

Executive Committee Meeting
Maputo, Mozambique
6 November 2011

Handout #8: Cities Alliance Business and Partnership Matters
Support Document: Catalytic Fund Briefing Note

Background:

At its July 2011 meeting, EXCO endorsed the Secretariat's recommendations that the 2012 call for the Catalytic Fund have a thematic focus, and asked the Secretariat to develop recommendations for themes for the FY12 global Call for Proposals.

A short-list of themes recommended for the 2012 call is included in the attached briefing note, as well as a summary of the 2011 call.

Recommended Action:

- Decide if EXCO would like to make a recommendation about the 2012 Catalytic Fund theme to the CG at its 8 November meeting.
- If so, review attached shortlist of proposed themes to identify EXCO's recommendation.

I. Background

The Catalytic Fund was developed during 2010 as one of the core elements of the new Cities Alliance business model, replacing the old open grant facility. First presented to ExCo in July 2010, the final design of the Catalytic Fund was adopted in January 2011 following CA member comments in the aftermath of the November 2010 CG meeting in Mexico City. The Catalytic Fund is organized around the following characteristics:

- ✓ Grants are awarded through a **competitive** process following a public **call** for proposals.
- ✓ Call for proposals are scheduled **once or twice** a year (depending on budget) and initial submissions are through a **Concept Note**;
- ✓ Call for proposal might cover all traditional CA themes (CDS, slum upgrading strategies, national policies on urban development and local government etc.) or be **thematic**.
- ✓ An **Expert Evaluation Panel** (EEP) aids the Secretariat in assessing the relevance and quality of proposals together with a parallel process of **Coordination with CA members**;
- ✓ The grant size is limited to between **US\$50,000 - US\$250,000**;
- ✓ **Sponsorship** from CA Members is required.

II. The first call for applications

The first call for applications to the CATF was issued at the end of January 2011 with communication to CG. The application period was two months, with the closing deadline on 31 March 2011. In total, the Cities Alliance Secretariat received **74 Concept Notes** on a whole range of projects related to economic, environmental and social aspects of urban development across diverse regions – Sub-Saharan Africa, South Asia, Latin America, and Central Asia.

After initial screening by the Secretariat, 45 Concept Notes were found to meet the basic eligibility criteria. Twenty-nine proposals were determined to be ineligible for two main reasons: they were out of scope or lacked CA member sponsorship. Detailed statistics on the **45 eligible Concept Notes** are included in Annex 1. Some highlights:

- ✓ The 45 proposed projects were significantly supported by CA members. On average 1,6 CA members were listed as sponsor per proposal;
- ✓ Regional distribution showed remarkable predominance of proposals from Sub-Saharan Africa (60%) followed, most notably, by Latin and Central America (20%) and South Asia (7%);
- ✓ Evenly distributed were the proposal across country groups, that is, low income (28%), lower-middle income (36%) and upper-middle income (36%), with the rest of them having a regional or global scope (13%);
- ✓ The majority of applications focused on the two traditional Cities Alliance themes, Strategic Planning (10 proposals) and Slum Upgrading (6), followed by proposals with Economic Development focus (5) and a Community Participation focus (5).¹

The 45 eligible Concept Notes were then sent to the Catalytic Fund **Expert Evaluation Panel** (EEP) for technical evaluation.² While the EEP was conducting its assessment, a parallel process of **Donor Coordination** with CA members was carried out. Based on comments from both the EEP and CA members, and taking into consideration additional strategic factors (portfolio criteria³), the Secretariat selected a final list of 7 concept notes for potential funding, totaling more than US \$1.6 million. The Secretariat invited the seven organizations whose notes were selected to develop them into full proposals within a two-month timeframe, incorporating the feedback provided by the donor coordination and the EEP processes. The Secretariat has received 6 full proposals which after internal screening have been approved. The approved proposals are:

¹ A minor but significant number of proposals tackled innovative themes: Information System (2), Knowledge Management and Exchange Platforms (3). There are some very weak but still identifiable regional focus patterns: LAC and violence, SAR and climate change, SSA and land/security of tenure.

² Members of the external evaluation panel are Jamie Simpson (GHK); Goran Tannerfeldt (consultant); Serge Allou (GRET); Rajivan Krishnaswamy (consultant) and Marie-Alice Lallemand-Flucher (consultant). The process of appointment of the panel followed a series of consultations and nominations with CG and ExCo.

³ Portfolio criteria are designed to maintain the strategic balance of the overall CA grant portfolio. They include factors such as theme, geography, member engagement and knowledge needs.

CATF APPROVED FULL PROPOSAL TITLE	Country	Request US\$	Submitted by	CA Member Sponsor
Tenure Security Facility Southern Africa: the provision of technical assistance and advisory services on incrementally securing tenure in slum upgrading	SSA Multi country	250,000	Urban Land Mark	SDI SA Dep. of Human Settlements
Promoting Climate Resilient City Development and Settlements Upgrading Strategies for Sri Lankan Cities	Sri Lanka	218,000	National Chapter of Mayors (NCM)	UN-Habitat World Bank
Housing Sector Development: Making Shelter Assets Work	Ethiopia	250,000	Ministry of Urban Development	Ethiopia GIZ
Elaboración, con enfoque territorial y participación ciudadana, del Plan Estratégico de la Asociación de Municipalidades Ciudad Sur de Santiago de Chile	Chile	250,000	Asociación de Municipalidades Ciudad Sur	Chile UCLG
Stratégie de Développement Urbain de Yaoundé et son aire métropolitaine - CDS de Yaoundé	Cameroon	240,000	Communauté Urbaine de Yaoundé	World Bank
Historic Cities Sustainable Development Strategy for Bukhara and Samarkand	Uzbekistan	220,000	Ministry of Economy	World Bank

III. Initial assessment of the first call and recommendations

Based on a preliminary assessment of the first call carried out by the Secretariat, ExCo has endorsed the following recommendations during the meeting in July 2011 in Accra, Ghana:

1. The next CATF call will be thematic to increase portfolio focus. The scope of the Catalytic Fund proposals, during the first call, has been defined by the three major areas outlined in the new CA Charter.⁴ However, given the exceedingly wide variety of urban issues encompassed by the first batch, the scope of the next call will be modified to prioritise a more specific thematic area of interest to members. A thematic focus will also benefit more targeted sharing and dissemination of projects' experiences and fill crucial knowledge gaps.

2. In the next financial year there will be only one CATF call for proposals. In its original design the CATF was to have two calls for Concept Notes per year, each for approximately US\$2,000,000. However given the limited budget available for FY12 (ca. US\$2,000,000) there will be only one call. This will lower transaction costs and avoid raising excessive expectations among applicants on available funding. One call will also enhance the efficiency of the entire process;

3. In future calls, members need to take more responsibility to pre-screen proposals they sponsor as to increase process efficiency and quality of the portfolio. One the most important lessons of the first batch was that the efficiency and quality of both the CATF process and portfolio will be improved by CA members taking a more direct role in ensuring the quality of submissions. This will generally avoid, among other things, additional work by the Secretariat and the EEP in assessing poor quality proposals; general redundancies, overlapping and imbalances in the batch; lengthy processes of donor coordination; and the need to verify sponsorship of a project.

⁴ 'Support provided by the Cities Alliance falls within the following broad categories: (a) Citywide and nationwide slum upgrading programmes; (b) City development strategies; and (c) National policies on urban development and local government' (CA Charter, para. 10)

IV. Towards the next CATF call for applications

TIMELINE CATALYTIC FUND - SECOND CALL	Nov.	Dec.	Jan.	Feb.	March	April	May	June
1. Theme Selection and Communications campaign								
2. Call for Concept Notes								
3. Longlist of eligible Concept Notes								
4. External Panel Assessment and Donor Coordination								
5. List of approved projects (in-principle)								
6. Request for Full Proposals								
7. Approval confirmation								

V. Themes

As mentioned in section III, in Ghana EXCO has decided that the next call of the CATF should be thematic. After internal consultations, the CA Secretariat has developed a shortlist of 4 possible themes which cover major CA members' and business plan's priorities. The paragraphs below outline the rationale, description and synergies with member's activities for each of the four themes.

CG is required to take a select a **theme for 2012** to be chosen at the meeting in Maputo. Please note that following this decision the current composition of the External Evaluation Panel (see footnote 2) may need to be revised accordingly.

1. Youth and the city: challenges of and visions for demographic change

By 2020, half of all humankind will be under the age of 25, and at least 52 per cent of the population of developing countries will live in cities. In Africa today, slum dwellers make up more than 70 per cent of the region's urban population, and the vast majority of them will be under 24. Within this context, cities are struggling to provide adequate jobs, education and services for their burgeoning young populations. Urban youths face numerous challenges, including unemployment, social exclusion, safety concerns, access to education, exposure to diseases and exploitation.

Despite these socioeconomic challenges, it is clear that youth have tremendous potential to effect change. As the recent Arab spring has again demonstrated, youth can be a crucial agent for change within societies and a powerful force in a country's development. The problem is not whether youth will be able to raise their voices, but rather if cities will be able to respond appropriately, and to engage and harness their potential for development.

Examples of potential CATF projects (not exhaustive):

- ✓ Projects on the integration of youth and development components into participatory urban planning methodologies and slum upgrading;
- ✓ Projects on the development and monitoring of social indicator systems and related knowledge and learning activities;
- ✓ Projects on local economic development in the urban context targeting youth;
- ✓ Projects with an urban focus but implemented primarily by youth and/or with a strong youth component.

Potential synergies (not exhaustive):

- ✓ Continuation of the work of mainstreaming Gender and Youth in Cities Alliance activities, initiated by Norway;
- ✓ Cooperation with UN Habitat's Opportunities Fund for Youth-Led Development and the UN- Habitat Urban Youth Research Network in identified projects;
- ✓ Foundation for a future Joint Work Programme with WBI, Norway and UN-H (subject to funding).

2. Meeting the demands of growing cities: Innovative approaches to financing urban services

The world is undergoing an historic urbanisation process; more than half of the global population now lives in cities. According to estimates, over the next 20 years cities in Sub-Saharan Africa will gain more than 300 million new inhabitants, while the urban population of Southern Asia is expected to double. Many cities will face this historic demographic pressure amidst a number of existing challenges, such as inadequate infrastructures and basic services, deteriorating financial conditions due to the global economic downturn, and decentralisation bottlenecks. While it is often mega-cities that catch the media attention, the bulk of urbanization will take place in many thousands of secondary cities.

Thus, how cities – especially secondary cities – will be able to finance themselves and how sound macroeconomic policies can create an enabling environment will be increasingly a critical question for the decades ahead. Cities may determine the historical trajectories of societies, but their success or failure is inextricably linked to their ability to mobilise the resources necessary to better serve their citizens.

Examples of potential CATF projects :

- ✓ Projects on local investments, PPPs etc.;
- ✓ Projects on innovative learning activities and tools, and networks on cities and finance;
- ✓ Projects on Housing Finance and Subsidies policies.

Potential synergies :

- ✓ Support for Cities Alliance Business Plans FY12-FY14 in the area of finance;
- ✓ Strategic alignment with PPIAF, GPOBA, UN-H and other CA members' programmes with financial focus.

3. Planning for green growth in secondary cities

Like the first UN Conference on Environment and Development in 1992, Rio +20 will probably also serve as a milestone in international development. A central theme will be 'the green economy in the context of poverty eradication and sustainable development'. Currently, this equates discussing the key role of cities not only as part of the problem with their large footprint, but also as part of the solution as catalysts for change. Cities can be incubators of green innovation and promoters of environmental policies that are far more effective at the local level.

The debate has gained early traction within major world cities, as seen in the recent establishment of the C40. However, while this is positive news, urbanisation trends indicate that demographic pressures will seriously impact secondary cities, and that these cities are in fact the ones that already struggle with considerable poverty and lack resources, capacity and services. What does green growth mean for these local authorities? What type of policies could be effectively implemented and sustained? What type of infrastructure, land policies are needed to plan ahead and ensure more climate-resilient, pro-poor cities within the context of scarcity? What steps can be taken, now, to ameliorate the most damaging impacts of urban degradation and climate change?

Examples of potential CATF projects :

- ✓ Projects on innovative promotion of local policies on green growth;
- ✓ Projects on innovative approaches to monitor and report on the nexus between growth and sustainable development;
- ✓ Projects on learning activities and tools, and networks on sustainable urban development.

Potential synergies

- ✓ Engage cities and networks to contribute to the Global City Indicators Facility;
- ✓ Advocacy potential as a direct contribution to Rio +20 Conference in June 2012;
- ✓ Strategic alignment with UNEP, WB Green Growth Knowledge Platform and CA members' activities on green growth.

4. Adaptive strategies for resilient communities: Local adaptation strategies and disaster risk prevention in slums

Global climate change has become a leading developmental issue in conjunction with rapid urbanization and the growth of cities. While cities are known to contribute as much as 70 percent of all greenhouse gas (GHG) emissions, they are most vulnerable to the consequences of a changing climate posing serious threats to urban infrastructure, quality of life, and entire urban systems. The urban poor living in slums – now estimated at approximately one billion people – are particularly exposed to high risk from the impacts of climate change and natural hazards. They live in the most vulnerable areas of a city, in high density,

overcrowded, unsafe and unhealthy housing conditions with little or no access to basic services. They are generally the citizens most exposed to impacts of climate change like earthquakes, landslides, sea-level rise, flooding, and other hazards. Heavy rains, for example, can easily turn into a disastrous flood due very poor urban location, the lack of drainage or solid waste disposal.

To date the predominant response to disasters, both within city governments and international agencies has largely been reactive. Given the significant impact that natural hazards and climate change will have on urban investments, increasing priority is now placed on proactive, adaptive planning to reduce and manage the potential for disasters and climate change. With this recognition, the value of identifying, diagnosing and mapping high risk areas is gaining increasing visibility and importance.

Examples of potential CATF projects :

- ✓ Projects on community-driven risk assessment at the city and community level to inform decision making and action planning;
- ✓ Projects on integrating climate adaptation into basic infrastructure needs assessments in slums;
- ✓ City Twinning partnerships to scale-up community approaches to disaster risk prevention (e.g. early warning) and climate adaptation;
- ✓ Projects of Local Government Associations to close the gap between local and national adaptation strategies.

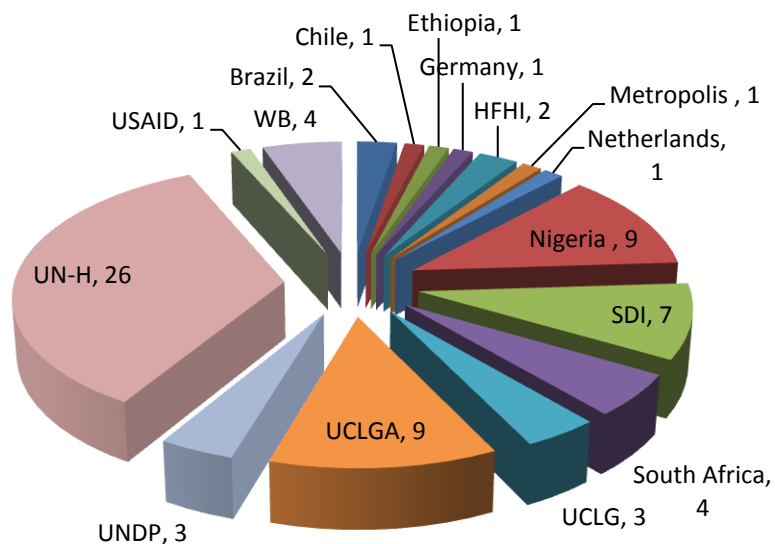
Potential synergies

- ✓ Support current activities aiming at introducing action planning led by WBI on Climate Change, Disaster Risk and the urban poor as well as activities under the current JWP Cities and Climate Change;
- ✓ Strategic alignment with UNEP, GFDRR and other CA members' activities on disaster risk.

Appendix 1 – Catalytic Fund First Call – Statistics on the eligible batch of proposals (45)

Table 1. Member sponsorship across proposals – Eligible Batch (45) (multiple sponsors per proposal possible)

Country	N.	%	Total \$ Requested
Brazil	2	1.3	403,624
Chile	1	1.3	250,000
Ethiopia	1	1.3	250,000
Germany	1	1.3	250,000
HFHI	2	2.7	490,000
Metropolis	1	1.3	245,000
Netherlands	1	1.3	250,000
Nigeria	9	12.0	1,875,000
SDI	7	9.3	1,480,018
South Africa	4	5.3	744,741
UCLG	3	4.0	734,200
UCLGA	9	12.0	1,875,000
UNDP	3	4.0	566,000
UN-H	26	34.7	5,272,402
USAID	1	1.3	250,000
WB	4	5.3	1,178,000
TOTAL	75	100	16,113,985



Member Distribution - Eligible Batch (45)

[no. of proposal CA members are listed as sponsors - multiple sponsors possible]

Table 2. Proposals regional distribution - Eligible Batch (45)

Region	N.	%
LAC	9	20
ECA	1	2.2
SSA	27	60
SAR	3	6.7
EAP	2	4.4
Global	3	6.7
TOTAL	45	100

Regional Distribution - Eligible Batch (45)

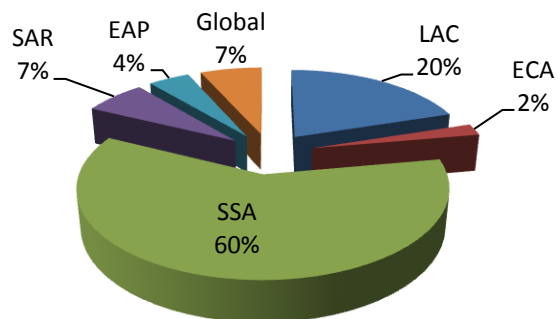


Table 3. Proposals divided by Country Groups – Eligible Batch (45)

Country Groups	N.	%
Low-income economies (\$995 or less)	11	28
Lower-middle-income economies (\$996 to \$3,945)	14	36
Upper-middle-income economies (\$3,946 to \$12,195)	14	36
Global/regional	6	13
TOTAL	45	100

Country Groups - Eligible Batch (45)

