

**Report of the Meeting
of the
Cities Alliance Consultative Group
4-5 November 2004
Durban, South Africa**

The Consultative Group meeting was chaired by Kathy Sierra of the World Bank and Daniel Biau of UN-Habitat. The Co-Chairs began by warmly welcoming representatives of United Cities and Local Governments (UCLG), launched since the last CG Meeting. The issues raised in the Co-Chairs' opening remarks are incorporated in the relevant sections of the summary below. The meeting's agenda and list of participants are attached.

This year's CG Meeting followed the Public Policy Forum hosted by the Municipality of eThekweni (Durban), on the theme of making city development strategies come alive in South Africa. The Forum reviewed the experience of the South African Cities Network and its member cities in implementing city development strategies. The Forum addressed both the opportunities and the challenges in implementing city development strategies, focusing, in particular, on the provision of shelter, the promotion of economic development, and the financing of city strategies. Presentations made at the PPF are available on the Cities Alliance website.

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 (Mark Hildebrand)

- Approaching the five-year anniversary of the formation of the Cities Alliance, members were invited to reflect on some of its main accomplishments to date:
 - Established first global urban development goal, the City Without Slums action plan, adopted as Millennium Development Goal, Target 11;
 - Focused global knowledge sharing on how to scale up impacts for city development strategies, citywide slum upgrading and sub-sovereign financing;
 - New tools and practical approaches are now being mainstreamed by Alliance members and partners;
 - Linkage of US\$40 million in Alliance grant allocations to US\$4.7 billion investments for implementation.
- Alliance membership is broadening, with Brazil joining in 2004 and discussions underway with South Africa, Morocco, India, China, Spain and the European Commission. Engagement of members is deepening and strengthening coherence of effort.
- The creation of UCLG provides an historic opportunity to strengthen the role of cities in the Alliance, and a new opportunity to respond to one of the core recommendations of the Cities Alliance Evaluation: "The Local Government Association (LGA) members of the Consultative Group have unequalled knowledge and experience of

cities as well as maintaining direct relationships to them through national LGAs and directly to selected cities. They are vital in any scaling-up process by the Cities Alliance.”¹

- Looking forward to the next five years, priorities will include: recognising a leadership role for cities and UCLG within the Alliance; strengthening the working relationship with UCLG and its regional networks; defining new relationships with local governments in Africa; and improving portfolio quality by responding to city and national government leadership, increasing the emphasis on financial sustainability and local resources, and consolidating where cities have clear vision.
- Instead of debating the contribution of cities to development, more energy needs to be spent on unblocking it. As argued in the Alliance’s 2004 Annual Report, unleashing the potential of cities requires:
 - Realising the positive impacts of urbanisation by addressing cities’ performance constraints;
 - Encouraging cities to be proactive developers of urban infrastructure, putting development priorities on budget and using policy consistency and budgetary commitment to attract stable, long term investment;
 - Recognising that migration is one of the most effective coping strategies for the rural poor; and
 - Predicating policies on the growth of cities and peri-urban areas to avoid the next generation of slums.

Summary of Slum Upgrading Portfolio Presentation (William Cobbett)

Key lessons emerging from the evaluation of completed slum upgrading activities were presented, as highlighted below. Activities evaluated included those in Gujarat and Ahmedabad (India), Vietnam, Iran, Mauritania, Central America and Ismailia (Egypt). Evaluations and relevant documentation will be made available on the Cities Alliance website.

- Evaluations reconfirmed the essential elements of nationwide slum upgrading, as outlined in the Alliance’s 2003 Annual Report;
- The outcomes included several well conceived policy frameworks for scaling up slum upgrading;
- The analysis also clearly revealed how failures in policy and practice promote social exclusion, slums and economic decline;
- Alliance grants can have a high impact even with modest amounts, when connected to wider programmes;
- Multiple country activities run risks of weak ownership;
- Proposals sponsored by a single Alliance member are at a significant disadvantage;
- The Alliance needs to more broadly disseminate these knowledge products; and,
- Evaluations should be institutionalised into the annual work programme.

¹ *Independent Evaluation: An Assessment of the First three Years*, November 2002. Development Planning Unit, University College London.

Summary of CDS Portfolio Presentation (Peter Palesch)

Key lessons emerging from the evaluation of completed CDS activities were presented, as highlighted below. Activities evaluated included those in Antsirabe (Madagascar), Hyderabad (India), Karu (Nigeria), Kathmandu (Nepal), Kigali (Rwanda), Peshawar (Pakistan), Recife and Rio Grande do Sul (Brazil), Sofia (Bulgaria), the Philippines, and two CDS activities in China. Evaluations and relevant documentation will be made available on the Cities Alliance website.

- Alliance-sponsored CDS activities have impacted not only on cities but also on the operations of development agencies;
- CDS is a powerful tool for cities to mobilise financial resources and engage all stakeholders;
- Horizontal learning among cities has proved to be a highly valued outcome of CDSs;
- The role of local government associations in the dissemination of learning experience and sustainability of the process is pivotal; and,
- Monitoring and evaluation should not be treated separately from the actual CDS exercise.

Summary of Urban Finance Presentation (Rajivan Krishnaswamy)

- Growth which benefits poor people requires city governments to be responsive developers of urban infrastructure. This transformation requires: mainstreaming the needs of the urban poor; and developing sustainable financing strategies, based upon the consent of the governed, which link city financing needs with domestic capital.
- Cities need debt because city infrastructure (e.g., water and sanitation) are long-term assets with lumpy financing costs which should be shared across generations; benefits of improved water and its treatment extend across city boundaries; and, in practice, city infrastructure backlogs are too huge to be financed by current taxes and charges.
- Cities Alliance support should: assist cities in financial stocktaking as an integral part of the CDS and citywide upgrading process; provide a menu of services through the Municipal Finance Task Force for city governments to engage domestic credit; share learning experiences of raising, servicing and accounting for debt; assist in market-making transactions where such opportunities exist; assist existing municipal funds develop a sustainable domestic orientation; assist the more effective leverage of existing government grants; and, develop a typology of policy responses conditioned by macro and micro factors.

Briefing on CDS Impacts Study

The CG was briefed on the current status of the CDS Impacts Study being financed by Core and Japanese Non-Core funds. The objective of the Study is to contribute to the development of a framework for the initial analysis of CDSs, and the selection of indicators and an approach for monitoring and evaluating the impacts of CDSs. The Norwegian firm ECON Analysis was awarded the contract for the Study. One of strong features of the ECON proposal was its association with the Centre for Local Government Studies in Sydney, Australia. Project Leader, Dr. Graham Swanson, is director of the Centre and has considerable local government experience, including as a former Australian delegate to IULA. Work on the Study commenced in late July 2004, and it is

expected to be completed by May 2005. The study team would be attending the CDS Conference in Hanoi.

2. Policy Advisory Board Report

In its report to the CG the Policy Advisory Board (PAB) offered seven observations and recommendations for the Cities Alliance, as summarised below:

(i) Accept that people will continue to migrate to cities, initially often to marginal settlements as immediate self-help solutions. Preventative policies need to address issues of secure tenure, creation of transparent land markets, and development of financing mechanisms to assist the poor and enhance the capacity of the city to intervene.

PAB Recommendation: The Secretariat should explore the possibility of enhancing the capacities of municipalities and slum dwellers organisations to work together to achieve these goals.

(ii) Desk and field evaluations are important exercises and must be continued. These evaluations reaffirm that the Cities Alliance Charter is robust, and any diversion from it should be avoided.

PAB Recommendation: The PAB agrees with the recommendation emerging from the evaluations that for projects to be effective as interventions they should be supported by more than one CG member. The Alliance should maintain and deepen the evaluation processes and disseminate impact assessments widely.

(iii) Creating networks of stakeholders and supporting their learning and knowledge needs especially by linking up with each other should continue to be a focus of the Alliance.

PAB Recommendation: For the Alliance to become a true learning alliance, the capacity of networks of stakeholders should be built for new ways of doing business together to be disseminated.

(iv) The rotation of PAB members is to start in 2005, with two members stepping down after the PAB's spring 2005 meeting.

PAB Recommendation: The two new incoming members should be nominated in time for them to attend the spring meeting, to allow for an overlap and continuity.

(v) There is an increasing role for the private sector in Alliance-sponsored slum upgrading and CDS activities, both at the national and local levels, yet to be discussed by the CG.

PAB Recommendation: The CG should give more serious consideration to how the private sector can be involved as member of the Alliance.

(vi) The potential exists for greater engagement between slum dwellers organisations and municipalities.

PAB Recommendation: Evaluations of new upgrading proposals should examine the involvement and participation of slum dwellers organisations, and the extent to which municipal authorities have mobilised these groups which they intend to work with.

(vii) Incorporating sustainable financing mechanisms into CDS and citywide slum upgrading strategies is important. As the infrastructure needs of cities become increasingly demanding, beyond the immediate financial capabilities of municipalities, methods by which cities in developing countries can mobilise domestic capital need to be explored. The Municipal Finance Task Force is a welcome initiative in this regard.

PAB Recommendation: The Municipal Finance Task Force should take local and regional financing systems into account and work closely with municipal organisations in the regions.

The PAB's presentation is available on the Members Page of the Cities Alliance website.

Comments on issues raised in Secretariat and PAB Reports:

Consultative Group comments:

- The duration allotted for Alliance-funded activities should be flexible to allow for comprehensive, time-consuming consultative processes, and for follow-up and engagement after a given intervention to help ensure sustainability.
- Members can do more to share their respective operations and experiences, to increase synergies and cooperation.
- The Secretariat should be kept lean, with an emphasis on the collective contribution of members.
- Commending the Alliance for its value as a mechanism for learning and knowledge sharing and impacting on the strategies of members' own organisations, Sweden's Sida representative noted: "Without the Cities Alliance our own thinking would be much less mature in our own discussions on how Sida could contribute to the achievement of the MDGs."
- More members should become more involved in co-sponsoring and co-financing proposals.
- Whilst Alliance proposals should remain demand-driven, consideration should be given to how the Alliance might be more proactive in helping committed civic leaders which it might not be hearing from to develop proposals.
- Members posed the questions: How can the linkages between CDS and slum upgrading activities be strengthened, with finance as the "umbilical cord"; and how should the private sector be involved? It was noted that it is not always possible to combine CDS and slum upgrading activities.

Secretariat comments:

In response to some of the issues raised for consideration, the Secretariat suggested:

- As the Alliance works through the capacity of its members, their continued involvement, including with local authority associations at the network level, could provide opportunities for longer-term engagement.

- Attention should be paid at the outset of CDS and slum upgrading activities to the financing elements, and to integrating financing strategies into this process. On the issue of linking CDS and upgrading activities there are instances where the focus of the CDS may be on local economic development rather than upgrading. Similarly, there are examples of cities having undertaken CDS now moving toward slum upgrading and vice versa.
- The Secretariat acknowledged members' expressed interest to support small and medium-sized cities, noting that a considerable number of Alliance activities are taking place in secondary cities.
- While a number of private sector financial institutions are already engaged in Alliance activities, be it initiating and/or implementing proposals, through representation on the PAB or initiatives such as the Municipal Finance Task Force, their joining the Cities Alliance, as financial contributors, could be considered.

3. Members' Reports

CG members took the opportunity of this session to highlight new developments and areas of particular interest or concern. Among those raised:

- The Vice President, Infrastructure Network, of the World Bank reaffirmed the Bank's commitment to the Cities Alliance, stressing that the Alliance is a core partnership for the World Bank and a top priority for the Infrastructure presidency. While it is in the process of deciding how it will finance the Cities Alliance in the coming years, either through its Development Grant Facility or other means, it considers the partnership a critical one to remain engaged with in the long term. The VP briefed members on the World Bank's urban and infrastructure agenda, including the Bank's interest in sub-sovereign lending and in working with Alliance members on identifying relevant urban sector indicators to measure impacts.
- The Deputy Executive Director of UN-Habitat reported on the success of the Second World Urban Forum which took place in Barcelona in September. He mentioned, in particular, the Cooperation Agreement signed on that occasion between UN-Habitat and UCLG. The DED briefed the CG on the appointment of national experts as Habitat Programme Managers (HPMs) in UNDP country offices and suggested that these HPMs could play the role of Cities Alliance ambassadors. He also insisted on the need to actively involve both central and local governments in order to strengthen national ownership of Cities Alliance projects.
- The President of United Cities and Local Governments (UCLG), who is also Mayor of Tshwane (Pretoria), stressed the importance of strengthening UCLG's relationship with the Cities Alliance: "We the Mayors look towards Cities Alliance hoping it will help us to further anticipate and prepare for growth, not only through developing financial strategies but also by raising consciousness about the importance to work *in* the cities, *with* the cities, to tackle the most important goals we have -- the Millennium Development Goals. By working together, these goals will no longer be the UN Goals but the citizens' goals, and they need local government action in order to become a reality."

- Germany observed that the Alliance's agenda is complex and ways should be found to simplify it and bring out the human elements, for the public, media and members' own parliaments. Germany also advised members of its Action Programme 2015, supporting efforts to achieve the MDGs.
- The Federation of Canadian Municipalities confirmed FCM's interest in exploring how it can work with municipalities to carry forward the work of the Alliance and its members, and Industry Canada noted that Canada's Sustainable Cities Initiative would be looking at how it can build linkages with the Alliance in the implementation of CDSs.
- UNEP reaffirmed its interest in co-sponsoring more proposals, becoming involved early in the conceptual stages to advise on and promote the inclusion of environmental considerations in Alliance activities.
- The ADB and Germany would be working together on the issues of city-regions, including support for a seminar on the topic in 2005 in Asia.
- ISTED informed members of the fund set up within ISTED by the French Ministry of Foreign Affairs to support the development of projects on access to basic services (water, sanitation, waste management) whose resources could be used to help local governments develop proposals to the Cities Alliance.
- USAID also pointed out how its field missions are actively supporting the development of Alliance proposals.
- Several members stressed the importance of entrenching the urban agenda within members' own organisations, as well as seeing that urban issues are addressed to a greater extent in national Poverty Reduction Strategy Papers (PRSPs).
- Italy announced the creation of an Urban Poverty Office within its Ministry, to be established shortly.
- Brazil stressed the importance of developing country membership in the Cities Alliance and was hopeful that it might help encourage other developing countries to join the Alliance.
- Japan briefed the CG on preparations for the CDS Conference in Hanoi on 24-26 November 2004 and invited members to attend.
- The UK noted its presidencies of the G8 and Council of the European Union in 2005 which might be used to advance the MDG agenda at the Millennium Summit Review.

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

4. Substantive Discussion

The meeting agenda had proposed the substantive discussion focus on three questions: (i) How can we achieve greater synergies and integration to scale up actions?; (ii) How can we improve and measure impacts?; and (iii) Are there additional knowledge gaps that we should address? The following were among the central issues discussed and decisions taken:

- Much discussion centered around how to increase the visibility of urban development issues. In particular, there was agreement that members needed to work together to ensure that MDG Target 11 (improving the lives of slum dwellers) is adequately

addressed during the 5-year review of the MDGs scheduled for 2005. UN-Habitat warned of the risk that Target 11 will either be ignored or removed as a target, and recommended that Alliance members should have a strategy and take a common position through their delegations attending the review meeting.

Decision: UN-Habitat and the World Bank agreed to produce a 3-page paper making the case on Target 11 for the bilateral country delegations at the review meeting, which Alliance members could also disseminate to their respective clients.

- Members welcomed the opportunity to forge a strategic working relationship with UCLG, which is mutually beneficial.

Decision: The Secretariat was asked to develop a detailed strategy with UCLG for strengthening this partnership which would be presented to the 2005 CG Meeting, and was encouraged to spend considerable time working with the UCLG Secretariat in Barcelona by making use of the office space offered by UCLG.

- Partnerships between central and local governments are needed, and both levels of government should be involved in the design of Alliance proposals. It is also important that Alliance proposals be demand-driven, initiated by cities and countries themselves.
- UN-Habitat proposed that its Habitat Programme Managers (HPMs) could help build synergies amongst Alliance members at the country level.
- While efforts might be made to link CDSs and slum upgrading initiatives, they are two distinct products and linkages must come at the behest of local authorities.

5. Cities Alliance Finances

The Secretariat reported that Core contributions have been stable at approximately US\$6.4 million per year, helped by strong European currencies. In FY04 disbursements increased by 43%, including a 33% rise in Core disbursements. Large Non-Core activities such as CLIFF and in Bahia, Brazil can have large fluctuations in receipts and disbursements. Approximately US\$9.5 million will be available for the FY05 Core work programme, which includes approximately US\$3.25 million carried forward from FY04, but a robust pipeline should utilise these funds. Good working balances exist in the Cities Without Slums Facility for Sub-Saharan Africa, the Community Water and Sanitation Facility, and in Asia CDS Non-Core funds from Japan.

The Secretariat reported that its financial management practices as well as the financial volume have helped the Secretariat negotiate a 50% reduction in the fees the World Bank charges for administering the Cities Alliance Trust Fund, from 3% to 1.5%. Over the coming weeks the Secretariat will be working with members to amend the Trust Fund agreements to reflect this new fee as well as a few other minor amendments to the Trust Fund Standard Provisions in the agreements, to bring them into conformity with the World Bank's lexicon for global programmes. This fee reduction will become effective for any contributions received after the amendment goes into effect, but it will not go into effect until all members have signed the amendment.

A presentation was made on the fiduciary management practices for Cities Alliance grants, including the initial assessment of a grant recipient's financial management

capacity; a fiduciary assessment report which might include agreed actions for improvement of financial management practices of a grant recipient; the resulting partnership agreement which includes conditions for grant disbursement; and financial supervision, which can include on-site visits. Key lessons presented were that financial management is a two-way learning process; recipient execution facilitates client ownership and financial capacity and enables more effective monitoring of project implementation; and, the quality of reporting is often better with recipient-execution than with multilateral execution.

Pledging for 2005

Approximately US\$12 million in confirmed or tentative pledges by Alliance members for 2005 were announced during the meeting, as detailed below:

Asian Development Bank could not yet confirm its annual contribution, but was reasonably optimistic that it would continue at its similar level. It noted a Secretariat visit to the ADB's headquarters would assist in promoting continued ADB membership in the Alliance.

Brazil is in the first year of a three-year agreement for US\$50,000 per year.

Canada confirmed that it was in the process of reviewing its budget, but expected that its membership would be renewed at US\$250,000 per year.

France committed US\$250,000 annually over the next three years, in addition to co-financing for Alliance knowledge dissemination activities through ISTED and in-kind contributions to the Municipal Finance Task Force.

Germany is in the second year of a two-year agreement for €250,000 Core per year, in addition to financing the secondment of Peter Palesch to the Secretariat.

Italy noted that while its 2005 budget was not yet available, it would contribute at least US\$250,000 for Core funding, and was finalising a €5 million Non-Core contribution for scaling up the Ribeira Azul programme in Salvador, Bahia, Brazil. In addition, Italy had committed US\$660,000, continuing its support for scaling up successful methodologies in the Latin America and Caribbean region.

Japan could not officially pledge with its 2005 budget currently under consideration, to be approved in March 2005, but the actual amount was not yet settled. Japan's Non-Core pledge was earmarked for Asian CDS activities linked with Japanese development cooperation and benefiting from Japanese experts in the region.

Norway noted that it could not announce a formal commitment with the 2005 budget still under Government consideration, but anticipated contributing US\$500,000 for Core funds and additional Non-Core funding to support the Alliance's urban finance agenda.

Sweden is in the second year of a 5-year agreement for Core funds, at approximately US\$675,000 per year, and a 5-year agreement for the Africa Facility, of approximately US\$675,000 per year. The last two years of both agreements are contingent upon a mid-term evaluation.

United Kingdom confirmed DFID is in the middle of a 3-year agreement for £700,000 per year in Core funds (US\$1.25 million equivalent), and would be contributing £300,000 per year for 3 years to support the Alliance's knowledge generation and dissemination agenda; in addition to financing a Cities Alliance Regional Advisor for South Asia. DFID also indicated its interest in supporting the activities of the South African Cities Network.

United States renewed its agreement for annual Core funding of US\$250,000 through 2010.

UN-HABITAT committed US\$100,000 in Core funding for 2005 plus the continued secondment of William Cobbett to the Secretariat. It anticipated additional in-kind contributions through the work of its Habitat Programme Managers.

UNEP renewed its contribution for another year at US\$250,000.

World Bank reaffirmed its intent to support the Alliance on a sustained basis, and to take advantage of the new opportunities with UCLG to pursue continued DGF funding in spring 2005.

6. FY04 Work Programme

The Secretariat provided members with an overview of the FY05 work programme, characterised by one member as "rich and exciting". US\$1.4 million had been approved for allocations earlier in FY05, US\$24.6 million was recommended for approval during this meeting, and US\$0.25 million was in the immediate pipeline.

Decisions: Members approved Core funding for the regional African Housing Upgrading Finance Initiative (US\$246,600), the Transformation of Mumbai (India) into a World Class City (US\$495,000), the Hyderabad (India) City-Wide Slum Upgrading Action Plan (US\$180,700), Brazil's National Urban Development Policy proposal (US\$500,000), CDSs for Local Economic Development for Yemen's Hodeidah and Mukallah cities (US\$200,000), the Municipal Finance Task Force (US\$127,000 from Core funds plus US\$175,000 from DFID), and the Cities Alliance Secretariat budget (US\$1,450,000). Various smaller proposals, such as for knowledge dissemination and generation and CG and PAB meetings (totaling US\$570,000) were also approved.

The Morocco Partnership Framework Agreement for Support and Monitoring of the national City Without Slums programme (US\$490,000), was discussed at greater length and approved with the agreement that, as a first step, a detailed implementation plan would be developed jointly by the sponsors and the Government of Morocco, and that UNEP would work with the sponsors to ensure the activity has an "active positive impact

on the environment”. It was also recommended that the sponsors report back to the CG the following year on substantive progress.

There was extensive discussion on a DFID and Sida-funded US\$20 million proposal for a Slum Upgrading Facility (SUF) to be implemented by UN-Habitat. The purpose of SUF is to pilot a new multi-donor approach geared to leveraging additional funding for slum upgrading by addressing gaps in the coverage of existing financing and slum upgrading facilities. Many questions and issues were raised, particularly about the implementation and governance arrangements. The CG took the following decision on the SUF proposal:

“The Cities Alliance Consultative Group welcomes the substantive thrust contained in the proposal to create a Slum Upgrading Facility (SUF). The Alliance CG has decided to endorse the proposal on a two-stage basis, while SUF is being further refined and designed. Accordingly, the Consultative Group:

- i) Supports the continuation of the design phase, and invites its members to become actively involved including, where appropriate, the Cities Alliance Secretariat;
- ii) Nominates the World Bank and Norway as representatives to the SUF Consultative Group;
- iii) Agrees that the SUF CG be authorised to approve initial pilot activities in this design phase, up to a maximum of US\$3.0 million;
- iv) Will decide on the complete SUF proposal at the completion of the design phase, taking into consideration the relevant decisions of the 20th UN-Habitat Governing Council.”

7. Implementation of Communications and Dissemination Strategy

The Secretariat briefed the CG on communications partnerships it would like to form with more members, modeled on its partnership with ISTD (France). These partnerships can help capture and disseminate lessons learned, package and disseminate knowledge outputs of Alliance partners, and enhance outreach activities to city officials, civil society, and the media, amongst others. The Secretariat’s Communications Officer encouraged members to engage their organisations’ respective communications teams to collaborate with the Secretariat to advance these objectives.

8. Partnership Matters

(i) Review of Large Proposal Approval Process

Given some concern expressed that the approval process of large proposals is getting slower, the Steering Committee’s task of making recommendations for approval or rejection of large project proposals to the CG came under review. The question posed was whether this process was slowing down the proposal approval process by the CG and the extent of its added value.

Decision: While support was expressed for and against this proposal, it was agreed that the Steering Committee would continue to review and make approval recommendations

to the CG for large proposals (over US\$250,000). The Secretariat was requested to redistribute to members the roster of independent technical assessors of Alliance proposals.

(ii) Co-financing for Large Proposals

At its December 2001 meeting in Kolkata, the CG adopted the Steering Committee's recommendation of a US\$500,000 ceiling per grant provided from Alliance Core funds and for at least 50% co-financing for large proposals, that is those over US\$250,000 in Core funds. It was agreed that these funding parameters would be reviewed annually.

The practical implications of the co-financing guideline is that a proposal for US\$250,000 is expected to have 20% co-financing while a proposal for US\$250,001 is expected to have at least 50% co-financing. The Secretariat and the Steering Committee, thus, recommended the CG consider modifying this co-financing target to a graduated scale ranging from a minimum 25% target for the low range (US\$250,001) up to 50% target for the top range (US\$500,000). This would be a simple, easy-to-administer formulation (divide by 10,000). For example, the target for a US\$310,000 proposal would be 31% co-financing, and the target for a US\$425,000 proposal would be 42.5%.

Decision: It was agreed that the co-financing target for large proposals (US\$250,001 to US\$500,000 in Core Funds) is to be on a graduated scale, ranging from 25% at the low end of the range (US\$250,001) to 50% at the high end (US\$500,000).

(iii) Steering Committee Representation

With the expiration of the United States' seat on the Steering Committee, members caucused to determine which bilateral representative might replace the United States on the Committee.

Decision: It was decided that Japan would take this seat on the Steering Committee, for a two-year period to become effective after this meeting until the conclusion of the CG meeting in 2006.

(iv) CG Membership

In light of the May 2004 merger of IULA and UTO-FMCU into the world organisation of United Cities and Local Governments, and the resulting dissolution of WACLAC, a decision was needed on the new representation of local authorities on the Consultative Group, to be reflected in Article 22 of the Cities Alliance Charter, which pertains to CG membership of local authority representatives.

Local authority organisations have held four seats on the CG, as specified in Article 22 of the Charter:

Article 22: "The International Union of Local Authorities (IULA), Metropolis, the United Towns Organization (UTO), and the World Associations of Cities and Local Authorities Coordination (WACLAC) will represent local authorities in the CG."

Decision: Article 22 of the Cities Alliance Charter was amended, to read:

“22. The world organisation, United Cities and Local Governments (UCLG), will ensure an active representation of local authorities in the Cities Alliance and will guarantee balanced representation from different regions in the Alliance. Metropolis, the Metropolitan section of UCLG, will have one of the agreed permanent seats for local authorities.”

(v) PAB Membership Rotation

At the CG meeting in São Paulo, the PAB proposed to begin rotation of its members in 2005, with two members rotating each year, so as to have all current PAB members rotated by 2008. The PAB suggested that the CG identify and approve two new members on an annual basis who would join the PAB at its spring meetings in conjunction with the exit of two members. This process would begin at the 2004 CG Meeting in Durban. The PAB had proposed that Somsook Boonyabancha (representing Asia) and Richard Webb (representing Latin America and the Caribbean) rotate off the PAB effective the end of 2004. Accordingly, the Secretariat collected nominations of prospective replacements for discussion during the meeting.

Decision: CG members recommended that Ms. Juanita Amatong, Secretary of Finance of the Philippines, 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 Ms. Mary Racelis, Research Scientist, Ateneo de Manila University, Philippines. For the Latin America and Caribbean regional representative on the PAB, CG members recommended that Mr. Paulo Teixeira, Councillor for the Municipality of São Paulo, Brazil, be offered the position; and, should he decline, that it then be offered to Mr. Jaime Lerner, architect and urban planner in Brazil.

9. Next Meeting of the Consultative Group

The CG accepted the Government of Morocco’s invitation to host the next meeting of the CG, to be held in early November 2005. The proposed dates of 7-11 November are being confirmed with the host government.
