



November 2010 - December 2010

## [At work in the region]

### “Linking Cities to finance” regional conference

The “Linking Cities to Finance” conference recently organized by CDIA in cooperation with the Shanghai Municipal Finance Bureau and InWEnt was held in Shanghai September 27th-28th. This event brought together over 200 international participants from cities, private financial institutions, representatives from multi- and bilateral funders, private developers and other levels of government.

This diverse group of actors came together to explore ways and means for overcoming bottlenecks that inhibit cities from accessing private sector and other means of financing strategic urban infrastructure investments. A summary of the resulting key event messages and the lessons learnt are presented on the next page.

Based on the conclusions reached during the conference, CDIA undertook to prepare a ‘Road Map for Asia’ that will seek to outline a way forward, both in terms of how cities can better access private sources of

financing for their strategic infrastructure, as well as specific steps to take and platforms to develop to better support cities and mobilize resources in this area. Presentations and other materials from the conference can be found at: <http://cdia.asia/knowledge/events/recent-event-materials/>

### New experts join the CDIA team in Manila

Karin Eberle, a Swedish chemical engineer, takes the position of Senior Urban Environmental Engineer.

Joris van Etten, a Dutch public administrator is our new Capacity Development Coordinator.

Ricky Beltran, a Filipino urban climate change specialist provides coverage in this field.

Henning Hillmer, a German geographer has joined CDIA as a Regional Networking and Capacity Development Officer.

Jovie Importante, a Filipina local governance specialist joins us as a Program Officer.



### 4 new cities approved for CDIA support

Applications for CDIA support have been approved from the cities of:

**Handan, PRC** (Waste Water Treatment and Recycling)

**Pimpri, India** (Solid waste management, Water & Sanitation)

**Thungsong, Thailand** (Economic and Environmental Infrastructure)

**Yogyakarta, Indonesia** (Urban Transport)

This brings the total to 25 cities in 12 countries collaborating with CDIA.

## [Building Synergies]

### Cooperation with the Shanghai International Centre for Infrastructure Finance (SICIF)

A Memorandum of Understanding (MoU) was signed on Sept. 27th between the Asian Development Bank (ADB) and the Shanghai Municipal People’s Government (SMG) to collaborate in the development of the Shanghai International Centre for Infrastructure Finance (SICIF) in cooperation with CDIA. This MOU provides a framework in which the Parties can develop and undertake collaborative activities promoting investment in urban infrastructure through the establishment of SICIF, and cooperation and knowledge sharing in urban management for the Asia-Pacific region. Under this agreement, further talks were held between the parties on drafting a second MoU between SMG/SICIF and CDIA that will institutionalize the participation of SMG in CDIA as well as setting the future Nodal Office of CDIA in China within the SICIF structure.

### MOU signed with the Ministry of Foreign Affairs (MFA), Singapore

CDIA and the Ministry of Foreign Affairs

(MFA), Singapore signed a Memorandum of Understanding on conducting Third Country Training Programmes. Jointly, they will develop and undertake a range of collaborative activities related to human resources and capacity development in the thematic area of urban infrastructure service provision. As the first collaboration under this agreement they are jointly organizing an “Executive Short Course on Effective Urban Infrastructure Programming”. Course details can be seen at: <http://cdia.asia/2010/11/effective-urban-infrastructure-programming-course/>

### Cooperation with the Asian Institute of Management (AIM)

CDIA and AIM - Center for Development Management (CDM) have entered a knowledge partnership to build the capacity of urban development professionals and local chief executives of mid-sized cities in developing countries in Asia in the area of offering an introductory course on Pre-Feasibility studies. This is a preparatory step for potential CDIA client cities to better understand a key element of CDIA cooperation and support mechanism. Details can be seen at: [http://cdia.asia/wp-content/uploads/CDIA\\_AIM.pdf](http://cdia.asia/wp-content/uploads/CDIA_AIM.pdf)

## [Upcoming Events]

**November 08-19, 2010**

### Singapore

CDIA & Ministry of Foreign Affairs, Singapore: “Executive Short Course on Effective Urban Infrastructure Programming”

**November 08, 2010**

### Singapore

GTZ / CDIA/ LTA: 1-day learning event: “Financing Sustainable Urban Transport”

**November 09-11, 2010**

### Singapore

CAI-Asia: Better Air Quality Conference

**November 24-26, 2010**

### Delhi, India

ADB: Environments of the Poor Conference

**December 06-10, 2010**

### Manila, Philippines

CDIA&AIM: Introduction to Pre-Feasibility Studies (PFS)

## [Event Report]

### Linking Cities to finance—Key messages and conclusions

The public sector has traditionally funded infrastructure projects from own revenue sources, such as taxes, transfers, user charges, lease of land, etc. However, there are massive and growing shortfalls in the provision of urban infrastructure and services to not only meet current demand, but also to serve a rapidly growing urban population. To tackle these needs, it is imperative for city governments to look for alternative funding options to supplement their own sources of project funding. However, in order to tap external sources, the financial viability of local projects has to be able to be demonstrated to ensure accessing alternative financing options.

Through a dynamic exchange of views among a diverse range of actors during the conference, a number of key messages and conclusions were generated in regards to identifying and overcoming the bottlenecks of access to finance for urban infrastructure investments.

#### Messages for cities:

1. There are significant monies available to implement projects. However, to access such resources requires cities to adopt new ways of how they formulate and demonstrate project viability.
2. In addition to addressing technical aspects, cities must also be ready to adapt their institutional arrangements to ensure long-term project viability.
3. To be competitive, cities need to equip themselves with better knowledge on the 'rules of the marketplace' when it comes to securing such financing and build their own capacities.
4. Urban infrastructure investment projects should not only be seen as a revenue stream, but as an investment activity that has positive, long-term financial, social and environmental benefits if dealt with properly.

#### Messages for private financial institutions and private developers:

1. Due to ongoing decentralization and rapid urbanization, there is a largely untapped market for infrastructure investment projects – mid-sized cities' urban infrastructure.
2. Thanks to a number of innovations, the transaction cost of pursuing such investments is now being reduced.
3. However, the internal arrangements in private financial institutions must also adapt to be better able to respond to, and capture, part of this market.
4. Private sector has to enhance their abilities in linking with the local governments and think in a proactive way to develop infrastructure

#### Messages for national/ provincial/ state governments

1. Cities are increasingly becoming the dominant drivers of national economies. However, to remain competitive, major investments in urban infrastructure are needed.
2. Among the growing demand by cities for financing of their strategic urban investment projects, national governments are being hard pressed to ensure the quality and viability of submitted projects in light of available resources. The demand is huge and national governments by themselves often cannot provide, or respond in a timely manner to all the needed financial resources. There is a need for national governments to also facilitate access to other sources of urban infrastructure financing.

3. Private sector involvement in providing local infrastructure must be assessed and facilitated by the national governments.

#### Conclusions reached

- When it comes to modalities for urban infrastructure financing, "one size" does not fit all. There are various dimensions, and the challenge is on how to rationalize the differences and issues when we come to city specific financing modalities for resource utilization and mobilization. This goes beyond the legal framework, it also goes into aspects of transparency, rating and project development.
- There is also a need to develop capacities at many levels. Cities must have sufficient capacity to go from solid development plans to investment program to implementation and to especially be able to assess economic viability of projects to help link to private sector participation. Where capacity does not exist within a city, they should consider hiring short-term consultants to assist with assessments and even to help represent them during negotiations with the private sector (use the best advice available!).
- Leadership and having champions at the local level is crucial to driving projects forward.
- Having an enabling framework in place is equally important. However, the "rules of the game" must be kept transparent and consistent over the long-term.
- When involving the private sector in urban infrastructure development, it usually addresses the needs of those who can pay for such services. There need to be modalities in which the low-income groups can also be served.
- Cities should not wait until they are broke to look to the private sector, rather they should start this process from a position of strength.
- The best way to learn is to "learn-by-doing". Can start small to get experience, but it is important to "get in the game"!

A background paper for this conference was commissioned by CDIA to stimulate discussion during the event. You can download it from the following link: <http://cdia.asia/wp-content/uploads/Linking-Cities-to-Finance-background-paper.pdf>

For further information and materials such as presentations and other materials related to the conference please refer to the following link: <http://cdia.asia/knowledge/events/recent-event-materials/>



## [Cities working to close the Gap]

### Cochin, India — Urban Transport

Cochin, India is Kerala State's commercial capital with about 1.5 million inhabitants in its extended metropolitan area. With population and economic growth, urban development in Cochin continues to also rapidly expand. The rate of growth in private vehicle ownership, combined with the inadequate road network is unsustainable. The complex issues surrounding land acquisition for transport infrastructure suggests that widespread road widening is neither practical nor feasible. Faced with this scenario, the Cochin Corporation sought assistance from (CDIA) to develop a sustainable transport sector roadmap and undertake a Pre-feasibility study to help assess project viability.

The vision for the future transport sector of Cochin was simple. It was supposed to be a sector which provides for a Clean, Affordable, Fast and Efficient transportation (CAFE) system and is consistent with the objectives of the National Urban Transport Policy. This vision contained policies, supporting programs and funding schedules to meet the ongoing mobility needs of Cochin and selected surrounding districts for a nominated period into the future. Embedded in this CAFE Transport Strategy was an outline of complementary policies which addressed the future land use development priorities for the region.

The strategy addressed the increasing population, with a predicted doubling of the current population by 2050, the expansion and densification of the urban area (with popula-

tion leveling after that), the increasing average income, and thus increasing vehicle ownership moving from two to four wheels over time.

While the basic objective seemed to be quite simple, the way to get there meant a lot of additional inputs under the CDIA supported work. The initial wishes of the city government regarding its transportation system were expanded into a comprehensive development program through this cooperation. This consisted of Urban services for the poor; People oriented integrated transport services; Environmental improvement through better Solid Waste Management; flood control, canal protection and water supply services as well as an Institutional and governance reform.

The actions undertaken with CDIA support were a Pre-feasibility study (PFS) in Urban Transport. In the process of preparation of the Pre-feasibility studies, linkages to potential financiers was established. The city itself also received support to structure an institutional strengthening plan for project programming and prioritization for city service delivery. On top of this, project programming and prioritization for city service delivery was established.

The expected infrastructure investment value as a follow-on to the successful PFS was estimated to be at around 100 Million USD. ADB, KFW and the Private Sector were identified as potential sources of financing.

### Faisalabad, Pakistan — linking PFS projects to private sector financing

The city of Faisalabad, Pakistan is the second largest urban centre in Punjab province with a population of approximately 2.6 million and an annual growth rate of 3.5%. The city plays an important role in the economic development of the country, largely due to the development of the city's textile industry. Initial cooperation with CDIA was in the area of support to undertake pre-feasibility studies (PFS) for urban transport and industrial waste management projects. The estimated infrastructure investment value was approximately \$700 million for both sectors.

Initially there was a process of selection and prioritization from the local authorities to be able to start implementation of all projects within a three years time frame. Marketing plans and design and monitoring frameworks for the investments were also elaborated. However, alternate funding sources are now required from that originally envisioned. The

completed PFS identified potential PPP components and other private sector financing as potential sources of financing. CDIA is working with the city in this process to find resources to bring the projects to feasibility and bidding stage.

The Infrastructure Project Development Facility (IPDF) of the Ministry of Finance, a preparatory facility specifically established for PPP projects in Pakistan, has responded positively to the PFS outputs and identified projects arising from these studies, as potentially being the most viable, and is prepared to finance the subsequent Feasibility Studies on these projects to take them to the next stage.

Copies of the Executive Summary of the Pre-feasibility studies may be downloaded and viewed from the following link: <http://cdia.asia/services/where-cdia-is-active/pakistan/pakistan-final-report-summaries/>



**Congestion is rapidly affecting the city's competitiveness and people's quality of life and safety**



**In its' effort to improve the city's transport and road infrastructure, as well as the management of industrial waste, Faisalabad is looking for new sources of project financing through Public Private Partnerships.**



## [Submitting an Application]

CDIA maintains a fair and transparent city application process. The initiative provides technical assistance, capacity building and network support to medium size cities with focus on cities or urban agglomerations with a population between 250,000 up to 5 million in the Asian Development Bank's (ADB) Developing Member Countries (DMCs).

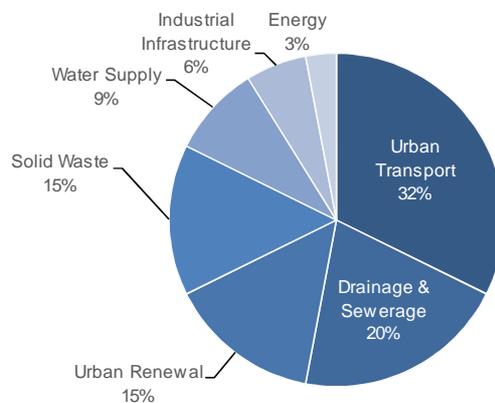
To qualify for CDIA support, cities will be expected to submit an application indicating that they have met following requirements:

1. prepared and adopted an urban development strategy and/or integrated urban development plan;
2. a demonstrable intent to address social and environmental issues in infrastructure provision;
3. demonstrated commitment of local government through pledging their own contributions;
4. a letter from the central/state level indicating in-principle support for:
  - a. the development of an urban infrastructure projects portfolio and its financing, and
  - b. the assistance request application to the CDIA CMT/ Secretariat;
5. endorsement for the request from

one of CDIA's funding members.

CDIA supports a range of sectors related to urban infrastructure investments. Within this context the focus is on infrastructure investments of strategic importance and typically does not extend to projects that are of an operational nature. Nor does CDIA typically work with cities in the areas of education, health or housing projects.

Following approval of the support request, a technical assistance contract agreement will be entered into between the applicant and one or more funding partners of CDIA, specifying details of the assignment, sources of funds and consultant recruitment procedures. So far, CDIA support in form of PFS-studies has been given



**By visiting our website at [www.cdia.asia](http://www.cdia.asia), you will be able to download our Application Support Guide as well as knowledge materials.**

## [About CDIA]

The Cities Development Initiative for Asia (CDIA) is an international partnership program based in Manila, co-managed by the Asian Development Bank (ADB) and GTZ with additional funding support from the governments of Sweden and Spain assisting medium-sized Asian cities to bridge the gap between their development plans and implementation of their strategic infrastructure investments. Within this context, CDIA uses a demand driven approach to support the identification and development of urban investment projects in the framework of existing city development plans that emphasize one or more of the following impact areas:

1. Urban environmental improvement
2. Urban poverty reduction
3. Climate change mitigation or adaptation
4. Good Urban Governance

To facilitate these initiatives at city level, CDIA provides a range of international and domestic expertise to cities that supports them in implementing their development strategies through a number of core activities. This can include consultancy support for the preparation of pre-feasibility studies for high priority infrastructure investment projects as one of several elements.



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