



Community-based Finance in Urban Development

How community-based finance contributes to
sustainable urban development and its opportunities
for German development cooperation

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Contents

Executive Summary	4
1. Introduction	5
2. The Landscape for Community-based Finance	7
2.1 The Case for Community-based Working	7
2.2 Community-based Finance Mechanisms	8
3. Community-based Finance in Practice.	10
4. Barriers and Enablers to Community-based Finance	15
4.1 Power and Perceptions	15
4.2 Risk and Accountability	16
4.3 Grant Value and Timescales.	17
5. Entry Points for German Development Co-operation	19
5.1 Advocacy and Policy Engagement	19
5.2 Programme Development	20
6. Conclusion	22
Endnotes	23

Executive Summary

In a context of continuing urbanisation across the global South, new approaches to funding inclusive and sustainable urban development are needed. Cities are sites of social and economic inequality, with populations at significant risk from climate and health crises. GIZ is exploring the role and contribution of community-based finance (CBF) for German development cooperation, recognising the advantages of local leadership to delivering the 'leave no one behind' aims of the SDGs.

CBF operates at multiple scales, utilising funds from donor, state and community-level sources. The essential characteristic is anchoring control of resources at a local level, through collective decision-making and civil society partnership with municipal government. The case for CBF reflects the intrinsic value of open and inclusive approaches to urban development, alongside practical benefits of increased effectiveness and sustainability of investment in complex urban environments. While CBF forms a relatively small proportion of donor aid, tracked as funding to civil society organisations (CSO), examples show the potential of grassroots engagement in urban development.

CBF can take a variety of forms, but entail donors working with state and non-state actors to channel resources to grassroots groups engaged in urban development. Three forms of practice are identified.

- Forging strategic partnerships – donor governments working through large CSOs in developing nations to lead the design and delivery of multi-faceted programmes. As with BRAC Bangladesh, the UK and Australia found value in empowering local agents to address complex challenges.
- CBF for settlement upgrading – in urban contexts community leadership on housing and infrastructure improvements utilise local knowledge, capacity and collective savings towards incremental upgrading. Examples such as the Asian Coalition for Community Action (ACCA) and UN-Habitat Participatory Slum Upgrading Programme (PSUP) highlight how blended funding models operate for neighbourhoods and are scalable to city and national level.
- Building community leadership – participatory forms of development can increase local capacity of communities to organise and contribute to urban development. Building mechanisms such as savings groups used by SDI, community councils used by UN-Habitat and Cities Alliance's Community Upgrading Fund, help create structures and build confidence for communities to lead development.

Adopting CBF approaches requires an evolution in relationships between donor and beneficiary organisation that include the following.

- Shifting power and perceptions – taking an open approach to localising decision-making and delivery to contextualise development. Working towards more equal relationships and flexible partnerships arrangements between donors and civil society organisations.
- Managing risk and accountability - changing donor management systems to accommodate differences in scale and outlook of community-based groups. Aligning expectations, through negotiation and trust building, to value local input and create space for innovation.
- Adapting grant scales and timetables – varying the size of grant budgets and the technical support available to enable participation by grassroots groups. A more nuanced approach to target setting and timescales to reflect the reality of development in complex urban contexts.

Given the extensive range of existing relationships and development programmes delivered by Germany, there is a firm basis for adopting and expanding CBF approaches.

- Advocacy and policy engagement – using German membership of global fora, to expand debate and leadership on CBF, working with and through GIZ country offices to establish city level frameworks to implement CBF.
- Programme development – working with multi-lateral and bi-lateral partners to increase the commitment to CBF funding and delivery, building the engagement with global and regional grassroots networks and extending the use of blended models of urban finance.

COVID-19 has highlighted the stark inequalities found in cities, but also the real potential of organised communities as leaders, mediators and service deliverers, working with local and national government. Increasing engagement on CBF approaches is timely in respect to the pressures on national aid budgets, and a broader opportunity to devise new approaches to inclusive and sustainable development.

1. Introduction

The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) has commissioned this study to explore the role and contribution of community-based finance (CBF) to delivering sustainable urban development. The objective is to consider the global landscape of current CBF activity and to identify potential entry points for future German development cooperation. The study is primarily a desk-based review of existing methods and approaches to CBF, supplemented by expert interviews with SIDA, the UK Foreign, Commonwealth and Development Office, UN-Habitat, Cities Alliance and SDI.

This study is set within a context of long-term and continuing urbanisation across the global South.¹ Cities and towns are key sites of social and economic inequality, have large scale patterns of informal housing development and are at significant risk from the impact of climate change. The vulnerabilities created by high and sustained levels of household poverty have been exacerbated by COVID-19. Around 90 per cent of COVID-19 cases globally have been recorded in urban areas, significantly affecting, and further increasing the precarity of urban poor populations.²

While the situation for urban poor populations has been dire, local responses to the pandemic have clearly demonstrated the potential and importance of local level and collective action to respond to crisis conditions.³ Existing savings groups, settlement level social networks and strong grassroots organisations have been vital in providing support to vulnerable individuals, co-ordinating local action, disseminating information and working jointly with municipal government to control the spread of COVID-19.

The contribution of civil society groups and networks during the pandemic underlines the opportunity for more effective partnership working between community-based organisations, public agencies and donors to deliver development.⁴ Lessons of multi-scale collaboration emerging from the global story of COVID-19 show that commitments in the SDGs,⁵ the Paris Agreement,⁶ and New Urban Agenda⁷ to release the full potential of development, designed and delivered jointly by national and local stakeholders, is achievable.

The need for multi-level partnerships, operating across local, national and international scales, is recognised as a key to meeting the vast finance requirement of the SDGs and Paris Agreement.⁸ Diversifying both the sources of finance for development and existing delivery mechanisms, to improve the impact of funds, are essential to sustainable and progressive reduction in urban poverty and to raising the effectiveness of humanitarian and climate responses. Civil society has a particularly important role to bring communities, most exposed to poverty and vulnerability, into the development process.⁹ Local level leadership can improve the targeting of interventions and also release the skills, knowledge and capacity of communities to take ownership of development, climate risk adaptation and the response to crisis conditions.

While re-engineering funding and decision-making processes to be more inclusive of community-level involvement presents significant challenges, there is a growing global adoption of participatory approaches to development, humanitarian aid and climate adaptation, aimed at closing the gap between citizens and global institutions.¹⁰ Policy ambitions can be seen in global compacts, such as the Grand Bargain¹¹ to localise humanitarian decision-making; in the use of community-driven development;¹² and emerging through community-based adaptation approaches to address climate change risk.¹³ Policies are also evident through national commitments such as Agence Française de Développement's (AFD) and Norad that both have plans to strengthen partnerships with civil society organisations and increase the share of official development assistance (ODA) channelled through them.¹⁴

At the centre of these efforts are a commitment to more inclusive approaches to development and the need to build a clearer focus of the functionality of donor, national and local relationships and the funding flows best able to realise the full value of urban leadership and delivery. This should not romanticise community-based approaches, but recognise the essential value and assets that more equal partnership in development funding can achieve to realise the 'leave no one behind' aims of the SDGs. Designing delivery mechanisms needs to consider the roles

and capacity of community, state and donor organisations as contributors and stakeholders in urban development; offering a more nuanced approach to the use of development cooperation.

While a majority of multi-and-bi-lateral aid will continue to be channelled through national government and co-ordinated international investment, there is a key role for organised communities and municipalities to drive innovation and co-ordinate local action to address housing, infrastructure needs and drive climate adaptation.¹⁵ By mobilising community networks and releasing the capacity of co-produced development, CBF offers a route to address long-standing and complex urban development issues. As set out in section 3, there are a number of outstanding examples of CBF that include the Asian Coalition for Community Action (ACCA), Communi-

ty-led Infrastructure Finance Fund (CLIFF) and Community Upgrading Fund (CUF). It is vital to look more creatively at ways in which local knowledge, capacity and ownership of sustainability goals can be harnessed. This will open spaces to fully utilise the potential of local actions to find integrated and inclusive solutions to overlapping challenges of urban poverty and climate adaptation.

This study starts with a discussion of the definitions of CBF to draw out the key characteristics and values for donor organisations working directly with local networks and organisations. CBF is then explored through examples in practice and then elaborated to identify the barriers and enablers for CBF. The study concludes with options to increase engagement in CBF within German development cooperation.

2. The Landscape for Community-based Finance

Community-based finance (CBF) is created through the combined use of donor assistance, public and private investment and funds generated by organised resident populations at a sub-national level. Operating at multiple scales, CBF has the essential characteristic of anchoring control at a local level through collective decision-making and partnership with municipal government. Focusing on the role of donor organisations, the following section briefly discusses the benefits and operation of CBF, to draw out implications for the flow of resources to the front-line of development interventions.

In order to reflect the diversity of interests and multiple forms of association that can be included within a definition of ‘community-based’, the term civil society organisation (CSO) is used here to describe an array of groups operating outside of state and market control. While inadequate to reflect a richness of associational working that ranges from grassroots informal savers networks through to formally constituted non-governmental organisations working at a national scale, CSO has meaning for both the reporting of donor finance¹⁶ and for the participation of people in the civic and political life of their community.¹⁷

1.1 The Case for Community-based Working

Finance routed to and through CSOs working at the grassroots is a recognition of the significance of sub-national development actors in delivering the SDG targets. Investment in targeted local activity, through CSOs, highlights the intrinsic value of engaged community-level agencies and their importance as implementing partners in complex urban development contexts. Locally rooted and positioned to connect with municipal government and with low-income communities, CSOs bring particular value to donors through their local leadership and capacity to deliver developmental services. They differ from small scale commercial initiatives, such as micro-credit institutions, which lack the collective social capital and bonds of mutual support and assistance that make community finance arrangements possible.¹⁸

As illustrated in figure 1, the involvement and local leadership of communities in urban development offers three potential benefits. First, the engagement and funding of local actors can improve the accessibility of development to urban poor populations. CSOs and grassroots partner groups are able to mobilise and engage residents of low-income communities in ways not possible for municipal government or donor organisa-

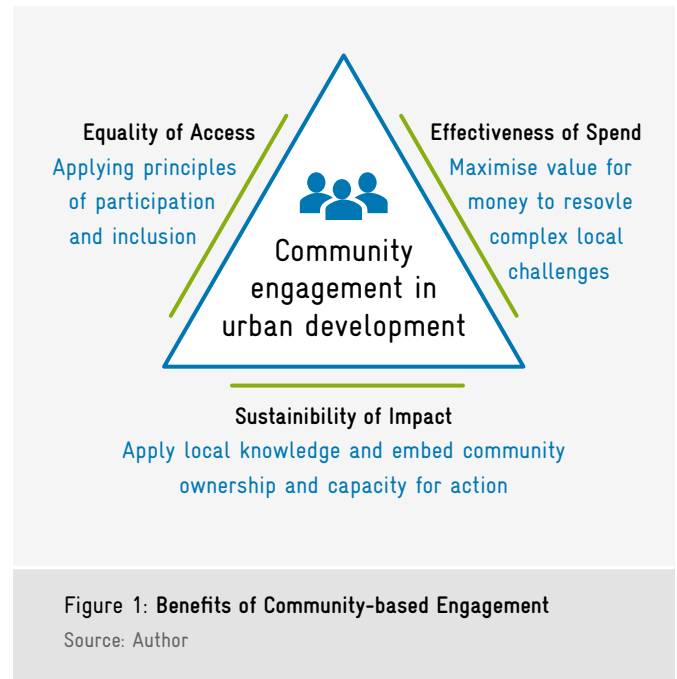


Figure 1: Benefits of Community-based Engagement

Source: Author

tions. CSOs with long-term relationships, local knowledge and trust can be vital to building leadership in development activity, implementing climate adaptation and delivering humanitarian support.¹⁹

Second, working with and through CSOs provides a means to increase the effectiveness of donor aid. Including communities in decision-making on resource allocations and delivery can help to resolve complex issues and prevent conflict between authorities and local communities. Local input can also make a significant difference to managing the costs of infrastructure works, through using local contractors or by adopting processes of co-production. These links can also be effective in aligning donor funding with other public and private funds and with community savings schemes.

Third, local leadership through CSOs can enhance the sustainability of impact by engaging communities, applying local knowledge and establishing ownership of interventions. Involving communities in the planning and delivery of housing, infrastructure and environmental improvements can ensure that development is fit for purpose and addresses the specific needs of target groups. Locally owned solutions are more likely to be adopted by residents of low-income settlements and take account of the need to establish long-term maintenance

arrangements. Urban development that is co-produced or co-financed jointly by local government and organised communities can have a positive legacy of improved communication and collaboration.²⁰

While these significant benefits provide a strong rationale for donor bodies to engage with CSOs, relationships can be problematic. This issue is explored further in section 4, but it is important to recognise that unequal levels of power, misaligned expectations and clashing priorities can be impediments to making inclusive development relationships work in practice and over the long-term. For donor organisations, challenges arising from: the difficulties of translating project activity to a city or national scale; the increased transactional costs of working with local organisations; and concerns over financial accountability and risk management can be disincentives to utilising CBF approaches.

2.1 Community-based Finance Mechanisms

DEFINITION

CBF is funding, from multiple sources including community members, directed to and through civil society organisations, which enables grassroots populations to lead the design and delivery of development interventions in their own context.

Overall, levels of donor funding to CSOs form a relatively small part of Official Development Assistance (ODA). A simplified view in figure 2, shows the primary channels for ODA are through multi-lateral routes, that include international organisations such as UN agencies and the World Bank, and through bi-lateral routes, where donor countries have a direct relationship with the (beneficiary) developing country, typically at a national government level, to fund debt relief, public-private partnerships and CSO activity.

In 2019, Development Assistance Committee (DAC) country members²¹ distributed around three quarters (74.6%) of ODA through bi-lateral or earmarked multi-lateral routes, with the balance (25.4%) through pooled multi-lateral channels (figure 3). Within the bi-lateral allocations, DAC members allocated just 15% to CSOs (figure 4), with the vast majority of these budgets directed via CSO groups based in their own countries or working internationally. Direct funding of CSOs based in developing national forms a small part of bi-lateral allocations at an average of just 7% for DAC members and 1.2% for Germany.

The selection of the preferred channel for allocating development aid can differ significantly between donor governments

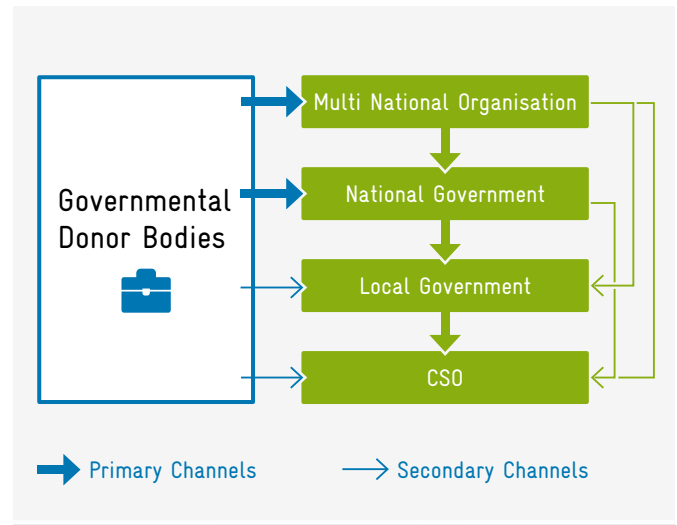


Figure 2: Key Channels for ODA

Source: Author

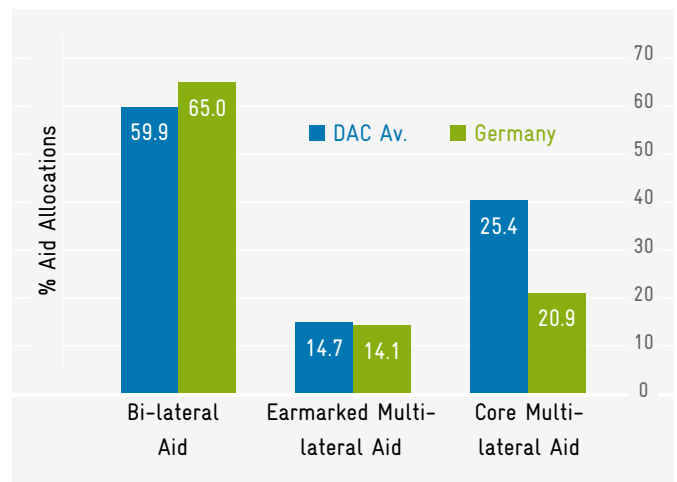
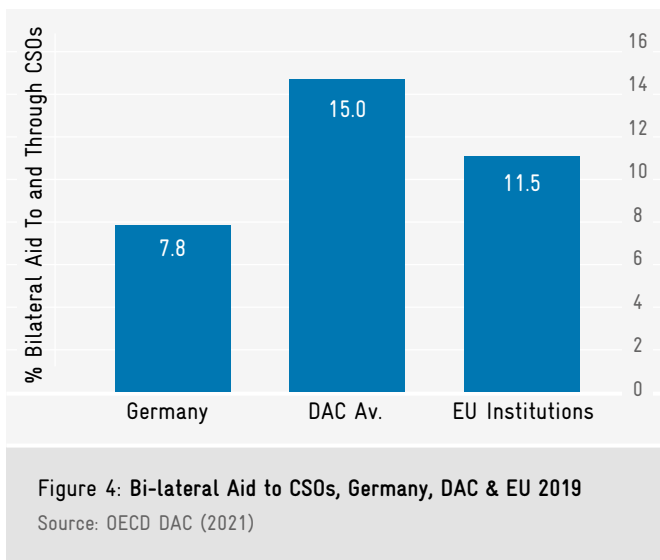


Figure 3: ODA by Channel, DAC & Germany 2019

Source: OECD DAC (2021)

and is determined by a range of national policy factors. These include the relative politicisation of the channel, the aid-recipient preferences, the ability to determine the use of aid and its effectiveness and efficiency overall.²² The use of bi-lateral channels offer greater donor control and direct accountability over spending and visibility, within both the donor and developing country.²³ Among DAC members the level of bi-lateral funding allocated to and through CSOs varies significantly and ranges from 55.5% by Spain through to just 5% by France. The DAC data provides an indication of the primary route for ODA, which may differ from the final values of aid that are made available at the local level to delivery partners.

The pathways and configuration of finance to the local level can make a significant difference to the long-term contributions of funding to development outcomes. Direct funding to CSOs allows donor organisations to develop partnerships with groups operating in target countries, sectors or in specific policy theme areas. For the French government,²⁴ globally networked CSOs are essential partners in tackling increasingly complex development challenges. Similarly, in the UK, CSOs provide global reach and a source of expertise to design and deliver quicker and more effective development and humanitarian interventions.²⁵ International CSOs or CSOs based in the donor’s own country are viewed as ‘better equipped’ and more trusted than groups based in developing countries, to deliver programmes at scale and report back to donors.²⁶



While increasing the proportion of ODA routed to and through CSOs can be impactful, the terms of allocations are equally important. Mechanisms that allow for greater decentralisation of decision-making, on the use of donor and public finance for development, creates spaces for collaboration and a catalyst for reshaping the functional relationships between national and local government.²⁷ Effective use of donor funding to support CBF can be highly effective in building long-term local capacity for communities to engage municipal government as equal partners in urban development. It can be used to strengthen the mechanisms to blend investment from public and private sources with local savings and human capacity to create stable framework for delivery. Donor funding can also help to attract investment capital, which when combined with long-term revenue streams and taxation improves market conditions and nurtures local capacity.²⁸

3. Community-based Finance in Practice

The practice of community-based finance (CBF) can take a wide variety of forms, with donors working with state and non-state actors to channel resources to the grassroots. For donor organisations, different funding pathways are used to engage communities in upgrading activity, with funds typically routed through public or intermediary agencies acting as an ‘accountable’ body for grant, with communities involved in decision-making and delivery. Alongside physical improvements to environments and infrastructure, donors may use the process of funding local development to improve community capacity and ownership of settlement upgrading. Local partnerships between organised communities and municipal government, where donor funds incentivise negotiation and joint delivery, can transform institutionalised relationships and provide project access to regulatory approval for upgrading, matched public funding and strengthen relations between communities and government.

This section reports a rapid review of the existing literature to provide examples of funding flowing between donors and CSOs involved in the delivery of community-based urban development. The selection of examples has been made to inform potential entry points for German development cooperation, drawing from a range of sources.

3.1 Strategic Partnership Arrangements

Bi-lateral donors have run programmes specifically geared to leveraging the global networks of CSOs, using strategic partnership arrangements. These create ringfenced budgets for development and humanitarian aid, distributed and managed through in-country networks of grassroots-based groups. Working with large CSOs, operating at an international scale, provides donors with a prime contractor relationship able to deliver multi-faceted physical and social development programmes at a grassroots level.

The UK government, through the former Department for International Development (DFID), ran two schemes focused on CSO strategic delivery: Programme Partnership Arrangements (PPA) and the Global Poverty Action Fund (GPAF) that both operated between 2011 and 2016.²⁹ These programmes funded UK based and international CSOs working in countries and sectors addressing UK development goals across a number of grants that allowed interventions at varying scales. The PPA programme offered a range of grants to 41 organisations between 2011 and 2016 totalling £672m, with an average grant size of

£16.8m. The GPAF offered ‘small grants’ (up to £250,000) for UK based CSOs with annual income of less than £1m. It also provided ‘impact grants’ (between £250,000 and £4m) for UK CSOs and CSOs working in target countries.

BOX1. BRAC BANGLADESH

A Strategic Partnership Arrangement (SPA) was agreed in 2011 between BRAC, DFID and DFAT. The SPA provided a commitment to core budget support and programming for 5 years. It sought to develop and test new relations between donor and CSOs to improve the impact of development funding, achieve greater efficiency in the use of funds and knowledge sharing. Within the agreed strategic framework, BRAC retained control over the use of funds and the partnership outputs, working through its grassroots-based networks across Bangladesh. Around 10% of the SPA delivery budget was provided by BRAC from its existing microfinance and development programmes. By providing predictable and flexible core budget, BRAC was able to evolve its activity and respond more quickly to emerging development priorities. The commitment required some risk and change by the donors to delegate control over spending to BRAC, but has led to notable positive outcomes. DFID agreed a second stage SPA in 2016 to March 2021 allocating £223m plus £42m from DFAT in unearmarked funds.

These programmes are of interest because they were not tied to particular interventions or initiatives and while delivery partners needed to align their activity to UK priorities, the CSOs, as strategic partners, were free to determine the precise use of funding to meet local needs.³⁰ DFID has established a small number of long-term strategic partnerships with large CSOs in developing countries. Notable among these has been the relationship with BRAC,³¹ in Bangladesh (see box 1) that included a five-year £358m contract held jointly between DFID and Australia’s DFAT.³² The UK has had a long and evolving relationship with BRAC to deliver multi-faceted development programmes and used knowledge exchange to innovate development practice. The focus on core funding, rather than prescribed delivery arrangements, helped to equalise the partnership beyond a donor-recipient relationship.

These large-scale strategic partnerships are less common than programme level initiatives that have specific outcome targets. CBF approaches are used in urban programmes focused on infrastructure improvements, settlement upgrading and climate change adaptation where there is a clear role for organised communities to co-produce delivery or co-ordinate local action. As set out in section 2, there are significant advantages to community involvement where development is in complex urban settings that require, or would benefit from, the consent or participation of local residents. For donor programmes, local leadership and engagement is more inclusive than imposed programmes and can be more cost efficient and effective in the long run.

3.2 CBF for Settlement Upgrading

A leading example of CBF for settlement upgrading is the Asian Coalition for Housing Rights (ACHR) and the formation of the Asian Coalition for Community Action (ACCA) in 2008 – see box 2.³³ Building from the experience of a decade of engagement with Thai Government, including delivery of subsidy and loan programmes for housing upgrading (through the Baan Mankong³⁴ initiative), ACCA was designed to support community-led upgrading initiatives that could be expanded, in partnership with local government, to a city-scale. Operating across 19 Asian countries and focused on community-led planning and implementation of settlement upgrading, ACCA creates a framework for public grants and asset transfers from national government matched by community savings and other income to deliver key housing, environmental and infrastructure improvements. They are intended to make a real difference to the lives of community members, while also unlocking the power of collective action; demonstrating the impact of decentralised development and improving the negotiating position of communities to access more investment and support.

BOX 2. ASIAN COALITION FOR COMMUNITY ACTION (ACCA)

ACCA provides a development finance model sufficient to make meaningful improvements to informal settlements, but at a scale to allow participation by people with low and unstable incomes. The financial mechanism is rooted in community savings groups that are networked at a city-level through community development fund (CDF) committees. The CDF provide structures to involve a wide group of stakeholders and potential funders in settlement upgrading, without diluting community

control over the use of resources. The extended networks of stakeholders at city-level allow pressure for changes in public policy and regulations governing land use and housing, while creating precedent for the co-financing of settlement upgrading. Using the CDF as a means to elevate discussion to the city level is vital to generate the scale of public and private investment needed to improve infrastructure and access to services to settlements.

Tailored to the specific needs and contexts by local communities, the core principles of collective and practical action, controlled by residents of low-income settlements, have been consistently applied.³⁵

Despite individual projects being kept intentionally small scale, settlement groups form a larger body by coming together at a city and national level, to share knowledge and problem solving across ACHR membership. The networking provides visibility and enables groups to engage and negotiate with municipal and national government on issues of land access and tenure and infrastructure finance.³⁶ The model of participatory development has been effective in leading to city-community partnerships and ongoing dialogue and planning reforms to make housing upgrading more affordable.

UN-Habitat has established a model of multi-stakeholder delivery at city-level through the Participatory Slum Upgrading Programme (PSUP).³⁷ PSUP is a joint initiative involving UN-Habitat African, Caribbean and Pacific (ACP) states and the European Commission. It has run over 3 phases from 2008 – 2021 in 190 cities and 40 ACP countries. It is aimed at improving conditions for the urban poor, through co-ordinated action by multi-stakeholder partnerships.

The model follows a structured process whereby a national government joins PSUP, identifying cities to participate in the programme. Each city is then profiled, with actions identified and implemented, with the local leadership of municipal authorities and organised communities. The programme is founded on an assertion that transformative change can only be achieved through the concerted and co-ordinated efforts of all urban stakeholders, including national and city government and slum dwellers.

The programme underlines the importance of communities and local government working together to address insecurity of tenure, the provision of basic service infrastructure, disposal of waste and improvement to the quality of housing. Management of PSUP is undertaken by a city-level partnership, reporting to a national government department and UN-Habitat Country Office, to ensure spaces for collective dialogue and decision-making.

BOX 3. PSUP – ACCRA, GHANA

A community managed funds initiative was delivered in the Ga Mashie settlement in Ussher Town Jamestown Accra. Led by a partnership (the Ga Mashie Development Authority - GAMDA) involving Accra Metropolitan Assembly (AMA) and residents and community leaders, the programme delivered a series of public works including paving of alleys, construction of toilet blocks, a community centre and established a micro finance initiative. While delivery was led locally, the community was supported by the AMA who assisted with procurement, ensured that the works complied with local building standards and that payments to local contractors were fully accountable. The AMA provided skills and experience in public works management, allowing communities to focus on engagement of residents and oversight of the programme. The works provided employment and training for local young people, extending the impact of the investment on the employment prospects of youth.

In addition to the collective prioritisation and design of development actions, 10% of the total PSUP budget is allocated for the implementation of projects delivered directly by local communities – see box 3. The budget is used to deliver specific improvements to the settlement, determined by residents, as a contribution to the PSUP objectives. The improvements are intended to have a qualitative impact on the lives of people in the settlement, but also to incentivise community mobilisation and contribute to the capability of the community to collectively manage funds and take a leadership role in the delivery of development.

CBF provides a response to calls for greater decentralisation of climate and development finance.³⁸ With urban planning systems and mechanisms for allocating national and multi-lateral climate funds limiting the spaces for local leadership and involvement in decision-making,³⁹ CBF offers a mechanism to blend funding and utilise local knowledge. Structural barriers to decentralising funding exist despite evidence that relatively small amounts of adaptation finance can have a significant impact in reducing climate risk for poor households.⁴⁰ Working at a city and local level, through municipal authorities and organised community groups, can enhance the identification of and response to risk and create long-term capacity for co-ordinated and collective action. An example of city level action is the C40 Cities Finance Facility,⁴¹ which is funded in-part by German Government, working with cities to develop finance propositions for climate adaptation.

BOX 4. FRONTLINE FUNDS ACCELERATOR

Established as an equal partnership of diverse organisations to drive grassroots-led climate adaptation, which includes grassroots networks the Huairou Commission (huairou.org) and SDI (sdinet.org) alongside the Global Resilience Partnership, (www.globalresiliencepartnership.org) the Climate Justice Resilience Fund (www.cjrfund.org) and IIED (www.iied.org). The Accelerator aims to support local climate adaptation, by attracting funding from philanthropic and governmental donor bodies to direct into locally determined and delivered actions that reduce climate vulnerability. The model promotes an integrated approach to aligning investment by public, private and community level resources, to build the capacity and leadership of people on the frontline of the effects of climate change.

While shifting structures that govern the distribution of climate finance is challenging, existing models of community-driven development, grassroots leadership through networks such as SDI and ACHR provide important learning for climate adaptation. An emerging model is the Frontline Funds Accelerator⁴² initiative (see box 4), which has created a funding mechanism to invest in grassroots-led responses to climate change. The accelerator is intended to both create a conduit for national and international funds to reach and be used by grassroots groups to deliver effective adaptation measures, as well as providing a catalyst for institutional change that fully recognises the agency and contribution of communities to addressing climate risk.

These models can fit into city and national level devolved programming to deliver development, livelihood measures and climate change adaptation. A further example of practice can be seen in the Kenyan Financing Locally Led Climate Action Programme.⁴³ The initiative contributes the delivery of national climate targets and is supported by the World Bank and aid from Denmark and Sweden. Ninety percent of the programme funding will be spent at a county and community level, with allocations determined by local government and citizen groups prioritisation of risk and opportunity for effective climate adaptation. Nationally scaled and locally delivered, the programme sits within a framework of devolved decision-making to exploit community level knowledge and capacity to drive change.

3.3 CBF Building Community Leadership

CBF can also be achieved where funding of CSOs is linked to participatory forms of urban development. UN-Habitat has developed and implemented a model called the People's Process,⁴⁴ as a basis for post-conflict, disaster response and urban development activity. This adopts a series of five 'steps' that lead from community and social mobilisation through action planning and priority setting and to the disbursement of funds, delivery and participatory monitoring. A key element of the approach is community contracting (see box 5),⁴⁵ where funding agreements are made with registered community-based organisations to deliver physical improvements within settlements. The contracts place responsibility for delivery of recovery and upgrading activity with the community, and have the stated aim building long-term community capacity and competence to lead development.

BOX 5. COMMUNITY CONTRACTING

Community contracting aims to shift conventional arrangements to enable communities to have greater control of delivery of settlement improvements and benefit from the process of housing and infrastructure construction. Community contracting forms part of the process of settlement mobilising to establish a Community Development Council (CDC) or recognise an existing community group. The CDC provides the focus to involve people within a settlement in prioritising and deciding on recovery and development actions. It also creates a point of contact and dialogue with the local authority. The CDC has to be formally constituted, to enter into contract, and remains accountable both to the donor body and to the community it represents. Project and performance monitoring takes place at a community level, including reporting back to the donor organisation.

Similarly, CLIFF⁴⁶ was established with the objective to enable low-income communities to drive housing and infrastructure development – see box 6 – from the grassroots. While the programme has achieved significant coverage, working in cities in over 15 developing countries, sustainable impact depended on localising and institutionalising practices with municipal government and mainstream finance providers.

A key lesson from the CLIFF programme has been the importance of sustainable funding by establishing a long-term public sector commitment and the creation of a robust marketplace for low-income housing finance. Recent activity in Uganda involving Cities Alliance, FCDO and Government of

BOX 6. COMMUNITY-LED INFRASTRUCTURE FINANCE FACILITY (CLIFF)

CLIFF was launched in 2002 as a vehicle to provide finance for housing and basic service infrastructure to low-income communities. Co-ordinated by the UK NGO REALL (formerly Homeless International), CLIFF was funded by DFID and SIDA. CLIFF had two main components, firstly to build organisational capacity within communities to lead housing and infrastructure improvement, establishing effective partnerships with municipal authorities and the private sector. Secondly, capitalising a revolving fund (in the form of a loan) to purchase land or provide micro-mortgages to slum dwellers. This approach is intended to create financially sustainable and locally controlled finance mechanisms for housing improvement.

Uganda is exploring models of finance for incremental housing improvement of informal settlements affected by the Kampala-Jinja Expressway.⁴⁷ As part of a wider economic and environmental programme, the work aims to demonstrate the potential of co-financing housing improvement, drawing together ongoing national treasury investment and community savings to create a loans scheme for low-income households. Pooling public funding with collective savings schemes aims to create the sustainability needed for incremental settlement upgrading.

Donor engagement of intermediary agencies with a strong track record of participatory development can offer an effective model of CBF delivery. Donors working with and through organisations, such as Cities Alliance, gain access to capacity, expertise and international networks to blend funding from public and private sources. Moreover, intermediary partners are able to undertake more bespoke contracting of aid, engaging grassroots groups and creating longer-term frameworks for community development and leadership.

A key example is the Cities Alliance Community Upgrading Fund (CUF) in Liberia.⁴⁸ As part of the Cities Alliance Country Programme, CUF provides financing for small infrastructure projects selected by urban poor communities. With funding from the UK NGO Comic Relief, CUF supports physical and social infrastructure investment. In Liberia, CUF is improving access to clean water and sanitation and constructing education facilities. Through bringing together municipal government and communities, CUF is strengthening dialogue and cohesion.

Donor funding can also be used to support CBF working with organised and internationally networked grassroots groups and their NGO partners across the global South. The Urban

Poor Fund International (UPFI)⁴⁹ (see box 7) is a subsidiary of Shack/Slum Dwellers International (SDI), which provides capital to national federations of slum dwellers to undertake housing, infrastructure development and settlement upgrading activities. UPFI provides a framework for national federations of slum dwellers to engage international agencies and a mechanism to blend funding from donor and philanthropic organisations with the savings of city-wide and national federations.⁵⁰

UPFI supports housing and settlement upgrading, led by urban poor populations. It enables organised networks of slum dwellers to engage municipal government and banks as a funder, to initiate demonstration projects able to influence land use and planning policy and provide a bridging fund to sustain delivery when donor funding for community-led projects is delayed. A key feature of UPFI is how it is led by its grassroots members, through national federation structures, to be responsive to the needs of urban poor. The uses of the fund are determined by demand for investment, with SDI providing the international structure to connect with funding bodies. The effectiveness of UPFI is driven by the organisational capacity and savings of grassroots groups of the urban poor. The fund provides a source of pro-poor finance, utilised by slum communities, in the absence of mainstream lending or banking services.

The effectiveness of grassroots leadership demonstrated in UPFI is also mirrored in the contributions of organised communities responding to COVID-19. Working within communities, using established networks of savers groups and neighbourhood committee, small CSOs have worked with municipal government to share information, to distribute food and to inform the delivery of public health measures during the crisis. These have utilised existing partnerships, as through the PSUP programme in Accra detailed in box 3 above,⁵¹ and through new partnerships forged to combat the spread of the pandemic in informal settlements. These partnerships have brought together funding and capacity to target interventions at a time of need; underlining the added value of co-ordinated effort at a local level.

BOX 7. URBAN POOR FUND INTERNATIONAL

UPFI has operated since 2007, with contributions from a wide range of donor and philanthropic organisations. Through SDI national federations, the fund has supported community-led initiatives across the SDI global network, some examples are:

- ▲ Settlement re-blocking of 250 shacks in Mtshini Wam, Cape Town, with the Bill and Melinda Gates Foundation, Norwegian Government, Rockefeller Foundation and South African SDI Alliance.
- ▲ Construction of community toilet blocks in Mumbai with Gates Foundation, SPARC and NSDF
- ▲ Construction of 10 demonstration houses in Freetown Sierra Leone with the SELAVIP Foundation, Y Care, YMCA and CDHSPA.
- ▲ Construction of 500 houses and sanitation improvements including 10,340 toilet seats, with Gates Foundation, SIDA, Norwegian Government, the Rockefeller Foundation SPARC and NSDF.

4. Barriers and Enablers to Community-based Finance

Increasing the level of community-based finance (CBF) requires adjustments to existing structures and processes of aid delivery. CBF creates a number of challenges for both donors and CSOs that arise due to differences in scale, expectations and the power imbalances between funder and beneficiary organisation. For donor bodies, increased use of CBF approaches have implications for established decision-making processes and operational arrangements to accommodate the limitations of CSO delivery and administrative capacity. For CSOs, there may be requirements to create management and accountability systems that meet the audit requirements of public funders and a need to negotiate delivery models to reconcile differences in values and priorities. Implementing CBF requires identifying and overcoming barriers to delivery that can only be achieved through closer partnership working.

contracts and partnership funding agreements that inform delivery models the value of funding and timescales available to delivery bodies.

4.1 Power and Perceptions

The systems and culture of decision-making and control within a donor organisation shape the potential use of CBF. Prevailing national legal frameworks, governing accountability for public funds, and the political contexts that determine appropriate use of resources, inform expectations about the role of CSOs in development. These conditions inform the policy goals against which funding is allocated and can be either a barrier or enabler for CBF.

Linked to the formal terms for aid governance are perceptions of the effectiveness of CSOs. For most DAC countries, the vast majority of bi-lateral aid to CSOs is routed through organisations based in their own country or that are working internationally from another donor nation. These ‘home’ CSOs will be subject to the same accountancy rules and cultural values as the donor. As indicated in section 2, research in the UK shows that these groups are considered more capable and trustworthy by donor organisations than CSOs based in developing nations. The implications are evident from 2019 DAC data, which shows on average 7% of bi-lateral aid to CSOs is directed to or through organisations based in developing nations, with Germany routing just 1.2% of its bi-lateral CSO funding directly to local groups.⁵²

Perceptions of the capability of local groups and concerns about risk associated with funding allocated directly to CSOs in developing nations, particularly where this implies a loss of control, can inhibit the adoption of more direct relationships. A lack of knowledge or track record of joint working acts as a barrier to a more equitable co-productive relationship.

Where there is a lack of trust or evidence of capacity, the obvious solution for donor organisations is to assert authority through the creation of burdensome administrative arrangements. However, these may be counterproductive to CBF by deterring local level engagement in the planning and delivery of interventions. Complex management arrangements can mean that CSOs are effectively locked-out of relationships, without the opportunity to demonstrate their capacity and reliability to deliver aid funded programmes. A risk for CSOs occurs where

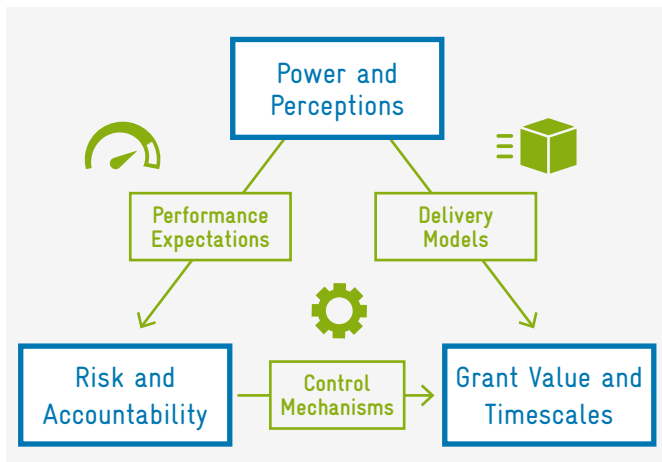


Figure 5: Barriers to Community-based Finance
Source: Author

As illustrated in figure 5, three key aspects of the operation of donor funding can be identified as barriers to CBF. These are firstly, the function of power and donor perceptions of CSOs as effective delivery agents. At a policy level this is a key factor shaping decision-making. Flowing from this is secondly, tolerance for and management of risk. Expectations about inherent risks of local delivery determine the acceptability of CSO working and prospective roles as a development partner. Thirdly, are the control mechanisms put into place through

problems emerge with evidence or audit requirements, where donors can halt the flow of resources, which can have a catastrophic impact on the viability of CSOs that rely on steady income to cover their costs.⁵³

A number of the case studies identified in section 3 demonstrate that rebalancing power relationships (at a project and contract level) and changing organisational perceptions is possible. Moreover, that the process of creating more flexible partnership arrangements can bring significant benefits in terms of innovation and resource efficiency. Strategic partnerships arrangements between BRAC and the UK and Australian government allowed for more effective tailoring of actions and faster local responses to crisis conditions. The ACHR experience of ACCA demonstrated how using relatively small amounts of money and structuring locally led decision-making through City Development Funds has made a major difference across Asian cities. There is also some evidence from the UK of international CSOs working to reduce the management chain between donors and frontline delivery to create more of an enabling environment to encourage grassroots leadership.

Key Barriers	Enablers
Rigid power structures.	Negotiated partnership arrangements to devolve decision-making to the local level, allowing local flexibility on what interventions are delivered.
Overwhelming administrative arrangement.	Simplify contract requirements, with the donor focusing on essential compliance issues.
Lack of knowledge and trust in local CSOs.	Working with federated groups of local CSOs or with the support of experienced intermediary agencies. Build trust and local capacity.

Table 1: Key Barriers and Enablers, Power and Perceptions

4.2 Risk and Accountability

Perceptions of risk and problems of accountability, when working with CSOs at a local level, is a major challenge for donor organisations. Requirements on donors to demonstrate transparent processes of decision-making and fully auditable accounts are passed onto delivery organisations, through grant or contract agree-

ments. The need to comply with financial regulations can lead to risk aversion, resulting in donors avoiding delivery arrangements that differ from ‘normal’ operational standards.

The application of donor standards in financial accounting, performance management and evidence of return on investment, can make it impossible for small and specialist community-based organisations to access donor funding calls, other than where they are tailored through small grants packages. An independent review of UK donor aid⁵⁴ shows that while there is a strong rhetorical commitment realising the value of the community sector in delivering development and humanitarian goals, the use of competitive funding calls and stringent contract conditions on grantee organisations is onerous and a barrier to the participation of CSOs. It found in the UK that reductions in core unrestricted funding, short term contracts and project-based performance management diminished the long-term capacity of CSOs.

The use of rigid systems of risk management also leads to a loss of innovation in the design and delivery of development interventions. Concerns over delivery of contract milestones and outputs being a block to creative problem solving.⁵⁵ Inflexible aid management can undermine the ability and willingness of CSOs to adapt provision and be responsive to partners and situations on the ground, thereby limiting their scope to address complex development problems towards long-term, transformative and sustainable change.⁵⁶

A key area of tension is how efforts to meet donor requirements effect the culture and stability of community-based organisations. ‘Professionalising’ management arrangements within community-based organisations can risk undermining the essential social character of groups working from informal settlements,⁵⁷ where collective decision-making, and bonds of trust and reciprocity create the very social capital vital to inclusive development. Rigid systems of project design, decision-making, and accountability can ultimately lead to outputs that do not meet the needs of communities. They also obscure the value of social and capacity benefits created, but not ‘counted’, within performance management frameworks.

Effective control of risk and accountability for public resources will continue to be vital to both donor and to CSOs. However, the mechanisms of financial management often lack flexibility to cope with the particular contexts for development delivery. CBF approaches should meet the needs of both donor and CSO and be able to cope with the complexity of funding blended at a local level. Section 3 highlights examples of more tailored approaches to risk management through UN Habitat’s community contracting model, which not only applies context relevant controls, but also encourages horizontal accountability among community members and between local government and the community. There are initiatives such as the trust-based philanthropy model,⁵⁸ where philanthropic donors are exploring ways to remove inherent power imbalances from the funding system.

Key Barriers	Enablers
Top-down financial control conditions	Flexible risk and audit requirements that provide safeguards, but are deliverable at a local level.
Low risk / low innovation model	Allow for experimentation and local design to extract innovation and learning from delivery.
Professionalisation diminishes social bonds	Tailored financial management to protect the essential characteristics of informal community activity.

Table 2: Key Barriers and Enablers, Risk and Accountability

4.3 Grant Value and Timescales

The value and timescale applied to development aid forms a key part of the control mechanisms used by donors. The terms applied to programmes determine the financial scope and define the time period within which the donor considers an output can be generated. Where these factors are set without input from the delivery context, they risk mistaking the reality and difficulty of meeting development goals.

The scale of funding, as well as its flexibility of use, should be commensurate with the task undertaken. Achieving this balance can only be accurately assessed through evidence and negotiation involving both the donor and the delivery partner. For CBF, the scale of budgets need not be large, with clear evidence in development and climate change adaptation that smaller grants, match funding and contributions to revolving funds can be effective in generating meaningful change. However, these types of funding packages need to be shaped to reflect the capacity of both CSOs and community members. They should be responsive to the incremental character of upgrading in informal settlements, to account for the instability of individual earnings, where residents are contributing to costs of housing improvements. They should also reflect the limited capacity of government to produce upfront capital investment or rely on steady revenue income streams to fund development.

A key role for donor funding is to provide a catalyst for activity that can be mainstreamed within public budgets or provide the core of blended funding approaches for sustainable development. Joint programme planning and design with CSOs can provide a framework for realising development goals beyond the capacity of donor funding alone. Longer term flexible funding that stabilises the core capacity of a CSO, meeting staff and

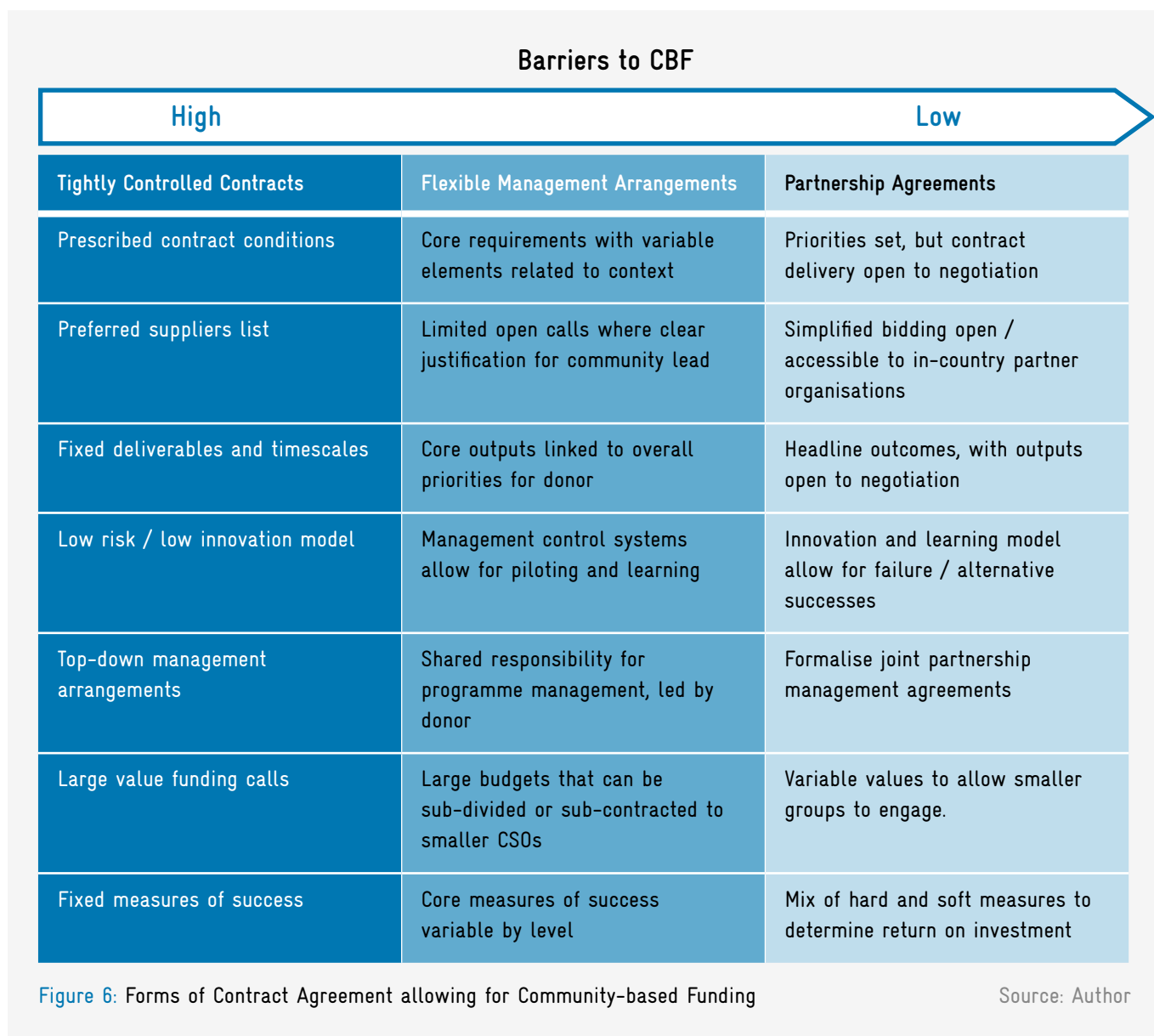
overhead costs, can be more impactful than successive short-term project contracts, particularly where this enables CSOs to access a broader base of funding. Similarly, structures, at a city level, that enable blending of public, private and community funds and that create an effective market for financial products may create longer term benefits as well as influence positive institutional change.

Flexibility in the scale of funding and the timescale for delivery can be embedded in processes allocating donor aid. As highlighted in section 3, the problems associated with the lack donor internal capacity for CBF small grants can be addressed through partnerships with intermediary agencies or federated structures, such as SDI, to provide additional capacity to localise activity and establish the systems needed to manage the distribution of funds. Organisations with a strong track record of participatory working provide a means for donors to implement CBF approaches, without significantly increasing staffing numbers. Similarly, structures, such as those created by ACHR, can provide frameworks for integrating multiple sources of funding and creating dispersed project activity across small urban and rural communities, creating scale and increasing the spatial coverage of development interventions.

Key Barriers	Enablers
Size of budgets may be unmanageable for small CSOs	Vary budget scale or provide additional administrative support to reflect CSO capacity.
Timescales may be inappropriate to task	Negotiate timescales and project exit arrangements suitable to the goal.
Insufficient flexibility to blend or revolve funding	Set contract requirements to maximise the leverage and impact of funding over the long-term.

Table 3: Key Barriers and Enablers, Grant Value and Timescales

The relationship between donor and CSO is typically governed through a contract or partnership agreement, the tone and terms of which determine the possibility of CBF. Figure 6 summarises the key issues identified in section 4, against a scale of contract flexibility.



5. Entry Points for German Development Cooperation

In 2020, German Government indicated a strategic refocusing of priorities and action in the BMZ 2030 Reform strategy.⁵⁹ This sets out the basis for enhancing the quality of development co-operation, providing a clearer focus on climate, health and family policy, sustainable supply chains, harnessing digital, technology transfer and strengthening private investment. While there are plans to reduce the number of partner countries receiving official development assistance, BMZ will continue to work with and through CSOs to target the most vulnerable populations, particularly those located in crisis and refugee regions.

With policy frameworks in transition, there is an opportunity to strengthen co-operation with civil society organisations to more precisely target development aid to deliver SDGs in context of urban poverty. As set out in section 2, the involvement of CSOs at the grassroots has particular benefits for donor organisations: they can enable a more inclusive approach to the delivery of development and environmental initiatives and can play a key role in raising the efficiency and impact of aid on tackling poverty. The specific benefits for development co-operation are summarised in the table below.

Communities as stakeholders and strategic partners – informing the design of development policy and investment programmes.	CSOs as delivery bodies - working to co-ordinate community input into development and provide services at the grassroots.
<ul style="list-style-type: none"> ▶ Embedding the principle of inclusion in the planning and delivery of development interventions. ▶ Using the knowledge and experience of communities, on the conditions of informal settlements, to address poverty and climate risk. ▶ Making development policy more relevant to the needs of low-income communities. ▶ Strengthening chains of accountability between government and communities. 	<ul style="list-style-type: none"> ▶ Provide access to low-income communities as a trusted and credible delivery agent. ▶ Raise the effectiveness of service delivery, tailoring engagement and provision. ▶ Mobilising collective action to contribute to the co-production of development and climate change adaptation. ▶ Building social capital and networks for service delivery, as during the COVID-19 pandemic.

Table 4: CBF Benefits for Development Cooperation

Integrating the benefits of CBF approaches into German development co-operation can be achieved through a number of routes that include adapting the implementation of policy and programming in the short-term through to cultivating new approaches, with and through development partner organisations, to address longer-term pressures on development funding. The options and potential entry points for German development co-operation are set out below.

5.1 Advocacy and Policy Engagement

German Government has significant leverage to shape policy, debate and programme design through its relationships and

role as a major aid donor. Placing a focus on CBF and using its international position as a strategic convener of donor bodies, membership groups and delivery agencies could raise the profile of CBF and influence the operation of partner organisations. This could include working at an international level, with membership groups (such as CCFLA), with regional development and infrastructure finance organisations and through joint advocacy with networks of cities, to put CBF on the agenda. It could also operate through GIZ country offices, as part of bi-lateral collaboration and funding agreements with governments, where GIZ is providing a challenge to prevailing methods of working with the aim of strengthening the connections between aid allocations and inclusive forms of development delivery.

What	How
International engagement – raising the profile of CBF with global networks	<ul style="list-style-type: none"> ▶ Publicising GIZ / BMZ interest in CBF with international partners. ▶ Engage in joint advocacy for CBF with city networks and city stakeholders. ▶ Extend German leadership of debate through memberships of existing multi-lateral organisations. ▶ Engage regional development banks, finance organisations and private sector partners in discussion on CBF. ▶ Sponsor pilot and partnership activity to advance the practice of CBF in collaboration with grassroots global networks.
Strategic and commissioning relationships with international CSOs	<ul style="list-style-type: none"> ▶ Encourage CSOs to increased engagement with and devolution of resources to grassroots groups. ▶ Support CSOs to reduce the management chain between the international and the local delivery body. ▶ Encourage and support leadership from the sector. ▶ Offer guidance and support through GIZ country offices to test CBF approaches.
Influence bi-lateral partners through country office collaboration and programme design.	<ul style="list-style-type: none"> ▶ As a strategic convener in developing countries, bring government officials and local CSOs together, linked to ODA planning and management. ▶ Support the establishment of city-level planning frameworks for increased involvement of grassroots groups, with support from intermediary partners. ▶ Encourage and enable ongoing information sharing and dialogue at a local level on CBF. ▶ Support and facilitate inter-governmental dialogue and exchanges on CBF and issues of urban development.
Enable policy officers within GIZ and BMZ to encourage use of CBF approaches	<ul style="list-style-type: none"> ▶ As a majority of GIZ funds are through bi-lateral agreements, prioritise guidance and share models and examples of good practice with GIZ country office staff. ▶ Develop a programme of exchange visits and secondments to and from leading community-based practitioner groups.

Table 5: Entry Points for German DC, Advocacy and Policy Engagement

5.2 Programme Development

The existing programme and commitments to multi-lateral and bi-lateral aid provides entry points to refine delivery to achieve a greater impact from CBF. Building from existing relationships and using feedback from funded partners provides a means to adapt operational arrangements and to increase the level of

CBF delivered through German aid. Short-term measures can be developed with existing partners to extend German involvement in participatory programmes (such as those delivered by UN-Habitat), these provide an opportunity for greater involvement to assess implications for programming. Longer-term developments requiring new commissioning or partnership arrangements could be initiated to address more systemic issues.

What	How
Expand engagement with multi-lateral participatory initiatives	<ul style="list-style-type: none"> ▲ Increase earmarked resources delivered through UNDP and UN-Habitat for CBF programmes. ▲ Identify opportunities to build on previously successful city-level programmes, where there has been community capacity building (e.g., SDI, PSUP and CUF). ▲ Influence future programme development, co-ordinating action with national donor bodies.
Extend use of intermediary agencies for CBF	<ul style="list-style-type: none"> ▲ Increase funding via groups such as Cities Alliance that have a strong track record of city level grassroots engagement. ▲ Influence future programme development, co-ordinating action with national donor bodies.
Support for international federations of grassroots groups	<ul style="list-style-type: none"> ▲ Engagement of international grassroots groups as a managing agency able to support funding to grassroots groups. ▲ Where appropriate, capitalise existing revolving funds to expand loan funding for urban development at a local level. ▲ Support core capacity of grassroots federations to improve financial management systems. Increase engagement and two-way learning on assessing value and impact of CBF.
Promote blended and sustainable finance mechanisms.	<ul style="list-style-type: none"> ▲ Identify opportunities for blended finance models at a national or international scale to draw together public, charity and private sources of funding with community resources. ▲ With partners (including regional investment banks) identify infrastructure programmes able to generate sustainable domestic revenue that could feed into CBF. ▲ Through bi-lateral programme design, encourage national government to provide sustainable mainstream funding to CBF. ▲ With partners develop toolbox of CBF indicators able to replace or supplement existing performance and impact measures.

Table 6: Entry Points for German DC, Programme Development

The implementation of CBF approaches need to be carefully managed in order to achieve positive early impacts and avoid significant financial or reputational risks. The politics of aid provides a challenge in respect to both home constituencies concerned with the use of development funds, at a time where there is additional pressure on public budgets following COVID-19. There are also challenges in the relationships with bi-lateral

partners and complexities in internal politics of representation between city and national levels of administration. A key challenge for implementing CBF approaches to development cooperation is developing a nuanced understanding of the impact of development funding within specific urban contexts able to provide a clear return on investment in respect to SDG and Paris Agreement targets.

6. Conclusion

There is a growing international interest across development, humanitarian action and climate adaptation in the role and potential contribution of communities to deliver more efficient and sustainable change. COVID-19 has highlighted the stark inequalities found in cities, but has also underlined the real potential of organised communities as leaders, mediators, and service deliverers, working with local and national government. This study is timely in identifying options for German government to focus their development cooperation to include a greater engagement in CBF.

As set out in this study there are clear benefits for donor organisations from greater engagement in CBF in cities: to strengthen the inclusivity of actions at a local level; to improve the efficiency of expenditure at a time when governments face greater pressure on aid budgets; and to embed development action within communities, building a legacy to sustain change over the long-term. These aims both complement the German BMZ 2030 Strategy and extend the existing activity of GIZ in urban development.

Implementing CBF would further utilise the existing networks and partnerships that GIZ has established through strategic global partnerships with multi-lateral organisations, leading international CSOs and through the extensive network of country offices. As outlined in the report, these routes provide pathways to both develop the operation of CBF, with intermediaries and bi-lateral partners, and develop new arrangements with global grassroots groups. With international attention on CBF, there is significant scope for innovation: designing mechanisms for CBF that would be of interest to major donors and multi-lateral bodies.

Section 5 of the study outlines potential entry points for German development cooperation, with a range of steps to use existing partnership routes and develop new initiatives to deliver urban development. These will rely on continuing an internal discussion within GIZ and BMZ to ensure policy alignment and to connect the operation of CBF with actions delivered through strategic partners and country offices. Due to limited public information, this study has been unable to fully engage with existing GIZ funded activity or identify current programmes that are already delivering forms of CBF. Adapting and expanding on funded activity offers the fastest route into CBF and provides an opportunity for practical learning, embedding CBF as a core consideration for the use of aid, rather than as an additional programming area.

As found during this study, there is an interest among donors, multi-lateral organisations and grassroots networks to continue the discussion and test the possibilities of relationships constructed around CBF principles. There is a wealth of experience of designing and delivering CBF and existing capacity within global networks to support donors to embed more inclusive and decentralised approaches to development and climate change adaptation in mainstream action. This interest and bedrock of experience, provides a strong foundation for Germany to adopt CBF as a core mechanism for the delivery of inclusive and sustainable urban development cooperation.

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