Briefing

Urban

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Policy pointers

Organised low-income communities provide an important source of finance and capacity that can make a significant contribution to the impact and sustainability of development interventions.

Formulaic programme management processes, often used in development, can create significant barriers to involving communities in delivering inclusive development.

The practice of community savings provides a platform for collective action; it builds the agency of urban poor communities to influence and negotiate with government and participate in development.

Community resources can be effectively blended with government finance to invest in community-managed development interventions. These address local needs and create a platform for stronger democratic engagement between state and citizen.

Local level finance: community-led contributions to delivering urban development

The scale and ambition of the Sustainable Development Goals (SDGs) creates a challenge to transform the way in which urban development is funded, managed and delivered. Estimates suggest that low- and lower-middle income nations may need to increase public and private expenditure by over US$1 trillion per year to achieve the SDGs.[1] When employed alongside traditional sources of public and private finance, organised low-income communities can make an important contribution to development through the use of networks at city and national levels, by aligning community savings with government and donor funds and adding organisational capacity for delivery. Moreover, communities can have a unique role in supporting the targeting of interventions to enhance the impact of development investment. This briefing provides an overview of how community finance has been used across the Global South to stimulate and deliver local-level development.

The SDGs and the New Urban Agenda provide a framework for more inclusive development. These policy statements underline the importance of towns and cities as centres of need and opportunity. They also recognise the inadequacy of existing systems to deliver change across complex and diverse urban environments. The language of inclusion indicates a move beyond participation, with communities identified as important agents of the economic and social development of cities. For the SDGs to be achieved, however, a revision of established institutions and financial mechanisms is required to position communities as expert actors in the planning and delivery of urban development.

While global agendas newly emphasise inclusive urban approaches, community-led and locally delivered development are well established through the work of Shack/Slum Dwellers International (SDI) and the Asian Coalition for Housing Rights (ACHR) affiliates. These groups have deep experience of delivering community-funded and partnership development initiatives in diverse urban contexts.[2] The examples provided in this briefing demonstrate the benefits of collective decision making to delivering land, housing and environmental improvements in low-income communities across the Global South. They also demonstrate the strengths of savings-based networks for building the financial and organisational capabilities of disadvantaged citizen groups, enabling them to play an active role in state and citizen partnerships.

Community-managed finance

Community-managed finance takes a number of forms and can be defined broadly as monetary resources that are created and controlled collectively by low-income households to improve housing and access to services. Several types of community finance exist, building from individualised household savings to a range of collectively managed forms including city-wide development funds. Table 1 identifies types of community-managed finance used to support housing, basic service infrastructure and environmental improvements at the local level. In practice these methods overlap and community members may engage in several simultaneously.

Joint projects can underpin more positive relationships between governments and the residents of informal settlements

Re-positioning community finance

Across most policy discussions of development finance, community-based savings and investments are positioned as part of household expenditure and are considered less significant than formal sources of public, commercial and donor-led development resources. Outside recent interest in the developmental potential of diaspora remittances,[3] there is little consideration of the role of community-based funds as either a means of financing local development interventions, or as an enabler to improve the effectiveness of targeting and delivery of large-scale initiatives. The overriding focus on high-level targets and national development programming, while important, misses an opportunity to build momentum at the grassroots for small-scale actions that deliver meaningful improvements in the lives of low-income community members. Savings-based organising creates a platform for physical improvements in housing and infrastructure and builds bonds of trust and mutual support between women, providing a basis for community-led collective action.

Initiatives that contribute to the construction of low-cost housing, climate change adaptation and environmental improvements (see Box 1) can make a significant impact, but they are limited by scale and the capacity of organised communities to deliver beyond their immediate networks and environment. There are

Table 1. Types of community-managed finance available at the local level

Type	Example	Source of funding	Scale
Individual/ household finance	Household savings	Saved earnings accumulated over time within household	Micro — limited to the household members and family
	Rotating savings and credit associations	Set contributions by members over a fixed period of time	Small with circa 10–15 members
	Accumulating savings and credit associations	Variable contributions by individual members	Small savings groups of circa 30 people that can be federated to settlement or city level
Group-based finance	Community savings	Collective savings accumulated over time from individual community members	Small groups within defined neighbourhoods with membership of circa 30
	Urban Poor Fund	Aggregate of community savings with input from state and external donor funds	Operating at city and national scales
Aligned/devolved	Community/city development funds	International donor and government funds blended with community savings for city development	Large — operating at city scale and as part of a national network
	State funding devolved to local level	Public funds from city and national government, devolved with local decision making and delivery (see CODI — Box 2)	Large-scale public resources
	Urban Poor Fund International	International governmental and non-government donors	International scale with resources channelled to national federations of the poor

Box 1. Community-led development initiatives

Land, housing and infrastructure: lack of access to suitable land for housing and difficulties obtaining legal tenure in urban areas underpin the growth of informal and illegal settlement in the Global South. The creation of community savings provides a basis for collective action to build both financial resources and the organisational capacity to engage with the state. For example, collective engagement with authorities in Kasungu Town in Malawi enabled a women-organised savings group to negotiate the release of land by local government for housing construction. The group used savings to support incremental housing development and demonstrate the ability of communities to deliver low cost housing.[3] The capacity of collective action to deliver incremental development of toilet blocks in India,[5] environmental improvements in Ecuador[6] and resettlement of shack dwellers,[7] illustrates the potential to scale community-led development.

Responding to climate change: the Homeless People's Federation of the Philippines established a community fund in 2009 to help members recover from Typhoon Ketsana. The fund offered small loans of PHP 7,000 (c US$155) to buy building materials, repair housing units and replace possessions.[8] Local finance has also been used in Dhaka to fund adaptations to housing that include the use of water-resistant building materials, the construction of water barriers and raising the height of storage facilities to reduce the impact of flooding and speed recovery from water incursion.[9] While small-scale, these initiatives provide an opportunity to create dispersed programmes of activity that are sufficiently flexible to access small settlements and, in aggregate, reduce the vulnerability of communities to climate change.

important examples of city- and national-level programming where communities have worked closely with government and donors to leverage local capacity and deliver development (see Box 2). These collaborative approaches, where multiple funding streams (including community savings) can be managed as an inclusive process, bring real benefits through effective planning and efficient use of funding for local development and building ownership of communities. Critically, joint projects can underpin more positive relationships between governments and the residents of informal settlements, driving a shift towards more inclusive policymaking and more accountable states.

Challenges of integration

The structures and established processes of managing development create significant barriers to including communities in delivery arrangements.

- **Institutional conditions:** the rules and accepted practices of urban management and development narrow the space for active participation by low-income communities. In urban settings, residents of informal settlements are typically viewed as an obstacle to development rather than a source of capacity.
- **Innovation:** limited human and financial resource within local and national government to deliver development, exacerbated by complex political conditions, inhibits creative problem solving. Reliance on established practices, even where these are recognised as ineffective, mitigates against inclusive approaches that may be viewed as a challenge to existing power relations.

Box 2. Leveraging community finance and capacity

Co-production: the city of Windhoek in Namibia engaged with community organisations and NGOs (including SDI-affiliated Slum Dwellers Federation of Namibia) as a strategy to build capacity to address a lack of low-cost housing. The state provided land for housing and basic communal infrastructure, with organised communities collectively meeting the cost of developing housing and improved services. This model of co-production opened up space for new forms of collaboration between the state and the community to meet a key development challenge.[10,11]

Urban poor funds: these are the collective resources of low-income community savers aggregated at city or national level to support local investment in land tenure, housing and service infrastructure. Savings are brought together with funds from state agencies and donors to upgrade settlements. They are jointly managed and delivered by communities and local/national government.[11] Examples from SDI affiliates include CUFF (Community Upgrading Finance Facility) in South Africa, which leveraged national programmes to deliver housing and improved infrastructure.[12] Also the Gungano fund in Zimbabwe, which is used to support and fund the incremental construction of housing.[13]

Devolved state funding: the Thai government established CODI (Community Organisation Development Institute) in 2002 as a vehicle to address urban poverty through targeted local-level investment in housing and livelihoods. Public funds are made available to CODI for infrastructure subsidies and housing loans delivered through local community groups which undertake improvement works. The CODI Baan Mankong (secure housing) initiative demonstrates the effectiveness of devolved approaches to achieving significant impact; it had benefitted some 91,000 households by 2011.[14]

- **Community efficacy:** typically people in poverty have negative experiences of the state and feel disconnected from the processes of urban governance. Community savings provide a platform for collective working and negotiation with government, which increases the willingness of people to participate in development activity.

Cultivating change

Local-level finance is not a panacea for the challenges posed by the SDGs, but does provide an important route to creating the resources, capacities and flexibility needed to realise key urban development goals. Evidence of grassroots leadership, collective decision-making processes and state-community collaboration in cities of the Global South demonstrate how meaningful impact can be achieved in the areas of housing and infrastructure through joint effort. Inclusive approaches offer the potential of more efficient targeting of investment and increased benefit to low-income communities.

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Knowledge Products

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Notes

[1] Schmidt-Traub, G (2015) Investment Needs to Achieve the Sustainable Development Goals: Understanding the billions and trillions. SDSN Working Paper. http://unsdsn.org/wp-content/uploads/2015/09/151112-SDG-Financing-Needs-Summary-for-Policymakers.pdf / [2] Shand, W (2017) Local-level finance: improving the accountability and effectiveness of urban development programmes. IIED, London. http://pubs.iied.org/10176IIED / [3] See SDG 10c and also World Bank (2013) *Financing for Development Post-2015*. World Bank Group. New York. / [4] Mitlin, D, Satterthwaite, D and Bartlett, S (2011) Capital, Capacities and Collaboration: the multiple roles of community savings in addressing urban poverty. Poverty Reduction in Urban Areas, 34. IIED, London. / [5] Burra, S, Patel, S and Kerr, T (2003) Community-designed, built and managed toilet blocks in Indian cities. *Environment and Urbanization* 15(2): 11–32. / [6] Moser, C (2009) Ordinary Families, Extraordinary Lives: Assets and Poverty Reduction in Guayaquil, 1978 – 2004. Brookings Institution Press. Washington. / [7] Patel, S and Bartlett, S (2009) Reflections on Innovation, Assessment and Social Change: A SPARC Case Study. *Development in Practice*. 19(1): 3–15. / [8] Carcellar, N, Rayos, C and Hipolito, Z (2011) Addressing disaster risk reduction through community-rooted interventions in the Philippines: experience of the Homeless People's Federation of the Philippines. *Environment and Urbanization* 23(2): 365–381. / [9] Jabeen, H, Johnson, C and Allen, A (2010) Built-in resilience: learning from grassroots coping strategies for climate variability. *Environment and Urbanization* 22(2): 415–431. / [10] Mitlin, D and Muller, A (2004) Windhoek, Namibia: Towards Progressive Urban Land Policies in Southern Africa. *International Development Planning Review* 26(2): 167–186. / [11] Mitlin, D (2008) With and Beyond the State – Co-Production as a Route to Political Influence, Power, and Transformation for Grassroots Organisations. *Environment and Urbanization*. 20(2): 339–360. / [12] South African SDI Alliance (2013) Masikhase Community Upgrading Finance Facility (CUFF). Cape Town. http://sasdialliance.org.za/wp-content/uploads/docs/publications/CUFF%20Project%20Report_Masikhase_Web%20Version%202013.pdf; SDI (2014) SDI Annual Report 2013–14. http://knowyourcity.info/wp-content/uploads/2015/04/SDI_Annual_Report_2013-14.pdf / [13] Chitekwe-Biti, B (2014) Brick by Brick: Transforming Relations Between Local Government and the Urban Poor in Zimbabwe. IIED, London; Shand, W (2014) What are the Institutional Implications of Co-production as a Strategy for Development? Unpublished PhD Thesis. University of Manchester, Manchester, UK. / [14] Boonyabancha, S (2005) Baan Mankong: going to scale with "slum" and squatter upgrading in Thailand. *Environment and Urbanization* 17(1): 21–46; Satterthwaite, D and Mitlin, D (2014) *Reducing Urban Poverty in the Global South*. Routledge, London; CODI website: www.codi.or.th/housing