (ii) political commitment, underwritten by predictable and sustainable budgetary allocations; and (iii) city and nationwide upgrading programmes anticipating future urban growth.

Reporting on the Alliance's slum upgrading portfolio, the Secretariat also updated members on the resources under development that would contribute to putting the "Learning Alliance" into practice, including a flagship Slum Upgrading Policy and Resource Guide, a Cities Alliance Slum Upgrading Database, and a Cities Alliance/University of São Paulo/World Bank Institute course on slum upgrading.

Summary of CDS Portfolio Presentation (Pelle Persson)

Key lessons emerging from the evaluation of completed CDS activities were presented, as highlighted below. Activities evaluated included those in Yogyakarta (Indonesia), Dosso and Maradi (Niger), Antananarivo (Madagascar), Alexandria (Egypt), Lima (Peru), Kingston and St. Andrews (Jamaica), Aden (Yemen), a CDS for secondary cities in Mongolia, and the South African Cities Network's 2004 State of the Cities Report. Evaluations and relevant documentation will be made available on the Cities Alliance website.

- Evaluations of completed CDS activities have highlighted the centrality of :
 - Working together, which entails active local partnerships and participation of key stakeholders, donor coherence of effort (including budgetary support, donor working groups), and; metropolitan management which may involve intermunicipal cooperation in metro regions or reorganisation of boundaries.
 - Strengthening links to implementation, including through improved municipal finance, the establishment of CDS planning units in existing organisations to institutionalise strategic planning, and through action plans or city contracts which identify responsibilities (institutions, champions), sources of finance, time line, expected outputs and results.
 - Scaling up via nationwide CDSs (as a prerequisite for government transfers, for instance, as in South Africa or India's NURM initiative), or 'State of the Cities' reporting.
 - Improving the CDS methodology with respect to qualitative initial assessments, monitoring and evaluation; and cyclical planning.
- Looking forward, CDSs might support cities in addressing climate change issues and with strategic planning for disaster mitigation and preparedness. The institutionalisation of CDSs on a national level, as evidenced in South Africa, China, and India, points to increased nationwide approaches to improve strategic planning. An additional future direction for CDSs is as a mechanism to assess the extent of decentralisation and the powers and functions of local governments.

The Secretariat briefed members on the upcoming Local Economic Development Resource Guide under preparation, designed to assist mayors, city managers and LED practitioners in conducting competitiveness assessments. Members were also updated on the Environmental Study being prepared with the International Council for Local

Environmental Initiatives (ICLEI) on best practices, case studies and methodologies for including the environment into city strategic planning, management and municipal budgets.

Summary of Urban Finance Presentation (Rajivan Krishnaswamy)

- Current public and private investment trends reinforce the need for cities to be empowered to leverage budgetary resources with domestic capital and invest in infrastructure.
- Cities need authority to raise resources, create and maintain infrastructure and pay for their costs over time. A corresponding reform agenda should include: CDSs and investment plans with pricing policies; mainstreaming the needs of the urban poor into on-budget investments in public goods; creating sustainable financial structures which link domestic capital markets with city financing; and systems for shelter upgrading which leverage subsidies with household savings.
- Experience has demonstrated that viable urban financing strategies generally require: rational and predictable devolution; legal frameworks for borrowing; domestic market-oriented financial intermediaries working with smaller cities, and; fiscal space allowing affordable long-term interest rates for financing city infrastructure.
- Experience would recommend supporting: (i) national initiatives for fiscal decentralisation so that revenue streams transferred are rational, predictable and articulated in law; (ii) city level initiatives related to tariff systems, accounting practices, and frameworks to work with communities; and (iii) a pipeline of investments with tariff structures grounded in community acceptance so as to withstand political cycles.
- Looking forward, the Cities Alliance should:
 - Support cities in designing their development strategies based on local means of financing;
 - Work with city and national governments in reducing mismatches between city level responsibilities and powers;
 - Mainstream slum upgrading strategies, such as community-based home construction, with city investments;
 - Support existing commercial lending to microfinance institutions in local currency.

The Secretariat updated members on recent Alliance-funded initiatives, including to assist in rationalising decentralisation frameworks, to develop legal and regulatory frameworks for city borrowing, to set up systems for tracking a city's financial performance, to facilitate existing municipal funds in developing a sustainable domestic orientation, and to assist domestic financial institutions in linking up with microfinance institutions. Members were also informed of the development of both a Municipal Fund Performance Tracker, to stimulate action plans for linking with domestic markets, and; a Fiscal Devolution Performance System for comparisons over time and across countries.

Consultative Group comments on issues raised in Secretariat Reports:

- There was a call for slum prevention to be a component of CDSs.

- Media involvement in the CDS process was proposed as a means of contributing to greater community ownership of CDSs.
- The question of how political will and continuity of effort can be sustained through transitions in government was raised.
- It was noted that the Alliance's stated priority is 'Cities without Slums' and, as such, it was suggested that the Alliance should only support those activities which address the issue of slums.
- There are a range of incentives that central governments can offer local governments to contribute to scaling up, including information systems, e-governments and benchmarking.

2. Cities Alliance Independent Evaluation 2006

The draft final report of the Independent Evaluation of the Cities Alliance prepared by Universalia, which had been circulated to CG members in advance of the meeting, was discussed at length following a summary presentation of the key findings and recommendations by the Evaluation's team leaders (Dr. Marie-Hélène Adrien and Dr. Richard Stren). The Evaluation had been commissioned at the November 2005 meeting of the Consultative Group (Marrakech, Morocco), three years after the first independent assessment (2002) of the Alliance's performance.

Noted below are: i) a summary of Universalia's presentation to the CG; ii) comments by CG, PAB and Secretariat members on the Evaluation's findings and recommendations; iii) CG responses to the recommendations, presented sequentially by recommendation; and (iv) the decisions on actions to be taken in response to the Evaluation.

(i) Report from the Evaluation Team

In its report to the CG, Universalia summarised the key findings and recommendations of the Evaluation, as outlined below:

Findings of the Independent Evaluation of the Cities Alliance, 2006:

Overall, the evaluation found that the Cities Alliance has continued to be a successful partnership initiative and valuable player in the international assistance scene. Both in terms of the substance that it addresses and its collaborative, inter-sectoral approach to urban development, the Alliance was deemed to be an extraordinarily relevant organisation. It is valued by its Members as a harmonising and knowledge-sharing forum that enhances the credibility of their own organisations. More specifically, the evaluation revealed that:

- Cities Alliance members and stakeholders support the value and continuing relevance of the Alliance's focus on CDS and slum upgrading. The Alliance's recent work on municipal finance was found to be a necessary complement to the programming mix, albeit not yet fully integrated into CDS and slum upgrading.
- In the cities in which it has worked, Alliance projects have contributed to: scaling-up project experience through replication/adaptation and new/revised policy

frameworks; improving the coherence of development efforts; leveraging follow-up investments; and developing the capacity of individuals and organisations.

- The Alliance lacks an overall strategy for advocacy and knowledge sharing, which to date have been constrained by the limited time and resources of CG members and the Secretariat.
- Whilst the Alliance has improved its project monitoring and evaluation, its collection and use of performance information for learning, programme design, and corporate accountability could be strengthened.
- With respect to governance, management and new members, the definition of roles, responsibilities and practices need to be clarified.
- The Cities Alliance “brand” still needs to be strengthened.
- The Alliance has been efficient in implementing its work programme and keeping administrative costs low.

Recommendations of the Independent Evaluation of the Cities Alliance, 2006:

- ***Recommendation 1:*** The Cities Alliance should now “Scale up the Issue” of upgrading slums and preventing slum formation in the broader development agenda.
- ***Recommendation 2:*** The Cities Alliance should continue its work on municipal finance issues and increase the integration of sustainable financing in CDS and slum upgrading initiatives.
- ***Recommendation 3:*** The Secretariat should strengthen and enhance the Cities Alliance’s monitoring and evaluation system.
- ***Recommendation 4:*** The Cities Alliance should review and revise the roles, responsibilities, and delegated authorities of the CG, PAB, Steering Committee, and Secretariat, and should update its policies and procedures.
- ***Recommendation 5:*** The Cities Alliance should strengthen its role in sharing knowledge that is of use for Members and for cities.
- ***Recommendation 6:*** The Cities Alliance should strengthen the Cities Alliance Secretariat so that it can play a greater role in advocacy and knowledge sharing.

Universalia’s presentation is available on the Members Page of the Cities Alliance website.

(ii) Comments on Evaluation findings and recommendations

- UNEP expressed its disappointment in the limited scope afforded the environment in the final evaluation, despite provisions in the terms of reference for it to be substantively addressed.
- Whilst support for raising the profile of the environment was expressed, some concern was raised over profiling only one particular issue.
- It was noted that greater attention could have been paid to the issue of donor coherence and investment follow up, a perceived area of weakness during and after CDSs in particular. The report was also cited for its lack of focus on cost efficiency and sustainability of Alliance activities, increasingly significant considerations for donors.

- It was suggested that the Alliance reflect on how to work with cities with limited resources, including how these cities might approach the Cities Alliance for support; as well as on the mix of cities the Alliance could be working with.
- The question of Cities Alliance regional representation was raised.
- The need for branding of Cities Alliance was put forth.
- In the interest of achieving scale, a call was made for leveraging greater private sector resources.
- Appealing to CG members to work as an Alliance, assuming specific tasks in implementing a mid-term strategy, it was recommended that members meet and work together locally and regionally, fostering improved coordination, coherence of effort, replication and actions at greater scale. In this context, Brazil proposed to bring together donors working in Brazil on urban issues, together with the Secretariat and relevant stakeholders.
- In view of the demands placed on CG members, identifying and engaging existing capacity, particularly of local authority associations, was proposed for increased advocacy initiatives. UCLG remarked on the relatively low level of involvement of local authority associations in Alliance activities, noting that UCLG could help bridge the gap in fostering knowledge sharing.
- One member cautioned against diversifying the focused agenda on slum upgrading and CDS which the Alliance has successfully pursued to date, by trying to ‘be all things to all people’.
- PAB members noted that their presence in regions and access to regional networks could be better maximised in support of Cities Alliance initiatives.
- The Secretariat recounted cases of Alliance-funded activities demonstrating city- and nationwide impacts, including in South Africa, the Philippines, Egypt, Morocco, Lagos and Mumbai, by way of example of both the impacts the Alliance is already having on ‘scale’, and the Alliance’s failure to capture the full scope of its portfolio. The latter reinforces the evaluation’s findings on the need for enhanced monitoring and evaluation.
- The Deputy Executive Director of UN-Habitat called for increased commitment to the original vision of a “learning alliance”, with each member increasing their level of engagement in the analysis of the impacts of Alliance activities.

(iii) CG Responses to Evaluation recommendations

Recommendation # 1

The Cities Alliance should now “Scale up the Issue” of upgrading slums and preventing slum formation in the broader development agenda.

Summary of Actions:

- Develop influencing/advocacy strategy for the CA;
- Define roles and responsibilities for advocacy of Secretariat, Members, and PAB;
- Develop an expanded program of visits to Members;
- Map out plan of action for strengthening partnerships with associations/networks of local authorities in countries and regionally.

Broad support was expressed for Recommendation #1. Additional comments included:

- Recommendation #1 should be pursued in line with national development strategies, Poverty Reduction Strategy Papers (PRSPs) and United Nations Development Assistance Frameworks (UNDAFs).
- A Guide on preventing slum formation was proposed as an important resource to be developed.
- In view of the integral role of local authority associations in scaling up, the partnership with UCLG should be reinforced, to extend the Alliance's outreach to local authority associations.

Recommendation # 2

The Cities Alliance should continue its work on municipal finance issues and increase the integration of sustainable financing in CDS and slum upgrading initiatives.

Summary of Actions:

- Review suite of CA programming efforts in Municipal Finance (Secretariat / MFTF);
- Articulate role and priority for municipal finance in future work program;
- Support development of effective institutional partnerships (including MFTF);
- Develop menu of financing solutions presented in 2004 paper (Secretariat);
- Integrate mechanisms into CDS and SU initiatives to ensure cities' perspectives are heard at higher levels of government;
- Set target and develop plan to ensure future CDS and SU activities contemplate funding issues.

Broad support was expressed for Recommendation #2, without further comments than those raised in the earlier discussion on the Evaluation.

Recommendation # 3

The Secretariat should strengthen and enhance the Cities Alliance's monitoring and evaluation system.

Summary of Actions:

- Integrate outcomes into the proposal format and provide OECD-DAC definitions of Results-Based Management terms in the guidelines/application;
- Review format of progress reports/completion reports to ensure comments are provided at least on outputs and outcomes (progress towards outcomes);
- Identify "clusters" of activities that could be subject to a cross-country assessment;
- Develop medium-term strategic plan and results framework for the CA.

Broad support was expressed for Recommendation #3. Additional comments included:

- The medium-term strategic plan should be developed as a first course of action, following which the proposed steps for improved monitoring could be pursued.
- Enhancement of the Alliance's monitoring and evaluation system should be coordinated with those agencies engaged in improving monitoring and evaluation systems, such as the the World Bank's Independent Evaluation Group.

Recommendation # 4

The Cities Alliance should review and revise the roles, responsibilities, and delegated authorities of the CG, PAB, Steering Committee, and Secretariat, and should update its policies and procedures.

Summary of Actions:

- Define responsibilities of Members in learning and knowledge sharing;
- Identify some of the useful practices developed by Members for knowledge sharing and policy coherence;
- Adjust mandate of the Steering Committee;
- Expand mandate of the PAB to emphasize role in advocacy;
- Define Secretariat's role, functions and authorities for corporate activities;
- Develop conflict of interest guidelines;
- Adopt standardized approach to recording results of CG deliberations.

Broad support was expressed for Recommendation #4, underscored by the general consensus that the Alliance's governance structure and the roles and responsibilities of the CG, PAB, Steering Committee, and Secretariat needed to be clarified. In addition:

- It was proposed that a committee be established to nominate PAB and SC members as membership rotations require.

Recommendation # 5

The Cities Alliance should strengthen its role in sharing knowledge that is of use for Members and for cities.

Summary of Actions:

- Identify the influencing/advocacy objectives that link to knowledge sharing activities;
- Identify priority "clusters" of ideas where the Secretariat should distill and disseminate knowledge;
- Review and prioritize purposes of Annual Report;
- Strengthen peer networks among cities participating in CA initiatives;
- Experiment with new formats for Public Policy Forum.

Broad support was expressed for Recommendation #5. In addition:

- It was suggested that the Cities Alliance also consider the mechanics of knowledge generation and dissemination, looking, for instance, at 'how to' mobilise people, how to garner politicians' interest, and how to foster change.
- It was proposed that Alliance grants might require a small percentage of the funds to be budgeted for knowledge dissemination, such as for a process to be documented, or a learning network to be created.

Recommendation # 6

The Cities Alliance should strengthen the Cities Alliance Secretariat so that it can play a greater role in advocacy and knowledge sharing.

Summary of Actions:

- Assess staffing requirements in Secretariat for playing greater role in advocacy and knowledge sharing;
- Secretariat to present annual workplans to CG and Steering Committee that are linked to the medium-term strategy.

While support was expressed for Recommendation #6, it was also noted that:

- The Secretariat should not be solely responsible for advocacy and knowledge sharing.

(iv) Decisions on actions to be taken in response to the Evaluation

It was agreed that in six months the Secretariat would have developed a medium-term strategy responding to the Evaluation's recommendations, to be distributed electronically to the CG for its consideration. CG comments would then be compiled by the Steering Committee for transmission to the Secretariat. In the interim, the Secretariat would provide the Steering Committee with a progress report on the medium-term strategy at its next meeting scheduled to be held in Nairobi, Kenya in April 2007, at the time of the UN-Habitat Governing Council meeting.

In the course of the discussions, the World Bank's Vice President for Sustainable Development, Kathy Sierra, also Co-Chair of the Alliance's Consultative Group, took the opportunity of the CG meeting to update members on the World Bank's new Sustainable Development Network. Members were advised of the proposed merger of the urban development unit, together with which the Cities Alliance Secretariat is housed, with the economics and finance unit, and the strong linkages to be forged with the infrastructure, environment, social development and protection and rural development units. Members were also formally introduced to Laszlo Lovei who would be assuming the directorship of the new Finance, Economics and Urban Development department starting in January 2007.

The World Bank's presentation on the new Sustainable Development Network is available on the Members Page of the Cities Alliance website.

3. Partnership Matters

(i) Steering Committee Membership Rotation

With the expiration of Japan's seat on the Steering Committee, members discussed to determine which member might replace Japan on the Committee.

Decision: It was unanimously agreed that France would assume Japan's seat on the Steering Committee for a two-year period to become effective after this meeting until the conclusion of the CG meeting in 2008.

(ii) PAB Membership Rotation

Policy Advisory Board membership rotation, recommended by the PAB at the 2003 CG meeting in São Paulo and initiated at the 2004 CG Meeting in Durban, required that the CG nominate two new PAB members who would join the PAB at its 2007 spring meeting, in conjunction with the exit of Sheela Patel (representing Asia) and Jean Pierre Elong Mbassi (representing Africa). The Secretariat had collated nominations of prospective replacements for discussion during the meeting.

Decision: CG members recommended that Ms. Lajana Manandhar, Director, Lumanti Support Group for Shelter in Nepal, be invited to serve as the PAB's representative from Asia; and that in the event she was unable to accept, the position be offered to Mr. Jockin Arputham, President, National Slum Dwellers Federation, India. For the Africa regional representative on the PAB, CG members recommended that Mr. Nicéphore Soglo, Mayor of Cotonou, Benin, be offered the position; and, should he decline, that it then be offered to Ms. Jane Weru, Executive Director of Pamoja Trust, Kenya.

(iii) Updated DAC List

The Cities Alliance Charter (Article 12) states that countries eligible to receive Alliance assistance are drawn from the OECD Development Assistance Committee's List of Aid Recipients, from all five columns of the Part I table (Developing Countries and Territories) and column one of the Part II table (Countries and Territories in Transition), as updated from time to time.

In December 2005, the DAC approved a new List of Recipients of Official Development Assistance (ODA), which included a "major simplification" of the list, including combining the Part I/ Part II tables. The list includes "all low and middle income countries, except those that are members of the G8 or the European Union (including countries with a firm date for EU admission)". As a result, countries including Bulgaria, the Czech Republic, Hungary, Poland, Romania and Russia are no longer on the list. (See Annex 1 for the current DAC List of ODA Recipients). CG confirmation of the continued use of the DAC List was requested.

Decision: It was agreed that countries eligible to receive Cities Alliance assistance would be drawn from the current updated DAC List of ODA Recipients.

(iv) In-kind contributions for U.N. Organisations

Article 37 of the Cities Alliance Charter states that contributions to the Cities Alliance will be in the form of cash, but in "limited cases, however, contributions of in-kind resources may also be considered with the approval of the CG."

U.N. organisations typically do not have funds available to donate to global programmes such as the Cities Alliance. UNEP has reported that it has trouble mobilising the annual

membership dues of US\$250,000 per annum. The UNDP and ILO have participated as Associate Members in the past but have not mobilised a funding contribution to formally join the CG. UN-Habitat has been providing US\$100,000 cash plus one seconded position to the Cities Alliance Secretariat. CG consideration was requested to allow U.N. organisations to use a combination of cash and in-kind resources for the annual membership fee for the Cities Alliance.

Decision: CG members endorsed the recommendation of the Steering Committee that U.N. organisations' annual membership fee for the Cities Alliance be allowed to take the combined form of US\$100,000 in cash and US\$150,000 in kind.

(v) UNEP Recommendations for including environment in Cities Alliance activities
UNEP's recommendations to CG members, circulated during the meeting, on how the environment can be included in Cities Alliance projects, were the subject of discussion. Whilst UNEP was commended for its initiative and consistent efforts to ensure that the Alliance's environmental criterion be accorded the attention the urban development agenda demands, a number of concerns were expressed over the individual recommendations that had been proposed by UNEP (available on the Members Page of the Cities Alliance website).

Decision: It was agreed that the Secretariat would work closely with UNEP to ensure that the medium-term strategy specifically responds to the issues that had been raised by UNEP.

(vi) Next Meeting of the CG

Lucile Ortile, Secretary General of the Housing and Urban Development Coordinating Council of the Philippines extended a formal invitation to the CG to hold its next meeting in the Philippines, to be hosted by the Government of the Philippines and the League of Cities of the Philippines. It was agreed that the meeting would be held during the week of 5-9 November 2007.

4. Discussion with World Bank Trust Fund, Evaluation and Partnership staff

A set of presentations were made by World Bank officials with oversight responsibilities for Bank-administered global partnership programmes and trust funds, about the operating context within which the Cities Alliance functions. It was noted in the independent evaluation of the Alliance that:

Cities Alliance members are generally satisfied with the World Bank's management of the Cities Alliance Trust Fund.... While there is a certain amount of grumbling about the 'inflexibility of World Bank procedures', this is far outweighed by the confidence that Members and stakeholders express in the Bank's probity and professionalism. The fact that the Bank administers the Trust Fund is considered an asset that helps the Alliance to leverage donor contributions.

A combined summary of their presentations follows. World Bank units presenting included:

- **Global Programs and Partnerships (GPP) Group** - Richard Zechter, Senior Partnership Specialist with the Development Grant Facility (DGF);
- **Independent Evaluation Group** - Christopher Gerrard, Lead Evaluation Officer;
- **Accounting Trust Funds Division** - James Garfield, Section Chief;
- **Social Development Network** - Carol Bonney, Trust Fund Coordinator
- **Trust Fund Operations Department** - Magdalena (Malaine) Manzo, Senior Operations Officer; and
- **Legal Department** - Atsuko Okubo, Senior Counsel

The World Bank is currently engaged in about 125 global partnership programmes (GPPs) and 50 regional partnership programmes, which together disbursed \$3 billion in FY05. Approximately 60 of the GPPs are hosted by the World Bank. Global and regional programmes are the third major business line of the World Bank. The World Bank's new Social Development Network is now host to half of the GPPs in the World Bank.

There has been increasing scrutiny of GPPs in recent years, including a two-phase review of the World Bank's involvement in GPPs by the World Bank's Independent Evaluation Group that was completed in 2004, in which the Cities Alliance was included as a case study. Among the outcomes of this review was the establishment of the GPP Group and increased oversight in the establishment and governance of GPPs. There is also a growing focus on the control environment of GPPs, including the oversight framework and the management of reputational risk. As part of implementation of the Paris Declaration, there has been a review of the alignment of GPPs at the country level with multilateral and bilateral assistance, with an aim to strengthen complementarity. A workshop was held in Paris the week of December 4, 2006, hosted by the GPP Department and the OECD, to develop good practice guidelines for the alignment of GPPs at the country level, in which the Cities Alliance Manager was asked to participate.

The Development Grant Facility (DGF), which is part of the GPP Group, provides the World Bank's contribution to the Cities Alliance. The Alliance was recently elevated to the DGF long-term funding window, partially as a result of an assessment in 2005 of the alignment of the Cities Alliance with the World Bank's urban sector strategy. The assessment was based on the concern that the urban development agenda was so big that a GPP focused only on slum upgrading and CDS was not broad enough in scope. The World Bank noted it has been encouraged by the expansion of the Alliance's activities with recent initiatives in urban environment and municipal finance.

The Cities Alliance's long-term funding from DGF is contingent upon periodic independent evaluations, to be conducted every 3-5 years. The World Bank's Independent Evaluation Group (IEG) is developing principles and standards for GPP evaluations, and will be involved in reviewing a sample of independent evaluations done each year, with the aim of improving evaluation quality and helping to ensure they are taken seriously as a governance function. The IEG's review will: provide accountability for use of World Bank funds; assess the World Bank as a partner in the GPP, and extract lessons for

operating and evaluating GPPs. The Cities Alliance's recently concluded independent evaluation will be reviewed as part of this process.

Trust funds (TFs) under the financial and fiduciary management of the World Bank are the largest source of funding for GPPs, including the Cities Alliance. Approximately \$1.8 billion was disbursed from TFs for GPPs in FY05, and approximately \$4.0 billion for all TFs. Trust Fund reforms over the past several years have brought a more strategic approach and a focus on more enhanced effectiveness of TFs. The TF framework of the World Bank includes policy frameworks, quality assurance reviews, accountability for expenses, audits and reporting. The responsibilities and controls of the World Bank vary depending on whether funds are Bank-executed or recipient-executed, or whether the World Bank just serves a trustee/fiscal agent role and passes the funds to another organisation for implementation. The World Bank believes that recipient-execution promotes best results on the ground, capacity building and client ownership.

The World Bank is currently undertaking a risk management study of TFs, and standardising TF administration fees. It is also developing a new web-based portal, "e-Trust Funds", aimed at standardising, simplifying and automating key TF business processes. Among the visible impacts on Cities Alliance donors, will be a new web-based "call of funds" process and an overhaul of the e-Trust Funds "Donor Center".

The World Bank is also standardising provisions in TF agreements with donors and grant agreements with recipients, and has been negotiating a solution to a procurement issue that will allow regional development banks (such as the Asian Development Bank) and other official multilateral organisations to follow their own procurement rules. As a result, an amendment to the Standard Provisions of the Cities Alliance Multi-Donor TF will be required with each donor to update the provisions based on these changes. Because donor funds are pooled in a multi-donor fund, the standard provisions for the fund need to be identical for all donors. The amendment process will begin in early 2007.

Decision: There was no objection to amending the Standard Provisions. A draft amendment letter would be circulated to donors for comment and approval. The amendments would become effective when all donors contributing to the TF sign the amendment letter.

The presentations are available on the Members Page of the Cities Alliance website.

5. Cities Alliance Finances

The Secretariat reviewed the Financial Summary handout that had been circulated in advance of the meeting. It was noted that Core contributions declined by approximately 8% from FY05 to FY06, but this was largely due to the timing of the payment of donor contributions during the year rather than an actual reduction in commitments. Core disbursements increased more than 30% from the previous year, a reflection of increased funding approvals in FY05 and FY06. A record amount of new funding allocations were approved in FY06, more than US\$29 million, including nearly US\$12 million from Core

funds. This left the Core fund over-allocated by US\$1.2 million at the end of FY06. This over-allocation is an intentional strategy, however, because of the significant lag between allocation approvals and disbursements.

As recommended by the Steering Committee, the proposed FY07 budget of the Secretariat was approved in the amount of US\$1.5 million from Core funds. The total budget (including Non-Core and in-kind contributions) is US\$2.76 million. The approved Core funding for the budget was US\$100,000 less than originally endorsed by the Steering Committee because the World Bank had unexpectedly funded US\$93,000 in Secretariat expenses late in FY06, leaving a larger carry-forward cash balance than had been anticipated. Secretariat costs in FY06 were less than budgeted, due largely to the lag in the hiring of replacement or new staff.

Pledging for 2007

CG members were not requested to announce their financial pledges.

6. FY07 Work Programme

The Secretariat provided members with an overview of the FY07 work programme. Allocations approved earlier in FY07 amounted to US\$2.3 million, US\$5.4 million was recommended for approval during this meeting, and US\$1.4 million was in the immediate pipeline. Highlighting the trends in the pipeline, the Secretariat commented on the increasing focus on Sub-Saharan Africa, the lack of activities under preparation in Eastern Europe and Central Asia (consistent with the CG's decision on the updated DAC list), and increasing city interest in undertaking State of Cities reports. The Secretariat also remarked on the growing significance of least developed and low-income countries in the Alliance's portfolio, with 23% and 20% of the Alliance's FY06 funding allocations directed, respectively, to these countries. Taking note of the Alliance's increasing knowledge management activities, one member asked that these also be reflected in the work programme.

Decisions: Members approved Core funding for the City Development Strategy focusing on Urban Environment Management in Haiphong City, Vietnam (US\$357,225). Approval was also provided for an increase to the ongoing Community-Led Infrastructure Finance Facility (CLIFF), which would support widening the Facility's scope, to be funded from an additional Non-Core contribution from Sida (US\$2,364,000). Various smaller proposals, such as for knowledge dissemination and CG and PAB meetings were approved, along with the Cities Alliance Secretariat budget (US\$1,500,000).

The proposal for a National Roma Housing and Social Integration Program (Hungary), which had been submitted for approval, was referred back to the proponents for specific amendments. A revised application would be required for future funding consideration.

Annex 1

DAC List of ODA Recipients Effective from 2006 for reporting on 2005, 2006 and 2007

Least Developed Countries	Other Low Income Countries (per capita GNI < \$825 in 2004)	Lower Middle Income Countries and Territories (per capita GNI \$826-\$3 255 in 2004)	Upper Middle Income Countries and Territories (per capita GNI \$3 256-\$10 065 in 2004)
Afghanistan Angola Bangladesh Benin Bhutan Burkina Faso Burundi Cambodia Cape Verde Central African Rep Chad Comoros Congo, Dem. Rep. Djibouti Equatorial Guinea Eritrea Ethiopia Gambia Guinea Guinea-Bissau Haiti Kiribati Laos Lesotho Liberia Madagascar Malawi Maldives Mali Mauritania Mozambique Myanmar Nepal Niger Rwanda Samoa Sao Tome & Principe Senegal Sierra Leone Solomon Islands Somalia Sudan Tanzania Timor-Leste Togo Tuvalu Uganda Vanuatu Yemen Zambia	Cameroon Congo, Rep. Côte d'Ivoire Ghana India Kenya Korea, Dem.Rep. Kyrgyz Rep. Moldova Mongolia Nicaragua Nigeria Pakistan Papua New Guinea Tajikistan Uzbekistan Viet Nam Zimbabwe	Albania Algeria Armenia Azerbaijan Belarus Bolivia Bosnia and Herzegovina Brazil China Colombia Cuba Dominican Republic Ecuador Egypt El Salvador Fiji Georgia Guatemala Guyana Honduras Indonesia Iran Iraq Jamaica Jordan Kazakhstan Macedonia, Former Yugoslav Republic of Marshall Islands Micronesia, Fed. States Morocco Namibia Niue Palestinian Adm. Areas Paraguay Peru Philippines Serbia & Montenegro Sri Lanka Suriname Swaziland Syria Thailand ▪ Tokelau Tonga Tunisia Turkmenistan Ukraine ▪ Wallis & Futuna	▪ Anguilla Antigua and Barbuda Argentina Barbados Belize Botswana Chile Cook Islands Costa Rica Croatia Dominica Gabon Grenada Lebanon Libya Malaysia Mauritius ▪ Mayotte Mexico ▪ Montserrat Nauru Oman Palau Panama Saudi Arabia (1) Seychelles South Africa ▪ St. Helena St. Kitts-Nevis St. Lucia St. Vincent & Grenadines Trinidad & Tobago Turkey ▪ Turks & Caicos Islands Uruguay Venezuela

▪ Territory.

(1) Saudi Arabia passed the high income country threshold in 2004. In accordance with the DAC rules for revision of this List, it will graduate from the List in 2008 if it remains a high income country in 2005 and 2006. Its net ODA receipts from DAC Members were USD 9.9 million in 2003 and USD 9.0 million (preliminary) in 2004.