Cities Development Initiative for Asia Trust Fund Implementation Guidelines

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I. INTRODUCTION

1. The Cities Development Initiative for Asia (CDIA) program is an international partnership initiative, established in 2007, by the Asian Development Bank (ADB) and the Government of Germany, with additional support from the governments of Austria, Spain, Sweden and Switzerland, the Nordic Development Fund, and the Shanghai Municipal Government, with the following principal objectives:

- Assist medium-size cities in Asia and the Pacific to prepare sustainable and bankable infrastructure projects to bridge the gap between their development plans and the implementation of priority projects;[1]
- Link urban infrastructure projects with funding sources; and
- Strengthen individual and organizational capacities of stakeholders related to the governance and financing of high priority urban infrastructure investments.

2. Following the establishment of the CDIA Trust Fund (hereinafter referred to as the Fund) within the existing ADB Urban Financing Partnership Facility (UFPF),[2] these CDIA Implementation Guidelines (CDIA-IG) set out: (i) how the Fund is expected to function as part of the UFPF; (ii) the Fund's operational parameters and the nature of activities to be funded; (iii) how the Fund resources are expected to be utilized; (iv) the Fund Application Process; and (v) other implementation arrangements.[3]

II. CDIA AS PART OF THE UFPF

3. The UFPF Financing Partners and ADB jointly steer the implementation of activities undertaken through the UFPF. The UFPF Financing Partners and ADB accomplish this by meeting annually in a Financing Partners consultation meeting to review the UFPF Annual Report and Annual Work Program.

4. In addition to the UFPF Financing Partners consultation meeting, the CDIA Financing Partners will have at least one annual meeting to discuss CDIA specific matters, such as to (i) provide strategic direction to the Fund; (ii) approve the annual work plan of the Fund; (iii) endorse the CDIA-IG and its subsequent revision from time to time; (iv) review the Fund's portfolio of supported activities; and (v) discuss any other pertinent issues.[4] In addition, CDIA Financing Partners can request for additional meetings beyond the annual UFPF and CDIA meetings.

5. In line with UFPF governance arrangements, ADB's Urban Infrastructure Steering Committee (UISC)[5] provides further strategic direction for the UFPF and endorses project proposals to be funded under UFPF. As Chair UISC, the Director General, Sustainable

[1] Medium size cities are defined within the context of a country, but in general refers to cities with populations between 250,000 and 5 million inhabitants.

[2] Approved Board Paper for Urban Financing Partnership Facility: Establishment of the Urban Environmental Infrastructure Fund and Urban Trust Fund, October 2009.

[3] In addition to this CDIA-IG, a results framework will guide the activities of the CDIA.

[4] Including the possible establishment of an external CDIA Advisory Body.

[5] Chair: Director General, Sustainable Development and Climate Change Department (SDCC); Secretariat: Sector Advisory Service Cluster (SDSC) of SDCC; Members: Directors General of Regional Departments.

Development and Climate Change Department (SDCC) approves the allocation of UFPF resources to project proposals. ADB's Urban Infrastructure Working Group (UIWG)[6] reviews and makes recommendations on project proposals to be funded through UFPF and makes policy and procedural recommendations to the UISC regarding UFPF operations.

6. ADB's Sector Advisory Service Cluster (SDSC) of SDCC manages the UFPF. The Senior Director and concurrently Chief Sector Officer of SDSC (or his/her designate)[7] is the Facility Manager for the UFPF and will oversee the day-to-day operations, monitoring and evaluation, and reporting of the UFPF.

7. To implement the Fund's Work Program, the Facility Manager will be supported by a team of staff, consultants and seconded staff.[8]

8. The Office of Cofinancing Operations (OCO) will facilitate Financing Partner contributions to the UFPF.

9. Further details on the UFPF and Fund's governance structure are summarized in Appendix 1.

III. CDIA OPERATIONAL MATTERS

10. Building on CDIA's track record, the Fund has many unique features that shape its operational remit, which are maintained in the Fund.

11. The Fund provides several services in relation to project preparation, financing and associated capacity development that include:

(i) **City Infrastructure Investment Planning and Programming.** The Fund supports the development of prioritized, comprehensive and financeable investment plans to implement city development strategies and development plans;

(ii) **Project Preparation Studies.** The Fund provides project development assistance. Depending on the needs of the city and the requirements of downstream financing agencies, this project preparatory support (PPS) may include, among others: (i) integrated urban plans or city development strategies; (ii) pre-feasibility studies; (iii) feasibility studies; (iv) engineering designs and bidding documents to prepare robust cost estimates and undertake advance contracting actions as required; (v) due diligence reports; and (vi) business plans. Majority of the Fund's work will be in basic urban infrastructure sectors such as water supply, sanitation, drainage, solid waste management and urban transport. However, to respond to demand and address critical developments, the Fund will still be open to address urban infrastructure needs of cities in other sectors, such as information communication and technology (ICT), energy, education, health, finance, environment, inclusive development, urban renewal and heritage conservation;

[6] Members: urban development specialists nominated by Urban Development and Water Division Directors; Secretariat: SDSC of SDCC.

[7] Technical Advisor (Urban).

[8] CDIA team members are expected to carry out both project preparation and broader advisory and capacity development activities, and as such should possess a blend of skills and sector experience.

(iii) **Linking to Finance.** Based on the PPS, the Fund facilitates securing of project financing, so that a project can move on to the next stage of development and/or implementation. Potential project financing may be associated with any downstream financing partner (including non-ADB financing), as well as hybrid financing options (i.e., a combination of public and private debt, or equity and grant funding); and

(iv) **Knowledge and Capacity Development.** The Fund supports strengthening of capacities at the individual, organizational, and societal levels with a focus on linking capacity development initiatives with infrastructure project preparation support to ensure sustainability and to increase project impact within the supported cities. Activities might include twinning arrangements (peer-to-peer, including city-to-city or utility-to-utility), strengthening of national project development facilities, workshops, knowledge products and participation in training events.

12. **Development Impact**. In line with the CDIA Strategy (2018-2022), the Fund interventions will demonstrably lead to improvement with respect to at least two of the following four development impact areas: (i) improving urban environmental sustainability; (ii) addressing climate change mitigation and/or adaptation; (iii) reducing urban poverty; and (iv) improving good urban governance.

IV. USE OF FUND RESOURCES

13. Fund resources are to be used for Technical Assistance and Direct Charges related to interventions as listed in para 11 above, including but not limited to:

i. Consulting services and required budgets for survey, pilots, equipment and associated office space;
ii. Travel by government officials and other stakeholders as well as ADB staff and consultants;
iii. Dedicated staff resources hired over a specific period of time to support CDIA activities; and
iv. Fees for external audit and financial charges.

14. Procurement to be financed by the Fund will follow the ADB Procurement Policy (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers (2017, as amended from time to time). Consultant recruitment will be implemented in accordance with ADB Procurement Policy (2017, as amended from time to time) and the associated project administration instructions and TA Staff Instructions. Resources, including procurement and supervision, will be managed and administered by SDSC.

V. APPLICATION PROCESS

15. To qualify for the Fund's support, applicants must complete the Fund Support Application and Assessment Form (Appendix 2) and provide the following: [9]

i. Proof that the city is in an ADB developing member country;
ii. Proof that the city is a medium size city as referred to in para 1;

[9] The Fund might support several cities simultaneously in which case each city will need to provide evidence of meeting the eligibility criteria.

iii. Proof that development impact areas as mentioned in para 12 are addressed through the project for which Fund support is requested;
iv. Commitment through pledging own contributions;[10]
v. Evidence of in-principle support from a relevant higher-level government institution;
vi. Evidence of in-principle support from the targeted city government; and
vii. Evidence of in-principle support from a downstream financing agency to finance the identified urban infrastructure investment.

16. The Fund application process is illustrated in Appendix 3.

VI. OTHER IMPLEMENTATION ARRANGEMENTS

17. **Anticorruption**. The UFPF and activities funded there under will be subject to ADB's Anticorruption Policy and Integrity Guidelines and Principles (as amended from time to time).[11]

18. **Annual Financing Partners Meeting**. The Facility Manager will organize an annual consultation meeting with UFPF Financing Partners.

19. **Annual CDIA Steering Meeting**. The Facility Manager will organize annual steering meetings of the CDIA Financing Partners as referred to in para 4.[12]

20. **Reporting**. The Facility Manager will prepare an annual UFPF report, which will include a review of progress and results for each of the Trust Funds under the UFPF, including CDIA, as well as an Annual Work Program for the UFPF for the subsequent year.

21. **Annual Audits**. ADB's OCO will arrange for audited UFPF financial statements. For the purposes of its audited financial statements, 31 December shall be UFPF's fiscal year end.

22. **Fund Accounting**. ADB's Controller's Department will provide accounting functions for the CDIA and prepare its financial statements.

23. **Coordination**. The Facility Manager (or his/her designate) will maintain a regular exchange of information and experience with other Multilateral Development Banks and other relevant stakeholders on urban infrastructure project preparation.

24. **External Review of CDIA**. The timing, depth and process for the external evaluation will be further discussed and decided between CDIA Financing Partners.

25. **Amendments**. From time to time, after consultation with the CDIA Financing Partners, amendments may be made to these CDIA-IG, if such amendments are consistent with the provisions of the ADB Paper establishing the UFPF.[13]

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[10] Typically, through in-kind contributions with an estimated value of at least 20% of Fund financing of the PPS cost.

[11] ADB's Anticorruption Policy requires staff, consultants, borrowers, beneficiaries, and contractors, executing the UFPF and activities there under to observe the highest standards of ethics and personal integrity. Any party found in breach of ADB's Anticorruption Policy may be subject to disciplinary measures and/or sanctions in accordance with ADB's Integrity Principles and Guidelines. Financing Partners and ADB will immediately inform each other in writing on any indication of fraud and corruption of resources related to the Facility and will consulted each other in terms of how to proceed.

[12] Arranged in conjunction with the UFPF Financing Partners meeting unless otherwise agreed between the CDIA Financing Partners.

[13] Approved Board Paper for Urban Financing Partnership Facility: Establishment of the Urban Environmental Infrastructure Fund and Urban Trust Fund, October 2009.

Appendix 1

GOVERNANCE STRUCTURE OF UFPF and CDIA

Party	Responsibilities
UFPF Financing Partners	
Members: UFPF contributors	(i) Provide strategic direction to UFPF; (ii) Meet with ADB for Annual Consultations; and (iii) Review UFPF Annual Report and Work Program.
CDIA Financing Partners	
Members: CDIA contributors	In addition to the responsibilities of the UFPF Financing Partners: (i) Review and approval of the CDIA-IG from time to time as required; (ii) Review and approval of CDIA Results Framework; and (iii) Hold discussions on any other matters which the CDIA Financing Partners deem necessary.
Urban Infrastructure Steering Committee (UISC)	
Chair: Director General, Sustainable Development and Climate Change Department (SDCC) **Secretariat: SDCC** Members: Directors General of Regional Departments	(i) Provide strategic direction to UFPF; (ii) Endorse project proposals reviewed by UIWG; and (iii) Approve UFPF allocation to project proposals.[14]
Urban Infrastructure Working Group (UIWG)	
Members: Urban Development Specialists nominated by Urban Development and Water Division Directors as members Secretariat: Sector Advisory Service Cluster (SDSC)	(i) Make recommendations on project proposals to be funded from UFPF funds; and (ii) Recommend policy and procedures to the UISC regarding UFPF operations.
Facility Manager (SDSC)	
Manager: Senior Director and concurrently Chief Sector Officer, SDSC or Designate supported by a team of staff, consultants and seconded staff	(i) Serve as Secretariat and oversee UFPF and CDIA day-to-day operations; (ii) Oversee review process for applications and ensure compliance with CDIA-IG for use of funds; (iii) Procure and supervise work undertake with CDIA resources; (iv) Prepare UFPF and CDIA Annual Work Program and progress reports; (v) Ensure CDIA studies are linked to a diversity of downstream financing sources and not only to co-financing of ADB projects; (vi) Serve as focal point for UFPF and CDIA Financing Partners for technical matters; (vii) Chair the annual UFPF Financing Partners meeting and any additional CDIA meetings; (viii) Communicate on financial issues among the UFPF Financing Partners; and (ix) Lead negotiations with partners on financial and procedural agreements for UFPF contributions and framework agreement.
Office of Cofinancing Operations (OCO)	
Contact: Designate by Head, OCO	(i) Facilitate partner contributions to UFPF.

[14] In case of objections, the Fund Manager will initiate a dialogue with the UISC to resolve these concerns.

Appendix 2

CDIA Support Application and Assessment Form

(Name of the project: Please indicate the name of the City, Sector Area, type of Support)

PART I – Application *(to be filled in by applicant)*

1. Type/modality of assistance requested (please select the priority areas being requested – typically 1 or 2 components only.

- ☐ Infrastructure Investment Planning & Programming support
- ☐ Preparation of a Project Preparatory Studies
- ☐ Capacity building support
- ☐ Investment project marketing
- ☐ Linkage to possible private sector participation
- ☐ Other:

2. Applicant Details: (name of City, contact person and their position including address, phone numbers, facsimile, email, website, etc.)

3. Supporting National Government Department: (Name of the oversight agency that will be giving its authorization for the City to make this application along with necessary contact information)

4. Objective: (What are you expecting CDIA support to achieve? In 1 short paragraph please outline the urban development issues and how you expect the inputs from CDIA will assist you to overcome it and move towards project implementation)

5. Proposed Activity: (In order to reach the above Objective, what type of activities are likely needed – please be specific about 1) the sector, 2) the type of inputs, and 3) level of inputs needed)

6. Strategic Urban Framework in place: (please indicate the types of development plans your city has in place that specifically identify the above issue as a development priority for your city: e.g.: 5-year development plan; Strategic development plan; Sector plan; Annual plan. You may also attach the relevant sections as an appendix to your application)

7. Link to future capital investment financing and envisaged sources: (Have you already identified a potential financier for the downstream financing should the project be demonstrated as viable? If so, please give the name of the institution and relevant contact name and contact information)

8. Addresses environmental concerns and benefits the poor: (In your own assessment, how will the project you are wanting to implement positively impact environmental and social development aspects in your city. Please also elaborate the scale – i.e.: how many people will be impacted, as well as the approximate geographic coverage of the project)

9. Timetable for assistance design, processing, and implementation (If the application is approved, when would you want the in-field support from CDIA to start and end as well as please indicate when you would look for the identified infrastructure project or other interventions to be implemented and/ or phased)

10. Overview of Counter-part funding (if this application is approved, describe what contributions your organization would commit i.e.: What cash amounts? What in-kind contribution? What other sources will be mobilized e.g.: from other levels of government or the private sector? What is the total estimated contribution?

11. Financing Plan (name and date)

Source		*Amount ($)*	*to be filled in by CDIA*		
CDIA fund applied for:	☐	(Estimate the amount requested)		☐	
Applicant's own sources	☐	(Estimate the amount your city will contribute in cash and/or kind)		☐ ☐	
Others		☐	(if there are likely other sources of support, please list them here)		☐
Others		☐			☐
Others		☐			☐
TOTAL AMOUNT		(please sum the total expected cost of the intervention)	TOTAL AMOUNT		

PART II – Assessment (*to be filled by CDIA and/or funding partner*)

12. Eligibility Assessment Criteria

Applicant Population between 250 000 to 5 million inhabitants	☐		City shares costs	☐
Country on CDIA assistance list	☐		Endorsement by local and/or national government	☐
Investment fits into funding partner's country priorities	☐		Strategic framework exists	☐

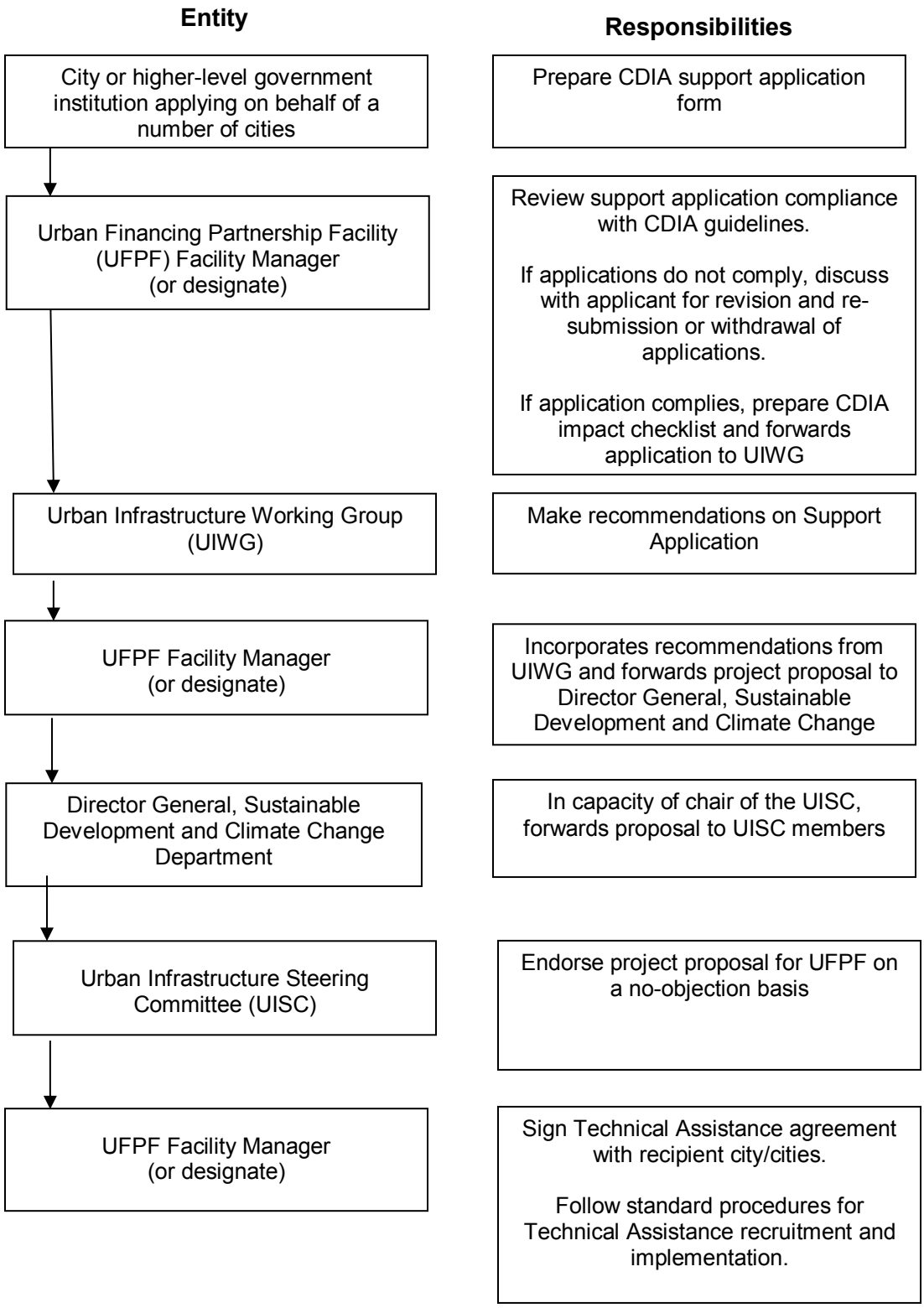
13. Overall Assessment (include comments on environmental, poverty and governance impacts as per CMT checklist):

14. CDIA Appraisal and Approval

Initial Review by:	(name and date)
Appraised by:	(name, signature and date)
Approved by CDIA:	(name of meeting chairperson, signature and date of meeting)

Appendix 3

CDIA Application Flow Chart



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