



Hope for the urban poor: DFID city community challenge (C3) fund pilot in Kampala and Jinja, Uganda

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SUMMARY: This paper describes a new pilot fund to support community initiatives for urban poor groups in Uganda's two largest cities, Kampala and Jinja. Supported by the UK Government's Department for International Development, it is called the C3 fund since it is city-based, set up to support community-initiated proposals and includes a focus on capacity building. The approach is unusual in that external aid is supporting a local fund to which community groups can apply and where decisions about the projects that receive funds are being taken locally. The paper first describes the decentralization programme in Uganda and the changes that have encouraged NGOs and foreign donors to work with local authorities. It then describes the C3 fund's design, how it has been set up, and its operational mechanisms and financial and managerial procedures.

I. INTRODUCTION

APPROACHES TO SERVICE delivery and poverty alleviation in Uganda have evolved quite significantly in the last 15 years. Until 1986, there was very little local government role in decision-making over allocation and utilization of resources because local governments were tightly controlled from the centre. Since 1986, however, local governments in Uganda have progressively been granted more authority. They now have powers to develop and execute their own development plans, draw up their own budgets, collect and spend locally generated revenue according to their own priorities, hire and fire personnel, and even make bye-laws that are consistent with the constitution and other existing laws.

This change in legal and operational status has also changed how aid agencies and NGOs relate to local governments in Uganda, particularly with regard to the selection and funding of development projects. Previously, aid agencies and NGOs operated projects without involving local governments and stakeholders, and frequently used parallel (and often differing) structures and accounting systems in a bid to secure their funds. This often led to wastage, duplication of effort and to the perception by the supposed end-users that aid investment was just donors' project money. Such "aid" did little to contribute to local capacity-building, and the projects could not be sustained if donors or NGOs pulled out since no serious attempts were being made to involve local communities in the identification and management of locally beneficial projects. However, since the passage of the Local Governments Act (1997) and the Local

Financial and Accounting Regulations (1998), aid agencies and NGOs are now required to operate within local government structures and systems, and this has led to more consultation in project design and execution, and to more transparency and accountability in the management of public resources. The situation is still far from ideal but considerable progress has been made. For example, many aid agencies and donors now feel confident about the local government system to the extent that they now give direct budget support to local governments, instead of funding specific projects as before.

A major drawback in the struggle to alleviate poverty and to improve service delivery in Uganda is that there is still significant rural bias in the allocation of resources by central government. Most of the major programmes, for example, the Poverty Alleviation Programme, the Rural Finance Credit Scheme (Entandikwa) and the Government Grants System, favour rural districts. Apparently, the thinking is that urban local governments have more revenue at their disposal from trade licences and property taxes, from which they can address the myriad of urban problems that Uganda is grappling with as it struggles to reverse the sharp decline it suffered during the 1970s and most of the 1980s.

The reality is that Uganda's improved political stability and economic growth have led to drastic rural-urban migration and urban growth. The increased population – for example, Kampala was designed for 600,000 residents but it is estimated to have 1.5 million at present – has generated great pressure on urban infrastructure, services and resources. Urban poverty is apparent in poor housing and nutrition, low literacy rates, increased unemployment and crime, and increasing numbers of street children and the destitute. Thus, various innovative measures need to be developed to address the problem before it gets out of hand.

The DFID City Community Challenge (C3) Fund Pilot is an innovative attempt to address urban poverty and different from those that have previously been tried in Uganda. This article provides an overview of the programme's concept, design, operational mechanisms, financial and managerial procedures and context. In due course, the experience will be evaluated and recorded in order to document the lessons learned and to assess their significance in development terms. Furthermore, we intend to draw on this and other experiences to measure the impact of development aid in general and the appropriateness of aid agencies' institutional structures and funding procedures in particular.

II. THE C3 CONCEPT

THE CITY COMMUNITY CHALLENGE (C3) fund provides a localized funding stream targeting poverty-focused projects that are community-initiated, city-based and capacity-focused. The project's purpose is to develop an effective (in terms of cost and human resource efficiency) and transferable mechanism for channeling multiple small-scale investments to community-initiated urban development projects.

Specifically the C3 fund aims to support poor urban communities and their representative local authorities in undertaking sustainable poverty eradication initiatives, with the support of established international civil society, local government and private sector networks. It is important to stress that the C3 is a fund to which local groups can apply, thus responding to their own projects and priorities.

It is envisaged that the decentralization and delegation of resources and finance, and capacity-building assistance for bottom-up, community-driven strategies will unleash the productive energy of poor citizens and leverage private capital, and also increase the responsiveness of local authorities in support of these strategies.

DFID challenge funds aim to encourage effective partnerships between the community and the public and private sectors. The guiding principle is that poor communities, private enterprise and government share common objectives.

By establishing a locally "owned" fund, governed by such objectives, it is possible to stimulate and support new working practices between the urban poor and their local government representation, also with service providers and private sector investment with potential for livelihood improvements on a long-term sustainable basis.

III. METHODOLOGY AND EVALUATION

a. Methodology

DFID IS BROADLY investigating innovative funding methodologies for more direct poverty reduction initiatives in a variety of locations. These have involved various challenge fund programmes that aim to develop an effective and transferable mechanism for channelling multiple small-scale investments to community-initiated urban development projects.

DFID is providing a sum of UK£ 1 million from the Poverty Challenge Fund to the City Community Challenge Fund (C3) Pilot Project, equally split between Uganda and Zambia. The external management of the C3 pilots has been assigned to CARE International UK and Local Government International Bureau UK, who are overseeing the pilots in Zambia and Uganda, respectively.

The C3 pilot aims to establish an effective mechanism for development cooperation agencies to support large numbers of small-scale community-initiated projects in poor urban areas and to evaluate how local governance processes and institutional arrangements are enhanced during the C3 pilot phase. The latter objective will provide the methodological basis for assessing the poverty impact in the longer term.

It is important to highlight the really innovative aspects of the C3 fund, particularly the fact that it is a locally based fund to which urban poor groups can apply. This means that:

- its priorities are much influenced by the priorities of urban poor groups;
- it can support a much wider range of initiatives (i.e. it is not limited by a specific project focus);
- it can respond much more rapidly because the decision-making process is locally based;
- it can set new standards of accountability to the urban poor in the city where it is based;
- it should be able to help the "poorer" groups within the poor, including those who are less organized or less able to organize or develop their own proposals;
- it can build a "local learning process" circle, as different initiatives learn from each other;
- it can support a great variety of inexpensive initiatives.

The C3 pilot is different from the three-year District Development Project pilot that the Ugandan government set up in 1998 and the Peri-Urban Infrastructure Project that was started a year earlier, both of which laid the basis for the current Local Government Development Programme that is running in the country. The District Development Project pilot investigated the most effective way of building local government capacity to provide sustainable social services and to alleviate poverty through inclusive participatory planning, allocation and investment.⁽¹⁾ Thus, in these initiatives the requirements of the "project" had a major influence on the institutional structures and funding procedures. In contrast, the C3 pilot aims to address urban poverty by empowering the urban poor through the creation of a fund to which local groups can apply in a way that responds to their own projects and priorities, in the process enabling them to acquire skills that they can apply and further develop on a sustainable basis.

b. Evaluation

Researchers from the Uganda Management Institute and Makerere University will be conducting an "internal" ongoing evaluation. It is proposed to make use of the state of the art Global Distance Learning Centre with electronic networking and video conferencing facilities, located at the Institute. Currently, the network is used on a regional basis to share experiences and good practice between central and local governments, research institutions and the World Bank institute in Washington. This network could provide an efficient link-up with the external researchers.

A parallel "framework and evaluation" methodology is to be designed by researchers from the London School of Economics. This will be undertaken as a means of gaining maximum learning from the experience of the C3 in its pilot phase. This external evaluation will contribute to DFID's understanding of the adopted framework and process, add value to the operations of the fund, and assist in communications between the fund managers and DFID.

The C3 framework and evaluation methodology will be built around the principles of the sustainable livelihoods approach, and will seek to monitor and assess the broader impacts of C3 on the livelihoods of the poor (e.g. social capital formation, enhanced local governance, partnership-building, etc.), and the effectiveness of this type of funding mechanism for supporting multiple small-scale community-initiated projects. The framework and evaluation exercise will lead to the continued development of the C3 concept and provide an overall framework for future C3-type initiatives.

The framework and evaluation methodology, the lessons learned and the framework developed will be shared and made available on a C3 web-site. The purpose of this web-site will be to increase the accessibility of demand-driven information (e.g. appropriate approaches, tools, methods, funding opportunities, links, etc.) to development practitioners working in partnership with poor urban communities, municipalities and the private sector in addressing urban poverty. The web-site will be targeted initially at partners in the C3 project. Once it is tested, the web-site will then be promoted throughout the poorest regions of the developing world and among other development cooperation agencies.

1. The DDP-Pilot operated through a US\$ 12.4 million grant jointly funded by the United Nations Development Programme (UNDP) and the United Nations Capital Development Fund (UNCDF), and was conducted in the rural districts of Arua, Kabale, Kotido, Jinja and Mukono. The grant was administered by two facilities: the Local Development Fund (LDF), which was intended to generate and enhance local government capacity to deliver social services and alleviate poverty through the effective involvement of a broad range of local stakeholders (councils, civil society and the private sector) in the planning, financing and management of local investments; and the Capacity-Building Fund (CBF), which was intended to assist local governments to enhance their own capacity and effectiveness, as well as that of local stakeholders that participate in service delivery (e.g. contractors). The PIUP also tested the same mechanisms but in an urban setting in the municipalities of Mbale, Masaka, Fort Portal and Lira. The four municipalities were provided with funds, on a counterpart basis of 90:10, to invest in the water, sanitation, roads, drainage and solid waste management sectors. The two projects yielded important lessons on funding levels, conditions of access, accountability, performance benchmarks and public sector involvement in service delivery, which were instrumental in designing the ongoing Local Government Development Project.

The design of the evaluation methodology will address the following objectives:

- assess the efficiency, cost-effectiveness and sustainability of this type of funding mechanism for development cooperation agencies;
- understand and assess the benefits of governance processes and institutional arrangements that are evolving between communities, local government, private sector and fund managers in support of urban poverty alleviation projects and programmes;
- devise, structure and design the web-site, the content of which will provide the conceptual basis for the C3 framework and will inform interested parties on lessons learned and experiences of the two C3 pilots.

IV. PROGRESS TO DATE IN UGANDA

a. Location of Pilots

THE C3 FUND in Uganda is being piloted in two of the poorest urban locations in Uganda: Kawempe, one of five divisions of Kampala city council, and Mpumudde, one of three divisions of Jinja municipality.

Kawempe has a population of 150,245 (1991 census) with a predicted population of 230,000 by the end of 2001 and an annual growth rate of 5 per cent. The division occupies 25 square kilometres – a population density of 9,200 people per square kilometre with no land for cultivation. This compares to the average for Kampala as a whole of 4,600 persons per square kilometre. Kawempe is not connected to the main sewerage system, which is owned by the National Water and Sewerage Corporation. Many of the poor live in low-lying areas (wetland and swamps) in informal settlements/shacks with no drainage. The construction of latrines presents major problems. The city council collects only 25 per cent of the garbage. There are few clinics and, for water, Kawempe as a whole is supplied by 307 privately-managed standpipes. The poor use “spring” water which is contaminated, or the children carry water in jerry cans at 50 shillings per can. Most of the low-income group engage in informal business.

Mpumudde has a population of 14,810 (1991 census), with a predicted population of 24,300 by the end of 2001, and occupies 1,157 hectares. The area is rated as the most sparsely populated but the most disadvantaged division in Jinja, with the highest level of unemployment in the municipality. It has a small tax base with only 1,929 graduated taxpayers. Residents have to pay for their water. Although Mpumudde will benefit from capital investment from the Local Government Development Programme to improve infrastructure, it is unlikely that there will be any direct benefit to the very poor or support for micro-finance and credit facilities.

b. Overall Arrangements

The poor urban communities in Kawempe and Mpumudde, with their representatives at the parish/divisional levels (LC 1,2 and 3)⁽²⁾ together with community-based organizations and local private enterprises, have formed a C3 Local Implementation Unit. This unit has direct responsibility for the implementation of the C3, including decisions on disbursement

2. Uganda's local government system is based on five levels, namely, LC1 (village), LC2 (parish), LC3 (sub-county or, in urban areas, division), LC4 (county) and LC5 (district). The C3 pilot operates at LC 1, 2 and 3 only.

of funds to approved beneficiaries. Each Local Implementation Unit has a serving divisional administrative officer to coordinate its activities.

A wide range of stakeholders at the two pilot locations (at LC1, 2 and 3 levels) have been consulted and many directly involved in the design and implementation arrangements of the C3. It was decided that the C3 should not be called a fund or a project and should be referred to as "City-Community Challenge (C3) Partnership". With respect to the two pilot initiatives, it was agreed that they should be based at division level and known as the "Kampala Community Challenge Partnership" to be piloted in Kawempe, and the "Jinja Community Challenge Partnership" to be piloted in Mpumudde. It was felt important that the local stakeholders should be given the authority to describe the initiative in a way that best reflects the community's aspirations.

At the national level, extensive discussions have taken place with key people from government, civil society, local government and private sector from both localities on a range of issues relating to the principles, mechanisms and modalities of the C3. Key stakeholders were consulted including: the minister of local government and his permanent secretary; the director of the decentralization secretariat; a number of prominent people from civil society, e.g. women's groups and community-based organizations, the mayors and town clerks of Kampala and Jinja; the directors of a number of NGOs with programmes that aim to assist in eradicating urban poverty, e.g. Plan International, Save the Children, Living Earth; and private sector organizations that support community development, e.g. Shell Uganda, Jinja Local Enterprises Agency.

Considerable support has been shown for the C3 and the evolving arrangements relating to its modalities and implementation, and the project enjoys widespread commitment and ownership from all major stakeholders at both local and national levels.

As mentioned above, DFID has engaged the Local Government International Bureau UK, with support from Homeless International and the International Institute for Environment and Development (IIED), as the International Programme Management Unit to take overall responsibility for the C3 pilot in Uganda. This Unit has appointed Mark Sheldrake as International Programme Manager to work with Raphael Magyezi, National Coordinator, who has the lead role in evolving and coordinating the C3 arrangements in Uganda.

The Local Government International Bureau (LGIB) has contracted the Uganda Local Authorities Association, who, through the C3 National Coordination Committee (NCC) and the two Local Implementation Units, will take direct responsibility for the design and implementation of the C3. The National Coordination Committee forum comprises:

- Raphael Magyezi, Secretary-General of the Uganda Local Authorities Association (in the chair);
- Gordon Mwesigye, Town Clerk, Kampala;
- David Kigenyi-Naluwairo, Town Clerk, Jinja;
- Ian Bromilow, MD, Shell Uganda, representing the private sector;
- Sarah Mangali, Director, Living Earth, representing the NGO sector;
- Dr John Kiyaga-Nsubuga, Deputy Director, Uganda Management Institute, representing research and training institutions;
- Edward Mugabi, Director, Decentralization Secretariat, representing the ministry of local government.
- Sarah O'Brien, LGIB and Mark Sheldrake, C3 International Programme Manager, as co-opted members.

c. Operational Principles

As mentioned earlier, the C3 is a fund to which local groups can apply, so it responds to their own project and priorities. Thus it is not politicians or professionals who are making the decisions about who are the poor and what resources they should receive, and then targeting resources at them. The C3 modalities and conditions are to be worked out with the poor at the parish/divisional level, applying a number of guiding principles. These include:

Urban based. The community projects to be supported are in urban areas and within the political authorities that cater for equal participation and opportunities for the poor and disadvantaged. The underlying principle is that, through such participation, the poor and disadvantaged can influence national policy as well.

Community Initiative. The principle that the projects are to be community-initiated is based on the foundation that it is through this mechanism that livelihoods of the poor can be improved. It is also anticipated that the outcome will produce an increase in the response of local authorities at all levels in adopting pro-poor policies and development-oriented strategies.

Use of available local resources and existing structures. The utilization of available resources within the local communities provides an incentive to accessibility and cost-effectiveness to the advantage of the beneficiaries who are characterized by low incomes.

Gender and equal opportunity. Women, youth and other disadvantaged groups play a central role in the improvement of community livelihoods. Therefore, it is important that they be involved in all development initiatives, as their knowledge and capacities are necessary for creating viable and sustainable ventures.

Capacity-building and strengthening community organization learning and exchange. In order to obtain the desired results, it is important to strengthen community organizational and human capacities. In this way, there will be collective responsibility and joint action through stronger democratic processes, necessary for the fight against poverty. The exchange of ideas and information is a catalyst to the strengthening of local organization within communities, based on an understanding of local conditions and trends. The development of a culture of initiating, sharing and promoting new and innovative community-based development practices, ideally through effective partnerships between the public and the private sectors and civil society organizations, is quite vital.

Inclusive development for the poor and sustainable local governance. An essential component of the C3 partnership process is the provision of "enabling frameworks" that encourage active participation and ownership by the poor. It is recognized that the key to reducing urban poverty is the existence of good responsive governance at the local level which, in turn, influences the efficient management of urban development and administration of services. It is therefore important that the local government process is democratic, accountable, participatory, transparent and embraces poor communities. Being community-based, the C3 offers opportunity for effective and quick response to local demands, and support to a great range of local initiatives.

Replicability, flexibility and diversity. As one of its important operational principles, the C3 fund should develop workable mechanisms

capable of replication by other urban locations in Uganda, and even at the regional and international levels. In addition, the mechanisms of C3 should be able to respond to change in existing circumstances, requiring reallocation of available funds to new needs/activities as identified.

Curbing corruption. The C3 partnership will work with the beneficiaries to build into its programme an anti-corruption strategy that has the commitment and support of all stakeholders. This will ensure physical and financial accountability and transparency.

Business-like approach. The C3 partnership should:

- “add value” in that it offers additional support over that offered by other programmes;
- achieve results as well as, or more effectively than, alternative approaches;
- leverage additional resources, skills and experience from partners;
- promote innovation;
- employ transparent and expeditious procedures;
- be more cost-effective;
- attract new partners with relatively little or no contact with international donors;
- keep it simple, reduce bureaucracy;
- increase flexibility;
- respond quickly to, and capitalize on, opportunities.

V. IMPLEMENTATION OF PILOT (ACTION PLANS)

A CONCEPT PAPER has been produced that provides a framework and national/global context for the C3 partnership. It also highlights some of the conditions and needs of the poor in Kawempe and Mpumudde, based on data drawn from a number of baseline studies carried out by Living Earth, Save the Children and Plan International, to name a few. However, the paper is only able to focus on the conditions and needs as they relate to infrastructure (e.g. roads, drinking water, waste disposal). The C3 stakeholders are committed to working with the poor people (women, men and children) in the pilot locations to identify and document conditions and needs at the household level – information currently not available. These data will enhance the division's (LC3) development plan and create the opportunity to target the reduction of poverty at the household and neighborhood levels and influence policy decisions.

A working business plan has been produced by the National Coordination Committee and the Local Implementation Unit for a two-year pilot period. The business plan was discussed and updated at the stakeholder's workshop, where the following key issues were highlighted:

- particular emphasis is to be placed on the importance of the shared values and principles that guide the design and implementation decisions and actions;
- the C3 partnership mission is clearly community-initiated, city-based and capacity-focused in reducing poverty at the household and neighbourhood levels;
- it is the intention of stakeholders to create a national C3 partnership fund managed by the National Coordination Committee, in which interested donors could invest and that the fund should be disbursed and implemented at divisional level (LC3) with the participation of parishes

(LC2), households (LC1) together with their CBOs and local business. The divisional level pilot would ultimately be part of a city-wide partnership programme, with the participating city represented on the NCC;

- it is important to utilize all existing and potential resources, particularly those of the poor, and work through and improve existing “local governance” organizational structures;
- the financial plan would recognize existing good financial practice that has proved effective and accountable in reducing poverty at the individual and householder level, e.g. women’s savings and investment groups in Kawempe and Mpumudde;
- it is critical to involve all stakeholders, particularly the community, in monitoring and reviewing the C3 processes and experiences – this is to be an integral part of the two pilots and will link to the external evaluation;
- effective “marketing” arrangements are vital to ensure that all stakeholders keep each other informed of progress and are able to have an input into future decisions and plans;
- an action plan needs to be prepared and circulated to all stakeholders.

The National Coordination Committee and the Local Implementation Unit will produce an outline two-year action plan that incorporates a detailed plan, setting out a time frame, activities, responsibilities and outcomes. The action plan will be reviewed and updated at the end of each quarter and recorded in quarterly progress reports.

The Uganda Local Authorities Association (on behalf of the National Coordination Committee) and the two Local Implementation Units have opened up separate bank accounts for the C3. Funds will be transferred by the Local Government International Bureau to the Uganda Local Authorities Association using quarterly requisition orders for predicted expenditure for the following quarter. This will be based on reports and requisition orders from the Local Implementation Units. The Uganda Local Authorities Association will transfer funds as requested to the C3 account for local disbursement to the projects. In respect of the approved projects, the Local Implementation Unit will be required to produce a financial budget using the expenditure heads contained in the draft C3 budget.

The total amount of money available from DFID for the pilots in Kampala and Jinja over the two-year period is UK£ 400,000, of which 90 per cent (UK£ 360,000) will be spent on C3 projects.

VI. APPLICATION PROCESS

THE PROCEDURES BY which people apply for support to the fund will be kept simple, transparent and flexible. The urban poor groups must be able to understand how the fund operates and also respect the way it operates. The fund has to avoid long lists of criteria that have to be met by each project application.

The main criterion is that the fund supports initiatives that urban poor groups in Kawempe and Mpumudde particularly value. It is important that the C3 does not conform to the old model where bureaucratically determined criteria and procedures were the major influence on what was supported, and not the needs and priorities of groups from among the urban poor.

VII. INITIAL PERCEPTIONS

IT IS EVIDENT that the concept and modalities of the C3 pilot initiative have been warmly welcomed and embraced by stakeholders in the pilot areas and those involved at the national level. The following features have been particularly well received:

- the development of sustainable and replicable mechanisms to ensure that funds reach groups of urban poor directly and are not spent on infrastructure alone;
- the inclusiveness and ability to develop partnerships among stakeholders at local, national and international levels to address urban poverty;
- the focus not on big projects, but on small investments (e.g. US\$ 100-1,000) that are initiated, managed, monitored, supervised and owned by the community itself – including groups of the very poor at household level;
- the recognition that, to empower the urban poor, it is important to build capacity and develop personal commitment, critical prerequisites for successful investment;
- the use of existing resources, processes and good practice, for example drawing on the strengths of women and their particular impact on poverty alleviation at household level, and the use of group/peer pressure as an effective tool in monitoring and accountability.