

**CITY-COMMUNITY CHALLENGE FUND (C3)**

**INTERIM EXTERNAL EVALUATION REPORT**

**Commissioned by**

**Infrastructure and Urban Development Division (IUDD)**

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**Produced by**

**Jo Beall**

**London School of Economics**

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## EXECUTIVE SUMMARY

*The City-Community Challenge Fund (C3F)* programme is a Department for International Development (DFID) initiative being piloted over two years in Zambia and Uganda. The goal of the pilot is to assist organisations of the urban poor and their representative local authorities to undertake localised poverty eradication initiatives, through the provision of resources for small-scale innovative activities of broad community benefit. DFID has recommended an extension of the pilot programme of a further year and the first aim of this interim evaluation report is to address this recommendation. A second aim is to assess the viability of Challenge Funds, and more specifically the C3F methodology, as a mechanism for development agencies to reach and empower the poor, within the context of direct budget support, sector-wide approaches and rights-based governance. Third, the evaluation seeks to assess C3F against the efficiency and process indicators established for the external evaluation, and those outcome indicators related to social and political assets under the modified livelihoods framework.

### *Policy lessons from the C3F pilot programme relate to how local funds can:*

- address urban poverty through effective deployment of small resources
- promote rights-based approaches to urban development through fostering a sense of ownership and entitlement on the part of citizens
- enhance urban governance, increase transparency and foster upward and downward accountability on the part of government
- reach disadvantaged citizens and local governments and lead to innovative, transferable and adaptable management processes and procedures
- foster public-private-society-community partnerships
- generate lessons on how to construct development partnerships in difficult and complex social, political and institutional conditions
- constitute strategic and flexible development support at the sub-national level particularly in contexts where national policy does not reach the urban poor or national performance does not warrant direct budget support
- dovetail with and complement donor initiatives aimed at decentralisation and institutional building at local government level by reaching those parts of local governance that such programmes cannot reach.

*It is recommended that the C3F pilot programme be extended* and should be taken up by the Urban Management Programme, with further donor funding being sought. The existing C3 pilots need to be extended not least because the methodology requires an extended time period for development, embedding, dissemination and spread and two and even three or four years is simply insufficient. The pilots are for the most part well poised for consolidation and rolling out within the national contexts and perhaps even beyond, if the longer term funding and support can be provided.

In this it should be recognised that different strategic inputs and expertise will be required, while at the same time requiring that the day-to-day management be increasingly devolved. This has implications for the distribution and deployment of resources. Management by cash-strapped councils should be better supported, while the time inputs from strategic staff may need to be increased. It is recommended that the proportion of C3F funding allocated to management/administration should be increased to 20% either directly or through a flexible approach to projectisation of the management, capacity building, dissemination and documentation functions.

The key focus for C3F in the future should be leverage of resources and institutional support from donors, government at different levels, civil society organisations and the private sector. Relatedly, the C3 pilot programmes in both countries will need to seek to harmonise the activities and directions of C3F with the donor coordinated efforts to support decentralisation and build institutional capacity at local government and district levels. This will involve a more strategic role for the national partners in Uganda and Zambia. Here and beyond the pilot countries as well, consideration should be given to changing the name of C3F to the City-Citizen-Challenge Fund. This would not lose the emphasis on community involvement and management but would be more in keeping with the times, particularly in relation to rights-based approaches to urban poverty reduction and local governance.

Documentation of the wider C3F programme should be further developed and supported. Towards this end, UN-Habitat should support a further external evaluation visit and report that includes a survey on impact assessment, that builds on the benchmark survey conducted at the outset of the evaluation but not budgeted for in the context of the present visit and report. The existing coordinating organisations for the country pilots should take on an increased role as resource centres providing documentation, dissemination and capacity building functions.

**CITY-COMMUNITY CHALLENGE FUND (C3)  
INTERIM EXTERNAL EVALUATION  
MAIN REPORT  
Jo Beall, London School of Economics  
January 2003**

**1. Introduction and Background**

The City-Community Challenge Fund (C3F) programme is a Department for International Development (DFID) initiative being piloted in Zambia and Uganda. The goal of the pilot is to assist organisations of the urban poor and their representative local authorities to undertake localised poverty eradication initiatives, through the provision of resources for small-scale innovative activities of broad community benefit. C3F aims to develop effective and transferable mechanisms, capable of channelling multiple small-scale funds to such initiatives, in the context of urban development partnerships involving organised communities, government at different levels, civil society organisations (CSOs) and the private sector.

Achievements of C3F goals should contribute to DFID's commitments with respect to the Millennium Development Goals, in particular: "To have achieved, by 2020, a significant improvement in the lives of at least 100 million slum dwellers". The C3 approach and its methodology is also recognised in several of DFID's target strategy papers, including the Governance Strategy and the Urban Strategy. It is also compatible with and significant for a rights-based approach in urban contexts.

The Local Government International Bureau (LGIB) and Care International UK (CARE) are the international programme managers for Uganda and Zambia respectively. Their local partners are the Uganda Local Authorities Association (ULAA) in Kampala and the Lusaka-based NGO, Urban INSAKA (UI). In both countries work is being carried out in two cities, Kampala and Jinja in Uganda, and Lusaka and Ndola in Zambia. A Steering Committee and International Project Liaison Unit (IPLU) operate in the United Kingdom and the external evaluator is an observer on both. C3F Governance in Uganda is through the National Coordination Committee (NCC) and in Zambia through the National Advisory Group (NAG).

The Infrastructure and Urban Development Division (IUDD) of DFID provided £1,000,000 for the two-year C3F pilot programme, which began in September 2000. An extension phase of a further year was agreed within this budget and DFID has recommended an extension of the pilot programme of a further year, with an increased financial contribution of £300,000 to be made via UN-Habitat. *The first aim* of this interim evaluation report, therefore, is to address this recommendation.<sup>1</sup>

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<sup>1</sup> The external evaluation is a process evaluation, which has been integral but autonomous part of the pilot programme, providing a bird's eye view of the programme as a whole. The process to date has included participant observer status in meetings in London, visits to the pilot programmes, baseline data collection and analysis. Particular thanks are extended to Sanjiv Lingayah of the New Economics Foundation who played an important part in the design of the evaluation and local evaluation partners, Dr John Kiyaga-Nsubuga, Deputy Director of the Uganda Institute of Management and in Zambia, Dr. Webby Kalikiti of the Centre of Development and Management, University of Zambia..

DFID has been broadly investigating innovative funding methodologies for direct poverty reduction initiatives at the local level, including various Challenge Fund programmes. DFID's Challenge Funds are being tested to assess their validity as a complementary aid instrument to Direct Budget Support (DBS) for addressing poverty at the sub-national level. The City-Community Challenge Fund (C3F) is a response to this methodological development on the part of DFID's IUDD. *A second aim* of this report then, is to assess the viability of Challenge Funds, and more specifically the C3F methodology, as a mechanism that allows development agencies to reach and empower the poor. Relatedly, the report considers the role of C3F in Sector Wide Approaches (SWAs) and rights-based governance at the urban scale. An important element of the C3F methodology is to transfer management responsibility, transaction costs and capacity building to local partners and to attract other partners to the initiative. In this regard, *a third aim* of this evaluation report is to assess the *efficiency and effectiveness* of the C3F methodology for supporting large numbers of small-scale community initiated projects in poor urban areas.

*A fourth aim* of the report is to address the process indicators outlined in the evaluation design (see Annex Three for Evaluation Framework) which seek to determine how local governance *processes* are enhanced during the C3F pilot phase. These in turn, are an important element in assessing C3F *outcomes*.<sup>2</sup> To be assessed is whether catalytic funding has helped poor urban communities and their representative local authorities to engage in immediate but sustainable poverty eradication initiatives through the mobilisation and leverage of additional local and national government resources and through embedding the C3 methodology within local government systems. Critical indicators relate to:

- Stimulation of community empowerment by supporting community-owned outreach and socio-economic empowerment programmes
- Financing of small and start-up businesses and community participation in the provision and management of basic services
- Sensitisation of government authorities to the value of participatory governance processes and public-private partnerships (PPP) for localised service delivery
- Strengthening of direct and representative democratic systems.

*A fifth aim* is to contribute towards the development and dissemination of the evaluation methodology, informed by a modified livelihoods approach<sup>3</sup> and as called for in the terms of reference. As the last report under this phase, the present report contributes to but does not conclude this process (see Annex Four for a list of earlier reports).<sup>4</sup> It envisaged that the next external evaluation report will be undertaken at the end of the additional year of funding and will be supported by UN-Habitat and the Urban Management Programme.

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<sup>2</sup> It was decided in the evaluation design that this objective would provide the methodological basis for assessing the poverty impact in the longer-term.

<sup>3</sup> Due to the time-scale of the evaluation the design saw that the outcome focus would be primarily on social and political assets, with material assets being tracked by the monitoring process. It is for this reason that we refer to a 'modified livelihoods approach'. Social and political assets are, strictly speaking, intermediate assets that help to predict the long-term impacts of interventions such as C3F. The validity of this approach is gaining growing acceptance in evaluation methodology.

<sup>4</sup> Earlier reports can be accessed on the C3F website – [www.c3f.org](http://www.c3f.org).

*The structure of the report* is as follows. Sections two and three consider the aims for the pilot programme as a whole, paying attention respectively to the key policy issues that emerge to date and the efficiency and effectiveness of the C3F methodology in relation to challenge fund innovation. As such these sections address the **second and third aims** of the evaluation. Section four provides recommendations regarding the extension of the pilot, addressing the **first aim** of the evaluation. Sections five and six deal with the **fourth aim** of the evaluation in relation to the implementation of the pilot projects and briefly review progress in Uganda and Zambia respectively. Taken together, the findings of the evaluation visit support the recommendation that C3F be extended and the upbeat analysis regarding prospects for international development agencies to engage at the sub-national level in initiatives such as C3F.

## **2. Key Policy Lessons**

This section draws out some of the key policy lessons that have emerged from the overview and comparative perspective afforded by the external evaluation of the C3F pilot in Uganda and Zambia.

### **2.1 C3F, Urban Poverty and Rights-based Development**

Unlike many other poverty reduction strategies, C3F recognises that the high levels of urbanisation have increased the experience of urban poverty and that urban poverty has specific characteristics that require particular responses. C3F is an example of a local fund that is reaching poor urban dwellers, improving local services and enhancing urban livelihoods and as such directly contributing to Millennium development target number eleven, which is to reach 100 million slum dwellers. Service delivery and development projects provide tangible benefits that improve the well being of poor urban communities and households. As such C3F constitutes a valuable and indispensable component of urban development strategies and sector wide approaches operationalised at the urban scale.

Indirectly the C3 experience in Uganda and Zambia is addressing poverty through increasing citizen access to decision-making, citizen capacity to negotiate for, organise and manage development resources and empowering women. The accessible and facilitative approach of C3 has ensured the inclusion of equal numbers of women among C3F beneficiaries and a significant proportion of women leaders. The C3F pilot thus fills a niche by addressing ‘the missing bottom’ in urban governance. The C3F pilot shows it is possible to devolve responsibility and decision-making power to local level partnerships in ways that are not prescriptive and without heavyweight conditionality. Multiple, small-scale and flexible challenge funds targeted at disadvantaged urban groups can and do work to generate responsive local government. In other words, *having some resources around which to negotiate, however small*, allows for processes and structures of governance to be activated and motivated.

C3F was founded in a livelihoods approach and seeks to empower disadvantaged citizens and communities through recognising, valuing and tracking their livelihood assets, most notably social and political assets. As such, C3 also fosters a rights-based approach. When citizens are involved in the identification of needs, priorities and assets, when they have to negotiate resources and manage projects, this shows citizens

at the local level that they can make a difference. The C3 methodology can generate the confidence, skills and motivation for people to engage local government more effectively, with C3F potentially constituting an important link in a longer governance chain. The experience in Uganda and Zambia suggests that the catalytic effect of local funds can increase capacity and entitlement and provide the spark for collective action and leadership.

## **2.2 C3F, Urban Governance and Accountability**

C3F is a small programme engaged in small projects and as such will never replace the need for local government or large-scale interventions. It also explicitly recognises that local government is central to sustainable poverty reduction. The C3F experience in Uganda and Zambia has seen C3F developed within existing institutional structures and processes, while at the same time extending the reach of these institutional arrangements, exercising leverage through them and optimising local accountability. The experience of the pilot programme shows that C3 can play an important role as part of a broader repertoire of urban development interventions. Its niche is to involve the lowest tiers of governance, being groups of organised citizens, in improving local services in the absence of adequate public provision and in extracting more responsive government. In parallel C3 seeks to enhance the capacity of local government to respond to citizen demands and to support activities that lead to improved local governance in urban centres. The mechanisms set up by the C3F pilot allow for upward accountability to donors and encourage downward accountability to involved citizens.

In both countries, the C3F methodology and process is contributing to public sector reform and national decentralisation commitments, through ‘bottom up’ processes and the achievements of organised citizens and their representative local authorities. All this has been achieved with small resources and minimum donor intervention and administration. Risk is minimised through locally developed downward accountability mechanisms, which are often stringent in Uganda, as well as carefully constructed procedures and well maintained paper trails in Zambia that form a solid basis for documentation of the process towards future capacity building.

A key policy issue emerging from the C3F pilot is the successful role it has played in relation to transparency and accountability, both in terms of local level project management and by virtue of local groups being able to hold government to account. Examples of the first include elderly women in Uganda monitoring the price of cement and the number of roofing sheets being purchased and used per housing unit built, and women market stallholders in Zambia mobilising the more affluent and influential leaders of the market committee to apply to C3F to build an ablution block for the market, a facility particularly crucial for women traders. Examples of government agents being held to account by organised citizens include beneficiaries in Uganda succeeding in ousting a corrupt local politician from the appraisal and selection process of the C3F and in Zambia of Ndola City Council using their position as a level three partner to extract a promise from the Minister of Local Government and Housing that the six month arrears in salary and wages payments to the Council be made good.

### **2.3 C3 and Partnerships**

C3F has emphasised public-private-society partnerships with the aim of leveraging resources and partnership initiatives. Central is the goal of matched contribution arrangements. Partnerships have been successfully built, especially across the state-society divide. More difficulty has been experienced in respect of donor coordination given that different agencies have their own agendas and pet programmes and approach, despite being intuitively in favour of harmonisation and donor coordination. This is an on-going process in which C3 can be an important participant and contributor.

Partnership with the private sector has been the most difficult and this element of the C3 design has largely failed across both pilots. The reason for this is that the incentives for private sector participation were never thought through. Where the private sector was coaxed in, it was not on the basis of any collective social responsibility except in the case of some sponsorship from one or two large corporates. Lessons learned at the local level show successful examples to have been motivated by a) providing lost leaders by contractors hoping for more work from council; b) activities motivated by NIMBYism,<sup>5</sup> or c) individuals motivated by the service culture or status benefits of membership of Rotary or Lions Clubs. Future initiatives should take these factors into account rather than just assume or wish for the involvement of the private sector which is fundamentally motivated by profit rather than altruism. Nevertheless, C3F is generating important experience and transferable lessons in how to construct and support difficult partnerships in the complex social, political and institutional conditions that inform urban development. These include the development difficulties deriving from rapid urbanisation and increased urban poverty and the institutional complexities associated with a policy and planning environment that involves actors from the international, to national, to district, local and community levels.

### **2.4 C3 and Strategic Support at the Sub-national Level**

Support to national governments can take a long time to ‘trickle down’ and there are invariably conditions where national government performance does not warrant direct budget support. Thus strategic and flexible approaches for local development support remain important. The C3F experience in Uganda and Zambia to date suggests that challenge funds can be an important and effective dimension of urban social development and sub-national direct budget support. C3 provides an effective funding mechanism by which international donor agencies can target poor urban communities, often neglected within the context of national poverty reduction programmes that are focused at the district level and on rural poverty reduction. It does so by devolving decision-making power to local level partnerships that include civil society and groups of the poor and without creating parallel structures by incorporating fund management within existing local institutions.

Direct support to the local level can be made more strategic (although perhaps not quite so flexible) if the pilot programmes under the extension, seek to dovetail the activities and directions of C3F with the donor coordinated efforts to support

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<sup>5</sup> Not in my backyard!

decentralisation and build institutional capacity at local government and district levels in the pilot countries. Already during the C3 pilots, harmonisation has been shown to be important in relation to donor coordination around pro-poor urban development, decentralisation and local government, through efforts to engage the Local Government Development Programme (LGDP) in Uganda and the Zambian Social Investment Fund (ZAMSIF) in Zambia.

### **3. The C3F Methodology and Challenge Fund Innovation**

The C3F pilot programme has shown that a local funds approach can work in urban areas and has developed useful and transferable or adaptable methods for their establishment and management. Like other challenge funds, C3F aims to manage small amounts of money, flexibly and with lightweight conditions in order that it can respond to diverse needs and demands of the poor. In this it has been very successful. C3F has developed locally designed and tested procedures and management systems, including monitoring systems, that have wide reach and that respond to the diverse needs of disadvantaged citizens in the often complex and contested environment of cities and urban centres.

Institutional development and capacity building as a result of the C3F pilot programme in Uganda and Zambia has seen local government involve itself directly with local citizens and difficult to reach groups by municipal councils or donor agencies. In Uganda C3F has positioned itself well within the decentralisation process and seeks to actively invoke it, and it has given support to the national local government association which is strategically placed to roll out the C3 partnership in Uganda within the context of a rights-based approach to local governance. In Zambia the activities of C3F have been infused with information and knowledge about complementary national level poverty reduction approaches, through the active involvement of the national advisory group that oversees C3F, and this body is well placed to assist with the strategic roll out of C3 in urban Zambia.

It is envisaged that innovation will continue if the C3F is allowed the time to develop effective exit strategies. Capacity building has been provided to enable the local fund approach to be mainstreamed within local council budgeting and management, especially in the smaller municipalities and C3F is on its way to becoming part of normal municipal development strategies, with C3F procedures becoming part of everyday management practice.

Part of the innovation is that the C3F pilot programme has adopted a 'learning-by-doing' approach and this involves demand-driven adjustments and tailoring to local conditions. Much has been learnt and these lessons are already being transferred to other efforts at direct budget support to the local level. The C3 methodology has been tried, reviewed, developed and refined so that it is now ready for testing and adapting beyond the initial pilot sites. Here the challenge is for the C3 methodology and process during the roll out stage under the extension, to be transferred and adapted rather than the mechanisms developed to date being turned into a blueprint for identical replication.

#### **4. Recommendations for the C3F Pilot Programme**

The Urban Management Programme should take up the C3F Pilot programme and further donor support should be sought both by UN-Habitat and DFID. The existing C3 programme needs to be extended on the following grounds. First, the initial pilot projects have been successful both in terms of outcomes and learning. Second, C3F by definition is concerned with process and institution building and this is not an overnight process. Third, important lessons have been learned regarding urban poverty reduction and urban governance that require dissemination. Lastly, the C3 methodology is poised to make an important contribution to the practice of pro-poor urban development and direct budget support at the local level and requires an extended time period for development. The task of embedding and spreading practices and of documenting and disseminating this process will take a number of years. The pilots are well poised for consolidation at a city level and for roll out within their national contexts and should be given a chance to do so. This strategy will allow for rolling out regionally and perhaps beyond, if the longer term funding and support can be provided.

For the consolidation and extension of C3F to be effective it will require different strategic inputs and expertise, while at the same time requiring that the day-to-day management be increasingly devolved. This has implications for the distribution and deployment of resources. Management of C3 initiatives by cash-strapped municipal councils should be better supported in future. The time inputs from strategic staff in coordinating organisations may also need to be increased and recognised. With this in mind it is recommended that the proportion of C3F funding allocated to management and administration should be increased to 20%. This could be achieved directly or through a flexible approach to projectisation of the management, capacity building, dissemination and documentation functions.

The key focus for C3F in the future should be leverage of resources and institutional support from donors, government at different levels, civil society organisations and the private sector. This will involve a more strategic role for the national partners in Uganda and Zambia. Here and beyond the pilot countries as well, consideration should be given to changing the name of C3F to the City-Citizen-Challenge Fund. This would not lose the emphasis on community involvement and management but would be more in keeping with the times, particularly in relation to rights-based approaches to urban poverty reduction and local governance.

Documentation of the wider C3F programme should be further developed and supported. The terms of reference for the current evaluation include documentation of the external evaluation, which adopted an innovative approach that has influenced the design of other DFID funded programmes, including HUGO/Manusher Jonno in Bangladesh. It is suggested that a useful modality for taking this forward would be through a joint documentation project undertaken by the external evaluator together with Zambia team who have made particular progress in relation to innovations around monitoring. UN-Habitat should support a further external evaluation visit and report that includes a survey on impact assessment, that builds on the benchmark survey conducted at the outset of the evaluation but not budgeted for in the context of the present visit and report.

## **5. Summary of Progress of the C3 Pilot Programme in Uganda<sup>6</sup>**

The C3 Pilot Programme in Uganda has been most successful in Jinja, where C3 is being implemented in Mpumudde Division primarily through a low-cost housing programme. Here the methodology is being embedded in local authority practice and has impacted on municipal engagement with local communities, deployment of budgets and leverage and utilisation of funds. In Kampala C3 is being piloted in Kawempe Division, the most densely settled part of the capital city but here the programme is largely confined to micro-credit and has been less successful in terms of spread and leverage.

The international partners in the Uganda programme have worn heavily the responsibility of balancing stewardship with risk. The national level partner organisation has struggled with its shift from an advocacy to a developmental organisation and the attendant management demands. The devolution of management responsibility to the local level has been successful and is in line with C3 principles of subsidiarity and of lower tier partners absorbing the transaction costs but there is a need for considerably more capacity building.

Where it has worked effectively, the C3 methodology has also shown itself able to build capacity for community management of projects, effective negotiation with local authorities and the empowerment of women to participate in public life. At the same time the methodology has demonstrated that municipal capacity for community participation and citizen engagement can be enhanced, together with increased transparency and downward accountability.

As such the C3 Partnership in Uganda has succeeded in bringing catalytic funding to help poor urban communities and their representative local authorities to engage in successful poverty eradication initiatives. Risks are associated with a failure in some parts of the pilot to internalise the C3 approach and with elite and political capture. However, the mechanisms for containing or avoiding this are being developed and lessons have been learned. The challenge is to document the learning and to ensure that robust and sustainable transparency mechanisms and accountability processes are entrenched.

The C3 Partnership should be continued in Uganda, with support being increased in those areas where C3 has been successful and reduced where it has not. The ULAA should play a more strategic role and Jinja Municipality and the LIU could play an important role in capacity building and the roll out of C3. Key issues in the rolling out of C3 are a) refining C3 procedures at all levels, b) deepening the C3 experience in existing well performing divisions, c) spreading C3 to other divisions and possibly municipalities and d) positioning C3 more assertively in terms of policies to deepen decentralisation and reduce poverty in Uganda, particularly in relation to the LGDP.

## **6. Summary of Progress of the C3 Pilot Programme in Zambia<sup>7</sup>**

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<sup>6</sup> A fuller report on Uganda can be found in Annex One.

<sup>7</sup> A fuller report on Zambia can be found in Annex Two.

The C3 Pilot Programme in Zambia has been very successful, particularly in the smaller Copperbelt town of Ndola where the municipal has become a level three partner, but also in the capital, Lusaka, where the Council has slowly increased its support for and interest in C3 and its relationship to other urban poverty reduction and local governance programmes. In both cities C3 has leveraged public sector support as well as buy-in from area-based organisations and community groups. After a slow start, the programme has dispersed most of the funds and has supported a wide range of urban development projects. A particular area of success relates to the development of effective and accountable structures and procedures for devolving control and management of funds to local government and the lowest tiers of organisation in disadvantaged and low-income settlements and communities. This relates in part to the progressive development of simple-to-use management tools and accompanying 'paper trails' that facilitate process and efficiency monitoring, and in part to the systematic and sensitive testing and targeting on the ground.

The C3 Partnership in Zambia should be continued into the second phase of the pilot programme and ideally beyond. Phase should include a process of documentation and methodology development that can feed into broader capacity building strategies associated with C3. The process of embedding C3 methods and management capacities into local governance structures and procedures should be pursued further, aiming to harmonise the C3 methodology with other initiatives aimed at improved pro-poor public service delivery, poverty reduction and social service programmes in Zambia. An on-going challenge for C3 in Zambia is to develop ever more robust mechanisms for increasing the quality of downward, peer accountability. In restructuring its own role, UI should reconsider its controlling hand in the project appraisal/approval process and in day-to-day programme management to ensure transparency. These two C3 functions should be institutionally separated.

The success of the C3F in Zambia to date is based on the methodology being flexible and fleet of foot, transparent and free of political interference. It is important that in the second phase of the pilot and indeed beyond this phase, these continue to be defining characteristics of C3F. Most important though is that C3 continues to be a source of grants, responding to local priorities and avoiding prescription beyond a basic adherence to the methodology, facilitating local community organisations and local authorities to set their own targets and modalities. Here it is important that C3 remains steadfast in its approach to direct livelihood support and also that it is not tempted to extend its activities to micro-finance and enterprise projects.

Within Zambia the role for Urban INSAKA should change in the second phase of the pilot, reducing involvement in level three activities and taking on an enhanced role as a level two partner. Already UI has shifted its focus from direct fund management to methodology development and capacity building. In the second phase, UI should continue and step up a concerted engagement with the harmonisation and donor coordination effort within the local government arena. Important here is engagement with ZAMSIF and promoting the existing C3 niche, which compliments district level and local authority level initiatives by reaching the parts that other initiatives do not reach.

UI stands to play an important role in terms of harmonisation within the urban sector, not least of all because of its particular expertise as a research and capacity building

organisation but also because of the successful piloting of C3 and the importance of the C3 methodology to a broad range of urban initiatives. To this end, in the second phase of the C3 pilot, UI should ensure that its own expertise and the comparative advantage of the C3 approach is made known. Relatedly, there should be greater harmonisation and cross-fertilisation across the CARE urban programme, within which C3 could be indispensable.

# **CITY-COMMUNITY CHALLENGE FUND (C3) INTERIM EXTERNAL EVALUATION REPORT**

## **ANNEXURE ONE: PROGRESS OF C3F IN UGANDA**

### **1. Introduction and Background**

The C3 Pilot Programme is being undertaken in Uganda's two largest urban municipalities, Kampala and Jinja. In Kampala it is focused on Kawempe Division, which is one of four divisions, embracing the most densely settled part of the capital city. In Jinja C3 is being implemented in Mpumudde Division, recognised as the most disadvantaged and least densely settled of Jinja's three divisions.

#### **1.1 Urban Poverty**

Although a predominantly rural country (85% of the estimated population of 22 million) urbanisation is growing in Uganda due to increased population growth and rural-urban migration. Kampala is a city designed for 600,000 residents and is now estimated to have 1.5 million, as well as a much larger daytime population who work and do business in the city and use its infrastructure and facilities. Jinja, though a much smaller city faces different pressures, not the least being financial and industrial flight since the 1980s and high levels of long-term unemployment.

Uganda's poverty reduction strategy is captured in the over-arching Poverty Reduction Action Plan (PEAP)<sup>8</sup> that is operationalised through Sector Wide Approaches (SWAs) and implemented by local governments. It covers five priority programme areas (PPAs) including i) primary education; ii) primary health; iii) water and sanitation; iv) agricultural services; and v) rural roads. The Poverty Action Fund (PAF) is the key instrument for operationalising the PEAP. Other major programmes have included the Rural Finance Credit Scheme (Entandikwe) and the Government Grants System, neither of which were successful and both of which, like the PAF, favoured rural areas. Entandikwe did extend to urban areas but its legacy of failed implementation has proved a challenge. Strategies addressing HIV/AIDS have reached urban areas and urban poverty reduction opportunities exist here, given the many AIDS widows and orphans struggling for livelihoods in Uganda's cities.

#### **1.2 Decentralisation and Local Government**

An important dimension of the overall context in which C3 is operating in Uganda is the decentralisation process. Until 1986 government was tightly centralised and there was very little role for local government in decision making over resource use and allocation. Thereafter local governments were progressively granted more authority and in 1993 Uganda's National Resistance Movement (NRM) government adopted decentralisation as a means to strengthen democracy and improve social service provision in the country. This was formalised by the 1995 Constitution and the Local Government Act of 1997. Nevertheless, the NRM remains a highly centralised

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<sup>8</sup> The PEAP is now in its second phase (PEAP I 1997-2000 and PEAP II 2001-2003). See Ministry of Finance, Planning and Economic Development (2001) *Poverty Eradication Action Plan (2001-2003)*, Volume I, February.

‘movement’ and there is a critical role for initiatives that empower citizens to engage with local government and other development agencies.

Uganda’s local government system is based on five levels. At the lowest level are the village (LC1) and parish (LC2). The LC3 level refers to divisions in urban areas and the sub-county level in rural areas. The municipality (or for rural areas the county level) (LC4) and the district (LC5) are the higher tiers of local government. The Local Government Development Programme (LGDP) operates at LC4 and LC5 levels and is a countrywide programme designed to transfer development funds to local governments on a grant basis.<sup>9</sup> The Donor Sub-Committee on Decentralisation is closely involved in the LGDP and together with the Ministry of Local Government is potentially an important point for linkage for C3, which operates directly only at LC1, 2 and 3 levels, but seeks to work with other levels of local government. C3 Local Implementation Units (LIUs) include the divisional councillor (LC3 level), a serving Divisional Administrative Officer (LC3 level) to coordinate its activities, and parish (LC2) and community-based (LC1) level community representatives. They also include other organisational representatives. As such the pilot is well designed to embed within local governance structures, the C3 Partnership.<sup>10</sup>

## **2. Progress of the Pilot Projects**

This section charts the progress of the C3F pilot in the two Divisional Councils in which it has been implemented in Uganda. The key activities and achievements are highlighted, with particular attention being paid to the leverage of additional resources and buy-in by other stakeholders.

### **2.1 Progress in Mpumudde, Jinja**

Mpumudde has a population of over 20,000 and occupies 1,156.5 hectares. It is a relatively sparsely populated peri-urban area, but in the most disadvantaged division in Jinja with the highest level of unemployment in the Municipality. The economy of Jinja was devastated by the factory and enterprise closures that followed the flight of Ugandan Asians who persecuted by Idi Amin and has not yet fully recovered.

Mpumudde Division’s major C3 focus is the Mpumudde Housing Development because residents identified shelter, as the community’s major priority need. Originally comprising the 35 members of the Housing Association, the programme was subsequently broadened to encourage applications from a wide range of community groups. So far the project has 41 individual beneficiaries who are accessing housing and micro-finance loans. In addition, individuals have benefited from training in block making and business skills. Grants have also been made to groups, for example, for the repair of septic tanks and for mowing machines.

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<sup>9</sup> The LGDP, which grew out of the District Development Project piloted in five districts between 1998-2001, has three elements – the Local Development Grant which local governments are free to use to fund their development priorities; the Capacity Building Grant which they can use to build their own capacity to utilise the development grant; and an incentive system which rewards improvement and penalises poor performance. To access the LDG local governments must meet certain minimum conditions. With the capacity building grants, these can also be access by NGOs, CBOs and the private sector if it can be shown to be of benefit to the district.

<sup>10</sup> The Uganda Pilot Programme has opted for the term C3 Partnership in lieu of C3Fund.

Nevertheless, the main impact is in relation to low cost housing and completed houses number 26 with 11 more under construction out of an initial plan for 74 units. Houses comprise four rooms and are built with a manual sand/cement block press. They are plastered and with corrugated iron roofs. Community members on a rotation basis build them with eight households building a set of eight houses. The average time to construct a house is currently 21 days. Each household is allocated a grant of £1,400. The materials amount to £1,000 per house, labour an additional £200 and each house comes with a further micro-enterprise grant of £200 that householders can use to generate income to repay the costs of building. One group displaced by the project were the informal 'gin' distillers. They were offered an alternative site and have moved into a new food producing business with the assistance of a C3 loan. They were pleased to make the shift given that commercial liquor producers constitute tough competition in urban areas.

Building costs were kept down through the purchase by the Jinja Municipal Council of an Isuzu Tipper Truck for transporting of building materials to the site, as well as tools and four block making machines on site. With the allocation of further land from central government, a total of 286 houses are planned. While views are mixed as to the sustainability of the technology choice, there is no doubt that the rapid and cost effective construction of low cost housing units has proved to be an effective lever for attracting additional funding and resources from a number of sources.

#### ***Additional resources from local government***

Human and financial resources from the Mpumudde Divisional Council and the Jinja Municipal Council include:

- Planned construction of two feeder roads to murrum standard and reconstruction of the Mpumudde by-pass road with LGDP funds
- Planned installation of street lighting
- Electricity and water connections are being brought in by LGDP
- Mpumudde Health Centre has been renovated to cater for C3 beneficiaries, among others, and a market is planned
- Construction of school classrooms and application to Ministry of Education for teachers for the school

#### ***Additional resources from national government***

The Uganda Government through the Department of Human Settlements has already provided free of charge 34ha of land for the C3 programme. The Commissioner of Human Settlements and her technical staff regularly attend C3 meetings in Jinja and a Memorandum of Understanding between the Department and the LIU is due to be signed.

#### ***Additional resources from Civil Society Organisations***

There has been buy-in to the C3 Partnership by a number of CSOs and NGOs as follows:

- The Auxiliary Foundation, a training NGO has carried out capacity building with the beneficiaries

- A 14 classroom primary school with administration block has been funded by the International Methodist Church and supported by Jinja Municipal Council
- The Jinja Network for the Marginalised Child and Youth, which is an innovative network of NGOs and local government, built the Jinja Transit Centre for homeless street children in Mpumudde. Two plots were provided for the home and the Network constructed a two-in-one C3 house with additional funds provided by GTZ and a German NGO. The latter, in partnership with the municipality through the Jinja Network are staffing the Centre
- In addition to contributing labour to site clearance and house construction the community, and particularly women in the community, has committed it to assisting in the support and rehabilitation of the homeless street children at the Transit Centre.

### ***Additional Resources from the Private Sector***

As elsewhere, eliciting support from the private sector has proved difficult. However, Jinja has been more successful than other pilots with the following:

- The supplier of building materials, Oum Limited has subsidised the supply of cement and iron sheeting
- Architeco Collaborative, a local architectural and planning firm has charged only costs for the detailed planning of the new C3 development site
- The local Rotary Club is supporting a project for the disabled in Mpumudde Division and attends C3 partnership meetings.<sup>11</sup>

In sum, the Housing Association members in Mpumudde are pleased with the C3 process and outcome and the wider community is well disposed towards the project and is beginning to attract interest from those who initially stood back from participation in the Housing Association. Among the Association members themselves, there are some anxieties about the terms set down by the LIU for loan repayment but have been reassured that although repayment is non-negotiable, it is up to them to adjust the terms to realistic levels.

## **2.2 Progress in Kawempe, Kampala**

Kawempe has an estimated population of over 200,000 and the division occupies 25 square kilometres, with a population density per square kilometre double that for Kampala as a whole. It is an area of mixed settlement and infrastructure levels are also mixed, with the area as a whole not connected to the main sewerage system. Within Kawempe there are many informal settlements with poor water supply and sanitation, no drainage, inadequate solid waste collection and minimal amenities. Formal employment is scarce and the majority of low-income residents engage in informal business.

The C3 beneficiary area originally involved only six parishes but in response to public pressure C3 outreach now extends to all 18 parishes within Kawempe Division,

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<sup>11</sup> It is a moot point whether clubs such as Rotary and Lions fall under the private sector and they may be better categorised as civil society organisations. They are included here, as membership comprises representatives of local capital with a service ethos.

although beneficiaries remain concentrated in the original six parishes. The C3 programme in Kawempe has concentrated almost exclusively on micro-credit schemes despite this not being the intended focus of C3 and micro-finance initiatives were strongly advocated by the LIU and beneficiaries in the context of a demand driven programme.

The Kawempe Division is being encouraged to shift their focus towards other areas of support, and following a visit to Mpumudde Division in Jinja, a few applications for social services have started coming through for the next phase of funding. However, the overwhelming thrust has been micro-finance, with grants ranging from the equivalent of £16 to £800. Projects range from fish farming, to poultry projects, mirror manufacture and framing, broom making, furniture making, charcoal making and small fresh produce stalls. Beneficiaries remain overwhelmingly individual. However, a Beneficiaries' Association is in the process of being formed to provide a regulatory and coordinating role and it will take responsibility for managing the revolving fund.

With only eight applications funded before January 2002, the rate of applications has increased and 136 were approved in the first six months of this year. To date 144 small business projects have been funded in Kawempe and with word of C3 spreading demand are growing, evidenced by inspection of over 1,000 applications housed in the Divisional Council offices, which have not yet been processed. This has been the result of successful local level publicity drives regarding C3, through community radio and sensitisation initiatives, as well as demonstration effect.

Evident problems include failed ventures leading to the non-payment of loans; some opportunistic use of the C3 funds and individual grants failing to produce a ripple effect. Articulated problems related to the requirement that recipients open bank accounts and the need for capacity building in business management. The Division has negotiated with the Micro-Finance Bank of Bwaise to allow beneficiaries to open new bank accounts but the process remains top heavy for the small amounts of money involved. The NGO Plan International has been approached for capacity building in micro-finance given their expertise in this area of development support.

#### ***Additional resources from local government***

At the level of the Divisional Council, Kawempe's existing extension workers have been deployed to advise projects, including the setting up of bank accounts. They are also involved in monitoring the impact of C3 grants. Extension workers reported enhanced job satisfaction by virtue of having something to do, although complained of insufficient back up in terms of resources. At the level of the Kampala Municipal Council, it has maintained a watching brief in relation to C3. However, in the face of efforts at political capture (see section 2.3 below) the Mayor of Kampala has intervened in the C3 process in Kawempe, which can be read as a sign of political commitment.

The town clerk and the mayor of Kampala City Council have recognised the need to urgently adopt a poverty reduction policy across the whole municipality, linking LGDP and C3 as the main poverty alleviation initiatives. Plans are being made to

make staff available from the Social Services Department to assist C3 in Kawempe and prepare for a new C3 initiative in another division.

#### ***Additional resources from national government***

These have not been solicited or forthcoming in the case of Kawempe Division. There is the intention to link up with the national level cooperative programme.

#### ***Additional resources from Civil Society Organisations***

Plan International has been approached for support on micro-finance and there are intentions to link up with ActionAid although this has not been taken forward as yet. The role played by the local NGO, Living Earth, on the NCC and in support of C3 more generally, has extended to support to capacity building in Kawempe Division. In terms of community level inputs, the response of beneficiaries in Kawempe does not match in any way, the levels of matched funding in the form of in-kind contributions evident in Jinja.

#### ***Additional Resources from the Private Sector***

There have been no resources accessed from the private sector, specifically in relation to the Kawempe project.

In sum, the process of engaging different players and broadening the scope and reach of the C3 partnership in Kawempe has not been easy. Beneficiaries include a good proportion of women but targeting the most disadvantaged and extending project support from individuals to groups has proved difficult, despite significant efforts at capacity building among community members, the LIU and Divisional Council extension workers.

### **3. Efficiency Indicators – Programme Management of the C3 Fund**

This section assesses programme management capacity for the C3F in Uganda. This includes the International Programme Management Unit, LGIB, and the National Coordination Unit (NCU) based in and staffed by the ULAA.

Oversight of the programme as a whole is the task of the National Coordination Committee (NCC) that monitors the implementation process, which is under the management of the National Coordinating Officer (NCO). Funds are released from LGIB to ULAA on a monthly basis. The NCU in turn dispersed to the LIUs, which are managed by the local administrative officers of Mpumudde and Kawempe Divisions respectively. The LIUs administer the appraisal and approval of applications from community organisations and members. Under the LIUs, and assisting them in the implementation of C3 activities, are the Focal Point Committees (FPCs) (Mpumudde) or Parish Development Committees (PDCs) (Kawempe). Hence the structures and mechanisms are in place for the effective management of the C3 partnership at local level.

#### **3.1 Budget Management**

The overall budget for the C3F in Uganda was £500,000 of which £100,000 was allocated to the LGIB for meeting the management costs of the Uganda pilot. The balance of £400,000 was allocated to implementation activity in Uganda. Of this, an amount of 10%, subsequently raised to 15%, was earmarked for an administrative/operational budget for the NCU and the LIUs in equal shares, leaving the remaining 85% of the grant monies to be allocated to projects. From the grant monies, 30% has been allocated to capacity building initiatives, shared between the beneficiaries, the LIUs and the NCU/NCC. The remaining 70% was set to be shared equally between the two pilot areas of Kawempe Division and Mpumudde Division. This is in keeping with the design of the C3F, for maximum funds to reach poor urban communities for poverty reduction initiatives.

Of the £400,000 to be spent in Uganda, by July 2002 only £70,000 had been spent, leaving £330,000 to be spent by the end of the first (extended) pilot programme. While spending of the administrative funds is on track, there is still a lag in terms of the allocation of project grants. This points to a number of issues with regard to the management and structure of the programme. The development of home-grown, easy to use C3 procedures has taken time, particularly given the need for different kinds of capacity building at all levels, from the NCU, to the Municipal and Divisional Councils, to the LIUs, FPCs/PDCs and potential beneficiaries themselves. As such, setting up the C3 Partnership in Uganda has been a protracted process that is evolving at its own pace. Under such conditions, spending of resources takes time and operates at a rhythm that is not always in synch with the spending and reporting requirements of LGIB and the pilot programme.

This has led to somewhat top-heavy management by LGIB, particularly the practice of disbursing funds on a monthly rather than a quarterly basis. This has been necessitated by LGIB's own cash flow in relation to DFID's own procedures which do not allow for the disbursement of finances in advance, compounded further by the fact there are two to three week delays in banking transfers between the UK and Uganda and then from sterling to a local currency account within the country which delays things even further. Together with the attendant reporting requirements, this has put significant strain on the NCU. These issues have now been addressed by the NCU and LGIB and it is also anticipated that with the proposed transfer of the C3F to UN-Habitat, some of these problems may be ironed out.

### **3.2 International and National Level Programme Management**

The LIUs and the NCU are now producing quarterly accounts of expenditure to cover the remaining C3 finances. As an organisation ULAA has been forced to improve its management structures and shift from being predominantly an advocacy and service organisation to one that promotes innovation and best local governance practice for the benefit of all local authorities in Uganda (see Strategic Business Plan). This has necessitated among other things, the formalisation of procedures and documentation. In this LGIB has undoubtedly been very helpful. However, as the C3 NCO put it, "We have benefited from LGIB's guidance but not its bureaucracy". For its part, the NCU would have benefited had it deployed more resources towards employing one or more permanent administrative staff members to work within the ULAA on setting up and running the C3 pilot programme. The capacity of the C3 offices at divisional level and their connection with the centre has been increased recently through the purchase of a

computer for each Division, as well as an internet connection in Mpumudde which has improved communications with the NCU and beyond.

The capacity of the NCU was enhanced both by an exchange visit with the C3 Programme Team in Zambia and through a study tour to India part funded by C3 and carried out through the National Slum Dwellers Federation in Mumbai, focused on low-cost shelter, sanitation, credit schemes and beneficiary cooperatives. The National Coordinator also visited LGIB in the UK and participated in a workshop on local funds held at the London School of Economics (LSE) under the auspices of LSE and the International Institute for Environment and Development (IIED) and sponsored by DFID. C3 has been an important learning experience for ULAA and the methodology is one they are keen to incorporate into their broader activities. Involvement with the C3F has seen the Association begin to think 'outside the box'. ULAA has many programmes in respect of local *government* but the C3 partnership is the first one concerned with local *governance*.

In a nutshell, the C3 pilot for Uganda has been lightweight at national level and heavyweight at the international and local levels. The latter is in keeping with the principles of C3 subsidiarity and of lower tier partners absorbing the transaction costs. At the higher levels, LGIB bureaucracy has somewhat defeated the C3F goal of devolving management responsibility. However, the balance between stewardship and risk is a difficult one to maintain and the need to enhance the capacity of national and local level partners to manage C3 probably necessitated a fairly hands on approach during the initial stages of the pilot at least.

### **3.3 Division Level Project Management**

Sensibly, neither the NCU or the NCC have involved themselves directly in beneficiary selection, project appraisal or fund disbursement and have maintained an 'eyes on – hands off' approach. The selection of beneficiaries is the responsibility of the FPCs/PDCs, which visit each applicant group to collect the relevant information. This is discussed and if proposal criteria are met, bids are recommended on to the LIUs, which can approve and effect disbursement for projects up to Ugandan Shillings 3,000,000/-.<sup>12</sup> This system is well established now, with training having been provided. C3 has not yet developed an institutional grievance procedure.

The NCO also has an open door policy and is the final arbiter in disputes. However, this needs to be better institutionalised, not least of all because it is the view of the NCO that his own role in direct implementation is almost over. To a certain degree this is appropriate as capacity now exists and systems are in place so that responsibility can and should rest with the LIUs, supported by the Municipal and/or Divisional Councils. Nevertheless, there is still the need for clear grievance procedures alongside more systematic and comprehensive documentation of other procedures and systems. For example, monitoring systems differ between Mpumudde and Kawempe, which are different again from ULAA. Failure to establish this is to risk losing the learning from the first phase of the pilot. The Uganda Management

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<sup>12</sup> If the amount applied for is in excess of this, the approval process has also to involve the NCU.

Institute (UMI) is planning to establish its role as the resource centre for the C3 programme and this will be developed as part of the next (extension) phase.

#### **4. Process Indicators – C3 and Inter-Organisational Relationships**

This section is concerned with the extent to which the C3 methodology has fostered responsive government, has had an impact on local management styles and has enhanced the ability of local politicians, council officials and staff to engage with communities and organised citizens. There is no doubt that C3 has been successful in linking local politicians to local citizens. The image of council officials has improved, and the focus of Councils has shifted from an overwhelming preoccupation with “roads and drains” to a focus on people.

##### **4.1 Embedding C3 in Local Governance**

C3 has avoided the creation of parallel structures and has attached itself to the decentralisation process, working with civil society organisations and local government structures, thus allowing C3 to directly influence and ultimately be subsumed with the process and structures of local democracy. C3 has positioned itself well to help local governments in Uganda to engage with communities and respond to the priorities of local citizens. Section 2.2 shows that this is especially the case for Mpumudde Division and Jinja Municipality. Progress has been less impressive in Kawempe, where the local C3 management team has taken longer to internalise the C3 methodology and to perform as an effective group. Some of the reasons for this pattern are explored further in this section.

In Jinja, the Municipality has been proactive in making links between C3 and other projects, programmes and organisations. It has leveraged significant funds from alternative sources, while ploughing in additional resources of its own. It is difficult to pinpoint why Kampala Municipality has been less forthcoming except to surmise that in the broader scheme of things, C3F is relatively small fry for a capital city where there are multiple and competing layers of funded organisations and agendas engaged in governance issues.

Both in Mpumudde and Kawempe there is more direct engagement with the C3 approach at divisional level. This is understandable given that it is here that most tangible benefits are to be found. Nevertheless, success of the C3 approach has been relatively limited in Kawempe Division where a combination of early elite and political capture resulted in a somewhat opportunistic approach being adopted. In Mpumudde, by contrast, the political leadership and the LIU embarked on a steep learning curve and have shown remarkable openness and commitment to issues of accountability and transparency.

In both Divisions, benefits accrued to Council employees, often hampered in their jobs through lack of resources and poor motivation. In Kawempe, for example, the Council’s community extension workers rarely had the opportunity to move out of their offices before C3 required and capacitated them to do so. In Mpumudde, the C3 process has drawn on the expertise and advice of a range of Council officials and has benefited in particular from strong commitment and oversight from the Assistant

Town Clerk who has seen in C3 an opportunity for the Jinja Municipality to be responsive to citizen priorities.

In sum, where it has been effective, notably in Jinja, C3 methodology is becoming embedded in local authority practice in the pilot areas and through perusal of their minutes, budgets and in interviews it is clear that it has impacted on their engagement with local communities, in the way they deploy their own budgets and in their leverage and utilisation of public and donor funds.

A major challenge remains in terms of spreading and embedding the C3 methodology in local governance processes in Uganda. This is the need to achieve buy-in from the donor sub-group on decentralisation, which in turn would lead to greater support from the Ministry of Local Government, currently confined to the Decentralisation Secretariat. There are signs that there is more openness towards C3 now than in the past and a priority for the second phase of the pilot should be to demonstrate how the C3 methodology compliments the Local Government Development Programme (LGDP) through its focus on governance processes and the involvement and empowerment of local communities and organized citizens.

#### **4.2 Spreading the C3 Methodology**

Given that the next phase of C3 involves dissemination and possible replication or adaptation of the C3 methodology, the role of ULAA will necessarily change from one of management of funds to one of 'learning and spread'. The ULAA is well placed as an organisation to undertake the broad task of disseminating and rolling out the C3 Partnership methodology, as a result of its strategic location in relation to local governments and the decentralisation process in Uganda. Thus it is anticipated that the selection of the Association as the national level partner for C3, will really come into its own in this second phase.

However, for the second phase of the C3 pilot to be effectively managed, a greater proportion of C3F resources will need to be deployed to this effect. An alternative is that the rolling out process and accompanying capacity building programme be projectised, along the lines adopted during the first phase of the C3 pilot. It is unlikely, however, that the necessary documentation, capacity building and dissemination will be effectively achieved on the basis of the time devoted to C3 by a very stretched NCO and a student intern, as is presently the case. At least one further full-time staff member should be deployed on C3 in future, if roll out and spread is to be successful.

Commendable efforts at publicity have resulted in ULAA being approached by several other local authorities requesting information on or involvement in C3. Given uncertainty as to the future of the C3 programme the NCU has not been responsive. However, the phase two extension of the pilot should make this a priority for ULAA. Moreover, it is recommended that extending the reach and range of the C3 methodology in Uganda should also involve Jinja Municipality, Mpumudde Division and members of the LIU who have all worked hard on the development and refinement of the C3 methodology and who have interest and expertise in further capacity building endeavours. A first initiative could be to take the C3 methodology

to one of the smaller urban councils that have expressed interest in C3, such as Mpigi, with the support and backing of ULAA.

It is also recommended that the C3 Partnership is scaled-up in Jinja through it being extended to the other two divisions. This will have the effect of further embedding a successful C3 test case and of rewarding a good performer locally. There is political support for this from the newly elected Mayor of Jinja and both divisions have budgeted for a local contribution to C3 type initiatives.

By contrast, the Chair of the Kawempe Divisional Council and head of the LIU has taken a long time to come to terms with the C3 approach and has only just begun to encourage each of the 18 parishes to come up with a social services project. About half have responded to date and the LIU has promised to put in match funding. Even so, if lessons are to be learnt, the project in Kawempe should be scaled down, with no further funds provided to micro-finance projects and further funding being restricted to some viable and demonstrable social service projects, together with capacity building and skills training for associated disadvantaged citizens. It is also worth developing a limited C3 project in another division of Kampala, building on lessons learned and providing a lesson to Kawempe Division. Not to do so would be to fail to rise to the challenge of implementing C3 in the more complex social and political environment of the country's capital city.

The rolling out of C3 in Uganda will involve documentation, dissemination, further publicity and capacity building. This in turn requires a strong message as to the value-added of the C3F, both in terms of national government interests and those of the donor community. In terms of broader links, ULAA has maintained good relations with the Decentralisation Secretariat within the Ministry of Local Government, although the Ministry itself is likely to find itself unable to embrace C3 more wholeheartedly unless DFID-Uganda and the donor sub-committee on decentralisation equally embrace it. Progress here is slow and will be enhanced if C3 can be linked to the LGDP in Uganda, as pointed out above, as well as other national government programmes associated with the decentralisation process. The main contribution of C3 rests in it occupying a niche that catalyses and supports organised citizens to participate in LGDP related processes together with their representative local authorities.

An additional and equally important argument relates to the experience gained by C3 in developing poverty reduction strategies and community-government relations in complex and highly politicised urban environments. Other opportunities lie in linking C3 to the Fiscal Decentralisation Programme (FDS), the Integrated Financial Management System (IFMS), the Plan for the Modernisation of Agriculture (PMA), the Poverty Eradication Action Programme (PEAP) and the Poverty Action Fund (PAF), as well as government support to cooperatives, public service restructuring and other efforts towards deepening decentralisation.

In terms of other stakeholders, the Deputy Director of the Uganda Management Institute is a committed member of the NCC and has been part of the external evaluation team. He is keen to contribute to the documentation process on C3 as an important element in urban poverty reduction and local governance research. Donor agencies that have expressed an interest in C3 in Uganda include UN Habitat, Danida,

USAID, UNDP and Ireland Aid and immediately following the external evaluation visit the NCO was due to make a presentation on C3 to the donor sub-committee on decentralisation, which DFID is currently chairing. C3 has experienced difficulties in attracting private sector investment for projects, although Jinja Municipality has harnessed some support at project level. However, a number of companies such as Shell Uganda, Barclays and Standard Bank and some small local businesses have provided technical assistance and sponsorship to the NCU/NCC.

## **2. Outcome Indicators – Building Citizen Capacity**

This section is concerned with the strengthening of direct and representative democracy at local level and examines whether the provision of small-scale, catalytic funding has helped poor urban communities a) prioritise their efforts towards poverty eradication; b) strengthen their social asset base to engage in public-private partnerships; c) and enhance their political asset base through enhanced advocacy and leadership capacity.

### **5.1 Prioritising Assets for Poverty Eradication**

Targeting urban poverty was achieved first and foremost by locating C3 projects in disadvantaged divisions and within these areas; the LIUs have worked with local communities and particularly the FPCs/PDCs in identifying those in greatest need. In both Kampala and Jinja, as well as within the NCU and NCC, a considerable amount of time was spent on exploring mechanisms for reaching the poorest members or groups at the early stages of C3. Debates coalesced around the following issues:

- Offering grants versus loans
- Engaging with groups versus individuals
- Supporting physical/infrastructure versus income enhancing projects
- The nature of match funding and community level contributions
- How to achieve a ripple effect, and
- The basis for sanctions and sustainability.

In Kawempe the LIU opted for micro-credit loans for small enterprise initiatives, targeted largely at individuals rather than groups on the grounds that infrastructure projects and particularly housing projects result in elite capture. There was evidence of elite capture in Kawempe, with the local political leadership blatantly skewing the channelling of funds to a significant number of their supporters who were evidently not poor. In Mpumudde, by contrast, although some elite capture was perhaps inevitable, the housing project has reached very disadvantaged households and has led to skills training and employment for some Association members and leverage of resources for wider investment in the area, benefiting members and non-members alike.

Four critical conclusions can be reached from the experience of the C3 pilot thus far in relation to prioritising assets for poverty eradication. First, when people are involved in the prioritisation process, they can only make suggestions about which they know. This means prior experiences, both positive and negative, will strongly influence their priorities. Second, immediate livelihoods issues are often uppermost in the minds of the urban poor and they do not always make links between income

generating opportunities and interventions that are not directly concerned with jobs, credit or small and micro-enterprise development. These links have to be specifically drawn through, dialogue, capacity building and support from the C3 teams and local authorities. Third, although a hands-off, bottom-up, learning-by-doing approach informed the spirit of the pilot programme in Uganda, it should have included a civic education element. Political capture was possible in Kawempe, for example, because the target group was not provided with sufficient information on or understanding of their rights and obligations.

A fourth important conclusion to be drawn from the experience in Uganda is that the C3F is not well placed to engage in micro-finance programmes. This is significant not only for Kawempe but also for Mpumudde, where micro-credit is linked to housing loans as a means of assisting beneficiaries with repayment. The programme has neither the expertise nor the capacity to operate micro-finance and there are other schemes that do it better. Not only does C3's involvement with micro-finance put the success of the programme at some risk, especially in Kawempe where it is the main form of activity, but it risks further muddying the micro-finance waters in Uganda, which are already very murky from the legacy of failed programmes in the past, as well from the inevitable opportunists who prey on new programmes such as C3 when they are launched. It should also be pointed out, however, that the Kawempe pilot has provided precisely the lessons that should be learnt from a pilot project and these lessons and the responses to them suggest that it has been a very success endeavour.

It is tempting to conclude from the experience thus far in Uganda that physical infrastructure projects such as that in Mpumudde, as better suited to programmes such as the C3F and perform better in terms of poverty reduction than do micro-finance initiatives such as in Kawempe. This is not least because highly visible projects are more successful in leveraging additional resources than those that are harder to discern. However, it is only fair to point out that the apparent success of the Mpumudde pilot might not be sustained. It has been very much dependent on strong and committed leadership and there is the counterfactual question as to whether any other housing project under the same leadership might also have been successful. Further, it is yet to be seen what kind of formal or informal housing market might develop in the longer term, in the course of the investment recovery process on the part of beneficiaries, nor do we have any way of knowing at this stage whether the beneficiaries' association will manage the revolving fund efficiently.

## **5.2 Strengthening Social and Political Assets**

The principle of improving local governance has informed C3 processes from the outset. There is no doubt that the C3 pilot in Uganda has been very successful in enhancing social and political assets and has facilitated organised citizens to engage more effectively with their representative local authorities both in Mpumudde and Kawempe. Having tangible and accessible resources around which to negotiate, however minimal, has been an extremely effective catalyst in this regard. Through C3 people has learnt a range of things from the best price for a bag of cement, to asking for and keeping receipts, to routes of access to decision-makers and the issues on their agendas.

The formation early on of the Focal Point Committees in Mpumudde and the Parish Development Committees in Kawempe has allowed local priorities to be voiced. With applications being assessed and recommended at community level, C3 partnerships have been locally driven, with significant empowerment processes at work, particularly of women. However, FPC/PDC members can tend to recommend every application to their LIU because the applicants are their friends and neighbours and because they suffer the fallout of rejected applicants. This means that the LIUs tend to be overwhelmed with applications and have to do much of the weeding out that should take place at the lower tier.

However, there are noticeable differences between Kawempe and Mpumudde. In Kawempe, monitoring of the small businesses funded demonstrates that while some livelihoods have been enhanced, there is little evidence of enhanced social assets. Beneficiaries have continued to operate as individuals and the formation of beneficiary associations has been sluggish, with strong resistance to group formation and collective action remaining. In Mpumudde, the provision of low cost housing has provided the catalyst for the development of a community, both through physical inputs and the fostering of social assets. These have been manifest not only in terms of the construction groups around housing but through the formation of the Mpumudde Housing Association and the various sub-committees of the LIU. These include, for example, a financial sub-committee, a training sub-committee, a building sub-committee and an environmental sub-committee, concerned with preserving and planting trees throughout the construction process. The sub-committees raise and discuss issues, which they then submit to the executive committee of the LIU.

The Association has now taken ownership of the housing programme and the membership decides how best to use and maximise funds. This has led to changes in house design and procurement and use of materials. Women in particular were astutely aware of the cost of sand, cement and roof sheeting and of the amounts required per house. This vigilance and their increased confidence during the process has resulted in their quashing efforts at cheating on the part of some members. In turn, they are active in the FPCs and vocal in meetings with the LIU. One indicator of how social assets have translated into political assets is the election of a woman from Mpumudde as a Level Three (Divisional) Councillor in the local council elections, as a result of her engagement in local issues associated with C3. So long as malfeasance does not accompany it, the view of this evaluation is that the rise in political profile and fortunes as a result of C3 activities should be viewed as a positive rather than a negative outcome, particularly given that the C3F pilot aims to support urban development and urban governance.

### **5.3 Upward & Downward Accountability**

One of the most positive outcomes of the C3 Partnership in Uganda has been the impact of the pilot in terms of increased transparency and accountability. Even in the difficult Kawempe Division where political capture has seen the skewing of funds being channelled to a significant number of party political supporters who fail to meet even the most lax poverty criteria, monitoring on the part of the PDCs with capacity building from C3 and support from Council extension workers has empowered beneficiaries. This together with regular publicity, notably through community radio and notice boards, has encouraged beneficiaries and potential beneficiaries to now

regularly harass the Chair and members of the LIU and in the process are learning they can hold their leaders to account.

The C3 structures have been developed to encourage upward and downward accountability, notably the presence of FPC/PDC representatives on the LIUs and LIU representation on the NCC. The C3 pilot in phase two will move increasingly towards a focus on institutional arrangements for enhanced local governance and here the evolution of beneficiary associations or associations of shared interest will be a key element. They will also provide an important mechanism for balancing the control and power of the NCU and the LIUs and Councils, as well as a vehicle for encouraging the spread of the C3 methodology beyond an area-based approach. Here the potential for linkage into the new national government programme on cooperatives should be explored. In sum, the C3 methodology has empowered local communities in community organisation and peer review, especially among women, in monitoring the transparency of politicians and officials and in dealing with corrupt or potentially corrupt practices.

## **6. Summary Lessons and Recommendations for C3 Uganda**

The C3 Partnership in Uganda has succeeded in bringing catalytic funding to help poor urban communities and their representative local authorities to engage in successful poverty eradication initiatives that have the potential to be sustainable. Its success is based on the C3 methodology being dynamic and flexible, responding to local priorities and avoiding prescription by facilitating local communities and local authorities to set their own targets and sanctions. Success has also resulted from the C3 teams developing effective and accountable structures and procedures for devolving funds and their management to low-income communities and the lowest tiers of local government. Risks are associated with elite capture but the mechanisms for containing or avoiding this have been developed and lessons learned.

The C3 methodology has also shown itself able to build community capacity for community management of projects, effective negotiation with local authorities and the empowerment of women to participate in public life. At the same time it has demonstrated that municipal capacity for community participation and citizen engagement can be enhanced, together with increased transparency and both upward and downward accountability to communities. Risks are associated with political capture and the challenge is to ensure that transparency mechanisms and accountability processes are robust and are supported.

In Uganda C3 has undoubtedly benefited from broader policy reforms associated with decentralisation and citizen participation and all local governance gains cannot be attributed to C3. However, in a context where poverty reduction strategies and local government initiatives are overwhelmingly focused on rural and peri-urban areas, C3 has provided the spark for igniting community-local government relations and investments in urban areas. As such, the C3 methodology in Uganda has the potential of complimenting the strategies of the LGDP through empowering communities to participate in local needs assessments and local development planning and through rolling out its experience of developing community-government relations in complex and highly politicised urban environments.

One of the key challenges associated with the second phase of the pilot and for the rolling out and sustainability of C3 is to ensure continued funding for small-scale community-led initiatives so that they can continue their catalytic and demonstration effect. Another challenge is to maintain local authority enthusiasm for the C3 methodology so that learning becomes more deeply embedded within existing local authority structures and processes and is shared with others. The third challenge is to demonstrate the effectiveness of C3 so that it is able to inform and link into national policy and to this end; engagement with the donor sub-committee on decentralisation is essential.

The Mid-Term Review of the Local Government Development Programme<sup>13</sup> and the Interim External Evaluation Report of the C3<sup>14</sup> highlight a number of situations where the two programmes are complimentary. LGDP and C3 experiences and best practices should be shared and a more collaborative approach should be adopted in addressing the following key issues:-

- The development of the Kampala CC and Jinja MC poverty reduction policy that both informs and enhances the Council's 'Structure Plan'
- The promotion of a holistic approach to development funding – at present this is fragmented with various conditional/unconditional and equalisation grants from a) Government sector budgets, c) special poverty reduction programmes and d) other national and donor development initiatives – with an improved local revenue base
- The adoption of an effective mechanism(s) to manage and monitor a development fund that reaches and empowers the poor at the parish level within the context of a sector-wide direct budget support
- The promotion of a 'resource centre' that collects, analyses and disseminates best practice (that is sustainable, transparent and accountable) and produces necessary materials for wide-scale use eg good practice and operations manuals
- The development of LGDP and C3 capacity building initiatives, particularly those focusing on citizens' awareness and 'ownership' of rights and responsibilities
- The need for an economic development strategy that recognises the inter-dependence of social and economic well being.

In sum, the primary focus in the next phase of the pilot needs to be on a) refining C3 procedures at all levels, b) deepening the C3 experience in existing well performing divisions, c) spreading C3 to other divisions and municipalities and d) positioning C3 more assertively in terms of policies to deepen decentralisation and reduce poverty in Uganda. This will require continued project funding, an increased proportion of funding to the dissemination and capacity building critical to rolling out C3, an enhanced role for the Jinja Municipality and Mpumudde LIU in the capacity building process and a more strategic role for the ULAA in the roll out process, requiring day-to-day management to be devolved to a full-time staff member, releasing the NCO to spend more time on relationship and institution building in support of C3.

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<sup>13</sup> See Technical Assessment of the Local Government Development Programme in Uganda – prepared for the Mid-Term Review Feb 2002

<sup>14</sup> See City-Community Challenge Fund (C3), Interim External Evaluation Report, Nov. 2002

**CITY-COMMUNITY CHALLENGE FUND (C3)  
INTERIM EXTERNAL EVALUATION REPORT**

**ANNEXURE TWO: PROGRESS OF C3F IN ZAMBIA**

**1. Introduction and Background**

The C3 Pilot Programme in Zambia is being undertaken in the capital city, Lusaka and Ndola, the largest city on the Copperbelt. In both cases a strong effort has been made for the C3 methodology to be piloted in conjunction with the relevant local authority, in a number of low-income areas across each city.

**1.1 Urban Poverty**

Zambia's population was estimated in 1998 to be 10.2 million (Central Statistics Office, 1998). About half of its working age population is unemployed and urban poverty in Zambia is widespread. This has been exacerbated by the impact of structural adjustment and until recently, the absence of effective poverty reduction strategies, which has given rise to an increase in poverty from the 1990s onwards, particularly in the cities. Rapid urbanisation has been a feature of Zambia's demography for the past three decades or more, with half the country's population living in cities and towns. Affecting mainly the Copperbelt and Lusaka, urbanisation has given rise to burgeoning informal peri-urban settlements in cities like Lusaka and Ndola. It has proved impossible to keep up with the development of necessary infrastructure and services in these rapidly expanding settlements, which represent a major development challenge for their City Councils and for Zambia as a whole.

Another feature of urban poverty is that employment levels are high, particularly on the Copperbelt. For many decades Zambia has been dependent on copper as its major foreign exchange earner and as a critical employer. In January 2002 the Anglo American Corporation, the largest investor in the Zambian copper mines announced a halt to their investment in Zambia. Around 20,000 jobs in the mining and related sectors are under threat and the livelihoods of a further 100,000 indirectly affected. It is estimated that household incomes will fall by between 8-15%.<sup>15</sup> Urban poverty in Zambia is compounded by two additional contingent factors. The first is the high impact of HIV/AIDS and the second is drought, linked to weaknesses across the agricultural sector and leading to conditions bordering on famine. It is inevitable that starvation in the countryside will lead to greater strain on resources in the city, either through claims being made on individual households or through population movement to urban centres.

The majority of poverty reduction strategies are focused on rural areas, via national or district level strategies. The most prominent of these is the Zambian Social Investment Fund (ZAMSIF) funded by the World Bank to the tune of over US\$64 million and focused on poverty reduction through support to District Planning. Beginning in July 2000 ZAMSIF has spent US\$13 million supporting 156 community based projects to date. Key bilateral donors engaged in ZAMSIF are GTZ and SNV.

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<sup>15</sup> Kaleyji, C (2002) 'Copper Crisis in Zamba', *Traders*, Issue 11, August-November, pp. 16-17.

ZAMSIF is also managing the Community Response to HIV/AIDS (CRAIDS), which is a component of the Zambia National Response to HIV/AIDS (ZANARA). ZAMSIF is now providing block grants to District authorities, provided they can show evidence of capacity to manage local (including city-level) poverty reduction initiatives. A few international NGOs and donors have concentrated their efforts in urban and peri-urban development in Zambia; notably, Ireland Aid, DFID, and CARE International. CARE has been working closely with both the Lusaka and Ndola City Councils through the Programme of Support for Poverty Elimination and Community Transformation (PROSPECT) and the Copperbelt Urban Livelihoods Programme (CULP) respectively, focused on infrastructure development and poverty alleviation.

## **1.2 Decentralisation and Local Government**

An important dimension of the overall conditions in which C3 is operating in Zambia is the political context. Multi-party elections were held in 1991 for the first time in 23 years, with victory going to Frederick Chiluba's Movement for Multi-Party Democracy (MMD). The most recent election, in 2001 was marked by administrative problems, with at least two parties challenging the results, so for much of the year Zambia was in a state of political limbo, awaiting the outcome. This was compounded by the fact that the presidential, national and local elections were held together as a cost saving measure. The outcome saw the MMD remaining in power under the leadership of President Levy Mwanawasa, although with opposition parties holding a majority of seats in the National Assembly. Moreover, opposition parties were elected into the majority in many of the urban councils.

The change in national government personnel has done little to advance the decentralisation process, which remained under wraps for a long time, despite rhetorical commitment to strengthening local government and increasing citizen participation in a more open political environment. It is known that delegations have visited Uganda to study the decentralisation process and those models and structures have been discussed. The Cabinet ratified the Decentralisation Policy at the end of November 2002, although this is still to be shared with members of parliament. It is likely that if and when a decentralisation framework is rolled out, elements of the Uganda model will be present. However, it is also likely that in the urban areas at least, the Zambian framework will build on the process and structures developed by NGOs working in the urban sector in Zambia.

The Lusaka City Council (LCC) and the Ndola City Council (NCC) working in partnership with CARE and its local programmes over many years, developed what became known as area-based organisations (ABOs) through the registration of Resident Development Committees (RDCs) under the Societies Act. Community members elected them and they were largely non-partisan, legal entities charged with coordinating development activities at settlement level. In some areas the RDCs gained a degree of credibility and have acted as a *de facto* lower tier of governance, legitimately voicing community issues and concerns. There is speculation that if and when the decentralisation process is completed, the ABOs or RDCs will be formalised as the lowest tier of local government and indeed, in Lusaka the ABOs are now to be registered under the Local Government Act, with a revised constitution, an outcome of consultancy and advocacy work on institution building and governance.

Despite this progress, the context remains one where formal structures of local government are severely disabled by lack of resources. One of C3's outreach

strategies has been to work through the RDCs, In Lusaka and Ndola most council staff has had to wait for their salaries, which are many months in arrears. Strikes and go-slows are commonplace and senior management cannot implement reforms or innovations in the face of moribund services, crushing debts and low staff morale.

## **2. Progress of the Pilot Projects**

This section charts the progress of the C3F pilot in Zambia, which began in October 2000, with official launches in Ndola on the 31<sup>st</sup> May 2001 and in Lusaka on the 1<sup>st</sup> June 2001. Unlike in Uganda, the aim has been to ensure breadth of coverage across the cities, rather than to go for an area-based approach. The key activities and achievements are highlighted in the case of Lusaka and Ndola respectively, with particular attention being paid to the leverage of additional resources and buy-in by other stakeholders.

### **2.1 Progress in Ndola**

Ndola was an important urban centre for the Zambian Copperbelt but its fortunes have declined along with those of the copper mines, which were privatised in 2000, following which copper prices hit rock bottom in September/October 2001 leading to the withdrawal of major private investors from the sector. It is estimated that up to 80% of the city's population is unemployed. Recourse to informal retail trading is a common response to lack of formal employment but even this has been undermined by the influx of South African retail capital, such as the Shoprite supermarket chain. An arrears on staff pay of over six months duration, resultant strikes and a crippling debt means that the Ndola City Council (NCC) has found itself unable to deliver even the most basic services, let alone engage in developmental initiatives in the low-income peri-urban compounds. For these reasons the C3F was embraced enthusiastically.

Following a period of sensitisation and negotiation, a Memorandum of Understanding between Urban Insaka (UI) and NCC was signed in May 2001. The Council became a level three partner (UI being a level two partner and Care International UK being the level one partner) and is now managing the whole C3 fund and the process in the city, being provided with capacity building support from UI. The C3 Project Team is located within NCC's Department of Housing and Social Services and also comprises members from Public Health, the Supplies Office, the Engineering Department and the Finance Department. Committed leadership is provided by the Director of Housing and Social Services and by the Local Advisory Group, which includes among its members, representatives of the water utility, RDC committees and NGOs.

In Ndola 52 projects have been appraised and a total of 21 have been approved and funded. The first disbursement was K90,750,000, which at the time (April 2002) was the equivalent of US\$50,000 and the second which was due to be disbursed at the end of 2002 and also the equivalent of US\$50,000, is K197,391,778. The largest project is the construction of an ablution block through a partnership between Ndola Council and Habitat for Humanity, costing ZK22,711,400 and the smallest, an adult literacy project costing K3,467,218. Activities range from construction and infrastructure projects such as water and sanitation projects, through to social services such as adult literacy and skills training. C3 has also supported capacity building and awareness

raising projects and together UI and NCC have been skilful in projectising the clear need for capacity building, including in project management. It is acknowledged by the C3 team that the first four projects that were funded did not perform very well, but they learnt from the process and increased the monitoring of subsequent projects, which have performed better.

Problems include efforts on the part of councillors to capture C3 for their wards, a failure on the part of other staff and departments within NCC to understand the C3 approach, difficulties in adequate monitoring without a vehicle and last but not least, an overwhelming demand that has manifested itself in many applications. These in turn require considerable capacity building to get the proposals to an acceptable stage. This is particularly the case when the submissions are by the very poor. As such the C3F in Ndola might be described as being a victim of its own success.

#### ***Additional resources from local government***

Theoretically, each month NCC sets aside 10% of its total revenue for investment in developmental activities. This is handled by the RDCs through the Department of Finance and on average amounts to about ZK3 million per month. This was to constitute a Council contribution to the C3 fund. However, it has been difficult to maintain this level or to deliver consistently given the fiscal crisis in the Council. However, the NCC has committed considerable staff time and expertise in Ndola, for example from the Engineering Department, which has helped ensure the efficacy and sustainability of some of the projects.

#### ***Additional resources from national government***

Additional resources from national government have not yet been forthcoming in Ndola. However, the Deputy Minister for the Copperbelt has shown considerable interest in C3 and has requested a meeting with representatives of C3 in the NCC and UI. The Minister of Local Government and Housing also promised recently that salary arrears will be addressed soon, thus allowing the NCC to get on with its tasks and mandate. The parastatal utility companies have played a strongly supportive role in terms of offering technical assistance on infrastructure projects.

#### ***Additional resources from Civil Society Organisations***

Other NGOs working in Ndola have engaged positively with C3, specifically CULP and Habitat for Humanity. In both cases they have long-standing relationships with the Department of Housing and Social Services and sit on the Local Advisory Group for C3. CULP, which is part of the CARE Zambia family, has shared methodologies, such as the community management approach, and has assisted in capacity building, to very useful effect. At the settlement or compound level, local organisations put in a lot of work on behalf of C3. They may be project groups or RDCs and in most cases, members do the bulk of the work required, on behalf of their communities.

#### ***Additional Resources from the Private Sector***

As elsewhere, the C3 pilot in Ndola has been unsuccessful in attracting private sector investment in C3 projects although several prominent businessmen sit on the local

advisory committee that appraises project proposals given the trying conditions under which businesses have to operate in Ndola, the general lack of interest is hardly surprising. Nevertheless, support and partnership with Rotary has been visible and significant.

In sum, NCC has proved a competent and reliable Level Three partner in the C3 pilot. The C3 team has taken their task extremely seriously and has been effective, appraising, approving and monitoring a wide range of projects that have been implemented across a significant number of settlements. Beneficiaries have included a respectable spread of women and men, effective RDCs have been supported by C3 and by and large, problems of political interference and elite capture have been avoided. Ndola, like Jinja, has been a model pilot partner.

## **2.2 Progress in Lusaka**

Lusaka has an estimated population of 2.5 million although the Central Statistics Office states a population of 1,103,413 (Census, 2002). The poorest live in densely settled compounds or informal peri-urban settlements on the outskirts of the city. Like the rest of the country, problems of unemployment are rife and the price of food staples has risen dramatically in the face of the recent drought and current food crisis. Infrastructure and service delivery is a challenge for the cash strapped Lusaka City Council (LCC). As in Ndola, Council staff has had to wait for months for their salaries. Under such conditions C3 has proved popular both among Council staff, the RDCs involved and other beneficiary groups.

A Memorandum of Understanding was also signed between Urban Insaka (UI) and LCC but this has not yet resulted in the Council becoming a level three partner. As such UI still manages the appraisal, approval and administration of grants for LCC, although progress has been made towards management and control of C3 being localised in the public sector in Lusaka. The Council's responsibility for C3 rests with the Director of the Department of Public Health and Social Services, whilst much of the day-to-day involvement with the programme falls to the Assistant Director of the Peri-Urban Unit within the Department.

A total of 43 projects have been approved and funded in Lusaka and like Ndola, there is a good range across type of project and the funds released for each project. A number of projects for the LCC itself have focused on institution building and project management, towards embedding the C3 methodology and expertise within the Council, which has been important, as slowly C3 in Lusaka is being seen as a LCC initiative. Community level initiatives include, for example, drainage, water and sanitation projects, construction, solid waste management, skills training, improvement to markets and market ablution blocks, stadium rehabilitation, and community art promotion. In order to get C3 established across a wide geographical area, there were two areas in which the programme was proactive and two where it was less proactive but where a number of proposals were put in, approved and funded. Thereafter, C3 spread to other areas by word of mouth. The response has been overwhelming, suggesting that when given the opportunity, community organisers in vulnerable settlements know what they need and what to do about it.

### ***Additional resources from local government***

The LCC committed initially to a degree of match funding through its Community Enablement Fund. This has not been forthcoming because there are no clear guidelines on the management of this fund, which was supported by Ireland Aid and UNDP, and because of the Council's financial problems. The Department of Public Health and Social Services through its Peri-Urban Unit is devoting an increasing amount of time and energy to C3, which it believes 'has come at the right time'. In this regard, UI has transferred some of its work to the LCC, for example the weekly 'drop in' sessions for potential applicants wanting to learn about C3, and Council staff is taking an active part in project appraisal and capacity building work. There is increasing spread of the C3 methodology and approach to other departments in the Council so that, for example, technical assistance is now better provided to C3 projects. Urban INSAKAS's monitoring reports indicate that Council inputs on C3 projects in Lusaka, both in material and staff time terms, sits at between a quarter and a third of the value of the C3 grants.

### ***Additional resources from national government***

As in Ndola these have not been forthcoming, although there are a number of government ministries where links should be made, including the Ministry Local Government and Housing (MLGH), Community Development and the Ministry of Health. An important move in this direction has been representation from the MLGH on the NAG, time and commitment, which was much valued by UI and C3, but ideally this link should be formalised and strengthened.

### ***Additional resources from Civil Society Organisations***

It seems that at the project level, links with other NGOs have not been so strongly developed in Lusaka. Notably, links with the CARE NGO, PROSPECT, do not parallel those with CULP in Ndola. In terms of the ABOs, the RDCs are putting in a lot of time in submitting and leading projects, as are the committees at zonal level, such as water committees, health committees and neighbourhood security committees, which are registered under the Cooperative Societies Act.

### ***Additional Resources from the Private Sector***

There have been minimal resources accessed from the private sector in Lusaka at settlement or project level but both Barclays Bank and the Zambia Chamber of Small and Medium Business Association both gave of their time by participating on the NAG and for no monetary gain.

In sum, the C3F pilot has performed considerably better in Zambia than in Uganda across a number of criteria. Nevertheless, like Uganda the process of engaging municipal councils and broadening the scope and reach of the C3 partnership has been slower and more difficult in the capital city, Lusaka in Zambia. The Council is putting in human and capital resources and a wide range of projects at settlement level across the city are involving a good proportion of women and men and are focused on disadvantaged populations and areas. The UI-LCC partnership in Lusaka has been so successful that the fund is vastly over-subscribed. A challenge remains to ensure that

within low-income areas, project proposals from and for very disadvantaged applicants are nurtured and funded.

### **3 Efficiency Indicators – Programme Management of the C3 Fund**

This section assesses C3F programme management capacity for Zambia, including the international programme management provided by the level one partner, CARE International UK (CARE UK), national programme management provided by the level two partner, Urban INSAKA (UI) and the oversight is achieved through the National Advisory Group (NAG) which monitors the implementation process. There is also the C3 Appraisal Committee and the Technical Appraisal Committee, comprising representatives from UI, the LCC, NGOs and community organisations, for reviewing projects over US\$10,000 and for approving technical assistance.

Funds are released from CARE UK to CARE Zambia on a quarterly basis. CARE Zambia in turn disburses funds to the level three partners, UI and NCC. Two ways of channelling funds to settlement level have been tested. In Ndola funds have been disbursed through NCC and in Lusaka UI has directly disbursed funds. In both cases they have gone to groups that have submitted successful proposals or who have been helped to develop proposals through a process of Community Action Planning. In the case of Lusaka, proposals go through the C3 Appraisal Committee comprising staff from LCC and UI and an RDC representative.

#### **3.1 Budget Management**

The overall budget for the C3F in Zambia was £500,000 of which £100,000 was allocated to CARE UK and Urban INSAKA for meeting the management costs of the Zambian pilot. The balance of £400,000 was allocated to implementation activity in Zambia, with approximately £111,000 earmarked for capacity building and learning & dissemination activity. Thus some 70% of the budget was allocated for micro-projects proposed by urban groups. This is in keeping with the design of the C3F, for maximum funds to reach poor urban communities for poverty reduction initiatives. However, this was only possible by virtue of some considerable cross-subsidisation of C3 by CARE. For example, of the two full time workers on the pilot programme in Zambia, C3 met 100% costs for one of them and 75% costs for the other. Half the costs of UI's Finance and Extension Specialist were met by C3 but none of the costs of the Director of UI, who devoted a lot of time to the oversight and management of the pilot.

UI has Received 162 applications, including Ndola City Council's request for £100,000 for distribution in Ndola, for Kwacha 7.7 billion and has approved 6 project proposals, for about £334,000. In turn, NCC has appraised 52 and approved 21 project proposals. Out of the 46 projects approved by UI, 17 have received 100% of the grant, one has received 88%, 13 half, ten a quarter and 5% no funding as yet. For NCC, out of 21 projects five have received 100%, three half and the rest no funding as yet. Thirteen projects in Lusaka and two projects in Ndola are now complete. Of the £430,000 allocated for spending in Zambia, most of this is accounted for and demand continues to outstrip supply. International donors have not previously funded around 45% of approved projects. This indicates that C3 is targeting beyond the 'usual suspects', something that is further testified to by the fact that the project appraisal

and approval stage is not as swift as might be ideal, given the capacity building element offered to less experienced applicants.

After a cautious start, which included putting the mechanisms and procedures in place, the time taken to process applications has improved over time and the pace of disbursement vastly increased. The minimum time taken to approve and fund a project so far is six weeks for an ablution block funded through NCC and 23 days for the LCC's Governance Workshop. Nevertheless, delays persist and the reasons for this range from proposals not satisfying some of the basic criteria, for example, proof of partnership, meeting bank demands for account registration and obtaining Council approval for designs, plans and procurement in the case of construction or infrastructure projects. Capacity building has been undertaken through community action planning in order to develop some proposals.

The allocation of 10% of funding to administration of C3 by UI has been difficult to sustain and in fact 28% of resources have been spent on overheads, administrative costs, salaries and benefits for level two and three partners. This has been made possible by virtue of projectisation of aspects of project management and capacity building activities. There have been some hiccups in the disbursement of funds from CARE Zambia to level three partners that have been problematic in terms of maintaining momentum and morale. However, balanced against this is the fact that C3 in Zambia has been heavily subsidised by CARE Zambia in terms of resource flows and most especially, expertise and staff time.

### **3.2 International and National Level Programme Management**

The C3 pilot in Zambia has benefited from the assiduous attention and support of the international programme manager, Nick Hall who has been largely responsible for developing a carefully constructed system and paper trail in relation to applications, appraisal, approval, monitoring and support. In this he has been readily and capably supported by the national level manager of C3 in Urban INSAKA, Liseli Bull-Kamaga, who is also to be commended for her attention to process and team building within the programme, and strategic alliance building and management beyond it. The incorporation of community action planning methods towards the development of project proposals, and community management methods towards implementation, has also been successful. Together this methodology development potentially stands as a model for other challenge fund projects and initiatives aiming at lightweight, fleet of foot procedures for small-scale, local level initiatives.

The C3 methodology and management systems have been successfully tested and refined by Florence Mubanga Zulu and Elizabeth Ndhovu, both of whom are employed by UI on the C3F pilot, along with a person responsible for financial management. The employment of staff engaged in C3 activities on a full-time basis is undoubtedly a contributory factor explaining the relative success of C3 in Zambia, combined with the amount of unfunded time spent on managing C3 by the UI director. Here too there is a strong element of cross-subsidisation on the part of CARE Zambia and there is a question as to the sustainability of this in the longer term. It is in this context too, therefore, that the issue is raised as to the proportion of C3 funding that ought to be spent by UI on administration, documentation, dissemination and strategic alliance building. A related question is whether UI should remain a level

three partner or whether more strident efforts should be made to get LCC on board here.

The role of the National Advisory Group (NAG), which includes among its membership people from the private sector, donor and NGO community, the councils and the RDCs, has been important for the C3 pilot in Zambia. It has enjoyed recognition and credibility and has reduced suspicion of the C3 methodology and approach by keeping a wide range of stakeholders apprised of the progress of C3. , for example through publicity, information sharing and exchange visits between Lusaka and Ndola. The NAG can continue playing an important part in the roll out of C3, particularly by linking level three partners with national and international donors, dissemination and encouraging harmonisation of complimentary approaches.

### **3.3 City and Area Level Project Management**

Ndola City Council put in place a dedicated C3 Team, led by the Department of Housing and Social Services but including members from the Engineering Department, Public Health Department and the Department of Finance. The team has also recently co-opted the Chief Supplies Officer on to the team to provide procurement advice. Bringing different Council departments together was seen as a positive effect of C3. The Ndola C3 team is effective and hardworking and has internalised the aims and objectives of C3 well.

The team has enjoyed and benefited from the responsibility resulting from handling resources and engaging directly with community level organisations in relation to projects. Members claim they would seek to continue using the C3 methodology even beyond the project. As the representative from the Engineering Department pointed out, “The coming of C3 has helped us deliver services where we couldn’t have done so before, for example, through the community providing labour” and as another team member simply said, “We can now *do* something!” Another advantage of the C3 approach was pointed out as follows:

Council is passing through a tough time and employees haven’t been paid for six months. Under such conditions if the money went directly to Council other demands would eat it up. This way it reaches where it supposed to.

Part of the team’s enthusiasm for C3 also relates to the fact that whereas with other programmes they have to micro-manage community level initiatives with little support, with C3 the community based organisations manage projects themselves, with the C3 team providing a support and monitoring role, for which they have been trained and supported in turn by Urban Insaka. This has increased their skills levels and job satisfaction. The success of C3 and the enthusiasm of the team for their task have resulted in the Town Clerk requesting them to engage in capacity building within the Council so that other departments and staff members become aware of what can be done and the C3 methodology and approach. This has also demonstrated that Departments within municipal authorities can successfully act as level three partners, particularly if they are able to avoid political cooption.

The C3 team in Ndola is reflective, recognising that early projects performed less well than those they were able to monitor more regularly and expertly. However, this is

extremely difficult given the lack of Council resources and the attendant problems with transport. The team remains very reliant upon UI in this respect, which handicaps their operation given the distance of Ndola from Lusaka.

Management problems are associated with C3's lightweight conditions, which is also the programme's major strength and relate to the fact that there are few sanctions available to the C3 team if groups renege or refuse to cooperate. The lesson learned from this has been that projects must be approved only in the case of established groups that are recognised and well thought of by the community.

Other problems relate to pressure from councillors to have projects in their areas. It was put this way:

Councillors are our bosses and it is a challenge for us to refuse them. They feel injured if it's [a C3 project] not in their area or it's [their project suggestion] not fitting our criteria but C3 helps us.

The success of C3 in resisting this pressure is reflected in the coverage of C3 across Ndola.

Staff involved in C3 in LCC, where it has taken longer to take over responsibility for C3 but where considerable progress is being made, expressed similar sentiments. One of the issues here is the fact that LCC has to cope with many more competing donor programmes providing or offering support to the Council. Notable amongst these is ZAMSIF, which is a point of considerable preoccupation for the Department of Public Health and Social Services, which is also responsible for C3. That said the Peri-Urban Unit is very engaged with C3 and aware of the complementarity between C3 and ZAMSIF. Moreover, Council staff are increasingly convinced of the value of the C3 methodology because, compared to ZAMSIF it is more accessible, facilitative and swift. And, compared with the Constituency Funds that are made available to MPs and councillors for local projects, C3 is more transparent.

The C3 link person in LCC is keen to get a Development Coordination Unit established in the Council and UI is actively involved with the Council in defining the functions and structure of this Unit.

Whilst LCC has not been able to assume full responsibility for managing the C3 fund as a level three partner, project appraisal is managed by UI in Lusaka, with decisions being taken by the Technical Appraisal Committee (TAC), performing a similar function to the LAG in Ndola. As UI may possibly withdraw from current level 3 responsibilities (direct handling of project appraisal, approval and disbursement), the potential for conflicts of interests or patronage relations to arise within and be fostered by the TAC and the LAG should be monitored.

#### **4. Process Indicators – C3 and Inter-Organisational Relationships**

This section is concerned with the extent to which the C3 methodology has fostered responsive government, has had an impact on local management styles and has enhanced the ability of local politicians, council officials and staff to engage with communities and organised citizens. Whereas in Uganda C3 has been successful in linking local councillors to local citizens and in making them more accountable, the

emphasis in the two Zambian cities has been to keep C3 largely within the remit of council officials and away from the control of political leaders. However, there is a close association with local level leadership in the form of the RDCs, which in their present or a revised form, may in time become formalised as the lowest tier of a decentralised governance structure. If this were to be the case, the differences between the Uganda and Zambian pilots in this regard would lessen.

#### **4.1 Embedding C3 in Local Governance**

In terms of local governance, in Ndola the C3 has avoided the creation of parallel structures and has embedded itself within the Council's Department for Housing and Social Services under the able and energetic leadership of the Director, Patrick Saili. There has been a great deal of pride in the success of C3 in Ndola and a concomitant possessiveness about it. While understandable, if a developmental approach is to be encouraged and if the C3 methodology is to inform and influence that approach, then the C3 message needs to be extended to other parts of NCC. In part this already happens with representatives from other departments and the utilities being part of the C3 team and the Local Advisory Group. Nevertheless, the Town Clerk's concern to involve the C3 team in further capacity building across the Council is to be welcomed.

As pointed out above, C3 is taking longer to become embedded within LCC. It may well be that C3 will only be fully adopted when the complementarity between C3 and ZAMSIF and other local initiatives is fully understood and their approaches harmonised. Harmonisation should be actively encouraged and supported by UI, which is now playing a strategic role, in the establishment of a Development Coordination Unit (DCU) within the Council. The caveat should also be added that although LCC is not yet a level three partner, it has committed significant staff time and resources to C3 under difficult fiscal circumstances. Their commitment to the pilot can be seen in the cross-fertilisation that is apparent between C3 and other programmes within the Council. There are also signs of some roll out from LCC, whereby the Kafue District has actively sought information and advice about C3 from neighbouring Lusaka. It has been extremely difficult to progress the DCU within the LCC, which after all is part of a long-term process of institutional building. However, it is hoped that with support from Ireland Aid and funds for LCC capacity building, the inclusion of the C3 extension will be more feasible.

Despite initial scepticism there is increasing interest in C3, particularly on the part of the council staff members who have been the main beneficiaries. This relates to them having been given the means by which to make a difference, which in turn has given them job satisfaction. Politicians are also taking note and local councillors in particular are seeing swift and tangible effects and are being asked by constituents why they are unable to deliver to the same degree. Even for the LCC as a whole, C3 has helped overcome a lot of negative reaction to it based on previous failed partnerships. As such it was reported, "C3 has improved our profile". This is based on speedy processes, the absence of political interference and downward as well as upward accountability. From the point of view of citizens, a widely held view was that "C3 has brought the council closer to us".

## 4.2 Spreading the C3 Methodology

Given that the next phase of the C3 pilot will focus on dissemination and possible replication or adaptation of the C3 methodology, the role of UI will remain important and possibly should change from one primarily of management of funds to one of ‘learning and spread’ – from level three to level two functions. As a research and capacity building organisation, UI is well placed to undertake the further rolling out the C3 methodology. It has built strong relationships with local government and urban communities and their leaders across Lusaka and Ndola. Thus it is anticipated that if LCC can take on the role of a level three partner, UI can really come into its own as a level two partner in the second phase of the C3 partnership in Zambia. To be effectively managed, a greater proportion of C3F resources will need to be deployed for level two activities. Efficient management implies that these outreach tasks should be projectised, along lines similar to those adopted in respect of LCC and NCC during the first phase of the C3 pilot.

With UI occupying an important location within the CARE urban programme and given the role played by CARE Zambia in urban poverty reduction initiatives and more particularly in supporting and strengthening urban governance, it is a shame that to date there has not been more cross-fertilisation within CARE’s urban programme, particularly between UI and PROSPECT,<sup>16</sup> given their complimentary entry points and expertise. It would be useful if this could be addressed in the second phase of the pilot and inform the thinking with regard to the future role of PROSPECT. Another possible vehicle for the spread of C3 is the Local Government Association of Zambia (LGAZ) and more particularly its Environment and Social Services Committee. However, this is not a dynamic organisation and could not be charged with the responsibility on its own, but perhaps could be encouraged to participate.

Critical to the rolling out of C3 during the second phase of the pilot is to make links between C3 and the ZAMSIF funds that are available as block grants for district and city authorities. These ZAMSIF funds are conditional upon evidence of capacity to coordinate the management of district and council departments and support partnerships with citizen groups. The two councils’ success with C3 means that the C3 experience may be instrumental in leveraging in substantial additional sums from ZAMSIF. There appears to be a strong indication that ZAMSIF and C3 can make common cause, given the emphasis in C3 is focused on sub-district structures and on capacitating local communities to engage in the demand driven processes favoured by ZAMSIF. There is a case, therefore, for C3 projects and the associated methodology to be part of the preparation process for a ZAMSIF grant and potentially even constitute part of the conditionality for inexperienced community level applicants and their representative local authorities. In the first instance, UI should engage with ZAMSIF and council staff in working out a comprehensive collaboration pact. It should participate in any harmonisation processes or attempts by LCC or NCC to create a Development Coordination Unit, one of the prerequisites for accessing ZAMSIF funding. Good links have already been made with ZAMSIF and the UI director participated in their District Assessment Criteria Workshop in order to put UI in a strong position for future collaboration and funding.

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<sup>16</sup> Cooperation has been more extensive between C3 and CULP in Ndola.

In terms of how this might feed into national poverty eradication strategies in Zambia that are set out in the PRSP, C3 (being a programme and an approach that is increasingly recognised to reach where other programmes and projects cannot reach) could inform that part of the national plan which addresses district planning strategies. In other words, experience generated by C3 of community level planning and project management in hard-to-mobilise disadvantaged urban communities deserves greater recognition both by the Government of Zambia and by donors that are focused on PRSP targets.

C3 lessons could also be valuable for the Ministry of Community Development, which is trying to find ways of reaching the most vulnerable among the urban poor. UI could also look into linking C3 approaches to ongoing sector wide programmes (SWAs) in relation to health, HIV/AIDS, education and orphaned and vulnerable children. However, in all of this outreach on the value of community-driven development, UI and the C3F team should guard against diluting its expertise and comparative advantage in the urban sector, since this is critical to poverty reduction and enhanced governance in Zambia.

## **5 Outcome Indicators – Building Citizen Capacity**

This section is concerned with the strengthening of direct (participative?) and representative democracy at local level and examines whether the provision of small-scale, catalytic funding has helped poor urban communities a) prioritise their efforts towards poverty eradication; b) strengthen their social asset base to engage in public-private partnerships; c) and enhance their political asset base through enhanced advocacy and leadership capacity.

### **5.1 Prioritising Assets for Poverty Eradication**

It has to be recognised that the broader political and economic climate, both of which are characterised by stringency and uncertainty, will always circumscribe and impact on C3's impact on poverty reduction and livelihoods. This limitation aside, targeting urban poverty has been achieved first and foremost by ensuring C3 projects reached people in disadvantaged settlements, by community action planning exercises to bring in those not well placed to produce polished or appropriate proposals and by ensuring that there was no political capture. Groups rather than individuals have been funded, which has served to ensure that only the most motivated people apply. Funding has not always been raised by the poorest, however, but there have been considerable pro-poor benefits. For example, in Lusaka a market improvement project was motivated and organised by better off shopkeepers, but on behalf of and in consultation with poorer stallholders. Similarly in Ndola, a project involved with creating a park and recreation centre in partnership with a local NGO, the Prison Fellowship Society, is located in a middle-class part of the city and will benefit the city itself and its better off residents. However, the project uses ex-prison labour both in the development and maintenance of the park.

The level three partners have been facilitative in helping community organisations prioritise assets and to an extent directive, not allowing individual or micro-finance and micro-enterprise projects. When arguments have been made about the need to address immediate livelihood imperatives, skills training have been offered in lieu. At

the same time the process demonstrates the direct and indirect links between enhanced livelihoods and projects focusing on infrastructure, urban and social services. These links have been drawn specifically through dialogue, capacity building and support from the C3 team and local authorities and have been assisted by virtue of the livelihoods analysis applied by UI and CARE.

## **5.2 Strengthening Social and Political Assets**

Much of the focus of the C3 pilot in Zambia has been on strengthening social and political assets. For example, the UI team as well as the LCC and NCC have concentrated on outreach activities such as the 'drop-in' workshops and action planning, and rules and procedures for proposals and funds have been kept as simple as possible in order to accommodate the capacities of the most disadvantaged urban population. There have been around 25 public C3 events, attended by over 3,000 people, including men and women in about equal proportions. Dozens of organisations, primarily community groups but also other NGOs and council departments have been represented. Most attention has been paid to reaching disadvantaged communities and their representatives and then supporting them in their efforts to develop proposals in order to access C3. If these areas of activity increasingly devolve primarily to the Councils, then it is important in the second phase that UI aims to monitor impact more rigorously. This is something that should be finessed with the external evaluation.

That said, it is already evident both in Lusaka and in Ndola that resident groups and their leaders have been provided with confidence and skills alongside physical resources and services. It has been recognised by citizens and council staff alike that community groups can get things done efficiently and effectively and often at far lower cost. In some cases too, C3 projects have led to increased revenue for Councils. One example was where improvements to a market and its ablution facilities led to stallholders being more willing to pay their licence fees. This in turn increases the legitimacy and bargaining power of citizens' groups in their engagement with local authorities. Moreover, UI and the LCC in particular, have committed C3 resources towards supporting new democratic structures and fostering the restructuring of urban governance within peri-urban compounds in Lusaka.

C3 is one of a number of initiatives striving to improve pro-poor urban service delivery and management or to support pro-poor initiatives at local government level, although C3 boasts a combination of both poverty eradication and governance objectives at the very lowest level of organisational engagement. Although there is no evidence in respect of C3 itself and attribution cannot be claimed, a senior academic specialising in urban governance and interviewed for the external evaluation reported that participation levels in recent elections were found to be higher in areas which had benefited from community participation programmes and local level interventions such as C3. A key issue here in terms of advancing the C3 pilot in the second phase is whether organisational initiatives might be supported beyond an area-based approach and across interests. For example, a question to be addressed is whether groups that are interested in and have received funding for particular projects, such as solid waste management, might develop a loose citywide organisational affiliation that could enhance their engagement with local government on the issue in question.

### **5.3 Upward and Downward Accountability**

The approach adopted by UI in respect of the C3F has been to balance stewardship and risk. This has proved to be an effective management strategy for a pilot programme of this nature. A pragmatically careful start, aimed at getting systems in place and building the trust of partners such as the Councils and RDCs, has given way to greater levels of confidence all round. On its own there are limits to what C3 can achieve in terms of either poverty reduction or improved local governance but in conjunction with other activities it is potentially very powerful. Its value rests in the C3F methodology, which is attracting a lot of interest and increasing support at various levels. In terms of upward accountability, it was repeatedly pointed out that the lightweight conditions together with transparent procedures had been a remarkable and successful feature of the C3F, evidenced by good financial management at all levels.

In terms of downward accountability, the C3 methodology and the procedures developed by UI have been implemented by the level three partners and internalised by the community groups very successfully. This together with peer scrutiny has resulted in citizen confidence and an absence of political interference. On the whole, the C3 pilot shows that people respond positively to the trust that C3 puts on them to manage funds and projects and in turn, they take the responsibility very seriously. However, level three partners did complain of the lack of adequate sanctions when groups renege and of the absence of grievance procedures. The former problem is being dealt with by more careful preparation and through only funding groups that are well known, respected and subject to peer or membership scrutiny. The latter problem is going to be addressed by the NAG and the TAC/LAG. In terms of transparency, perhaps more rigour should be applied to separating the project appraisal and approval processes from the fund management functions.

## **6. Summary Lessons and Recommendations for C3 Zambia**

The C3 Partnership in Zambia has succeeded in bringing catalytic funding to help poor urban communities and their representative local authorities to engage in poverty eradication initiatives that have the potential to be sustainable. The process of embedding C3 methods and management capacities into local governance structures and procedures should be pursued further, aiming to harmonise the C3 methodology with other initiatives aimed at improved pro-poor public service delivery, poverty reduction and social service programmes in Zambia.

An on-going challenge for C3 in Zambia is to develop ever more robust mechanisms for increasing the quality of downward, peer accountability. In restructuring its own role, UI should reconsider its controlling hand in the project appraisal/approval process and in day-to-day programme management to ensure transparency. These two C3 functions should be institutionally separated. Beyond this, the production of C3 procedural and management information toolkits in forms that are accessible for different audiences and accompanied by capacity building initiatives can go a long way, together with the development of effective grievance procedures for when problems arise. The success of the C3F in Zambia to date is based on the methodology being flexible and fleet of foot, transparent and free of political

interference. It is important that in the second phase of the pilot and indeed beyond this phase, that these continue to be defining characteristics of C3F.

Most important though is that C3 continues to be a source of grants, responding to local priorities and avoiding prescription beyond a basic adherence to the methodology, facilitating local community organisations and local authorities to set their own targets and modalities. Here it is important that C3 remains steadfast in its approach to direct livelihood support and also that it is not tempted to extend its activities to micro-finance and enterprise projects.

A particular area of success relates to the development of effective and accountable structures and procedures for devolving control and management of funds to local government and the lowest tiers of organisation in disadvantaged and low-income settlements and communities. This relates in part to the progressive development of simple-to-use management tools and accompanying 'paper trails' that facilitate process and efficiency monitoring, and in part to the systematic and sensitive testing and targeting on the ground. Within Zambia the role for Urban INSAKA should change in the second phase of the pilot, reducing involvement in level three activities and taking on an enhanced role as a level two partner.

Already UI has shifted its focus from direct fund management to methodology development and capacity building. As an organisation that has a strong urban research function, C3 has raised this organisation's skills and reputation for action research.

An important set of activities in the second phase focus on high quality documentation of the C3 method, processes, partnerships and procedures.. This work is essential for widespread dissemination, for local and international learning and for encouraging the adoption of C3 ideas within existing and future organisations. Ideally, all this work should be linked to the external evaluation so that lessons about harmonisation of the monitoring and evaluation functions can be learned both in Zambia and internationally. This focus on documentation and dissemination should be a central part of the second phase of C3 as well as a major feature of UI's exit strategy for the pilot programme itself.

Strategic management by UI has ensured a C3 presence in key donor and council forums, notably the planning process for a project-coordinating unit in Lusaka City Council. In this second phase, UI should continue and step up a concerted engagement with the harmonisation and donor coordination effort within the local government arena. Important here is engagement with ZAMSIF and promoting the existing C3 niche, which compliments district level and local authority level initiatives by reaching the parts that other initiatives do not reach. An ideal way forward here would be to support a C3 project that aims to assist one or more urban communities and their representative local authorities to meet the criteria for ZAMSIF funds. Critical also is active engagement in efforts towards harmonisation, within the local authorities, donor groupings and the urban sector. In relation to the first, some strides have already been made, particularly with the LCC and through the NAG. Regarding the second area of harmonisation, the NAG can play a role in terms of keeping the donor community informed about C3 and in showing how it can usefully feature in sector wide approaches, particularly in relation to their implementation in urban areas. Overtures made by the Deputy Minister of the Copperbelt should be

followed up as well as pursuing links with the Ministry of Local Government and Housing, Ministry of Community Development and Social Services and other relevant sectoral ministries, particularly those linked to donor SWAPs.

Third, UI stands to play an important role in terms of harmonisation within the urban sector, not least of all because of its particular expertise as a research and capacity building organisation but also because of the successful piloting of C3 and the importance of the C3 methodology to a broad range of urban initiatives. To this end, in the second phase of the C3 pilot, UI should ensure that its own expertise and the comparative advantage of the C3 approach is made known. Relatedly, there should be greater harmonisation and cross-fertilisation across the CARE urban programme, of which UI is a part, and within which C3 could be indispensable. Within CARE Zambia more broadly, there are strong indications that UI and the C3 methodology could be linked to poverty reduction, social services and governance initiatives being undertaken in cities such as Lusaka and Ndola by or through CARE, for example in relation to HIV/AIDS, orphans and vulnerable children and environmental health.

In recognising a changing role for UI and the need to engage and deploy a different range of skills, it may well be necessary to increase the percentage of funds to be allocated to administration of the C3F. It is interesting to note here that for ZAMSIF 20% is allocated to administration and that this does not include costs related to capacity building. To date, the success of C3F in Zambia has been dependent on projectisation of a number of areas of management and capacity building and incumbent upon an inordinate amount of cross-subsidisation from CARE Zambia, something that is not sustainable, even in the short or medium term.