



Community Investment Funding Models

Kian Reynolds
September 2008

Overview

- Developmental Context
- Background to Research
- Funding Models
- Case Studies
- Emerging Findings

Developmental context

- Significant challenges if the MDGs to be achieved by 2015 - World Development Report (2006) indicates that **greater access to capital** and more effective developmental assistance are both requirements for realising the MDGs.
- In community-driven development (CDD) processes **communities have control over planning of activities, resources and implementation** of activities and projects in their community, use of project resources and implementation.
- **Decentralisation** involves democratisation and involving people in their own development, giving people the power to influence their own developmental outcomes.
- Reform processes often **focus on the local government** and not sufficiently on the link between local governments and the community.

Developmental Context Cont.

- However the effective use of CDD approaches in Southern Africa is limited. *“Community participation ...remains wedged at the level of consultation during planning, and subsequent involvement in the running and maintenance of projects. It seems to be only a few central government programmes that have moved in the direction of CDD; provincial and local government, and even NGOs, are not yet using this approach... Government agencies at all levels are reluctant to ‘let go’ and transfer control to communities, particularly true of the project identification function.. (Everatt and Gwagwa, 2004).*

Three Approaches to Local Development

- **Local Government Approaches** - territorial political and administrative institutions, with policy and operational autonomy allocated through devolution.
- **Deconcentrated Sectoral Approaches** - service delivery through functionally specialized local organizations with operational autonomy through deconcentration or delegation.
- **Community Support Approaches** empowerment of and/or resource transfer to community organizations promoting collective action for self-provision and co-production of infrastructure and services.

The Coordination Problem

1. There is a huge **diversity** among poor areas, poor communities and poor people
2. **No central agency** can even keep track of this heterogeneity or design and implement development programs
3. Even when plans are developed locally or by communities, central agencies **rarely can deliver** on them individually in a single service delivery mode, much less so in a holistic integrated approach
4. These three approaches all developed a “**stove pipe model**” to delivery of programs, and then attempted to coordinate the stovepipes locally
5. All attempts at such **coordination failed**

Background to the Research

- Research undertaken by **Khanya-aicdd, Concern Malawi and Practical Action** Zimbabwe.
- It focused on best practice in the **funding of communities**, and was funded by the Southern Africa Trust.
- The idea was to learn from a variety of experiences, share this with policy-makers and practitioners to see how such approaches could be taken forward in Africa, and to promote a community-driven development agenda in the region, of which funding communities is a key part

Background cont

- **15 case studies** on funding communities reflecting a variety of funding institutions (government and non-government) and their diverse interests.
- Predominantly from **Africa and Asia**.
- Already as a result of this work an amendment has been made to South African **legislation** to express a commitment to Funding Communities.

Major funding models investigated

Community investment fund (CIF)
Community foundations
Community trusts
Community-based natural resource management (CBNRM)
Community banks
Social transfers

Not consider community banks and social transfers for rest of presentation

Different types of mechanisms for funding communities

Type	Project definition
Community investment fund (CIF)	Financing of sub-projects identified, implemented, managed, operated and maintained by communities.
Community foundations	Accountable entities governed by a local board of trustees which receive funds from a wide array of sources, often from endowment to, and use the income to make grants within the communities they serve
Community trusts	A legal organisation that raises funds and distributes them to local organisations or projects, in many cases directly undertaking implementation of activities
Community-based natural resource management (CBNRM)	When communities have legal rights to revenues generated from the use of a natural resource, managed under a plan developed and agreed to by all relevant stakeholders. There are economic incentives to take substantial responsibility for sustained use of these resources. Often a Trust is the legal body representing the community and holding the funds.

Overview of case studies

- **Community investment funds**
 - Zambia Social Investment Fund
 - Mangaung Community-Based Planning Project, South Africa
 - Concern's Livelihood Support Programme (LSP)
 - Gemi Diriya Village Organisations, Sri Lanka
 - Aga Khan Rural Support Programme, Pakistan
- **Community foundations**
 - Greater Rustenburg Community Foundation (GRCF)
- **CBNRM/trusts**
 - Communal Areas Management Prog for Indigenous Resources (Campfire), Zimbabwe
 - Mayibuye Ndlovu Dev Programme (Addo Elephant National Park), South Africa
 - CBNRM Support Programme, Botswana
 - Madikwe Initiative, South Africa
- **Community trusts**
 - Umzimkhulu Private Sector-Community Forestry Partnership, South Africa
 - Mangaung University-Community Partnership Programme

CIF - ZAMSIF

- Zambia Social Investment Fund (ZamSIF) aimed to contribute to the improved, expanded and sustainable use of services provided in a governance system where local governments and communities are mutually accountable.
- Enhance the role of district and sub district as facilitators and encouraging the gradual devolution of project cycle activities to local governments with the final objective of central and local governments replacing the ZAMSIF Management Unit in financing local development.
- Target vulnerable groups, using inter district Indicative Planning Figure (IPF).
- Develop community based strategies to address poor access to services
- Put in place permanent mechanisms to monitor the impact of government policies and programs on the poor.
- Provide relevant timely inputs to policy-making.

ZAMSIF cont.

- Three closely linked components:
 1. **community investment funds** which empowered local communities through the financing of sub-projects. A total of US\$39.2 million was used to fund 555 community projects throughout Zambia.
 2. **district investment funds** which supported the process of strengthening the capacity of local government and administrations and their accountability to local communities.
 3. **poverty monitoring** and analysis (PMA).
- Other model Discretionary Fund with CBP, where R25-50k per ward provided after ward plan completed

Community Foundations - GRCF

- Greater Rustenburg Community Foundation (GRCF) serves the Bojanala District in North West Province,
- **Direct funding** to local NPOs and other development agents through endowment fund, also through services to these agents to improve their capacities.
- GRCF generally provides between **R10,000 and R25,000**, believing that a greater number of small grants is more advantageous than fewer larger grants and.
- **121 grants** made – 6 grantmaking cycles, value – R 2.6m
- Impact - **more stable CBOs/NPOs**, gaining sustainability, networking and sharing resources/information, impacting on second and third tier grantees
- GRCF increase sustainable capital asset base in order to continue funding for social and economic development in the Bojanala region

CBNRM - Campfire

- Communal Areas Management Programme for Indigenous Resources (Campfire) in Zimbabwe - example of CBNRM revenue-sharing mechanisms used to fund local communities - been in operation for 18 years.
- **Objectives** to link conservation and sustainable livelihoods in rural areas, where few or no alternative sources of income, also to provide a sustainable means to monitor and protect local wildlife resources
- Community **rights over NR** use created opportunities for sustainable economic development.
- The gross revenue from income generating activities is disbursed amongst the major stakeholders in the programme, allowing benefits from wildlife and other indigenous resources to be **retained** by local communities, and according to the following guidelines:
 1. Producer communities receive not less than 55% of gross revenue;
 2. Management activities: Rural District Councils (RDCs) may receive a maximum of 26% of gross revenue;
 3. RDC Levy - RDCs to receive a maximum of 15% of gross revenue;
 4. Campfire Association to receive 4% of gross revenue

Community Trusts - Umzimkhulu

- Umzimkhulu Private Sector-Community Forestry Partnership is a Public Private Partnership (PPP) formed between Mondi and communities in the Umzimkhulu region.
- Through an initial land reform grant local communities in the region have initiated forestry projects and benefited from employment generated through the scheme and also will benefit through the sale of timber when the trees have reached maturity.
- The partnership was complex and required the establishment of a community trust to facilitate and oversee the process and to maintain relationships between the stakeholders.

Emerging Issues

- Models demonstrated that they **can enable communities to accumulate assets**, whether physical, natural, financial, social or human.
- Apart from cash transfers which were primarily directed towards individuals within the community, the majority of projects used **local structures in the implementation**, planning and decision-making processes. This built social capital, leaving communities with increased capacity to plan, manage and account.
- This knowledge and skills should allow communities to **continue to take forward** local development more effectively, even without the direct assistance of a funding scheme.

Emerging Issues cont.

- There is considerable variation in **impacts on livelihoods at beneficiary level**.
- **ZAMSIF** – \$40 million spent over 5 years, on 555 community projects (by comparison in Brazil project spent over \$1 bn)
- **Gemi Diriya Project** which positively affected approximately 1,000 village communities.
- Some projects do not appear to have had impacts at scale, eg the Madikwe Initiative, Umzimkhulu Private Forestry Partnership and Mayibuye Ndlovu Development Programme. In these, evident tensions in the communities as members failed to see the immediate benefit of their participation in such schemes.

Cost effectiveness

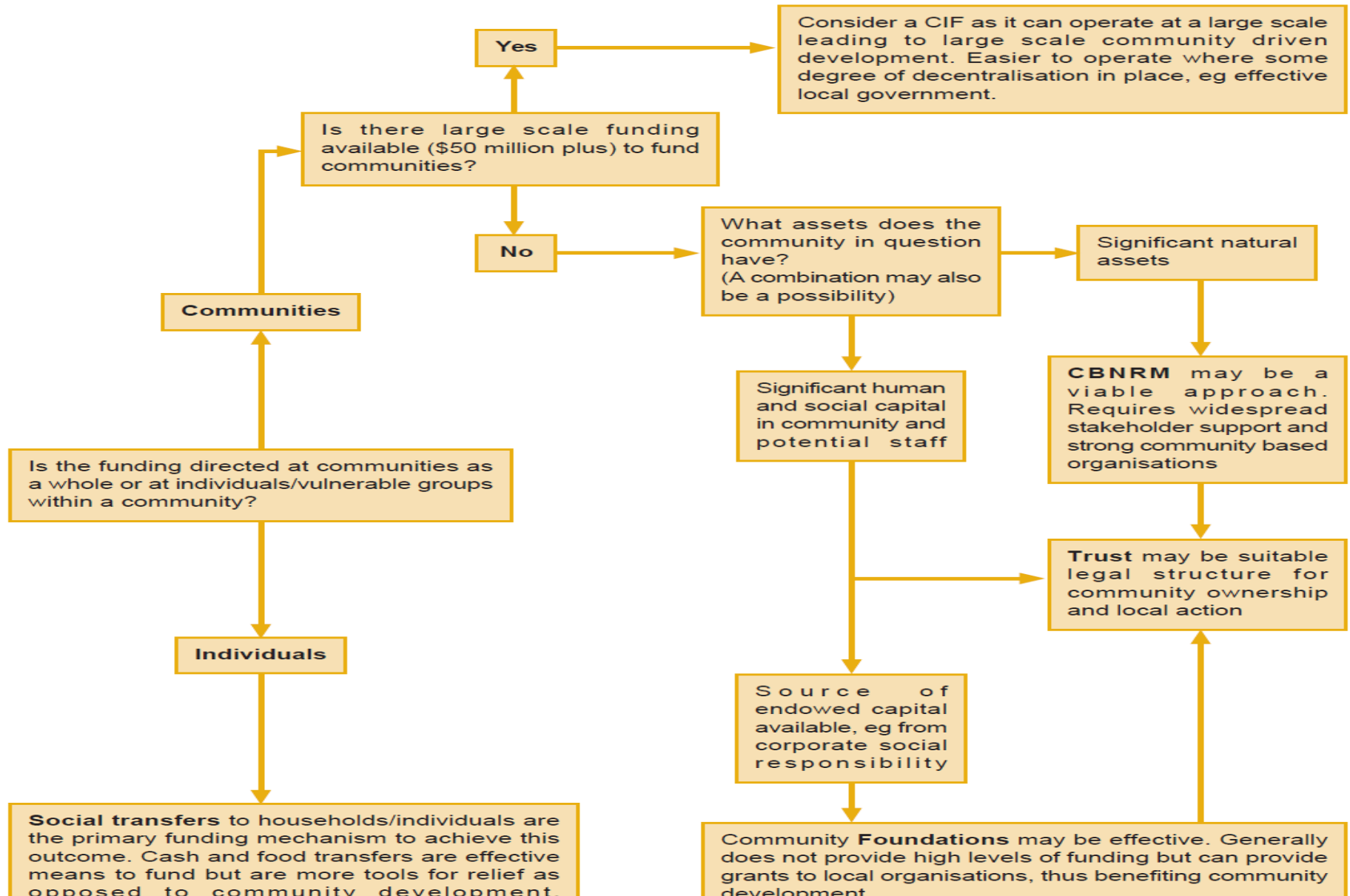
- Numerous studies confirmed that direct management of funding by community groups lowers the unit cost of infrastructure, resulting in **better value for money**.
- For example a six country evaluation of community investments through social funds found that "community management of investments offers significant potential for cost savings, often on the order of 25-50 percent". (Dowdall, 2000).
- This study included Zambia's Social Investment Fund, which carried out a value for money audit and found that compared with the community-based approach, contractor-based investments cost twice as much for classrooms and more than three times as much for latrines.

Selection of appropriate funding mechanism (s)

The selection of appropriate funding mechanisms should be related to the needs of the local community as well as its environmental potential. Some key points include:

- There is a need for **local capital**, either for developing public goods such as infrastructure or private goods.
- Mechanisms such as the **CIF**, **Foundations** and **Trusts** require **well established systems and processes** to ensure transparency to communities.
- Access to capital at household level is important, the Aga Khan Foundation demonstrates the use of **community banks** where rural agricultural production flourished due to the ability of local producers to access loans so they could invest in their land.

Decision Making Tree



Emerging issues cont

- The various models provide mechanisms for communities and civil society to lead on how funds are spent in communities.
- Despite evidence of success in several countries in Africa, Latin America and Asia, in many countries government wary of the capacity of communities, and wish to control the way resources are allocated.
- We have to move beyond the distrust of communities, a paternalistic approach, and one that creates dependency on the state, towards a process of liberating the energy of our people's, putting in the catalyst which releases local energy to change people's lives. The models we have covered show some mechanisms that can be applied widely across Africa – the challenge is now to see how these can be applied and institutionalised.

Way forward

- Legislation amended
- Interested to explore taking forward in E Cape
 - Community Investment Fund, eg linked with CBP
 - Community trust linked to CBNRM

“(d) A municipal council may allocate funds and resources to enable ward committees to perform their functions, exercise their powers and undertake development in their wards within the framework of the law.”