

DECEMBER 2011

## OVERVIEW

### IIED Human Settlements Group

**Project name:**

Urban Poor Fund International

**Project leader:**

Diana Mitlin

**Time frame:**

2001–2010

**Cost:**

US\$13.5 million

**Objective:**

To enable low-income informal urban residents in the global South to benefit from development assistance in a range of projects that address their own needs and interests, defined and realised by them through their network, Shack/Slum Dwellers International (SDI).

## PROJECT SUMMARY

IIED partnered with SDI to establish a novel, pro-poor approach to funding urban development. An international fund, capitalised by donors, supports national funds managed by the organised urban poor. These national funds blend residents' collective savings, donor finance and sometimes state capital. They support a range of community-led development initiatives – primarily for secure tenure and access to basic services. The new Urban Poor Fund strengthened this transnational community-driven process and expanded the network of national funds. IIED supported SDI in managing and learning from the fund before fully passing these responsibilities to the network itself.

## THEORY OF CHANGE

People in informal settlements across towns and cities of the global South spend substantial time and money to improve their living situation. Development assistance seeks to help them but frequently finances poorly designed initiatives that fail to recognise the realities of urban poverty and inequality, or misunderstand how to treat these problems. The Urban Poor Fund invested in actions chosen by organised

# International funds meet grassroots leadership

The Urban Poor Fund has channelled millions to projects led by organised 'slum' dwellers.

With more than 4,000 homes financed, land tenure secured for more than 30,000 families, and 170,000 people assisted, the Urban Poor Fund International has had remarkable reach in the past ten years. By 2010, the fund had channelled US\$6.93 million towards its mission of helping people in the crowded 'slums' and squatter settlements of towns and cities in the global South upgrade their dwellings, illustrate practical strategies to realise their rights, and improve infrastructure and basic services like water, sanitation and drainage. Programmes have gone forward in 16 countries and are set to spread further.

But more extraordinary than the scale is the way it has been achieved: from the grassroots, via direct, flexible finance to an organisation led by activists in the global South. The Urban Poor Fund may be the world's largest community-managed development fund. A key characteristic is the trusteeship it generates within community organisations who work in partnership with their cities to blend community savings, donor funds and the city's budget to upgrade informal settlements.

The fund started in 2001 as a joint initiative of Slum/Shack Dwellers International (SDI), IIED and a series of international donors: initially the Sigrid Rausing Trust, and later the UK Lottery Fund and the Bill and Melinda Gates Foundation. IIED had long supported SDI, a network now comprising 33 national federations of urban poor living in informal settlements. The federations

are driven by their members, women-led savings groups in each community. IIED has worked with SDI to promote and disseminate their pro-poor approach to urban development. With the Urban Poor Fund, we took a new direction: developing an alternative, pro-poor financing mechanism able to go to scale.

## Adding value with local control

The Urban Poor Fund channels donor monies to national funds within the SDI network, which in turn allocates loans for projects proposed by the local savings groups. A key decision was that IIED would not direct the flow of funding. SDI's leadership, which includes both Southern development professionals and community leaders, better knew the groups and conditions on the ground, and they determined where to allocate money. They invested in several new national initiatives, particularly in sub-Saharan Africa – during the first few years of the fund, federations formed in Gambia, Uganda and Zambia, with Brazil, Malawi, Swaziland and Tanzania soon following.

Meanwhile, the SDI board was becoming more sophisticated in the options it could introduce to local communities, and in helping them negotiate with governments for additional capital and legal status. IIED's role was to join with SDI and community projects in learning from this process, and to lend legitimacy to the unusual funding mechanism. Donors trusted IIED to ensure money was well spent, while SDI trusted that we shared their values around inclusive,

communities; this does not make the projects perfect but it does mean that experiences and lessons feed back into the process, building and improving community institutions. Furthermore, substantive change for urban dwellers requires a political momentum that is absent from projects led by development professionals; politicians respond to mass movements. Hence, this international programme nurtured a community-driven process, supporting national federations that back a wide range of citizen groups in realising their own goals and drawing state resources into their own initiatives.

## KEY LESSONS LEARNT & INNOVATIONS

- With direct, flexible funding to community-managed projects, local groups have more leverage to negotiate additional support from governments. Funds also go further when communities are empowered to invest their own finance with donor monies to improve their lives.
- Given SDI's deep knowledge of communities and contexts on the ground, its board was better placed than IIED staff to manage the allocation of funds. In this decision-making role, the board became more involved and effective, launching and growing several national affiliate groups.
- SDI has now fully taken over the Urban Poor Fund and is building on the initial momentum to increase the scale of the fund and innovate in new areas including inner city redevelopment.

## PARTNERS' VIEW

*Women dream about what they can do for their communities and neighbourhoods. While they can do these changes slowly and with very meagre resources they are never asked how to shape these changes when big projects come. Through these urban poor funds and our savings we can now show our city what we are capable of.... We are now partners in changing and upgrading neighbourhoods, now the city invites us to work on upgrading of informal settlements and we in turn involve every woman and her household in this process of transforming the neighbourhood.*

Savita Sonawane  
Mahila Milan Pune, India

## IIED HUMAN SETTLEMENTS GROUP

The Human Settlements Group works to reduce poverty and improve health and housing conditions in the urban centres of Africa, Asia and Latin America. It seeks to combine this with promoting good governance and more ecologically sustainable patterns of urban development and rural-urban linkages.



Photo: Sevanatha

Flexible funding from the Urban Poor Fund enables local groups to design their own projects.

pro-poor development and would provide support without dictating solutions from a London office.

This trust enabled flexible funding. Rather than donors prescribing activities, timelines and goals, SDI federations apply Urban Poor Fund loans for different purposes based on needs and opportunities in each locality. The availability of capital gives SDI's member groups leverage to negotiate contributions from the government. For policymakers, a flexible offer arouses different interests from a pre-packaged, donor-backed housing project – the Malawi federation, for example, convinced the government to provide land plots where SDI could then distribute housing loans to individual members and put in water and sanitation systems. And local control makes funding go further in another way: a grassroots movement involving thousands of members has far more political influence than any international NGO.

SDI also takes more risks than the typical bureaucracy-bound development programme, empowering communities to learn from setbacks as well as successes. For instance, in local savings schemes it's not unusual for a leader to abscond with some money. Whereas a more top-down organisation might consider this a pitfall to avoid, SDI and IIED saw it as a normal event that communities must manage to gain the tool of collective finance. SDI uses its network to link communities with problems to those that have solved them (in this case, by negotiating with embezzlers to get funds back), but it doesn't stop them learning from mistakes.

Local groups not only design their own

projects but invest their own savings along with Urban Poor Fund monies, so they have a strong sense of ownership and motivation to overcome obstacles that arise. Individuals also seek to stretch the impact of their contributions, such as by volunteering labour to build housing.

## Fund's next phase

Under a fresh grant from the Bill and Melinda Gates Foundation in 2011, SDI became the Urban Poor Fund's sole administrator. The programme is now looking at new urban-development options in addition to the upgrading of informal settlements. How, for example, can communities access finance to allow community-led planning of medium- and high-rise apartment blocks? Norway and Sweden have signed on as contributors, and among development agencies there is growing interest in this new financial model, where money flows to an international community-led fund instead of to governments or global NGOs. Within IIED, researchers are interested in combining Urban Poor Fund principles and lessons with knowledge from other initiatives – to explore flexible financing for forest conservation or climate change adaptation, for example. This project has demonstrated that channelling resources directly to a grassroots network can enable it to grow in size, sophistication and power, changing the lives of thousands along the way.

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