



SPARC is the co-ordinating NGO of the successful community toilets programme, in partnership with Mahila Milan and the National Slum Dwellers Federation. This new toilet was designed, built and will be managed by slum communities in Pune, India.

*All photos courtesy of Homeless International*



## Homeless International

Queens House, 16 Queens Road,  
Coventry, CV1 3DF, UK

tel: +44 (0) 24 7663 2802

fax: +44 (0) 24 7663 2911

email: [info@homeless-international.org](mailto:info@homeless-international.org)

websites: [www.homeless-international.org](http://www.homeless-international.org)

[www.theinclusivecity.org](http://www.theinclusivecity.org)

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# CLIFF

The Community-Led Infrastructure Finance Facility



## Creating new financing options for slum upgrading

Cities Alliance in collaboration with DFID, Homeless International and SPARC

### Background information ...

The development of safe, secure shelter and its associated infrastructure (access routes, safe water, sanitation and energy) to meet the needs of the urban poor requires finance, which the majority of municipalities in developing countries cannot mobilise directly. There are however, many local entrepreneurs and poor communities who are prepared to construct the necessary essential physical infrastructure if finance, particularly in the form of medium-term loans, can be made available. While micro-finance facilities have been expanded and successfully utilised to stimulate small enterprises through the provision of short-term loans, there is a chronic lack of medium-term credit available to improve sanitation standards and enhance housing provision to the urban poor.

To address this identified gap in financial provision for the poor DFID has initiated the Community-Led Infrastructure Financing Facility project (CLIFF), to be implemented under the Cities Alliance programme. Initial development partners include Homeless International, SPARC and SPARC Samudaya Nirman Sahayak. The project is to be piloted in India and, if successful, replicated in at least one further country.

The CLIFF project has been designed to act as a catalyst in slum upgrading through strategic support for community-initiated housing and infrastructure projects that have the potential for scaling up. The overall goal is to reduce urban poverty by increasing poor urban communities' access to commercial and public sector finance for medium to large scale infrastructure and housing initiatives.

### The CLIFF project will:-

- 1 provide bridging loans, guarantees, knowledge grants and technical assistance (both local and international) to initiate medium scale urban rehabilitation in cities in the developing world;
- 2 work in partnership with community based organisations and/or NGOs who have, or can be assisted to have, a track record in delivery of slum rehabilitation;
- 3 seek to attract commercial, local and public sector finance for further schemes thus accelerating or scaling up the response to the challenge of urban renewal;
- 4 establish local CLIFF agencies that can operate on a sustainable basis in the future.

### Main areas of activity ...

#### Financing development of pilot and demonstration projects

With strong organisational capacity at community level, organisations of the urban poor will be able to take on investment projects in slum rehabilitation, re-settlement and/or infrastructure provision. These projects will demonstrate how the resources of the poor can be leveraged to create solutions that work for the poor as well as for the city as a whole.

#### Financing initial scaling up

Scaling up community based projects is difficult. This is the stage when the financing gap becomes most apparent. The funding required is usually too large and sometimes too complicated to be covered by standard NGO project financing. State, municipal, regional bank and/or World Bank financing is generally required. The CLIFF project will provide bridging finance and technical assistance to enhance the potential for leveraging the resources of the poor, through appropriate financing procurement and community contracting processes and mechanisms.

#### Financing risk management and mitigation

When attempting to scale up local projects, communities take on substantial additional risk. Two or three year delays in delivery of contractually agreed financing, even when guarantees are available, are not unusual, leading to the use of scarce and expensive bridge financing. Security requirements from formal lenders continue to be onerous. As the asset bases of most NGOs tend to be slim, loans often require complex guarantee arrangements. The CLIFF funds will be used to ensure that some of this risk is shared and not left completely on the shoulders of the poor. The fund will also assist in the development of risk management and mitigation strategies for local groups taking on significant risk commitments.

#### Financing learning, knowledge creation and partnership capacity building.

As communities and NGOs invest in demonstration projects and in scaling up, their learning is rapid and dramatic. Sharing this learning and the experience gained is vital. A key aspect of the CLIFF project will be documentation and exchanges that facilitate this sharing of experience. City level teams of municipal authorities, slum dwellers, NGOs and private sector interests will use funding in this area to build on the basis of experience from pilot schemes and experience from other cities receiving ongoing support from people who have gone through the process before them.

It is hoped that other donor agencies will join us in supporting this project because of a common commitment to:

#### Reducing poverty

Securing improved infrastructure, housing and security of tenure through providing loans, guarantees and technical assistance directly to organisations of the urban poor.

#### Engaging the poor and the marginalised

Work in partnership with community-based organisations and NGOs who have, or can be assisted to have, a track record in urban rehabilitation.

#### Investing in the urban poor and their institutions

Create the basis for independent delivery institutions in developing cities based on a sequence in which CLIFF provides pump-prime financing and capacity building, provides guarantees to support commercial loans and a creates a sustained technical base for further long-term shelter delivery.

#### Supporting existing local initiatives

CLIFF is designed to mobilise local contributions and scale up community based projects through the utilisation of local skills and entrepreneurship.

#### Providing secure tenure

Mobilising finance for a sector unable to access normal commercial sources of credit provides an important contribution to providing the poor with secure tenure of both land and infrastructure

#### Promoting the role of women

In many community-based organisations women are generally well represented. The support which CLIFF provides for finance directly benefits the lives of these women who generally form the core of the savings and loan movement. This is an important initiative for women who tend to prioritise investment in housing and infrastructure particularly highly.

Further information on the project can be obtained from Ruth McLeod of Homeless International, and Sheela Patel of SPARC