

Cities Alliance Steering Committee
MEETING REPORT
22 June 2006
Metropolitan Hotel, Vancouver, Canada

The Steering Committee met on 22 June 2006 in conjunction with the third session of the World Urban Forum in Vancouver. In attendance: Plessis-Fraissard (World Bank), Biau (UN-HABITAT); Yamane, Kanokogi (Japan); Berg (Norway); Rolnik, Magalhaes (Brazil); and Cobbett, Milroy (Secretariat). The outcomes of each of the agenda items are summarized below.

1. Introduction by new CA Programme Manager, and briefing on development of the FY07 business plan

William Cobbett greeted the SC and thanked members for their support during the selection and transition process. He noted that he officially took his position on May 22, 2006. He informed members that a written business plan for FY07 was being developed, and highlighted some of the deliverables/outcomes planned for the year, including:

- >> Dissemination and testing of the new CDS publication of the Secretariat, "Guide to City Development Strategies: Improving Urban Performance."
- >> Updating the database of CA-funded projects on the CA website, for both CDS and slum upgrading.
- >> Continuing development of tools and approaches for local economic development (LED) and incorporating urban environment planning into CDS and slum upgrading
- >> Develop a policy and resource guide for slum upgrading
- >> Revision of the CA's communication strategy and the related knowledge management plan
- >> Develop an operational guide for CA grant recipients
- >> Revise and update the CA application form and guidelines
- >> Update the CA procedures manual
- >> Amend the CA Multi-Donor TF and UN-Habitat Framework Grant Agreement
- >> Increased monitoring of the CA grant portfolio

Strategic events the Secretariat will provide support to include:

- >> Africities 2006, and UCLG 2007 congress, with CA to promote the positive impacts of urbanization
- >> The CA's Public Policy Forum, to focus on the impacts of effective partnerships between local and national authorities and slum dwellers

He identified other opportunities to be pursued during the year, including:

- >> Further developing the Asian Development Bank's engagement with the CA
- >> Support India's new urban renewal programme, the JNNURM

- >> Work with CA members to increase coherence and impact in Asia, in conjunction with the next meeting of CA Consultative Group to be held in Thailand
- >> Increase the profile of urban development within CA member organizations

SC members discussed at length the imperative to increase the profile of urban development. Members noted that grant funding for urban development and infrastructure is declining, partly because bilateral aid is increasingly going to budget support. This is being felt not only by donor governments but also by developing countries. Members would welcome initiatives to increase development assistance, foreign financial investments and public-private partnerships for urban development and infrastructure.

The World Bank noted some positive developments, including the increase in WB lending for urban during the year (an increase to 11% from 6% of total WB lending); Sida agreed to multi-year funding for the WB's urban research symposium; an increased focus on urban research by developing countries; and, the pending update of the WB's urban strategy. The Asian Development Bank is also updating its urban strategy.

Among ideas discussed were:

- >> a meeting or a task force of interested members to discuss and strategize on this subject;
- >> the need to educate politicians and the media; pick 20 leading development journalists and bring them together for a day-long seminar on urban issues; and
- >> include this topic on the agenda for the next meeting of the CA Consultative Group.

2. Membership and Resource Mobilisation Update

The Secretariat briefed members on the status of prospective new CA members:

- >> the European Union is in the final stages of confirming its membership in the CA.
- >> India and Chile have taken steps towards joining the CG
- >> Discussions have been initiated recently with the ILO, Denmark and the European Investment Bank

Members noted that this interest in CA membership demonstrates that the CA is on the right track, and that members will need to reflect on the implications for the Secretariat of the increased membership.

3. FY06 Financial Summary and proposed FY07 Secretariat budget

The Secretariat briefed members on the record demand for CA funding during FY06, with Core allocation approvals of nearly \$12 mil. during the year, which was more than 60% greater than the previous high year (FY05, \$7.8 mil. approvals). While FY07 approvals are not expected to be as high as FY06, the overall trend is for increased demand for CA assistance. The Secretariat noted that the WB nearly doubled its

financial contribution the CA last year, and it would ask other members to follow the WB's lead.

Some members noted that CA resources should be much more focused on Least Developed Countries, and the Secretariat briefed members on the discussion and outcomes on this topic from the 2005 meeting of the Consultative Group in Marrakech. An objection was raised about a proposal currently in process to support a EU member state with its Roma population. The Secretariat noted that the OECD DAC list had been updated early this year, dropping new EU members from the list. The Secretariat informed the SC that this proposal had been in process prior to the DAC list change, so was allowed to move forward. The matter of country eligibility in light of the DAC list change will be an agenda item during the next Consultative Group meeting.

In reviewing the estimated FY06 Secretariat budget results, it was noted that actual expenditures will be nearly \$250,000 less than budgeted. This is due primarily to the gap between Mark Hildebrand's retirement and the start of William Cobbett's appointment; a similar gap during the hiring of a new staff assistant; a projected mid-year hire of a junior urban specialist that did not occur; the underutilization of the staff training budget; and because the Secretariat's Financial Management specialist provided several weeks of service to other World Bank units, the costs of which were paid by those units.

The SC then reviewed the proposed FY07 Secretariat budget, proposed at a similar level as the FY06 budget. After a few minor adjustments in the budget requested by the SC, the \$2.76 mil. budget was endorsed, including an allocation from Core funds of \$1.60 mil. Core funds of \$1.75 mil. had been approved for the FY06 budget.

See attachment for the estimated FY06 actual Secretariat expenditures and the approved FY07 budget.

4. Large Proposals for SC recommendation

No large proposals were ready for SC review.

The Secretariat noted that SC members do not always respond with their recommendations on Large Proposals within the requested 10 days. The Secretariat proposed that, if no response is received within the 10 days, then it would be assumed the member has no objection to the proposal.

SC members stressed that it was difficult to meet the 10 day limit because of the length of the proposals and the SC members' own job responsibilities. As a compromise, it was agreed that the 10 day no-objection could be instituted if the Secretariat provides SC members with a one to two page note highlighting the central features of the proposal, any pertinent innovations or interesting design features, and changes/improvements made in the proposal during its processing.

5. Staffing/ Personnel matters

The SC enthusiastically endorsed the nomination of Farouk Tebbal to be seconded from UN-Habitat to the CA Secretariat, with appointment expected to commence on September 1. He will replace William Cobbett, who was promoted to Programme Manager. The Manager will, within two weeks, provide to the SC for its review the proposed TOR for Farouk.

The Programme Manager also informed members that he was reviewing the roles and responsibilities of the Secretariat staff and will be proposing some minor adjustments to the TORs of some staff. These revised TORs will be submitted to the SC for review, also in approximately two weeks.

6. Discussion on policy and procedure operational issues

The Secretariat briefed members about numerous changes in the World Bank in its policies and procedures for trust funds. These changes will have considerable impact on the CA, although many of the changes will not be visible to members, requiring only the time and attention of Secretariat staff.

Among the changing WB trust environment is: the transfer of grant disbursements to the WB's loan disbursement system, which will entail numerous procedural and accounting changes; a mandatory internal grant reporting system; new grant completion reporting; new grant monitoring tools; increased compliance reviews, internal audits, impact assessments, performance reviews and project evaluations; increased filing and documentation requirements; increased expense restrictions; standardization of grant agreements; review of Global Partnership Program efficiencies; and more.

There was discussion of the WB's increased enforcement of its policy requiring recipient-execution of grant activities, except in exceptional circumstances. Special approvals are required for the WB to implement grant activities on behalf of a recipient. The importance and expectation of recipient execution, so as to enhance client ownership, had been discussed during the 2005 Consultative Group meeting in Marrakech. UN-Habitat noted the serious difficulties observed in many recipient-executed projects, particularly in LDCs, and emphasized that ownership can be achieved without the funding going directly to the recipient. The Secretariat said during the course of the next few months it will be reviewing this matter, in consultation with WB policy officials, UN-Habitat and other members.

The Secretariat noted that it was reviewing options for managing exchange rate risk of approved projects. Currently, budgeting for CA proposals and related grant agreements for approved applications are done in US\$. However, often costs are managed and incurred in local currency. In the current setup, it is the grant recipient that bears the exchange rate risk. Options for alternatives for currency risk management will be reviewed during the year.

7. Briefing on arrangements for Africities

The Secretariat noted that it would be managing one thematic session – on inclusion of MDGs in local planning and programming – and one special session – on the positive impacts of urbanization. It also will assist AFD on a thematic session on financing of cities, and assist MDP with a special session on local economic development. The CA will also have space in the exhibition hall.

Africities will be held 18-22 September in Nairobi.

7. Briefing on the 2006 PF/CG meeting in Thailand

The Secretariat is working with Somsook Boonyabancha (former member of the CA Policy Advisory Board) and her network of organizations to organize the Public Policy Forum, scheduled for 27-30 November in Bangkok. The PPF will feature the impacts that be achieved when slum dwellers work in partnership with local and national governments, illustrated through the Thailand experience and other partnerships in the region.

The PPF will be followed by the annual meeting of the CA Consultative Group, 30 November and 1 December 2006.

Cities Alliance Secretariat

FY07 Budget – Endorsed by Steering Committee

**CITIES ALLIANCE
SECRETARIAT - SOURCES & USES OF FUNDS**
(US\$ '000s)

See Notes		FY06 BUDGET	FY06 Estim. ACTUALS	FY07 BUDGET
	SOURCES OF FUNDS			
	Core Trust Fund	1,750	1,750	1,600
	Core Trust Fund, carry-forward	57	57	278
1	Norway Non-Core for Urban Finance initiative	175	175	175
	UK-DFID Non-Core for Urban Finance initiative	29	32	0
	SIDA Non-Core for Sr. Programme Officer	205	189	205
	WB/misc. funding	25	10	25
	Travel Rebate	0	38	0
2	Other - In-Kind/Non-Core for staff support	467	467	477
	Total Secretariat Funding	2,707	2,718	2,760
	USES OF FUNDS			
	<u>Management & Administration</u>			
3	Staff Costs - Mgt & Admin	736	650	698
	Operatings Costs	315	288	315
	Travel	375	349	375
	Grant Fiduciary Management	131	104	137
	Sub-Total - Base Costs	1,556	1,391	1,525
	<u>Programmatic Activities</u>			
3	Staff Costs - Urban Specialists	432	364	397
2	Staff Secondments - Urban Specialists	467	467	477
4	Staff Costs - Communication & Knowledge Mgt	140	130	208
4	Other Communications & Knowledge Mgt costs	30	37	75
5	Consultants, Other Labour	60	51	78
	Sub-Total - Programmatic Costs	1,129	1,049	1,235
	TOTAL USES OF FUNDS	2,685	2,440	2,760
	ENDING BALANCE	22	278	0

See Notes, next page

Cities Alliance Secretariat

Notes on FY07 Budget

Note 1. Continuation of Norway Non-Core support for Urban Finance Initiative is proposed.

Note 2. The FY07 budget for In-Kind staff supports the posts of Slum Upgrading Advisor, Joerg Haas, financed by Germany BMZ/GTZ to December 2007; and, Urban Economist (Pascale Chabrilat, appointment to January 2008) through the World Bank Staff Exchange Program with France's Caisse des dépôts et consignations (CDC). The appointment of a new UN-Habitat secondment (Farouk Tebbal) is proposed to begin September 2006.

Note 3. The Management & Administration staff budget reflects the full-year costs including the new Programme Manager. The Urban Specialists staff costs is \$30,000 less than budgeted last year because the World Bank's Staff Exchange Program is not expected to charge a fee to support the costs of Pascale Chabrilat.

Note 4. Because of the increasing importance of communications and knowledge management, these staff costs are shown as a separate line item. These staff costs include the costs of consultant hired to assist the secretariat in its knowledge and information management operations. The Other Communications and KM costs include the usual costs of producing the CA's annual report, and expected additional costs to enhance its external communication activities.

Note 5. As discussed during last year's Steering Committee meeting, the secretariat had proposed to hire, in mid-year FY06, a junior urban specialist. This post was not filled. During FY07 an increase in consultants and other labour budget line is proposed for additional urban specialist support.