

Annex II: The History of the Cities Alliance

The Background

The CA was conceived as a means to create a partnership between UN-Habitat and the World Bank in order to advance the agenda of the United Nations Conference on Human Settlements at Istanbul in 1996. The Istanbul conference ambitions had been embodied in programmes of the Bank contained in the policy statement, *Liveable Cities in the Twenty First Century*, and in the UN-Habitat agenda, *Adequate Shelter for All and Sustainable Human Settlements in an Urbanizing World*. Discussions were held in Washington in February 1998 between the President of the Bank and the Acting Executive Director of UN-Habitat, followed by other discussions between the relevant Bank sections – the Urban Partnership, the Urban Sector and TWURD with staff from UN-Habitat. The UN-Habitat Programme Co-ordinator, Mark Hildebrand, attended the Bank's Urban Forum (and three day annual retreat) in that year, where the focus was on basic services for the poor, a healthier urban environment and the management and financing of cities.

Out of these preliminary discussions emerged the decision to create a trust fund to finance initiatives within two selected programmes:

- i) "nation-wide slum upgrading programmes". Over two decades, both agencies had experimented with pilot projects of slum upgrading, but without generally being able to upscale them to the level of a city or a country. As we have noted, the rate of growth of slums far outpaced these efforts. Now where governments were willing to make a serious attack on these questions, the two leading international agencies had great experience to support them, with resulting effects on urban poverty, health, productivity and the urban environment.
- ii) assistance to cities to develop holistic strategies for city development, including a vision shared by the stakeholders of the city of the future and a programme "setting out priorities for improving city management performance and the investments required to improve the city's infrastructure and services", while forging closer links between local authorities and communities, the private sector and finance.

To this agenda, in September, the Bank added the aim of "partnerships in knowledge-sharing", and UN-Habitat proposed a link to local authorities and their associations which should be key components in any knowledge sharing.

UN-Habitat committed two and a half staff members to the proposed secretariat of what at this stage was called the Cities Initiative (CI), and half a million dollars to the proposed trust fund. The Bank agreed to house the CI and to a grant of one million dollars per year for three years from its Development Grant Facility (DGF) to finance global public policy initiatives.

These proposals were presented in an aide memoir in November 1998, *The Cities Initiative: an Alliance for the Urban Future*. This now laid out the three tasks as:

- i) "developing holistic city strategies", with a vision shared by the stakeholders, a plan of action for city development and priorities for improved urban management, infrastructure and services, conceived as a participative process.
- ii) to scale up slum upgrading in order to bring basic services to the urban poor.

And, as a means to these ends,

iii) enhanced 'knowledge-sharing' in addressing these two programmes.

The two programmes, it was hoped, would thus overcome the limitations of sectoral and project narrowness of past urban development efforts. The new initiative would bring together the considerable experience of UN-Habitat in working with local authorities, and the knowledge of the Bank concerning the economic contribution of cities to national economic development and the links between improved urban living standards and urban economic growth. Furthermore, the new partnership would seek to build 'civic capital' to support future development, and to link municipal finance and the private financial sector.

In sum, the Cities Initiative was to constitute an alliance of the two main multilateral agencies concerned with cities, supported by such other partners who accepted the agenda, and in order to

“achieve a bold new consolidation of capacity so as to broaden the synergy and impacts of their work as well as to more effectively leverage their resources with those of their other bilateral and multilateral partners, the private sector and national and local authorities”.

A secretariat was set up within the then Urban Partnership and Urban Division of the Bank in order to start work on defining the principles and procedures for awarding grants from the trust fund, to assist grant beneficiaries, and “to serve as a clearing house for information and a focal point for the exchange of knowledge and experience”. The target for fund raising for the years 1999-2001 was set at \$21 million. This was the trust fund, to be employed to help cities and their partners “identify, develop and implement city development strategies and for scaling-up national upgrading programmes to alleviate poverty”.

More detail was elaborated on the two key programmes:

- i) city development strategies were “to identify and further develop state-of-the-art, city-directed approaches to urban analysis which focus on the city as an integrated socio-economic unit” which will serve to build a consensus between the local authority and the community on “the development prospects and priorities of the city and its services”. The CDS should engage the stakeholders in a diagnosis of the city's problems and in strategy formulation; it should include investment proposals with other donors, and seek to mobilise local resources.
- ii) slum upgrading schemes should be directed at “strengthening enabling policies, including legal and regulatory frameworks” (for security of tenure, access to credit and community involvement). The CI should direct its efforts to strengthen the global base of knowledge on scaling-up upgrading schemes, the development and dissemination of knowledge, and – with national and local authorities and community groups – set targets to be achieved by the alliance of donors.

In addition, the CI was expected to draw on the experience of existing urban development programmes – the Urban Management Programme (UMP) of UN-Habitat; the Sustainable Cities Programme; the Municipal Development Programme for Africa; the Metropolitan Environmental Improvement Programme; the Global Urban Observatory.

In December 1998, a Memorandum of Understanding was formally signed by Klaus Toepfer, Acting Executive Director of UNCHS (Habitat) and Caio Koch-Weser, Managing Director, Operations, The World Bank in Washington to launch the new joint venture “aimed at making unprecedented improvements in the living conditions of the urban poor and the socio-economic and environmental viability of cities”. The means to this end was to “marshal the financial resources as well as the experience and knowledge of the international development community”.

In the first quarter of 1999, the CI Secretariat was established from staff drawn from UN-Habitat, the World Bank and UNEP. Consultations took place with potential partners – European Union, Canada, Japan, US, UNDP, ILO and UNICEF – and with complementary global and regional urban programmes. The procedure to process applications for grants was laid down and the first requests processed. By April, the first work programme had been set up, and targets defined for the first three years – CDSs in 20 cities (at a cost of half a million dollars each, or \$10 million in total) and national slum upgrading schemes for between 5 and 7 countries (at a cost of \$2.2 million each or \$11 million in all for five countries). The CDS target would include 3 in Africa, 10 in South and Central America, 3 in South Asia, 2 in East Asia and the Pacific, 3 in the Middle East and North Africa and 5 in Eastern Europe and Central Asia. The tables in Annex I indicate the scale of the divergence between plan and practice. 26 cities were proposed as potential sites of CDS, of which four subsequently did undertake the exercise. Slum upgrading was similarly suggested as possible for 25 countries.

In early May, the Bank’s Vice President for Private Sector Development and Infrastructure, Dr Nemat Talaat Shafik (the senior Bank representative concerned with the Cities Initiative) addressed the 17th session of the UN Commission for Human Settlements, and outlined the new urban policy position of the Bank, the centrepiece of which was for the Bank to accept cities, rather than hitherto exclusively national governments, as possible clients. The policy agenda was focussed on ‘sustainable cities’ – ones which were liveable (that is, ensuring a secure and well-serviced context for all citizens), competitive, well-governed and bankable (that is, financially sound). (The Bank’s new policy statement, *Cities in Transition: Urban and Local Government Strategy*, went to the Board of the Bank for approval in November 1999).

Shortly after the UN-Habitat session, the Executive Director of Habitat wrote to Dr Shafik, stressing that UN-Habitat and the Bank were equal partners in the CI, and that position should not be affected by the arrival of new donor members. In the Vice President’s reply, she agreed but stressed that the Initiative was also a broad based partnership, including all the partners, and this could not be subordinated to the position of the two founders. Representatives of the two organisations might, however, meet from time to time to check the progress being made by the Initiative. Conceptions were changing as illustrated by an early version of the CA’s draft Charter which laid down the pre-eminent position of the two founders in choosing which applications for funding should be accepted or rejected (the draft Charter was amended at the Berlin Consultative Group meeting, December 1999, to remove this clause).

Meanwhile, the Secretariat prepared for the launch of what had by now become the Cities Alliance (CA), at the Mayors’ Summit (Congress of World Competitive Cities) in Washington DC in May. Dr. Klaus Toepfer of UNCHS (Habitat) and Dr. James Wolfenson launched the CA with a group of Mayors, LGAs and bi-lateral agencies. A target to raise \$10 million for 1999 was decided, and a Consultative Group (CG) set up, composed of LGAs, bilateral and multilateral development agencies, to guide the Secretariat, approve annual work programmes, monitor the impact of projects, “catalyse the work of partners”,

advance learning and improve the quality of urban development co-operation. In sum, as the CA Prospectus put it:

“the Consultative Group would be a forum to share the lessons learned from experience and agree on policy orientations and standards of practice in areas related to the Alliance’s goals. In this way, the Consultative Group would help catalyse partners’ action in ways that would go beyond their individual actions”.

In June 1999, the first meeting of the bilateral donors (at this stage 5 in all), with representatives of UN-Habitat and the Bank, as well as spokespersons for two local government sponsors of the CA, the International Union of Local Authorities (IULA) and the World Association of Cities and Local Authorities Co-ordination (WACLAC) met in Eschborn in Germany to discuss the organisation of the CA. The representative of the German Ministry of Economic Co-operation and Development, BMZ, Dr Manfred Konukievitz, introduced the proceedings and stressed the role of the donors in defining the CA. There was much discussion of the benefits of the new association in aligning the different urban development programmes of the donors represented there. Of the 12 benefits listed, nearly half concerned the value of mutual exchange of learning, stressing that:

“It is vital that a picture emerges within the Alliance of what each partner is doing related to City Development Strategies and urban upgrading programmes”.

Furthermore,

“The Consultative Group meetings should be designed to enable partners to help each other solve problems, share knowledge and adopt new tools and approaches”.

The meeting resolved that the local government associations (LGAs) should join the governing body of the Alliance and be regarded, not as representing clients, but as equal partners. UK’s DFID increased its contribution to core funds to one million dollars.

The deliberations of the Eschborn meeting were embodied in a Secretariat document in the autumn – *Cities Alliance: Governance and Management* (Issues Paper). This took as models the structures and operations of two other public policy organisations – the Public-Private Infrastructural Facility (PPIF) and the Consultative Group to Assist the Poorest (CGAP). This laid down a proposed role for the CG, meeting annually and co-chaired by the Bank’s Vice President and the Executive Director of UN-Habitat. It proposed the creation of a Policy Advisory Board, composed at this stage of selected urban development experts from the technical Ministries of contributing countries and LGAs, with the role of advising the CG, reviewing the CA’s strategy and evaluating its impact. The document reiterated that:

“In-country work will be managed through the regular operational units of the Bank, Habitat and other bilateral and multilateral participants”.

The financial structure was laid out, consisting of core funds, freely available under agreed work programmes and a financial plan agreed by the CG, and non-core funds, linked by the donor to particular projects, but assessed by the same criteria as were employed on core fund grants. The ten criteria to judge applications were also laid down (discussed later, 5.2.7 in this Report). Additional criteria included a balanced distribution of funds between regions and the two programmes and a short duration for projects (‘deliverables’ ideally, at this stage, within 18 months; this was later changed to 24 months).

In May 1999, the Government of Japan had confirmed that it would make available non-core funds to continue to finance 13 CDSs in Asia. At almost the same time, the Secretariat endeavoured to identify a consensus as to what constituted a CDS (*Background Paper: What is a CDS?* May, 1999). Now that the concept was being employed in many different contexts by different agencies, there was an inevitable diversification of the concepts being employed. The document described the CDS as:

“an analytical approach which takes a city and its surrounding region as the unit of analysis, much like a Country Economic Memorandum reviews the economic and social aspects of development in a country”.

A Country Economic Memorandum did indeed review conditions in a country, but it was not at all in any ordinary sense a ‘plan’. The document rehearsed the original Bank criteria – liveability, competitiveness, good governance and bankability – with participation. The document reported that 32 CDSs were already underway by the Bank and others (4 in Africa, 13 in East Asia, 5 in Europe and Central Asia, 4 in Latin America, 2 in the Middle East and 4 in South Asia). In the Philippines, 7 smaller cities were undergoing the exercise, and in Tamilnadu in India, under the Bank’s Tamilad Urban Development Project II, it was said fifty cities were scheduled for CDSs. The CA was already engaged in the process, with the Bank and UN-Habitat (in Johannesburg, Santo Andre [Brazil], and later Colombo and Kathmandu). In Slum Upgrading, the Bank claimed to be participating either actively or in preparation in 85 projects.

In July, the Urban Sector of the World Bank produced for the President of the Bank the first draft of an action plan for up-scaling slum upgrading, with a financial target of \$115 million in the first five years as a means to leverage \$50 billion.

In October, the partners met for informal consultations in Paris – the two founders, now six bilaterals and one associate, with three LGAs. The CA should, it was resolved, provide an overview of on-going activities in the two fields of primary concern undertaken by the partners and implementing agencies. The Secretariat asked the partners for a list of these activities for circulation. It was proposed more generally that:

“A mechanism is needed for informing the partners of what activities are taking place and what is working well. A method is needed to determine whether and to what extent on-going and pipeline activities of partners, and now parallel-financed activities, should be defined as Alliance activities, or recognised as activities that support its objectives”.

In November, the President of the World Bank asked the Cities Alliance to finalise the action plan on slum upgrading. The Secretariat produced the document *Cities without Slums: an Action Plan for Moving Slum Upgrading to Scale*, which included what would have seemed under the old agenda an heroic declaration of intent:

“to improve the lives of 5-10 million slum dwellers by 2005 and 100 million by 2020”.

Heroic or not, the Secretariat pointed out that this only touched the surface of meeting the needs of those already living in intolerable conditions, let alone the expected addition to those numbers by 2020. However, it was this apparently audacious target which captured the attention of the world’s press at the inaugural meeting of the Cities Alliance in Berlin in December 1999 (scheduled to take place at the same time as the meeting of the finance ministers of the G-20). Even more important was the fact that South Africa’s famous former President, Nelson Mandela, agreed to be Patron of the campaign and to preside

over the Berlin launch. It was this combination which influenced a number potential sponsors, formerly undecided, to join the Alliance.

The Launch

The Berlin Consultative Group meeting also finalised the Charter of the Alliance, a summing of its purpose and justification, its objectives and organisation. The CG was identified as:

“a global public policy forum to share the lessons learned from experience and agree on policy orientations and standards of practice in areas related to the Alliance’s goals ... a policy forum to improve the coherence of effort across funding agencies as a clearing house to disseminate best practice and develop standards and benchmarks and by investing in collective actions to incubate those with the most promise of replication”.

The CG, however, stressed that it existed to:

“capitalise on the experience and expertise of its implementing partners in ways that strengthen their operations, rather than build a separate implementing capacity. This should result in improving coherence of effort among existing programmes focussed on achieving the Alliance’s two priorities for action without these programmes losing their identity”.

It was a difficult task without easy rules to decide the differences, and any errors were politically fraught. Several partners felt the agenda of issues was too large to be encompassed in one annual meeting, others that the dual role of governing the Alliance and being a global public policy forum on urban issues should be separated. In the event, this second proposal was accepted and it was decided that each CG meeting should be preceded by a one-day public policy forum.

Attending the launch meeting were representatives of 14 governments (including all the G-7), 5 international LGAs, 5 multilateral organisations, as well as six mayors. This was indeed a tribute to the speed with which the organisation had been able to recruit global support. Financial pledges to core funds had now reached \$5.75 million, with an additional \$4.5 million pledged by the World Bank and UN-Habitat to cover start up and Secretariat costs. The UK government pledged \$3 million over three years, and the governments of Germany and Japan, \$1 million each. Two months later, the Bank and the Netherlands government launched a partnership to provide core funding to the CA of two and a quarter million dollars over two years.

However, the speed of growth and in particular the recruitment of so many donors was not without its frictions. In particular, the UN-Habitat was understandably worried that the clear focus embodied in the original formula of agreement between the two founders might become blurred. In January of the new year, a video-conference was organised between Nairobi and Washington to sort out some of these worries. UN-Habitat expressed its fears that the bilateral donors were coming to play a quite unintended role within the government of the CA to the displacement of the two founders. In the event, matters were sorted out amicably although Bank representatives reiterated that all donors would have to be treated equally if their adherence to the CA was to be sustained.

At the beginning of the year 2000, the Urban Sector Board of the Bank submitted four proposals for funding to the Bank’s Development Grant Facility (DGF), with finance for the

CA being the lead application. Two of the three other applications had the incidental benefits of cementing the alliance between UN-Habitat and the Bank – a grant of \$525,000 to UN-Habitat to finance the Urban Management Programme (UMP) to undertake CDSs, and \$780,000 to UN-Habitat for the continued development of urban indicators (the Bank part of this programme was now to be transferred to Nairobi). The application to fund the CA was for an initial period of three years (from the year 2000), and it was noted that “it would be expected that disengagement from DGF funding would occur after the three-year period”.

In the spring of 2000, the Secretariat began to prepare for the UN Millennium Summit of Heads of State, scheduled for early September. This was to prove to be one of the most important initial global political advances for the CA. The UN Secretary General agreed to incorporate the targets of the Cities without Slums campaign in his vision for the world organisation in the 21st Century – *We the Peoples of the World in the 21st Century* (A/54/2002) which set the agenda for the UN Millennium Summit. Noting that ‘the World Bank and the United Nations have joined forces to respond to this challenge, by building a Global Alliance of Cities and their development partners’, the Secretary General asked all UN member states “to endorse and act on it”. The Cities without Slums action plan was subsequently endorsed by 150 heads of state and governments who attended the UN Millennium Summit in September 2002, as is reflected in the UN Millennium declaration (A/RES/55/2) along with other targets set under ‘Development and Poverty Eradication’. The aspirations of the CA had become part of the world’s agenda, binding on governments in terms of achievement. Thus, in a remarkably short period, the CA had been able to establish its programme as of world significance, renewing hopes that at long last some important progress could be made in the reduction of urban poverty and the alleviation of the housing problems of the poor.

The Secretariat also circulated proposals for the constitution of a Policy Advisory Board (PAB), to be decided at the June meeting of the CG in Montreal. The CA web page was launched, and steps taken to develop databases on slum upgrading (with details of related programmes undertaken by the partners). The intention was reiterated to:

“fully engage the networks (of LGAs) in the preparation of proposals (applications for CA funding), in supporting their implementation, monitoring and evaluation; as well as looking for good examples of CDSs spearheaded by their members worldwide”.

The Secretariat issued a worldwide call for applications for funding, to be submitted by October 2nd 2000.

At the first Montreal meeting of the PPF in June 2000, Metropolis (one of the LGAs on the CG) had arranged a world assembly of mayors so that the Public Policy Forum discussion with the CG was authoritative and well-rooted. The following day, the CG meeting finalised the criteria for applications for funding, and revised the definition and composition of the PAB. Some members of the CG detected a strong current at Montreal to assert a more powerful role for the bilateral donors, to assert their equal ownership of the CA. There was also renewed pressure to increase the number of CG meetings, with the possibility of three in 2001. Subsequently, the first two regional support staff were appointed, one in south Asia (funded by UK’s DFID, with an office in the Delhi World Bank India Mission) and one in Latin America (funded by the Italian Government, operating from the Escola Politenica of the University of São Paulo).

In July, the Japanese Government held its second conference of representatives of cities to discuss the experience of CDSs (the first had been held a year earlier in Tokyo before the CA was seriously engaged). It was held in Fukuoka, the Asian regional headquarters

of UN-Habitat. The conference culminated in a declaration and the creation of a knowledge sharing network between 23 cities of Asia. In Durban, South Africa, the global campaign for secure tenure was launched, and in Johannesburg, an Africa Roundtable on upgrading low income settlements was held (in the autumn). In Vietnam, a Roundtable on Cities without Slums was held. UK's DFID launched its City Community Challenge Fund – a pilot scheme to extend credit to local governments for on-lending to community groups. This was not part of CA initiatives, but was highly relevant to them. Thus, there was a substantial increase in promotional work for the CA's agenda.

The volume of business confronting the next CG meeting in Rome at the end of November 2000 was accordingly heavy. A report documented the progress made in establishing the system of applying for funds. Of the 31 proposals received, 12 were recommended for acceptance. Of these, ten were structured around cities learning from each other. Eleven proposals were sponsored by two or more members of the CG. Some partners, however, warned that “the Alliance should not be narrowly characterised as an ‘investment fund’”. The CG recommended that the Secretariat “focus on fewer projects but ones with higher learning and mobilisation dividends”.

The CG also decided to ease the procedures for application. They should no longer require the exclusive sponsorship of either UN-Habitat or the World Bank. Any of the partners on the CG could sponsor projects on their own. Typically, it was said, proposals would originate with a city or group of cities, sponsored by at least one member of the CG. There were some members who called for a broadening of the range of concerns:

“incorporating issues, including urban-rural linkages, the ‘rights-based’ approach to working with the urban poor, employment, health and the environment, to make a clearer linkage with the targets adopted during the Millennium Summit”.

Some members were also worried about the representation of developing countries within the Alliance. However, the majority decided that developing country cities were represented through the LGAs and the proposed membership of the PAB; developing country governments were represented through the UN-Habitat Commission on Human Settlements (it was proposed to invite the Commission President to join the CG). It was felt that it would be wrong to change the Charter to accommodate developing countries' governments without them being required to contribute the quarter of a million dollars annual payment to core funds.

A Review Panel of CG members (consisting of the UK, Italy, the US and the two founder members) assessed the working of the CG and its relationship to the Secretariat. It recommended the creation of Steering Committee with executive powers to meet more frequently than the CG and relieve some of the growing workload on the CG. It would approve Secretariat staff appointments, scrutinise the budgets and give policy guidance. The Steering Committee should be composed of representatives of the two founder multilateral organisations, two bilaterals for two years each (in the first year, the UK and the Netherlands, in the second, the UK and Germany), with a fifth member drawn from the LGAs (WACLAC in the first instance). As a result of this change, it was agreed the CG need meet only once annually.

Another committee of the CG (WACLAC, Canada, Germany, Japan and the UK) proposed a definition of the composition and functions of the PAB. This was to consist of 8 members, rotating every two years, with six constituting the first Board. The PAB was to be selected geographically – 2 from Asia, 2 from Africa, 2 from Europe and Central Asia, one each from Latin America and the developed countries.

In the PPF, CG considered the relationship between community organisations and local government.

Furthermore, at the Rome meeting, it was decided that the Secretariat would, as from July 2002, be financed from the core funds of the CA, rather than under the joint arrangement agreed between UN-Habitat and the World Bank. Thus, at the Rome CG, the majority of the CG asserted their predominance within the organisation, claiming that the CA had now matured to the point where it could supersede the arrangements made to launch the CA between the two multilateral founders. It was understandable that this transition might cause some concern among the founders. In fact, the worries emerged over two financial issues. The new Executive Director of UN-Habitat (now raised to the status of a programme within the UN), Anna Kajumulo Tibaijuka raised the question as to whether the core funds of the CA were to be drawn on to finance the projects of the two founding members rather than to be used as just another direct funding source for all CG members and for cities. Given, at this time, the notorious under-funding of UN-Habitat, she also stressed the need for Habitat to raise overhead income from the CA projects with which it was involved. The CG could do no more than affirm the equality of all CG members vis-à-vis the core fund, and, since bilateral donors were already directly funding UN-Habitat, it would be inappropriate for Habitat to levy additional funds as overheads on CA projects.

The exposure of the financial vulnerability of UN-Habitat may have been a factor in stimulating some of the bilateral donors to renew or enhance their direct contributions to Habitat. Their willingness to do so may have been the result of the renewed optimism engendered by the success of the Cities without Slums initiative and the incorporation of its targets in the Millennium Development Goals. Whatever the explanation, UN-Habitat after this point appeared to give greater recognition to the CA as an instrument through which it could pursue some of its policy agenda more effectively, rather than as a source of new funds.

By the end of the year, the two co-chairpersons of the CG were able to report to President Mandela, with some satisfaction on the growing list of initiatives already being undertaken to achieve the targets of the Cities without Slums campaign – in Brazil, Cambodia, El Salvador, India, Indonesia, Madagascar, Mauritania, Nigeria, South Africa and Vietnam. Furthermore, the second application for DGF funding for the CA by the Bank's Urban Sector Board could claim with some justification that the CA had indeed created "a 'learning alliance' to fill the knowledge gaps" in urban development practice. The CA-sponsored slum upgrading was proceeding in nine countries, and CDS exercises were underway in 14 countries. These accomplishments were prominently on display at the 18th session of the UN Commission on Human Settlements in Nairobi in February, complementing a special briefing by the Secretariat for those attending.

In March 2001, the first Steering Committee meeting took place in Brussels to review the Secretariat work programme for 2002, the budget and staffing and terms of reference for staff members. The core fund was reported to stand at \$11.45 million and non-core funding at \$7.45 million. Non-core funds consisted of operations on Asian CDSs by the Government of Japan; on slum upgrading in Bahia, Brazil, by the Government of Italy; on UN-Habitat programmes (in UMP and Urban Indicators) by the World Bank; for the CA south Asia organiser by UK's DFID; and for activities of an associate member (in CDS and upgrading schemes), the Asian Development Bank (which joined the CG in April of the following year).

At almost the same time, the Secretariat sponsored a meeting of CDS task managers in Washington to seek to refine a framework for undertaking a CDS. The Secretariat was also preparing for the June 2001 UN General Assembly Special Session on Human

Settlements to assess the achievements five years on from the 1996 UN Conference on Human Settlements in Istanbul, the City Summit.

The Secretariat was now beginning to diversify the types of initiatives for funding, starting to explore new ways of doing things. A southern African CA was being developed, an urban management knowledge network for Latin America, a city networking and investment market place for Asia, an urban indicators project for China.

There were also a number of initiatives in seeking to see how private finance could be mobilised at the city level to expand the access to credit for housing for the poor on commercially viable terms. Five networks of micro-finance institutions were established – with Acción International, the Co-operative Housing Foundation, Frontier Finance, Plan International and MEDA. Fieldwork was undertaken to understand the financial networks with Mibanco (Peru), Sewa Bank (India), Funhavi (Mexico); on regulatory constraints (Kenya), and on wholesale financial facilities (Ecuador). CG partners or associates collaborated in the initiative – from the World Bank's International Finance Corporation (IFC), USAID, Habitat's UMP, CGAP and the Inter American Development Bank. With the IFC, the CA designed a Latin American Shelter Finance Facility (finalised in January of the following year) with the collaboration of Acción, Co-operative Housing Foundation and Frontier Finance. Parallel initiatives were being explored for Kenya and for Mexico.

In New York, in June 2001 – at the same time as the UN General Assembly special session, Istanbul+5 - many CG members met for a special session on slum upgrading in Central America, based upon a series of prior country case studies and various World Bank initiatives in three cities. The UN-Habitat office for Latin America proposed six countries in the region for a review of the institutional, legal and regulatory framework for slum upgrading, to assess the scope for slum upgrading and the experience of different donors in trying to tackle the issue. The CA Steering Committee met immediately after the conference. Immediately after this meeting the first session of the PAB occurred, attended by five members PAB with representatives from UK, Canada, UN-Habitat, the World Bank and three members of the Secretariat. The PAB was to help “to organise the strategic engagement of the partners in each region, including alliances of local authorities and civil leaders”. It was to meet twice a year, one of the meetings timed to coincide with the annual meeting of the CG.

In the autumn of 2001, the Secretariat was at last beginning to reach its full complement of staffing – only six months before the first three years work of the CA was to be evaluated. This was reported to the Steering Committee at Marrakesh in October (with attendance by representatives of 2 LGAs, 2 UN-Habitat, one UK and one from the Secretariat, with apologies from the Netherlands and the World Bank). At this meeting, UK's DFID agreed to co-finance City-Region Development Strategies in China (non-core funding) at the same time as USAID agreed to co-fund work in Morocco and Jamaica. DFID's representative also briefed the committee on its proposed Municipal Infrastructure Finance Facility (later changed to Community-Led-Infrastructure Finance Facility, or CLIFF) to underpin the risk in commercial lending for slum upgrading, the pilot scheme administered by an NGO, Homeless International, and implemented by another, SPARC, in Mumbai. The committee also agreed to tighten conditions for core fund financing, limiting grants to half a million dollars and specifying that all grants over \$250,000 should be at least 50 per cent co-financed by other agencies (but a minimum of 20 per cent for smaller projects). Some felt that this reservation reduced the possibility of poorer cities applying for CA funding since they would have fewer ways of raising the co-financing.

At about the same time, the University of Toronto called a conference of researchers from developing countries with the aim of identifying “significant poverty reduction impacts” in

the campaign to achieve secure tenure. Representatives of CG donors – France, Canada, and the World Bank – attended. In February of the following year, the Secretariat began to explore other links with universities through MIT to advance the idea of a ‘global learning alliance’, to see what training projects could complement the two main CA programmes (and in particular, exploring the slum upgrading experience of Brazil). Furthermore, contacts were being developed with organisations such as the International Institute for the Environment and Development and ISTED to upscale the dissemination capacity of the CA. Numerous local web sites were also being developed to encourage intercommunications between cities to the same end – in the Philippines, in China, in Kathmandu, in Johannesburg, in Hyderabad and Bangalore in India. In May 2002 a CA seminar in Washington DC assessed security of tenure and improvements in sanitation as key indicators of slum upgrading.

In December 2001, in Kolkata, the CG, the PAB and the third PPF met, financed by DFID. The PAB meeting was particularly productive. It considered the work programme of the Secretariat for 2002, noting innovatory initiatives in Kingston, Jamaica; Ludhiana, India; São Paulo in Brazil; and the proposed DFID project, CLIFF. The PAB members drew up a list of recommendations for the CG:

- i) to relaunch the information and advocacy campaign for the CA’s objectives;
- ii) to reinforce the “learning dimensions” of the CA more explicitly by drawing out the lessons of CA activity in the management of cities;
- iii) to set up expert panels for each region to help in the assessment of projects, checking them against local needs;
- iv) to support a programme for regional panels to organise annual workshops on best practices, to facilitate learning field trips and networking;
- v) to shift from the current stress on project-oriented types of grant to “open and flexible policies” to support cities already engaged in changing the manner of their management.

Some CG members also suggested that the CG hold two-day meetings, one devoted to the business of the CA, the other to substantive urban development issues.

In the CG meeting, members noted the need to increase work in Sub-Saharan Africa, one of the most impoverished regions but one where often the capacity to complete the application process adequately was weak. DFID announced an increase in its non-core funding contribution to \$10 million to cover the new initiative of CLIFF. USAID and Sweden agreed to participate with DFID in the same scheme.

Finally, the PPF, organised by the two Asian PAB members and DFID’s India staff, experimented with a new and much more ambitious format, with one day of field visits and two days of discussion. The audience included officials from Indian government circles (national, State and city), local NGOs and slum dwellers associations. However, the forum was too long for many CG members – about ten attended.

In the World Bank Urban Sector’s application for a renewal of DGF funding, it was claimed that in its first two years, the CA had mobilised \$30 million in grant funds, in building a political commitment to the objectives of the CA, in creating a ‘learning alliance’ of the most important donors, and in catalysing city-wide and national efforts to alleviate urban poverty. Furthermore, CA initiatives had led to significant collaborations, of which some of the more important included those between the Government of Japan and the cities of Asia in CDS; with German GTZ (in Ethiopia); with USAID (in Rwanda, South Africa and India); with Italy (in Brazil and India); with DFID (in India and China); and with France (in Burkina Faso).

At the Habitat World Forum in Nairobi (April 29th-May 3rd), there was much satisfaction at the record. In a remarkably short time, the CA had managed to broadcast its message to a global audience of governments and to a number of cities and begun the tasks of up-scaling slum upgrading and spreading the CDS exercise. The record so far vindicated the targets originally set.