



STRICTLY CONFIDENTIAL

# Evaluating the Location and Hosting of the Cities Alliance Secretariat

**FINAL REPORT**

**Cities Alliance**  
Cities Without Slums

**October 2012**

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*Final Report*



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## Executive Summary

### Questions and Answers

#### *Is there a viable alternative to the existing location and hosting arrangements of the Cities Alliance?*

Yes – both UNOPS and GIZ offer viable alternatives.

#### *Are the alternatives potentially superior to the existing arrangements at the World Bank?*

Yes, both are.

#### *How do we decide?*

Fit with CA Mission and Hosting Requirements as Defined in the TOR.

Coding	Weak fit	Partial fit or not fully established	Strong fit
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#### *The Big Issue: What are the differentiators and decision-making factors?*

Criteria	World Bank	UNOPS	GIZ
Partnership	Weak fit	Strong fit	Strong fit
ICT	Partial fit or not fully established	Strong fit	Strong fit
HR Platform	Strong fit	Strong fit	Partial fit or not fully established
Operating Cost	Strong fit	Partial fit or not fully established	Partial fit or not fully established
Grant Making Policy	Partial fit or not fully established	Strong fit	Strong fit
Grant Making Efficiency	Weak fit	Strong fit	Strong fit

#### *Recommendations*

R1: It is recommended that the CG move forward with an alternative location and hosting arrangement for the CA-S.

R2: The CG should rank the choices of an alternative host and location at the Hanoi meetings.

R3: Detailed investigation of the CG preferred option should be undertaken by the CA-S along with a transition plan and to be approved by EXCO.

R4: To minimize disruption to CA operations, the change in location and hosting should be implemented as rapidly as possible.

#### *Further considerations*

In assessing hosting options, the CG should consider the following:

- Member hosting may provide a strong champion and support network
- Non-member hosting avoids perceived or actual conflict of interests;
- Non-member hosting avoids the potential capture by any member;
- How hosting (and location) might affect membership retention and expansion; and
- How hosting and location might affect fund raising.

**All things Considered**

**Strategic Factors**

Criteria	World Bank	UNOPS	GIZ
Partnership			
Safeguard Existing Commitments			
Membership and Resources			

**Administrative Factors**

Criteria	World Bank	UNOPS	GIZ
Office Space			
ICT			
HR Platform			
Operational Platform			
Operating Cost			

**Operational Factors**

Criteria	World Bank	UNOPS	GIZ
Substantive Linkages			
Grant Making Policy			
Grant Making Efficiency			

**City Location Factors**

Criteria	World Bank	UNOPS	GIZ
International representation			
Ease of access to members			
Connectivity			
Cost of living			
Range of services			

# 1 Introduction: Context, Objectives and Scope

At its June 2012 Kampala meeting, the Cities Alliance Executive Committee (EXCO) instructed the Secretariat (CA-S) to investigate location and hosting options for the CA-S.

A Terms of Reference was agreed by EXCO at Naples September 2012 (see Annex 7.1). The CA-S established a team to execute the TOR and report back to EXCO and the Consultative Group (CG) during the meetings in Hanoi 1 – 2 November 2012. The study team included:

- Mr Kevin Milroy - Sr. Operations Officer and Deputy Programme Manager CA-S
- Ms. Phyllis Kibui – Operations Officer CA-S
- Mr. Jamie Simpson – Consultant ICF GHK

Two European hosting options were suggested by members: GIZ and UNOPS. Two cities were assessed: Brussels (identified by European Members) and Copenhagen (by UNOPS Headquarters and via the Danish MFA).

## 1.1 Context: Why the need to consider CA-S location and hosting options?

This basic question emerges from a number of factors that are compromising the performance of the Cities Alliance. Based on a discussion with the CA Manager, the following factors influenced the design of the TOR:

First, a considerable body of evidence exists from Cities Alliance evaluations, most pertinently the *Evaluation of Project Implementation Modalities of the Cities Alliance (2010)*, *Independent Evaluation of the Cities Alliance (April 2012)*, as well as the Secretariat's ongoing monitoring of grant-making efficiency, which leads to the following conclusion: that the current hosting arrangements are increasingly leading to inefficient grant making, and undermining the mission of the Cities Alliance. The status quo also has a differentiated impact: whereas grants are easily and efficiently made to the World Bank, grant-making to other recipients is increasingly inefficient and complicated, even in those instances where grants are made to institutions with international reputations.

Second, this is linked to a wider governance and management concern: the Cities Alliance is subject to World Bank policies and procedures that are increasingly difficult to reconcile with the CA's Charter and its business model. Notwithstanding an independent governance structure, CA activities are required to be aligned with World Bank priorities and programmes in a given country and, in all cases, require the approval of World Bank Country Directors and Sector Managers, even where the Bank itself is not involved in the proposed activity. While this approach makes good sense for the Bank, it nevertheless undermines the CA as a multi-stakeholder partnership, and is very likely to compromise its overall mission and future growth. An additional consequence of the Secretariat's current location is the difficulty, and lack of available time, of providing adequate support services to the full CA membership, although this is not a recent factor.

Third, there is a strong likelihood that future opportunities for the CA could be significantly enhanced with a stronger European presence. This is not strictly tied to the location and hosting choice *per se* but the location and hosting choice could be part of a wider strategy to grow and further develop the Cities Alliance.

All three of the above factors are directly material to the future of the Cities Alliance as a global partnership. This evaluation primarily focuses on assessing location and hosting options as a means to overcome some of the limitations emerging from existing arrangements as identified in points one and two above. Thus, given that current arrangements are increasingly seen as no longer "fit for purpose" for the Cities Alliance, the identification of viable alternatives is the core objective of this evaluation.

## 1.2 Objectives

The evaluation team was tasked to:

- assist the CA Secretariat to evaluate the existing location and arrangements for hosting the Cities Alliance partnership at the World Bank and alternatives suggested by the CA EXCO and members for further investigation; and
- make recommendations on the location and hosting of the CA Secretariat; and to assist the Secretariat to present the results to the CA EXCO and Consultative Group at the meetings in Hanoi on 1st and 2nd November, for consideration.

## 1.3 Scope: How do we compare options?

### 1.3.1 Approach

The evaluation of location and hosting options of the Cities Alliance was based on the following evidence sources – see Annex 7.2 for list of persons met:

- Document reviews;
- Interviews with CA – S management;
- Interviews with WB Trust Fund Management staff;
- Telcon with WSSCC;
- Telcon with BMZ;
- Interviews with potential host organisations; and Field visits to UNOPS (Copenhagen) and GIZ (Eschborn).

### 1.3.2 Evaluation Criteria

The Terms of Reference provided clear guidelines on the key criteria to compare and contrast hosting options. All key areas were covered and reported on within the context of data / time limitations. Table 1.1 below summarises the criteria.

**Table 1.1 TOR Scorecard Components: Key Questions?**

TOR Criteria	The basic questions to be addressed
<b>Strategic</b>	What is the preferred arrangement to facilitate and enhance the Cities Alliance as a global partnership?
<b>Administrative</b>	Can more efficient administrative policies, procedures and support be provided for the Secretariat?
<b>Operational</b>	Can fit for purpose grant making, substantive and operational linkages and operational procedures be provided in an effective and cost efficient manner?
<b>Location</b>	Is there a preferred geographic location that will improve the work of the Secretariat and the Alliance as a whole?

### 1.3.3 Scoring

To assess the relative strengths and weaknesses of each option, a simple assessment system was used – three colours that are designed to indicate the **degree of fit of each option investigated with the Cities Alliance mission, objectives and operational requirements as defined in the TOR.**

The assessment is qualitative at this stage across all criteria and in each case the degree of fit is established through evidence collected during the investigation process (or in the case of WB, from existing knowledge of the evaluation team as well). Overall, the scoring approach aims at being sufficient to guide strategic decision-making on the part of the CG and EXCO: in simple terms, are there viable CA-S location and hosting options outside the World Bank?

Coding	Weak fit	Partial fit or not fully established	Strong fit
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#### 1.3.4 What this report can and cannot do

The study team believes that this report provides sufficient evidence to support a decision to move, if so decided by the CG. The next step would involve detailing the preferred option as selected by CG. The report cannot conclusively determine the specificities of each criterion across the different location / hosting options at this stage – this requires another level of detail that was beyond the scope of this evaluation.

Detailed cost comparisons of hosting the CA-S across the different platforms and locations will be dependent upon the likely configuration of the CA-S (with due consideration of existing commitments linked to the current arrangements and future design of the CA-S in an alternative location as well as confirmation of commercial agreements with a future host). However, the report does aim to give indicative evidence which permits the most important comparisons between options. What we are looking for are “red lines” or deal breakers that would preclude an option from being taken forward. At the same time, we are looking for conditions that are likely to provide good opportunities for the CA to improve its efficiency, achieve its mandate and to grow.

The scope of the report does not include evidence of future member retention/expansion or new fund resources that might emerge from a location / hosting decision. However, it is reasonable for the CG to consider this on its merits and if the location / hosting choice can enhance the Cities Alliance attractiveness to existing, potential new members and other sources of contributions this should be material to the final decision.

The report also does not assess the competency profile of the CA-S in relation to the specific requirements of the hosting organization, given the complexity of variables this would entail. In the view of the Evaluation Team, this will be an essential component of a transition plan.

## 1.4 Options: What are the choices?

Following CG / EXCO guidance, three options were assessed in broad terms against the TOR criteria identified above. The general organisational profile of the options is provided in Table 1.2 below.

**Table 1.2 Potential Hosts**

	World Bank	UNOPS	GIZ
<b>Organisational type</b>	Multi-lateral development bank	Multi-lateral	Bilateral
<b>HQ Location</b>	Washington DC, USA	Copenhagen, Denmark	Bonn & Eschborn, Germany

	World Bank	UNOPS	GIZ
<b>Core business</b>	Lending	Supply of operational services	Implementation arm of BMZ – core focus is serving the Ministry (about 2/3 of BMZ commissions, remaining third by other ministries), foreign governments and clients, incl. WB and other CA members
<b>Regional Reach</b>	Global and matches CA geographic spread.	5 Regional Offices, projects in 130 countries, and access to UNDP network.	About 2000 Projects in 130 Countries, around 70 country offices
<b>Small Grants Management experience</b>	Yes	Yes	Yes, standard instrument for bilateral projects, mostly in the 20-50.000 Euro range, can be much higher
<b>MDTF or Equivalent Hosting Experience</b>	Yes	Yes	Yes – a similar type of fund management experience is undertaken by GIZ with donor and grant making, also Secretariats as project teams.*

Notes: \* see e.g. <http://www.ren21.net/AboutREN21/Secretariat/tabid/5020/Default.aspx>.

## 1.5 Organisation of the Report

The report is divided into:

- Section 2 assesses the options against the key strategic criteria identified by CG/EXCO;
- Section 3 assesses the options against administrative criteria;
- Section 4 assesses the options against operational criteria;
- Section 5 assesses the options against location criteria; and
- Section 6 provides a summary of the evaluation and makes recommendations on the way forward.
- Section 7 provides Annexes with supporting evidence and documentation.

## 2 Strategic Criteria

### 2.1 Objectives

The TOR explicitly makes reference to two strategic criteria – outlined *verbatim* below.

#### 2.1.1 Overarching Criteria

- The ability of the proposed arrangements to not only facilitate but actively enhance the work and mission of the Cities Alliance as a Partnership, and to achieve the goals of the Charter;
- Provides for the maintenance of all existing activities and commitments;
- The extent to which the proposed location will enhance the Cities Alliance’s ability to attract both new members and new resources for the Partnership, while retaining the support of existing membership; and
- The extent to which the location enhances the Cities Alliance’s ability to engage institutional and professional networks, and enhance its communications and advocacy impacts.

#### 2.1.2 General Requirements for Location and Hosting Arrangements

- Will facilitate / enhance the work of the Cities Alliance as a Partnership;
- Will enhance the achievement of Cities Alliance objectives, support an effective business model, and strengthen the long term future of the organization;
- Protects or enhances the visibility and autonomy of the Cities Alliance; and
- Requires minimal change to the Governance arrangements of the Cities Alliance.

For purposes of this evaluation, these requirements have been rationalised and slightly modified as described below.

### 2.2 Partnership

#### 2.2.1 What are we trying to measure?

This is perhaps the most strategic and important of all the criteria. The four basic criteria are:

- Facilitate and enhance the mission, goals of the Charter, objectives and work of the CA as a Partnership;
- Protects the visibility and autonomy of the Cities Alliance Partnership;
- Retains the core elements of the Charter and Governance arrangements of the Cities Alliance; and fundamentally
- Strengthens the *long term* future of the organization.

## 2.2.2 How do the options stack up?

	World Bank	UNOPS	GIZ
<b>Assessment</b>			
<b>Comment</b>	WB policy around alignment and streamlining procedures is increasingly constraining the mission of the CA as a multi-stakeholder partnership and a small grants provider	Adapts services to best fit its customers – no evidence of alignment / policy conflicts Less potential for conflict of interest as not a grant recipient	Strong focus on supporting the mission of the CA as a partnership no evidence of alignment / policy conflicts

The fundamental issue is that the World Bank approach to MDTF hosting and management is changing. Confirmed in our interviews with WB trust fund and partnerships staff members, there is a wider policy to promote alignment around core Bank operations and to streamline procedures to improve the efficiency of the WB and better mitigate potential risks. This policy direction is logical and sensible for the World Bank.

However, it was acknowledged during our interviews that this policy shift does not fit comfortably with the requirements of the Cities Alliance. It was noted that attempts were made to try and further streamline grant making procedures, but these have not worked for the needs of the CA. It is the view of this evaluation that material changes in WB policies and procedures to meet the needs of the Cities Alliance Partnership are not likely to materialise over the foreseeable future. A result, if unintended, is that both governance and efficiency are compromised. Poor grant-making efficiency poses a particular risk to the long term prospects for the Partnership.

In the case of UNOPS and GIZ there was no evidence that material changes to governance arrangements would be needed. Further, there are reasonable grounds to expect CA could retain a high degree of substantive and operational autonomy: “we would not interfere in substantive decision-making” (UNOPS – ED). Similar sentiments were made by GIZ.

Whether UNOPS or GIZ is the host, it is valid to assume that the CG and EXCO would retain the key decision-making power and would not be subject to host organisation vetoes or management prerogatives driven by wider host organisational policies, procedures and in-country strategies. A light touch oversight would seem to be the approach of each of these options. Reporting lines would require compliance with agreed policies and procedures relating to basic administrative and operational processes, but not on programmatic and substantive issues. These would remain at the discretion of the CG / EXCO and executed by the Secretariat. With the UNOPS option, CG/EXCO would need to take a greater role in substantive guidance.

To obtain evidence of how governance and operations work in practice with UNOPS as the host, we interviewed the Water Supply and Sanitation Collaborative Council (WSSCC), a non-legal entity that engages in small grant making which was previously hosted by WHO.<sup>1</sup> The interview provided comfort that WSSCC organisational identity, governance integrity and operational flexibility were satisfactorily catered for following the change from WHO to UNOPS. Equally importantly, the client service focus of UNOPS was emphasised as both assisting in overcoming bottlenecks and contributing to a more efficient organisation.

<sup>1</sup> Telcon 11 October 2012, Mark Willis, Programme Manager Global Sanitation Fund, Water Supply and Sanitation Collaborative Council (WSSCC). WSSCC shares a number of similar attributes to CA in terms of scale and operational activities.

## 2.3 Safeguarding Existing Commitments

### 2.3.1 What are we trying to measure?

There is a significant portfolio of grants and on-going commitments that are tied to the existing hosting arrangements at the World Bank. The duties, credibility and reputation of the Cities Alliance and indeed the World Bank necessitates that these are prudently and efficiently managed. This criterion is focused on ensuring that the location and hosting arrangements do not compromise the maintenance of all existing activities and commitments.

### 2.3.2 How do the options stack up?

	World Bank	UNOPS	GIZ
<b>Assessment</b>			
<b>Comment</b>	No evidence to indicate existing commitments would be compromised – but different institutional arrangements would be needed.	No evidence to indicate existing commitments would be compromised – but different institutional arrangements would be needed.	No evidence to indicate existing commitments would be compromised – but different institutional arrangements would be needed.

## 2.4 Member Retention, Expansion and Resources

### 2.4.1 What are we trying to measure?

This criterion was not easy to operationalize as much of the focus of the investigation was on fit with overall mission, as well as more detailed operational issues, as covered in the following sections. We did not interview existing or potential new members about their future roles if hosting and location arrangements were changed.

### 2.4.2 How do the options stack up?

	World Bank	UNOPS	GIZ
<b>Assessment</b>			

There was no conclusive evidence one way or the other on likely membership retention or expansion. Equally, there were no firm commitments on expanding future resources or on possible exits if arrangements were changed. However, in our meeting with the Danish Ministry of Foreign Affairs, there was intimation of potential contributions if UNOPS – Copenhagen was selected (this was of course without prejudice). It is further understood based on interviews with the CA Manager and Secretariat that there may be additional European contributions to the Partnership if a move to Europe was ratified.

Given the evidence base, it is prudent at this stage to rate each option equally on this criterion.

## 2.5 How do the options compare?

The overall assessment is summarised in the table below.

Criteria	World Bank	UNOPS	GIZ
Partnership			
Safeguard Existing Commitments			
Membership and Resources			

The fundamental conclusion is that current hosting arrangements at the World Bank are not sufficiently well aligned to the mission and work of the Cities Alliance Partnership. This poses risks in terms of:

- the ability of the hosting and location arrangements to facilitate and actively enhance the work and mission of the Cities Alliance as a multi-stakeholder Partnership and support its business model,
- the ability of the Partnership and Secretariat to achieve the goals of the Charter;
- retaining the visibility and autonomy of the Alliance as a global Partnership; and
- compromising the governance arrangements of the Cities Alliance.

## 3 Administrative Criteria

### 3.1 Objectives

In this section we review:

- A basic description of the administrative criteria and their sub-criteria;
- How the options will be assessed / scored against these criteria; and
- A comparative assessment of the options.

Overall, the requirement is to provide the Secretariat with a full suite of administrative policies and procedures, with appropriate administrative support

### 3.2 Office Space

#### 3.2.1 What are we trying to measure?

This is a relatively simple criterion – ensuring the CA-S has an appropriate and fully functioning office environment. The fully functioning means that technical and general office administrative and operational support is available.

#### 3.2.2 How do the options stack up?

	World Bank	UNOPS	GIZ
<b>Assessment</b>			
<b>Comment</b>	Existing position is satisfactory	Potentially concessionary arrangements at new HQ. Option to get commercially attractive office space.	Option to get commercially attractive office space.

Existing World Bank arrangements at the Washington DC Headquarters are satisfactory and offer a full suite of office facilities and services. In the case of UNOPS, there is an option of co-location at their new fully serviced state of the art HQ building, UN City in Copenhagen, or at a location selected by the Cities Alliance CG, such as Brussels. There is a potential of a concessionary office rental arrangement in Copenhagen. The choice to look at market options may be attractive and provide an opportunity for cost savings. UNOPS is well positioned to manage full establishment requirements and costs wherever the Cities Alliance chooses to be located.

A Brussels co-location with a GIZ run project was mentioned as a possible option and this could be explored further. As in the case of UNOPS, a market tested option is available in any selected city.

Overall, this is not a critical issue as there are numerous options available and there may be opportunities for some cost savings.

### 3.3 ICT Platforms

#### 3.3.1 What are we trying to measure?

The basic objective here is to ensure that the CA-S has access and support to operate and maintain state-of-the-art computers, IT and operational/communications platform and web-hosting. The issue is not only hardware, software systems but a degree of operational autonomy for the CA Partnership to create an identity and have substantive control over communications

strategy including social media and content. The Bank is excellent at providing technical support, hardware and technology. Bank policy and procedures, and the control exerted over branding, use of blogs and social media and other messaging vehicles could cause difficulties for the Cities Alliance. It is critical for the CA-S to have the flexibility to be able to create a platform for its information and media tools that reflects the CA business needs.

### 3.3.2 How do the options stack up?

	World Bank	UNOPS	GIZ
<b>Assessment</b>			
<b>Comment</b>	Subject to WPO, OIS and IMT control which reflects wider WB policy framework.	Acceptable – low risk of control over substantive issues.	Acceptable – low risk of control over substantive issues

Based on a review of documentation and interviews, all three options can work – either via co-location or in third party space. All three enable the Cities Alliance Partnership to main a relatively independent identity via the Web page and email addresses.

It is expected that a high degree of control over content could be retained by the Cities Alliance Partnership in the case of UNOPS and GIZ. However, the World Bank has a Web Programme Office (WPO) that oversees all online activity of the World Bank and its global programmes, and has developed a set of criteria that currently do not take account of the nature of smaller scale global programmes. The WPO has the managerial discretion to close down the Cities Alliance on-line channels if they are not deemed up to predetermined standards. The Bank's Office of Information Security (OIS) also controls any system that the Cities Alliance develops, and the Information Management and Technology (IMT) office determines which information the CA-S is allowed to make public. The degree of control is not commensurate with the needs of the Partnership.<sup>2</sup> Again this makes sense for the WB, as a large global organization, implementing standardized policies to ensure alignment with operations and tighter controls for risk management. However, for a small multi-stakeholder partnership such as the Cities Alliance, the constraints are potentially very significant.

## 3.4 HR Platforms

### 3.4.1 What are we trying to measure?

This is a very important criterion and draws attention to the need for a full range of personnel policies, HR systems and procedures necessary to run and develop a global partnership (for example, staff diversity, international recruitment, professional development). The issues touch on key points of compensation, work permits/visas and career development.

<sup>2</sup> In one case, the WPO intervened and prevented the Cities Alliance from using the specific shade of red that it has been using since 1999 in its branding activities and online presence.

### 3.4.2 How do the options stack up?

	World Bank	UNOPS	GIZ
<b>Assessment</b>			
<b>Comment</b>	Well established existing system that is competitive and acceptable.	Well established existing system that is competitive and likely reads across to WB conditions reasonably well.	Closer fit to German legal / employment and labour requirements. This may make a transition from the WB more complex.

Based on the first round of document review and interviews, the presumption is that it will be relatively easier to transition from the World Bank HR system to UNOPS in terms of compensation packages, grading, terms and conditions (including tax status), and obtaining work and travel visas/permits, especially for non-European staff, and access to United Nations Laissez-Passer (UNLPs). GIZ, as a bilateral, is likely to be more restrictive in this regard.

However this criterion is complex and highly sensitive for a number of reasons:

First, it is necessary to compare compensation and terms and conditions from a staff member perspective: this has two dimensions -- existing staff that might transition to new arrangements, and future staff members and the attractiveness of the compensation package. This has important implications for staff retention and recruitment. Related to this is to differentiate between permanent (UN staff positions) and contract staff (ETC in the case of the WB, ICA in the case of the UN and Limited Contracts in the case of GIZ) in each of these cases.

Second, it is necessary to compare total employment costs, including employer contributions and other taxes, to the employer and, more specifically, to the Cities Alliance programme itself.

Third, it is necessary therefore to dimension and detail how the compensation packages compare for the Cities Alliance and the potential cost implications of each.

Fourth, the impact on the cost of running the CA-S depends not only on the grading bands, compensation packages related to these and overall employment costs, but the number and staffing structure selected to manage and operate the CA-S. This issue is yet to be fully explored and options assessed.

**Table 3.1 Indicative HR Mapping (subject to detailed review)**

Criteria	World Bank	UNOPS	GIZ
Compensation Package (to employee)	Base Case	To be confirmed	To be confirmed
Grading	Base Case	To be confirmed	To be confirmed
International Recruitment	Standard	Standard	Less routine
Tax treatment	Typically favourable	Typically favourable	No exemptions likely to apply in Europe
Applicable Law	International Treaty	International Treaty	German

At this point, more detailed work needs to be done to better map out the relative position of each option. However, it is reasonable to suggest that there are ways to accommodate the CA-S in either of the Europe options, but less optimally in the case of GIZ.

### 3.5 Operational Platform

#### 3.5.1 What are we trying to measure?

This is an important criterion as it will impact on the routine day to day working of the CA-S, but *does not cover the grant making process* which is addressed in the following section. The key points identified in the TOR and through discussions are to provide:

- Fit for purpose general operational policies, procedures and systems;
- Clear and efficient decision-making and approval processes;
- Efficient and sensible travel policies.

#### 3.5.2 How do the options stack up?

	World Bank	UNOPS	GIZ
<b>Assessment</b>			
<b>Comment</b>	Well established and acceptable standards.	Established procedures that can be adapted to meet the needs of the Partnership. Flexible delegation of authority to enable more efficient approvals. Key is to design the contract that specifies processes and approval systems.	Well established procedures with some degree of flexibility to accommodate CA-S requirements.

All three organizations are well established and work to acceptable international standards. All three have standardized suites of programme and operational documentation to support CA-S in its business lines ranging from Grant Making to procurement.

UNOPS seems to have the highest degree of flexibility in designing, adapting and implementing client specific operational policies, procedures and decision-making systems.

Discussions with the UNOPS legal team indicate that a “light touch” legal approach is adopted whereby the legal team is used at the engagement and acceptance phase, principally in a review and advisory role. It was emphasized that the designated manager is the decision-maker, not the legal team. A similar approach is likely to apply at GIZ.

### 3.6 Operating Cost

#### 3.6.1 What are we trying to measure?

The basic metric is to assess the overall operating costs for the Secretariat of each option - including the provision of necessary services to agreed service standards, overheads and applicable taxes and charges.

#### 3.6.2 How do the options stack up?

	World Bank	UNOPS	GIZ
<b>Assessment</b>			
<b>Comment</b>	% of contributions Lower cost option based on current arrangements	Two tiered pricing structure based on operating costs and disbursements	Two tiered pricing structure based on operating costs and disbursements

Based on initial investigations, a profile of the pricing policies of the respective organisations is given in the table below. More detailing is required but the rough distribution of likely costs to the CA-S is suggested from the information provided (and in the case of UNOPS – discussed with WSSCC).

**Table 3.2 Indicative Pricing Structures (subject to revision)**

Pricing Determinant	World Bank	UNOPS	GIZ
Contributions	2%		
Secretariat Costs			13%
Grant Disbursements		~8% (a)	4.4%
Comment	SDN concession on TF management fees	Flexible pricing policy to match client service needs	Set pricing policy
Variation from WB Base Case		Material	Material

(a) This is a rough estimate that would need to be revised based on more detailed service specification.

### 3.6.3 An illustration of cost comparisons

All three hosting options charge for direct costs incurred for operating the secretariat, including office space, communications/IT, equipment and office supplies. These administrative costs would appear to be roughly equivalent across the three platforms. All three hosting options also charge a fee for providing services to the programme, such as legal, HR, security, travel support and other administrative processes. These fees are estimated to be \$500,000 or more per year greater with the GIZ and UNOPS options than with the WB.

The WB charges its fee when contributions are received into the trust fund. The fee charged to the Cities Alliance programme is 2.0% of contributions (effective 2013). The WB's Sustainable Development Network waives an additional 3% that could be charged.

GIZ charges 13% of disbursements made for salaries, consultants, travel, and goods procured; and 4.4% for disbursements made through grant instruments.

UNOPS negotiates the rate based on expected services to be provided, and did not provide a concrete estimate at this point. However, based on a comparable programme it administers, it is expected the costs would be roughly equivalent to the GIZ option.

## 3.7 Summary

Criteria	World Bank	UNOPS	GIZ
Office Space			
ICT			
HR Platform			
Operational Platform			
Operating Cost			

## 4 Operational Criteria

### 4.1 Substantive and Operational Linkages

#### 4.1.1 What are we trying to measure?

The ability of the proposed arrangements to not **only facilitate but actively enhance** the work and mission of the Cities Alliance as a Partnership and to achieve the goals established in the Charter, requires access to and support for:

- Networks of clients, partners, professionals / knowledge institutions and other relevant actors that can advance the role of cities and assist in strengthening the CA’s mission and work;
- Strengthening linkages to potential investments;
- Communications – policies, technology, messaging and delivery channels;
- Knowledge management; and
- Increased opportunities for advocacy to support the role and support for cities.

#### 4.1.2 How do the options stack up?

	World Bank	UNOPS	GIZ
<b>Assessment</b>			
<b>Comment</b>	Good track record on linking to investments via its operations. WB retains a strong network of urban expertise and knowledge resources. Potential to strengthen advocacy support role to the Partnership.	Potential to open up linkages to new investment partners. Neutral platform to work from with enabling support: members would need to play a stronger role	Strong emphasis on knowledge management and linking to CA. Expressed interest in assisting on greater advocacy role for CA together with BMZ in the lead.

This is a complex criterion and to varying degrees all options have some strengths – much depends on members playing a stronger role in collectively building the capabilities of the Partnership across the main sub-criteria identified.

In substantive terms, the World Bank and GIZ are better placed in so far as they are knowledge based organizations centred on substantive results with extensive networks of partners, think tanks and place high value on knowledge management and are well placed to support advocacy roles. UNOPS has knowledge systems and tools for knowledge management, but is primarily focused on project management results that assist clients deliver substantive results on the ground.. As a neutral platform, linkages to a broader range of investments and other operational activities of CA members might be enhanced.

The need for stronger overall support on this key criterion and the need for further elaboration and improvement is important for all potential hosts. There is potential across each of options and indeed opportunities to design a blended approach given the varying comparative advantages of the respective organizations.

## 4.2 Grant Making Policy

### 4.2.1 What are we trying to measure?

This is aimed at ensuring a full range of policies, procedures and support is in place that allows the Cities Alliance to operate as a global, grant-making institution. Specifically, as outlined in the TOR:

- The establishment, maintenance and operation of a multi-donor trust fund (or equivalent), able to accept funds from a full range of existing and potential members, and which has the confidence of CA members;
- Procedures and administrative support that facilitates a more flexible and efficient grant-making process, with a range of recipients in any developing country;
- The provision of internationally-acceptable financial management procedures, ensuring transparency, accountability, sound fiduciary controls, and responsiveness to donor requirements;
- Support the implementation of an effective results-based management system;
- Clarity on the range of organizational requirements of the host organization that may affect operations and/or the grant-making process, including
  - Organisational approval / alignment;
  - Legal requirements / clearances;
  - Safeguard provisions;
  - Procurement procedures;
  - Intellectual property / information disclosure; and
  - Any other restrictions / requirements.

### 4.2.2 How do the options stack up?

	World Bank	UNOPS	GIZ
<b>Assessment</b>			
<b>Comment</b>	Lack of alignment with CA Partnership requirements. WB policy makes global grant-making problematic for non-WB recipients.	Core business and flexible – efficient global grant making.	Experience of fund management though less experienced relative to others – should be able to be flexible and efficient

All three organisations offer global grant making capability and hosting options. Hosting of multi-donor trust fund (or equivalent) is a core focus of the World Bank and UNOPS, less so in the case of GIZ. Working through each of the sub-criteria listed above the following is noted:

- All three organisations are capable of establishing, maintaining and operating of multi-donor trust fund (or equivalent), able to accept funds from a full range of existing and potential members, and which has the confidence of CA members;
- From the evidence of CA-S grant making performance and interviews, it is reasonable to conclude that current World Bank procedures and administrative support are not sufficiently fit for purpose to facilitate working with a range of recipients in any developing country;
- Based on document reviews and interviews, it is reasonable to conclude that UNOPS and GIZ would be able to provide procedures and administrative support that facilitates a more flexible and efficient grant-making process, with a range of recipients in any developing country;

- All three organisations are able to meet the test of providing internationally-acceptable financial management procedures, ensuring transparency, accountability and sound fiduciary controls;
- All three organisations have clarity on the range of organizational requirements of their organization and how they affect operations and/or the grant-making process, including
  - Organisational approval / alignment;
  - Legal requirements / clearances;
  - Safeguard provisions;
  - Procurement procedures;
  - Intellectual property / information disclosure; and
  - Any other restrictions / requirements.

In the case of the last point, World Bank policy is causing significant reputational risk and inefficiencies to the Cities Alliance Partnership with non-World Bank executed grants.

Policies and procedures of the World Bank increasingly undermine the operational autonomy and managerial discretion of the CA, effectively restricting the range of recipients that the CA can work with.

By way of contrast, both UNOPS and GIZ have standardised policies and procedures that could readily adapted to meet the Partnership's needs. In the case of UNOPS, this would form a core part of an operating / hosting contract for services, and would be agreed up front.

## 4.3 Grant Making Efficiency

### 4.3.1 What are we trying to measure?

An assessment of the overall costs associated with the effective delivery of Cities Alliance Grant Making. This is a mission critical requirement that has to be addressed in each of the options.

### 4.3.2 How do the options stack up?

	World Bank	UNOPS	GIZ
<b>Assessment</b>			
<b>Comment</b>	Time consuming and expensive process with excessive work flow and clearances.	Flexible client oriented approach.	Flexible client oriented approach

If we take the grant making process from project approval to grant signing (by the host entity) the timeframes are as follows:

**Table 4.1 Grant Making Performance: Existing Host Arrangement for TF Grants Only**

Criteria	Avg Number of Days from Proposal Submission to Approval	Avg No. of Days from Approval to GA Signed by WB
2011	218	135
2012	175	170

Criteria	Avg Number of Days from Proposal Submission to Approval	Avg No. of Days from Approval to GA Signed by WB
<b>Risk Factors: Impact of new procedures</b>	Downside - Processing time will significantly increase as new procedures require involvement of Sector Managers, Country Directors and Country teams several times during this phase, and preparations of additional internal documents by task teams.	Upside – Grant set-up time may go down slightly with the use of approved templates and engagement of Legal and other specialist during approval phase
<b>GIZ Service Standard</b>	CA-S Controlled Process: Scope to reduce time with GIZ	20 – 40 days – less if standardised
<b>UNOPS Service Standard</b>	CA-S Controlled Process: Scope to reduce time with UNOPS	20 – 40 days – less if standardised

The principal causes of the inefficient grant making are:

- Decentralised business processes, in particular legal drafting and clearing;
- Country Director concurrence; and
- Safeguards assessments and clearances (environmental and social)

World Bank policies and procedures are commensurate with managing risks associated with its multi-billion dollar lending and trust fund portfolios, but are not commensurate with the risk profile of the CA.

Assuming CA-S complies with agreed processes, both UNOPS and GIZ would commit to grant making completion within four to eight weeks, and perhaps less in more standardised cases. Both UNOPS and GIZ therefore would offer very significant improvements on the current operating environment within the World Bank. These would become service standards as part of a future hosting agreement between the Cities Alliance Partnership and the preferred host.

#### 4.4 How do the options compare?

Criteria	World Bank	UNOPS	GIZ
Substantive Linkages			
Grant Making Policy			
Grant Making Efficiency			

## 5 City Location Criteria

### 5.1 General

UNOPS and GIZ offer flexible location options. For this evaluation two cities were explored in principle, Copenhagen and Brussels, and compared with the World Bank's Washington DC headquarters, the current location of the Secretariat.

### 5.2 What are we trying to measure?

This criterion focuses on the physical location of the Cities Alliance. The factors to be considered in choosing a city location include:

- Range of international representation (countries, development institutions and other organisations with an urban agenda) within the city and region;
- Ease of access to maximum number of CA members;
- Ease of access to international destinations - connectivity;
- Cost of living and working in the city; and
- Range of services available for operations and staff.

### 5.3 How do the options stack up?

Criteria	World Bank	UNOPS	GIZ
International representation			
Ease of access to members			
Connectivity			
Cost of living			
Range of services			

Given the higher number of significant CA funding members based in Europe, and the opportunity to link with a wider range of institutional and professional networks, a European location is deemed superior to the current DC base. Brussels is also well placed in terms of rail and air networks – although not a major air hub it does have easy access to Frankfurt, London and Amsterdam that provide relatively easy access to Africa /Asia and other destinations.

In the case of the cost of living criterion, the differentiation between World Bank / UNOPS with GIZ is based on the likely ability of a multi-lateral host to offset cost of living via HR compensation packages and tax treatment.

## 6 Conclusions and Recommendations

### 6.1 Conclusions

Is there a viable alternative to the existing location and hosting arrangements of the Cities Alliance?

**Yes, both UNOPS and GIZ offer viable alternatives.**

Are the alternatives potentially superior to the existing arrangements at the World Bank?

**Yes, both are.**

### 6.2 Recommendations

**R1: It is recommended that the CG move forward with an alternative location and hosting arrangement for the CA-S.**

**R2: The CG should rank the choices of an alternative host and location at the Hanoi meetings.**

**R3: Detailed investigation of the CG preferred option should be undertaken by the CA-S along with a transition plan and to be approved by EXCO.**

**R4: To minimize disruption to CA operations, the change in location and hosting should be implemented as rapidly as possible.**

### 6.3 Further considerations

In assessing hosting options, the CG should consider the following:

- Member hosting may provide a strong champion and support network
- Non-member hosting avoids perceived or actual conflict of interests;
- Non-member hosting avoids the potential capture by any member;
- How hosting (and location) might affect membership retention and expansion; and
- How hosting and location might affect fund raising.

## 7 Annexes

### 7.1 Terms of Reference for Evaluating the Location and Hosting of the Secretariat

This TOR was reviewed and endorsed by the Executive Committee at its September 2012 meeting in Naples, as updated with subsequent member comments.

#### Background:

The Cities Alliance is a global partnership for urban poverty reduction and promoting and strengthening the role of cities in sustainable development. Established in 1999, the Cities Alliance recently adopted a new Charter, which clarifies the context, structures and objectives of the organization. The overall governance of the Organisation is the responsibility of the Consultative Group, which has delegated significant functions to an Executive Committee. The Policy Advisory Forum provides a vehicle for Cities Alliance members to engage with local and national partners.

Day to day operations are managed by a Secretariat, headed by a Manager. The Secretariat is administered by and within the World Bank, and the World Bank serves as trustee of Cities Alliance financial resources.

At its June 2012 meeting in Uganda, the Executive Committee resolved to investigate the possibility of alternative options for the hosting of the Cities Alliance Secretariat, if such a move could improve the effectiveness and efficiency of the Cities Alliance in achieving its goals. Subsequently, it has emerged that viable alternatives potentially exist.

This Terms of Reference is proposed to provide a framework for the evaluation of both the existing arrangements at the World Bank, and any alternative(s) that EXCO might approve for further consideration. It is proposed that the Secretariat will undertake this task with the support of (i) a consultant(s) familiar with the work of the Cities Alliance, and (ii) with personnel of the proposed hosting agency or agencies. The results of this exercise will be presented to the Consultative Group at its meeting in Hanoi on 1<sup>st</sup> and 2<sup>nd</sup> November, for consideration.

#### Terms of Reference:

In evaluating any potential venue for the location of the Cities Alliance, a range of critical issues will need to be considered. Sections A & B identify essential general objectives, and Sections C-E address more detailed and specific issues.

##### A. Overarching Criteria:

- (i) In addition to the examination of the detailed elements of this TOR, members should consider the package as a whole against four over-riding considerations. These are:
  - a. The ability of the proposed arrangements to not only facilitate but actively enhance the work and mission of the Cities Alliance as a Partnership, and to achieve the goals of the Charter;
  - b. Provides for the maintenance of all existing activities and commitments; and
  - c. The extent to which the proposed location will enhance the Cities Alliance's ability to attract both new members and new resources for the Partnership, while retaining the support of existing membership; and,

- d. The extent to which the location enhances the Cities Alliance's ability to engage institutional and professional networks, and enhance its communications and advocacy impacts.

## **B. General Requirements for Location, and Hosting Arrangements.**

- (i) Will facilitate / enhance the work of the Cities Alliance as a Partnership;
- (ii) Will enhance the achievement of Cities Alliance objectives, support an effective business model, and strengthen the long term future of the organization;
- (iii) Protects or enhances the visibility and autonomy of the Cities Alliance; and
- (iv) Requires minimal change to the Governance arrangements of the Cities Alliance.

These overarching criteria will, *inter alia*, assess the competency profile of the Secretariat in relation to the specific requirements of the hosting site(s)/venue(s), and will further require an in-depth assessment of the following, more specific issues for determining the location and hosting of the Secretariat:

## **C. Administration**

- (i) Provides the Secretariat with a full suite of administrative policies and procedures, with appropriate administrative support. These will include, *inter alia*,
  - a. Adequate and appropriate office space, with technical support;
  - b. State-of-the-art computer, IT and communications platform, including web-hosting;
  - c. Full range of personnel policies, and HR systems/procedures adequate for a global partnership (staff diversity, international recruitment etc);
  - d. Operational and travel policies and support.
- (ii) An assessment of the overall administration costs for the Secretariat, including staff costs and the provision of necessary services, overheads, taxes etc;

## **D. Operational**

- (i) Facilitates substantive and operational linkages, including field presence, with previous, existing and new partners, to potential investments, professional and other networks, and provides enhanced opportunities for advocacy on the CA agenda.
- (ii) Provides a full range of policies, procedures and support that allows the Cities Alliance to operate as a global, grant-making institution. Specifically;
  - a. The establishment, maintenance and operation of a multi-donor trust fund (or equivalent), able to accept funds from a full range of existing and potential members, and which has the confidence of CA members;
  - b. Procedures and administrative support that facilitates a more flexible and efficient grant-making process, with a range of recipients in any developing country;
  - c. The provision of internationally-acceptable financial management procedures, ensuring transparency, accountability, sound fiduciary controls and responsiveness to donor requirements;
  - d. Support the implementation of an effective results-based management system;
  - e. Clarity on the range of organizational requirements of the host organization that may affect operations and/or the grant-making process, including

- i. Organisational approval / alignment;
  - ii. Legal requirements / clearances;
  - iii. Safeguard provisions;
  - iv. Procurement procedures;
  - v. Intellectual property / information disclosure; and
  - vi. Any other restrictions / requirements.
  
- (iii) An assessment of the overall operational costs, including staff costs, associated with the effective delivery of Cities Alliance operations.

#### **E. Location**

- (i) In considering the physical location of the Cities Alliance, a number of factors should be considered, including:
  - a. Range of international representation (countries, development institutions and other organizations with an urban agenda) within the city and region;
  - b. Ease of access to maximum number of CA members;
  - c. Ease of access to international destinations;
  - d. Visa / work permits for international staff and their families;
  - e. Contract conditions of the host organization;
  - f. Cost of living and working in the city; and
  - g. Range of services available for operations and staff.

## 7.2 List of Persons Interviewed

### German Agency for International Cooperation (GIZ)

Annette Bähring, Sectoral Department Head, Good Governance and Human Rights  
 Günter Meinert, Programme Manager, Urban Development  
 Ernst Hustädt, Head of Division, Contracting, Procurement, Logistics  
 Nicole Weiss, Head of Section, Tender Procedures  
 Günter Riethmacher, Head of Division, Financial Management Advisory Service, Training  
 Paul Soemer, Human Resource Department – Policy and Strategy  
 Andreas Stern, HR Management, GIZ International Service  
 Eric Heinen-Konschak, Information Technology  
 Oliver Haas, Head of Section, Information and Knowledge Management  
 Gregor Schreiner, Financial Management  
 Sabine Rauer, Head of Section, Contract Management  
 Nicolas Stoetzel, Legal Affairs  
 Dagmar Lumm, Controlling

### German Federal Ministry of Economic Cooperation and Development (BMZ)

Franz Marre, Head of Division 313, Water, Energy and Urban Development

### Danish Ministry of Foreign Affairs

Mette Thygesen, Deputy Head of Department, Development Policy and Global Cooperation UNOPS

### UNOPS

Jan Mattsson, Executive Director  
 Vitaly Vanshelboim, Deputy Executive Director and Chief Operating Officer  
 Ary Bobrow, Project Management Practice Coordinator  
 Adam Bouloukos, Grants Advisor  
 Phillip von Waechter, Community Grants Advisor  
 Therese Ballard, Director, Procurement and Supply Chain Practice  
 Tina Friis Hansen, Director, Corporate Performance and Management Group  
 Karsten Bloch, Director, Corporate Support Group  
 Pierre Moreau-Peron, Director, Human Resources Group  
 Nasser Shammout, Deputy Director, Human Resources Group  
 Chitra Venkat, Chief of Accounts, Finance Practice Group  
 Edmund Grove, Chief of Financial Policy, Finance Practice Group  
 Ames Provenzano, General Counsel, Legal Practice Group  
 Nicholas George, Head of Communications

Moin Karim, Deputy Director, Europe and Middle East Regional Office

Benedetta Audia, Legal Specialist for regional office

#### **Other UN**

Anja Riber Skydt, Deputy Project Director, UN City

Mark Willis, Manager, Global Sanitation Fund, Water Supply & Sanitation Collaborative Council

#### **World Bank**

Jane Kirby-Zaki, Senior Program Officer, Global Partnership and Trust Fund Operations

Lydia Kruse Tietz, Trust Fund Coordinator, Sustainable Development Network

Uwe Steckhan, Office of Partnership Advisor, Sustainable Development Network

#### **Cities Alliance**

William Cobbett, Manager