



BUSINESS PLAN

JULY 2011 – JUNE 2014

DRAFT FOR THE EXECUTIVE COMMITTEE
ACCRA, GHANA

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Table of Contents

1. Introduction.....	3
2. Review of Operations: A Decade of Catalysing Change.....	5
2.1 Financial Summary Source and Uses of Funds.....	5
2.2 Grant-Funded Activities and Results.....	5
2.2.1 A Global Portfolio of Grant Funding Support.....	5
2.2.2 Working Together: Cities Alliance Members and Their Partners.....	6
2.2.3 Knowledge and Tools: Promoting Learning between Cities and Countries.....	8
2.2.4 Project Implementation and Impact on the Ground: The Evidence.....	8
2.3 Re-Positioning the Cities Alliance: Strengthening Partnerships and Joint Working.....	9
2.4 Main Services of the Cities Alliance.....	10
2.5 Strategic Challenges and Choices for the Alliance.....	10
3. Corporate Objectives and results.....	12
3.1 The Role of the Cities Alliance in International Urban Development Cooperation.....	12
3.2 The Cities Alliance Approach to Change.....	12
3.3 Result Framework.....	13
4. Services, Results 2012 – 2014, Budget and Strategic Choices.....	15
4.1 Country & Regional Programming.....	15
4.1.1 Programmatic Approach.....	15
4.1.2 Country Work Programming (CWP).....	15
4.1.3 Country Partnership Programmes (CPP).....	16
4.1.4 Regional Work Programming (RWP).....	21
4.2 The Catalytic Fund: Improving Quality and Promoting Innovation.....	22
4.3 Knowledge and Learning: An Asset to be Fully Mobilised.....	24
4.4 Communication and Advocacy: Communication for and among Partners.....	28
5. Governance, Management and Staffing.....	31
5.1 Governance Structure.....	31
5.1 Management Structure.....	31
5.3 Staffing.....	32
5.4 Grant Management.....	32
6. Financial Plan.....	33
6.1 Strategic Approach.....	33
6.2 The Baseline Budget.....	33
6.3 Scaling Up: Service Line Growth and Funding Opportunities.....	34
Annex 1: Contribution Received.....	36

1. Introduction

This three-year Business Plan marks the end of an intense period of internal debate about the nature and direction of the Cities Alliance. Commencing with the adoption of the Medium Term Strategy (2008-2010), the organisation has been substantially redesigned and repositioned, almost entirely by Cities Alliance members themselves, with the active involvement of the Secretariat.

In November, 2010, the Consultative Group adopted a wholly new Charter for the Cities Alliance, and approved a new business model for its implementation. Once approved, this Business Plan, based on a results-based framework, will guide the work of the organisation over the next three years.

While remaining focused on the related issues of urban poverty and city development, the Cities Alliance has been significantly strengthened in order to pursue its vision.

First and foremost, the new Charter provides welcome clarity on the Cities Alliance's over-arching objectives:

- To strengthen and promote the role of cities in poverty reduction, and in sustainable development;
- To capture and strengthen the synergies between and among members and partners; and
- To improve the quality of urban development cooperation and lending.

Secondly, the Consultative Group decided to reposition the Cities Alliance as a Partnership, and instructed the Secretariat to act as a facilitator. Combined, these two elements of the Charter will drive the Cities Alliance forward during the period of this Business Plan.

Financially, this has been a difficult time for Cities Alliance members. The impact of the global financial crisis, and many competing demands for declining international development budgets, both challenge the Cities Alliance to deliver more with its modest resources, and to be able to point very clearly to results achieved.

The new Cities Alliance Charter and business model are predicated on the belief that the role of development assistance is designed to be catalytic in nature, and that the key to sustainable urban development in the long-term lies in mobilising domestic resources, both public and private. To maximise its impacts, the Cities Alliance has decided to be far more strategic in leveraging additional resources to supplement its own modest resources. At the core of this approach, lies the philosophy of partnership.

The new business model has three main strategic thrusts. The first is to consistently improve the quality of Cities Alliance grants, which are now managed on a competitive basis. In addition to the quality improvements that will be generated by the competitive assessment of applications, the Cities Alliance will also reward those proposals that are genuinely innovative, and which promote partnerships.

The centrepiece of the new business model are the Country Partnership Programmes, maybe the most significant achievement of the Medium Term Strategy, which motivated for a longer-term and more comprehensive approach to development assistance. Even at this relatively early stage, we have sufficient evidence to be confident that the CPP is a vehicle that has the potential to make a significant contribution to overall aid effectiveness, and to greatly improve collaboration amongst CA members, and with domestic partners.

The third strategic thrust is to build upon the diverse strengths and capacities of Cities Alliance members, in the belief that each one has a positive contribution to make towards achieving the vision of the Cities Alliance. Again, the early evidence suggests that a combination of clear strategic thinking and modest resources can leverage significantly improved results.

The new business model is also clear about the many benefits that are to be gained from the presence of the Cities Alliance at the World Bank, and within the Finance, Economic and Urban Development Department, where the Secretariat constitutes part of the Urban Pillar. Using the same principles of partnership, the Cities Alliance will also seek to leverage other Global Programmes located at the Bank, such as GFDRR, ESMAP and PPIAF.

Finally, the Secretariat is also undertaking a process of retooling and re-skilling, based on the demands of the new business model. This Business Plan will provide the roadmap for the Secretariat, and the partnership as a whole, and ensure accountability in the drive for results.

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2. Review of Operations: A Decade of Catalysing Change

This chapter provides a snapshot of Cities Alliance achievements since its inception and highlights some of the main reasons behind re-positioning for scale and impact.

2.1 Financial Summary – Sources and Uses of Funds

As indicated in Table 1, the Alliance mobilised \$162.7 million over the last 11 years of its existence. Of this amount, \$25.5 million was earmarked for CLIFF (\$16.3 million) and SUF (\$9.2 million) projects. The remaining amount supported Secretariat costs and the open grant facility that funded numerous projects at the country, regional and global level, implemented by the CA members and their partners. Section 2.2 provides a highlight of the results achieved.

Table 1: Sources and Uses of Funds*

	<u>Inception through FY10</u>	<u>FY11</u>	<u>Cumulative</u>
<u>SOURCES OF FUNDS</u>			
Contributions Received	150,052,208	8,700,000	158,752,208
Investment Income Received	6,316,071	265,000	6,581,071
Trust Fund Admin. Fees Paid	(2,493,031)	(107,762)	(2,600,793)
TOTAL SOURCES OF FUNDS	153,875,248	8,857,238	162,732,486
<u>USES OF FUNDS</u>			
Country / Regional Funding Allocations	73,859,269	8,767,289	82,626,558
Global / Multiregional Funding Allocations	43,226,787	668,500	43,895,287
Secretariat Costs	24,313,579	3,030,000	27,343,579
Allocation Reflows/ Cancellations/ Adjustments	(6,264,150)	(750,000)	(7,014,150)
TOTAL USES OF FUNDS	141,399,635	12,465,789	153,865,424
ENDING BALANCE - UNALLOCATED FUNDS	12,475,613	(3,608,551)	8,867,062

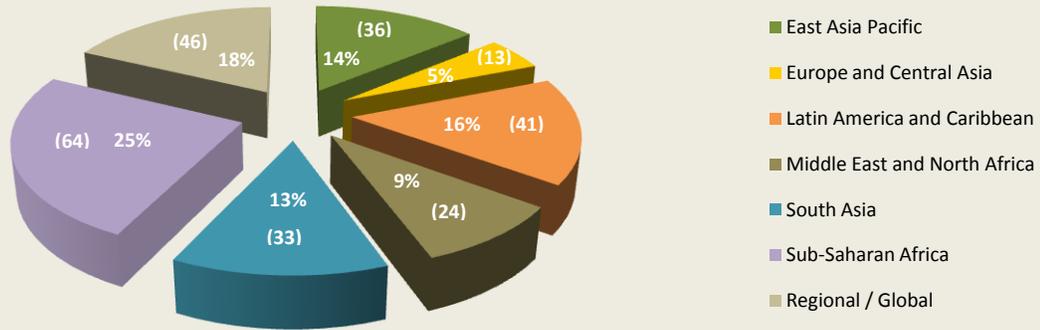
*NOTE: Unaudited. Includes Core, Non-Core and In-Kind funding sources. FY11 figures are estimated.

2.2 Grant-Funded Activities and Results

2.2.1 A Global Portfolio of Grant Funding Support

Over the period FY2000 – FY2010, the Cities Alliance has approved 257 projects in over 70 countries. Most of these projects related to the founding mandate of the Cities Alliance: to scale up slum upgrading, and support city development strategies. While the reach is global – actively operating in 6 regions – the Cities Alliance has retained a relatively strong focus on Sub-Saharan Africa, which accounts for 25 per cent of country-specific projects as indicated in Figure 1.

Figure 1 Geographical Distribution of Approved Projects - Total of 257 projects as of 30 June 2010

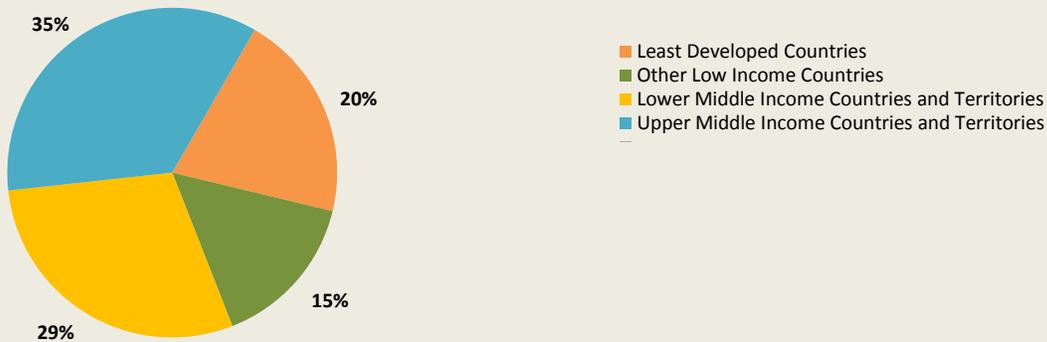


Notes:

- A. Figures reflect both country-specific projects and regional/global projects.
- B. Projects do not include: (1) Community-Led Infrastructure Finance Facility (CLIFF) Activities and (2) Slum Upgrading Facility (SUF) Activities.
- C. Projects cancelled during preparation or implementation were included in the calculation.

In addition to its global reach, a large proportion of the portfolio has had a strong focus on Low Income Countries (35 per cent) and Lower Middle Income Countries and Territories (33%) in which urbanisation challenges and urban poverty is prevalent. Figure 2 shows the allocation of approved grants by country income groups.

Figure 2 Overall Allocation of Approved Grant Amount by Country Income Groups (Fiscal Years 2000 – 2010)



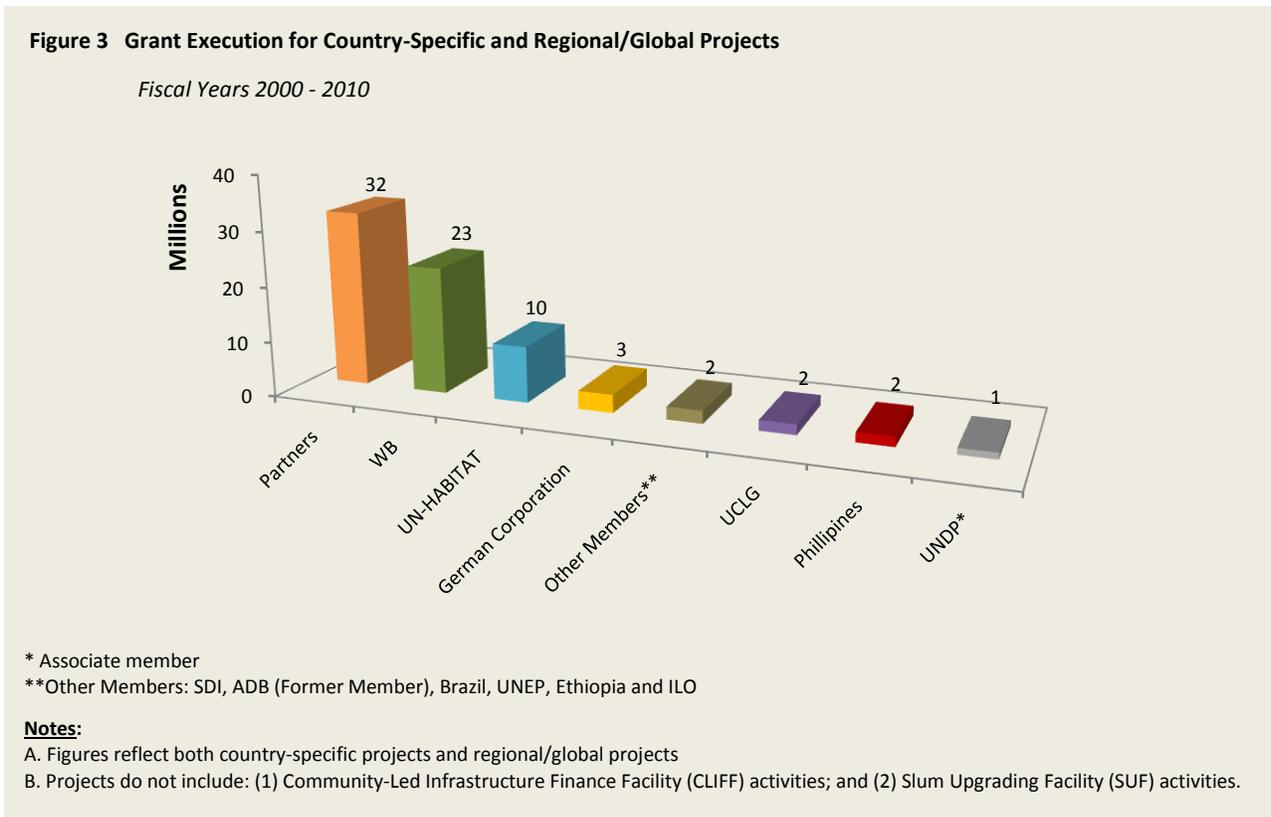
Notes:

- A. Classification of Cities Alliance projects has been based on the most current list available at the time of project approval.
- B. Projects do not include: (1) Community-Led Infrastructure Finance Facility (CLIFF) Activities; (2) Slum Upgrading Facility (SUF) Activities; and (3) Regional- Global Projects.

2.2.2 Working Together: Cities Alliance Members and Their Partners

In line with the Cities Alliance core objectives, the majority of activities were funded through the Open Access Grant Facility to support members and their partners promote urban poverty reduction, and inclusive cities. In the first decade, most proposals were initiated by CA members, or by partners with CA member support, while the Secretariat was responsible for managing the approval process, and trying to promote improved collaboration between members. The Cities Alliance provided over US\$ 75 million (excluding funding for CLIFF and SUF projects) to support its members and their partners in taking forward innovative and participatory approaches to inclusive city development and transformation.

Figure 3 below shows the grant funding provided to and executed by CA members and other development partners during the first ten year of operations.



In addition to the support provided through the Open Access Grant Facility, members and their partners have made significant resources available by co-financing project activities. For every \$1 of Cities Alliance grant funding provided, our members and their partners contributed \$1.14 in co-financing.

Cities Alliance funded projects have also contributed directly or indirectly to the preparation and/or implementation of important and significant member operations. For example, between FY 2009 and 2011, World Bank task teams utilised the funding from the Open Access Grant Facility to initiate participatory processes, gather critical data and information needed for the preparation of at least 13 projects. Grant funding of only \$5.7 million was leveraged for investments projects worth \$1.5 billion, demonstrating the importance of the Alliance in catalysing urban development and poverty reduction. The examples below show how seed funding can be leveraged for remarkable results.

Box 1: Tanzania – Dar es Salaam Investment Resource Mobilisation for Metropolitan Development (\$75,000)

The CA grant was instrumental in mobilising efforts of multiple and overlapping jurisdictions – as well as several Government of Tanzania Ministries, Departments and Agencies – to agree on a metropolitan area-wide effort. World Bank management has cleared preparation of a US\$ 75 million first phase of an Adaptable Program Loan under the *Dar es Salaam Metropolitan Development Project (DMDP)*. The grant also enabled the city to seek participation from the Agence Française de Développement (AFD) and the Government of Finland. Both agencies (and others) are actively considering co-financing the proposed DMDP.

Box 2: Alexandria City Development Strategy (CDS) for Sustainable Development – Phase II (\$350,000)

Despite initial drawback in the implementation of the project, it was very successful in mobilising various actors and resources towards achieving some of the key goals articulated in the CDS. The national government invested about \$1.28 million to improve wastewater treatment and reduce pollution in Lake Marriout. The World Bank, GIZ and Alexandria Governorate collaborated in conducting rapid appraisals in 20 informal settlements. The IFC provided resources to conduct a technical study aimed at improving the business-enabling environment and promoting local economic development in the city.

2.2.3 Knowledge and Tools: Promoting Learning between Cities and Countries

Cities Alliance members and their partners have identified a growing demand for access to lessons and good practices from cities and countries that have dealt with challenges of urbanisation. Countries such as Brazil and South Africa, both members of the Alliance and beneficiaries of grants, have been at the forefront of finding innovative ways to deal with slum backlogs and rethinking of models of city governance.

These lessons and good practices are now being shared with other cities and countries. For example, the city of Johannesburg has been mentoring the city of Lilongwe for some years, and Brazil is actively engaged in transferring knowledge and expertise to Mozambique in a tri-lateral collaboration with Italy and Cities Alliance.

2.2.4 Project Implementation and Impact on the Ground: The Evidence

As part of the Medium Term Strategy's corporate goal of continually seeking improvements in efficiency, the Cities Alliance commissioned an evaluation of the various project implementation modalities available to members. The results were published in March 2011. Key findings were:

- **Coherence of Effort:** Cities Alliance Open Access Grants were generally successful in getting members to work better together. Evidence through the Grant Facility showed that in those projects with strong partnerships and coherence of effort, results generally improved;
- **Project Quality:** Evidence from the detailed project reviews, and case studies, demonstrate that the CA has performed reasonably well in delivering value through knowledge inputs and reputational leverage; and
- **Additionality:** Through its Grant Support, the Cities Alliance has directly contributed to better development outcomes and impacts through:

- Leveraging new ways of participatory pro-poor planning; and
- Improving awareness and understanding of the drivers of urban poverty.

Knowledge and tools have also been key outputs in many grant funded projects over the years. Two such products that are worth mentioning are:

- The Guide to City Development Strategies: Improving Urban Performance; and
- The Urban Transition in Sub-Saharan Africa: Implications for Economic Growth and Poverty Reduction. These have undergone several reprints and guide has been translated into other languages (Hindi, Bahasa and Tagalog).

2.3 Re-positioning the Cities Alliance: Strengthening Partnerships and Joint Working

The rationale for re-positioning the Cities Alliance was based on a combination of the Secretariat's assessment, evidence from on-going evaluations and the deliberations of the Working Group on Governance. Specifically, the following factors informed the need to reposition the Cities Alliance:

- The need to better reflect the advantages of the Cities Alliance's location at the World Bank, while still retaining the distinct identity of the organisation;
- The importance of actively engaging more Members in the range of activities supported by the Cities Alliance and building strong partnerships for better results;
- Evidence that coherence of effort is far more effective through a more programmatic approach to member collaboration;
- The importance of making a major contribution to improving aid effectiveness; and
- The need to improve financial and programme accountability by adopting a results-based framework.

The endorsement of a new Charter by the Cities Alliance Consultative Group during the past year was the culmination of a three-year period of reflection, debate and change in the organisation. Assessments were made about the comparative advantages and value added of the Cities Alliance and what produced the best and most cost-effective results. The Secretariat developed a Theory of Change, to guide its interventions. Questions were asked about how to improve impacts, especially in low income countries and under-resourced secondary cities, and about how to better engage CA members. A medium-term strategy was formulated and implemented, which had the desired result of decisively moving the organisation in a more strategic and programmatic direction, and the consequential evolution of its products and instruments.

The new Charter, adopted unanimously by the Consultative Group in November 2010, has greatly clarified the organisation's objectives by promoting and strengthening the role of cities and local governments, which had previously been ignored by national governments and development agencies. To achieve this goal, and signal the importance of improving aid effectiveness, members decided to reposition the Cities Alliance as a Global Partnership, and ensure that they complement and leverage each others' unique strengths.

This decisive shift to a Partnership requires significant changes in the CA's business model, and a substantial redefinition of the role of the Secretariat. Overall, this transition seeks to build upon the excellent reputation achieved by the Cities Alliance in its first decade, and move to new levels of

operation. Even at this early stage, the Secretariat has been able to identify major advances associated with the new business model.

The purpose of this document, the Cities Alliance's first business plan, is to lay out the next steps for implementing the Charter, significantly increasing the CA's contribution to urban poverty reduction and for realising the vision of cities without slums that Nelson Mandela articulated at the launch of the Cities Alliance in Berlin in 1999.

2.4 Main Services of the Cities Alliance

In line with the Charter and the new business model, the Secretariat is now focused on leveraging the capabilities of CA members, and on actively facilitating the Cities Alliance as a partnership. Together, these should greatly enhance both the coherence of effort amongst CA members, and the effectiveness of CA assistance. The main service lines are listed below and are described in detail in chapter 4:

- Country Partnership Programmes;
- Catalytic Fund and Grants;
- Knowledge and Learning;
- Advocacy and Communication.

2.5 Strategic Challenges and Choices for the Alliance

The business plan addresses several key strategic challenges central to operationalising the Charter and increasing results, among them:

- Making the Cities Alliance the effective global partnership focused on cities, and urban poverty reduction
- Making a significant contribution to overall aid effectiveness;
- Supporting those African cities and national governments wishing to respond effectively to rapid urbanisation;
- Actively promoting the role of cities in sustainable development;
- Maximising outcomes from the on-going Cities Alliance grant portfolio (more than \$60m allocated over past five years);
- Continually improving the efficiency of grant-making instruments;
- Effectively implementing the CA results framework; and
- Mobilising the additional resources necessary to invest in the business plan.

The Cities Alliance now occupies a prominent niche in the international development aid architecture, supporting city and national and local governments to optimise the role of cities in inclusive economic development and poverty reduction, on a budget of US \$15 million per year. While much can be – and

has been – achieved with even small amounts of funding, it is vital that Cities Alliance members mobilise new levels of resources.

To address these vital challenges, strategic choices need to be made. The first and main strategic choice proposed in this Business Plan is for the Cities Alliance to focus on leveraging the partnership during the FY12–FY14 period. Every staff member and every product line will focus on maximising the impacts to be gained from CA inputs. The priorities will be to:

- Maximise CA member comparative advantages, capacities and inputs;
- Optimise core CA financial resources by leveraging additional financial resources for CA member programmes and projects;
- Optimise outcomes from the large portfolio of CA-funded technical assistance and knowledge projects; and
- Increase efficiencies in the delivery of the CA work programme.

This Business Plan seeks to use the enhanced relationship with the World Bank as a platform, and rapidly grow the Cities Alliance through improved outcomes from its existing capacities and funding stream, and through the mobilisation of significant new resources for the new CA service lines.

The Secretariat believes that these resources can be mobilised by demonstrating the significant advantages of the new business model:

- The demonstrable advantages of the Country Programmes approach;
- The flexibility, innovation and improved quality associated with the Catalytic Fund; and
- The enormous potential of leveraging CA members where their work programme complements the agreed priorities of the Cities Alliance.

3. Corporate Objectives and Results

3.1 The Role of the Cities Alliance in International Urban Development Cooperation

The new Charter adopted in 2010 defines the Cities Alliance as “a global partnership for urban poverty reduction and the promotion of the role of cities in sustainable development”. It clearly states that:

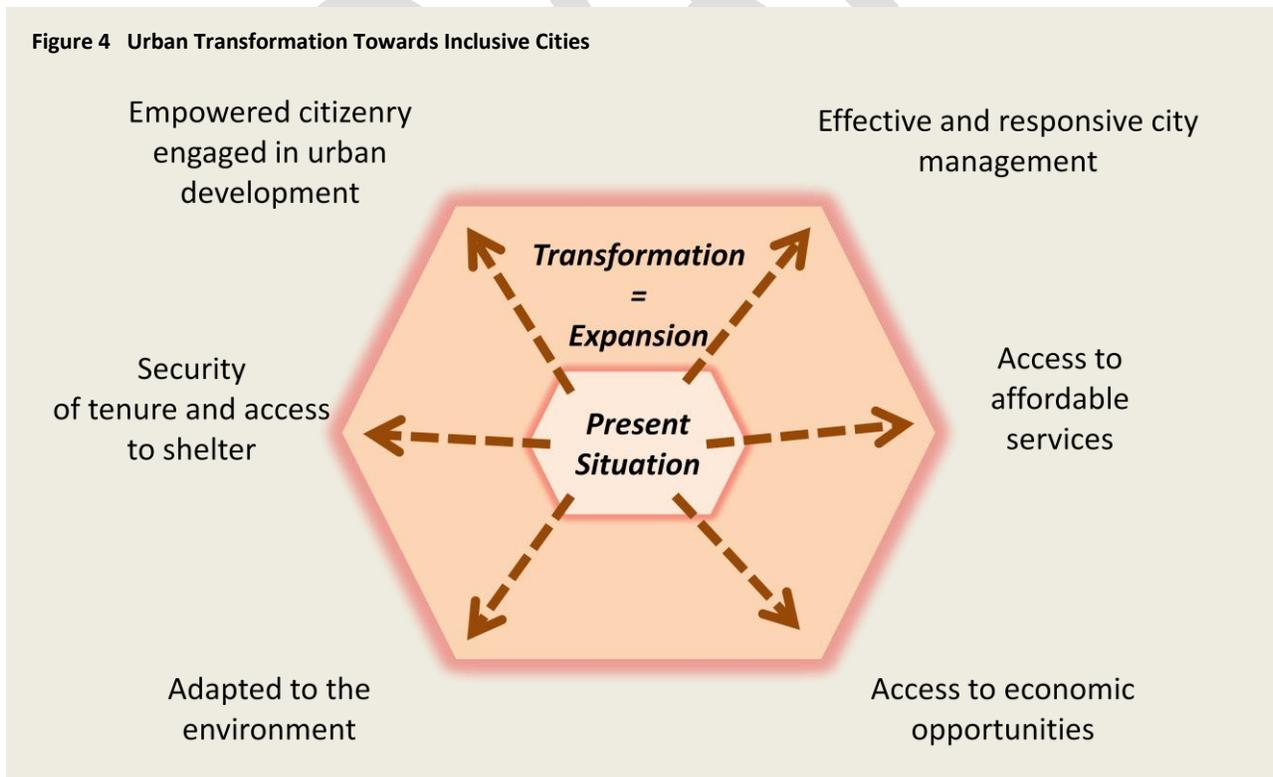
“The Cities Alliance is governed by three over-arching objectives:

- To strengthen and promote the role of cities in poverty reduction, and in sustainable development;
- To capture and strengthen the synergies between and among members and partners; and
- To improve the quality of urban development cooperation and lending.”

3.2 The Cities Alliance Approach to Change

Cities Alliance’s Theory of Change is based on its mandate, comparative advantages and track record. It follows a policy advisory approach with cities local governments and key stakeholders at the core. The concept of Inclusive Cities covers the dimensions of sustainable development, and refers to the responsiveness of local governments, the engagement of citizens, accessibility of services, land, housing, and economic opportunities, and the adaptation to the environment through policies designed to promote Green Growth. All working from the present reality in a transformation process towards inclusive cities as shown in Figure 4.

Figure 4 Urban Transformation Towards Inclusive Cities



3.3 Results Framework

To operationalise the overarching objectives for the purpose of results-based management, the Cities Alliance will adopt a results framework with a corporate goal expressing the long-term (five-year-plus) outcome, and four corporate objectives related to the Business Plan FY 2010 – 2014.

The results based management will be developed over time. Initially, the monitoring will focus on the intermediate outcome level and the use partners and members make of the services provided by the Alliance. The initial set of indicators can be complemented and refined in parallel with the Alliance's capacity to both monitor progress towards their achievement and take corresponding managerial decisions. Similarly, monitoring at the longer-term outcome level, poverty reduction and sustainable development will be incrementally developed over time.

Cities Strengthen their Role in Poverty Reduction and in Sustainable Development

Indicators: A “strengthened role” is reflected in improvements observed in one or more of the six dimensions of inclusive cities (empowered citizenry, responsive governments, access to services, access to housing and security of tenure, adapted to the environment, access to economic opportunities). These improvements must be plausibly related to CA support. Such improvements will have to be assessed on a case by case basis, analysing regulatory frameworks, governance mechanisms, investment schemes, policies, CDS, SU-projects, etc.

Indicators 2012-2014

National governments improve the urban policy frameworks

- 1) National governments in at least 5 countries established dialogue platforms with stakeholders to inform national policies;
- 2) National governments of at least 10 countries enhanced their knowledge base of inclusive urban development;
- 3) National governments of at least 5 countries mobilised additional finance for investment in inclusive urban development;
- 4) National governments, local governments, civil society organisations and private sector cooperated in at least three countries to implement urban development policies.

Cities initiate and enhance urban transformation processes towards inclusive cities

- 1) At least 30 cities elaborated CDS or SU strategies with significant stakeholder participation;
- 2) At least 10 cities integrated environment and climate change dimensions into their CDS/SU planning processes and programme implementation;
- 3) At least 20 cities initiated monitoring and reporting on low-income neighbourhoods/slums to inform planning and investment decisions;
- 4) Local governments of at least 10 cities mobilised additional finance for investment in inclusive urban development;
- 5) Local governments, civil society organisations and private sector cooperated in at least 15 cities to implement urban development policies.

CA members articulate their policies on urban poverty reduction and sustainable development

- 1) At least 8 CA members contributed to complementary results in country programmes;
- 2) At least 10 projects funded through the CATF are effectively supported by 2 or more members;
- 3) At least 6 members contributed in joint work programmes to common policies or methodologies;
- 4) At least 6 members contributed to regional urban policy dialogues among CA members and country partners;
- 5) The CA Consultative Group adopted at least three policy papers based on CA experiences.

CA partner cities and national governments engage in partnerships

- 1) At least 30 cities engaged in learning exchanges with peer cities to enhanced the elaboration or implementation of CDSs and SUs;
- 2) At least 5 countries engaged in learning exchanges on national SU approaches;
- 3) At least 5 countries engaged in learning exchanges on State of the Cities Reports;
- 4) At least three CA members and five partner countries engaged in collaboration with training institutes and universities on inclusive and sustainable city development.

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4. Services, Results 2012 – 2014, Budget and Strategic Choices

4.1 Country and Regional Programming

4.1.1 Programmatic Approach

The Medium-Term Strategy (2008-2010) led to the development of longer-term and more programmatic CA instruments. The first was the Country Work Programmes (CWP), where government counterparts and CA members developed a prioritized set of activities for SU and CDS activities in the country over a two or three year period. Funding from the Gates Foundation in 2009 spurred the development of an evolution of this instrument, Country Partnership Programmes, which brings more focus on building partnerships and coherence of effort around longer-term support. Regional work programmes are an adaptation of the CPP approach, to support activities that cut across individual countries in a region.

4.1.2 Country Work Programming (CWP)

Country work programmes are structured around clearly identified priorities relative to the support that Cities Alliance can provide. These priorities are jointly identified and inform the CA investments in these countries. The work programmes are reviewed periodically to ensure that priorities are maintained and remain relevant.

Country Work Programming: Base Line Work Programme

The baseline focus during FY12-FY14 will be to complete implementation of the previously-approved CWP portfolio (over \$X million on-going activities at end of FY11), supplemented by a small amount of additional programming focused on leveraging outcomes from the portfolio and to share lessons and experiences through South-South cooperation.

- **Brazil.** Generating cutting-edge and internationally relevant knowledge and experience vital for the next phase of the Cities Alliance. This includes the lessons of integrating Brazilian Cities through interventions such as the City Statute, the management of very large-scale upgrading programmes, the management of resettlement challenges associated with global events such as the Football World Cup and the Olympic Games - all viewed from the perspective of the sustainable city, and the needs of the urban poor. Agreement has already been reached for trilateral co-operation between the Cities Alliance, Brazil and Italy in sharing slum-upgrading lessons in Mozambique.
- **Philippines.** With the active support of the Government, the League of Cities of the Philippines turned the City Development Strategies (CDS) into the primary development vehicle for transforming Filipino cities, with the majority of cities having undertaken their own, individual CDS. The Cities Alliance and Government of Philippines have now developed a Country Work Programme that moves these lessons to scale. The launch of the Philippines Urban Consortium in 2010 created the platform for a new policy dialogue, and for national replication. More recently, CA support was provided for development of a national slum upgrading strategy, as part of the move towards a more programmatic approach, and the need to deliver at scale.
- **South Africa.** Substantial Cities Alliance support for citywide slum upgrading strategies, city development strategies and innovative knowledge products, including the very influential State of the Cities Reports (2004 and 2006), are being leveraged nationally, regionally and globally. The Cities Alliance-supported National Upgrading Support Programme (NUSP) has led to the setting of new targets and budget for in-situ upgrading in South Africa's urban areas. Working with the Cities Alliance, South Africa's cities are becoming increasingly sought-after sources of support and knowledge exchange with cities in neighbouring countries, and know-how for State of Cities reporting is being transferred to other countries in the region.

- **India.** Supporting an increasingly ambitious urban agenda of Government of India, including knowledge support to the Jawaharal Nehru National Urban Reform Mission (JNNURM) focused on city reform, and to the Rajiv Awas Yojana (RAY) focused on a national slum upgrading programme. Will focus on provision of more targeted and effective support on the key issues of city reform, a more wholesale approach through national networks of practitioners, and sharing and learning from national and international good practice.

Country Work Programming: Scaling Up Social Exclusion and Urban Poverty

There is still significant demand for CA support for these countries, particularly for the newest of the CWPs, the India programme, which is dealing with urbanisation and urban poverty on an unprecedented scale. There is also considerable demand for increased South-to-South cooperation, where these four countries increasingly become providers of knowledge and assistance.

4.1.3 Country Partnership Programmes (CPP)

The objective of CPPs is to help developing countries respond to urbanisation by supporting the emergence of a more effective urban agenda centred on sustainable, inclusive cities. Towards this end, Cities Alliance focuses on improving the partnerships among national and local governments, urban poor communities, CA members and other role players.

CPPs consist of two inter-related components:

1. A **Framework** to enhance the cooperation system among national and local governments, urban poor communities, Cities Alliance members and other partners; and
2. **Funding** to complement CA member and partner activities by filling action or knowledge gaps.

The types of activities supported under CPPs typically include:

- National urban policies;
- City development strategies;
- Slum upgrading strategies;
- Dialogue platforms;
- Community mobilisation initiatives;
- Institutional capacity building activities;
- Advocacy and awareness strategies;
- Knowledge generation activities; and
- State of the Cities Reports or Urbanisation Reviews.

Designed to offer medium to longer-term support, a Country Programme will concentrate on helping all stakeholders to focus on the key areas that contribute to a successful urban transformation process, as defined by the Cities Alliance Theory of Change. These include:

- Engagement in **meaningful dialogue** and cooperation;
- Increased **awareness** of the situation of the urban poor;
- Enhanced **knowledge** of inclusive urban development;
- Elaboration of inclusive urban **strategies, policies and plans**;
- Identification of possible investment partners, and development of policies designed to **mobilise finance** in support of inclusive urban development;
- **Adjustment of their organisations** to support inclusive urban development; and
- **Implementation** of inclusive urban policies, strategies and plans.

Emphasis on, and achievement of, these results will vary throughout the implementation of a CPP. Initially, there will be a strong focus on increasing awareness and knowledge; mid-way through a CPP, it can be expected that dialogue and planning processes would be underway. Only during a second round of funding will policies, strategies and plans reach actual implementation. The Cities Alliance currently has five CPPs at various stages:

- **Uganda:** At the national level, the Uganda CPP is supporting the Government of Uganda to develop a national urban policy and strategic urban development plan and to establish a National Urban Forum. The CPP is supporting five secondary cities – Arua, Jinja, Kabale, Mbale and Mbarara – to develop leadership capacity, establish municipal development forums and prepare city development strategies and slum upgrading strategies.

In those five cities the CPP is supporting communities of the urban poor to mobilise through savings schemes and mapping and enumeration of slums and to actively participate in city planning and development processes. The programme is also establishing Community Upgrading Funds in the five cities to support small-scale community improvement projects.

To date, the Uganda CPP is helping to frame a World Bank investment programme of \$130 million in 13 secondary towns, including the five CPP towns. It has also been independently replicated in Kampala, with support from DFID and Water Aid.

- **Vietnam:** In support of the Government of Vietnam's agenda to scale up urban upgrading to a national scale, the CPP includes several activities: a national urbanisation review, strengthening the Vietnam Urban Forum, and developing a framework to operationalise the Government's National Urban Upgrading Plan.

The CPP also includes training for local authorities in strategic urban management and capacity support for the Association of Cities of Vietnam (ACVN) to play a critical role in national knowledge dissemination and replication related to urban upgrading and city development. At the community level, the CPP is supporting the expansion of the Community Development Fund Network to implement and scale up small-scale community upgrading projects.

- **Ghana:** The Ghana CPP, which focuses on the Greater Accra Metropolitan Area, aims to support the Government of Ghana as it develops a national urban agenda focused on inclusive urban development. The CPP will also support the Urban Development Unit in the Ministry of Local

Government and Rural Development, the consolidation of the Ghana Urban Platform, and advocacy and awareness raising.

At the local government level, the CPP will support a municipal training programme to build the institutional leadership of both the operational and political areas of local governments. The CPP will support urban poor communities to establish slum dweller federations and the creation of a Community Social Investment Fund to support small-scale community improvement projects.

- **Burkina Faso:** The CPP in Burkina Faso is at a very early design stage. Some preliminary issues are being identified that will define the emerging programme, including:
 - 1) Clearly identifying urban and supporting its needs in the decentralisation policy debate;
 - 2) Leveraging the Ouagadougou CDS that was previously supported by Cities Alliance and growing traction on slum upgrading within Ouagadougou; and
 - 3) Providing much needed support to secondary cities.
- **Mozambique:** Though not officially identified by the ExCo as a CPP country, the past and current portfolio of CA and member activities lends itself well to developing a strategic framework within which these initiatives fit and identifying gaps for additional assistance.

In doing so, the centrepiece of the proposed CPP would be the initiative of Brazil and Italy to bring the Bahia slum upgrading experience to upgrade a specific settlement of Maputo called Chamanculo C, which will also receive Cities Alliance support, and to ensure synergy with the World Bank's Pro-Maputo project. The emerging framework for a CPP could include:

- 1) Documenting the lessons learned in Chamanculo C;
- 2) Developing a national slum upgrading training programme;
- 3) Linking the city development and slum upgrading work currently being supported by the Cities Alliance in Nampula to a national policy framework; and
- 4) Mobilising investments for replication.

Country Partnership Programmes: Base Line Work Programme

The base line priority during FY12-FY14 will be implementation of the five CPPs noted above as part of the Land, Services & Citizenship Programme, utilizing project funding provided by the Gates Foundation, supplemented by small amount of Core funds from the Cities Alliance.

Country Partnership Programmes: Scaling Up

Significant demand has been expressed from CA members for more Country Partnership Programming. The CA secretariat will work with CA members to mobilize new resources to meet the demand for this powerful instrument of development cooperation.

Box 3: Country Partnership Programmes: Initial Results

- There are now national urban forums in Uganda, Ghana and Vietnam.
- In Ghana, the country programme has mobilised AFD, GIZ, Habitat for Humanity International (HFHI), Shack/Slum Dwellers International (SDI), UN-HABITAT, and the World Bank
- Slum dweller federations in Uganda, Kenya and Tanzania have been strengthened.

Country Partnership Programmes: Expected Outcomes

- Improved governance and accountability through institutional reforms and dialogue;
- Improved management of urbanisation through inclusive policy and plans;
- Improved service delivery through resource mobilisation and partnership; and
- Improved household livelihood security through local community planning and mobilisation.

Country Partnership Programmes: Deliverable

- National urban policies;
- City development strategies;
- Slum upgrading strategies;
- Dialogue platforms;
- Mobilised communities;
- Institutional capacity building;
- Advocacy and awareness raising;
- Knowledge generated;
- State of the Cities Reports; and
- Urbanisation Reviews

Results	Description	Indicators
Result 1	10 countries are engaged in meaningful dialogue and cooperation	Number of national and municipal forums institutionalised
Result 2	500 national and 1,250 local elected representatives have increased awareness of the situation of the urban poor	Number of community inputs to forums; number of positive media stories
Result 3	200 national and 900 local government officials have enhanced knowledge of inclusive urban development	Number of participants in trainings, cross visits
Result 4	30 municipal level and 5 national level processes to elaborate inclusive urban strategies, policies and plans underway	Evidence of strategies, policies and plans
Result 5	5 countries have mobilised new finance in support of inclusive urban development	Amount of increase in investment in inclusive development (programmed and/or executed)
Result 6	5 national level and 20 municipal level institutions have adjusted their organisations to support inclusive urban development	Number of institutional changes initiated
Result 7	0 national/municipal level implementation of inclusive urban policies, strategies and plans	Dependent on 2 nd cycle of funding

Country Partnership Programmes: Risks and Mitigation Measures

CPPs are designed to address some of the most difficult development challenges in urban policy, particularly the reluctance or inability of many governments to respond to rapid urbanisation. Typical risks associated with this approach include the threat of mass evictions, corruption and embezzlement, and the inconsistent application of policies. In addition, there is a wide range of developmental and social risks, including significant urban environmental degradation, the inefficient use of limited resources, and widespread social exclusion, including the marginalisation of youth.

Failure to comprehend and anticipate the scale and impacts of urbanisation, and to promote the role of cities in the social and economic management of this transformation, has the potential to significantly weaken the economic and social prospects of already-poor developing countries. Quite simply, the mismanagement of the urbanisation process has the potential to dramatically exacerbate the incidence of both urban and rural poverty, and expose the poor to increased risks, both natural and man-made.

The primary external risk mitigation strategy of the Country Programme is the identification of partner governments committed to addressing the challenges of urbanisation in a pro-active and inclusive manner, and through the honest assessment of the major difficulties and challenges.

In addition, a number of mitigation measures will be standard across CPPs. These include:

- Financial management and procurement assessments of grant recipients;
- Application of World Bank environmental and social safeguards policies.

- Multi-layered programme management/monitoring system consisting of In-Country Steering Committee, Lead CA Member, CA Secretariat
- The sharing of lessons and experiences, especially from amongst the CA's middle income members and partners.

A key internal risk is the ability to provide grants in a timely manner. One mitigation measure is to seek partnerships to provide upfront co-financing for selected activities.

4.1.4 Regional Work Programming (RWP)

While country programming provides systematic and longer-term strategic assistance to a limited number of countries, and the Catalytic Fund provides short-term funding for a limited number of projects, regional work programming will provide systematic and longer term strategic activities across a larger number of countries, focused on regional issues, opportunities and partnerships. Regional work programming will help fill the gaps between discrete country programming and city/country project funding.

Regional programming is approached through a similar process as Country Partnership Programmes, where CA members come together with local and national government representatives and partners to identify important strategic opportunities to promote and strengthen the role of cities in the region. This can include:

- South-to-South learning and knowledge sharing;
- Policy advocacy;
- Platforms for partnership and connecting networks; and
- Dissemination of CA/member knowledge, tools and other resources.

A RWP would also have the purpose of leveraging and mobilizing resources for Country Partnership Programmes and other regional actions.

The first RWP is being developed for Sub-Saharan Africa, as was prioritized at the November 2010 meeting of the CA Consultative Group, and ratified in its new Charter.

Regional Work Programming: Baseline Work Programme

The RWP for Sub-Saharan Africa will be developed and implemented, including on-going work programme agreements with the World Bank's Africa region for regional policy advocacy and other activities in support of the Bank's new strategy and decentralization lending programme in the region; and with the University of Cape Town's African Centre for Cities in support of country State of the Cities Reports and building a knowledge platform around them. Baseline funding during FY12-FY14 will be used to support development of a more systematic partnership platform in Sub-Saharan Africa, and begin development of a RWP in one or two other regions.

Regional Work Programming: Scaling Up

There is need and demand for a much expanded RWP in Sub-Saharan Africa (and in its sub-regions), to keep pace with the challenges of an extremely rapid urbanization process. A bold and strategic work programme will be developed and resources mobilized with CA members active in the region. Based on demand from CA members and their clients, work programmes could also be developed and funding

mobilized for other regions. In particular, the timing might be good to scale up support of cities in the Middle East and North Africa region, building upon the considerable CA portfolio.

4.2 The Catalytic Fund: Improving Quality and Promoting Innovation

After ten years of operation, the open grant facility of the Cities Alliance has been replaced by the Catalytic Fund (CATF). The basic concept of both instruments is the same: to provide financial and technical support to local or national initiatives for poverty oriented city development and slum upgrading. The catalytic fund refined the selection criteria and tools and introduced a competitive selection process.

The open grant facility supported more than 200 projects over ten years. The Catalytic Fund was launched only recently. It secures the global reach of the Cities Alliance, focuses on cities, and strengthens the partnership by connecting cities among themselves and with their development partners (sponsors).

The Catalytic Fund will support the transformation processes that promote inclusive cities by complementing the policies and programmes of the respective national or local governments, with the support from CA members. Partners will receive the internationally recognised knowledge that CA members provides, as well as quick and flexible responses.

The Catalytic Fund provides an excellent opportunity for the international urban development community to observe and learn from urban transformation processes around the world, and compare different approaches and policies to urban poverty reduction and the role of cities in sustainable development.

To maintain the global reach of the Cities Alliance, initiate and consolidate urban transformation processes and to capitalise the knowledge for the broader development community, the following services and deliverables will be needed in the next three years:

- Adopt flexible and responsive grant making procedures to maintain the comparative advantage of the CATF;
- Announce one or two calls per year for project proposals;
- Undertake transparent and sound selection of project proposals; and
- Organise and manage peer-to-peer events and learning platforms for urban practitioners from CATF cities and CP countries (See section 4.3 on knowledge and learning).

Catalytic Fund: Current Budget – The Baseline

In this baseline scenario the Catalytic Fund would be budgeted and staffed to support and monitor approximately 10 projects per year worldwide. This number can be considered as the absolute minimum threshold need for the CA to maintain global relevance. There would be one call for proposals per year, and if 10 projects per year were approved with a duration of three years, the portfolio would increase until FY 2015, when it would stabilise at approximately 30 projects. Starting in FY 2013, one peer learning event would be organised for practitioners from Catalytic Fund grant recipients. The FY 2013 start date would allow the projects time to make some progress (See also K+L section).

DELIVERABLES

FY 2012	FY 2013	FY 2014
<ul style="list-style-type: none"> • One call for proposals; • Selection and approval of approximately 10 projects; • Grant making of 10 projects; and • Monitoring progress of projects approved in previous years, total portfolio 7 projects. 	<ul style="list-style-type: none"> • One call for proposals; • Selection and approval of approximately 10 projects; • Grant making of 10 projects; • Monitoring progress of projects approved in previous years, total portfolio 17 projects; and • Organisation of one peer learning event (see also K+L section). 	<ul style="list-style-type: none"> • One call for proposals; • Selection and approval of approximately 10 projects; • Grant making of 10 projects; • Monitoring progress of projects approved in previous years, total portfolio 27 projects; and • Organisation of one peer learning event (see also K+L section).

Catalytic Fund: Strategic Choice – Increased Budget; Catalysing Change and Knowledge

This option duplicates CATF grant numbers and strengthens its K+L edge. If 20 projects per year were approved, running over a three-year period, the portfolio would stabilise in FY15 at 60 projects. Assuming that one staff member can effectively monitor and support a project portfolio of 12-15 projects, CA Secretariat staffing would need to be increased markedly as the portfolio grows over time. There would be two calls for proposals per year and the corresponding selection and approval processes.

Effect of this Choice on CA Objectives			
National Policies	Urban transformation	CA member policies	Partnerships
Higher impact	Much higher impact	Higher impact	Much higher impact

On the K+L side, starting in FY 2013 to give the projects time to make some progress, two peer learning events would be organised for practitioners from Catalytic Fund projects. Major effort will also be dedicated to the production and dissemination of the relevant outputs and case studies (see also K+L section).

With the increased number of grants, the call for proposals for the Catalytic Fund could focus on a specific subject, e.g. green economy, climate resilience of the urban poor, promoting the role of women in cities, securing land for growth, etc. The subjects would be defined by the Consultative Group. Consideration could also be given to undertaking a particular call for proposals in partnership with a non-CA member, who could make a financial contribution and benefit from CA's name and administrative machinery. The critical mass of project experiences generated through each call for proposal and their backing through the sponsoring CA member would be fed into policy dialogues (see K+L section), to impact on urban policies of both partner countries and CA member corporate polices. This critical mass would also effectively position the issues and experiences on a national (urban fora), regional (AMCHUD, AfriCities) or global agenda (Rio+20, WUF).

DELIVERABLES

FY 2012	FY 2013	FY 2014
<ul style="list-style-type: none"> • One call for proposals; • Selection, approval of around 10 projects; • Grant making of 10 projects; and • Monitoring progress of projects approved in previous years. Total portfolio: 7 active projects. 	<ul style="list-style-type: none"> • Two calls for proposals; • Selection, approval of around 20 projects; • Grant making of 20 projects; • Monitoring progress of projects approved in previous years. Total portfolio: 27 active projects; and • Organisation of one peer learning event (see also K+L section). 	<ul style="list-style-type: none"> • Two calls for proposals; • Selection and approval of around 20 projects; • Grant making for 20 projects; • Monitoring progress of projects approved in previous years. Total portfolio: 47 projects; and • Organisation of two peer learning events (see also K+L section).

4.3 Knowledge and Learning: An Asset to Be Fully Mobilised

Since its foundation over ten years ago, the Cities Alliance has supported more than 200 projects, mostly for City Development Strategies (CDSs) and Slum Upgrading (SU). In addition to classic strategic plans, the projects produced analytical work and training material on finance, environment, local economic development and other urban issues. The ongoing country programmes and projects from the Catalytic Fund continue generating how-to-knowledge, based on experiences on the ground. This wealth of experiences puts the Cities Alliance in a unique position to provide coherent, field-tested approaches, methodologies and experiences to urban practitioners and policy makers.

Over the years, the Cities Alliance has invested significant amounts in knowledge generation, which now needs to be matched with equally significant efforts for processing and effective dissemination. The Cities Alliance helps mobilise this knowledge and feed it into the daily work routines of urban practitioners and inform urban policy making.

From the viewpoint of cities and national governments, an overwhelming array of tools and instruments for urban management and planning have been developed over the past few years alone, with support from the CA or others. Examples include city indicators and indices, vulnerability and capability assessments, and planning data tools. As an increasingly effective partnership, the Cities Alliance provides platforms for development partners to work together on common approaches. Working jointly means thinking jointly; it therefore leads to a convergence of concepts and methodologies of the parties involved. Joint Work Programmes (JWPs) among CA members and with a number of renowned institutions have produced significant guidelines and reports, ultimately with a strong focus on cities and climate change.

To move towards a programmatic approach to knowledge management, these **services and deliverables** will be needed in the next three years:

- Production of learning and teaching materials based on CA's field-tested knowledge, targeting current and future urban practitioners, using web, print and multimedia;
- Organisation and management of peer-to-peer events and learning platforms for urban practitioners from CATF cities and CP countries;
- JWPs of CA members engaged in a specific subject, working jointly to develop common approaches and methodologies for that subject;

- Policy dialogues among CA members for the adoption of common policies; and
- Policy dialogues among CA members and partners to inform national and local urban policies.

Knowledge and Learning: Baseline Results

The CA Secretariat will continue processing information provided by CA funded projects, systematise them in the project database, and feature selected project outputs on the CA website. Under current budget conditions, financing would be available for one Joint Work Programme per year and one peer learning event for practitioners from Catalytic Fund grant recipients.

DELIVERABLES		
FY 2012	FY 2013	FY 2014
<ul style="list-style-type: none"> • CA Knowledge Resource Database launched; • 4 CA publications disseminated, CIVIS continued (4); • Peer-exchange among 8 CATF cities established, one learning event among them conducted; and • Outputs from JWPs (environment, climate change, National Slum Policies etc.) delivered and disseminated, one new JWP established (e.g. MENA). 	<ul style="list-style-type: none"> • CA Project Database fully updated, linked with CA member sites and promoted for public use; • CA Knowledge Resources Database fully updated, linked and promoted for public use; • 2 CA publications disseminated, CIVIS continued (4); • Peer-exchange among 18 CATF cities is effective, one learning event among them conducted; and • Phase II of JWP environment, climate change, SU policies or one new JWP, new JWP from FY 2012 continued. 	<ul style="list-style-type: none"> • Knowledge Resources Database is fully updated and used by the public; • 2 CA publications disseminated, CIVIS continued (4); • Peer exchange among 30 CATF cities is effective, two learning events among them conducted; and • JWP from previous years continued, outputs delivered and disseminated.

Knowledge and Learning: Strategic Choice: Scaling Up – Partnering for Policy Impacts

Under this strategic choice, the Secretariat would contribute seed funding and classic secretarial functions. However, the overall dynamic and the bulk of resources in terms of staff time and monies would be channelled from members to Joint Work Programmes and policy dialogues on priority themes and regions.

Effect of this Choice on CA objectives against Baseline Scenario			
National Policies	Urban transformation	CA member policies	Partnerships
Much higher impact	Much higher Impact	Much higher Impact	Much higher Impact

In Joint Work Programmes, the CA partners would agree on priority themes suitable for a common approach and work jointly on approaches, methodologies and tools to be promoted by the CA as recommended standards.

The same approach would also be used to mobilise the wealth of experiences generated by CA projects, synthesise it into learning material and make it available to professional associations of planners and engineers as well as universities for training of urban professionals.

In addition, members and Secretariat could match their existing networks and resources to provide learning opportunities not only for their partners individually, but for all eligible CA partners in the sense of a CA community of practitioners.

Building on the insights and agreements reached through joint work, well-prepared policy dialogues would leverage the knowledge to impact on urban policies of both partner countries and CA member corporate polices. The policy dialogues would be designed as a mix of analytical work, policy elaboration and political debate under the leadership of CA members. The dialogues would be especially effective when supported by a “critical mass” – several renowned CA members – to position prioritized issues or approaches on a national (urban fora), regional (AMCHUD, AfriCities) or global agenda. (Rio+20, WUF).

DELIVERABLES		
FY 2012	FY 2013	FY 2014
<ul style="list-style-type: none"> JWPs on environment and climate change (UNEP, WB, UNH): outputs delivered, agreement among some CA members on implementation of selected tools (e.g. Greenhouse Gas Standard, Urban Risk Assessment, Handbook on Adaptation for Mayors); 2nd phase of JWP conceptualised Policy recommendation derived from SU case studies discussed and endorsed by CA members at policy dialogue event Policy recommendations on inclusive cities, CDS, SU, climate endorsed by CG and presented at Rio+20 New JWP on SOCR - Approaches, methodologies and experiences of SOCR discussed, recommendations endorsed by CA members and partners, peer exchange among SOCR teams established New JWP on CDS and inclusive urban management/MENA / Youth established New JWP on improving urban management education with universities established discussion note series established (4) 	<ul style="list-style-type: none"> (New) policy recommendations for CA members and partners on CDS, SU, climate agreed on and endorsed by CG and presented at WUF Naples CA members present their experiences with the application of CA approaches and methodologies at WUF New JWP on CDS and inclusive urban management/MENA / Youth fully operational Training material for improving urban management education elaborated and endorsed by partner universities Bi-annual Africa Regional Urban Policy Dialogue has taken place All publications/ knowledge products of legacy portfolio published 	<ul style="list-style-type: none"> (New) policy recommendations for CA members and partners on CDS, SU, climate agreed upon and endorsed by CG during policy dialogue event Outputs on New JWP on CDS and inclusive urban management/MENA / Youth (delivered; policy recommendations elaborated and endorsed Universities engage in CA policy dialogues and CA activities

Learning from the Legacy Portfolio: Foundation of the Cities Alliance’s Success

The active legacy portfolio comprises all projects financed out of the Open Grant Facility, so it was the backbone of the Cities Alliance until the adoption of the new business model with its Country Programmes and the Catalytic Fund. As of end of FY 2011, the active legacy portfolio consisted of approximately 110 operationally active projects, with a total investment from CA funds of \$40million.

These projects continue to deliver practical results, as well as valuable knowledge and lessons. The portfolio needs to be monitored, administered and the wealth of knowledge capitalised, with correspondent implications for resources and staff capacity. Because of the size of the legacy portfolio and the correspondent budget implication, it is presented in this business plan as a specific section, even

though the concept and management approach is identical with the general knowledge management discussed in the previous section.

The Secretariat will continue to monitor and administer the portfolio to secure submission of agreed deliverables, fiduciary integrity and compliance with procedural regulations. As the Open Grant Facility was replaced by the Catalytic Fund, the Legacy portfolio will decrease over time, with most of its projects closed by FY 2014 or 2015 at the latest. Main **services** and **deliverables** in the next three years are:

- Monitoring of substantive project progress, revision of project outputs, processing for CA Project Database, and – in selected cases – for dissemination via web site or print media
- Grant management as described in section 5.4.

Strategic Choices

The grant management is a standardised work routine and follows procedural regulations and guidelines. The strategic choice to be made refers to the knowledge potential of the legacy portfolio.

Option A limits the knowledge management to processing the project outputs for the CA database, with the occasional publication of project products of interest for the broader Alliance.

Option B analyses and processes the knowledge across the portfolio, synthesising information clustered around a specific theme (e.g. environment), region or project type (e.g. upgrading strategies). This higher level of knowledge would be used to inform policies and development strategies or for the elaboration of training materials. Option B requires a dedicated engagement of CA members interested in a specific subject in a Joint Work Programme.

Information Management: Baseline Work Programme

In this baseline scenario the CA Secretariat would continue processing the information received from legacy projects, systematise it in the Project Database, and feature selected project outputs on the CA website.

DELIVERABLES		
FY 2012	FY 2013	FY 2014
<ul style="list-style-type: none"> • Project outputs uploaded to CA Project Database; • 2 publications produce and disseminated. 	<ul style="list-style-type: none"> • Project outputs uploaded to CA Project Database; • 2 publications produced and disseminated. 	<ul style="list-style-type: none"> • Project outputs uploaded to CA Project Database; • 2 publications produce and disseminated.

Information Management: Strategic Choice – Partnering for Impacts

In this option, the accumulated knowledge of the Legacy Portfolio would be processed mainly through the structures and resources of CA members, with a limited complementary facilitating role for the CA Secretariat. The CA members would agree on priority themes and work jointly on approaches, methodologies and tools to be promoted by the CA as recommended standards, to inform policy dialogues, or to produce learning materials and make them available to urban professional associations of planners and engineers as well as universities for training of urban professionals.

Effect of this Choice on CA Objectives			
National Policies	Urban transformation	CA member policies	Partnerships
Higher impact	Higher impact	Higher impact	Much higher impact

DELIVERABLES		
FY 2012	FY 2013	FY 2014
Legacy portfolio outputs screened and prioritized for knowledge products; 1st publications in process	<ul style="list-style-type: none"> • First batch of policy recommendations for CA members and partners on CDS, derived from knowledge of legacy portfolio agreed upon, endorsed by CG and presented at e.g.WUF Naples • Training material for improving urban management education elaborated • All publications/ knowledge products of legacy portfolio published 	<ul style="list-style-type: none"> • Last batch of policy recommendations for CA members and partners agreed upon, endorsed by CG and internationally presented • Universities engage in CA policy dialogues and CA activities

4.4 Communication and Advocacy: Communication for and among Partners

During the period of this Business Plan, the Cities Alliance will revise its communications strategy to support the Plan’s objectives. The main challenge that the Cities Alliance faces is that it is a relatively small organisation, with a very modest budget, yet is a significant player in an issue of increasing global significance, which profile needs to be enhanced in face of competing development funding priorities. Although the Cities Alliance does enjoy a positive name recognition, it is vital for the future growth of the organisation that it strengthens its position in promoting the role of cities in development, and that the results and impacts of all of its activities are effectively captured and acknowledged.

The Secretariat will also be preparing a new suite of basic information about the Cities Alliance, making clear the essential features of the new business model, and indicating to existing and future partners the best methods of engaging with the Cities Alliance. Additionally, the Partnership model of the Cities Alliance will also be reflected in our communications and advocacy activities, with the Cities Alliance both providing, and using, opportunities to leverage with members and external partners alike.

The new business model will also provide the Secretariat with an excellent opportunity to review the current communications vehicles utilised by the Secretariat, including leveraging the daily emerging benefits of social media tools and make the necessary adjustments to ensure that the Cities Alliance is sending out clear, consistent and effective communications and advocacy messages.

Main **services** and **deliverables** in the next three years are:

- CA website upgraded and maintained;
- Bimonthly newsletters produced and disseminated;
- Annual corporate report produced and disseminated;
- CA knowledge from project activities produced and disseminated;
- Support for the activities of the Policy Advocacy Forum;
- Support members' advocacy initiatives such as WBG's Urban Knowledge Platform and SDI's "Know Your City" campaign;
- Promotional material about the CA produced and disseminated;
- Continuous information flow between CA Sec and members;
- Preparatory and follow-up communication for ExCo and CG meetings; and
- Presentation of CA at conferences (WUF, others).

Corporate Communication: The baseline

In this baseline scenario the CA Secretariat would focus on the Communication of the Secretariat with CA members, and on positioning the CA in the international urban development community.*

*Note: Knowledge Dissemination is integrated into the K+L service line (section 4.3), and not considered in the deliverables and the budget presented below.

DELIVERABLES		
FY 2012	FY 2013	FY 2014
<ul style="list-style-type: none"> • CA website upgraded and maintained • 6 Newsletters produced and disseminated • Annual corporate report produced and disseminated • Promotional material about the CA produced and disseminated • Continuous information flow between CA Sec and members • Preparatory and follow-up communication for ExCo and CG meetings • Presentation of CA at conferences (WUF, others), intensity of the presentation has strong budget implications • Advocacy – support for PAF, members' campaigns 	<ul style="list-style-type: none"> • CA website maintained • 6 Newsletters produced and disseminated • Annual corporate report produced and disseminated • Promotional material about the CA produced and disseminated • Continuous information flow between CA Sec and members • Preparatory and follow-up communication for ExCo and CG meetings • Presentation of CA at conferences (WUF, others), intensity of the presentation has strong budget implications • Advocacy – support for PAF, members' campaigns 	<ul style="list-style-type: none"> • CA website maintained • 6 Newsletters produced and disseminated • Annual corporate report produced and disseminated • Promotional material about the CA produced and disseminated • Continuous information flow between CA Sec and members • Preparatory and follow-up communication for ExCo and CG meetings • Presentation of CA at conferences (WUF, others), intensity of the presentation has strong budget implications • Advocacy – support for PAF, members' campaigns

Corporate Communication: Strategic Choice – Advocacy for Cities

The advocacy messages from the Cities Alliance need to both lead and support the advocacy campaigns and messages of its members. The Cities Alliance is extremely well positioned to contribute to – and promote – advocacy campaigns such as the Urbanisation Knowledge Platform, which will also be running over the same period of the Business Plan, as well as the complementary World Urban Campaign.

Effect of this Choice on CA Objectives				
National Policies		Urban transformation	CA member policies	Partnerships
Much higher impact	higher impact	Higher impact	Much Higher impact	Higher impact

In general, the Cities Alliance will focus on global messages, such as the role that cities can, do and should play in sustainable urban development, and the many opportunities that can be captured through positive policy responses to urbanisation. Beyond the global messages, there is also a very clear role for the Cities Alliance to try and influence policy design, at both the city and national level, by focusing on policies that are known to have a major, positive impact, based on evidence from different parts of the world (and emanating from our K&L activities).

Further, there are specific policy issues where we believe a targeted advocacy intervention by the Cities Alliance can create a framework for our members to reinforce key approaches – a good example would be the urgent need for developing countries to formally include incremental approaches in the development of national housing / slum upgrading policies.

Finally, advocacy needs to become a vital tool in the promotion of the **Cities Alliance as a Partnership**. This will include a range of possibilities: (i) the presentation of the CA Partnership at a global level / global events; (ii) the presentation of the specific partnership that relates to a particular country where the CA is supporting activities, such as Country Partnership Programmes in Uganda, Ghana or Vietnam; and (iii) the active promotion of the Cities Alliance as a partnership in CA member countries, highlighting to the domestic audience (parliament / policy makers / practitioners) the positive role played by countries (eg Norway, Brazil, Italy or South Africa, or other members, such as UCLG, and international NGOs such as HFHI and SDI).

Above all else, CA communications products and advocacy tools will be bold, clear and simple.

5. Governance, Management and Staffing

5.1 Governance Structure

The Governance structure of the Cities Alliance is summarised in the table below:

	Membership	Role & Functions
Consultative Group	24 Members. Co-chaired by UN-HABITAT and WB	Final decision-making body
Executive Committee	Permanent, rotating and non-voting members. Chaired by UCLG	Provides executive oversight on behalf of CG.
Secretariat	W. Cobbett (Manager) and all staff	Manage day-to-day operations of the CA and facilitate partnership
Policy Advocacy Forum	Clare Short (Chair)	Advocacy vehicle for CA

With the adoption of the new Charter, the Governance of the Cities Alliance has been updated to allow for the better management of the organisation's strategic direction, and improved oversight of the Secretariat. The Executive Committee is now permanently chaired by the Secretary General of UCLG (or his/her authorised representative), ensuring that the global organisation representing the constituency focus of the Cities Alliance is at the epicentre of its governance. For its part, the Secretariat is now charged with facilitating the CA Partnership, which is the cornerstone of the new model.

The Policy Advocacy Forum will adopt a more prominent role, in two primary functions: (i) Working closely with the Secretariat to raise the profile of the organisation and the issues that it addresses; and (ii) In serving as a vehicle to reach out to new constituencies, and to create platforms for promoting positive messages about cities, and Cities Alliance, at global, national and local levels.

Issues that will need to be addressed in FY12 include (i) the development of a strategy for engaging those global private sector organisations / networks that have expressed an interest in the issues, and in the Cities Alliance itself and (ii) expansion and strengthening of the PAF, which has the potential to become an extremely valuable and strategic tool for the Cities Alliance.

5.2 Management Structure

- Secretariat Management Structure
- Accountability

The Structure of the Secretariat will be re-examined in the context of (i) EXCO's response to this Business Plan and (ii) the interim findings and recommendations of the independent evaluation of the Cities Alliance. However, the structure will build upon the positive experience that has been achieved through the last restructuring of the Secretariat, which created a more open team structure, with increased responsibility and accountability.

5.3 Staffing

The Cities Alliance has long relied on a significant complement of secondments (staff on loan) to the Secretariat. Staff have been provided, usually for two- to four-year periods, from UN-Habitat, German and French cooperation, and Swedish Sida. These staff typically serve as senior technical specialists. Staff have also been provided through World Bank staff exchange and junior professional programmes.

These staff supplement the Core-funded staff while additional staff support has been provided by Non-Core funds, mostly for field-based staff. In total, 29 staff positions are approved for the Secretariat, which is expected to hold constant through the FY12 – FY14 planning period. The Cities Alliance's human resources are administered by the World Bank through its normal policies and procedures.

5.4 Grant Management

Back Office Functions: Key for the CA

Grants are the key administrative tool of the Cities Alliance to provide financial support to members and partners. The Cities Alliance uses the logistics and services of the World Bank and follows its rules and regulations; in reality, all CA grants are World Bank grants. Grants were used for the Open Grant Facility and are being used for Country Programmes, the Catalytic Fund, and Joint Work Programmes. In the past five years, the Cities Alliance Secretariat administered an average of XXX ongoing grants per year, and established an average of XXX new grants per year.

Once an agreement about the substantive concept of a project is reached, the grant making process begins. Establishing a grant requires a series of specialised activities, such as assessment of risks (safeguarding), fiduciary assessment of the grant recipient, establishing the grant document and agreeing on it between parties involved, which includes legal aspects as well as alignment with the policies of the respective agency.

After the signing of the grants, the projects are implemented and need to be monitored. Apart from the substantive monitoring described in the sections above (e.g. on the Catalytic Fund), an administrative and fiduciary follow-up is mandatory for the CA Secretariat. Typical activities include the revision of progress, financial and completion reports; the extension of grant agreements; and the supervision of procurement processes.

The Secretariat will continue to monitor and administer the grant portfolio of the Legacy Portfolio, the Catalytic Fund, the Country Partnership Programmes and the Joint Work Programmes to secure submission of agreed deliverables, fiduciary integrity, and compliance with procedural regulations. Because the Open Grant Facility was replaced by the Catalytic Fund, the Legacy Portfolio will decrease over time, while the Catalytic Fund will increase. Overall, portfolio volume is expected to stay approximately at current levels.

6. Financial Plan

6.1 Strategic Approach

The Cities Alliance has enjoyed a stable revenue base since its establishment, averaging approximately \$15 million per year in new contributions – about half in Core (un-earmarked) and half in Non-Core funds. More than \$160 million has been contributed from 26 donor organisations. The largest donors of Core funds have been the World Bank's Development Grant Facility and the Governments of Norway, United Kingdom, Sweden and Italy. The Governments of United Kingdom, Italy and Sweden, as well as the Gates Foundation, have been the largest contributor of Non-Core funds. (See Annex 1 for listing of financial contributors over the past five years.)

While this funding was sufficient to meet the demand of the old Open Access grant facility, the updates to its business model and Charter have provided a framework to optimise the programme's position in the city/urban development landscape, which is resulting in significantly increased demand for CA products and services. CA members are requesting support for more country and regional programmes, more frequent call for Catalytic Fund proposals, and more support for knowledge and communication activities to address challenges and opportunities of the urbanisation agenda.

This business plan is structured around "baseline" activities, to be funded from a Core budget to be agreed with the CA membership for a defined strategic work programme during FY12-FY14, and includes options for scaling up each of the product/service lines. Additional investments for scaling up the CA development business of the CA partnership are being sought from the existing base of CA members and partners and from new investors.

6.2 The Baseline Budget

As part of its strategy to better leverage the assets and inputs of the Cities Alliance, this business plan is constructed around a strategic work programme for a Core-funded base line budget for FY12 – FY14 for the CA Secretariat and the core work programme activities for each of the product/service lines. The baseline work programme aims to better leverage the CA as a partnership, mobilise new resources to scale up impacts, optimise grants made in prior years, and increase efficiencies in programme operations.

The baseline budget is anchored around the CA's stable core membership base and financial contributions, which have averaged \$7.25 million per year in cash contributions during past six years and approximately \$0.6 million in in-kind contributions (secondments to Secretariat staff). These funds have been complemented by Non-Core (earmarked) contributions of about the same amount during that period.

Looking at existing and likely member/donor contributions over the next three years, a conservative baseline budget of \$22 million in new cash contributions is proposed for FY12 – FY14, and \$2 million in staff secondments. Based on the CA track record and strong member support, there is high degree of confidence that this minimum level of member support will be received during FY12 – FY14. It is proposed that this funding constitute the baseline budget, with funds to be utilised as detailed in this business plan. These funds will be used for the CA Secretariat, programme overheads, and for business development – to grow the programme and increase its leverage.

Table 2: Baseline Budget

Sources & Uses of Funds: FY12 – FY14 Budget (CORE FUNDS)				
CORE FUNDS	FY12 – FY14	FY12	FY13	FY14
FUNDS AVAILABLE FOR ALLOCATION – Estimated				
Balance Forward - Unallocated Funds	2,581,013	2,581,013	2,360,513	1,740,513
Contribution Target - Baseline	22,000,000	8,000,000	8,000,000	6,000,000
Investment Income	600,000	200,000	200,000	200,000
Allocation Cancellations, Reflows & Adjustments	0	0	0	0
Less WB TF Admin Fees	(360,000)	(120,000)	(120,000)	(120,000)
FUNDS AVAILABLE FOR ALLOCATION	24,821,013	10,661,013	10,440,513	7,820,513
ALLOCATION OF FUNDS				
Partnership Operations (incl Secretariat Costs)	9,950,000	2,850,000	3,500,000	3,600,000
Global Programme Operations:				
Grant Facility (old) -	350,500	350,500	0	0
Catalytic Fund (new)	6,600,000	2,200,000	2,200,000	2,200,000
Knowledge & Learning	1,500,000	500,000	500,000	500,000
Comm. & Advocacy	1,100,000	300,000	400,000	400,000
Monitoring & Evaluation	300,000	100,000	100,000	100,000
Country / Regional Partnership Programming:				
Land, Services & Citizenship Programme	1,500,000	500,000	500,000	500,000
Country Work Programmes (Brazil, Phil, & India)	1,500,000	500,000	500,000	500,000
Other Country/ Regional Programming				
> Sub-Saharan Africa Regional action plan	1,000,000	500,000	500,000	
> Other Regional action plans	1,000,000	500,000	500,000	
BUDGETED ALLOCATION OF FUNDS	24,800,500	8,300,500	8,700,000	7,800,000
ENDING BALANCE - UNALLOCATED FUNDS	20,513	2,360,513	1,740,513	20,513

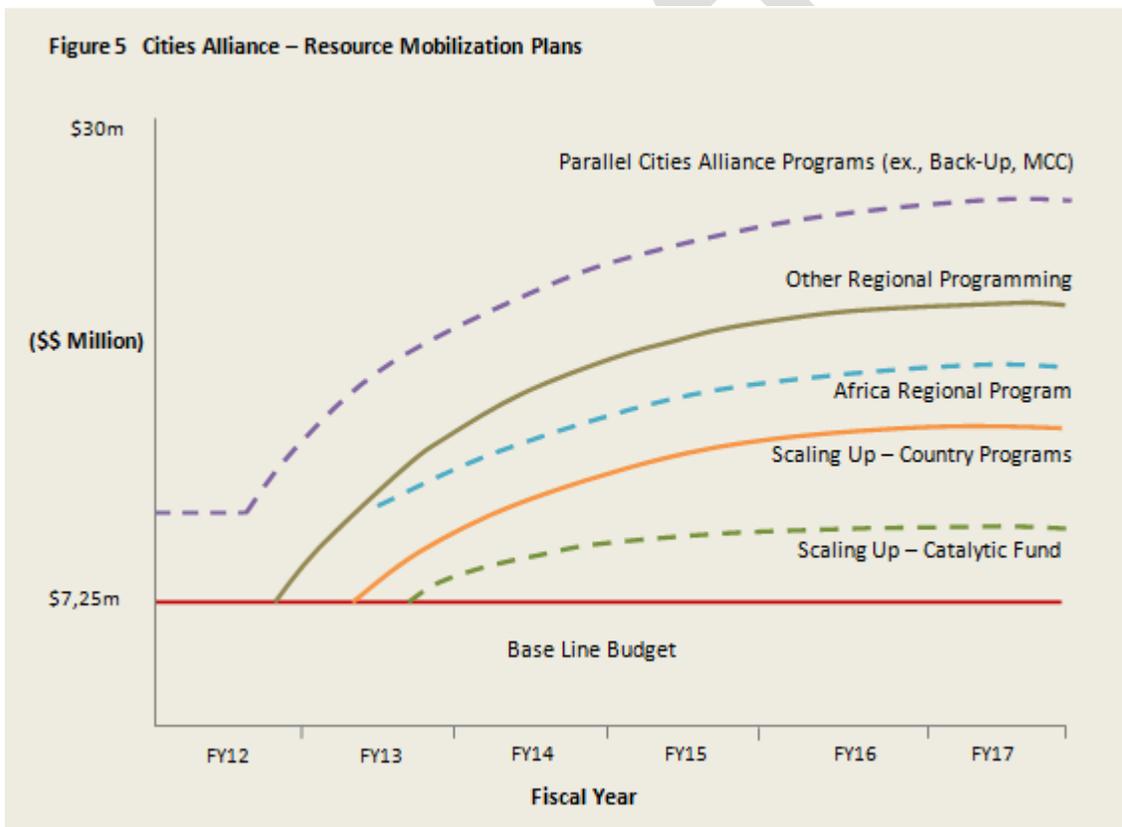
6.3 Scaling Up: Service Line Growth and Funding Opportunities

An objective of the FY12-FY14 baseline budget plan is to expand the Cities Alliance's impacts and scale up programming. Options for expanding CA products/services are provided throughout the business plan, and include:

- Expanding the Catalytic Fund tranches, and/or issuing thematic call for proposals
- Adding new country partnership programmes

- Developing regional work programmes, drawing on the CPP model
- Expanding the partnership framework for Joint Work Programmes
- Communication and advocacy initiatives

Investments are sought to scale up Cities Alliance activities, building on the strong foundation provided in the Baseline Budget plans. Additional resources will be mobilised over the FY12-FY14 period for the CA trust fund, with a target of growing the CA budget to \$25 million annually. Additional parallel resources will be mobilised from CA members and partners, to be programmed as part of the CA business plan but implemented outside of the CA trust fund. Examples of this include the Urban Back Up Initiative being funded and implemented by GIZ as part of the Ghana country partnership programme.



ANNEX 1

CONTRIBUTIONS RECEIVED (US\$), FY07-FY11

Combined Core and Non-Core financing (Excludes In-Kind / Staff Secondments)

Donor Name	TOTAL (USD)
Asian Development Bank (ADB)	750,000
Australian Agency for International Development (AusAID)	750,000
Bill and Melinda Gates Foundation	14,999,980
Canadian International Development Agency (CIDA)	71,474
Ethiopia – Ministry of Works and Urban Development	249,870
EU-Commission of the European Communities	1,035,413
Federal Republic of Germany	1,708,600
France	1,848,499
Habitat for Humanity International	50,000
Italy - Ministry of Foreign Affairs	11,085,694
Ministerio de Vivienda y Urbanismo Chile – Ministry of Housing and Planning	150,000
Ministry of Cities of Brazil	550,000
Netherlands - Minister for European Affairs & International Cooperation	749,910
Norway - Ministry of Foreign Affairs	7,370,431
Philippines-Housing & Urban Development Coordinating Council	50,000
South Africa - National Department of Housing	250,000
Spain - Ministry of Foreign Affairs	2,321,400
Swedish International Development Cooperation Agency (SIDA)	6,498,997
United Kingdom - Department for International Development (DFID)	7,976,914
United States Agency for International Development (USAID)	2,393,336
UN-UNITED NATIONS ENVIRONMENT PROGRAMME (UNEP)	314,987
UN-United Nations Human Settlements	200,000
World Bank DGF	14,088,353
TOTAL	75,463,858