

What does success look like?

Two examples of local finance from IIED and our partners:

Strengthening local governments and deepening democracy

Pastoralism is the dominant economy in the drylands of Isiolo County, Kenya. This specialised livelihood enables communities to take advantage of variable and unpredictable rainfall. But climate change is creating a need for greater investment in adaptation so that people can cope with increasingly frequent and severe droughts.

The Isiolo County Climate Change Fund (ICCCF) is piloting an approach to climate finance that allows communities to set the priorities for adaptation planning and spending. Through representative ward- and county-level committees, local people are empowered to prioritise investments in public goods that strengthen their ability to manage challenges such as climate variability, changing market conditions and livestock disease. Initially established by the National Drought Management Authority, with technical assistance from the Adaptation Consortium led by IIED, the fund is now managed by the Isiolo County government.

ICCCF's investments in improving water availability, pasture management and livestock health have provided tangible benefits for 18,825 people to date, with many more benefiting indirectly.

See www.adaconsortium.org

Empowering communities and increasing accountability

In the world's growing urban areas, people with low incomes are the most likely to live in places with high risk of environmental hazards, such as flooding and landslides. Their vulnerability is made worse by lack of access to basic infrastructure and services that could improve their resilience to shocks and stresses.

Many women in low-income urban communities have taken matters into their own hands by forming savings groups that put aside money every day or week. By pooling their resources, the savings groups can engage municipal authorities and achieve big changes, such as collectively upgrading water supply and sanitation systems. These groups have come together to form Shack/Slum Dwellers International, a network of 1.1 million savers, which set up the Urban Poor Fund International (UPFI) in 2001 with IIED's support.

UPFI was supported by the Sigrid Rausing Trust, the UK Big Lottery and the Allachy Trust to address the shelter needs of 32,900 families through increased tenure security and/or improved access to basic services. Subsequent support from the Bill and Melinda Gates Foundation allowed SDI and IIED to scale up UPFI, funding the construction of over 4,000 homes and securing tenure for a further 30,000 families between 2007–2010.



Get involved

To find out more about our work, please contact us:

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Further reading

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Project Materials

Economics, poverty

Keywords:
Local organisations, finance, poverty reduction, climate change adaptation, energy for all, locally controlled forestry

Front cover photo: women gathered at a pre-CAF pilot workshop (credit: Tanzania Natural Resource Forum).

Outside flap photo: pastoralists in Isiolo County, Kenya recorded their knowledge and use of drylands resources on georeferenced satellite maps through a participatory mapping process (credit: James Pattison).

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Local development with global finance

Channelling finance to the local level empowers communities to tackle poverty and respond to climate change



In brief

The most effective way to reduce poverty and respond to climate change varies by location. This means that local actors — local governments, community organisations, NGOs, local businesses and others — have a critical role in sustainable development. They are best placed to know local concerns and priorities, whether an improved water supply, access to clean energy for cooking or microcredit after an environmental disaster. However, knowledgeable local actors too often lack the finance, authority or voice to act effectively.

Most barriers are upstream: only a small proportion of development finance and public resources reach local governments. An even smaller share is channelled to community organisations or small businesses. Where money is invested in low-income and other marginalised communities, the intended beneficiaries often have little or no say over how funds are spent. If vulnerable communities are to become more resilient and prosperous, more finance must reach the local level and local actors must have more influence over how it is used.

Our ambition

Drawing on more than 25 years of work on local finance, IIED is now building international awareness of the benefits of decentralising finance, and building local capacities to access and manage those resources. We continue to support specific initiatives, and are currently partnering with local and national actors in Kenya and Tanzania to channel finance to the local level.

Building the evidence base

We will keep working with national governments, civil society and the private sector to review the successes and challenges of a range of different local financing mechanisms. These include community-managed urban funds, devolved climate funds, conservation trust funds, investment in locally controlled forest enterprises and finance for decentralised energy access. We will also develop and apply a methodology to find out how much development and climate finance actually flows to the local level.

Making the case for going local

We will build political support for locally-led adaptation in both national and international climate change communities. We will work with local groups and agencies to help them develop and strengthen relationships with national government departments. With improved knowledge and relationships, national governments and international donors can work together to explore ways to deliver resources to local groups and agencies.

South–South learning

IIED will support South–South exchanges between countries where finance is being effectively devolved and countries where decentralisation of finance is still emerging. Sharing knowledge and experience will allow a wider range of government and community organisations to tackle the barriers to local-level finance.

Why act now?

Fulfilling the Paris Agreement, the Sustainable Development Goals and the Addis Action Agenda will require strong action at the local level. Local organisations need to be included in decisions about how money is spent and have enough funding to act effectively. Yet ensuring that funding is accountable to local communities as well as external donors will require significant changes. The Green Climate Fund potentially offers routes to decentralising climate finance, and Habitat III in October 2016 is an opportunity to put the spotlight on local-level urban development.

A snapshot of our experience

In decentralised climate funds...

Since 2010, IIED has worked with partners to provide national and local government in Kenya, Tanzania, Mali and Senegal with technical assistance to pilot local adaptation funds. This approach establishes mechanisms that not only give local governments access to climate finance, but also allow low-income and vulnerable households to prioritise the investments that will provide resilient pathways out of poverty and climate vulnerability.

www.iied.org/local-climate-finance-funding

In decentralised energy access...

IIED has been building evidence on people-centred approaches to achieving universal energy access since 2011. Our case studies track the experiences of business, civil society organisations and governments in countries including Nigeria, Kenya, Tanzania, South Africa, China, Nepal and Argentina. We look at how to steer public and private finance toward decentralised energy and to low-income groups.

www.iied.org/energy

In trust funds for marine conservation...

IIED has looked at the use of conservation trust funds (CTF) as a source of sustainable financing for long-term marine biodiversity conservation. A review of 12 case studies from Africa, Asia, Latin America, the Caribbean, and Australasia, has provided an overview of how to create a CTF, its legal and institutional structure, fund generation and delivery, and identifying when it might be an appropriate tool.

<http://pubs.iied.org/pdfs/16574IIED.pdf>

With urban poor federations...

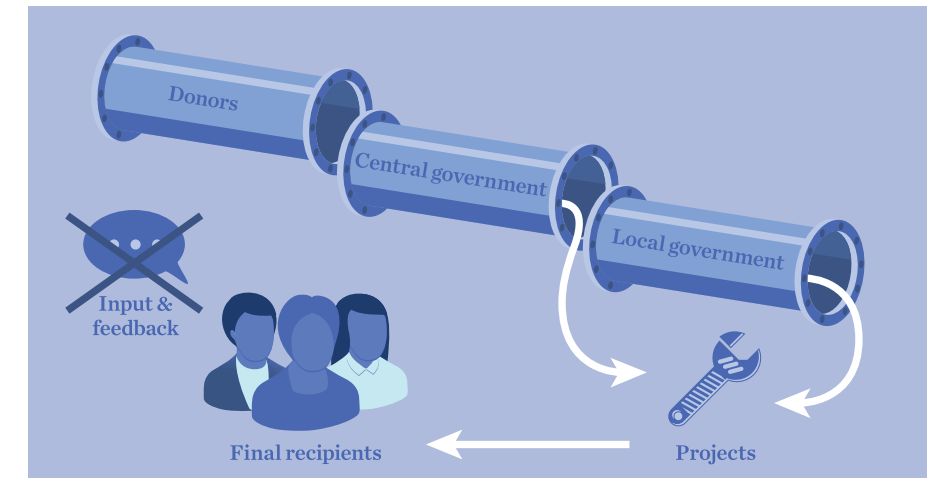
IIED has been working with the Asian Coalition for Housing Rights (ACHR) and Shack/Slum Dwellers International (SDI) since they formed in 1989 and 1996, respectively. Both organisations have successfully added to local people's savings and government contributions by establishing international financing vehicles that leverage funds from donors. These are examples of systems where urban communities have the power to decide what is funded and the means to strengthen relationships with local government. IIED has worked in partnership with ACHR and SDI to document their work, help disseminate the outcomes, analyse its effectiveness, jointly raise and manage donor finance, and support the technical processes to develop and manage local funds.

www.iied.org/urban-poverty

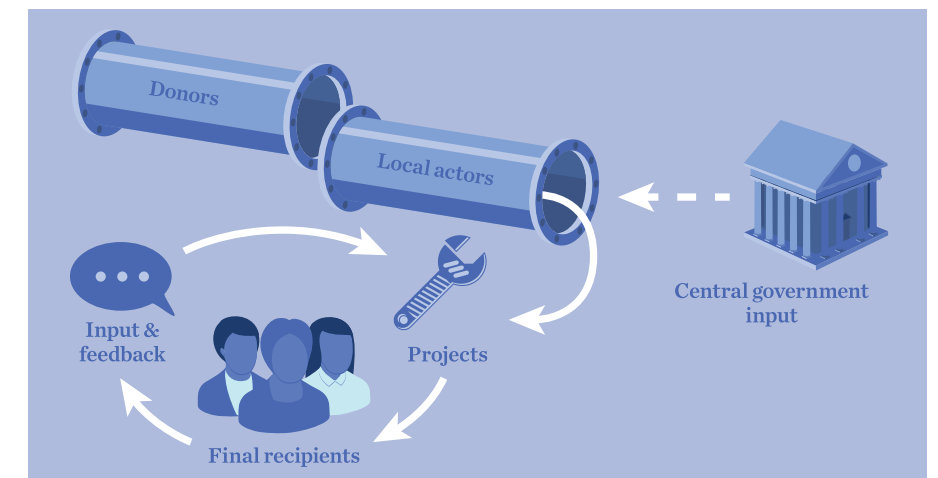
And investing in locally-controlled forest enterprises...

A commercial right to use forest resources is a powerful incentive for local people to keep forests standing. But translating this right into profits requires both business capacity and work at a larger scale. Strengthening this capacity is an essential component of investing in locally-controlled forestry. IIED has worked with partners over many years to guide investors on how best to engage.

www.iied.org/supporting-locally-controlled-forest-enterprises



The status quo: delivering finance through traditional channels can mean that fewer resources reach the local level and that local actors have limited say over how the money is spent.



A better future: delivering finance to the local level can ensure that a greater share of resources reaches low-income and marginalised groups. Channelling finance through local actors — local government, local NGOs and local private sector, for example — also empowers them to engage with national decision makers and respond effectively to climate change.