Cities Alliance
Cities Without Slums

Medium Term Strategy (MTS) Update to Executive Committee (EXCO)

July 2010

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MTS Update to EXCO

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Executive Summary

This document contains a summary of the progress made thus far by the Secretariat in implementing the decisions adopted by the CG in Mumbai.

The document also reflects the Secretariat's proposed adjustments to the new business model, based on an assessment of initial responses to the business model from a number of CA members. In general, it is proposed to adopt a more cautious approach to the transition, allowing for the gradual implementation of the business model.

*The Secretariat also believes that certain core principles of the founding Charter need to be re-emphasised. **In particular, it is recommended that CA members give high priority to re-building the Cities Alliance as a Partnership, capitalising upon the diverse strengths of all Cities Alliance members, rather than relying on a limited number of active members and/or the Secretariat.***

The transitional approach is reflected in the following aspects of the business model which are being proposed by the Secretariat:

1. *The enhanced role of the Catalytic Fund, which will be more readily available to fund the broader engagement of members in providing support to developing cities and countries;*

2. *Allowing time for an assessment of the first four in-country programmes;*

3. *The improved alignment between the work programme, and the allocation of the budget. Specifically, the Secretariat recommends that the EXCO and/or the CG make very clear budgetary allocations to the four different pillars of the work programme, viz.: The Catalytic Fund, In-Country Programmes, Knowledge and Learning, and Communications and Advocacy;*

4. *A concerted attempt to engage more CA members in the strategy and activities of the partnership; and*

5. *A new relationship between the Secretariat and the Executive Committee, with the latter playing more of a leadership role within the Cities Alliance.*

1. Overview – Context and Strategic Orientation of the Cities Alliance

The Medium Term Strategy (2008-2010) was designed to consolidate and build upon the mandate and success of the Cities Alliance after its first eight years. Produced after the second independent evaluation, and incorporating an honest assessment of the perceived strengths and weaknesses of the organisation, the MTS has been instrumental in providing a strategic framework for the Cities Alliance.

Although this is neither the time nor the vehicle for an evaluation of the MTS, to date it has arguably served to:

- Improve alignment with the Paris and Accra agendas adopted by the international development community;

- Contribute to an improved international focus on urban development;

- Sharpen the focus of CA interventions; and

- Improve the efficiency and management of the Cities Alliance overall.

Where the MTS was arguably less successful was in the objective of increasing the breadth and depth of member involvement in the affairs of the organisation. It is the strong view of the Secretariat that renewed and sustained attention will be necessary to redress this problem.

More recently, in the deliberations at the Barcelona CG meeting in 2009, and more evidently at the Mumbai meeting in January 2010, it was clear that the founding Charter was beginning to show signs of age, raising questions about its effectiveness as a consensus document, and in directing the organisation. In particular, the following strains can be identified:

- The changing membership of the CG, and in the turnover of personnel representing member organisations;

- The subsequent loss of institutional memory;

- A changing international developmental context;

- The evident gaps within the document; and

- Significant, ongoing changes within the host organisation.

As a first step, the CG decided at Mumbai to undertake this review of the Charter in two phases, with the first focusing on the membership of the organisation, and the process of decision-making, prior to a more comprehensive review of the entire Charter, following the third independent evaluation, scheduled for mid-to-late 2011. However, the Secretariat now feels that consideration should be given to embarking on a single, seamless process of reviewing the Charter.

Developing a Cities Alliance Theory of Change

In framing its own responses to the challenges raised by its members, the Secretariat has subsequently sought to provide a framework, in order to help itself and members to contextualise the current and future role of the organisation. Following the Mumbai meetings, in which a number of significant decisions were taken in respect of the CA's business model, the Secretariat grappled with some of the central themes raised by the MTS: the challenges of *systemic change*, and of *scale*. The Secretariat continues to grapple with the issue of ownership. We believe these remain valid objectives to continue to guide the organisation in the immediate future, while moving towards a complete revision of the Charter itself.

This issue will need to be more fully developed in the revised MTS, which will emerge from the process of revising of the Charter. However, it will certainly be useful to outline some of the major issues that a theory of change will need to address, many of which build directly on the logic of the current MTS.

The first assumption that needs to be made explicit is that, increasingly, the focus of the Cities Alliance and its members will be on cities and countries that are at comparatively early stages in managing their process of urbanisation. This assumption complements both the emerging consensus within the CG for an increased focus on poorer countries, as well as building on the experience and lessons that the Cities Alliance has gained from a decade of working with urbanised countries such as Brazil, South Africa, Chile and the Philippines. In addition, it also provides a very clear basis and rationale for the continued engagement with CA's MIC members, both as repositories of relevant and replicable knowledge but, equally importantly, as mentors for countries faced with similar challenges, eager to both avoid the same mistakes, and learn from the successes.

The second, and broader assumption, is that the challenges associated with rapid urbanisation are consistently exacerbated by inappropriate and counter-productive policies, at both the local and national level. This is an issue that the Cities Alliance has consistently covered, most recently in the opening chapter of the 2009 Annual Report.

It is upon this combination of factors influencing the trajectory of change - where demographic realities are increasingly at a variance, or even clash with, the current policy environment – that the Cities Alliance and its members will increasingly focus, and provide support to governments wishing to manage a more orderly and productive process of change. Or, to put the issue more starkly, what should not be at issue is the fact that fundamental, profound change is certain in developing cities and countries – but, rather, **the nature, pace and process of that change**. Different decisions, and different policy approaches, especially learning from other cities and countries, can make all of the difference between successful and orderly transformation, and difficult, socially disruptive and unproductive transitions.

More recently, there has been increased attention on the role of cities in contributing to, and mitigating against, the issue of climate change, with a particular focus emerging on green cities, as well as resilient cities. In the view of the Secretariat, this issue can most appropriately be addressed through the vehicle of a city development strategy, but it would be appropriate for EXCO to provide some guidance on the importance of these issues to the Cities Alliance.

The context of the CA's work, therefore, includes:

- Rapid urbanisation, mainly within Africa and Asia, encountering similar pressures to those witnessed in Latin America and the Caribbean over the past 3-5 decades;

- Evolving, if sometimes inadequate, policy responses;

- The growth of informality, and associated governance challenges;

- Changing demographics – internal and cross-border migration, the growth of secondary cities, and the growing proportion of youth within the population;

- The increasing confluence between the impacts of climate change and urban risks arising from poor policies; and

- More recently, the impacts of the economic crisis, and the need for improved systems of financing.

In the recent past, there has been a discernable increase in international attention on urban issues, and the analysis of the changing nature of challenges facing cities. Amongst a number of reports produced by private sector organisations (McKinsey, Arup), UN agencies (UNFPA, UN-Habitat), the World Development Report 2009 stands out for the compelling case that it made for cities and, indeed, for systems of cities. Equally importantly, the WDR 2009 improved our understanding of the uneven nature of growth, the importance of agglomeration and the need for informed interventions.

It has always been the view of the Cities Alliance that, aside from advocacy and information sharing, development partners should not attempt to insert themselves into the decision-making process in a given country. It is the local society and its government(s) that are the main drivers and decision makers, either pushed by the increasing dysfunction of the old systems of management and control or, increasingly in a globalising world, in observing and learning from less disruptive experiences from other cities and countries – particularly from those cities and countries with appropriate, relevant and transferable experience. The language of `south-south' points to this emerging tendency, even if it oversimplifies the practice.

It is, therefore, important to record that some of the most significant policy shifts that have emerged in the past few years are those of developing countries themselves, including in sub-Saharan Africa. Not only in the more urbanised countries in west Africa, such as Senegal, Benin and Ghana, but also in countries noted for their low levels of urbanisation, such as Uganda, Malawi and Tanzania, or those with an historic apathy to the urban poor, such as Kenya, have introduced new policies and initiatives to respond to their growing urban reality. Globally, the most significant is that of the emergence of India as a country prepared to contemplate comprehensive programmes to reform cities, as well as support *in-situ* slum upgrading on what would be an unprecedented scale.

In summary, the last few years have demonstrated that there is emerging a new understanding of the nature, extent and urgency of the urban challenge. In particular, there is now a consensus that cities have problems, but are not the problem. Similarly, it is slums and poverty that are the menace, rather than slum dwellers. Most pertinently, cities need to simultaneously respond to current challenges, and also plan for future growth.

There is also a greater clarity that most national developmental challenges will be concentrated in cities of all sizes, which is also where solutions will need to be found and implemented. The greatest challenge is for the local population, the political leadership, and their institutions – the building of an evidence-based consensus, the taking of the necessary decisions, the introduction of necessary reforms, the allocation of the budget, the measuring and reporting on progress – these are all issues for **that** city, **that** society, **that** government. The provision of support, and learning from outside, are

roles that can be played by international development agencies, and partnerships like the Cities Alliance.

The Role of the Cities Alliance

In this context, we also need to consider how international aid, and the development architecture, is changing, and further needs to change. What is clear is that the traditional pre-eminence of a limited number of countries and organisations is being challenged by the emergence of new power systems and models of cooperation, and by the rejection of top-down, patronising and high-cost models of development assistance.

The Cities Alliance is a unique microcosm of these factors, and also of these tensions, combining elements of both the old and the new. While it is hardly alone in the field of urban development, it has a number of strengths, which include:

- The CA is an **alliance focused on cities**. While working through, and with, national government, the focus of the Cities Alliance is on the *local*, where the citizen meets city hall, the formal meets the informal, and where daily life is lived, and where livelihoods are transacted and transformed;

- The eclectic composition of the Cities Alliance, which incorporates the post-WW2 multilateralism of the UN system (UN-Habitat, World Bank and UNEP), the G7-G20 bilateral, emerging regional/global powerhouses (Brazil, South Africa, Chile, Philippines, Nigeria), representatives of LDCs (Ethiopia),OLICs (Nigeria), as well as new (SDI) and established (HFHI) international NGO and, most importantly, the international organisations representing local government (UCLG and Metropolis);

- From its very launch, the Cities Alliance has been conceptualised as more than the sum of its parts, to be achieved not through acting as a financier (or a Trust Fund), but through **the power of its members working together**, the alignment of its interventions, the quality of its work, the knowledge that it generates, the analysis that it produces and the learning that it shares;

- A Secretariat dedicated to helping members achieve the goals and vision of the Alliance, and strengthening the organisation as a partnership.

- A Secretariat staff which reflects the diversity of the Cities Alliance's membership, including through secondments from Slum Dwellers International, UN-Habitat, GTZ, AfD as well as young professionals from both developing and donor countries.

Developing the New Business Model

Arising from the intense debate that was generated by the different responses of members to the Medium Term Strategy, the Secretariat has proposed a number of revisions to the CA's business model, which were debated and developed since Barcelona, and finally adopted in Mumbai. These revisions stem from a number of inputs, which include the 2006 Independent Evaluation and the 2007 Independent Evaluation Group (IEG) Evaluation, constant assessments of the strengths and weaknesses of the CA portfolio, as well as observations of the most effective processes that contribute to systemic change and to scale.

Based on the preceding factors, the Secretariat found it necessary to develop a theory of change to guide the organisation through this transition, and to forge a consensus about its vision, role and the methods it uses. Re-emphasising its core principle of examining the city in its entirety, the Cities Alliance seeks to promote inclusive cities that are both integrated (comprehensive and holistic) in their approach, as well as integrative, providing space, voice and opportunity for the urban poor.

In considering essential changes to the Cities Alliance's business model, the Secretariat has necessarily started from the guidance that already exists in the current Charter. The following two policy statements from 1999 have helped to frame our thinking in 2010:

1. The Cities Alliance is a global coalition of cities and their developmental partners;

2. The Cities Alliance has been conceived to improve the efficiency and impact on urban development cooperation, making unprecedented improvements in the lives of the urban poor.

This we understand to mean that the primary focus of the CA is on (poverty in) **Cities**, and our primary method is that of cooperation, with our members acting as a **Partnership**. We further interpret this to mean that the modest *resources should not be used to merely augment the ongoing work programmes of our members*, but rather to add qualitative value which members and partners could/would not generate individually. It is these understandings that inform the logic of the business model which is presented in the rest of this document.

The Secretariat also believes that there should be a more cautious, transitional approach to the new business model. This will have important implications for the CA's approach to budgeting, and to the in-country programme.

Summary of Recommendations from the Secretariat:

✓ Overall, the Secretariat proposes a business model that is predicated on the more active involvement of CA members;

✓ The Secretariat believes that this would most obviously be facilitated by an empowered and more active Executive Committee;

✓ In particular, the Secretariat believes that the selection of countries for in-country programme support should be a decision for EXCO, acting on information and recommendations provided by the Secretariat;

✓ In selecting a country, the Executive Committee should also very clearly identify the leading CA member for such a programme, who will facilitate the involvement of other CA members, with Secretariat support;

✓ With immediate effect, no new items / themes should be added to the work programme without the identification of the necessary budget and resources for implementation;

✓ It is proposed that, during the transition, EXCO makes clear budgetary allocations between the four pillars of the CA's work programme, which will then be conveyed to all CG members, and acted upon by the Secretariat; and

✓ In-country programmes would, in the transition, be limited to the three already identified (Uganda, Vietnam and Ghana), with the fourth being selected by EXCO, from recommendations submitted by the Secretariat.

2. The Four Pillars of the Cities Alliance Work Programme

2.1 The Catalytic Fund

Rationale

After 10 years of experience, the CA Open Access Grant Facility has been replaced by a Catalytic Fund as one of the four strategic pillars of the CA business model. The Catalytic Fund (CATF) has been developed in accordance with the following principles:

- Strategic alignment with the new CA business model: The CATF harmonizes with the new CA business model, following the MTS, adhering to the theory of change and complementing the other CA tools, namely In-Country Programmes (ICP), Advocacy and Knowledge and Learning (K+L).

- Global Reach: The CATF is to maintain a wide geographical scope of the CA, much beyond the limited number of countries envisaged for in-country-programming.

- Demand orientation: Cities are at the centre of the CATF, and mechanisms will be in place to foster ownership and commitment.

- Process optimization and transparency: The CATF will intend to systematically lower transaction costs for CA members and partners, while maintaining transparency in the selection process and increasing the developmental value of its projects.

Objectives

The Catalytic Fund has two major and complementary strategic objectives: The first objective is oriented towards the specific local situation while the second aims at the broader CA constituency.

Objective 1: The Catalytic Fund aims to have catalytic effects on initiating and enhancing urban transformation processes promoting more inclusive cities.

Objective 2: The Catalytic Fund aims at advancing collective know-how through the learning that can be distilled from the project experiences and shared with a broader audience.

Urban transformation is a long term process, with multiple actions and actors, which changes a city by developing innovative ideas and concretising them through cooperation. A catalytic effect, as intended by the Catalytic Fund, will:

Bring change: This change would not happen without the action of a catalyst able to initiate and then mediate the process of transformation**.**

Shape a 'cooperation system': As in chemistry, a catalytic reaction develops only through the building and development of a dense system of partnerships. Positive change in complex systems such as cities adapts to the idea of multiple drivers, different approaches, activities and competencies are being aligned for synergetic results towards a common goal.

Innovate: the catalytic effect is creative and value-added. It often relies on diverse combinations of inputs, alternative pathways and new solutions. Innovation will be measured in terms of new ideas, products and processes in the local city context.

As the CATF aims to 'advance collective know-how through the learning that can be distilled from the project experiences and shared with a broader audience', the CATF will prioritise projects with a high potential to generate case studies, practical experiences in dealing with a well defined problem, which address local needs as well as the knowledge interest of the Alliance. The main instruments of knowledge generation and sharing will be: (i) peer-to-peer exchange (in most cases city to city); (ii) advisory services provided by CA members; and (iii) the preparation and presentation of the case study by the applicant to a peer audience (e.g. at WUF, UCLG congress, Africities, and other). These instruments will be integrated into the design and the budget of projects.

The appraisal process might also reveal as a useful resource for the CA learning function. The debates emerging from the consensus building for the funding decisions might be extremely relevant and insightful with regard to the current trends and innovative solutions in urban development and, as such, be of great interest to an audience beyond the CA Secretariat. A mechanism to facilitate the sharing of this knowledge into CA's constituency would be to synchronize the selection meetings with a CA event, e.g. the CG meeting, or with renowned international events, e.g. WUF or UCLG congress.

Basic Characteristics of the CATF Appraisal Process

The appraisal of proposals for CATF builds around the following major tenets:

- Grants are awarded in a competitive process intended to increase the quality and focus of the portfolio in order to leverage the impact of CA and tailor it to the new programmatic objectives;

- The application for CATF support will be through a call for concept notes (concise outline of the intended projects) once or twice a year, which will be processed in a batch, instead of appraising proposals individually, throughout the year. This is a direct consequence of the competitive process but will also contribute to the lowering of transaction costs;

- The proponents of the most promising concept notes will be asked to submit a fully elaborated project proposal, from which the projects for funding will be selected. This stage of the selection process will also be competitive, with the probability of success determined by budget availability;

- It is proposed that the selection process will use an external evaluation panel (EEP) to aid the CA Secretariat in assessing the relevance and quality of proposals, and in supporting objectivity and transparency. The final decision will be taken by the CA Secretariat, while also considering the composition and characteristics of the overall CA portfolio;

- Subject to guidance of EXCO and/or the CG, as well as budgetary allocations, it is further proposed that grants will not exceed $250,000. Projects with high cost effectiveness and lower overall costs will be prioritised;

- It is proposed to retain the existing co-financing formula for grants.

Proposed Selection Criteria

The suggested selection criteria are in line with the core principles of the CA Charter and capture its nine criteria, but they are expanded in number. This reflects a redefinition rather than a substantial change of the criteria. The rationale is to provide the CA Secretariat and the EEP with a tool which allow not only to judge if a proposal qualifies according to a set of criteria, but to decide among qualifying proposals which ones are comparatively better.

The criteria for evaluating the proposals are deduced from the objectives of the CATF: (1) to cause catalytic effects on urban transformation (bringing change, system of cooperation, and innovation); and (2) advancing collective know-how. The 'Condition for Success' - cluster of criteria does not map to any specific goal but rather covers the probability of successfully concluding the project. It is worth noting that the criteria and sub-criteria are not meant to aggregate mathematically into a final numerical score. Criteria and sub-criteria are rather to function as guidance for evaluating those aspects that are most important to the CA, and that therefore need to be considered when evaluating the proposals competitively.

Conditions for success	Bringing Change	System of cooperation	Innovation	Knowledge potential
Capacity *(of the client)*	**Scalability**	**Harmonization**	**Design** *(conceptual framework)*	**Results Based Management** *(how success is captured)*
Fiduciary Assessment *(of the client)*	**Transferability**	**Alignment**	**Methodology** *(process)*	**Gap filling** *(addressing knowledge gaps of interest for a broader audience)*
Commitment *(of the client)*	**Institutionalization**	**Ownership**	**Products** *(deliverables)*	**Applicability** *(not academic)*
Co-Funding	**Follow-up investments**	**Partnerships**		**Learning** *(promote activities, i.e. peer-to-peer, CoP, study tours)*
Cost effectiveness *(of the project)*	**Targeting the objective** *(as currently defined in the Charter, i.e. environment and pro-poor)*	**Dialogue and Consultations**		**Additional themes** *(e.g. gender, youth)*
Risks and Mitigations				

In addition to the generic criteria above, EXCO and the CG might consider additional criteria in order to generate case studies on issues of high interest, e.g. providing land for incremental housing, urban poor investment funds, or other. These additional criteria could be varied from year to year, thereby

generating valuable case studies covering strategic issues. The Secretariat will also apply soft criteria to maintain the geographical scope of the portfolio, the balance between MIC and LDC, city categories, and optimal member engagement.

Summary

Subject to the endorsement by EXCO of the principal characteristics of the CATF as described above, the Secretariat will elaborate the instruments and tools for the appraisal process for approval by CG. EXCO members may also wish to recommend to the Secretariat additional candidates for the external evaluation panel, which will initially be built around the existing pool of Independent Technical Assessors (ITAs).

Upon advice of EXCO, the CG will also decide on the budget available for the CATF – as well as the three other pillars of the work programme, which will then determine the number of full project proposals to be considered for funding. Following these steps, the first call for concept notes could be launched shortly after the CG meeting in Mexico City, with submission date in early 2011.

2.2 In-Country Programming

The need for the Cities Alliance to develop an In-Country Programme (ICP) approach was clearly identified in the Medium-Term Strategy (MTS):

> *The Cities Alliance Secretariat will develop criteria to identify those countries where Cities Alliance activities have the potential to achieve the greatest impact, to support activities that can achieve scale, and tailor a work programme accordingly. This will enable the Cities Alliance to indicate its willingness to become a stable partner and enter into a longer-term partnership with a select number of countries, agreeing to support such countries for a longer, specific period and in so doing help to consolidate city or country-led reforms by offering consistent, reliable, professional and critical support. This approach would allow both parties to move beyond the short-term, ad hoc, donor-driven projects, very few of which have any impact beyond the activities themselves.*

Since the adoption of the MTS, the CA Secretariat has worked to outline the parameters and understand the implications of this new model of CA support. The first significant attempt to formulate a longer-term, programmatic approach was in the development of the Land, Services and Citizenship programme, which was the basis for a $15m grant from the Bill and Melinda Gates Foundation. This programme has subsequently been launched by the Government of Uganda with a number of CA members, and is currently under development by the respective governments and CA members in Ghana and Vietnam.

With the development of criteria for the selection of countries for in-country programme support, the fourth country should be selected by the Executive Committee, upon recommendation by the Secretariat[1].

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[1] Due to the budgetary requirements of an in-country programme, it is proposed to reduce the number of LSC countries from five to four.

The ICP is primarily designed as a vehicle through which Cities Alliance members will support the national government, local authorities, communities and their development partners to comprehensively:

1. Engage in *meaningful dialogue* and cooperation;

2. Increase their *awareness* of the situation of the urban poor and their capacity to contribute to urban development;

3. Enhance their *knowledge* of inclusive urban development;

4. Elaborate inclusive urban *strategies, policies and plans*;

5. Identify and *mobilise finance* and other resources for inclusive urban development;

6. *Adjust their organisations* to support inclusive urban development; and

7. *Implement* inclusive urban policies, strategies and plans.

In-Country Programme Design

The core objective of an In-Country Programme is to bring CA members together into a series of facilitated engagements with national and local authorities. This process helps to collectively define the demand and informs how limited ICP resources can best be utilised to: 1) build on and support to CA member and other initiatives currently underway; 2) strengthen the operational synergies between members, and with national and local government; and 3) help fill the defined programming gaps that will enable an integrated focus on the inclusive city and the urban poor.

Bringing the drivers of development together in the design process of the ICP helps achieve two results: 1) set out a long-term CA commitment to pro-poor urban programming within a specific country; and 2) enable purposeful coherence of effort between CA members in support of the programme.

The ICP supports the institutionalisation of dialogue between drivers of development at national and at local levels enabling the better formulation of policy, strategies and plans. In this respect the ICP aims to achieve the following:

- Improved national urban policies reflective of the inputs of local authorities and communities;

- Urban strategies and policies that reflect and respond to the needs of the urban poor; and

- Credible development plans aligned with investment.

The In- Country Programme is an approach, rather than a specific methodology, and will be tailored to the specific conditions and requirements of the country in question, whether low income, or middle income countries.

In-Country Programmes would be developed primarily in lower income countries, with a particular although not exclusive focus on Sub-Saharan Africa. From the outset, Cities Alliance members would work together in helping the government to: (a) build citizenship and good governance at a local level;

(b) improve planning and urban management systems for effective municipal service delivery; and (c) enable the policy environment for efficient and effective pro active management of urbanisation.

The nature of the Alliance's implementing strategy for ICPs in LICs will depend on the budget allocated. It is envisaged that a small portfolio of carefully selected LIC countries will be programmed with parallel grants enabling the concurrent implementation of the three objectives above. Equally, an ICP could also be developed via a sequencing of a limited number of interventions, supported by CA grants.

Irrespective of whether an ICP is packaged as a programme of sequenced or parallel grants, the following fundamental characteristics would apply in both instances:

- The ICP would be a negotiated multi-year programme, identified and designed through a process of active stakeholder involvement; and

- The strategic point of entry of programme design is the city level, linking with *inter alia* the national association of local governments, national government, the private sector, and organisations of the urban poor.

The Cities Alliance may also provide ICP support to a limited number of MICs that have large populations of the urban poor and whose experience might be relevant to other low-income countries.

As agreed in Mumbai, emphasis would be placed on strengthening and utilising the Alliance's existing portfolio of MICs as an asset base for South-South exchange. Thus, in MICs that are selected for in-country programming, many of the follow up grants would endeavour to facilitate this objective. In particular, these ICPs would:

- Focus on processes and outputs that might serve as a demonstration effect through South-South exchange;

- Target grants at strategic opportunities (national, local government and community) that would leverage knowledge, pro-poor policy reform and new praxis.

It is envisaged that ICPs in middle-income countries would build on the existing relationships with Brazil, India, Philippines, Chile and South Africa.

The In-Country Programme is still currently being designed, and it would be unnecessary and premature to try and finalise programme design at this stage. Rather, EXCO should be requested to focus on the criteria and the method to be employed in selecting countries for In-Country Programme support.

Country Selection Criteria

Above and beyond due considerations of impact, geographic spread and the varied interests of the CA membership, the following are among the key assessment criteria:

1. Demonstrated demand from national and local government;

2. Political commitment to addressing the needs of the urban poor;

3. The nature and extent of CA member engagement;

4. Outcome/Impact of past CA investment(s);

5. The mobilisation of new partnerships.[2]

2.3 Knowledge and Learning Programme

Rationale

Knowledge generation and sharing is one of the defining pillars of the Cities Alliance's role in international urban development. As motivated in the Charter, one of the priority objectives in creating the organisation was to *provide a structured vehicle for advancing collective know-how*. Considering the wealth of knowledge represented in more than 200 projects supported by the Alliance over the past decade, it seems that their potential to influence urban policies and practices has not yet been fully realised. The role of the Alliance as a global generator and provider of knowledge needs to be reinforced and substantiated.

Given limited scope and resources, this can only be achieved by focusing the knowledge and learning programme and linking it with the specific strength of the Alliance, namely:

- its specific approach to change, the urban transformation process towards inclusive cities;

- the reference to operations on the ground, which demand and provide applied knowledge;

- the variety of expertise of partners and CA members, offering options which are easily accessible and adaptable to specific situations; and

- the global character of the Alliance, which facilitates analysis of local experiences against a broader context.

Objectives

Taking the above as guiding principles, the evolving Knowledge and Learning Programme is designed to screen and capitalise worldwide experiences of transformation processes towards inclusive cities, make them available to urban practitioners and feed them into policy dialogues on local, national and international level. This is aimed to:

- encourage more urban actors to engage in transformation processes, as CA approaches are promoted by opinion leaders, training institutions and other multipliers;

- increase the effectiveness and efficiency of urban transformation processes, as policy makers and practitioners draw on previously developed approaches and instruments;

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[2] For example, universities and training colleges

- increase the sustainability of CA support beyond the project duration as drivers of urban development integrate the knowledge their individual and organisational work routines; and

- increase the coherence of effort among all parties involved, as they align their policies, approaches and instruments.

Once again, and especially in the context of knowledge and learning, it must be highlighted that the Alliance relies in first instance on its members, with only a supportive/complementary role for the Secretariat.

Knowledge Generation

The operations of the Cities Alliance, namely activities supported by the Catalytic Fund and the in-country-programming will generate knowledge. As experience shows, they will also identify knowledge gaps, where approaches or experiences are not readily available, neither by CA members and partners, much less by the CA Secretariat. The Secretariat will systematise this demand for knowledge, suggest possible means of knowledge generation and learning, and consolidate it into a K+L work programme, as part of the overall annual CA work programme to be submitted to the CG.

The Catalytic Fund will give priority to projects with a high potential to generate practical solutions to development challenges, address both local needs as well as the knowledge interest of the Alliance. These experiences will be analysed, synthesised and shared as case studies. The main instruments of knowledge generation and sharing will be advisory services from CA members, peer exchange (in most cases city to city); and the preparation and presentation of the case study by the applicant to a peer audience (e.g. at WUF, UCLG Congress, Africities, and other). All three knowledge instruments will be integrated in the design and the budget of projects.

In-Country Programmes will also generate experiences, but of more complex nature, targeting more themes and engaging more actors. In addition, they will generate valuable experiences on managing complex urban transformation processes. Similar to the Catalytic Fund, advisory services, peer exchange and presentations to a peer audience are built into the design and the budget of In-Country Programmes. Urban Fora at local and national level are a vital element of in-country programming and will be very significant for sharing information, for alignment and for joint learning. The participation of all CA members and partners active in the correspondent country is strongly encouraged. In addition, and different from the Catalytic Fund, the CA Secretariat will have an active role in monitoring the substantive progress of the programmes, and in capturing the experiences, with a focus on learning about the management of transformation processes.

The third principal instruments to address knowledge gaps are **Joint Work Programmes** among CA members, mainly to generate concepts, position papers, or tools, including pilot experiences with their application. Preference should be given to Joint Work Programmes among several members, as this would contribute also to the alignment of concepts and approaches. Joint Work Programmes can also be extended to CA partner-countries with related expertise and experience, e.g. Brazil, India, Philippines, among others. The CA Secretariat will actively approach a CA member or a country to establish a Joint Work Programme addressing an identified knowledge gap.

Specific studies could also be commissioned to universities, think tanks or consultancies, if a Joint Work Programme is not feasible or deemed less efficient.

Knowledge Sharing and Learning

The CA Secretariat will continue to improve the Alliance's project data base, the web site, newsletter, CIVIS notes, and print publications. It will also establish platforms for systematising the access to knowledge provided by CA members. Whereas these tools are useful for the sharing of knowledge, more effort should be made by members to motivate their respective constituency to learn from knowledge available in the CA, from partners and members. Members are encouraged to finance, convene, organise and support CA-related **learning-platforms**, further interrelating their networks and staff with CA experiences and partners. Prominent learning platforms of CA members include the UN-Habitat's World Urban Forum and the World Bank's Urban Research Symposium.

The CA will enhance its efforts to mobilise and strengthen additional actors, such as Universities or Training Institutes, in their capacity to give technical advice to local and national governments and to train and qualify urban professionals. They will be engaged in In-Country Programmes and in projects of the Catalytic Fund, with the dual purpose of making their existing expertise available to cities and at the same time enhancing and updating it. In addition to these project-related activities, longer term CA support will be made available to establish or consolidate cross-border **knowledge and learning networks**, which could also include northern Universities. The African Association of Planning Schools, the Commonwealth Association of Planners and the African Centre for Cities are examples to illustrate the potential long term impact on urban development.

> **On all of these issues, EXCO will need to either decide or recommend on the budget allocation for these different allocations of the work programme, which will then provide the Secretariat with a clear budget envelope within which to work.**

The changing international urban development architecture, the evolving business model of the CA, as well as the diversity in the CA membership suggests a strong need for policy discussions at the CG level to foster alignment among members. The Secretariat would suggest that the current Public Policy Forum might be refocused as a Cities Alliance Policy Forum. Participation could be extended to policy makers and practitioners from CA members, beyond the principal representatives to CG. The redefined Advocacy Panel, CA members as well as the CA Secretariat would provide inputs for the Forum.

Current Activities and Perspectives

Some examples for the activities and instruments suggested above can already be found in the current CA portfolio. However, they are not yet systematic nor consolidated enough as to shape the knowledge and learning programme with the characteristics and objectives described at the beginning of this chapter.

The Secretariat is compiling knowledge gaps and potential means of addressing them in a draft knowledge and learning programme for endorsement and further development by the CG. This will permit to identify additional sources of knowledge, to avoid duplication and to prioritise knowledge activities. Hopefully, it will also encourage broader member participation in Joint Work Programmes.

The current Joint Work Programmes have a strong focus on environment and climate change. Other themes being more deeply examined through Cities Alliance support are housing, enumeration,

municipal finance and slum upgrading policies. Additional topics might be identified by the CG and EXCO, subject to the availability of resources.

2.4 Communication and Advocacy

The Cities Alliance Medium Term Strategy identified "the need for increased advocacy, together with partners, to promote understanding of the role of cities and local authorities in development." (April 2008)

The CA Working Group (July 2009) recommended that the Secretariat elaborate a "systematic and comprehensive advocacy strategy for the CA, which not only identifies the necessary mechanisms and activities, but also defines the roles and contributions of the members, the Secretariat including its regional advisors, and the Advocacy Panel". The WG also recommended that the CA strengthen its presence in Europe by establishing a small sub-office.

The CA Executive Committee (September 2009) endorsed the WG recommendation for an advocacy strategy, noting that additional funding would be required, and additional Secretariat staff capacity might be needed to support the strategy.

EXCO was less supportive of establishing a sub-office in Europe, but asked the Secretariat to prepare a three year budget and Terms of Reference for the proposed European regional office, noting that this could be linked with the advocacy strategy of the CA and that new sources of non-core funding would have to be found.

The Secretariat submitted options to EXCO for CA European presence in January 2010:

- Add a CA Secretariat regional staff person to be based in Europe, hosted by a CA member organisation.

- Develop a joint work programme initiative/campaign with one or more CA members/partners for a set of communications/advocacy activities in Europe.

- Put out to tender a contract for an 18-24 month programme to promote key CA messages in European markets, and to improve attitudes and attention on city/urban/slum issues.

There was little support expressed by EXCO for the first option, and some support for the other two options. The Secretariat was asked to continue investigation.

Advocacy was also considered by the entire CG at the Mumbai meeting (January 2010), where there was agreement that the CA needs an aggressive advocacy plan. Members expressed the need to engage more proactively with donors and multilaterals such as the OECD and EU, decide upon the future of the Advocacy Panel, and use economists to quantify the urban problem. The Secretariat was asked to incorporate the CG's ideas as it continued to develop advocacy plans with interested members.

Progress: January-June 2010

The Secretariat seeks EXCO input, and guidance, as it begins developing an advocacy programme around two strategic objectives:

i.   To influence policy makers in donor governments/agencies and their multi-lateral organisations, particularly in Europe, concerning the urgent need to address rapid urbanisation, and in particular the growth of slums, and the central role of cities and local governments in responding to these issues; and

ii. To support efforts to catalyse change processes around issues of rapid urbanisation and the role cities in developing countries, particularly in support of CA strategic In-Country Programmes.

The first objective is in response to demand from the CG and from broader partnership objectives, and the second is targeted at achieving developmental outcomes, particularly in poor countries, as part of the CA results framework.

The programme is being developed as a strategic set of projects implemented through Joint Work Programmes with CA members and partners.

Global and European Advocacy Plans

The perceived need for a CA advocacy campaign was an item of major interest, and discussion, at the Mumbai CG. As a first step in developing options for EXCO, the Secretariat approached Habitat for Humanity International (HFHI) to provide guidance on designing and costing a Cities Alliance advocacy project for Europe. Habitat for Humanity has a strong track record on advocacy and awareness-raising, most recently demonstrated by HFHI's leadership and recent successes in the United States on promoting neighbourhood revitalisation, secure tenure and housing options.

An initial proposal for influencing international development policy in Europe around city/slums issues, developed by HFHI, is summarised below. The project would pursue specific, targeted objectives over a three-year period, and also provide a platform to support a variety of other awareness-raising and advocacy efforts of CA and its members. This would include the Joint Work Programme with UCLG, and engage the CA Advocacy Panel. Linkages would be made with the World Urban Campaign and its networks of urban advocates, and other initiatives of CA members and partners.

This CA European policy project would cost an estimated **$2.6m over three years, and additional $1.4m for other related programme initiatives**.

The European project would be implemented through three, one-year phases, and would provide capacity to support the broader CA advocacy work programme. HFHI has offered to lead implementation of the project and to provide in-kind support for its management and supervision. EXCO guidance on the proposed plan and its funding is needed.

The first phase of the project, for assessment and continued development of project plans, would cost approximately $0.6m. Other work programme activities with CA members would be developed during this phase.

- **Phase I – Assessment and Building Advocacy Capacity**

Phase I would focus on assessing the existing strengths, weaknesses and gaps of advocacy among Cities Alliance and its members, and other coalitions, institutions, policy-makers, and individuals with abilities to influence international development policy in European Union members states and European Union institutions. The assessment would lay the ground work for the development of a robust policy and legislative agenda that would become the road-map to achieving real and specific policy change and success within Europe on an ongoing basis. At the end of the first phase, key questions related to where to have the greatest impact, what kind of structures will be needed to achieve success, who else will help achieve success, and how best to develop advocates would be answered.

Six key assessments would take place during Phase 1:

1.   Assessing key policy priorities;

2.   Assessing countries and institutions to influence;

3.   Assessing key coalitions to engage/influence;

4.   Assessing how best to mobilize advocates;

5.   Assessing how best to implement advocacy campaigns;

6.   Assessing the risks of advocacy.

- **Phase II – Advocacy Capacity Building and Launching Pilots**

Continue building advocacy capacity within a few strategic locations selected through the assessment phase, and begin testing pilots in one or two selected countries. Create a campaign launch plan and steps for implementation.

Five key advocacy capacity building strategies would take place in Phase II:

1.   Developing public policy positions;

2.   Influencing and building coalitions;

3.   Forging relationships with key decision-makers;

4.   Building a base of advocates (10,000 targeted within the EU);

5.   Planning for campaign implementation and pilot testing.

- **Phase III – Implementation**

By the beginning of this phase, CA members would have established credibility to influence policy and practice in key countries in Europe generally, and within the European Union. Based on the information and work in Phases I and II, the steps needed to finalise the

implementation of the plan will be identified along with ongoing monitoring and evaluation activities for any additional actions.

Phase III would begin with the implementation of a major planning effort that will include five key focus areas:

1. Benchmark successes or leadership in an existing coalition and/or building a new coalition;

2. Support the advocacy campaign;

3. Launch a major public policy report;

4. Launch a major effort to engage a base of advocates throughout Europe;

5. Influence key policy decisions related to international development policy and practice in Europe.

Engagement of CA Members

The active engagement of CA members would be required throughout the project, particularly UCLG, UN-Habitat, UNEP, WB, GTZ, AFD, USAID, HFHI and SDI. Participation would be needed from members both for direct inputs to the project as well as for other, complementary initiatives. CA members would also need to fund the advocacy plans.

Representatives from the CA membership would need to serve on a **Steering Committee** proposed to provide oversight for the project, make key inputs (e.g., confirming the public policy positions), and facilitate coherence of action.

Members would be encouraged to participate in the assessment processes of the project (e.g. of policy priorities, and of coalitions to engage/influence), and in advocacy capacity building (e.g., forging relationships with key decision-makers).

More extensive engagement would be required during the implementation phase, around plans to be developed during the first two phases. The plans might include activities such as major policy/advocacy conference, and a policy report.

Planning for CA member engagement in the CA advocacy strategy is proposed during a **mobilisation period** at least through the remainder of 2010. The Mexico City joint UCLG-CA meetings in November would solicit inputs and build ownership for the plans from UCLG leadership and membership (the Cities), as well as other CA members, and to plan for their continued engagement. Endorsement and funding for the plans would also be needed.

The objectives, composition and work programme for the **Advocacy Panel** would be part of the plan. The draft TOR for the Panel is to provide leadership and advisory inputs to the CA's advocacy plans, and be utilised as part of implementation of the European advocacy project.

Some CA members are participating in the **World Urban Campaign** (UN-H, UCLG, HFHI), and the CA funded start-up costs for the launch at WUF-5 in Rio de Janeiro. A coalition of Habitat Agenda partners of UN-H form the foundation of the Campaign, many of these partners with significant

European presence (e.g., international professional associations). Synergies with WUC activities and partners would be developed, and the CA advocacy programme could be affiliated with the Campaign.

Advocacy plans in Low Income Countries

The initial development of In-Country Programmes through the Land, Services & Citizenship project have identified needs and opportunities for in-country communications and advocacy activities. In Ghana, the assessment of CA members in the country is of a good set of governmental and civil society partners ready to make improvements in policies and programmes, but there was a strong current of hostility in the media and in public opinion towards slum dwellers, and little recognition of the potential of municipal and metropolitan governments to improve economic development and poverty reduction. In response, awareness-raising and other communication activities are proposed to be part of the LSC in-country design for Ghana, which is still at an early stage.

In addition, a broader media project has been developed with a partner Organisation of the World Urban Campaign (the Mondofragilis group and the Information for Change Initiative (IFCI), called *Causing Change in Ghana*, which will produce a magazine and weekly radio show featuring people, projects, organisations, networks and businesses that are improving lives and livelihoods in Ghanaian cities and towns. Content from these media would also feed into a global media products being developed by the IFCI.

Decisions and Plans

EXCO guidance on continued development and implementation of the CA advocacy programme is needed. The opportunity for advancing a city/urban agenda seems good, but to take advantage of the opportunities, a significant investment is required. Members will need to indicate their financial commitment to such a strategy.

The advocacy programme outlined above could cost an estimated $5m over 3-4 years -- $4m for the European/global initiative and $1m for low-income country initiatives.

Proposed in the FY11 CA budget is $1.5m for the advocacy programme, based on the following assumptions:

$0.6m   Phase 1 of the European project; and

$0.5m   For related initial work programme activities (to be developed);

$0.4m   Support of In-Country Programmes.

Starting Phase 1 of the European project would imply making a commitment to mobilise funding to implement the other two phases.

Composition and Functions of the Advocacy Panel

The Secretariat would like to propose, for consideration by the Executive Committee, the following Terms of Reference for the Advocacy Panel, which still only has one member, the previous

Chairperson of the Policy Advisory Board, Clare Short. Since we anticipate the Panellists to be more involved and active than the Policy Advisory Board, it is proposed to keep the Panel relatively small.

Composition:

- The Advocacy Panel will comprise three – five members. Nominations will be submitted to the Manager, who will make recommendations for consideration and ratification by the Executive Committee;

- Members of the Advocacy Panel will be appointed for an initial period of three years;

- Members of the Advocacy Panel will be Short Term Consultants (STC), and shall be remunerated for their involvement according to applicable World Bank rules;

- The Chairperson of the Advocacy Panel will *ex officio*, be a member of the Executive Committee of the Cities Alliance;

- Members of the Advocacy Panel will be eligible to serve multiple terms, if so appointed by the Executive Committee.

Duties and Responsibilities:

- The Advocacy Panel will, on request of the Manager, provide strategic advice to the Cities Alliance. Such advice may be solicited on an individual or collective basis;

- Members of the Advocacy Panel may be requested to formally represent the Cities Alliance in an official capacity. In such cases, they will be provided with clear guidelines either by the Manager, or the Chairperson of the Executive Committee;

- Members of the Advocacy Panel will also use their own networks to seek opportunities to promote the goals, activities and products of the Cities Alliance.

Other:

- Members of the Advocacy Panel will be expected to participate in the Consultative Group meetings of the Cities Alliance;

- An annual report of the activities and accomplishments of the Advocacy Panel will be submitted to the Chairperson of the Executive Committee;

- Advocacy Panel members will be provided with all necessary support and materials necessary to represent the organisation, including publications, official business cards etc;

- Upon recommendation of the Executive Committee, the CG will make an annual budgetary allocation for the activities of the Advocacy Panel.
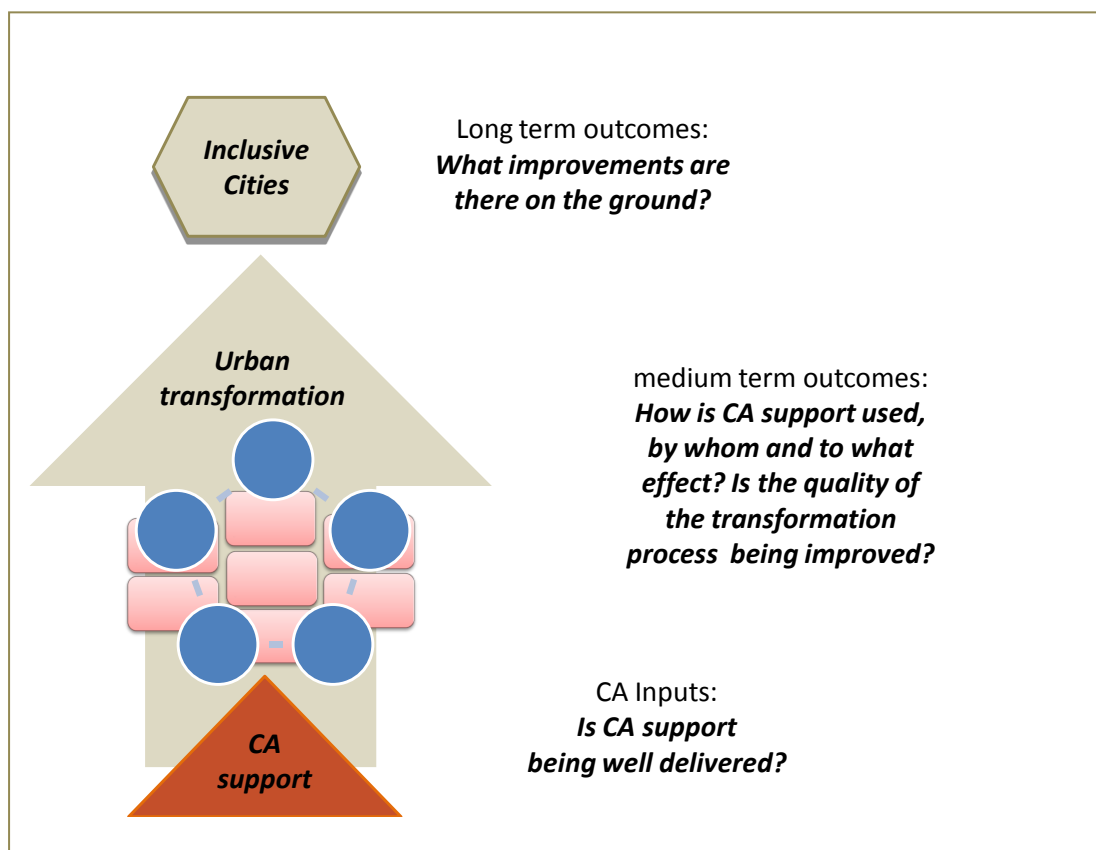
3. Framework for the Cities Alliance's Results Based Management

Overall Approach: Urban Transformation towards Inclusive Cities

The reference for the results based management of the new business model is the 'Cities Alliance Approach to Change, summarised in the graph below.

Results based management aims to improve performance, based on insights gained through monitoring and evaluating results basically on three levels: inputs, medium term outcomes, long term outcomes. This can roughly be expressed by the following questions:

- *Are the CA services being well delivered?*

- *Are they being well used?*

- *Do they cause the desired effects?*

- *What can be improved?*

CA Inputs to an Urban Transformation Process

Starting at the bottom of the graph, the first level of observation is the **input level**, assessing the **quality of CA support**: Are the inputs provided by CA to the urban transformation process being well delivered?

The focus is on the added value contributed by the CA, based on its four main value propositions:

1. **Coherence of effort**: Is the support aligned among CA and harmonised with partner policies?

2. **Knowledge**: Is up-to-date and experience-based knowledge being made accessible to all parties involved?

3. **Grant funding**: Does the CA funding make a catalytic difference to the process, which activities would not take place without CA financing?

4. **Reputational leverage**: Does the reputation of the CA make a difference in terms of convening stakeholders and facilitating innovation?[3]

The ongoing "Evaluation of the CA project implementation modalities" will retrospectively analyse 25 projects supported by the CA to assess to what extent these value propositions actually did make a difference to the projects. The findings and corresponding recommendations on how to make the value propositions even more effective to further increase the added value of CA support in future interventions, through the new Catalytic Fund as well as through in-country-programming.

Improving the Quality of an Urban Transformation

The second level of observation, on the medium term outcomes, refers to the **effect of the CA support on the urban transformation process**. CA aims to improve the quality of urban transformation processes, specifically:

- to make them more effectively addressing urban inclusion;

- to make more efficient use of resources;

- to enhance the sustainability of the transformation process.

Effective urban transformation processes, as promoted by the Cities Alliance, typically cover the seven action areas listed below. To assess the effect of CA support on the transformation process, the guiding questions are: Who uses CA support and to what short or medium term effect? What outputs[4] are being generated by Cities Alliance support? What difference is being made in the seven action areas of the urban transformation process?

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[3] These questions will be complemented with more precise indicators, which for reasons of readability are not presented in this document.
[4] Examples of outputs and services include advocacy strategies; analytic work and data; learning opportunities; proposals for organisational and legal reform; convening of dialogues; methodologies for planning; and continuous process support.

- The drivers of urban transformation increase their awareness of the situation of the urban poor and their potential for the urban development;

- Local governments and other drivers of urban transformation enhance their knowledge about inclusive urban development, the knowledge base is more consolidated, "common wisdom" on inclusive urban development is more widespread among stakeholders (scale);

- Drivers of urban transformation engage in meaningful dialogues and cooperation led by local and national governments, more stakeholders are engaged, more opportunities of interaction created, more partnerships initiated and consolidated;

- Drivers of urban transformation adjust their Organisations to support inclusive urban development, mandates within and among Organisations are cleared, work processes adjusted, the capacity of enunciation, negotiation and sustained commitment of actors and Organisations are improved;

- Local and national governments, in cooperation with other drivers of urban transformation elaborate policies, strategies and plans with a focus on inclusive urban development;

- Drivers of urban transformation, with their supporting partners, mobilise financing and other resources for inclusive urban development;

- Local and national governments, in cooperation with other drivers engaged in urban transformation, implement inclusive urban policies, strategies and plans.[5]

Projects of the Catalytic Fund are limited in scope and duration and will typically not have results in all of the areas mentioned above. Projects will be selected upon the ex-ante assessment for their potential to cause effects. The M+E monitoring of the implementation will be responsibility of the implementing partners, without involvement from the CA Secretariat. The evaluation of the project results will be based on the mandatory presentation for peer review.
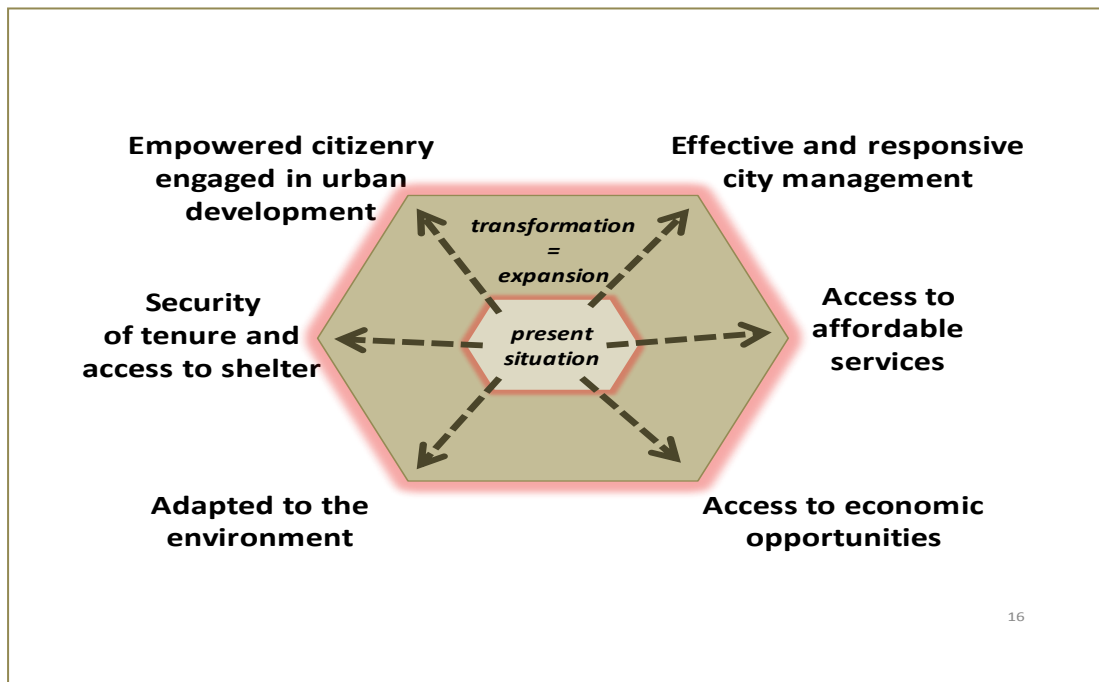
In the context of **in-country-programming**, the monitoring of the urban transformation process should be a shared between local and national partners and the CA. Urban transformation processes must be steered and managed by local or national governments, so the M+E must be functional to the results based management by them. As the ownership for the transformation process clearly lies with local and national governments, so must the ownership for the M+E. Consequently, the design of the M+E must be specific to the local situation, the priorities and capacities of the leading drivers of the transformation process. However, experience shows that partners might need support from the CA to design and maintain efficient M+E mechanisms. In addition, the CA will have to monitor and evaluate the quality of its support as described in the section above.

Expanding Urban Inclusion

The third level of observation is on the long term outcomes, the tangible improvements achieved on urban inclusion. According to the "Cities Alliance Approach to Change", urban transformation processes with improved efficacy, efficiency and sustainability as described above, will lead to more

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[5] These questions will be complemented with more precise indicators, which for reasons of readability are not presented in this document.

inclusive cities. Whereas projects of the Catalytic Fund will show results mainly on the quality of the transformation process (short and medium term outcomes), in-country-programming are expected to impact over time also on the social inclusion.

Social inclusion is influenced by many factors (e.g. overall economic development), so improvements cannot be exclusively attributed to CA support. However, well designed M+E of the input level and of the medium term outcome level can establish plausible results chains, reflecting the plausible contribution of CA support to the expansion of social inclusion.

An even bigger challenge than this "attribution gap" will be the lack of reliable data and effective M+E mechanisms on this level. Experience shows that M+E in many cities and countries is rather weak, and might not provide consistent data as desired. M+E in the context of CA in-country programming will rely strongly on M+E by partners and CA members. Expectations on scope, quality and timeliness of data will nonetheless, have to be balanced against local conditions.

Summary

Endorsement of the suggested value propositions of the CA would contribute to reinforce the mission statement of the CA. In the same way, endorsement of the medium term outcomes would define the methodology of CA support, and the concept of inclusive cities would focus the overall objectives of the CA. In conjunction, this could provide a significant input for the envisaged revision of the CA charter.

Subject to endorsement of the foci for M+E as described above, the Secretariat will proceed with developing the operational details of M+E specifically for in-country-programming, the Catalytic Fund, the knowledge and learning and the advocacy programme.

The independent external evaluation of the CA, due by mid 2011, will contribute to validate and further refine the new business model of the CA. The Secretariat will develop the draft TOR accordingly and submit them to the CG.

4. Organisational Reform of the Cities Alliance

The demand for a revision of the Charter has emerged over the past few CG meetings, and was a major sub-theme of the 10th Anniversary meeting of the CG in Mumbai, January 2010. The motivation for the review stems from a number of factors, including:

1. The fact that the Charter has hardly changed since it was negotiated in 1999, while both the membership, composition and international context have all evolved significantly;

2. There are a number of obvious gaps in the Charter, including the lack of a clear definition of the role and composition of the Executive Committee, and the Advocacy Panel;

3. The adoption of a new business model is likely to require clarity over procedures, such as for country selection, project approval; and

4. Revising the Charter will provide a vehicle to generate a new consensus amongst Cities Alliance members.

At the Mumbai meeting, it was agreed to adopt a phased approach to the review and revision of the Charter. The first phase, which would be discussed in Paris and be finalised at the CG meeting in Mexico City, will focus on

- Membership issues, in particular how to include cities, LGAs, NGOs, Foundations and other types of new members; and

- The decision making structure – roles, functions and necessary composition of EXCO, CG and Advocacy Panel.

The second phase would include a full revision of the whole Charter after the 2011 Independent Evaluation, with a proposal submitted to the CG for decision at its 2012 meeting.

However, as stated earlier in the document, and in light of the inter-related nature of the issues under consideration, the Secretariat believes that EXCO may wish to consider a single process for the revision of the Charter, instead of the phased approach. This more immediate and comprehensive effort would help give the Secretariat needed clarity on the objectives it should be pursuing on behalf of the membership, and provide guidance on the Secretariat's own internal reform processes.

As has been reported to EXCO and the CG over the past few years, a key factor affecting Secretariat operations has been "trust fund reform," as the World Bank improves its fiduciary oversight of trust funds and streamlines trust fund processes. This has included, for example, the Bank moving disbursements for grants from its accounting department to its loan disbursement unit; and, standardisation of legal agreements. As noted in the Mumbai meeting, the World Bank is responsible for carrying the burden of financial, fiduciary and reputational risk of the Cities Alliance, on behalf of

all members. The Bank has been experiencing nearly exponential growth in trust fund volume over the past ten years, necessitating reform processes.

Since the Mumbai EXCO and CG meetings, changes to better mainstream trust funds in the Bank have continued. The Secretariat wishes to bring to EXCO's attention the nature and extent of these changes, given their impact on Secretariat's efficiency.

EXCO should also be aware of the possible impacts of the Bank's attempt to better "align" trust funds (including global partnerships) with the Bank's core business operations. For example, the Bank now requires that all trust funds "must be consistent with its Country Assistance Strategies and sector development priorities." World Bank policy also requires that Bank country directors give "concurrence" to any grant-funded activities in their countries. While it is not yet clear how this alignment will be documented, EXCO should be aware of the possible implications.

Revising the Charter: A Possible Process

While EXCO may wish to consider revision of the Charter in a single process as suggested above, the following section assumes the two phase approach proposed in Mumbai.

Membership and Decision-making

These two issues are extremely closely related, and mutually dependent on each other. Overall, the goal in this exercise should be to (i) achieve far greater clarity of roles and responsibilities; (ii) avert the domination of one or more members of the CA and ensure wide member engagement; (iii) improve accountability between EXCO and the Secretariat; and (iv) speed up the decision-making process within the organisation.

Membership

Even with the exit of three members in Mumbai (ADB, Canada and Japan) and one new addition (HFHI), the Cities Alliance has a fairly large membership of twenty four. Questions have been raised about the manageability of the CG if it becomes any larger, as well as concerns about the types of organisations that are seeking to become members.

For some, there are merits to a large membership, especially if it is viewed more as a coalition of parties interested in urban poverty, and the role of cities in international development. However, this would imply reconsidering the role of the Consultative Group, making it less of a governance structure, and more of a unique and representative platform to debate and highlight key strategic urban issues.

In such a scenario, the Executive Committee would need to play a more active role in the overall direction of the organisation, and in providing the necessary oversight and guidance to the Secretariat, which is currently carrying too much of the burden for the Cities Alliance as a whole.

Decision Making

The Secretariat is of the view that overall governance would be improved through an empowered and more active Executive Committee. The current model suffers from the following defects:

- An annual meeting is too infrequent to provide overall direction to the Cities Alliance. Individual members are put under too much pressure to cope with volumes of material generated by the Secretariat, and have to (re)familiarise themselves with the detail of debates;

- Participation at the CG meeting is unbalanced, with a combination of non-attendance and weak participation leading to a small number of active members (and the Secretariat) dominating proceedings;

- The constant turnover of personnel attending CG meetings undermines the continuity that is necessary for strategic guidance to the organisation; and

- CG meetings are increasingly difficult to satisfactorily manage and complete in less than two days.

For its part, the Secretariat believes that a more engaged and empowered Executive Committee would be a significant advance on the current situation. Too often, the Secretariat is forced to make decisions that should be reserved for members. In addition, the Secretariat is often subjected to pressures that arise from a narrow interpretation of the role of the Cities Alliance, and which favour a limited number of members.

The size, composition and mandate of the EXCO should therefore be a topic for initial discussion in Paris, and subsequent finalisation in Mexico City. The Secretariat would like to see weight given to continuity of representation and participation, so that the Executive Committee is able to establish its own style and practice of operating. The Executive Committee would be fully accountable to the CG, just as the Secretariat would be primarily accountable to the CG through EXCO.

The Executive Committee could also share responsibilities on a portfolio basis, giving the Secretariat the opportunity to consult with members / sub-committees of EXCO on different issues such as fund raising, operations, country selection, and strategic issues.

The EXCO Paris meeting:

Following an initial discussion of the objectives of the first phase of the Charter review, EXCO should consider establishing a sub-committee of three to four members to draft proposals for reforms to the Charter, which would be developed by mid-September. This would give EXCO the opportunity to solicit comments prior to preparing a formal proposal that would be finalised by EXCO at its next meeting on the 15th November in Mexico City.

It is further proposed that the Secretariat also be represented on the sub-committee, and that consideration should further be given to inviting the Chairperson of the Advocacy Panel.

EXCO should also discuss the process which it proposes to follow in terms of the Charter as a whole, and what contribution could be made by the Independent Evaluation. As a first step, EXCO could consider developing a short 1-2 page summary of the main issues that it would seek to have addressed by the Charter revision, which would then be circulated to members in advance of the CG meeting in Mexico City.

Secretariat Comments:

While this is very much a matter initially for EXCO, and subsequently for the whole Consultative Group, the Secretariat would like to express its strong support for the revision of the Charter. Properly structured, we believe this has the potential to be a very useful vehicle to build a new consensus and a new commitment amongst the members of the Cities Alliance as a whole, as well as remove areas of significant ambiguity that have emerged in the workings of the Cities Alliance over the recent period.

Central to the objectives of the Charter review process should be the re-energising of the Cities Alliance as a partnership, with members become more actively involved in the direction of the organisation, and through improved collaboration in support of developing country cities and governments. There is very little value added in the Cities Alliance being used as a conduit to fund members' own work programme and priorities. Both the Catalytic Fund and, in greater depth, In-Country Programmes are explicitly aimed at improving coherence of effort amongst CA members, which the Secretariat would have a key role in facilitating.

Achieving the overall objective of greater member involvement will require a more equitable use of the Secretariat's resources in servicing members, which have become extremely unbalanced in responding to the needs of a few members. One of the consequences is that certain members are hardly receiving any attention from the Secretariat, something which we would like EXCO to acknowledge and provide direction.

In summary, the Secretariat would like to propose the following as the essential objectives in revising the Charter:

- A new consensus on the role and strategic direction of the Cities Alliance;

- Strengthen and deepen the involvement of more members of the Cities Alliance;

- Clarify respective roles and mandates of the CG, EXCO, Secretariat and Advocacy Panel;

- Establish criteria for project approval, and for the selection of countries identified for in-country programming.

Annexure A

Reorganisation of the Secretariat: for Information

As was indicated in Mumbai, the Secretariat has been restructured as part of the move towards a new business model. Designed to delegate more authority, improve efficiency and better share the workload, staff will be assigned to one or more of four teams units. Each team will be lead by a Team Leader, and will be responsible for establishing, and following, a well-defined work programme and budgets. The teams and main responsibilities will be:

1. **Global Programme Operations (G Meinert)**

    a. Catalytic Fund

    b. Knowledge & Learning

    c. Communications & Advocacy

    d. Special projects (e.g., Financing of African Cities)

    e. Monitoring & Results Reporting

    f. Evaluation

2. **In-Country Programming Operations (J Baskin)**

    a. In-Country Programming for LICs

    b. Land, Services & Citizenship programme

    c. MIC programmes (Brazil, Philippines, India, South Africa, Chile)

3. **Programme Administration (P Kibui)**

    a. Financial administration (financial reporting, budgeting, etc.)

    b. Resource management

    c. Grant administration (FM, procurement, grant agreements, etc.)

    d. Information management

4. **Partnership Operations (W Cobbett)**

    a. Secretariat management

    b. Member relations and resource mobilisation

    c. Governance support -- CG/EXCO

    d. Outreach and representation

    e. HR administration

    f. Office administration