Ministry of Foreign Affairs

How to make funding accessible to communities and grassroots groups

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Insights from the Reversing the Flow programme

This document examines approaches, tools and lessons for channelling financial resources directly to communities and grassroots organisations. It is part of a series that documents how Locally-Led Adaptation (LLA) can work in practice by addressing 3 main questions:

1. What does it take to make LLA work?

2. What are the main obstacles?

3. What lessons can others apply in their own contexts?

The series draws on the direct experiences of local NGOs (acting as intermediary hubs) and communities across Bangladesh, Burkina Faso, Ethiopia, Kenya and Sudan under the Reversing the Flow (RtF) programme: A locally-led initiative focusing on water security, water safety and climate adaptation. See https://english.rvo.nl/en/subsidies-financing/rtf.

Main takeaways

Channelling funding directly to communities and grassroots groups is not just a financial procedure, but a shift in power and impact.

- This governance structure determines who holds power, who makes decisions, and who remains accountable to whom. This extends beyond just the funding mechanism.

- Effective regranting empowers communities to develop enduring agency, with impacts reaching well beyond the funded activities.

- Preparation, transparency and adaptive management are just as important as the disbursement itself and must be built into the process from the start.

- Different models exist: Each context demands a tailored approach that builds on existing local structures and responds to specific needs.

Introduction

Many organisations want to channel more resources directly to local actors or communities. The argument is straightforward: Actors closest to climate risk and development challenges understand their own needs best and are in the best position to design and manage their own solutions. However, most development programmes are designed to work through formal structures and thereby miss certain informal institutions who represent the most vulnerable communities.

Yet less than a third of reported climate finance projects even reference local impact or local involvement, and how much of that money actually reaches local people and organisations is unknown. In fact, only 0.17% of all reported climate finance is described as directly supporting locally-led climate action[1]. This gap is especially worrying because low- and middle-income countries already do not receive enough money for climate adaptation. They need an estimated $300 billion more each year[2].

Money alone is not enough at the local level. Instead of managing funds and development plans for communities, (local) NGOs and other development actors should give financial resources directly to communities. This enables them to plan, decide and implement interventions themselves. In doing so, they take ownership of the development process. Putting money in local hands is itself a way to govern. It shifts power to local actors and makes them the decision-makers rather than the beneficiaries.

Regranting in the Reversing the Flow Programme

Each hub has received a €1 million subsidy through the RtF programme and regrants about 70% directly to local communities and grassroots groups in a defined landscape. Each hub designed its own regranting mechanism, shaped by local governance structures, legal frameworks, culture and community realities. During an initial phase, hubs worked alongside communities and grassroots groups to establish procedures. Together, they determined which types of groups to involve. The hubs kept control over the design and organisation of this process. Under the RtF programme, hubs carefully account for and administer their own expenses. However, this does not include the local subsidies after awarding. This is the responsibility of the local groups to which the money is regranted. The local institutions arrange accountability within their possibilities. Accountability to peers ('horizontal accountability') is the leading principle.

Across different contexts, the experience is consistent. When communities control funds, they show stronger ownership, intrinsic motivation, cost sensitivity and peer accountability. Direct local fund management encourages more action and attracts extra money. It sparks policy dialogue, shows that communities are capable actors, and helps reach people that conventional financing often misses. These findings come from many stories and examples collected throughout the programme[3]. Regranting in RtF puts the LLA principles[4] into practice. This document specifically reflects on the following principles:

- Devolving decision-making power to the lowest appropriate level.
- Providing patient and predictable funding that can be accessed more easily.
- Investing in local capabilities to leave an institutional legacy.
- Ensuring transparency and accountability.

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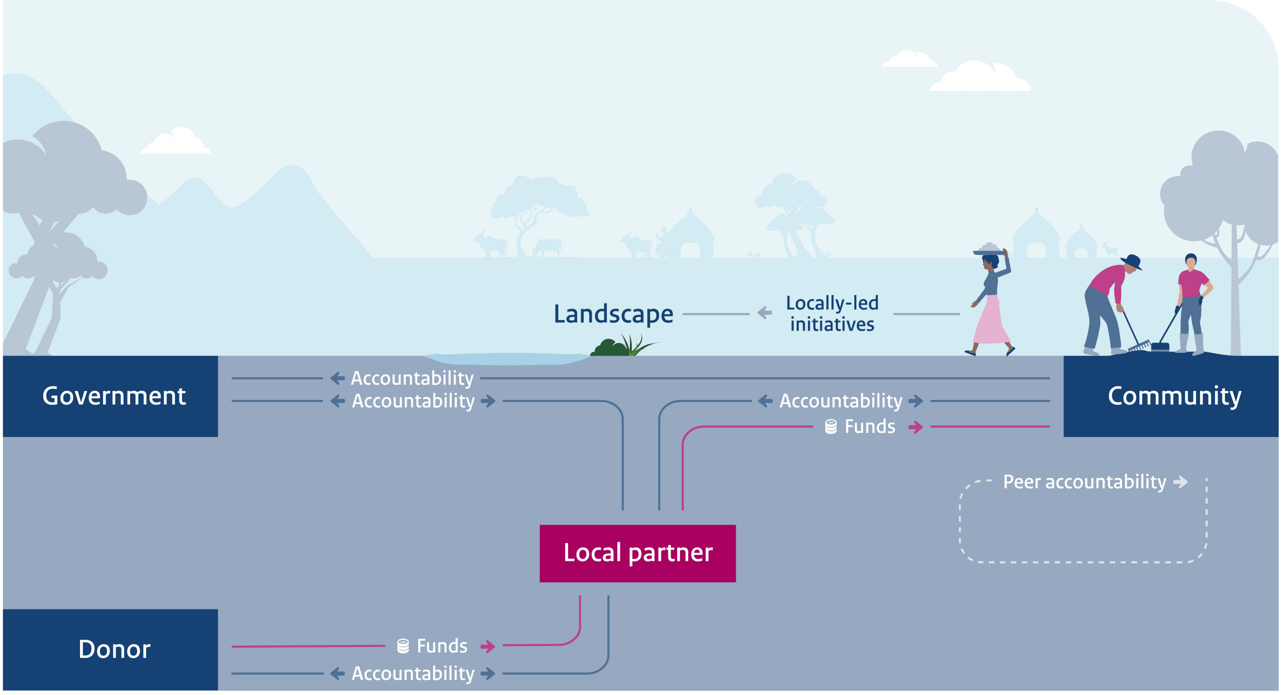
[1] Treichel, P., Joshi, R., Taylor, E., Ridout, M., Mitchell, P. and Acuda, A. (2025). Locally implemented or locally led? Tracking finance for community climate action. IIED, London

[2] United Nations Environment Programme. (2025). *Adaptation Gap Report 2025: Running on empty. The world is gearing up for climate resilience — without the money to get there.* UNEP, Nairobi

[3] A remote char in Bangladesh chose its own future. *TheWaterChannel.*
Afar Women Leading Change - Empowering pastoralist communities through grassroots initiatives in Ethiopia. *TheWaterChannel.*
Local Bylaws as the Foundation for Lasting Climate Adaptation in Ethiopia. *TheWaterChannel.*
Financing in Locally Led Adaptation: Lessons from Burkina Faso. *TheWaterChannel.*
From aid recipients to local leaders: Regranting as a catalyst for policy dialogue and community empowerment in Bangladesh. *TheWaterChannel.*
When the People Decide: The True Meaning of Locally Led Decision-Making in Isiolo. *TheWaterChannel*.
No longer left behind. How a Remote Bangladesh Char Community Made Government Respond. *TheWaterChannel.*

[4] Principles for Locally Led Adaptation | World Resources Institute



The figure above shows the structure of the RtF programme and how funds flow through it. Money goes from the donor to the hubs. Then, the hubs disburse funds to communities and grassroots groups. These local groups plan, decide on, implement and monitor activities themselves.

This document reflects on the choices that the RtF hubs made in the design of the regranting process. For each topic, it shows how various hubs approached it, the challenges they faced, and the lessons they learnt.

The document covers the following topics:

- Community governance: Who holds authority and represents the community?
- Priority setting: How do communities decide what to fund?
- Fund flow: How does money flow from a local NGO to the community?
- Accountability: How are funds tracked and verified?
- Government engagement: What role does government play?

This document looks specifically at these topics within the regranting process. Other notes in this series explore related topics in more depth. These include amongst others accountability in RtF, community organisation, flexible and patient funding from a financers perspective, advocacy and policy or programming dialogue.

Community governance: Who holds authority and represents the community?

Design choices	How RtF hubs have approached this	Main considerations
Use existing community structures or create new ones?	Existing structures • APIL (Burkina Faso) builds on Village Development Committees (CVDs); • IMPACT (Kenya) mainly uses existing 'shared-interest groups' like Community Land Management Committees (CLMC), Community Forest Associations (CFA), Women Groups, Community-based Organisation (CBOs) and Ward Committee Forums. New structures	• Existing structures save time and carry legitimacy, but may embed (existing) exclusions or elite capture. New structures allow inclusive design from scratch but take time to build trust and may create (inefficient) parallel structures or structures that disappear right after the programme's finance stops.

	• Friendship NGO (Bangladesh) created Community Implementation Committees (CICs); • Uttaran (Bangladesh) established Landscape Management Committees (LMCs); • Tiipaalga (Burkina Faso) set up village management committees from scratch; • APDA (Ethiopia) set up Community Cooperatives. Mixed • MID-P (Kenya) uses existing community structures and organisations created for a special purpose depending on the landscape. • SOS Sahel (Sudan) uses existing Community Grassroots Organisations (GROs) and newly established structures (General Assembly, Landscape Management Committee and a Steering Committee). • ORDA (Ethiopia) works through Watershed User Associations (WUAs), which were re-established after previously being dismantled due to conflict in the area.	• Representation of women, youth, and marginalised groups is not automatic in either case and has to be designed in. Before routing funds through existing structures, check if they are functional and truly representative. For example, APIL found some CVDs had outdated leadership.
Single-tier or multi-tier governance?	Single tier • Uttaran's LMCs, APDA's CBOs and ORDA's WUAs manage funds and implementation directly without a higher approval organisation. Multi-tier • Friendship NGO uses CICs plus a Project Steering Committee; • MID-P has a 3-tier structure (from the Landscape Committee to the Cluster Committees to, finally, the Implementing Entities); • IMPACT uses Ward and Inter-Ward Committees; • APIL has CVDs plus Village Market Allocation Committee and village assemblies; • Tiipaalga combines village management committees with a municipal steering committee. • SOS Sahel combines GROs, General Assembly, LMC and a Steering Committee.	• Multi-tier structures provide checks and balances and support aligning plans with wider stakeholders. But they may add complexity and can slow decision making. • In multi-tier structures, decision-making over allocation of funds shifts from the NGO to local actors. While in all local RtF projects local groups decide over priorities, in multi-tier structures, decision making is devolved even one step further. • Single-tier structures are simpler but depend heavily on the capacity of the single organisation. • Based on the principle of subsidiarity, higher-level organisations should support and connect, not control.

Lessons

Build on governance structures that communities accept and trust

Map existing local institutions and governance structures first, and build on the ones communities already accept and trust.

Make existing structures more inclusive and better equipped rather than replace them. Where they are not fit for purpose, build new ones that communities genuinely recognise as their own. A good example is ORDA in Ethiopia, where previously existing WUAs have been re-established and are now being formalised into cooperative societies by the government, thereby rebuilding institutional legitimacy over time.

If new structures are set-up, be transparent about their roles and lifetimes. Is it a functional project instrument or is it a locally-embedded long-term institutional solution?

Use transparent processes to protect social cohesion

Making funding accessible to local communities is not just a technical process of paying and accounting for money. It is also a social process shaped by power, decision-making and inclusion. Communities must embed transparency in daily decisions. Open meetings, community-led participant selection and visible validation help ensure this.

How people make decisions, who is involved, how they are chosen, who they represent and how they stay accountable are all important. These factors matter as much as the decisions themselves. This matters even more when planning is reorganized around new areas like water catchments that cut across existing administrative boundaries. Experience from Ethiopia shows this clearly. When groups reorganised along micro-watershed lines, new conflicts started over who controls budgets and resources. Changing boundaries alone, without dealing with deeper social issues, can cause more problems rather than solve them.

Transparent, locally accepted processes help prevent favouritism and unfair control. They also let communities use their own understanding of fairness and vulnerability.

Uttaran gave communities a central role in shaping the regranting process. They started with a simple but powerful question: "If you were funding others, how would you design regranting?" Instead of waiting for outside instructions, communities asked for a shared platform. They wanted to design a fair and transparent system together. In participatory workshops, communities created a structured regranting system built on their own priorities and 10 main parameters. Remember, transparency is not just an audit requirement. It is a daily practice that protects trust and keeps social bonds strong.

[Consult the How-to document on community organisation.]

Priority setting: How do communities identify what to fund?

Design choice	How RtF hubs have approached this	Main considerations
How do communities identify needs and priorities?	• Communities may do a participatory assessment, sometimes with support from the RtF hubs. For example, the CICs in Bangladesh (Friendship NGO) and the Community Cooperatives in Ethiopia (APDA) conduct a participatory disaster risk assessment before developing proposals. Or needs and priorities are identified through public community meetings collectively. For example, Uttaran communities' LMCs lead open discussions across landscapes. MID-P (Kenya) uses traditional community gatherings called barazas. ORDA (Ethiopia) uses public meetings and transect walks to identify community needs, set priorities and make plans. SOS Sahel Sudan (Sudan) uses Grassroots Organisations (GROs), where community members come	• Where possible, identify priorities before designing governance structures. Tiipaalga used participatory tools first, allowing committees to reflect on existing local priorities and power dynamics. • Linking regranting to existing development plans strengthens alignment and reduces duplication. • Without careful facilitation, mass meetings can be dominated by more vocal community members. • Participatory processes that surface the root causes of problems need

	together to identify and prioritise needs collectively. • The assessments may draw on participatory tools such as land maps, historical climate timelines and Venn diagrams, as the Tiipaalga communities used. • In some cases, already existing communal development plans are used as a base, revised through village assemblies. For example, APIL communities (Burkina Faso) use PCPs (municipal development plans (PCP in French)).	time, and that time has to be built into the design.

Lessons

Remain flexible and patient

Locally-led adaptation needs timelines that follow community rhythms, not project cycles. The lack of a strict timeline for RtF funds has been highly appreciated. Flexible, patient, long-term funding lets communities act at their own pace, matching seasons, weather, and local cycles of need. It creates space for basic or short-term needs that arise. These may not always match set plans, but are urgent for communities to address them before they can meaningfully engage in larger restoration or landscape efforts.

In practice, remaining flexible and patient means that processes may move more slowly. At Uttaran, communities needed time to understand budgeting, prioritisation and transparency. This learning happened through collective reflection and peer learning. Communities sometimes push back and renegotiate agreed processes, as in MID-P’s experience. These moments show genuine shifts in power. Communities gain confidence, ownership and maturity, for example, when they create their own regranting criteria.

Local NGOs must be willing to hold space for civic participation. They need to trust that slower, contested decisions can produce more durable outcomes than easy compliance.

However, locally-led is not always slow. The same communities may act quickly when the moment is right. Activities succeed because they match local rhythms and are free from bureaucracy, while local accountability is strong. When Bangladeshi communities added small income-generating activities for the most vulnerable, this was a plan responding to reality, not a delay or deviation. What may look like a delay is often strategic pacing.

[Consult the How to document on Providing patient and predictable funding.]

Fund flow: How does money flow from a local NGO to the community?

Design choices	How RtF hubs have approached this	Main considerations
How are funds disbursed?	Lump sum to community bank account: • Most hubs transfer funds directly to a community bank account managed by multiple signatories (Friendship NGO, Uttaran, APIL, Tiipaalga, IMPACT, MID-P). Disbursement per initiative or per planning period • Some hubs award individual initiatives and disburse a specific amount. Other hubs award a subsidy to a plan	• Lump-sum transfers signal trust and reduce transaction costs. This requires selecting a person who has experience in handling money and whom the community trusts. In none of the RtF cases this has been a problem.

	composed of with multiple interventions. Group or individual accounts • Once the local organisation is formalised and registered, it opens a bank account with either multi- or single-signature approval. • When hubs work with informal institutions, they transfer funds to personal accounts. Tranche disbursement • ORDA releases funds for each watershed's annual plan in 3 tranches (50%, 30%, 20%), with each tranche released once 85% of the previous tranche is used. In-kind and conditional incentives: • APDA integrates livelihood support with restoration interventions. This approach emphasises collective action through communal initiatives with cooperative account holders overseeing fund management. Looking ahead, people can only receive their share of the benefits if they take part in group activities.	• Tranching reduces financial risk and creates accountability checkpoints, but adds an extra administrative burden and can delay implementation. • Using tranching may also be used as a start-up model until trust is gained. Then changing towards full amounts or fewer tranches. • Where cash management capacity is low, in-kind or incentive-linked models are suitable alternatives. • Conditionality must be designed carefully to avoid excluding the most vulnerable. • Communities themselves can select a bank (ORDA) based on a criterion (easy access, less bureaucratic).
How to deal with local requirements. For example, VAT and reporting to the local administration.	Local requirements • Local communities and vendors often lack knowledge on VAT rules, documentation standards, validation of TIN/BIN or allowable expenditures. Uttaran experienced complex local procedures. As a result, managing VAT and compliance at the community level was challenging. At request of the communities, partners in Bangladesh are explaining these processes to them and are also acting on behalf of these communities in some instances. • The Cooperative Office must legalise and certify watershed committees at ORDA. It must also ensure that withholding tax on large transactions is paid, even though these are VAT-exempt. Also, the committees are entitled to technical support from the Cooperative Office for bookkeeping and bylaw improvement. • In Burkina Faso, direct fund transfers to communities are prohibited within the humanitarian sector. Tiipaalga works around this through contracts and memoranda of understanding with landscape committees, each specifying the purpose and amount of every transfer.	• Local administrative and legal requirements can differ from programme or donor expectations and vary by country and region. Early mapping of these requirements helps address potential challenges. • The first regranting cycle is a learning experience. Hubs and communities need time to navigate administrative realities. • Hubs can provide simplified guidance to communities and vendors to streamline the process. • Regular, transparent communication with the local administration smooths approvals and documentation.

	APIL provides cheques that local cooperatives deposit on behalf of communities whose Village Development Council boards can no longer perform bank transactions. • In Sudan, conflict makes cash transfers risky: In areas under RSF influence, community members may be forced to hand over a percentage of any bank transfer before they can access the cash. SOS Sahel plans to pay directly to suppliers who are selected and trusted by the community and verified by the hub. This way, materials reach communities without cash changing hands. Reporting to the local administration: • The watershed committees at ORDA undertake internal audits. They are also subject to the audit by the government Cooperative Office. • Uttaran observed that navigating the NGO Affairs Bureau is time-consuming. There is no standardised template for community-led reporting to the local government. Proactively sharing plans and progress has improved recognition in some cases. But how consistently this is recognised depends on individual officials.	

Lesson: Adapt to community and institutional realities

Regranting directly to communities and grassroot organisations does not happen in isolation. Legal frameworks, banking requirements and administrative structures determine what is possible. Programmes must be designed around them. Since RtF did not introduce any specific administrative requirements as programme, the hubs and communities could design the flow of funds in line with local requirements.

If direct fund transfers are not possible, routing funds through legally recognised organisations, such as cooperatives or user associations, preserves community control and meets regulatory requirements.

When communities register and prepare the required paperwork before funds arrive, they can open the bank account that disbursement depends on. An informal or unregistered group often cannot receive a transfer at all, which is why this step comes first rather than after.

Building relationships with local governments fosters mutual understanding and credibility. This helps communities navigate local requirements and administrations more smoothly.

When adapting to such situations delays funding, it is important to remain flexible and patient. Rather than pause, communities can reflect on their own priorities and capacities. This ensures they are prepared and have strengthened ownership when funds arrive.

Accountability: How are funds tracked and verified?

Design choices	How RtF hubs have approached this	Main considerations
How is financial accountability maintained, also in low-literacy contexts?	Cash book and ledger systems • Community Based Organisations have shown a strong capacity in basic accounting. Assigned treasurers keep records and cash books. • Uttaran's communities document every expenditure in a cash book and a ledger book. • Monthly meetings are held so all members can hear and verify accounts verbally, making financial information accessible to everyone. Localised accounting tools • APIL's communities developed a simplified notebook tool in local languages. • APDA's communities use oral reporting with a 'rapporteur' making a verbal 'rapport' of the expenses and activities accounted for. Adapted reporting • ORDA's communities use simple quarterly reports adapted to the language skill levels of WUA members; • IMPACT's community groups communicate receipts of funds through calls or emails. The treasurer gives financial updates at group meetings. Digital tracking • Friendship NGO’s communities introduced mobile banking for real-time fund tracking. Multiple signatories on accounts: • Some hubs require more than one signatory on community accounts. This prevents any person from accessing funds alone. Peer-to-peer validation • Community teams of Friendship NGO visit each other's landscapes to review progress, exchange experiences and build mutual accountability and trust.	• Accountability tools must match community members' actual language level, local (informal) realities and digital access, not the NGO's preferences. • Verbal verification in community meetings is powerful and underused. It allows all members to take part in financial decisions, regardless of their reading or writing skills. • Mobile banking improves transparency, but should only be used where people have the skills and connectivity to use it. • Explore local capacities before introducing any new procedures or training. • Trust is essential in local accountability. Local groups are very well able to assign a responsible task, like local fund management, to a person they trust. This does not need external guidance.
What formal agreements	Memoranda of Understanding (MoUs):	• Formal agreements clarify expectations and provide

underpin the regranting relationship?	• ORDA, MID-P and Tupado use MoUs between the hub and the community, defining roles, timelines and procedures. Formal agreements with Anti-Corruption Clauses: • IMPACT requires all approved groups to sign a formal agreement, including an Anti-Corruption Clause, co-signed by Ward and Inter-Ward Committee chairpersons. Resolution letters and documentation: • Friendship NGO requires CICs to prepare a resolution letter, identification and proof of address before opening bank accounts.	a reference point if disputes arise. • Anti-Corruption Clauses serve a practical and signalling purpose. They communicate that responsibility is taken seriously. • Documentation requirements for opening bank accounts can create barriers in remote areas. Anticipate this and support communities in meeting them.

Lesson: Local financial skills are often already there. If not, support communities in a timely manner

Skills to handle the regranted money often exist in most communities. People such as savings group members and cooperative treasurers bring competence in money handling and accountability. The starting point is finding where that capacity is and building the fund management structure around it. Where gaps exist, they are usually in financial knowledge, not in the willingness to organise. Such gaps can be addressed, and this should be done before funds arrive.

This preparation is not only for skills but also for confidence. In some cases, communities were initially reluctant to accept funds, fearing being taken to jail if money was mismanaged. Peer learning and building confidence in skills helped communities take on the responsibilities of fund management.

Match the accountability tools to the people managing the funds.

A reporting system that communities cannot complete, or which excludes them from accessing funds, does not build ownership. It builds dependence instead or limits accessibility of the funds. Verbal verification in community meetings, notebooks in local languages and adapted reporting templates are low-cost and culturally understandable. These are all viable alternatives to standard financial reporting.

Overall, in RtF peer-to-peer accountability is the leading principle and builds the most foundational accountability at the local level.

[Consult the How-to document on accountability.]

Government engagement: What role does the government play?

Design choices	How RtF hubs have approached this	Main considerations
How hubs or communities involve a government in the regranting process?	Government in oversight organisations • Friendship's Project Steering Committee (PSC) includes local government representatives, connecting communities and formal governance. Government as technical advisor • Tiipaalga's municipal steering committee includes the Prefect and state technical agents who advise	• Government involvement can strengthen legitimacy and open doors to state resources, but should not compromise community decision-making. • Even minimal involvement, such as a government official

	and connect, but do not decide. • In the watersheds of ORDA, the role of the government is not formalised, but the local government is often involved as a technical advisor. Government as a legalising authority: • Woreda Cooperative offices are in the process of legalising and certifying the re-established WUAs at ORDA as mandated by the state, rebuilding institutional legitimacy over time. Government as witness • Uttaran distributed subsidies in the presence of the Upazila Nirbahi Officer, creating public recognition and a sense of pride for communities historically overlooked. Government as advocate • SOS Sahel engages the government through a Steering Committee that includes local leaders, technical experts and government officials. It helps advocate effectively for local ownership throughout conflict-related barriers and narrows the gap between community-led initiatives and government policy. No direct government role • APDA and IMPACT manage regranting without direct government involvement in the fund flow or implementation of the activities.	witnessing disbursement, can open policy dialogue. When direct involvement is politically risky, an advisory or witness role preserves community autonomy while maintaining relationships. • Government involvement can support the transition to more locally-led development approaches. Government representatives can move from making decisions or giving guidance to acting as advisors. They can see that it is a careful process that they can trust.

Lesson: Regranting strengthens community recognition as legitimate actors

Directly channelling funds to communities can change how others perceive them: From beneficiaries to capable, organised and respected actors. Public disbursement events, such as Uttaran's ceremony with the Upazila Nirbahi Officer, make this recognition visible. These moments created public recognition and foster a deep sense of pride in communities that development systems have often overlooked.

In other cases, stronger local institutions gain the confidence and legitimacy to engage with authorities. In Char Bagua (Friendship NGO), this allowed marginalised communities to advocate for themselves and mobilise a government veterinary response, which would usually skip their Char entirely.

In both cases, funding elevates communities to respected counterparts and creates space for collaboration and influence in local governance.

[Consult the How-to document on policy and programming dialogue and advocacy.]

Concluding lesson: Allow for learning and adaptation, also in regranting

For almost every RtF hub, this was the first time they undertake a form of regranting to local groups. After their initial design several hubs adapted their mechanism based on experience:

- ORDA refined disbursement conditions after initial funding cycles.
- MID-P redesigned governance structures in response to community challenges.
- Friendship adjusted budgeting guidance after initial over-budgeting.

These examples show that regranting is not a static process, but one that evolves through learning with communities. This ongoing evolution relies on regular reflection, sharing successful approaches, and adapting to new insights.

In conclusion

- Allow context-specific design of regranting procedures. While the RtF hubs have tested and adjusted their approaches, these should not be seen as blueprints for others to simply copy.
- Regularly reflect on the regranting process itself, apart from project or progress monitoring.
- Create opportunities to share what works across hubs and with the wider sector.
- With flexible and patient funding, communities can refine their priorities based on available funds. Hubs can also revisit plans following baseline studies.

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