

5. Non-core Funded Projects

Non-core funds are budgetary allocations to the CA Trust Fund, that are made by partners, over and above their core fund contributions, for donor-identified projects that in all other respects meet the criteria of CA core-funded projects. They are appraised by the Secretariat and Steering Committee/CG and managed by the CA in the same way as core funded projects. The only significant administrative difference from core funded projects is that they are not bound by any time constraints (24 months). The Italian Government supported Technical and Social Assistance to the Ribeira Azul upgrading programme in Salvador, Bahia, Brazil is a three-year programme; the UK supported Community-Led Infrastructure Finance Facility (CLIFF) is for five years in the first instance, but with the facility to attract additional funding and continue its revolving bridging-loan and guarantee funds indefinitely. The third on-going non-core funded project is the UK contribution to the China Urban-Region CDSs, which fall into the normal project time frame.

In addition to the major projects referred to above, non-core funds have financed such activities as, the Kolkata PPF (UK DFID), United Nations partnerships (World Bank); LAC activities (Italy); networking of Asian CDSs (Japan). The recent agreement with the Asian Development Bank, however, will take the form of parallel funding for CA-related activities in Asia, rather than a non-core contribution to the CA trust fund.

Non-core fund contributions (\$18.3 million) have clearly had a significant impact on the CA financial portfolio, doubling the core fund pledges (\$18.4 million) to a total of \$42 million (including in-kind funding of the Secretariat). Also, there is no doubt that the Bahia upgrading and China CDS projects are making local impacts in terms of scaling-up and development strategies. CLIFF is a bold and innovative approach to the localisation of financial management and will make an important contribution to the 'learning alliance' in the field of mobilising private sector capital and the capacity of slum communities to manage the financing of their own infrastructure and housing.

There is a view, strongly expressed by senior management in UN-Habitat, that the pursuit and administration of non-core fund projects will divert the CA (Secretariat) from its central purpose of supporting innovation in urban poverty reduction and scaling-up through core funded activities. However, there is no evidence of this so far.

Not all bilateral donors share the enthusiasm of some for non-core funding, preferring to maintain managerial and fiduciary control within their national programmes, albeit as parallel projects that are closely aligned with CA principles, and objectives. Others see it as an opportunity to make an impact that their bilateral grant processes do not normally allow. For instance a former senior professional member of the staff of the Italian Ministry of Foreign Affairs, referring to the Bahia non-core funded project said:

“... that bilateral Italian funds, managed as in the past, by an Italian NGO, had limited scope for influencing local government policy and bigger international funding partners. It was found that funds could have a more catalytic role through the CA, which would entail World Bank Execution, which, it was hoped, would play a decisive role in placing the whole process in Bahia on the Bank's radar screen. At this point, it is fair to say that this objective has been reached, and fairly early in the game”.

As a global programme, UK DFID could not have initiated CLIFF or funded it through normal bilateral procedures. Not only was this made possible by routing it through the CA non-core trust fund, but it will also make it possible to attract other bilateral support, which is already being considered by SIDA and USAID.

Notwithstanding the reservations that have been expressed, non-core funding will be an increasingly important component of the CA. The intended growth in the CA's portfolio will to a very large extent depend upon it, as it is unlikely that core fund contributions will grow dramatically over the next triennium. However, it is important that the CA resists any temptation to relax its principles, objectives or selection criteria in taking on offers of non-core funding.