



# Strategy and Business Plan 2009 - 2012

August 2009



**CDIA**

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Cities Development Initiative for Asia

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## ABBREVIATIONS

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ADB	-	Asian Development Bank
AFD	-	Agence Francaise de Developpement
AIT	-	Asian Institute of Technology
AUSAID	-	Australian Development Cooperation Agency
BMZ	-	German Federal Ministry for Economic Cooperation and Development
CAI-Asia	-	Clean Air Initiative for Asian Cities
CDIA	-	Cities Development Initiative for Asia
CDM	-	Clean Development Mechanism
CityNet	-	Association of Asian Cities
CMT	-	Core Management Team/Secretariat
DMC	-	Developing member country
EIB	-	European Investment Bank
FCM	-	Federation of Canadian Municipalities
FS	-	Feasibility study
GTZ	-	German Technical Cooperation
HSBC	-	Hong Kong and Shanghai Banking Corporation
InWEnt	-	German Capacity Building International
IRRI	-	International Rice Research Institute
IsDB	-	Islamic Development Bank
JNNURM	-	Jawaharlal Nehru National Urban Renewal Mission
KfW	-	KfW Development Bank
NDF	-	Nordic Development Fund
NGO	-	Non-government organization
OG	-	Operational Guidelines
PRC	-	Program Review Committee
PFS	-	Pre-feasibility Study
PPTA	-	project preparatory technical assistance
SCRC	-	Sustainable Cities Resource Centre
Sida	-	Swedish International Development Cooperation Agency
SWOT	-	Strengths, Weaknesses, Opportunities, and Threats
TA	-	Technical Assistance
ToR	-	Terms of Reference
UCLG	-	United Cities and Local Governments

## EXECUTIVE SUMMARY

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The CDIA Strategy and Business Plan 2009 – 2012 presents the medium term strategic operational direction for CDIA, elaborates and prioritizes strategic choices, and based thereon proposes how CDIA can best move forward in the next 3 ½ years.

The plan is divided into ten (10) chapters and an annex comprising the following:

- 1 Introduction – providing background and context of CDIA;
- 2 Strategic Direction – providing its overarching goal, guiding principles and operational directions;
- 3 Support Services – summarizes what CDIA does and does not do and drawing the lessons from the initial year and a half of CDIA operational experience;
- 4 Operations –describing key operational aspects analyzing options and strategies and partnerships for leveraging the scale and long-term impact of CDIA activities;
- 5 Multi-nodal Development Strategy – describing the benefits and objectives as well as explores potential structures and modalities for establishing regional offices;
- 6 Institutional Development of CDIA – reporting progress and mid- term options including analysis of legal implications;
- 7 Financial Sustainability – describing current financing, the funding gap, potential funding options of CDIA operations and a strategy towards financial sustainability;
- 8 Marketing and Communication – providing key objectives and directions on CDIA marketing and communication actions for both the supply and demand side;
- 9 Managerial and Administrative Implications – analysis the implications of the above from management and administration point of view including CDIA reporting instruments and quality management; and
- 10 Core Work Program – indicating strategic milestones for CDIA activities by year and quarter.
- 11 Annexes – the annexes include a set of supporting materials including the CDIA Impact Chain, Core Work Program, and Financial Summary Statement.

Salient features of the plan comprise:

- a) an operational target to have covered at least 12 city applications per year during 2008 – 2012 for a total of 50 cities in Asia with direct city level CDIA support by the end of the plan period (end-2012), and an additional number of cities (target at least 50) to have benefitted from CDIA regional network support;
- b) a multi-nodal outreach strategy to achieve these targets, building on emerging interest in several countries in the region to extend structural support to CDIA;
- c) a broader strategy to develop institutional capacities to prepare public investment projects in infrastructure for sustainable urban development in the Asia region;
- d) a funding strategy linked to the operational targets, the operational outreach strategy and the capacity development strategy, increasingly based on self-interest of client cities and – countries, as well as financing institutions, relying on a mix of donor support, endowments and direct charging for CDIA operations; over the business plan period the equivalent of about \$ 11 million in additional core funding resources will be required to implement the plan; it is envisaged that additional resources can be mobilized sustainably thereafter; and
- e) a supporting two-step legal incorporation strategy with initial legal incorporation as a non-stock, non-profit corporation under Philippines law (July 2009) to evolve into a sustainable regional institution with an international statute towards the end of the plan period.

## 1 INTRODUCTION

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### 1.1 Background

This CDIA Strategy and Business Plan 2009-2012 has significantly benefitted from CDIA Program Review Committee (PRC) members comments on previous drafts prepared during 2008-2009, as well as from inputs from the CDIA Advisory Committee and the CDIA Review Mission carried out in March 2009. All these inputs are gratefully acknowledged.

This strategy and business plan document thus presents the medium term strategic operational direction for CDIA as of August 2009. It represents a 'living document' that will be modified and updated from time to time as CDIA gains further experience and builds deeper collaboration.

Established in October 2007, the initiative is now fully equipped with its human resources and in a position to respond to the demand for its services. In the face of a rapidly urbanizing Asia, and a plethora of institutional responses to deal with it, CDIA offers dedicated services specific to cities' infrastructure investment needs. In responding to these needs, CDIA, with its limited resources, must make strategic choices. The plan elaborates and prioritizes these choices, and based thereon proposes how CDIA can best move forward in the next 3 ½ years.

It clearly distinguishes between services to city clients (recognizing the demand driven basis of the program), issues of sustainability, and those related to CDIA organizational development. In particular:

1. it documents how CDIA envisages to impact on the broad internationally agreed development objectives (especially its environmental impact, impact on poverty, gender, participation and governance);
2. it further develops a results/monitoring framework that is outcome-oriented;
3. it incorporates a separate capacity development strategy as a major component of the plan; and

4. it includes a financing and resource mobilization strategy.

### 1.2 Context

Today's urbanization presents Asian cities with unprecedented challenges. With the region's urban population expected to increase by an additional 1.1 billion over the next 20 years, the demand for urban services and infrastructure will rise dramatically, placing cities under tremendous pressure to not only address current short-falls, but also meet rising future demand. Cities must strategically think about how they can be globally competitive, achieve growth, while addressing environmental and social challenges such as climate change and urban poverty. Their infrastructure investment programs need to support this as effectively as possible

However, a salient deficiency in urban governance across Asia is the lagging infrastructure provision, combined with inadequate quality of services and coverage. The public sector is often unable to respond due to deficits in:

- (i) planning and management capacity,
- (ii) service orientation,
- (iii) private sector involvement, and
- (iv) access to financial resources,

which together seriously undermine efforts to meet the growing demand for quality infrastructure provision and other urban services.

There is often a gap between identifying a city's infrastructure needs and project concepts and programs ready to be financed, mainly because city development plans are not translated into infrastructure investment programs, and if they are, often do not prioritize the program's constituent investment proposals (based on financial constraints), while the pre-feasibility information required to structure finance for specific priority projects is often not available or is sufficiently developed. It is these urban governance gaps which CDIA attempts to address.

## 2 STRATEGIC DIRECTION

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### 2.1 Overarching goal

CDIA's operations are guided by its mission/overarching goal, by a set of guiding principles, and by operational directions in pursuit of those. The overarching goal is:

*Promotion of sustainable and equitable urban development resulting in improved environmental and living conditions in Asian cities.*

CDIA contributes to this goal by improving institutional capacities in Asian cities to prepare public investment projects in urban infrastructure.

The guiding principles and operational directions for CDIA address this overarching goal. These principles and directions are reflected in the projects and other activities CDIA supports across Asia.

### 2.2 Guiding principles

To achieve the above, and in recognition of international development objectives shared by its partners, CDIA's support is underpinned by the following principles:

Urban environmental sustainability: to support the development of urban infrastructure investment projects which contribute to the reduction of environmental degradation, reduce the ecological footprint of cities and which impact on climate change positively;

Climate change mitigation/adaptation: to support the development of urban infrastructure investments contributing to reduction of green house gas emissions and to help cities to prepare for local impacts of climate change;

Urban poverty reduction: to support the development of urban infrastructure investment projects with a pro-poor focus, in which the rights of disadvantaged groups (whether women, children or minorities) are addressed in infrastructure provision;

Good urban governance: to promote financially and institutionally sustainable urban infrastructure investments (considering

requirements of participation, cooperation, transparency and accountability in developing infrastructure provision) to meet the needs of all citizens in cities, cognizant of social, cultural and political economy dimensions; and

Demand-orientation: CDIA responds to requests for support by city governments and their partners as applicable.

While it is not possible to make a discernable impact across all these dimensions in every project, CDIA is committed to addressing them as much as possible across all aspects of CDIA operations.

### 2.3 Operational directions

CDIA's operational directions, underpinned by its guiding principles, and addressing the program's overarching goal, are the following:

- a) CDIA supports cities and metropolitan areas in their efforts to enhance the rationality of programming investments in urban infrastructure and services which may qualify for domestic, international and private sector financing. This entails assisting cities to develop strategies to access financing from the very outset of conceiving investment priorities;
- b) CDIA supports cities in project structuring to bring priority urban infrastructure project concepts to a pre-feasibility stage from where standard project feasibility studies acceptable to (and, if required, funded by) financing institutions can be applied;
- c) CDIA supports strengthening of local institutional structures and arrangements for improved urban management, focusing on the institutional requirements for more efficient and inclusive development of urban infrastructure;
- d) CDIA's demand-orientation is given shape by the CDIA procedures established for submission (and CDIA review) of city applications; the review process i.e. assesses the envisaged development impacts in consonance with the above guiding principles;

- e) With its distinctly defined focus, CDIA complements other ongoing support efforts in cities. This includes e.g. following on city development strategies supported by the Cities Alliance and/or other support mechanisms, and/or broader capacity-building efforts supported by bilateral initiatives;
- f) CDIA expands the program and outreach of its services to regional clients and partners. This is closely linked to achieving long-term sustainability of funding for its work;
- g) CDIA aims for continuous partnerships with cities it engages with. To reach sustainable impact in its assistance to cities, CDIA invites cities to cooperate beyond initial PFS support. This could be continuing support to the cities to ensure financing and implementation is secured, engage in other, similar PFS projects, or support further related capacity building or city-to-city cooperation in infrastructure development issues; and
- h) Institutional sustainability: CDIA works towards establishing itself as an independent legal entity, sustainable and committed to expanding its network of funding members and stakeholders, representing both public and private sectors.

### 3 SUPPORT SERVICES

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#### 3.1 What we do

CDIA focuses on medium-sized cities across the Asian Development Bank's Developing Member Countries (DMCs) – defined as those cities with populations between 250,000 and 5 million, of which there are currently about 1,100 in ADB's DMCs. Due to Asia's rapid urbanization, these are the megacities of tomorrow. In these cities, CDIA supports the preparation of infrastructure investments which improve the urban environment, mitigate climate change, promote improved governance and are pro-poor.

Aware that there are many global and regional initiatives in the urban sector, the program's scope has focused on a clearly defined "market niche" of pre-PPTA support services for **urban infrastructure investment facilitation** since its inception in October 2007. In doing so, CDIA works to balance between implementing practical solutions with partner cities for their investment needs, while also seeking to develop institutions that can sustainably manage such processes in the long-term. In consequence, CDIA provides selected support services, exclusively geared towards urban infrastructure investment generation, as described below.

At the city level, CDIA provides technical assistance to support initiatives that bridge the widely acclaimed gap between urban spatial planning and infrastructure project implementation, including:

1. the development of urban infrastructure investment plans and programs in consultation with internal and external stakeholders;
2. the preparation of Pre-Feasibility Studies (PFS) for priority urban infrastructure investment projects;
3. assisting cities to find financing for these investments from domestic, international and private sector markets; and
4. building local government capacity at the individual, departmental and organizational level for the preparation of urban infrastructure investment programs, PFS for high priority urban infrastructure investment projects and to market these projects resulting in concrete infrastructure investments.

At national level, CDIA selectively engages in policy dialogue on urban infrastructure provision, where this is appropriate in support of the above city-level interventions in addition to capacity development activities.

At regional (Asia-wide) level CDIA links to global and regional networks to enlist those, where mutually beneficial, to achieve CDIA's overarching goal, in line with its guiding

principles and operational directions. At this level CDIA itself also acts selectively as a regional platform in its own right to exchange information and share experience among the cities it works with on specific topics of CDIA focus through the conduct of regional seminars and other media (i.e. the CDIA website). CDIA also develops generic tools and templates in support of the above (e.g. the toolkit for urban infrastructure planning and programming), tested and refined at all levels of CDIA intervention.

### 3.2 What we do not do

To rigorously maintain its focus on its “market niche” and to avoid duplication with other urban support efforts, CDIA does not generally offer the following services:

1. Urban spatial plan preparation at the city level; any requests for that are passed onto the Cities Alliance and/or other support agencies;
2. Preparation of feasibility studies, since most financial support agencies have established processes and rules for doing so, which CDIA should not duplicate;
3. Generalized support for policy dialogue at the national level, unless explicitly invited to do so, and if closely tied to national urban infrastructure programs and project development; and
4. Generalized urban development capacity building support beyond infrastructure investment facilitation – whether at the national, regional and city level.

## 4 OPERATIONAL COMPONENTS<sup>1</sup>

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### 4.1 Operational Experience

Since CDIA's establishment in October 2007, it has been unambiguously established that CDIA's operations fill an important operational gap in the urban infrastructure delivery chain in the Asia region. The demand for CDIA support services from cities has been

consistently higher than the initiative has been able to respond to, and the initial uptake in 2008 was almost double compared to what was planned. As of August 2009, city applications have been approved for 34 interventions in 16 cities in 10 countries. Eight pre-feasibility studies, three infrastructure investment programming studies and three flanking city-level capacity building assignments have been completed. CDIA has an operational pipeline of pending applications (under preparation or review) and expressions of interest from some 30 additional cities.

In this initial operational experience the CDIA Operational Guidelines have proved to be the critical overarching operational document guiding the implementation of the CDIA program. These guidelines have been taken through several iterations, as initial experience provided lessons to be incorporated into the guidelines. Operationally, initial city level applications have warranted closer CMT supervision and oversight (through reconnaissance and preparatory missions) to ensure quality and compatibility with CDIA guiding principles and operational directions than was originally envisaged.

CDIA technical assistance to initial city applicants has focused investment projects on improving the urban environment, contributing to climate change mitigation and adaptation, and on being pro-poor. With an increasing number of completed PFSs, the CMT has increasingly been active in generating support to further project development beyond the PFS stage and marketing undertaken by its client cities.

CDIA is engaged in a number of cities in support of projects which are directly linked to programmed ADB and KfW funding. Other financing agencies are being pursued.

Raising the CDIA profile and interest among ADB and KfW project officers for city level support activities has been resource-intensive but essential, given the complementarity of CDIA's work with these institutions' operations.

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<sup>1</sup> The CDIA impact chain framework governing CDIA operations during 2009-2012 is at Annex 1.

Major emerging client countries include China, India and Vietnam. However, CDIA will continue to maintain a geographical balance across Asia in terms of large and small countries and cities. At the same time, CDIA is aware of the need to consolidate experiences from the initial city interventions and 'deepen' its support and involvement in order to provide quality services.

Thus far, responding to the rapidly growing city-level demand for CDIA support through the nurturing and appraisal of city-level applications, procurement of city level consulting services and backstopping of consultants in their work has taken a high level of CMT input (in addition to the standard support from ADB and GTZ). In order to make this work more cost-effective, it has initiated the development of new framework contracting procedures, initially with ADB. As demonstrated by initial bidding for CDIA city-level consultancy packages under ADB's new Indefinite Delivery Contract (IDC) procedures, this simplified process is appropriate to CDIA's needs, as it streamlines and expedites consultants' recruitment and improves the accountability of project teams, while retaining the required flexibility and responsiveness of CDIA operations.

In conclusion, the start-up period of CDIA operations has been productive and there was more demand than CDIA could meet. However, the labor intensive nature of our services has been underestimated with implications for CDIA's sustainability. The following sections address both opportunities and constraints to these endeavors.

#### **4.2 Quantitative operational targets**

It is envisaged that during the 2009-2012 period, the number of cities in which CDIA is engaged will grow from 18 approved applications (for 34 interventions) in 16 cities to about 50 with completed in-city level activities (Investment planning and/or PFS studies completed and passed on for further preparatory work to local governments and funding institutions) by end 2012.

Thus CDIA expects that at least 12 city applications per year will be approved

(focusing on at least one of the overarching development goals – to improve the urban environment, to mitigate climate change, to promote improved governance and/or being pro-poor - and being co-financed by the cities).

In addition, a significant number of cities will have demonstrably benefitted from CDIA outreach and capacity building/knowledge-sharing activities by that time based on the experience gained from CDIA core activities. The nominal target for the later is at least 50 cities, making a total of at least 100 cities having demonstrably benefitted from CDIA by end 2012.

CDIA anticipates that 80 % of all PFS's supported by CDIA will have been taken further by financing institutions.

Similarly, by 2012, at least 25 projects will have found their way into agreements with financing partners.

#### **4.3 Operational "deepening"**

The PRC in its meeting of November 2008 stated the need for CDIA to focus on deepening its involvement rather than spreading itself too thinly. This operational "deepening" direction was endorsed by the Review Mission for CDIA conducted in March 2009 and at the 3<sup>rd</sup> PRC meeting in May 2009.

'Deepening' implies both deeper involvement and higher levels of technical analysis as a basis for infrastructure prioritization and implementation, and more intensive activities in selected cities/ areas with which CDIA is already engaged. There are two key strands of deepening:

- More intensive engagement with CDIA cities that can act as centers of good practice and learning examples for other cities both nationally and regionally; and
- More effective networking with national and regional groups with whom CDIA is engaged.

**4.3.1 More intensive city level engagement**  
Deepening for cities with which CDIA is already engaged has six dimensions:

- More detailed project prioritization activity;
- Undertaking follow-on PFS projects;
- Following up after pre-feasibility studies are completed to ensure financial closure is actually achieved;
- Undertaking structured evaluations of project formulation (PFS) activity in order to strengthen city systems;
- Engaging in focused capacity development in areas related to CDIA's market niche (e.g. strengthening urban infrastructure investment prioritization in the city or in a sub-sector, e.g. urban transport); and
- Building opportunities for enhancing city-to-city learning and knowledge sharing

The core principle of 'deepening' will be to extend the reach and improve the effectiveness of CDIA activities. The method will be to strengthen structural engagement with key stakeholder agencies.

Thus, as deepening implies the use of larger resource inputs per city over time, the number of cities directly engaged by CDIA will be commensurately reduced. This, in turn, implies more rigidly screening cities for CDIA support, using criteria which will prevent infructuous expenditure of city and CMT resources in preparing and assessing applications which may ultimately be rejected.

By the fourth quarter of 2009, all PFS's will include monitoring frameworks to enable follow up on the project contributions to environmental sustainability, poverty reduction, good governance and gender balance.

#### **4.3.2 Building Partnerships and Networks**

CDIA can only reach a small portion of the about 1,100 medium-sized cities in developing Asia through direct intervention activities and with resources supplied by international donor agencies.

Therefore CDIA is formulating a partnership and networking strategy which targets a range of stakeholder and shareholder (current and potential) agencies for facilitating urban infrastructure investments. As such the objectives are divided into two components: a) city clients of CDIA services, and b) suppliers and collaborators in providing such services and extending CDIA's reach and effectiveness in its core business.

The overall objective is to meet the demand for CDIA services by accessing support for a decentralized/devolved approach from a wider spectrum of partners and by building capacity in the countries themselves.

By the fourth quarter of 2010 it is envisaged that at least 2 regional networks/working partnerships are established as a means of exchanging experiences in good practice.

Furthermore, by the end of 2012, these working partners and networks will have adopted, and are using, CDIA training tools in their respective capacity building programs.

#### **4.3.3 Target Groups for Outreach**

Involvement of a range of service providers and collaborators will be necessary. As CDIA moves from its start-up phase into more sustained operations, the focus on external partners will necessarily shift from a close interaction primarily with other international organizations active with a small group of cities, increasingly to national and regional organizations and institutions that are working with a wider range of cities. Where appropriate, engagement will also be initiated with selected national associations of local government.

As CDIA seeks to be more financially sustainable in the long-term, outreach and engagement with other funders and private sector actors will be necessary – as discussed further under the financing and marketing strategies in sections 7 and 8 below.

CDIA has also initiated a process of establishing linkages with international and regional academic institutions that are active in related research so as to explore new and emerging innovations in its market niche.

#### **4.3.4 Approaches to engaging potential partners**

CDIA's approach to partnership development is twofold: firstly, identify opportunities for leveraging additional resources; and secondly multiply its intervention experience through strategic partnership engagement. This will enhance our regional outreach, increase the likelihood of achieving our outcomes and mitigate current organizational limitations (i.e. structure, scale and resources) in reaching Asia's 1,100 medium sized cities. CDIA is currently developing a roadmap to identify and engage local, regional and global strategic partners.

The legal incorporation of CDIA provides additional opportunities for engaging new partners on the supply side as well as looking for innovative and sustainable funding arrangements (see section 6.2).

#### **4.3.5 Private sector involvement**

CDIA has started to establish relationships with private sector financing from domestic and international institutions with a view to funding at least one CDIA project on this basis by end 2010, and at least three more by end 2012.

CDIA will incorporate private sector financing institutions (domestic and international) into the overall CDIA marketing and communications strategy and plan. It will scan private sector (domestic and international) to determine their involvement and market requirements with an outcome by end 2010.

By 2012, at least 3 cases of "best practices" will be available on the development of cooperation between cities and infrastructure financing sources.

#### **4.4 Capacity Development**

CDIA is about supporting cities to identify and prioritize infrastructure projects through investment planning and programming and the PFS process. In addition CDIA strengthens the institutional capacity of medium sized cities to be able to do this in a sustainable way.

CDIA capacity development efforts have three pillars:

- Institutionalization of better project structuring and preparation mechanisms for urban infrastructure (such as the PFS process);
- Organizational dimensions to effectively deliver urban infrastructure; and in this regard
- Strengthen capabilities of key personnel from city administrations and other relevant organizations.

CDIA is committed to adopting a Capacity Development Strategy latest by mid 2010. This strategy will focus on:

1. Having a standard capacity development "built-in" component in all CDIA's direct interventions at city level (e.g. experts on institutional development in CDIA's thematic focus areas being part of the PFS consultants teams).
2. Identifying key training needs, developing training materials and organizing events that target relevant professionals from CDIA cities.
3. Supporting city-to-city knowledge and experience sharing, using some of the cities as "knowledge hubs".
4. Enhancing regional and in-country capacities of institutions that can provide support to cities in key focus areas of the CDIA approach, in close co-operation with the emerging regional CDIA institution (see sections 5 and 6 below).

CDIA will have 3 process tools in place to support the above and have them field-tested in 3 Asian countries by the third quarter of 2010.

Similarly, by end of 2012 at least 15 investment projects in partner cities are developed in accordance with CDIA approaches, but without direct CDIA intervention.

Furthermore, by end of 2012, at least 20 partner cities will have institutionalized the infrastructure investment planning and programming approach and at least 10 cities have institutionalized the PFS processes.

## 5 CDIA MULTI-NODAL STRATEGY

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### 5.1 Rationale

As noted in section 3.1 above, currently there are about 1,100 medium-sized cities with population between 250,000 and 5 million in ADB's Developing Member Countries (DMC). These are the potential client cities for CDIA intervention. Three-fourth of these cities are in the Peoples' Republic of China and India. By 2020, the number of CDIA target cities in Asia is expected to have increased to about 1,400.

In contrast, the aggregate medium term targets of the CDIA Strategy and Business Plan 2009-2012 enunciated in section 4.2 above is to have completed direct and indirect CDIA support interventions in about 100 cities in Asia by the end of 2012. CDIA, therefore, will, at best, only have facilitated infrastructure investments during 2008-2012 in less than 10% of the cities with potential demand for its services. Even, this relatively modest target is unlikely to be achieved if city-level activities will only be supported by the CMT out of its Manila office with currently programmed/envisaged support resources from ADB, BMZ, Sida and Spain (in the order of magnitude of \$ 35 million, see section 7 below) during 2007-2012. Therefore, a more cost-effective delivery system is needed, as well as mechanisms to enhance the financial resource base of CDIA to ensure adequate implementation of its work program up to the end of 2012 and beyond.

In addition, the above data indicate that there will likely be strong and sustained demand for CDIA services for at least several decades. There is currently no other facility or institution operating in the region which provides comparable urban infrastructure investment facilitation services to the ones provided by CDIA. It is therefore imperative to put into place a financially sustainable and

permanent institutional CDIA architecture to respond to this long-term demand. Existing individual sector support institutions and networks in the region will be able to contribute to this architecture. However, they are unlikely to handle the task in the absence of a specialized spearhead (lead) institution, and mobilization of adequate financial resources to sustainably finance the required number of interventions for several generations.

A multi-nodal development strategy for CDIA is essential to address this because it can:

- a) cost-effectively upscale the delivery of CDIA services;
- b) anchor the CDIA approaches in qualifying national and/or regional institutions and networks; and
- c) sustainably mobilize financial resources to fund CDIA interventions.

### 5.2 Principles

The proposed CDIA multi-nodal development strategy envisages a small regional network, in which each of the designated nodes is characterized by:

- a) a significant substantive ability to contribute to the CDIA agenda;
- b) a comparative advantage in servicing the outreach of CDIA interventions; and
- c) being linked to a sustainable source of finance for CDIA program implementation.

Sustainable financing must be based on an appreciation by national governments and other actors within the region, as well as by financing institutions, that it is in their own self-interest to provide funding for CDIA investment facilitation services (as these support economic development by enhancing the quality of urban infrastructure). Such awareness is in evidence in several countries in the region, not surprisingly, notably in China and India.

#### *Proposed CDIA multi-nodal development structure*

Given the distribution of CDIA client cities in the Asian region in combination with this awareness, there are strong arguments for a

nodal offices structure to include a permanent CDIA presence in the People's Republic of China and in India. Discussions with both governments to date indicate that both recognize sufficient self-interest in CDIA services to join CDIA as a PRC member (at a minimum of \$ 1 million per year over 3 years), in conjunction with substantive synergic CDIA co-location with a sector institution in Shanghai (with a financial substantive orientation and national outreach) and Delhi (with a JNNURM investment planning and programming substantive orientation and national - and sub-regional outreach) respectively. CDIA will, out of its current resources, match the contributions from such regional PRC members up to 2012, and thereafter on a declining scale.

Similarly, the Government of Singapore has expressed an interest to provide the role of regional knowledge hub for CDIA. The proposed formula will be similar as for China and India: PRC membership and – contribution, substantive synergetic co-location with a qualified sector institution (on regional knowledge management and networking) and resource matching up to 2012. It is envisaged that the Singapore nodal office will also facilitate outreach to Indonesia and several other countries, given Singapore's logistical advantages as a regional and international air-travel hub.

Co-location of CDIA's CMT office with ADB in Manila, Philippines has already demonstrated significant operational advantages. This is expected to continue, with support from the Government of the Philippines, to develop a Philippines-based independent regional CDIA institution with its own charter, immunities and privileges. The recent legal incorporation of CDIA Inc. in the Philippines is the first concrete step taken towards this.

The nodal office structure is intended to be open-ended. Other nodal offices may be added to the structure, if (e.g. based on the CDIA capacity development strategy to be completed by mid-2010) further combinations of interested regional governments willing to fund and specialized sector institutions willing

to take on CDIA-related tasks can be identified.

### **5.3 Operational modalities, and targets**

It is intended that the CDIA nodal offices in China, India and Singapore, in collaboration with their host institutions, will gradually handle a growing part of current CMT tasks, both in support of direct CDIA interventions, as well as tool development, regional networking and other regional support activities. Specific work plans will be developed and agreed for each nodal office on a case by case basis. It is envisaged that each nodal office will be staffed by 2-3 long term CDIA staff, partly from within CMT, partly newly recruited.

Core program management functions will continue to be exercised out of the CMT Manila office, in conjunction with preparatory actions to transform CDIA Inc. into an independent regional institution, and along with a reduced work load for support to direct city-level interventions.

The establishment of the nodal offices has been under discussion with the governments of China, India and Singapore from late 2008. It is expected that in the case of China and India this will lead to negotiated outcomes for approval by the CDIA PRC in the 4th quarter of 2009 or the 1st quarter of 2010. With regard to Singapore, it is expected that a similar situation will have been reached by mid-2010. Progress in developing the multi-nodal structure will be assessed on an ongoing basis during the Strategy and Business Plan period by CMT and PRC. A special assessment will be made in late 2010 after the completion of the CDIA capacity development strategy.

## **6 INSTITUTIONAL DEVELOPMENT OF CDIA**

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### **6.1 Overall Strategy**

Presently, CDIA operations are carried out pursuant to agreements among stakeholders and contributors, and are closely intertwined

with the operations primarily of ADB and GTZ. The CDIA CMT office is situated in Manila in close proximity from ADB, with its day-to-day transactions directly coordinated with ADB and GTZ. However, as reiterated by the recent (March 2009) CDIA review mission, CDIA's overall institutional outcome/objective is for it to be established as a new international institution providing efficient services to support sustainable and environmentally sound urban development.

In order to achieve this by end 2012, the following two step strategy has been embarked upon (as agreed in principle at the 2nd CDIA PRC meeting in Nanjing in November 2008 and as endorsed by the review mission):

- a) the incorporation of a part of the CDIA CMT Manila office operations in a non-stock non-profit corporation (CDIA Inc.) under Philippines law, within 2009; followed by,
- b) the recognition of CDIA as a permanent regional international institution by the Government of the Philippines by conferring privileges and immunities to CDIA Inc, modeled on the pattern of development of institutions such as the International Rice Research Institute (IRRI), by end 2012.

## **6.2 CDIA Inc.**

While no final decision has yet been made on the permanent location of CDIA headquarters, there is an immediate need to empower the administrative operations of the CMT office to undertake independent legal actions.

For the CDIA to flexibly operate in a number of countries in the region, while at the same time addressing the need to have an administrative base in Philippines, the Manila office has been incorporated under Philippines law as of July 2009. This is to facilitate the further development of the CDIA, as the medium term structure envisages the Manila office continue to provide administrative support.

It is intended that by the second quarter of 2010, corporate governance, management and finance structures of CDIA Inc. are fully developed

### **6.2.1 Safeguarding the CDIA governance structure:**

The current CDIA governance structure has been safeguarded in the articles of incorporation and by-laws of CDIA Inc., with the PRC stipulated as the supreme policy-making body, and PRC members being eligible to be voting members of CDIA Inc. by virtue of their contribution to CDIA. Thus the role of the PRC as the CDIA policy-making body has been retained.

### **6.2.2 Short-term operational implications:**

As long as privileges and immunities have not been conferred to CDIA Inc. by the Government of the Philippines, it is not intended to change current CDIA/CMT ADB and GTZ international staff and consultant appointment procedures and rules. Present CDIA CMT staff will be assigned to work for CDIA Inc. as per a modification in their work plan, job description or Terms of Reference (as the case may). Likewise, for the same (essentially taxation) reasons, current arrangements for procurement of consulting services for city-level operations and regional networking will continue to follow ADB and GTZ procedures respectively, until such time as privileges and immunities will have been conferred to CDIA Inc. by the Government of the Philippines.

In the short term ADB will cover the initial CDIA Inc. establishment costs, which will not be substantial in financial terms (office rent, running costs and administrative support costs, which ADB is already meeting directly under current arrangements). GTZ will support specific activities, e.g. by way of local consultancy assignments (incl. local legal consulting costs), which are also likely to be limited in the short run. Other activity costs to be met will depend on additional funding support to be generated by CDIA Inc.

CDIA/CMT has formulated, and the CDIA Inc. Board of Trustees has adopted a CDIA Inc.

Operations Manual to govern its staffing and operational procedures.

### **6.2.3 Powers to establish and operate branch offices/ representative offices:**

Given that the longer term vision for CDIA involves establishing CDIA nodal offices elsewhere in the Asia region (as outlined in section 5) it was verified that CDIA Inc. legal incorporation allows the capacity to set up subsidiaries, branches or representative offices without significant delay or complex procedural requirements.

### **6.2.4 Level of trust regime:**

Since the funds to be received by CDIA will come from different sources, it has been verified that CDIA Inc. incorporation ensures that the funds can be properly ring-fenced, and cross border trust transactions between the holder of funds, the administrator of the funds (CDIA Inc. in most cases) and the beneficiaries can be undertaken. CDIA Inc. which will increasingly receive and remit such funds, is allowed by the Philippines regulatory framework to hold funds as a trustee, both local or abroad.

### **6.2.5 Duties and liabilities of board members, officers, members, and existence of insurance:**

Board members, officers, and members must have adequate latitude to perform their function and to be held accountable, should they breach their duties. To protect them from associated risks, adequate legal liability insurance coverage is taken out by CDIA Inc.

## **6.3 Medium Term: Establishment of CDIA as a Permanent Regional International Institution**

CDIA/CMT has begun the discussions with the Government of the Philippines on it conferring privileges and immunities to CDIA Inc. to achieve a status similar to that of the International Rice Research Institute (IRRI) in the Philippines which has "privileges and immunities" comparable to ADB. Once established as such, CDIA may then incorporate nodal offices into an overall agreed structure, including an agreement on

"privileges and immunities" in the various countries concerned.

In about 2-3 years such privileges and immunities issues need to be resolved with the Government of the Philippines for CDIA to assume an IRRI-like status – simple NGO status is not adequate for CDIA Inc. to function as a recognized permanent regional initiative with a public mandate, as noted above – CDIA will not be able to recruit qualified international CDIA staff under that arrangement.

ADB will take the lead in formally taking this up with the Government of the Philippines after initial soundings by CDIA/CMT will have been completed in the later part of 2009. CDIA will ensure adequate representation of the Philippine Government in the governing body of the regional institution. It is envisaged that CDIA will be granted international status latest by the end 2012.

## **6.4 Legal implications of a multi-nodal structure**

As noted in section 5 above, CDIA nodal offices are envisaged in Shanghai, Singapore and Delhi from mid-late 2009. Such offices can be set up under similar local arrangements as in Philippines (easy in Singapore, more complicated in China and India), or as representative offices for an interim period. This needs to be investigated further during 2009-2010 – if CDIA pursues IRRI-like status in the Philippines, similar status arrangements may need to be negotiated with other host governments.

## **7 CDIA FINANCIAL SUSTAINABILITY**

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### **7.1 Current Financing and Funding Gap**

CDIA's current financing can be characterized as 'project-based' and 'donor dependent'. Different donors have committed different amounts to the CDIA "project" over different time frames (up to 5 years). This situation does not provide a long-term perspective, while it cannot be assumed that donor financing will continue for an indefinite

period. Consequently, CDIA must strive for financial sustainability over the medium term.

Key areas of CDIA requiring core funding<sup>2</sup> are:

1. the CDIA CMT;
2. CDIA consultants providing services at city level; and
3. CDIA regional capacity building services.

Budget projections based on initial experience, and on the recommendations of the second PRC meeting and CDIA Review Mission in relation to 'deepening' engagement and an increased focus on capacity building, are shown in Table 1 (see overleaf). The table specifies expected expenditures in these three categories based on initial estimates of time allocation and actual consultant contracts. A more detailed budget projection showing funding from ADB/ Sweden/ Sida/ Spain and GTZ budgets is in Annex 2.

The estimated cost per direct city project intervention (of which there are usually at least two per city application) based on experience to date is:

1. Core team – 3 person months, plus travel plus support, about \$ 20,000 per month or \$ 60,000;
2. CMT overheads (support staff, travel, office costs, procurement costs of ADB / GTZ HQ): \$ 20,000,
3. City level consultants costs – \$ 400,000 on average per city , on average with 2 project interventions formulated per city; and
4. Total about \$ 480,000 or \$ 240,000 per project formulated (say \$ 0.25 million for budgeting purposes).

The financial projections assume that 50 cities will have received direct support by 2012, with two interventions per city.

This cannot be fully funded out of CDIA core resources currently available or firmly committed. A current total of about \$ 24.2 million in cash and kind is committed to 2012, of which \$ 8.4 million will likely become only

available in 2010 for utilization during 2010-2012. A short-term resource gap is evident, and has already begun to constrain CDIA operations from mid 2009.

In the medium term the financing requirement will obviously grow further as the volume of CDIA business grows. Current projections are that, by the end of 2012, total core funding requirements will be about \$ 35.3 million, leaving a net funding gap of about \$ 11.1 million in core resources for the business plan period. This will require structural sustainable funding solutions, as continuing donor project funds at this level are unlikely.

One of the models pursued by CDIA is to hand over project proposals at an earlier stage to financing institutions (instead of funding PFS work out of own core resources), while continuing to cooperate on a lower level on those projects to ensure that these are in line with CDIA objectives. In this regard discussions with KfW are most advanced.

A change from the "project-based" donor dependent" model to a more sustainable model based on long-term CDIA partners' interest will be required. This was recognized at CDIA inception, but the detailed process of changing the model is complex, particularly in the context of the need to deepen engagement in order to address the demands of smaller and less wealthy cities.

If the average investment project size is \$100 million, the investment facilitation CDIA cost per investment project works out at approximately 0.25% of total project cost. In principle, this should be fundable under some form of cost-recovery and/or endowment arrangement from the parties benefitting from CDIA interventions. However, the range of investments costs is very wide – the distribution is very flat around the mean. Thus for many cities, particular smaller, less wealthy cities, CDIA costs represent a much higher proportion of investment costs and cost recovery will not be a feasible option.

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<sup>2</sup> Not including ADB and KfW feasibility study costs and InWEnt capacity building costs.

**TABLE 1: Cities Development Initiative for Asia (CDIA) ADB-GTZ Core Resources (US\$ '000)**

(as of 01 September 2009)

NO.	ITEM	CURRENT RESOURCES AVAILABLE (2007-2012)				Total Business Plan Requirements	Resources Available 2010-2012	Projected Resource Requirements (2010-2012)	Resource Shortfall (2010-2012)
		ADB in Kind	RETA 6293	GTZ	ADB/ GTZ				
A	<b>Program Development &amp; Management</b>								
	- Professional Staff	1,534	403	2,858	4,796	5,063.20	2,674	2,941	267
	- National Staff	18	60	133	211	220.10	95	105	10
	- Young Professional	228	-	225	453	498.30	453	498	45
	- Consultants	-	995	177	1,172	1,193.90	215	237	22
	<b>TRAVELS</b>								
	- Professional Staff	265	-	173	438	461.60	236	259	24
	- National Staff	26	-	71	97	102.50	60	66	6
	- Consultants	-	116	126	242	256.10	140	154	14
	<i>Sub-total</i>	<b>2,071</b>	<b>1,575</b>	<b>3,763</b>	<b>7,409</b>	<b>7,796</b>	<b>3,873</b>	<b>4,260</b>	<b>387</b>
B	<b>CITY Direct Intervention</b>								
	- Professional Support	288	1,159	230	1,676	1,707	305	336	31
	- Professional Travel	286	-	130	416	437	215	237	22
	- National	24	-	50	74	77	34	37	3
	- Consultants	-	4,130	3,112	7,242	16,292	2,050	11,100	9,050
	<i>Sub-total</i>	<b>597</b>	<b>5,289</b>	<b>3,522</b>	<b>9,408</b>	<b>18,513</b>	<b>2,604</b>	<b>11,709</b>	<b>9,105</b>
C	<b>NETWORKING/ CAPACITY BUILDING</b>								
	- Professional Support	75	168	80	323	338	151	166	15
	- Professional Travel	54	84	100	238	251	131	144	13
	- Consultants	-	46	440	486	520	340	374	34
	- National	8	-	43	51	53	23	25	2
	- OPE/Participants Travel	-	225	225	450	471	210	231	21
	<i>Sub-total</i>	<b>137</b>	<b>523</b>	<b>888</b>	<b>1,547</b>	<b>1,633</b>	<b>854</b>	<b>940</b>	<b>86</b>
D	<b>Partnership Development<sup>1</sup></b>								
	- Manila Office (CDIA, Inc.)	-	24	240	264	792	264	792	528
	- Singapore Nodal Office	-	-	900	900	990	900	990	90
	- China Nodal Office	-	128	30	158	711	158	711	553
	- India Nodal Office	-	192	600	792	871	792	871	79
	<i>Sub-total</i>	<b>-</b>	<b>344</b>	<b>1,770</b>	<b>2,114</b>	<b>3,365</b>	<b>2,114</b>	<b>3,365</b>	<b>1,251</b>
E	<b>CDIA Overheads</b>	1,045	250	282	1,577	1,658	810	891	81
	<i>Sub-total</i>	<b>1,045</b>	<b>250</b>	<b>282</b>	<b>1,577</b>	<b>1,658</b>	<b>810</b>	<b>891</b>	<b>81</b>
F	<b>Institutional Overheads</b>	651	-	1,510	2,160	2,333	1,727	1,899	173
	<i>Sub-total</i>	<b>651</b>	<b>-</b>	<b>1,510</b>	<b>2,160</b>	<b>2,333</b>	<b>1,727</b>	<b>1,899</b>	<b>173</b>
	<b>Over-all Cost/Expense and Budget</b>	<b>4,501</b>	<b>7,980</b>	<b>11,734</b>	<b>24,215</b>	<b>35,297</b>	<b>11,982</b>	<b>23,064</b>	<b>11,082</b>

Exchange rate used: 2007-2009 actuals; 2010-2012: €1.00 = US\$1.40

<sup>1</sup> Assigned CMT staffing, travel and support cost for outreach from nodal offices and CDIA Inc.

## 7.2 Potential Financing Sources

CDIA is providing a range of services to cities and the cost of these services can potentially be recovered. Based on experience in the field thus far, the range of cost recovery options and potential additional stakeholder clients can now be more clearly defined.

CDIA's marketable assets in the short term are:

1. Its portfolio of pre-feasibility studies (PFS) for infrastructure projects;
2. Its capacity to undertake such studies for 'client' institutions;

3. Its linkage to bilateral and multilateral funding institutions; and
4. Its knowledge of potential projects and institutional structures for these across Asia.

Assessment of the potential for fees from cities has not been encouraging. Regional local government networks such as CityNet and UCLG cannot charge fees sufficient to cover their operations costs, which are considerably less than the advice-intensive operations of CDIA, and collecting them is cumbersome. The most viable option to be explored is cost recovery through adding the cost of PFS operations into the infrastructure funding amount financed and to recover this on financial closure. CDIA will explore this option preferably in the context of cooperating with commercial banks. In case of government lending it would take significant changes to bilateral and multilateral organizations procedures. Initial investigations on cost recovery through financing are being undertaken in Yangzhou (China) and Thanh Hoa (Vietnam). With CDIA Inc. having been established, the operational ability to receive cost recovery funds has been put in place (see section 6.2 above).

Based on these assets, the resource mobilization strategy must address two pressing funding needs:

1. a short term cash-flow problem for existing identified pipeline; and
2. additional resources for up-scaling and sustained operation.

The following potential funds sources are likely to be of interest for CDIA in the short term:

1. Government funds: Some countries offer funds to finance infrastructure investment (such as e.g. in the case of India through the JNNURM, with over \$1 billion available for urban infrastructure investment). This will vary from country to country.
2. Official Development partners: existing partners such as ADB and KfW with a

long term interest in CDIA activities plus new ones i.e. in particular the EIB, AFD, NDF, IsDB, DfID, and AusAID - Important players in financing infrastructure projects and programs with considerable interest in Asia;

3. International private sector infrastructure finance organizations: Infrastructure increasingly seen as an asset, hence growth in infrastructure funds and potential source of financing for CDIA client projects i.e. HSBC, Citibank Carlyle Group, Macquarie Bank, Dubai International and Goldman Sachs. However, the financial crisis has reduced the likelihood that they will provide significant funds 'upfront';
4. External international development organizations and foundations – e.g. the Global Environmental Facility, Global Energy Network, International Development Research Centre, International Centre for Sustainable Cities, Gates Foundation. Strong support from existing partners will be important in successfully tapping such funds; and
5. Existing strategic partners (international/regional/country/project-based) – e.g.: ADB, BMZ, Sida, Spain.

However among and within these categories it is necessary to prioritize 'marketing' efforts in the light of limited senior staff time and the cost of marketing trips to the headquarters of these organizations. The consensus priorities identified at the 2009 CDIA/CMT retreat are set out below.

### **7.3 Funding Strategy for Sustainable CDIA Operation**

Initially CDIA's funding strategy will need to be flexible, testing the ground in a few promising potential financing areas. The initial strategy will be limited to the following elements:

1. The establishment of new nodal offices (as discussed in section 5 above) will have to be done with a view to long term self-sufficiency both for the nodes

and for CDIA as a whole: i.e. the nodal office establishment will have to be dovetailed with core funding contributions to CDIA operations.

2. Engage present funding partners (ADB in particular) in exploring potential endowment mechanisms (IRRI model). It is understood that this will be a time-consuming process.
3. Targeted pursuit of key donors, in particular:
  - Nordic Development Fund (NDF);
  - DfID (India/ South Asia focus);
  - European Investment Bank (EIB);
  - Australia (South East Asia/Pacific focus); and
  - European Union
4. Test possible mechanisms for partial cost-recovery from city clients and financial institutions for specific interventions.

#### **7.4 Targets**

1. Undertake analysis of funding implications of nodal offices as negotiated by end 2009, including financial projections of proposed options for consideration by the PRC. Establish up to three CDIA nodal offices with at least 50% self-financing of these nodal operations by end-2010.
2. Have at least one new strategic donor PRC member and at least two Asian country PRC funding members (possibly in conjunction with nodal office establishment) in place by early 2010.
3. Draft long-term structural endowment strategy for initial discussion with potential institutional funders by end-2009 with target implementation start from 2011.
4. Document private sector engagement strategy and estimates of associated revenue and expenditure by end-2009.
5. Document initial time registration data and consolidated budgeting results by end 2009.

6. Document potential cost recovery mechanisms, experience and recommendations on a way forward by end 2009.
7. It is envisaged that by the end of 2012, at least 60 % of core financing of the CDIA institution is secured from regional sources and financial institutions.

## **8 CDIA MARKETING AND COMMUNICATION**

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CDIA must market itself to both an internal and external constituency, striking a balance between supply side services and the demand created for those services. Typically CDIA is active throughout the region, using a number of different forums organized either in conjunction with other institutions or independently, for sharing its experiences and lessons.

Means of communication and marketing will be multi-track including web-based, direct presentations, collaboration on demonstration projects, printed media and participation in exhibitions and other forums.

### **8.1 Objectives and Target Groups**

The CDIA marketing and communication strategy will be three fold:

1. Build awareness of CDIA to generate qualified city applications from multiple sources/ references;
2. Build confidence among supply side stakeholders leading to an expanded funding base and potential infrastructure financing options; and
3. Promote CDIA as a sustainable and valuable knowledge and information resource within the region.

Within these thrusts, a number of organizations on both the demand and supply side are identified as targets for marketing and communication inputs:

On the demand side, CDIA's message is that it can offer limited resources, but important

stature, exposure and linkages to selected institutions. However, based on the varied focus of each type of organization, a differentiated approach to the marketing of CDIA and means of communication will be applied:

1. Existing program partners. Marketing approach is to focus on developing enhanced mechanisms of mutual referral that could result in a wider client base;
2. External international organizations and foundations. CDIA will be selective in its engagement. Focus will be on those institutions that either have (a) very strong city networks and/or (b) interest and resources in key areas of CDIA strategic development such as Climate Change;
3. Regional local government representative bodies. Access to national associations and city governments can be supported through partnerships with regional organizations. National associations of local government. Organizations can help market CDIA and its services to a wider range of local governments that would typically not have had access to CDIA.

On the supply side, CDIA's marketing would focus on offering a screened project pipeline, a multi-lateral "halo", due diligence capacity and other services to institutions on the supply side. The marketing and communication to this group would focus on the following key aspects/ approaches:

1. *Internationally operating commercial banks*: In an era of constrained public sector resources, CDIA's independence and flexibility are confidence-building features for attracting private sector interest. Increasingly, private financial institutions are also showing interest in the themes of securing a project pipeline, particularly in environmental/ climate change/ pro-poor urban infrastructure.

2. *Infrastructure industry*: CDIA marketing would focus on offering intermediary services for *international private sector*/ linking them to cities ready with commercially viable projects in Asia. Here, project pipeline, multi-lateral halo, due diligence capacity and project intelligence are all key assets. Its demand forecast data/ projections for commercially viable projects and information will be attractive to private sector investors as will be its emerging inventory of commercially viable projects across Asia, profiled, (and possibly ranked or rated) in terms of commercial and political risks;
3. *National governments*: CDIA can offer structuring of projects to maximize the efficiency of use of *government funds*, linking projects to bilateral, multi-lateral, and private funds;
4. CDIA can also structure projects beyond the capacities of *national financial institutions*, linking them to international public and private sources of expertise and finance.
5. Engagement with *international foundations and organizations* in order to elevate the profile of CDIA internationally.

The tools and mechanisms to be employed in the marketing approaches to the above groups will include a combination of web-based information/ resources, printed materials for general and selected distribution and direct presentations at key events and forums.

## 9 MANAGERIAL AND ADMINISTRATIVE IMPLICATIONS

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One of the most important considerations of the funding members of CDIA was the perspective that CDIA would become a self-sustaining organization in the medium term which does not necessarily rely on financial support from project-based development support of respective agencies any longer. Thus, CDIA's strategy and business plan

includes a strategy that allows it to handle its own resources, receive monies from supporters and from clients for services and establish its own procurement/financial procedures to be applied for its operations. The expected managerial and administrative implications are described below.

### 9.1 Core Management Team

CMT staff currently in place under ADB/Sida and GTZ arrangements are to be deputed to CDIA Inc. through appropriate modifications in their Terms of References/Job Descriptions. The current CMT managerial structure will be kept, hence CMT will continue to be supervised by the CDIA Program Manager and CDIA Program Coordinator assigned to CDIA Inc. as its Executive Director and Deputy Executive Director. In addition, the staffing structure of CMT will also be kept, including a complement of 8-10 experts with various kinds of expertise within the urban planning and development field (including several CIM experts and JPOs).

### 9.2 Procurement

Procurement of consulting services has been cumbersome under ADB/GTZ procurement arrangements for the relatively small sizes of city-level contracts to date. As noted in section 4.1, procurement of city level consulting services has been a very labor intensive exercise for CMT staff. To reduce such transaction costs a framework contracting arrangement has been implemented for CDIA's ADB funded city-level activities (ADB's **Indefinite Delivery Contract (IDC)** modality), under which a limited number of firms (6 – 8) will be selected to deliver services in a number of cities over a prescribed period of time.

This arrangement allows for speedy procurement of firm based consultant services and thus retains the timeline established for CDIA response. It is expected to save very significant canvassing and supervision time on behalf of CDIA management. This also maximizes the chances of successful procurement results. It is envisaged that a similar type of arrangement could be used under the second

CDIA BMZ commission for GTZ and that such arrangement would eventually be carried through to CDIA Inc.

### 9.3 Receipt and Disbursement of Monies

Present operational grants are received by CDIA on a contribution (Sida, Spain) or program agreement (ADB and BMZ/GTZ) basis, and these funds are then applied to approved city level applications by CMT through delegated responsibilities from the CDIA funding partners

The Operations Manual for CDIA Inc. contain procedures for CDIA Inc. to receive grants and other monies (fees for services) and to disburse such monies. ADB is expected to begin this by channeling funds for specific (operational) purposes to CDIA Inc. on a recurrent basis.

### 9.4 Budgeting and funds management

Unified budgeting and funds management can only be done in an accounting sense for funds coursed through the envisaged CDIA Inc. However, notional unified budgets have been prepared for all CDIA core funding (section 7.1, Table 1 and Annex 2) managed through ADB and GTZ (accounting for CDIA non-core funds managed by InWEnt and KfW in a consolidated format is the next step). Proper costing of all operational activities will account for CMT time spent on them, hence the need for CMT time registration and an internal unit time costing and charging system (sections 7.3 and 7.4). This is important for understanding CDIA activity costs and for charging part of these costs to clients.

### 9.5 Reporting Instruments

In accordance with CDIA Operational Guidelines the CDIA CMT manages the day-to-day operations of the CDIA program. One of the CMT responsibilities is to provide PRC with relevant progress reports as follows.

The PRC-approved format of the six-monthly progress report and work plan has been amended to incorporate strategic outputs/outcomes to better reflect achievements as per indicators defined in original project documents. Issues of importance are: the

need to focus more on outcome oriented information for longer term planning and reporting in line with the CDIA guiding principles and improving the understanding of impacts as they relate to the CDIA mandate through the inclusion of an indicator framework (see sections 9.6.1 and 9.6.2)

## **9.6 Performance Measurement and Quality Management**

CDIA recognizes the need to regularly track and assess whether its interventions (direct and indirect) are making a difference, in terms of assessing CDIA's work against its agreed outputs, outcomes and impacts (see impact chain in Annex). Working within the parameters of a 'systems boundary' CDIA has begun to deploy a number of practical tools which will enable the program to track progress against agreed outputs and outcomes (see below). It will also develop a methodology which assesses performance by which CDIA meets its principles and objectives by the end of 2009.

CDIA has developed a framework which enables it to measure and manage performance through robust monitoring and evaluation. Updates on progress and achievements will be provided in the six monthly progress reports. More details can be found in the CDIA Performance Monitoring Framework document.

### **9.6.1 Monitoring, Review and Impact Assessment**

Regular progress monitoring takes place both informally and formally, through the utilization by CMT of the various application approval formats, output templates and reporting formats, and minutes of CMT meetings. CMT has developed an impact chain for tracking progress against inputs, outputs, and outcomes (see Annex).

Advisory Committee reviews are envisaged to take place at least annually, which has begun from late 2008 with the review of the strategy and business plan.

A second external CDIA review is planned for late 2010/early 2011 as part of the CDIA work-plan.

It is further envisaged that an external impact assessment will be conducted towards the end of the current business plan. Findings from such an assessment will feed into the development of the next medium-term strategy and business plan.

### **9.6.2 Additional performance measurement tools**

#### **a) Quarterly internal monitoring reports**

From mid 2009, CDIA/CMT intends to prepare brief internal quarterly monitoring reports, based on its indicator framework. The report will have an updated indicator framework outlining progress.

This internal quarterly report is intended to feed into the six monthly progress reports for the PRC. The document will be prepared by CMT members and its findings discussed at CMT meetings to enable management to deploy resources accordingly.

#### **b) Logical Framework**

CMT has adopted a logical framework format for tracking PFS work against the broader development goals of environmental, social and governance improvement, to be applied by PFS CDIA consultants.

The log frame will be applied to ongoing CDIA projects at the PFS stage; it will be annexed to each final PFS consultants report. The log frame will be revised and completed accordingly for projects that are to be implemented and will be used to monitor and assess the progress of projects under implementation.

#### **c) Impact Assessment Checklist**

From early 2009 CDIA/CMT has adopted an impact assessment checklist as part of its city-level application screening and approval process. All applications from cities are vetted against the checklist before formal submission to CMT and approval.

## 10 CORE WORK PROGRAM 2009 - 2012

The work program for 2009 – 2012 is shown in Table 2 below. The work program until the end of 2010 focuses on establishing the systems which will make CDIA sustainable in the longer term. The items included in the

work program derive from the “Action Items” sections of the previous chapters. The work program beyond 2010 is, of course, rather speculative in respect of operations although ongoing systems development activities are more certain.

TABLE 2

CORE WORK PROGRAM 2009 - 2012

Strategic Milestones for Year 2009-2012		2009				2010				2011				2012			
		Q1	Q2	Q3	Q4												
<b>1. City-level Project Preparation</b>																	
1.a	A total of 25 city applications approved by end of 2009																
1.b	1st set of CDIA city level interventions (15) successfully completed																
1.c	1st project structured with the exclusive involvement of ADB/WB/Private Sector																
1.d	A total of 35 city applications approved by end of 2010																
1.e	2nd set of city level interventions (10) successfully completed																
1.f	A total of 45 city applications approved by end 2011																
1.g	3rd set of city level interventions (10) successfully completed																
1.h	A total of 50 city applications approved by mid 2012																
1.i	4th set of city applications (10) successfully completed																
<b>2. CDIA Operational Components</b>																	
2.a	Assessment of national associations of local government and support institutions in each country/sub-region																
2.b	Scan potential private sector financiers for establishing preliminary contact																
2.c	Establish relationships with private sector financing institutions - (aim to reach funding agreement of at least 4 projects)																
2.d	Entering into formal understandings with selected regional representative organizations																
2.e	Add professional staff to CMT to complement capacities																
2.f	Establishing CDIA "Young (Asian) Professionals" program																
2.g	Formulate, test, and spread 3 toolkits to facilitate city-level infrastructure investment																
2.h	15 investment projects in CDIA partner cities are developed in accordance with CDIA approaches but without direct CDIA support																
2.i	Capacity development strategy formulated and adopted (by mid 2010)																
<b>3. Nodal Offices</b>																	
3.a	Establish 3 nodal offices across region (with 50% financing from the host country)																
3.b	Experiment with joint activities with selected institutions (e.g. Shanghai or Singapore)																
3.c	Gradually broaden the reach of nodal and partner engagement (3 - 5 structural partners at national level)																
<b>4. Marketing and Communications</b>																	
4.a	Action Plan completed and in implementation phase																
4.b	Promotion of CDIA as per Action Plan																
4.c	Ensure private sector financing institutions are part of overall CDIA marketing																
<b>5. Financial Sustainability</b>																	
5.a	At least 2 Asian countries become PRC funding members (early 2010)																
5.b	Draft long term structural endowment strategy for discussion (end 2009)																
5.c	Implementation of endowment strategy from 2011																
5.d	Private Sector engagement strategy and estimates of associated revenue and expenditure																
5.e	Document initial time registration data and consolidated budgeting results by end 2009																
5.f	Document cost recovery mechanisms, experience and recommendations																
<b>6. Legal Establishment</b>																	
6.a	CDIA incorporation as a non-stock, non-profit corporation (Manila office under Philippines law)																
6.b	Comprehensive assessment of CDIA e.g. if CDIA can be developed into an IIRRI (International Rice Research Institute) model																
6.c	Establishment of CDIA as an international institution																

## ANNEX 1: CDIA Impact Chain and Indicators







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