

Department for International Development

Project Document

**Community-Led Infrastructure
Finance Facility**

Second phase

(2009/10 to 2013/14)

(CLIFF-2)

**June 2009
EDRM: 2149234**

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E.	2008 CLIFF Evaluation: Recommendations and Responses	EDRM: 2173499
F.	Social Appraisal Note	EDRM: 2162089
G.	Operations Manual	EDRM: 2162108
H.	2008 CLIFF Project Completion Report	EDRM: 2136826

Definitions, Abbreviations and Acronyms

Annual CLIFF Business Plan and Budget	Document completed by Implementing Partners, Co-ordinating Partner and Funding Channel Partner each Financial Year. Each partner's Annual CLIFF Business Plan and Budget is appraised by Stakeholders and endorsed by the CSB on the final day of the RLP Event.
Annual Monitoring Reports	End-of-year reports on the progress made by each Implementing Partner, the Co-ordinating Partner and the Funding Channel Partner, against Annual CLIFF Business Plans and Budgets.
Annual Review	Promotional publication reporting on CLIFF progress, produced by the Co-ordinating Partner annually.
Capital Grant	Grants made to Implementing Partners to support a specific housing and basic services construction project. Potential Capital Grants are assessed against Capital Grant Criteria and approved through the Co-ordinating Partner's governance structures.
Capital Grant Criteria	Criteria used to appraise Capital Grant Requests from Implementing Partners.
Capital Grant Request	Document completed by Implementing Partners to request a Capital Grant.
Cashflow	Detailed information on actual and projected financial inflows and outflows to a project that has received (or is requesting) Capital Grant support. See Appendix A3 for Cashflow format.
CLIFF	Community-Led Infrastructure Finance Facility.
CLIFF Advisory Group (CAG)	The governance body that pre-dated the CSB during the first phase of CLIFF.
CLIFF Stakeholders' Board (CSB)	A representative group of Stakeholders. See Appendix A2 for Terms of Reference.
Communications Strategy	Joint strategy for promoting CLIFF, and for capturing, documenting and disseminating key emerging lessons from CLIFF, and seeking the incorporation of these lessons into relevant policies and practices.
CBO	Community Based Organisation.
Context Criteria	Criteria used to appraise potential city and country contexts for CLIFF implementation.
Co-ordinating Partner (CP)	Organisation co-ordinating CLIFF internationally.

Fiduciary Assessment and Monitoring Policy	Document detailing the Co-ordinating Partner's policy and procedures for assessing the fiduciary capacity of potential Implementing Partners and monitoring the capacity of actual Implementing Partners.
Fiduciary Monitoring Visit	Detailed monitoring of the fiduciary capacity of Implementing Partners, involving a visit by at least one consultant every eighteen months. These Visits are required under the Fiduciary Assessment and Monitoring Policy.
Funding Channel Partner (FCP)	Organisation through which Funding Partners channel CLIFF funds to the Co-ordinating Partner.
Funding Partner (FP)	Organisation funding CLIFF.
Implementing Partner (IP)	Organisation implementing CLIFF within a particular country or city, under a Grant Agreement with the Co-ordinating Partner.
Implementing Partner Criteria	Criteria used to appraise potential Implementing Partners for CLIFF.
Implementing Partner Funding Cap (IPFC)	Monetary limit on the total Operational Grants and Capital Grants assigned to each Implementing Partner.
Logframe	Latest version of the logical framework in place for CLIFF.
MDG	Millennium Development Goal.
NGO	Non-Governmental Organisation.
Operational Grants	Grants made to Implementing Partners, the Co-ordinating Partner and the Funding Channel Partner, to support their Annual CLIFF Business Plans.
Quarterly Financial Reports	Financial reports on inflows and outflows of Operational Grants and Capital Grants produced on a quarterly basis by: (1) Each Implementing Partner, and submitted to the Co-ordinating Partner; and (2) The Co-ordinating Partner, and submitted to the Funding Channel Partner.
Reflection, Learning and Planning (RLP) Event	An annual event enabling Stakeholders and other actors to reflect on and learn from CLIFF implementation to date, and enabling Stakeholders to discuss and agree Annual CLIFF Business Plans and Budgets.
Six-monthly Monitoring Reports	Mid-year reports on the progress made by each Implementing Partner, the Co-ordinating Partner and the Funding Channel Partner, against Annual CLIFF Business Plans and Budgets.
Stakeholders	Implementing Partners, the Co-ordinating Partner, the Funding Channel Partner and Funding Partners.

1 SUMMARY

1. One in three of the world's urban population lives in a slum, amounting to about 1 billion people¹. The numbers of slum dwellers is expected to reach 1.8 billion by 2030, putting enormous strain on the provision of basic services.
2. If the living conditions in our cities are to be improved innovative solutions are needed to help slum dwellers access resources to build better housing and services in their communities. The Community-Led Infrastructure Finance Facility (CLIFF) is one such innovative partnership. CLIFF aims to reduce poverty by improving the lives of slum dwellers by increasing their access to resources to build better housing and services in their community. Established in 2002 CLIFF provides finance to organisations of the urban poor for housing and infrastructure projects. These projects will improve living conditions in low-income areas and impact on government policy and practice. What makes CLIFF special is that it enables slum dwellers, through the CBOs and NGOs which represent them, to become active partners in mobilising resources rather than passive recipients.
3. Since 2002 CLIFF has helped establish a fund to assist community based organizations to access a range of resources from the public and private sectors to help improve slum dwellers' housing and sanitation. It has increased local investments in slum upgrading; and helped influence banking and municipal policies and practices to promote slum upgrading, particularly in India. CLIFF continues to progress in Kenya and has recently expanded to the Philippines.
4. To date, the £6.3m disbursed to Implementing Partners in India, Kenya and the Philippines has helped provide decent homes for over 5,600 families and access to sanitation for approaching 750,000 slum dwellers.
5. If CLIFF is to have an impact on the immense challenges of urban poverty, CLIFF partners will need to build on their successes and introduce the concept to a wider audience by implementation in more countries and a dedicated communication and dissemination activities.
6. It is **recommended** that DFID contributes a further £15 million from 2009/10 – 2013/14. This will bring DFID's total contribution to CLIFF to £21.87 million. R-Del resources will be transferred to CLIFF through a fiduciary intermediary, probably the Cities Alliance via a World Bank Trust Fund arrangement. This will enable CLIFF to expand activities in the existing CLIFF partner countries, implement CLIFF in two new countries and with a new partner in India. This phase of CLIFF will focus more on communications and lesson learning to promote the CLIFF approach globally and within partner countries. This will be extended by each Implementing Partners (IPs) to inform the policies and operations of bodies such as government, other CBOs, banks and private enterprises within their country.
7. It is forecast that as a direct result of this additional funding CLIFF will provide at least 440,000 slum dwellers with sanitation and at least 28,500 people will gain access to secure sustainable housing. Details of further outputs are set out in the LogFrame (Annex A). Milestones and targets such as the numbers of slum dwellers who are direct beneficiaries and resource mobilisation (including cost recovery) are modest compare with CLIFF's successes to date as CLIFF will be expanding into countries with less favourable policy environments than Mumbai where CLIFF has achieved its most notable successes to date. These figures will increase if further funding is secured from other donors. Sweden is hoping to provide a further 9 million SEK (around £750,000) per year to CLIFF and Norway has expressed a wish to become a funding partner for CLIFF in 2010.
8. CLIFF experience has demonstrated viable approaches and ways of mitigating some of the inherent risks. However, uncertainties will remain significant as CLIFF-2 expands into more difficult areas with existing IPs and in some of the poorest countries. The emerging financial crisis is introducing a further aspect to the risk analysis. Therefore the overall risk rating is judged to be medium.

¹ State of the World's Cities 2008/09, UN Habitat

2 PROGRAMME DESCRIPTION

2.1 Project Description

9. The Community-Led Infrastructure Finance Facility (CLIFF) was established in 2002 to provide finance and capacity to organisations of the urban poor for housing and infrastructure projects. These projects will improve living conditions in low-income areas, and have the potential to impact on policy and practice and be scaled up.

10. Since 2002 CLIFF has helped establish a fund to assist community based organizations to access a range of resources from the public and private sectors to help improve slum dwellers' housing and sanitation. It has increased local investments in slum upgrading; and helped influence banking and municipal policies and practices to promote slum upgrading, particularly in India. CLIFF continues to progress in Kenya and has recently expanded to the Philippines.

11. To date, around £6.3m has been disbursed to Implementing Partners (IPs) to provide the finance required for enabling secure tenure and decent homes for over 5,600 families and access to sanitation for approaching 750,000 slum dwellers. From its capital disbursement to date CLIFF is projected to leverage land, infrastructure, skilled inputs, cost recoveries (£44 million²) and loans (over £5 million³) from a combination of the private and public sector.

2.2 What Problem does CLIFF address?

2.2.1 Urban growth and slums

12. Almost one billion people live in urban slums, the great majority in developing countries. This will increase to at least 1.4 billion by 2020 unless urgent action is taken to address urban poverty.⁴ Between 2000 and 2030, the 'urban areas of the less developed regions' of the world will contribute 95 per cent of global population growth.^{5,6} Urbanisation presents major challenges as city growth is rarely matched by capacity to govern and service the expanding urban population.⁷ The result is inadequate living conditions for a large proportion of the population.

13. The threat of forced eviction inhibits investment and places people in constant fear that their homes may be demolished. Slum dwellers, by virtue of where they live or their tenure status, are often excluded from rights or entitlements. Secure tenure should enable slum dwellers to invest in the improvement of their own homes and living conditions and to access essential services, such as education. Lack of access to these services has a significant impact on people's health (see Box 1).

² £17 million of which has already been achieved

³ £5 million of which has already been achieved

⁴ UN-Habitat (2003) p.28 ;UN Millennium Project (2005b) pp.21

⁵ UNPFA (2007) p.1

⁶ UN-Habitat (2003) p.54

⁷ UNPFA (2007) p.8

Box 1: Slums, disease and deprivation

UN-Habitat defines a 'slum household' as lacking any one of the following: access to improved water; access to improved sanitation facilities; sufficient living area (less than three people per habitable room); a durable dwelling (non-hazardous location and a permanent structure adequate to protect from climatic extremes); security of tenure.

The factors cause and reinforce many other aspects of poverty and vulnerability; they negatively impact upon health, safety, security, psychological well-being, education, economic opportunities, the environment and social cohesion, whilst increasing people's vulnerability to disasters. This is exacerbated by extremely low water and basic sanitation coverage. Mortality and unemployment are considerably higher in slums than in planned urban settlements. Overcrowding and poor ventilation in slum housing are associated with acute respiratory infections such as meningococcal meningitis and tuberculosis and the rapid spread of diseases such as diphtheria.

Over the next 50 years, global temperatures could rise by 2 or 3 degrees centigrade, with consequences including sea level rise, floods and potentially many more deaths from diarrhoea and malaria. Slum dwellers are particularly at risk from disease, air pollution and extreme temperatures associated with climate change and are often forced to settle on flood plains.

Statistics on MDG indicators which contrast figures for rural and urban areas 'mask the deprivation' in urban slums. For example, in Nairobi under-five mortality rates in slums are 151 per 1,000 live births, significantly higher than the averages for Nairobi (62/1000) or for rural Kenya (113/1000).

2.2.2 Governments, Community Based Organisations and the Private Sector

14. Many countries have implemented decentralisation programmes, devolving authority to local government. Government face a huge challenge of delivering basic services to its citizens in the face of rapid urbanisation. Government has a crucial role to play in resolving legal and policy issues affecting the lives of slum dwellers. For example it can help secure access to land (and thus security and livelihoods opportunities) by assigning development rights and land uses; applying/waiving property taxes; or holding/releasing public land.

15. However few government programmes reach the level of the neighbourhood where decisions about, for example, the water supply and communal sanitation are most appropriately made. CBOs and NGOs can serve as a bridge between the urban poor and local government. To do this effectively at the required scale, community organisations often need strengthened capacity to communicate with their constituents and to engage with government, as well as to manage implementation. In addition to helping communities to mobilise finance, community organisations also need to negotiate access to other resources such as land and services.

16. A lack of access to finance is a key constraint to slum dwellers and private financial institutions could potentially enable slum dwellers to upgrade housing and infrastructure themselves. However, living in informal settlements and, generally, working in the informal sector represent too high a risk for most financial institutions thus leaving slum dwellers without any access to affordable finance.

17. It is becoming evident that a partnership between government, communities and the private sector, drawing on the varying skills and resources of all parties, is needed if sustainable housing solutions are to be delivered at scale. The United Nations has identified the following six success factors for improving the lives of slum dwellers and providing alternatives to new slum formation⁸:

- Partnership between an NGO, local communities, and the government.
- Shifting central government's role from implementer to facilitator.

⁸ United Nations Millennium Project (2005a) pp.72-77

- An incremental approach to service provision rather than all-or-nothing.
- Community involvement and awareness programs to ensure demand for services.
- Capacity building to enable communities to assist with service delivery.
- A service delivery approach adapted to local conditions.

18. CLIFF has been developed as an innovative partnership to address these issues and bring communities to the centre of the slum upgrading efforts.

2.3 What will DFID money be spent on?

19. As for the first phase, the primary beneficiaries of CLIFF-2 will be families living in the slums of target urban areas in selected countries in Sub-Saharan Africa and Asia⁹. The project will continue to work with the alliances which have been formed in India, Kenya and the Philippines, helping them to build on experience to more effectively scale up and replicate their activities in other urban areas. Similar alliances are expected to be used to expand implementation to at least two more countries in the same Regions – it is expected that both of these countries will be in Sub-Saharan Africa. If, as is expected, other agencies support CLIFF then similar alliances are expected to be used to expand implementation to further countries still.

20. It is forecast that as a direct result of DFID funding CLIFF-2 will provide at least 440,000 slum dwellers with sanitation and at least 28,500 people will gain access to secure sustainable housing. Milestones and targets in CLIFF-2 such as the above and resource mobilisation (including cost recovery) are modest compared with CLIFF's successes to date as CLIFF will be expanding into countries with less favourable policy environments than Mumbai where CLIFF has achieved its most notable successes to date. These figures will increase as further funding is secured from other donors.

21. There will be a focus on strengthening the lesson sharing and learning, both by and between partners at country level, Implementing Partners (IPs). This will be extended by each alliance to inform the policies and operations of bodies such as government, other CBOs, banks and private enterprises within their country. With the support of Cities Alliance (the Funding Channel Partner (FCP))¹⁰ and other international partners, CLIFF will also help widen international access to good practice and other lessons emerging from CLIFF to improve slum upgrading in countries which do not participate in CLIFF.

2.4 Programme Appraisal

2.4.1 Background

22. DFID founded CLIFF in partnership with Homeless International (the Co-ordinating Partner (CP)) in 2002 and Sida has also been a supporter since 2003. HI has provided a guarantee facility which has arranged around £0.2 million in bank guarantees to secure banks loans for the IP in India of around £1.9 million. USAID provided approximately £1.4 million in guarantees to the Indian Alliance. To date DFID has contributed a total of £6.84 million and Sida approximately £3 million. Donor funding under the earlier phase is expected to be fully disbursed by end of June 2009.

23. In the light of a favourable evaluation¹¹ DFID proposes to commit funds for a further five years to build on the success of the first phase and expand activities to additional countries and IPs. The Swedish Development Agency (Sida) is hoping to contribute around 9 million SEK (around £750,000) per year from late 2009 and Norway (Norad) has expressed interest in commencing support from 2010.

⁹ Construction projects must benefit the poor, and as far as possible the poorest and most vulnerable, as well as involve them in a meaningful way in the design, construction and sustainability of the resulting housing and basic services.

¹⁰ The Cities Alliance (www.citiesalliance.org) is a global coalition of cities and their development partners committed to scaling up successful approaches to poverty reduction.

¹¹ Community Led Infrastructure Finance Facility (CLIFF): End of Project Evaluation, WSP et al., January, 2009

24. Supporting CLIFF is consistent with DFID's commitment to promote good governance, economic growth and access to basic services (Departmental Strategic Objective 1). CLIFF will contribute directly to achieving MDG 7 (ensuing environmental sustainability) by improving the lives of slum dwellers and improving access to water and sanitation. Improved housing and access to infrastructure can also improve health and education and offer income generating opportunities. Therefore CLIFF will indirectly support the achievement of many other MDGs.

2.4.2 Approach

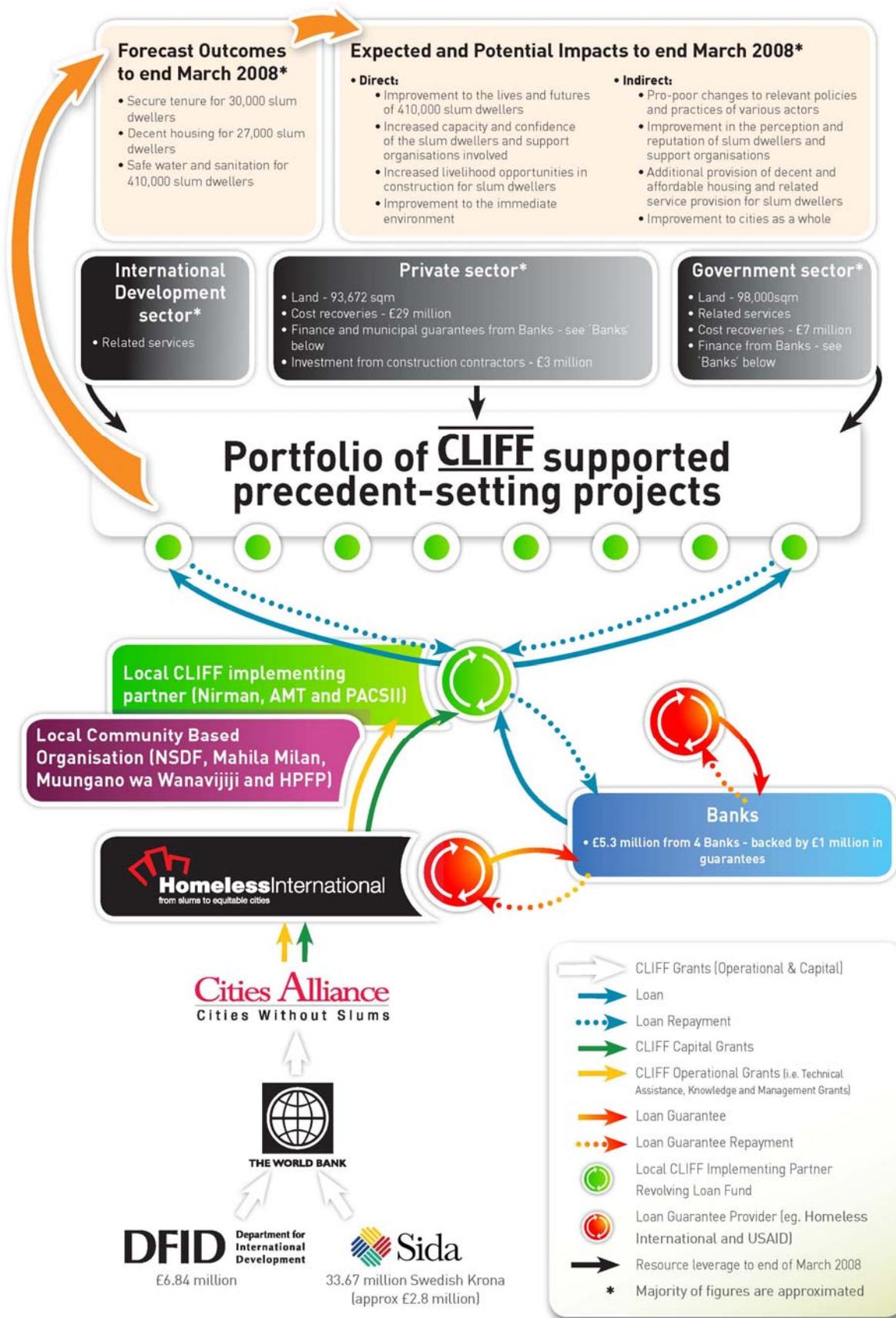
25. CLIFF is an innovative partnership between slum dwellers, NGOs, governments and the private sector to increase the levels of finance available to scale-up the provision of adequate and affordable housing and basic services for slum dwellers. CLIFF will also develop management and organisational skills of the communities involved. Figure 1 illustrates the roles of the CLIFF partners and the financial flows associated with CLIFF, including CLIFF grants, bank guarantees from Homeless International's Guarantee Fund and other organisations, and loans and repayments. The diagram also illustrates the outcomes, leverage and impacts that CLIFF has contributed towards to the end of 2008.

26. The definition of the key stakeholders and their roles are given in Table 1.

Table 1 – Role summaries of Stakeholders

Stakeholder	Role summary
Implementing Partners (IPs)	CLIFF is implemented through a community or non-governmental organisation in each participating country or city, under a Grant Agreement with the Co-ordinating Partner. There are currently Implementing Partners in India, Kenya and the Philippines. These implementing partners are often alliances of a number of civil society organisations (four for example in India).
Co-ordinating Partner (CP)	Co-ordinates CLIFF at the international level and carries out monitoring, communications and support for implementation appropriate. Currently Homeless International.
Funding Channel Partner (FCP)	Manages donor funding to CLIFF and support implementation where valuable and possible. Currently Cities Alliance.
Funding Partners (FPs)	Provide funding and support implementation where valuable and possible. Currently DFID and SIDA.

Figure 1 CLIFF Operational model and outcomes



27. The vast majority (over 80%) of the funding being requested from DFID for the next phase is proposed to go to IPs for implementation on the ground. Of this around 75% is expected to be used by IPs as capital for construction of projects that demonstrate how adequate and sustainable housing and basic services can be provided to the poor. This will form a revolving fund that is recovered from different sources (community repayment, government subsidies) over time and will be recycled into new housing and basic services projects. It will also be used to facilitate borrowing from local banks. It is expected that CLIFF 2 will secure a further £2.4 million of loans from financial institutions to projects. The projects will be designed to catalyse replication and scale-up by positively affecting relevant policies and practices in favour of the poor. CLIFF 2 will support IPs to influence local and national policy on housing and slums. Further details of the budget are included in section 4.

28. In preparation for the expansion of CLIFF to new locations, and to new IPs, two sets of new criteria have been developed: (1) Context Criteria; and (2) IP Criteria. These can be found within Annex G. Both sets of criteria have been designed based on experience gained during the first phase, and are essentially designed to help get the initial investment decision right with respect to new locations and IPs, to ensure good value for money and maximisation of impact. The CP will co-ordinate these assessments, taking inputs from other Stakeholders where valuable and possible, and will then make recommendations to the CLIFF Stakeholder Board (CSB) which will make the formal decision on expansion. A flowchart diagram outlining the various stages of the process is included within Annex G.

29. In an effort to strengthen significantly attempts to positively affect relevant policies and practices in favour of the poor in the next phase, a Communications Strategy will be developed for CLIFF. This will involve all Stakeholders in both its development and implementation, and be jointly co-ordinated by the CP and FCP.

2.4.3 Coordination with other initiatives

30. The relationship and potential complementarities between CLIFF and other initiatives that finance slum upgrading, slum redevelopment or infrastructure services has been considered and the relationship with the key institutions is set out in table 2.

Table 2 – Related initiatives and relationship with CLIFF

Institution	Remit	Relationship with CLIFF
Private Infrastructure Development Group (PIDG)	An innovative multi-donor organisation to encourage private infrastructure investment in developing countries that contributes to economic growth and poverty reduction. The PIDG has established a range of facilities and investment vehicles which provide varying types of financial, practical and strategic support in order to realise this objective. (www.pidg.org)	CLIFF focuses on investments at the level of local communities through civil society organisations, rather than larger scale infrastructure. However, there are potential complementarities between CLIFF and the PIDG facilities, particularly GuarantCo, and CLIFF will seek to work closely with the PIDG.
Slum Upgrading Facility (SUF)	SUF is located within UN-Habitat and is being piloted in four countries: Ghana, Indonesia, Sri Lanka and Tanzania. It aims to facilitate the development of bankable projects that promote affordable housing for low-income households, the upgrading of slums, and the provision of urban infrastructure in settlements in cities of the developing world. (ww2.unhabitat.org/suf/)	SUF seeks to work directly with a much broader range of local clients than CLIFF, such as municipal authorities, housing finance institutions, and central government. Essentially SUF works at the level 'above' the communities which CLIFF works with. Although CLIFF and SUF do not currently operate in the same countries, there are potential complementarities: SUF could address slum upgrading/ redevelopment and infrastructure finance gaps at the national and municipal level, whereas CLIFF would foster community engagement with housing and basic services projects.
Urban Poor Fund	UPFI is a self-governed, self-managed, ongoing and expanding financial facility that provides capital to member national urban poor funds, who	All three current IPs of CLIFF are members of SDI; experience from CLIFF implementation to date has fed into the design process of UPFI. It

Institution	Remit	Relationship with CLIFF
International (UPFI)	are members of Slum Dwellers International (SDI). (www.sdinet.co.za/upfi/) This was established with funding from Gates and the Norwegian government.	has been agreed that the UPFI's entry point was before CLIFF's: that is, that the UPFI could support projects that were slum dweller organisations' first attempts at settlement improvements and did not necessarily have the potential to scale up and attract private finance imminently. In contrast, CLIFF requires that local organisations have already developed a certain level of capacity, that individual projects have potential to scale up, and that a local portfolio of projects can be financially sustainable. UPFI's investments could therefore pave the way for future CLIFF investment or take place in countries where the context is not favourable for CLIFF.
Land, Services & Citizenship (LCS) programme ¹²	Working initially with a limited number of countries in Africa and Asia, the Cities Alliance and its members will support the development of city-wide strategies to upgrade existing slums and to help cities and their citizens plan and implement strategies for future growth. Funds will be made available to enable slum dwellers to gain active citizenship through improved urban governance and formalisation, to facilitate investment in slums that improves access to urban services, and to develop inclusive urban policies and strategies that provide for future urban growth.	If CLIFF is active in a country selected for the LCS programme, it is anticipated that the respective IP(s) would have opportunity to be partner for the LCS project for that country. The LCS project will provide an enabling environment for CLIFF to provide what ever type of financial service it deems appropriate. It could also enable CLIFF to enter into a new country (such as Uganda) on LCS coat-tails as part of the package. The LCS plans to disburse small community grants in each city selected for the programme, and CLIFF could potentially provide a vehicle for that support.

31. CLIFF-2 will strengthen in-country cooperation by coordinating with relevant programmes, as has been agreed with DFID-India which supports a substantial portfolio of projects with the Federal Government and in several states. CLIFF has committed to meet regularly with partners in this space, including the sharing of lessons between the programmes. This will form part of the CLIFF India communication activities. Where possible CLIFF will seek to scale up its activities in DFID's focus states (Orissa, Bihar and Madhya Pradesh) and work closely with DFID India on the selection of new CLIFF partners. Similar cooperation will be sought in other CLIFF countries through programmes supported by DFID or other agencies.

2.4.4 Economic

32. The agglomeration of productive activity in cities can offer significant opportunities to access employment, resources, productive services and markets which can result in substantial growth. This is an important factor underlining the fact that virtually all population growth in less developed countries is already urban and the forecast that the number of people living in rural areas will decline whilst those in towns and cities will continue to increase. The management of facilities and services is unable to keep pace with this population increase so much of it settles informally in marginal areas with no security of tenure, little or no basic services and only makeshift housing.

33. The populations which inhabit such slums (comprising both long-term and short-term migrants) make important, though informal, contributions - as very low wage, flexible sources of labour - to the urban economies which they have joined. However, the appalling and deteriorating conditions (over crowding, poor sanitation and air quality) under which increasing numbers of the urban poor live reflect high socio-economic costs and political risks.

¹² Programme of the Cities Alliance, funded by Gates Foundation and Cities Alliance core funds.

34. Investing in improving the living conditions of slum dwellers who frequently constitute the majority of city populations in developing countries impacts on a wide variety of issues such as health, security, citizenship, access to resources and services, as well as livelihoods and the wider economy. Following a community-led approach to slum upgrading can have further economic benefits to slum dwellers, since it seeks to benefit the poor in as integrated and direct a way as possible¹³.

35. One of the key outputs of CLIFF has been the resources that have been mobilised, leveraged and blended from the public, private and civil society sectors to produce adequate and sustainable housing and basic services solutions for the poor. To date CLIFF activities will mobilise £5.3 million¹⁴ of external loans and generate £43.2 million¹⁵ of cost recovery. The mobilisation, leverage and blending of resources such as land, infrastructure and cost recoveries (e.g. government subsidies, market cross-subsidies (e.g. rents and revenue from commercial/residential unit sales) is critical to the development of adequate and sustainable solutions that work for the very poorest and most vulnerable, whilst access to affordable finance for housing and basic services for the poor is critical to be able to take such solutions to scale. There is still a lot of work to do in this area, and milestones and targets for resource mobilisation (including cost recovery) are modest compared with CLIFF's successes to date as CLIFF will be expanding into countries with less favourable policy environments than Mumbai where CLIFF has achieved its most notable successes to date. In addition, the current economic environment is likely to bring its own challenges, but there have been some real successes in the first phase – notably in India – which can be learnt from and to some degree replicated. CLIFF encourages cross-learning between IPs, and the Communications Strategy planned for the next phase is designed to build on this further.

2.4.5 Social

36. The links between adequate and sustainable housing and basic services and poverty reduction are strong and numerous, and more detail can be found at Annex F.

37. Community participation is fundamental if efficient, effective and sustainable slum upgrading and settlement development is to be achieved.¹⁶ Increasingly community based organisations and NGOs are required to play a leading role in the development process and (post development) management of urban settlements and infrastructure. This is in part a result of their proximity to the poor, the specialist knowledge and social capital they possess, but also their ability to deliver housing and infrastructure more affordably, more effectively and more sustainably. However, community organisations face tremendous constraints in becoming accepted players within urban development. City governments, finance institutions and professionals perceive community organisations to lack the capacity and competency to effectively engage and deliver.

38. What makes CLIFF special is that it enables slum dwellers, through the CBOs and NGOs which represent them, to become active partners in mobilising resources and negotiating the terms for upgrading their basic services to at least the minimum acceptable standards and to convert their

¹³ E.g. In the case of all existing IPs, slum dwellers are involved in the construction of housing and basic services, which helps slum dwellers to develop new and existing skills in construction, as well as bringing in income where they are sub-contracted. In India the existing IP there goes as far as sub-contracting as much construction work to slum dwellers as possible, including requirements within the construction contracts it gives to the private sector, and helps slum dwellers to establish and manage their own private enterprises.

¹⁴ £5 million of which has been achieved

¹⁵ £17 million of which has been achieved

¹⁶ World Bank Social Development Notes, Community Driven development & Urban Services for the Poor, Number 85 /July 2004, and, Chapter 5 (pp 72-77) of the UN Millennium Project's Report to the UN Secretary-General, *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals*

domestic accommodation to adequate and sustainable housing. This involvement of the primary stakeholders is essential in helping to address critical constraints:

- Resolving the affordability challenge - by addressing aspects such as scale of accommodation, standard of basic service provision, initial cost and financing arrangements, recurrent costs etc – in ways that the poor households can manage.
- Ensuring community and household commitment to sustaining housing and basic services, including paying the relevant user charges and supporting the necessary management inputs.

Box 2: Women in slums

Poor living conditions in slum settlements impact harshly on women in their traditional role as home makers and primary carers face the challenge of collecting water for the home and caring for children in overcrowded and unsanitary surroundings. In slums, where there are few or no toilets, many women are forced to defecate under cover of darkness, rendering them more vulnerable to sexual or physical assault. Slums are generally overcrowded and cramped spaces. Women particularly suffer in terms of lack of privacy and the overcrowded conditions render them more vulnerable to abuse.

The Indian Alliance of CLIFF has developed an innovative approach to empowering women by mobilising community savings associations which are organised by the women of the households. These associations absorb much of the administrative cost of managing a large number of relatively small loans to individual households and generally achieve high levels of loan repayment. This approach has been shown to be replicable within India and has been extended to Kenya and the Philippines and it is considered to be appropriate for further low income countries.

39. It is also proposed to work with new IPs which are not affiliated to SDI and which have therefore developed different approaches to helping poor communities to mobilise. This will help to build additional capacity, test the effectiveness of significantly different models, and increase the opportunities for cross-fertilising experience from alternative approaches.

40. The projected results of the next phase of CLIFF in relation to the two MDG targets that most directly relate are shown in Table 3 below.

Table 3 – Projected results of next phase and relationship to MDGs

MDG 7: Target	beneficiaries (people)
10: Improved sanitation ¹⁷	440,000
11: Upgraded housing ¹⁸	28,500

2.4.6 Political and Institutional

41. As a global programme, CLIFF will support IPs to engage with national governments. CLIFF will work in countries that have, or are working towards developing, supportive policies in slum upgrading, such as supporting the provision of land or subsidy for slum upgrading and seeking to secure tenure for slum dwellers.

42. CLIFF-2 will strengthen in-country cooperation by coordinating with relevant programmes, as has been agreed with DFID-India which supports a substantial portfolio of projects with the Federal

¹⁷ Millennium Development Goal 7, Target 10: By 2020, achieve significant improvement in the lives of at 100 million slum dwellers

¹⁸ Millennium Development Goal 7, Target 11: By 2015, to halve the proportion of people without sustainable access to safe drinking water and basic sanitation.

Government and in several states. Similar cooperation will be sought in other countries through programmes supported by DFID or other agencies.

43. CLIFF-2 will seek to work with IPs in cities where there are good prospects of the municipality being supportive and where land and finance markets are functioning responsively. Within this framework prospective IPs will be assessed against criteria such as the legitimacy and credibility of the organisation, its financial, technical capacity and track record in managing relevant projects and the prospects for scaling up.

44. An important activity in CLIFF-2 will be assisting IPs to build their capacity to scale up and replicate slum upgrading with encouragement for IPs to evaluate their own performance against targets through self and joint monitoring and evaluation.

45. All IPs will be required to establish mechanisms for recording case studies and assessing their experience in order to build on good practice by sharing and peer-reviewing this with each other. They will be supported to establish processes for making good practice available to the wider group of stakeholders in their respective countries and CLIFF-2 will complement these processes with arrangements to facilitate international communications.

2.4.7 Environmental

46. All aspects of slum upgrading are designed to create a significantly improved physical environment for beneficiaries. Housing is designed, on the basis of extensive experience and consultation with the families which will benefit, to provide durably constructed secure accommodation with essential living space and reasonable privacy for sleeping arrangements. Basic cooking and washing facilities are included whilst toilets are communal where sanitation block projects are undertaken.

47. In terms of basic urban services CLIFF focuses on surface drainage, sanitation and water supply. Members of the Indian Alliance have been very actively engaged in helping to implement sustainable community latrines in a number of cities. This has contributed to developing and scaling up a process which addresses a key issue for environmental health in slum areas. CLIFF will strengthen its approach by ensuring that appropriate environmental and health and safety standards are applied by IPs to the projects that they implement.

48. The Environmental Screening Note is at Annex C.

3 LESSONS AND EVALUATION

3.1 Review and consultation

49. The review and development of this next phase has naturally built upon the lessons learned from the first phase. In addition, a consultation process, coordinated by the CP, commenced in April 2008 involving all Stakeholders and drawing on wider international expertise. The Consultation Record is at Annex B.

3.2 Independent evaluation

50. An independent end of project evaluation of CLIFF was jointly commissioned by DFID and Sida and conducted by WSP late in 2008.¹⁹ The overall finding was that *“CLIFF has piloted an interesting and potentially widely replicable approach to housing and services for the urban poor. A particular strength is its ability to build capacity within community organisations and ensure that the solutions to housing and infrastructure problems take account of the needs of the people whom they are intended to benefit. The scale of activity to date has been relatively small in relation to overall needs, but this is acceptable if the aim of this first phase of the project is seen as building the foundations for more ambitious future initiatives and programmes”*. The report recommended that *“CLIFF should continue, and that donor funds should be made available to support scaling up and spinning out to new organisations and*

¹⁹ Community Led Infrastructure Finance Facility (CLIFF): End of Project Evaluation. WSP et al. January, 2009

locations. However, in order to ensure that any scaling up is successful, there are a number of areas which must be strengthened.”

51. The evaluation made detailed recommendations, which have informed design of this phase and will continue to guide Planning, Monitoring & Evaluation (PME) processes. These recommendations along with formal responses from the relevant Stakeholders are listed in Annex E.

4 PROGRAMME IMPLEMENTATION

4.1 Overarching principles

52. At the end of the 2002 to 2008 period of CLIFF implementation, the CLIFF Advisory Group (CAG) agreed that there were some overarching principles which had been critical to the successful implementation of CLIFF, and which must be further embedded into the policies and processes that underlie CLIFF in the future. The principles are:

- Community-focused development – that the development which CLIFF is striving to achieve should take place by building capacity within community and related support organisations, and that the solutions to housing and related basic services problems must take proper account of the needs of the people whom are intended to benefit.
- Efficiency – that operations at all levels are completed in an efficient manner to maximise impact and facilitate smooth implementation.
- Flexibility – that flexibility should be applied to implementation where necessary and possible.
- Innovation and risk-sharing – that innovation is required to change the status quo and such innovation entails risks. The many risks IPs face in the course of their work should be shared by CLIFF, providing risks taken are justified by the potential to catalyse systemic change and there is a suitable risk management and mitigation plan in place.
- Learning and advocacy – that learning is at the heart of CLIFF, and involves each Stakeholder capturing, documenting and disseminating key emerging lessons from implementation, and advocating for the incorporation of these lessons into relevant policies and practices both within and outside their own organisations.
- Partnership – that each Stakeholder has equal status, supports the implementation of CLIFF as far as possible by playing an appropriate role, and is accountable to all other Stakeholders.
- Uniformity – that there should be a single set of policies and processes that underpin CLIFF, including planning, budgeting, monitoring, reporting and evaluation²⁰.

4.2 Governance and advisory arrangements

4.2.1 CLIFF Stakeholders’ Board (CSB)

53. As CLIFF expands, and the number of Stakeholders expands consequently, there is a need to ensure that its inclusive form of governance is maintained. The CSB is intended to balance the need for representation with that of efficient and effective decision-making. The Terms of Reference for the CSB have been incorporated into the Operations Manual.

54. The CSB is made up of representatives of all Stakeholders. The overall role of the CSB is to:

- Represent the interests of all Stakeholders in CLIFF.

²⁰ This includes the Logframe which in addition to being reviewed on an annual basis, can be amended at anytime during the year on the basis of new funding. All Stakeholders will be expected to formally acknowledge acceptance of the Logframe and Operations Manual, including each time each document is revised.

- Oversee the implementation of CLIFF in a way that constantly seeks to maximise positive developmental impact; and
- Support the development and reputation of the facility to achieve greater impact internationally.

4.2.2 Partners' own governance arrangements

55. In addition to CSB, each of the organisations involved in the management and implementation structure below has its own governance structure. The governance bodies of IPs and the CP in particular are expected to be active in the governance of CLIFF implementation.

4.3 Management and implementation arrangements

56. As described in Section 2.4.2, the management and implementation structure of CLIFF is made up of three elements:

1. Implementing Partners.
2. The Co-ordinating Partner.
3. The Funding Channel Partner.

57. The particular management and implementation responsibilities of the three elements are shown in Table 4 below. In addition, FPs participate in some activities, particularly through their local offices.

Table 4 – Management and implementation responsibilities

	Activity	IPs	CP	FCP	FPs
IP selection & inception	Assessing potential new IPs against Context Criteria and IP Criteria		X		
	Consulting CSB with recommendations as to whether to enter new partnership		X		
	Supporting new IPs with the establishment of CLIFF		X		
Plan ning & impl	Producing Annual CLIFF Business Plans and Budgets	X	X	X	
	Implementing Annual CLIFF Business Plans and Budgets	X	X	X	
Monitoring	Communicating regularly to discuss progress, and to fulfil contractual requirements under CLIFF	X	X	X	X
	Completing visits to each IP at least every 6 months to support the monitoring and evaluation of progress (including fiduciary capacity)		X		
	Supporting monitoring visits by the CP at least every 6 months	X			
	Supporting Fiduciary Monitoring Visits arranged by the CP every 18 months	X			
	Preparing Six-month and Annual Monitoring Reports for each IP		X		
	Preparing Six-month and Annual Monitoring Reports for own activities		X	X	
	Distributing all Monitoring Reports to CSB		X		
Fundin g draw-down	Drawing-down funds from FPs, and disbursing to the CP on a timely basis			X	
	Drawing-down funds from the FCP and disbursing to IPs on a		X		

	Activity	IPs	CP	FCP	FPs
	timely basis				
	Submitting Capital Grant Requests to the CP for appraisal, based on demand	X			
	Appraising Capital Grant Requests through its governance structures on a timely basis		X		
Financial reporting	Submitting financial reports to the CP on a timely basis, including: <ul style="list-style-type: none"> Quarterly Financial Reports Cashflows 	X			
	Collecting, quality control and monitoring of financial reports from IPs, including: <ul style="list-style-type: none"> Quarterly Financial Reports Cashflows 		X		
	Preparing and submitting Quarterly Financial Reports to the FCP		X		
Audit	Submitting annual external audits and management letters (for both the CLIFF project and the organisation) to the CP on a timely basis.	X			
	Submitting annual external audits (for both the CLIFF project and the organisation) for IPs and CP to the FCP on a timely basis.		X		
Providing or facilitating additional support	Providing and facilitating non-financial support for IPs where valuable and possible		X ²¹	X	X
	Providing and mobilising guarantees to help secure bank loans for CLIFF-supported projects as well as other relevant projects not supported by CLIFF where possible		X		
	Supporting the efforts of IPs to engage and influence relevant government departments where valuable and possible			X	X
Communications Strategy	Co-ordinating development and delivery of the Communications Strategy		X	X	
	Supporting development and delivery of the Communications Strategy	X	X	X	X
	Preparing and distributing the Annual Review		X		
Evaluation	Co-ordinating Mid-term and End of Project Evaluations		X		
	Supporting Mid-term and End of Project Evaluations	X	X	X	X
RLP Events	Co-ordinating RLP Events, in conjunction with the hosting IP		X		
	Hosting RLP Events	X			
	Participating in RLP Events	X	X	X	X
Funding	Co-ordinating efforts to raise additional funding for CLIFF, if effective demand is demonstrated		X		

²¹ For example supporting capacity-building efforts, seeking to reduce the information asymmetry between financial institutions and IPs, and 'twinning' with established Housing Associations.

	Activity	IPs	CP	FCP	FPs
	Supporting efforts to raise additional funding for CLIFF	X	X	X	X
Governance	Organising and acting as Secretary to CSB meetings		X		
	Reporting on CLIFF progress to own governance structures and ensuring related decisions are made on a timely basis	X	X	X	X
	Participating in CSB meetings	X	X	X	X

4.4 Initiating CLIFF in new locations

58. The next phase of CLIFF aims to expand CLIFF implementation to new locations and IPs in order to scale-up the delivery of adequate and sustainable housing and basic services for slum dwellers. The criteria for new locations and IPs, together with the assessment and establishment processes (including in flowchart format) are included within Annex G.

59. The CP will visit new IPs to help induct the organisation into the policies, systems and processes of CLIFF, and provide any further useful support.

4.5 Funding and fiduciary issues

4.5.1 Budget and timeframe

60. The budget allocated by DFID for the next phase of CLIFF is £15 million over 5 years beginning April 2009. Adequate R-Del provision has been made for the CSR period and we shall bid for required resources for outer years. This requirement is based on the experience of the first phase of CLIFF and on indicative plans and fees for the partners and is expected to be disbursed as in Table 5 below. Sida has also indicated that it may contribute around 9 million SEK per year, and Norad has also indicated that it is interested in funding CLIFF from 2010.

61. Based on the latest cashflows of the CLIFF-supported project portfolio it is projected that existing IPs will contribute £12 million in terms of revolving capital over the next xx years. The non-financial contribution communities are making towards CLIFF should not be under-valued. Communities contribute their time to a range of activities: meetings with government bodies relating to projects; designing projects; and, supervision of construction. In some housing projects across the three IPs, communities provide 'sweat equity' to the construction of projects.

Table 5: Estimated commitment of DFID funds (£ million)

	UK Financial Year					Total
	2009/10	2010/11	2011/12	2012/13	2013/14	
Implementation:						
Existing IPs (3)	0.75	0.9	1.75	1.75	1.5	6.65
New IPs (3)	0.25	0.6	1.75	1.75	1.5	5.85
Implementation support and co-ordination by CP and FCP	0.5	0.5	0.5	0.5	0.5	2.5
Total	1.5	2.0	4.0	4.0	3.5	15.0

62. DFID's contribution to CLIFF-2 will be untied and the funds will be transferred to the Cities Alliance Trust Fund under a DFID - World Bank Trust Fund arrangement. The Trust Fund will charge a customized administration fee, which is expected to be levied at 1.5% of funds handled.

4.5.2 Operational Grants

63. Operational Grants will be disbursed in advance on a quarterly basis, in line with approved Annual CLIFF Business Plans and Budgets. Release of funds will be subject to satisfactory demonstration of need and evidence of spending the previous funding.

4.5.3 Capital Grants

4.5.4 Proportion of total CLIFF budget for Implementing Partners

64. Given CLIFF's goal and purpose, Capital Grants are expected to represent around 75% of total CLIFF budgets for IPs. At the very least, Capital Grants must represent the majority of IP budgets, though there must be a strong case for the proportion falling below the expected 75 per cent²².

4.5.5 Request, appraisal, fund draw-down and disbursement

65. IPs request Capital Grants on the basis of effective demand for the construction of housing and basic services projects. IPs make requests by completing a Capital Grant Request (see Annex G) and submitting it to the CP for appraisal within its governance structure. Capital Grant Requests are appraised against Capital Grant Criteria (see Annex G) taking into account the projected Capital Grant requirement within the IP's approved Annual CLIFF Business Plan and Budget, and hence the respective IPFC. Such appraisals can be made at any time during the year.

4.5.6 Fiduciary assessment and monitoring

66. The CP must comply with the fiduciary policies of the FCP²³, whilst IPs must comply with the Fiduciary Assessment and Monitoring Policy of the CP. This Policy (see Annex G), has three aims which, in order of importance, are:

- To assess the fiduciary soundness of potential new IPs, in order to protect CLIFF investment and maximise impact.
- To enhance the capacity and reputation of IPs in delivering adequate and sustainable housing and

²² Where there is a strong case for a higher proportion of Operational Grants – for example to build IP capacity in the early years of implementation – the CSB may approve a budget with Operational Grants representing up to an absolute maximum of 49 per cent of the total budget for the year. It is expected that higher proportions of Operational Grants would only be made available in the short term.

²³ Cities Alliance will conduct a fresh Fiduciary Assessment on Homeless International prior to signing of the agreement between World Bank and Homeless International.

basic services for slum dwellers. Assessment and monitoring will not only consider IPs' current capacities, but also the future capacity needed to achieve their longer-term strategies.

- To carry out due diligence and comply with contractual obligations.

4.5.7 Currency issues

67. CLIFF policies and procedures aim to minimise currency exchange costs, and to allow IPs, the CP and the FCP to budget, receive, spend and report in their own currencies.

4.6 Provision and facilitation of additional financial and non-financial support for IPs

68. The CP, FCP and FPs are expected to be able to provide or facilitate additional financial and non-financial support to IP, beyond that provided through CLIFF funds. Examples of such support are included in Table 6 below:

Table 6 – Examples of additional support facilitated or provided to IPs

	CP	FCP	FPs
Linking the CLIFF activities of IPs with potentially synergistic programmes, in particular those programmes being implemented by FPs, the FCP and the CP	X	X	X
Supporting the delivery of the Communications Strategy	X	X	X
Supporting the efforts of IPs to engage and influence relevant government departments to commit the resources and create the policy environment required to enable adequate and sustainable housing and basic services to be provided for slum dwellers at significant scale, where valuable and possible		X	X
Providing or facilitating access to financial services, such as loans and guarantees	X		
Supporting the development of IPs' capacity, for example in the areas of strategic planning, financial management, procurement, project management, and engaging with the financial sector	X		
Supporting efforts to raise additional funding for CLIFF, if effective demand is demonstrated	X	X	X

69. IPs' support requirements will be discussed during the final day of RLP Events, and any actions agreed incorporated into relevant Annual CLIFF Business Plans and Budgets. It is likely that support needs will be identified throughout the financial year, and therefore an ability to apply **flexibility** and respond to demands as they arise is also important. If additional FPs enter CLIFF, then they will be required to formally accept the policies and processes employed by CLIFF, as defined within this Operations Manual, to abide by the principle of uniformity.

4.7 "Exit" strategy

70. Our support to CLIFF will focus on building the capacity of the Implementing Partners, helping them to become sustainable organisations for supporting the urban poor. It is possible that a number of the IPs, particularly the current partners, will no longer be dependant on DFID funding beyond the current period. However, the IPs are trying to address the enormous challenge of improving the lives of slum dwellers. Therefore we may wish to continue to scale-up the work of IPs and CLIFF as part of DFID's efforts to tackle urban poverty. The issues of DFID exit and the possibility of continuing support will be assessed in year 4 of our support. In the event that no further DFID funding is recommended, we will work with the CLIFF partners to identify further sources of funding.

4.8 Monitoring, evaluation, audit and reporting

4.8.1 Guiding principles

71. The primary purpose of monitoring, evaluation, audit and reporting processes is to facilitate implementation and ensure internationally accepted standards in financial management, procurement and audit. Although focus is often given to the external application of these processes for accountability purposes, it is crucial that the monitoring, evaluation, audit and reporting processes employed by all partners themselves are the foundation. Evaluation is also often considered as merely a periodic and independent process, but it is crucial that it is carried out side-by-side with monitoring. Embedding evaluation in this way facilitates regular learning and corrective action, enabling impact to be maximised.

72. Processes employed for the monitoring and evaluation of CLIFF will be proportionate to activities undertaken by all partners.

4.8.2 Monitoring, evaluation, audit and reporting processes

73. CLIFF incorporates a range of routine monitoring, evaluation, audit and reporting processes, at both local and international levels, which are presented in Table 7 below. The table details which Stakeholder or external party will carry out the process, the timing, what the output of the process will be, and who the output will be distributed to. The Logframe includes indicators that will be measured across partners. Additional indicators will be incorporated into all partners' Annual CLIFF Business Plans and Budgets, to help measure CLIFF progress.

74. There are significant challenges faced in implementing a consistent M&E strategy across CLIFF which will increase as new IPs join the facility. The CLIFF independent evaluation identified M&E as an area requiring further strengthening. CLIFF is putting in place an improved M&E strategy and with build capacity within the CP and IPs.

Table 7 - Summary of monitoring, evaluation, audit and reporting processes

Process	Carried out by	Timing	Output	Circulated to
Existing organisational monitoring, evaluation, audit and reporting processes within IPs, CP and FCP	IPs, CP and FCP	Regularly	Various	Organisation's own governance structure
Communication between CP and IPs	CP and IPs	Regularly	Not applicable	Not applicable
Monitoring against original and previous Cashflows	IPs	Quarterly	Detailed updated Cashflows	CP and CP's governance structure
Monitoring against Annual CLIFF Business Plans and Budgets of IPs	CP	Six-months after start of Financial Year	Six-month Monitoring Reports	CSB
	CP	Annually	Annual Monitoring Reports	CSB
	IPs	Quarterly	Financial Reports	CP and FCP
Monitoring against Annual CLIFF Business Plans and Budgets of CP and FCP	CP and FCP	Six-months after start of Financial Year	Six-month Monitoring Reports	CSB
	CP and FCP	Annually	Annual Monitoring Reports	CSB
	CP and FCP	Quarterly	Financial Reports	FCP and FPs respectively

Process	Carried out by	Timing	Output	Circulated to
RLP Event	All Stakeholders (co-ordinated by CP and hosting IP)	Annually	Various	Wide range of relevant actors
External organisational audit of IPs and CP	External auditors	Annually	Audit report and management letter	CP and FCP respectively
External CLIFF project audits for IPs and CP	External auditors	Annually	CLIFF project audit reports	CP and FCP respectively
Annual reporting and promotion	CP	Annually	Annual Review	Wide range of relevant actors
Fiduciary Monitoring Visits	Consultant(s), managed by the CP	Every 18 months	Reports	CP
Mid-term Evaluation	Independent consultants ²⁴	Year 3	Desk-based review report, draft final report, and final report	CSB
End of Project Evaluation	Independent consultants ²⁵	Year 5	Desk-based review report, draft final report, and final report	CSB

4.8.3 Periodic Independent Evaluation

75. Independent evaluation processes will be applied to CLIFF, through Mid-term (during year 3) and End of Project (end of year 5) Evaluations by consultants. Generic Draft Terms of Reference for evaluations are included within Annex G²⁶.

4.9 Communications

76. At the beginning of the next phase of CLIFF, the CP and FCP will develop a Communications Strategy, involving all Stakeholders. The strategy will focus on the following two activities:

1. Capturing, documenting and disseminating lessons emerging from CLIFF implementation, and seeking the incorporation of these lessons into the policies and practices of a range of relevant actors.
2. Promoting CLIFF.

77. It is expected that each Stakeholder will play a role in these activities, either directly or through partnering with other organisations, such as relevant academic and research institutions. IPs, FPs' local offices (where relevant), and the FCP, are all expected to conduct and co-ordinate these activities at the local level. The CP, FCP, FPs' central offices, and where possible IPs, are expected to conduct and co-ordinate these activities at the international level.

78. The Communications Strategy is expected to include at least the following:

- Presentations on CLIFF to a wide variety of audiences²⁷.
- Lectures on CLIFF for relevant courses within academic institutions.
- Articles and chapters on CLIFF within relevant publications.
- Information on CLIFF placed on as many relevant websites as possible, including links to the CLIFF section of the CP's website. It is particularly important that CLIFF features on all Stakeholders' websites.

²⁴ Co-ordinated by CP.

²⁵ Co-ordinated by CP.

²⁶ This Terms of Reference will be reviewed and further developed as required at the time of evaluations.

²⁷ It is envisioned that a standard presentation on CLIFF will be developed, updated periodically, and disseminated by the CP for use by all Stakeholders.

- RLP Event²⁸.
- A brochure, to provide an introduction to CLIFF.
- Wide dissemination of the Annual Review.

4.10 RISK MANAGEMENT AND MITIGATION

79. The innovative CLIFF approach challenges many vested interests. Experience has demonstrated viable approaches and ways of mitigating some of the inherent risks. However, uncertainties will remain significant as CLIFF-2 expands into more difficult areas with existing IPs and in some of the poorest countries. The emerging financial crisis is introducing a further aspect to the risk analysis.

80. The main foreseen risks are outlined in Table 8 below, together with an assessment of probability and impact, and planned mitigation measures for each.

Table 8 – Risk assessment and mitigation measures

Risk	Prob'ty	Impact	Mitigation
A. Models to provide housing and basic services that are both adequate and sustainable for slum dwellers may not be developed in each country where CLIFF is active	Medium	High	Increasing the number of countries in which CLIFF operates will mitigate the impact of failures.
B. The models developed and demonstrated through CLIFF may not be replicated at scale by others	Medium	Medium	CLIFF will explicitly strengthen capacity of IPs to communicate in-country and will support international sharing of good practice.
C. There may not be sufficient mobilisation, leverage and blending of resources from the public or private sectors	Medium	High	The Context Criteria will be assessed to minimise these risks in countries considered for new CLIFF initiatives
D. IPs may not have capacity to significantly increase activity in response to increased demand arising from their enhanced reputation and credit rating	Medium	Medium	New IPs will be screened for their basic capacity and CLIFF will assist the further development of this capacity.
E. Necessary pro-poor changes in policy and practice may not be stimulated by CLIFF demonstrations	Medium	Medium	Government priority to address slum upgrading is a prerequisite for CLIFF engagement in any country – IPs will be assisted with communicating.
F. Insufficient locations and organisations may be identified which meet the agreed Context Criteria and IP Criteria	Low	High	An initial assessment indicates that there is currently scope to extend CLIFF into at least 3 and probably 6 further countries consistent with these criteria
G. IPs may not submit sufficient requests which meet the agreed Capital Grant Criteria	Low	High	In addition to the Context Criteria IPs will be identified on the basis of their track record in initiating suitable projects.
H. IPs may not strengthen their capacity for effective implementation and accountability to the extent required by public and private sector organisations, especially financial institutions	Medium	Medium	CLIFF will assist IPs to build capacity for engaging with other stakeholders, particularly the banks.
I. Enhanced capacity may not lead to an increase in reputation and credit rating when viewed by public and private sector organisations, especially	Low	Medium	CLIFF will support IPs in communicating with in-country stakeholders and strengthening

²⁸ The annual RLP Event will enable Stakeholders and a range of other actors to reflect on and learn from CLIFF implementation to date. It will also facilitate collaboration between Stakeholders and other relevant programmes, facilities and actors. Finally, the event will be used to discuss and agree Annual CLIFF Business Plans and Budgets for the following year (see Annex G for a projected outline of the event).

Risk	Prob'ty	Impact	Mitigation
financial institutions			their credibility with them.
J. The emerging global financial crisis may limit CLIFF projects by constraining the availability of community, public and private resources	Medium	High	Whilst these conditions are likely to prevail it is expected that IPs will be able to identify the modest interventions required for CLIFF.

81. The assessment of the identified risks is summarised in Table 9. The overall risk rating is judged to be **medium**.

Table 9 - Summary impact/probability matrix

		Impact		
		High	Medium	Low
Probability	High			
	Med	A, C, J	B, D, E, H	
	Low	F, G	I	

Note: Reference letters A – J in this table relate to the risks described in Table 8.

5 CONDITIONALITY

82. There are no prior conditions for this project to be effective.

83. The key conditions for use of DFID funds within the CLIFF-2 programme are that:

- Further countries where DFID support is given will be aimed at Low Income Countries particularly in Sub-Saharan Africa and South Asia.
- Projects benefit the poor, and as far as possible the poorest and most vulnerable, and involves them in a meaningful way in the design, construction and sustainability of the resulting housing and basic services.