

CERFE

GLOCAL FORUM

## **City-to-City Cooperation Cost Effectiveness**

**June 2005**

## Table of Contents

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EXECUTIVE SUMMARY .....	3
PART ONE .....	6
1. Institutional framework.....	6
2. Thematic framework.....	8
<i>Cost-Effectiveness and Cost-benefit analysis</i> .....	8
3. Theoretical framework.....	11
<i>The Glocal Approach</i> .....	11
<i>City-to-City Cooperation</i> .....	11
4. Methodological framework.....	16
PART TWO .....	18
1. Cost Analysis .....	18
<i>Basic indicators analysis</i> .....	18
<i>Ex-ante cost-share analysis</i> .....	22
2. Fund mobilization capacity.....	24
3. Expected extra benefits and costs analysis .....	27
PART THREE .....	39
1. Comparative Analysis: Synthesis .....	39
2. Prospects and further research paths.....	41
<i>A specific proposal</i> .....	42
REFERENCES .....	45

## EXECUTIVE SUMMARY

The Glocal Forum has been contracted by the World Bank Institute to develop a comprehensive study on the cost-effectiveness and potential value of the City-to-City cooperation (C2C) approach as compared to current existing approaches to international cooperation. To implement this MOU, the Glocal Forum has worked with CERFE.

The theoretical framework of this study is represented, on one hand, by the Glocal approach. The Glocal approach aims to produce, through the integration of local and global actors and powers, a system of globalization in order to control its negative effects and to grasp its benefits at a local level. In this frame, C2C is the main forum in which the Glocal approach has been put into practice as an international cooperation process. On the other hand, part of the theoretical approach is an analysis of cost effectiveness that, in this study, is limited to the project level in the following aspects:

- An ex-ante financial analysis of costs, paying particular attention to some parameters found in all international cooperation projects irrespective of the adopted approach, verifying whether and to what extent these parameters tend to be more convenient in C2C projects or in other projects; and analyzing funds distribution taking into account the various components' propensity to produce benefits;
- A recognition of the capability of the project to mobilize additional funds in respect to external findings;
- An ex-ante analysis of the expected extra benefits and their corresponding costs (or inputs) and relative indicators.

A definitive example of C2C: the Project of Peri-Urban Agriculture in Kigali (PAPUK), which was set up through an initiative of the Municipalities of Kigali and Rome, promoted by the Glocal Forum, implemented by FAO and funded by the Italian Government and the Municipality of Rome, as well as the Municipality of Kigali, has been analyzed and compared to six other international cooperation projects (see § 4).

According to many parameters, PAPUK seems to be more cost-effective than many other projects:

- The net overhead in PAPUK is one of the best found in international cooperation;
- There are no support service costs in PAPUK;

- There is a better ratio in PAPUK (in terms of economic convenience) between international consultancy and national consultancy;
- The unit costs both per month/person of all staff and consultants and of the manager/project are much less in the case of PAPUK, compared to the other projects;
- In PAPUK, there is a bigger capacity in mobilizing additional funds.

On the other hand, there are some aspects for which the PAPUK project is in line with the other projects examined in this comparative analysis:

- the unit costs relative to expenses, such as the purchase and running of transportation (motorcycles and vehicles) and the furniture and operating costs of the office;
- the % of costs allocated to capacity-building and training;
- the % of costs allocated for staff and consultants.

A special emphasis has to be placed on the benefits generated by C2C. More specifically:

- in the C2C approach, project replication is easier than in many other international cooperation schemes and replication costs are lower due, on one hand, to a strong and interested participation of the involved actors (both “public” and “private”); on the other hand, to a stronger similarity of “context” (the city) and of institutional frameworks (the one of the C2C cooperation);
- due to city networks that are a fundamental aspect of C2C and due to the high level of relation and information exchanges in each network and among the networks, the availability of information at a low cost is higher in C2C than in the other approaches;
- city-to-city cooperation entails an increase of collective action as well as some other programs and interventions promoted and implemented by international bodies, NGOs/CSOs, local authorities and private corporate firms; what distinguishes C2C from other approaches, however, is the evident role of the local authorities, making “public” funding of collective action possible, along with a significant increase in social resources from these actors;.

on the other hand, C2C entails high “extra-professional time costs” and high “demonstration costs,” both connected to the recent nature of city-to-city cooperation and to the strong agency of its promoters (in the near future, these costs will tend, at least in relative terms, to decrease).

This is only a preliminary study, but one that underlines, however, some positive aspects of C2C. It seems that not only does C2C entail minor costs but, rather, greater results seem to be achieved and in less time.

It is important to take this analysis into account along with a broad number of projects and/or complex programs linked to the C2C approach (“We Are the Future” which the Glocal Forum is currently developing together with the Quincy Jones Listen Up Foundation, and in collaboration with the World Bank and many other organizations).

# PART ONE

## *1. Institutional framework*

Glocal Forum has been contracted (**Contract** n. 7128473) by the World Bank Institute (WBI) to develop a comprehensive study on the cost-effectiveness and potential value of the City-to-City cooperation (C2C) approach as compared to current existing approaches to international cooperation. For the implementation of this study, WBI has received funds from the Italian Cooperation.<sup>1</sup>

According to the Terms of Reference (ToRs) of the agreement among WBI and Glocal Forum, little if any empirical evidence is available to serve as a basis for policy making regarding the scope and volume of C2C assistance. Consequently, we are at a disadvantage with respect to other approaches to development cooperation when it comes to arguing for greater resource shares to be allocated to C2C projects. It is not enough to say that past approaches have often totally or partially failed. Even though governments agree with the C2C approach, many questions still remain: what works best, what is the most cost effective, what financial and other incentives are appropriate to bring more cities in the rich and poor areas of the world into the C2C effort?

The objective of this study is to answer to these questions.

This study has been developed as part of a larger framework of cooperation agreed upon by WBI and the Glocal Forum, according to the Memorandum of Understanding (MOU) signed in May 2001. To implement this MOU, the Glocal Forum has worked with CERFE since 2002. In May 2005 the World Bank and the Glocal Forum renewed their cooperation by signing a new Memorandum.

A preliminary report has been prepared before the Think-Tank Steering Committee held in the context of the Third Annual Conference on Glocalization in Rome on 16th May 2004. The contents of this report were discussed during a subsequent meeting in Washington between Tim Campbell, Task Manager of this

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<sup>1</sup> General Directorate for Cooperation to Development (DGCS) of the Italian Ministry of Foreign Affairs

WBI project and Gabriele Quinti head of the CERFE team in charge of the study. This final and more comprehensive report is the result of amendments obtained after the original report was presented at the Third Annual Conference on Glocalization.

## 2. *Thematic framework*

### *Cost-Effectiveness and Cost-benefit analysis*

Cost-benefit analysis is a well-known type of evaluation applicable to either one or a combination of projects, programs or working policies that verifies their value in both economic and financial terms (considering both costs and “benefits” – the positive and negative).<sup>2</sup>

The cost-benefit analysis has been applied for decades within the scope of international cooperation and hinges on a variety of economic as well as other notions (from consumer price to economic efficiency, from benefit-cost ratio to conversion factor; from cost-recovery to nominal/current prices; from externality to real prices; from opportunity cost to productive efficiency, from sensitivity to poverty impact ratio) and techniques, such as risk analysis, sensitivity analysis, contingency valuation and viability analysis.

Therefore, through the cost-benefit analysis (CBA) of a project, it is possible to benchmark the situation that has been achieved (in the case of ex-post analysis) or that is presumed to be achieved (in the case of ex-ante analysis) relevant to the project implementation with the situation that would occur without the project. It is worth underlining that, therefore, it is not a matter of comparing the situation before the project with the post-project one, but to benchmark at the same “t” instant, the situation “with” compared to the situation “without” the project. Both for the “with” and for the “without” situation, through the CBA, we try to determine firstly, the Benefit Cost Ratio (that stands for the main indicator; then, there are many others<sup>3</sup>), “the ratio of the present value of the economic benefits stream to the present value of the economic cost stream, each discounted at the economic opportunity cost of capital; the ratio should be greater than 1,00<sup>4</sup> for a project to be acceptable”<sup>5</sup>, provided that other social, political, eco-environmental considerations, are not involved.<sup>6</sup>

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<sup>2</sup> Also not given monetary value, is the increase/decrease of social cohesion, increase/decrease of atmospheric pollution, etc...

<sup>3</sup> Ex. the effective assistance ratio, the financial internal rate of return, internal return essay, etc.

<sup>4</sup> This means that the current net value must be positive.

<sup>5</sup> Asian Development Bank – guidelines for the economic analysis of projects, Manila, 1997.

<sup>6</sup> Commission Européenne – Analyse financière et économique des projets de développement, Bruxelles, 1997.



Many theoretical reference texts and manuals have been drafted concerning CBA, which has not originated within the scope of international cooperation to development, but in the much wider framework of public investments<sup>7</sup>. In the limited scope of international cooperation (compared to CBA), more difficult problems have been tackled, compared to those issues concerning public investments. Due to the lack of reliable data and the limited knowledge of the actual monetary and financial flow trends, however, it is virtually impossible to accurately translate into monetary terms some of the results (effects) of a development project.

The issue of the effects-analysis is particularly important.<sup>8</sup> Within the scope of international cooperation, it is not only problematic,<sup>9</sup> but often misleading, to conduct a complete effects-analysis, due to various social, ethical, environmental, and political-institutional factors.

Therefore, it is primarily due to this reason that compared to CBA, it is preferable to make a Cost-Effectiveness Analysis (CEA), but not exclusively, when projects dealing with “invaluable products” (in monetary terms) are involved.<sup>10</sup>

CEA is an analysis, which seeks to find the best alternative activity, process or intervention that minimizes resource use to achieve a desired result. Alternatively, where resources are constrained, CEA seeks to identify the best alternative that maximizes results for a given application of resources.

It is appropriate to note that, while containing many similar elements found in CBA, CEA differs widely in its logical underpinnings. While CBA was conceived to judge whether the realization of a public project (such as international cooperation) is socially and economically useful, CEA must (somehow representing an “a-priori”) fulfill a given goal (thus the benefit assessment has no

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<sup>7</sup> Reference can be made, among many others, to the text by Lyn Squire and Herman Van der Tak, *Project Economics Analysis*, edited by the World Bank in 1975 and of William A. Ward, Barry J. Deren with Emmanuel H. D’Silva, *The economics of project analysis: A practitioner’s Guide*, edited by the World Bank in 1991.

<sup>8</sup> M: Chervel, M. Le Gall, *Manuel d’évaluation économique des projets: la méthode des effets* – Ministère de la coopération au développement, Paris, 1989

<sup>9</sup> The evaluation of the impact on poverty reduction (the most formidable development challenge) is particularly difficult, as this goal is pursued in a multitude of different ways within the scope of international cooperation (also because there is no univocal concept of poverty). To reduce poverty, some projects target the poor directly, but most aim at economic growth, benefiting the poor indirectly as well as directly. And all this, by intervening in the field of education, habitat, training, health, social services, corporate setting-up, capacity building, emergency assistance, etc..

<sup>10</sup> Commission Européenne, cit,

practical value any longer), and develop a strategy to minimize current costs.

When utilized in the scope of international cooperation, CEA tends to be used according to the first and much less to the second principle. “CEA is applied when [a] project’s effects can be identified and quantified, but not adequately valued” according to the Asian Development Bank;<sup>11</sup> an analysis of cost-effectiveness in a subset of cost-benefit analysis, in which policy outcomes are taken as a given (a specified reduction in ambient pollution concentration; a measurable increase of social cohesion; etc.) and the analysis seeks to identify the least-cost means for achieving the identified goals (taking into account any ancillary benefits of alternative actions), according to the World Bank<sup>12</sup>.

The main international cooperation agencies have developed their own manuals on CBA and CEA.<sup>13</sup>

Moreover, CEA has also kept its validity when, since the end of the 1980s, focus has become increasingly assigned to the desired and undesired effects, both of environmental, and social nature.<sup>14</sup> On the other hand, CBA tout court has been, at least in many cases, put aside. It must be stated, that CEA has been increasingly viewed as having a sense of parity, and thus CBA is no longer the assessment procedure of choice, but CEA has become one among many evaluation approaches one utilizes during all three stages of the assessment process, both “ex-ante”, “under way”, and “ex-post” (effects analysis, sustainability analysis,

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<sup>11</sup> Asian Development Bank, cit.

<sup>12</sup> World Bank Institute, Overview of use of benefit-cost and cost-effectiveness analysis for environmental management, Washington DC, 2002.

<sup>13</sup> Besides from the already mentioned texts edited by the World Bank, the Asian Development Bank, the European Commission (see previous notes), and the following texts can be cited still as an example.

- UNIDO - Manual for the preparation of industrial feasibility studies (by W. Behrens and PM Hawranek), Vienna, 1991 (and before the “classical” text: UNIDO – Directives pour l’évaluation des projets, edited by PS Dasgupta, SA Marglin and AK Sen, United Nations, New York, 1972);
- FAO – Guide de formation à la formulation des projets d’investissement agricole et rural (edited by M. Garzia, M. Evans and P. Fabre), Rome, 1990;
- ODA – Appraisal of projects in developing countries – A guide for economists, London, 1988.

<sup>14</sup> There are many referencee texts in this regard. To quote one example: the World Bank Institute, cit.; GEF (World Bank, UNDP, UNEP) The cost-effectiveness of GEF projects; Judy L. Baker, Evaluating the impact of development projects on poverty, The World Bank, Washington DC. H. Dean Nielsen and Maria Teresa Tatto, the cost-effectiveness of distance education for teacher training, Bridges Research Report Series n.9, Cambridge MA

environmental impact analysis, social impact analysis).

### ***3. Theoretical framework***

#### ***The Glocal Approach***

As stated in the Glocalization Manifesto<sup>15</sup>, “the glocal approach aims to produce, through the integration of local and global actors and powers, a system of governance of globalization in order to control its negative effects and to grasp its benefits at a local level”.

This strategic dimension of glocalization (see Glocalization Manifesto) applies a concrete approach to international cooperation, characterized by some specific elements, namely:

- Universalism; the glocalization strategy is addressed to actors of both industrialized and developing countries.
- The non alignment with any political ideology, and thereby the tendency to assess policies and actions in relation to their effects on the actors involved.
- The mobilization of human energy by integrating actors normally considered separate entities, such as local administrations, civil societies, other public administrations and private firms.
- Committed to sustainability through making the most of public, private and local resources, as much as global ones, mobilizing the financial resources that can be supported by the various actors.

Glocalization, therefore, represents a new practice of development cooperation that brings together civil societies, local administrations and the private sector, on the one hand and international organizations and national governments, on the other. In this way, a new kind of international relations is promoted, based on the importance of the local dimension and on the possibility of interaction and coordination of the actions of local actors, including cities.

#### ***City-to-City Cooperation***

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<sup>15</sup> See The Glocalization Manifesto, The Glocal Forum edited in cooperation with CERFE, Rome December 2004

Currently, city-to-city cooperation (C2C) is the main forum in which the glocal approach has been put into practice as an international cooperation process. City-to-city cooperation is defined as initiatives promoted and coordinated by two or more local authorities, of which, at least one is located in a developing country, with the active participation of at least one international entity (international organization, private multinational enterprise, international NGO) that is capable of mobilizing resources locally, using a global perspective. City-to-city cooperation takes additional values when one or more of the cities involved are in conflict or post-conflict situations by opening up and facilitating the dialogue at the city level, despite national political divides.

A definitive example of C2C is the Programme de Agriculture Périurbaine de Kigali (PAPUK), which was set up through an initiative of the Municipalities of Kigali and Rome, promoted by the Glocal Forum, and thanks to the active collaboration of the FAO. PAPUK is financed through FAO, the Italian Government and the Municipality of Rome, as well as the Municipality of Kigali. The main objective of the project is to improve food safety in the target group as well as to provide the town with food supplies. The specific objectives consist of: (i) development of the rural area around the city of Kigali (swamplands and hills), (ii) increase of plant and animal products, (iii) job creation, and (iv) increase of the purchasing power.

C2C projects are, by their very nature, able to mobilize resources. The C2C project, therefore, becomes the initial element or the “core” of wider-ranging development programs based on the strict connection between the local and global dimensions. For example, PAPUK is becoming the “core” of a wider-ranging local development program of peri-urban areas of Kigali, thanks to the link established with other projects in the implementation phase, funded by the World Bank, the European Union, the African Development Bank, and a widening pool of private financial backers<sup>16</sup> (whose funds were mobilized thanks to PAPUK).

C2C cooperation has its origins in decentralized cooperation and can be described as a form of decentralized cooperation, in that, among other things, it creates cooperation between at least two local authorities, of which at least one is in a developing country. While the classic model of decentralized cooperation does not require the involvement of international entities, although it has occurred in cases

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<sup>16</sup> See the initiative “We Are the Future,” promoted by the Glocal Forum and the Listen Up Foundation.

outside the glocal approach,<sup>17</sup> it tends to favor only the local dimension. Therefore, one can maintain that C2C is an innovative form of decentralized cooperation that aims to produce the positive fruits of globalization.

### *Cost-effectiveness analysis*

This study is not as interested in carrying out a cost-effectiveness analysis of one or more C2C cooperation projects, as its focus lies rather in comparing the C2C with other international cooperation approaches, through the use of a cost-effectiveness approach (particularly of a financial nature). Therefore, an attempt will be made to see whether C2C is able to bring greater positive effects (and minor negative effects), all costs being equal, or the same effects with minor costs, or both.

It is necessary to remember, however, that glocalization and the city-to-city approach are still in the early stages of development. Some international cooperation projects based on this city-to-city approach are still in the planning phase (Reggio Emilia – Nablus and Florence-Asmara partnership), while others (the Rome-Kigali partnership) can be used as a model/pilot project to guide the implementation of future city-to-city projects.

Furthermore, one must consider that a comparative cost-effectiveness analysis is made much more complex by the extreme variation of the projects, specifically in terms of the financial dimension, duration, components, the project contents, and the context in which they are carried out. A comparison analysis of city-to city cooperation with any other approach should, ideally compare two projects (a C2C project and a project that follows another approach) that are equal or at least very similar in terms of dimension, duration, contents and context in which the project is carried out. At the present time, however, such an analysis is unable to be conducted due to the number of factors to be considered.

Therefore, in agreement with the WBI, the study is limited to the project level in the following aspects:<sup>18</sup>

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<sup>17</sup> Generally, however, in the majority of the so-called “Programs for Human Development at the Local Level” (PDHL) funded by various donors (first of all by Italy) and implemented by the UNDP and UNOPS and by those involved, for specific activities, some tens of local authorities of various countries.

<sup>18</sup> The parameters and indicators that follow were identified through a review of the various studies. In particular, worthy of note are: Hilda Blanco and Tim Campbell, *Social Capital of Cities: Emerging Urban Networks of Horizontal Assistance, Technology and Society* - special Issue; in process - 2005; GEF (World Bank, UNDP, UNEP) *The cost-effectiveness of GEF projects*; Judy L.

- An ex-ante financial analysis of costs, paying particular attention to several parameters found in all international cooperation projects irrespective of the adopted approach.<sup>19</sup> The study verifies whether, and to what extent these parameters tend to be more convenient in C2C projects, or in other projects. These parameters are:
  - the percentage assigned to overheads and that relative to technical support services;
  - the ratio between consultants/international staff, and consultants/national staff;
  - the unit cost (per month/person) of consultants/staff;
  - the unit costs relative to specific expense items;
- the ex-ante cost distribution for large expense components (productive activity, capacity building, infrastructure & civil work, credit, running costs, etc.) – while keeping in mind that this distribution also depends (apart from the approach adopted) on project content (objectives, activities, etc.) of every cooperation project;
- the capability of the project to mobilize additional funds;
- the ex-ante analysis of the expected extra benefits and their corresponding costs (or inputs) and relative indicators;
  - in particular, among the benefit indicators
    - increase in the availability of information;
    - lowering of costs;
    - lowering costs in project replication;
    - increase of collective action<sup>20</sup> linked to the same project/initiative, or linked to other projects/initiatives;
  - while, among the cost indicators:

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Baker, Evaluating the impact of development projects on poverty, The World Bank, Washington DC. H. Dean Nielsen and Maria Teresa Totto, the cost-effectiveness of distance education for teacher training, Bridges Research Report Series n.9, Cambridge MA; World Bank, Third Social Action Fund Project (FAS III), Cost-effectiveness analysis summary. Washington 2003.

<sup>19</sup> Analyses of this kind are also carried out with regards to environmental projects - See GEF (World Bank, UNDP, and UNEP). The cost-effectiveness of GEF projects.

<sup>20</sup> Collective action is intended as the actions of groups and/or organizations with an orientation toward social responsibility, whose activities are focused on the realization of various kinds of interventions, such as the solution of problems of interest to society, the exercise of forms of control over social and environmental risks, the production of goods and services of public interest.

- extra-professional time costs (monetary and in kind, taking into account people involved and time spent);
- exchange costs (meeting, travel and other monetary costs); and
- demonstration costs<sup>21</sup> (including, but not limited to public communication expenses).

With regards to the last form of analysis, one must consider that the expected extra benefits can include, in the case of City-to-City cooperation, both the context of the project, as well as other contexts. As with environmental projects,<sup>22</sup> one can speak of both specific and global benefits (while on the cost side, reference is only made to specific costs).

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<sup>21</sup> It converse situation, where costs are lowered during replication of the project, but only where the project will be replicated. To ensure replication of the project, demonstration costs have to be sustained (e.g. on the level of public communication).

<sup>22</sup> In the World Bank-UNDP-UNEP Global Environment Facility (GEF) a distinction is made between Type I and Type II. Type I projects are defined as those for which local benefits are greater than the local costs and where there are also global benefits. These projects can be undertaken in developing countries in their own best economic interests using traditional official aid. Type II projects are those for which the local economic benefits (LB) are less than local economic costs (LC), but the global benefits (GB) are such that the project is justified ( $LB+GB>LC$ ).

#### *4. Methodological framework*

The approach which was adopted in the context of this study is of a qualitative type (in addition to also using a comparative type of study). Statistical samples of international cooperation projects have not been taken into consideration, but rather a panel was chosen on the basis of typological criteria. Given the comparative nature of the approach, the projects chosen are similar to one another for some variables and different for others.

Specifically, the panel is made up of the following cases:

- the PAPUK project, an agricultural development project in Rwanda, implemented by FAO and the Municipality of Kigali, with funding from Kigali, FAO, the Municipality of Rome and the Italian government and promoted by the Glocal Forum.
- the second national programme for food security (PAN II), an agricultural development project in Mozambique, implemented by FAO and the Government of Mozambique, with funding from Mozambique, FAO, and the Italian government.
- the Anti-Poverty Partnership Initiative (APPI), fighting poverty in Central America, a decentralized cooperation project financed by the Italian government through a UN entity (UNDP), however, not set up in a glocal context;
- the Rural Sector Support project (RSS) dealing with agricultural development in Rwanda, carried out by the Rwanda Public Administration, has no ties to decentralized cooperation, funded by the World Bank.

Additionally, three further projects of the World Bank were taken into consideration. In particular:

- Third Social Action Fund Project – Angola) (FASIII), a support program of a Social Investment Fund;
- Health System Project – Croatia (HSP), a typical investment program with a strong component of equipment and civil works
- Public/Private Partnership for Growth and Poverty Reduction Project – Cameroon (PPP), a characteristic investment program consisting of consultancy for studies and training.



From the moment that an “ex-ante” comparative analysis is conducted in the context of this study, the sources of information consulted essentially consist in the initial project documents on the basis of which the allocation of funds was approved. Moreover, for some of these projects, the persons responsible for the carrying out the project were consulted.

## PART TWO

### 1. *Cost Analysis*

#### *Basic indicators analysis*

As previously mentioned, the first set of costs taken into consideration in the context of this comparative analysis, as previously mentioned, are:

- the percentage assigned to overhead (general administrative and management costs), relative to technical support services;
- the ratio between consultants and international and national staff;
- the unit cost (per month/person) of consultants and of staff; and
- the unit costs relative to specific expense items.

#### Overhead and Technical Support Services

In the case of PAPUK, the “official” overhead is 7.5%; but from the moment that it is not applied to all the costs of the project, it is reduced to 6.9%<sup>23</sup>. In the FAO projects (FAO is the UN Agency responsible for the implementation of the PAPUK) the overhead is generally<sup>24</sup> 13%. The same percentage is applied by the UN Secretariat (Department for Economic and Social Affairs), the WHO and numerous other UN Agencies. This percentage, however, is greatly reduced in the case of the Human Development Programs financed by the UNDP/UNOPS (generally there is a total overhead of 8%, which is then divided between the UNDP and the UNOPS). For projects funded by third parties, the World Bank usually applies a 9%-10%<sup>25</sup> overhead.

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<sup>23</sup> PAPUK total donors contribution is US\$ 817,940. Overhead, calculated as 7,5% of US\$ 760,874 (all the costs supported by external donors less overhead) is US\$ 57,066 that is the 6,9% of PAPUK total donors contribution.

<sup>24</sup> The exceptions are those projects where an important component (at least 70%) is carried out through sub-contracting.

<sup>25</sup> In all cases, the percentages mentioned were taken from the project files and documents of the relative bodies and from consultation with their officials.

Therefore, according to these parameters, the PAPUK project is the most appropriate case, although there are others which have a similar percentage of overhead.

The case of the PAPUK project is more interesting when one considers that no funds are dedicated to Technical Support Services. However, as they are service related costs, they can be considered part of overhead from the moment that they are incorporated by the execution agency (in this case by the FAO). In the case of PAN II (which is an administratively speaking similar project), technical support services represent 7, 6% of the total cost of the overhead. This is significant, when taken into a UN context, technical support services can easily rise to 20% (and more) of the total costs of the projects<sup>26</sup>.

Therefore, in the case of PAPUK, FAO appears to have accepted the overall “agency costs” (overhead + Technical Support Services) that are clearly inferior to those usually practiced in the context of the UN. In relative terms, these costs are 2/3 less than those applied in the PAN II. Regarding some extreme cases with overhead at 13% and Technical Support Services at 20%, we found a savings in terms of “agency costs” of approximately 80%.<sup>27</sup>

#### Ratio between consultants/international staff and consultants/national staff

In the 7 projects examined for the comparative analysis, the ratio R (in terms of overall costs in US\$) between consultants/international staff and consultants/local staff is the following.

	% int.	% nat.	R
PAPUK (FAO)	13,59	86,41	0,16
PAN II (FAO)	26,94	73,06	0,37
RSS (WB)	36,18	63,82	0,57
HSP (WB)	44,09	55,91	0,79
FAS (WB)	50,00	50,00	1,00
PPP (WB)	54,12	45,88	1,18

<sup>26</sup> These are often the percentages found in projects carried out by DESA (Department for Economic and Social Services) of the UN Secretariat. Regarding the sources of information, see the previous note.

<sup>27</sup> Taking into account bilateral cooperation, the situation is likely worse (i.e. PAPUK results to be more convenient). Administrative costs can occasionally be low (in some NGOs projects, like in the cases of Italian Cooperation or European Commission they can be around 5-7%, but they can also reach 10%). However, we must add at least 2-3% for project design costs and 2-5% for evaluation costs. In the best cases, we reach from 9% to 18% of the overall cost of the project.

As the cost of national staff is typically less than that of international staff (of about 1/7, as in the case of the HSP and about 1/4 as in the case of the PANII), it is clear that the lower the R, the lower the relative cost of staff, when considering the same number of months/person and “context”. In terms of benefits, one can maintain that international staff usually has a greater earning capacity. It could be argued, however, that more the national staff is used, the greater the ownership of the project and consequently greater the ability to build and strengthen local capabilities.

According to the comparison study of the 7 projects examined, the efficiency of the PAPUK project is quite clear, even on the basis of this parameter, where the value R is less than half that of PAN II, less than 1/3 of that of RSS (the agricultural development project of the World Bank in Rwanda) and, in general, less than 1/5 that of the average of the four World Bank projects examined.

Unit cost of the consultants/staff

The unit cost (CxU) per month/human resource person engaged in the projects is available for three of the projects under examination (for which data on cost per month/project-manager person are at our disposal). The figures (in US\$) are the following: considering the cost of living, the figures indicated in US\$ in parentheses were converted using the PPP (Purchasing Power Parities) index:

	CxU m/p general	CxU m/p project manager
PAPUK	1170 (6595)	1200 (6764)
PAN II	2520 (10600)	2500 (10500)
HSP	5037 (9885)	3900 (7654)

As one can see, both the unit cost per month/staff and consultants person together, as well as that of manager/project, are inferior (or greatly inferior) in the case of PAPUK, in respect to the other projects for which data are available<sup>28</sup>.

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<sup>28</sup> The hypothesis that a person/month in PAN II, for example, can be more effective, i.e., two times as that of PAPUK.

### Unit cost relative to specific expense items

It is possible to make a comparison of other unit costs only between PAN II and PAPUK in that they are projects implemented by FAO, and thus the same rules apply for procurement. Moreover, the two projects are carried out in similar contexts and both are concerned with agricultural development. It would have been interesting also to compare PAPUK with RSS, as both projects regard Rwanda. Unfortunately, data available for the RSS project was insufficient.

All the costs are given in US\$.<sup>29</sup>

		PAPUK	PAN II
Car purchase <sup>30</sup>	unit	25,000	38,000
Motorcycles purchase	unit	4,333	4,100
Car Operation & maintenance	unit/year	5,000	3,800
Furniture and office operation costs	year	2,500	3,000

As one can see, the unit costs of both PAPUK and PAN II tend to be of the same magnitude. The number of units tend to be proportional to the size of the project. For example, for the PAPUK project, the purchase 3 motorcycles and a vehicle were necessary, while in the PAN II project, 12 motorcycles and 4 vehicles were necessary (the ratio is 1: 4). The overall funding of the PAPUK project (net of the contribution by the beneficiaries) is US\$ 817,940, while in the PAN II project, this amount is US\$ 3,396,700 (with a ratio of 1: 4.16).

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<sup>29</sup> PPP in Mozambique and in Rwanda are very close.

<sup>30</sup> In both cases, 4X4 vehicles

### *Ex-ante cost-share analysis*

The ex-ante cost-share (as seen from the project documents approved for the relative funding agencies), provided in the table below, refers to the cost of large expense items (net), emergency reserve for unforeseen events or other unallocated funds.

	<i>PANII</i>	<i>Papuk</i>	<i>HSP</i>	<i>PPP</i>	<i>FAS</i>	<i>RSS</i>
Productive investment projects:						
- grants	36,16	24,05	-	-	79,47	32,19
- credit	-	-	-	-	-	14,92
Civil works	-	-	9,96	-	1,87	27,14
Financial operations	-	-	-	6,08	-	-
Training/Capacity building	22,60	9,68	5,36	4,06	0,56	4,62
Consultants/staff	25,16	39,31	18,39	73,44	5,06	15,89
Equipments	4,80	12,96	57,81	3,25	1,87	1,31
Operational costs	3,68	14,00	8,48	13,17	12,17	3,98
Support services	7,60	-	-	-	-	-

The following observations can be made after analyzing the table above.

- Operational costs vary from 3,68% to 14%, with the PAPUK project having the greatest percentage. It should also be stated that PAPUK, in financial terms, is the smallest of the projects examined. The overall volume varies from less than a million US\$ (PAPUK) to 55 million US\$ (FAS III). In absolute terms, the operational costs of PAPUK are not the highest, they are of the same magnitude as those of PAN II, with the costs of other projects being significantly higher.
- Percentage of consultants and staff in PAPUK is = 39.31% and is classified as mid-range (the % minimum and maximum % are both present in projects funded by the World Bank - 5,06% in the FAS III and 73,44% in the PPP). However, even in this case, the modest size of PAPUK should be kept in mind; even though to a lesser extent, the same considerations proposed for the operational costs apply.
- The differences among all the other budget lines (productive activity, equipments, infrastructures and civil works, capacity-building and training) depend primarily on the specific characteristics of each project (equipment, operational expenses and capacity-building). Therefore, no conclusions can

be drawn in terms of cost analysis (or, cost-effectiveness analysis). Nevertheless, it is worth noting that in the two projects implemented by FAO<sup>31</sup> (PAPUK and PAN II), the percentage allocated to training and capacity-building is much higher than that found in the four projects funded by the World Bank. It should be mentioned that these two projects (PAPUK and PAN II) have the lowest ratios R between consultants/international and national staff. Therefore, FAO appears to pay particular attention to national human resources, employing them to a greater extent in projects, and also emphasizing the importance of local capacity-building.

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<sup>31</sup> and funded principally by Italy

## 2. Fund mobilization capacity

All the projects examined in this comparative analysis have provided for an expanded ability to mobilize funds.

Please note fund mobilization capacity in the following case examples:

- For the PAPUK project, a mobilization of US\$ 41,538 by the beneficiaries of the project and of US\$ 79,695 by Kigali municipality and the Kigali districts involved has been provided, together with a contribution of US\$ 63,880 of in-kind donation (national consultants and equipment). Moreover, there is a in kind contribution by international consultants valued at US\$ 43,280 that does not affect the project costs. Finally, PAPUK has mobilized 26,000 Euro (US\$ 34,000) from Novo Nordisk and US\$ 10,000 from Telefood. In total, compared to funding of US\$ 817,940, a mobilization of US\$ 272,393 has been allocated that is equal to 33,3% of the external funding. In addition follow-up and scaling-up should in theory entail funding for more than 3,000,000 by international/regional organizations such as the World Bank and European Union, (not yet confirmed) as well as private funding and in-kind or cash donations<sup>32</sup> that are already guaranteed.
- A mobilization of US\$ 516,600 has been provided by the beneficiaries of the PAN II project. Their contribution is principally directed to capacity-building<sup>33</sup> activities and to the implementation of small agricultural projects (that should be comprised of 70% project financing and for 30% beneficiary). Moreover, a contribution of US\$ 122,100 by the Government of Mozambique (including operational costs and tax incentives) is foreseen. Finally, the “salaries of national, provincial and district technical staff directly involved in PAN-II activities will be the responsibility of the Government.” The amounts correspond to approximately US\$ 40,000 a year, in total US\$ 200,000. Therefore, in total, compared to the funding of US\$ 3,396,700, funds of US\$ 840,000 have been mobilized, which is equal to 24,7% of external funding (excluding follow-up and scaling-up, which, in any case should provide a similar funding of about US\$ 3,000,000 by the African Development Bank, however, this is only a preliminary estimate).

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<sup>32</sup> E.g.: the “+ 1 EURO X KIGALI” Campaign of the *Università Popolare di Roma* which is committed to giving one euro for each of its members (about 25,000 in 2003).

<sup>33</sup> more specifically, it refers to the running of the Farm Field Schools (FFS)



- In FAS III, compared to funding by the World Bank of US\$ 55,000,000, a contribution of US\$ 8,250,000 by the Government of Angola has been provided. The rate of mobilization of additional funds is 15%. The scaling-up should produce a further US\$ 56,750,000 by the European Union and by bilateral donors yet to be identified.
- In PPP, in addition to World Bank funding, of US\$ 20,910,000, there is a forecasted contribution by the Government of Cameroon of US\$ 2,740,000 (13,1%). In order to reach the goal of the project further US\$ 2,360,000 should be mobilized by donors.
- In HSP, in addition to World Bank funding of US\$ 29,000,000, a contribution by the Government of Croatia of US\$ 10,900,000 is expected. The mobilization rate for additional funds is 37,6%. No organization of further funding is foreseen.
- In RSS, compared to an international funding of US\$ 53,000,000 (US\$ 48,000,000 by the World Bank and US\$ 5,000,000 by the World Bank/UNDP/UNEP Global Environment Facility), a contribution by the Government of Rwanda of US\$ 1,080,000 is expected together with a combined funding allotment of US\$ 1,100,000 by the beneficiaries. And so, a total mobilization of about US\$ 2,180,000, equal to 4,1% of external funding (apart from follow-up and scaling-up, which are not forecasted) is provided for.
- In the case of APPI, data are unavailable.

In the table below, the additional funding mobilization rates (FM) are recapitulated in the context of follow-up-scaling-up (SF).

	FM	SF
PAPUK	33,3	366,7
PAN II	24,7	89,8
FAS III	15,0	103,2
PPP	13,1	11,3
HSP	37,6	0,0
RSS	4,1	0,0

With the exception for the Health Sector Program (which benefits from a substantial contribution by the Croatian Government), PAPUK is the project which has provided the greatest mobilization of additional funds (FM). The percentage of 33,3% is even more significant, when one considers that no contribution by the Government of Rwanda is included. Instead, in the case of the PAN II project (which has a very similar FM), the involvement of the Government of Mozambique is almost 40%. The PAPUK, therefore, with respect to the other project implemented by the FAO (PAN II) has a similar FM, but also a biggest (in %) capacity of mobilization of extra-governmental funds.

Also noteworthy is that the FM value in the case of PAPUK is seven times that found in the budget of the other agricultural development projects carried out in Rwanda (RSS), all of which were examined in the context of this comparative analysis.

The rates (SF) reported in the second column are estimates, and should be considered as such. However, it should be noted that the SF of PAPUK is much higher than rates calculated for all the other projects.

We shall return to the area of fund mobilization capacity in the global approach further, when dealing with the “We Are the Future” program.

### *3. Expected extra benefits and costs analysis*

The notion of “expected extra benefits” was defined, both in the analysis of Cost-Benefits and in that of Cost-Effectiveness carried out in relation to projects in the environmental sector (and/or to consider the environmental aspects in the Cost-Benefits and Cost-Effectiveness analysis),<sup>34</sup> as well as in a specific study on decentralized cooperation.<sup>35</sup> Reference is made to “independent” or “supplementary” benefits in regard to the output of a project, and where existing, reference is also made to the corresponding costs.

In Section 3, some indicators of extra-benefits were listed along with their corresponding costs. In this section, we will review these issues again point by point, and apply them to PAPUK, when possible, and (where relevant) to other projects examined in our comparative analysis.

#### Lowering costs in project replication

A little more than a year from the date of its approval, and less than six months from its start date, PAPUK was already regarded as a model of technical assistance within FAO; a model that will be replicated (e.g. in the case of Reggio Emilia - Nablus and also in 4-5 other cases involving, on one side Italian, French or Spanish cities and, on the other, African or Asian cities) with a similar funding scheme. Other “sister city schemes” of the same kind are currently being prepared between European and African/Asian cities. Having a model to follow allows

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<sup>34</sup> See: GEF (World Bank, UNDP, UNEP) The cost-effectiveness of GEF projects

<sup>35</sup> See: Hilda Blanco, *Measuring the exchange of social capital among cities*, University of Washington, 2003. The original objective of the Hilda Blamco study has been “to take stock of the exchanges that have occurred among principal government and the private and non-profit sectors in Seattle and similar agencies from cities within and outside the US, over the past three years...” This study concentrated its efforts in obtaining information on incoming city exchanges that occurred in the year 2002 hosted by the City of Seattle’s International Affairs Office, the Trade Development Alliance, the Port of Seattle and the World Affairs Council. The study is based on the concept of social capital which, according to Hilda Blanco ““refers to how information sharing, collective action and decision making are facilitated through established roles, social networks and other social structures supplemented by rules, procedures and precedents. Then the study “has focused on obtaining accurate counts of the number of delegations, the people who have participated in then both on the part of those who visited, and those who were visited, and it has developed a characterization of these exchanges based on the type of exchange, whether professional meetings or other; on the purpose of the exchange; and on the type of official or agency initiating the exchange”. It is a very interesting empirical study resulting in basic descriptive statistics, but formulating also useful categories and concepts for further studies (like the present one) concerning City-to-City cooperation.

project costs to be lowered further, thereby reducing both the overhead as well as funds allocated for consultancy<sup>36</sup>.

Moreover, C2C models represent a “large capital” of knowledge and of “solutions” for specific issues that are quite similar in many city contexts. For instance, in the PAPUK case we can find, 15 months after its start up, a “patrimony” of solutions that we can already export to other C2C projects on the following and other issues:

- a) Capacity building methods for civil society organisations (CSOs) in cooperation with local authorities;
- b) joint training methods involving both civil society organisations and local authorities;
- c) Census of CSOs in the urban area ;
- d) Networking techniques;
- e) micro-credit for CSOs management (including training, assistance, tutoring, etc.);
- f) management of multi-sectorial activities at very low costs

For every one of the above issues, the PAPUK patrimony permits any other C2C project to benefit not only of methods and techniques but also specific solutions for specific problems arising in their implementation.

Similar considerations can be made for the other projects (for example, the Investment Social Funds were conceived and set up in dozens of countries; the APPI project was previously experimented in Cuba and in Angola; and the PAN II, whose planning and implementation benefited greatly from similar FAO experiences, both in Asia as well as in other African countries such as Kenya and Zimbabwe). And also in these cases, we can find a wide patrimony of experiences and knowledge that can be used in other projects.

In these cases different from C2C cooperation, however, the consultancy expenses charged to international organizations to guarantee replicability are generally greater (see below). Moreover the uses of their patrimony is more indirect and, in consequence, less “free of charges”.

In other words: C2C cooperation as well as other “cooperation schemes” that generate (or can generate), in the frame of multilateral cooperation, dozens of

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<sup>36</sup> But unfortunately does not reduce time: the conception and the construction of the institutional framework for the “news” C2C Cooperation projects within FAO goes very slowly due to many difficulties (f.i. in the funds allocation) on the side of the municipalities involved.

“similar” projects lowers costs in project identification, design and start up. But in the case of C2C these costs are further decreased due, on one side, to a strong and interested participation of the involved actors<sup>37</sup>; on the other side to a stronger similarity of “context” (the city) and of institutional framework (the C2C cooperation).

How is it possible to calculate how much project replication lowers costs? Theoretically speaking, it is easy. It is enough to calculate the budget of a new project “without”, on one hand, and “with” on the other, the use of the “patrimony” of other similar projects. Practically speaking, it is easy to do it “ex post” (item cost by item cost), but very hard to do it “ex-ante”

In the PAN II project, the planning and implementation of which benefited greatly from similar FAO experiences, both in Asia as well as in other African countries such as Kenya and Zimbabwe, this benefit can be estimated in US\$ 300,000<sup>38</sup>, i.e. 9% of the whole budget (i.e. the cost of the project “without” the benefits of these similar experiences would be 9% more higher). Data for APPI projects are not available.

It is not possible to do an experimental application on PAPUK, because PAPUK is the most advanced C2C cooperation project in the FAO context (and it is not a “replication” of a previous project). It will be possible to do when some other projects following this model are more advanced than now. But we can be sure that benefits in these projects will be higher, both in absolute terms than in percentage (an estimation could be around 25%).

#### Increase in the availability of information at a low cost

As a new program model, but also simply as a city-to-city cooperation approach, the PAPUK project (and consequently the municipalities of Rome and Kigali) have become part of a large network of local authorities committed to promoting peace and development. The Third Annual Conference on Glocalization held in Rome on the 16th and 17th May 2004 provided evidence, that among other things, it is a permanent, stable and consistent network. Through formal occasions (such

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<sup>37</sup> Somebody can tell that, usually, we meet a same level (or perhaps a better level) of strong and interested participation in the NGOs/CSOs context. This can be true, but in these cases, we are often outside the frame of multilateral cooperation. Then, we don't meet the same advantages in terms of replicability.

<sup>38</sup> Estimation of the cost design of the Farm Field School (FFS) system and theoretical design of the corresponding tools

as the annual conferences on Glocalization) and informal ones (dozens per year, often “virtual”), mass quantities of information (including data that has been elaborated and is “user friendly”) are exchanged in this network along with experimental solutions, to resolve specific urban problems, procurement opportunities, prospects to involve local resources, etc.. This exchange of this information is normally available at very little or no cost.

Cities network linked to Glocal Forum is just an example. Some other examples are the Sister Cities network, Citynet – Regional network of local authorities for the management of human settlements, the Union of Luso-African-American-Asiatic capital cities, the Cities the World Alliance of Against Poverty, la Federación de Municipios de Centreamérica, etc. and more recently, the United Cities and Local Governments. In all these networks there is a enormous circulation of information that is normally available at very little or no cost. Most of these network are linked with organizations involved in international, such as the World Alliance of Against Poverty (close to UNDP) or la Federación de Municipios de Centreamérica (close to Banco Interamericano de Desarrollo). Decentralization projects (among others, APPI, related to the Network on Cities against poverty) linked to the mentioned actors have benefits similars to the ones of PAPUK.

Similar examples cannot be made for other projects conceived and implemented outside the context of decentralized cooperation. For example, the PANII, in effect, benefits from the past experience of previous Asian and African experiences of the Farm Field School (FFS) projects, but at a cost. For example, in the project in Mozambique, consultants from Kenya, Zimbabwe and from FAO are participating at a cost, by the end of the project, that will surpass US\$ 100,000, that is, 3% of the overall cost. The same can be said (though with much higher costs) for the Investment Social Funds network. Moreover, the reference networks of projects such as APPI, PAN II or the Social Funds are weaker (and less stable) compared to that of the local authorities, one which was joined by PAPUK and its promoters.

How is it possible to calculate the increase in the availability of information (IAI) linked to the C2C approach? It is perhaps more simple than in the previous case. We can take into account the following items:

- the number (np) of projects implemented by all the actors strongly involved in a specific network;
- the number of formal exchanges (fe) in a specific period (i.e. a year) such as visits, conferences, etc with other relevant actors;

- the number (ce) of other tools used in the exchange of information in the network (such as web-site, newsletter, etc.) among the actors of the network.

In these network there is often a very high rate of information exchanged that uis lost. We can call this factor “lo” and rate it on a scale from 0 (all information exchanged is lost) to 1 (all information exchanged is saved).

At the end, IAI can be calculated as:  $lo \times (np \times (fe + ce))$ .

#### *Case of PAN II*

PAN II is not strongly involved in an effective network. There are, as we already said, some exchanges of information with other FAO projects, mainly the ones that follow the FFS approach. But it is not a network. Then,  $np = 1$ .

In 2004 an international seminar has been organized by PAN II; PAN II received two visits from FFS Kenya and Zimbabwe FFS projects and organized a visit in the FFS project in zambesia. Then,  $fe = 4$

There is a communication component, but until now there is no newsletter, website or other similar tools. Then,  $ce = 0$

The rate of information exchange in conferences and visits has been very high. We can estimate  $lo = 0,8$ .

$$IAI = 0,8 \times 1(4 + 0) = 3,2$$

#### *Case of PAPUK*

PAPUK is born as a project strongly involved in a network (the one of the Glocal Forum on C2C) and also involved in a weaker way in the FAO network (not only decentralized cooperation projects, but also peri-urban development projects). We can estimate n among 5 to 10 (we “ll suppose  $n = 7,5$ )

There are at least 4 active partnerships that generate (and have generated in the last 12 months) formal exchanges such as visits, conferences, etc..Then,  $fe = 4$  (conservative estimate).

There is a communication component fairly active with radios and television (radio/television broadcastings on PAPUK activities aimed to strengthen

agricultural associations; to protect environment; to embellish Kigali; etc.). Moreover, PAPUK activities will be described very soon in the city of Kigali website. Then,  $ce = 2$  (conservative estimate)

The rate of information exchange in conferences, visits, broadcastings, etc. has been fairly high. We can estimate  $lo = 0,7$ .

$$IAI = 0,7 \times 7,5 (4+2) = 31,5$$

The IAI value in the PAPUK case is almost ten times the IAI value in the PAN II case. The increase in the availability of information (IAI) is higher in PAPUK than in PAN II

### Increase of collective action<sup>39</sup>

“Collective action” is defined as the actions of groups and/or organizations with an orientation toward social responsibility, whose activities are focused on the realization of various kinds of interventions, such as the solution of problems of interest to society, the exercise of forms of control over social and environmental risks, and the production of goods and services of public interest.

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<sup>39</sup> Collective action, in CERFE approach, is one of the main relevant components of social capital. Social capital may be defined as the intrinsic power of a population, of a group, or of a network of individuals. This power is determined by the integration of actors which are bearers of agency for social transformation (or, if you like, of social responsibility). Said integration is positively conditioned by the presence, in a given social context, of social actions capable of developing a general climate of trust (an aspect that is considered to be fundamental for economic development). Vice-versa, it is negatively conditioned by the presence of factors of social and environmental risk and by a critical mass of extreme poor. The analysis of social capital also examines certain processes and phenomena that represent its main vectors, that is:

- collective action (understood in the broad sense and inclusive of for-profit enterprises and of all subjects, such as universities, professional associations or religious groups, that are endowed with social responsibility) and the “quality” of actors who comprise it;
- the so-called “territorial factors” of social capital, in other words infrastructures and services present on the territory (such as banks and financial institutions, mass-media, communication structures, etc.) capable of increasing social capital;
- cognitive capital (individuals provided with know-how, highly-educated persons, etc.);
- trust, that is the tendency of individuals to count on each other and to mutually cooperate.

On the basis of the available information, we can suppose that there is no relevant differences among C2C cooperation projects and other projects on “territorial factors” or on “cognitive capitals” (both these factors are linked to other features of the projects, such as the relevance of capacity building, the sector, etc.). We cannot conclude anything on “trust”, but we can suppose that “trust” is higher in local development projects such the ones that follow C2C approach.



PAPUK, as with every city-to-city cooperation project, is based on the mobilization of actors organized at a local level, such as local administrations, “groupings” (of craftsmen, of farmers), associations, and informal groups that are also supported and strengthened through capacity-building and institution building activities. Thanks to the circulation of information (and also a propensity towards replicability), the increase of collective action tends to regard not only the city-to-city cooperation projects in question (PAPUK), but also other projects and activities connected to it through the network promoted by the Glocal Forum. Therefore, city-to-city cooperation entails an increase of collective action in the context of the project itself, as well as with other projects/initiatives.

Still, similar considerations can be made regarding experiences, from other projects examined in the context of this comparative analysis,<sup>40</sup> but also in many other programs and interventions promoted and implemented by international bodies, NGOs/CSOs, local authorities and corporate private firms.

What distinguishes city-to-city cooperation (and, in this case PAPUK) from other approaches (in this case, the other projects examined in this study), however, is the evident role of the local authorities, making “public” funding of collective action possible, along with a significant increase of social resources from these actors<sup>41</sup>. Moreover, municipalities (as it is the case of Rome and Kigali in the PAPUK

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<sup>40</sup> If one thinks of the enormous empowerment, not only in terms of capacity, through the FFS, but also financial, through the funding of micro-projects, gourmets of farmers in the context of the PANII

<sup>41</sup> For many years there have therefore been municipalities that have ear-marked percentages – albeit small – of their own financial resources for DC programs, though not in a systematic or generalized manner. Funds ear-marked for DC come from municipal budgets when at least one of the following circumstances occurs:

\* The municipality receives funds allocated to DC by other municipalities, other decentralized public administration bodies (regions, provinces or other, depending on the specific case), national Governments or international bodies. In these cases, all the funds are (or at least should be) ear-marked for DC initiatives and the municipality often allocates supplementary resources to these activities from its own “core budget” and/or from “extra-budget” income, such as donations from the private sector or from fund raising.

\* The municipality has long-standing relations with one or more municipalities situated in the so-called “developing” or “transition” countries and ear-marks funds to initiatives in the context of these relations. In this case funds are drawn from its own “core budget” and/or from “extra-budget” income, such as donations from the private sector or fund raising.

\* The municipality plays a catalytic role respect to various kinds of actors (corporate social responsibility enterprises, NGOs, etc.) present in its own territory and, either occasionally or in an almost systematic manner, receives financial resources from these bodies which are accordingly allocated to DC initiatives

project) a catalytic role respect to various kinds of actors (corporate social responsibility enterprises<sup>42</sup>, NGOs, etc.) can play present in its own territory, and either occasionally, or in an almost systematic manner, receive financial (or in-kind) resources from these bodies that are accordingly allocated to city-to-city initiatives.

Collective action (CA) involved in a cooperation project can be measured, roughly (taking into account the datas we can normally collect) on the basis of two indicators:

N = number of collective actors involved;

K = number of types of collective actors involved (local NGOs, international NGOs, CBOs, FBOs, for-profit enterprises that are endowed with social responsibility, universities and research centres, professional associations, local authorities, etc.).

There is a tendential positive relation among the level of diversity among the collective actors (i.e. K) and the quality of their contribution, as a whole, in the implementation of a development project.

Then,  $CA = N \times K$

Also in this case, we can take into account in a comparative way the two FAO projects: PAN II and PAPUK.

In PAN II case, the following CSOs have been involved.

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<sup>42</sup> Today, there are thousands, if not tens of thousands of enterprises that practice corporate social responsibility, in one way or another. See, among others, the UN launched an initiative known as "Global Compact" (UNGC), an international initiative that would bring enterprises together with UN entities, labor and civil\_society organizations. The aim was promoting the social responsibility of enterprises through the respect and support of nine fundamental principles as regards human rights, labor and the environment. Enterprises are asked to integrate these principles into their daily operations and be involved in projects and initiatives that promote the Millennium Development Goals (approved by the UN Millennium Summit in 2000). Apart from the United Nations Global Compact Office, five UN agencies (ILO, OHCHR, UNDP, UNEP, UNIDO) are involved in this initiative. By the end of 2003, there were already more than 1200 large-sized enterprises throughout the world who had engaged in the Global Compact

<b>Província</b>	<b>District</b>	<b>CSO</b>
<b>Maputo</b>	Nível provincial	ATAP, FDC, Action Aid, AMREF, ORAM, World Relief, UNAC, Kulima, AMODEA, Helvetas, Hluvuku, UICN, CVM, AMRU, PMA, APOJ, ADPP, Kulhuvuca, Amodefa, SARNETTE, ADC, AJAMO
	Boane	Casa do Gaiato, ORAM, Acridec
	Manhiça	ATAP, Action Aid, AMREF, ORAM, Associações de camponeses locais separadas por produto, World Relief, UNAC, AMODEA, Kulima, SARNET, TEAR
	Moamba	Helvetas, SARNET, ATAP, Associação Nkulukulu/VETAID
	Matutuine	Helvetas, Hluvuku, UICN, Vida Moçambique, CVM, FDC; Fundação Natureza e Perigo, Associações camponeses (Macassane, Massoane, F. De Cal Salamanga, Tinonganine, Brasília
<b>Manica</b>	Nível provincial	Africare, Magariro, Action Aid, Concern, Caritas, ADEM, Care International, IRDP
	Gondola	Africare, , Care, Igrejas
	Guro	PMA, Cruz Vermelha, Associações de camponeses
	Matchaze	Concern, PMA, OSEO
	Sussundenga	Africare, Magarriro, OSEO, Caritas
<b>Sofala</b>	Nível provincial	PACDIB, PROMEC, FHI, Caritas, ORAM, Kulima, Fumaso, Associações de camponeses
	Caia	Food Hunger International (FHI), Consorcio, UDAC
	Gorongosa	ORGANIZAÇÃO DE AJUDA MUTUA ENTRE camponeses (ORAM), SASAKAWA GLOBAL 2000 (SG2000), DimonTabaco de Manica, Companhia Nacional de Algodão , empresa sun smile, UDAC, Gabinete do desenvolvimento do Vale de Zambeze-Sub-Região do Baixo Zambeze.
	Maringue	Associação dos Camponeses de Chionde, Associação Agro-pecuária de Nhamacolomo
	Nhamatanda	FHI, ORAM, UDAC, Fambizanai

No local authorities have been involved.

Then, in the PAN II case:

N = 48

K = 4 (International NGOs, local NGOs, CBOs, FBOs)

CA = 192

In the case of PAPUK:

- at least 450 civil society organizations have been involved; the associations are International NGOs, local NGOs, CBOs, FBOs and professional associations; research institutions, too, have been involved;
- 5 of the 8 districts and, of course, the municipality of Kigali have been involved

Then, in the PAPUK case:

N = 450

K = 6 (International NGOs, local NGOs, CBOs, FBOs, research institutions, local authorities)

CA = 2700

Taking into account these two examples, we find in the C2C approach a level of collective action higher than in the other case.

Nevertheless, we have the impression, as already stated, that the C2C approach does not generate “automatically” an increase of collective action in “quantitative” terms, but it does automatically generate a more qualified collective action due to the strong involvement of the local authorities among other actors,.

#### Extra-professional time costs

City-to-city cooperation entails enormous “extra-professional time”, that is to say, enormous high-level professional involvement that is not paid nor considered in the costs of the project. It is sufficient to consider the work carried out by the Glocal Forum and the local authorities of Kigali and Rome in setting up the institutional framework and the creation of the PAPUK project which are not considered in the costs of the project. As has been noted previously, PAPUK represents a prototype for further projects of this kind, these costs will continue to decrease.

Also in this case, PAPUK is just an example and we meet similar situations in many other cases of decentralized cooperation projects where professional time is not additional because of the project, but available as a sunk cost already covered by the city (and other local actors) and therefore offered essentially at zero cost in C2C exchanges.

On the contrary, outside the decentralized cooperation context (and in the frame of multilateral schemes) rarely are similar situations found in international cooperation.<sup>43</sup> To conceive and plan the projects, the World Bank often resorts to “ad hoc” funding, such as the Project Proposal Facility (PPF), which (see the case of the PPP) then affects the cost of the project. In the PAN II, this cost is an integral part of the Technical Support Services, which also can be said in the case of APPI.

“Theoretically” extra-professional time costs (EPT) can be calculated easily. It is enough to record “t” as the extra-professional time spent and the unitary costs (uc):

$$EPT = (t1.uc1) + (t2.uc2) + \dots + tn.ucn)$$

Unfortunately that has not been done nor in PAPUK, nor in the other projects.

#### Exchange costs

As stated previously, the “exchange costs” (meeting, travel and other monetary costs linked to visits and any other kind of “exchange” of persons and goods in a C2C frame) of city-to-city cooperation tend to be nil or very low or if anything, attached to other budgets that are totally independent from the projects in question, and from the actors involved in them (exactly the same stated before concerning professional costs that are available as a sunk cost already covered by the city -and other local actors- and therefore offered essentially at zero cost). This cannot be said for other network projects, such as the Social Action Funds or PAN II (see above).

Exchange costs, as well as extra-professional time costs can be calculated very easily. It is enough to record them, yet it seems to not be done in the projects taken into account in this study.

#### Demonstration costs

As mentioned previously, demonstration costs are another benefit, which consists of lowering costs of project replication. There are, however, public communication costs which should be attributed to the costs of promoting and developing city-to-city, such as the Annual Conferences on Glocalization.

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<sup>43</sup> Nevertheless these situations occur quite frequently in cases of NGOs cooperation projects, especially dealing with projects which do not benefit (or just in a small percentage) of public funding.

Demonstration costs in the case of city-to-city cooperation are quite high (one need only consider the work carried out by the Glocal Forum, the World Bank and many other actors), apart from the extra-professional time costs mentioned previously. Because the city-to-city cooperation approach is relatively new, the factor of demonstration costs will be higher at the on-set.

There is no doubt that the demonstration costs of city-to-city cooperation tend, at least at presently, to be much higher than those normally found in the context of international cooperation.

But these “extra costs” are, we could say, “the other side of the coin” of many of the benefits and advantages described above (and these “extracosts” are very low compared to the benefits mentioned, taken into account, also, that these “extracosts” are function of not a single project, but of many projects, in some cases some dozen of projects).

## PART THREE

### *1. Comparative Analysis: Synthesis*

The comparison made previously (see § 4, 5 and 6) between PAPUK and the other six international cooperation projects (see list in §3) has led to some preliminary findings.

1. Some indicators clearly display that PAPUK would be more cost-effective than the other projects.
  - a. The net overhead in PAPUK is one of the best found in international cooperation, with the involvement of international organizations (6,9% versus 10% or 13% seen in most cases, including the FAO).
  - b. There are no support service costs in PAPUK; they are 7,6% in PAN II and can be 20% or more in many other UN implemented projects.
  - c. The support services + overhead are 6.85% in PAPUK, more than 12% in APPI and more than 18% in PAN II; the PAPUK “agency costs” are generally much lower than those applied in the UN context.
  - d. There is a better ratio R in PAPUK (in terms of economic convenience) between international consultancy and national consultancy. The value of R in PAPUK is less than half that of PAN II, less than 1/3 of RSS (the World Bank agricultural development project in Rwanda), and in general, less than 1/5 of the average of all four World Bank projects examined.
  - e. The unit costs both per month/person of all staff and consultants and of the manager/project are much less in the case of PAPUK, compared to the other projects for which data are available.
  - f. In the case of PAPUK, the highest percentage<sup>44</sup> of “other mobilized funds” as an integral part of the project (27,9% of public international funding versus percentages that vary from 4,1% to 24,7%) is recorded; the highest value of other funds was found to be in the PAPUK project, which should be developed during the follow-up of the project (an expectation of more than 350% of the present public funding versus the forecast, which at best, in other cases is around 100%).

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<sup>44</sup> Not considering the case of HSP which is anomalous, given the enormous contribution made by the Croatian Government and given the nature and context of the project.

- g. PAPUK (and, in general, city-to-city cooperation) guarantees the actors involved in the project an excellent increase of the availability of information and lowering of costs (and a decrease in replicability costs). In many other cases of projects connected to networks (such as the social funds), the exchange of information increases, however, at higher costs.
  - h. Finally, the PAPUK project entails an increase of collective action that is qualitatively (and also quantitative) higher, given the great involvement of local authorities (apart from various other actors, which occurs in numerous other projects).
2. There are no aspects for which PAPUK was found to be less cost-effective than the other projects examined. Generally speaking, however, it is important to remember (cf. § 6) that the city-to-city cooperation approach (as highlighted in the case of PAPUK) entails high “extra-professional time costs” and high “demonstration costs,” both connected to the recent nature of city-to-city cooperation and to the strong agency of its promoters (in the future, these costs will tend, at least in relative terms, to decrease).
  3. Lastly, there are some aspects for which the PAPUK project is, for obvious reasons, in line with the other projects examined in this comparative analysis. Specifically they are:
    - a. the unit costs relative to expenses, such as the purchase and running of transportation (motorcycles and vehicles) and the furniture and running costs of the office;
    - b. the % of costs allocated to capacity-building and training;
    - c. the % of costs allocated for staff and consultants.

From the summary above, it is clear that, in the limits of the analyses conducted, city-to-city cooperation appears to present a high level of cost-effectiveness compared to other approaches used in the context of international cooperation.



## *2. Prospects and further research paths*

The work explained in the previous section could be studied in greater depth (as this study is essentially a financial analysis). On the basis of information currently available, it would be difficult to produce further significant elements.

Instead, it is very important to carry out an analysis (already underway) after 24/36 months of implementing the PAPUK project, comparing the results reached with those of the projects examined in this study (or in others), ever 24/36 months after their actual start up. In particular, notwithstanding the minor costs, such verification should be continued to determine whether the city-to-city cooperation approach is capable of guaranteeing the promising output to the same extent (or even higher) to that which generally occurs in the context of international cooperation.

On the basis of the preliminary conclusions of this study on the PAPUK project, it seems that not only do the minor costs not invalidate the output, but rather, greater results than expected seems to be achieved, and in less time.

Another important research path concerns the application of the glocal approach, not only to single projects of international cooperation, (as in the case of PAPUK), but also to complex programs, such as the initiative “We Are the Future (WAF),” which the Glocal Forum launched in 2004 together with the Quincy Jones Listen Up Foundation, and with the support of the World Bank and of many UN Agencies among others.

WAF aims to secure a better future for children and young people in conflict and post conflict areas. This initiative brings together the visions of the Glocal Forum and the Quincy Jones Listen Up Foundation, the participation of six cities in conflict and post conflict areas where the program is being piloted (Addis Ababa, Asmara, Freetown, Kabul, Kigali and Nablus), and the partnership of almost thirty cities in developed countries. The program is also supported by the efforts of NGOs and CBOs, big and small actors of the world economy, and major private sector companies and international organizations.

This complex program is in the start-up phase, but it should be noted that, commencing with the initial activity of the promoter subjects, resources are being mobilized for several millions of US\$ (cash and in-kind donations and professional services) from several agencies and organizations (the list is incomplete):

- international organizations, such as the FAO, UN-Habitat and the WFP (apart from the World Bank);
- ICT companies, such as Microsoft and Oracle;
- other private enterprises, such as Metro, Tele2, MTG, Millicom Cellular and Starbucks;
- Other entities such as FIFA, Red Cross, etc.

Output will be carefully verified in a few months, but it is programs of this type, rather than projects such as PAPUK, that the city-to-city cooperation approach has more possibility in demonstrating a superior level of cost-effectiveness than that found in traditional approaches, and also to innovative approaches practiced in international cooperation.

### *A specific proposal*

Therefore, considering that Kigali is both the PAPUK implementation city and one of the six cities in which the WAF Centers<sup>45</sup> are being established, it is hereby suggested to have an eventual second phase of the project hinge predominantly on the WAF initiative (and on the continuation of the PAPUK project) and eventually other City-to-City cooperation projects outside the arena on the Glocal Forum (for example, the projects funded and/or implemented by UNDP).

In the second phase, the scope of the analysis should be broadened to include:

- a cost analysis, according to cost estimation, paying special attention to parameters such as:
  - the % of funds directly allocated to the recipients;
  - the % of funds for national consultancies and expertise;
  - the % of funds for international consultancies and expertise;
  - the % of funds for management expenses;
  - the % of funds for training expenses;
  - some unit costs (consultancy p/m, premises, cars, monthly running costs, etc.)
- an effective analysis of costs accrued during a six month period (considering, among other things, all previous items), also focusing on

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<sup>45</sup> At the drafting of this report, the one in Kigali is already established and operating.

eventual waste or inefficient use of resources, and conversely on forms of optimisation, validity;

- an effective analysis of the results (also in relation to the costs);
- an effective analysis of further mobilized resources (not estimated);
- an effective analysis of extra-benefits and eventual corresponding extra-costs.

It must be underscored that regarding the last items mentioned, reference will be made also to non-monetary costs and benefits (results).

Taking into account all the elements mentioned up to now, it is possible to make an efficiency and effectiveness analysis, including some elements of impact and sustainability, taking into account local problems (nature and measurement), where appropriate.

A comparative approach will be adopted, as appropriate:

- between the six cities and the relevant six WAF Centers involved (Addis Ababa, Asmara, Freetown, Kabul, Kigali and Nablus);
- between the WAF initiatives and other international cooperation projects in each of the six cities;
- between the WAF initiative and other C2C cooperation projects;
- between the situations generated, in each of the six cities, from the WAF initiative and the “theoretical” situation that would have resulted without it (situation “with the project” compared to the situation “without the project”).

The following types of information sources would be taken into account:

- project documentation (project documents, presentation forms, etc.), both of single projects, of specific activities, and of the WAF (and eventually others) initiative(s) as a whole;
- final documentation concerning the activities carried out and the relevant results;
- final economic-financial documentation;
- other documentation (such as accompanying studies);
- consultations with persons in charge of the WAF (and eventually others) initiatives at a central level;

- consultations with key informants involved, at any title, in the management and implementation of WAF initiatives in the six cities (local authorities, international bodies, NGOs, etc.)
  - both working in the six cities;
  - and working by partner bodies outside of the six cities (for ex. University of Maryland hospital)
- other key informants (for ex. persons in charge of other cooperation projects underway in the six cities and in other decentralized cooperation projects, experts of NGOs and international bodies not involved in the WAF initiative, etc.).

The key informants can be consulted, both individually (both “face to face” and “remotely”) and, when possible, through the organization of focus groups, thus fostering a sort of coordinated, multilateral and interactive consultation.

This second phase would entail a significant amount of field work that will be carried out through missions in the six cities where the WAF Centers are being implemented (Addis Ababa, Asmara, Freetown, Kabul, Kigali and Nablus), and eventually in other mentor cities. The results of the study can be introduced in a seminar with the World Bank Institute, other parties of the World Bank involved in WAF, the Glocal Forum, the Quincy Jones Listen Up Foundation, and eventually, other WAF partners.

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