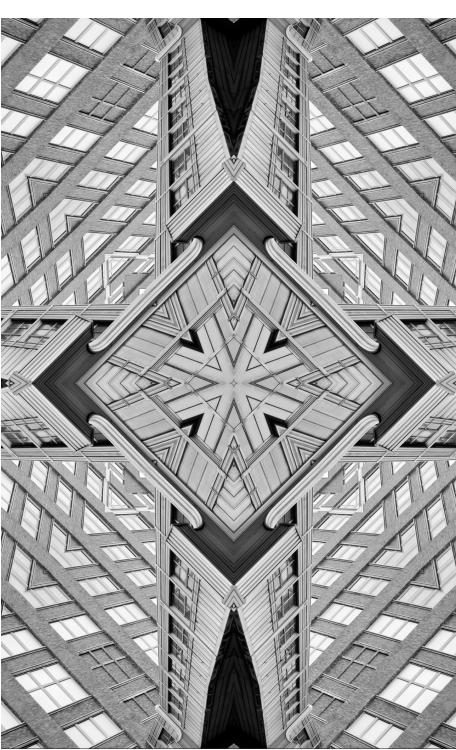


# Issue Brief

**ISSUE NO. 698 MARCH 2024** 



© 2024 Observer Research Foundation. All rights reserved. No part of this publication may be reproduced, copied, archived, retained or transmitted through print, speech or electronic media without prior written approval from ORF.



# Decolonising Aid: Moving Beyond International Aid Intermediaries

# Aude Darnal

# **Abstract**

The international aid system is in need of reform. Despite rhetoric about localisation, a meagre 1.2 percent of international humanitarian aid directly reaches local actors. Overall, there is a lack of transparency and awareness in international policy circles on how funds flow from the donor level to the field. This brief argues that the issue is not just about a lack of capacity on the part of local actors—a sweeping statement often used by Western aid stakeholders to justify their marginalisation. Donors also need to reform their understanding of aid, accept to share power with Global South champions of change, and increase their own capacities to adapt to local development and humanitarian systems. The brief explores, in this regard, the potential of the non-profit incubation model.

Attribution: Aude Darnal, "Decolonising Aid: Moving Beyond International Aid Intermediaries," ORF Issue Brief No. 698, March 2024, Observer Research Foundation.



n December 2023, the United Nations Climate Change Conference convened in Dubai to discuss global strategies and actions to ensure a sustainable future for all in the face of worsening climate change. As policymakers attempt to finance and implement the global green transition, international assistance actors, such as international NGOs and private development companies, are striving to integrate environmental components into their programmes aimed at addressing security, development, and other humanitarian crises in the Global South.

However, there is little focus at the strategic level on how international assistance continues to be dominated by Western stakeholders such as government agencies, multilateral organisations, international NGOs, and private international development companies, who tend to marginalise local actors of change. These are the NGOs, informal civic associations, and social entrepreneurs working towards the same objectives in the Global South. To be sure, international donors have invested, over the past 60 years, trillions of US dollars in aid in various domains—from development to peacebuilding and humanitarian action. Yet, the overall amounts of international aid continue to be insignificant compared to the financing needs for the green transition estimated at a minimum of US\$5 trillion per year, compared to the current US\$2 trillion global annual investment—or to achieve the United Nations Sustainable Development Goals. Nonetheless, despite the investment made through aid, the sector has continuously failed to spur sustainable and locally rooted positive change in target countries, despite encouraging rhetoric about localisation which, in practice, struggles to elevate bottom-up approaches. More than ever, it has now become critical to overhaul the dominant international assistance model to encourage sustainable development by putting power and decision-making in the hands of those in need of funding.

Though understudied in the non-profit sector, the 'incubator' concept appears to be a solution that could support such a reform and empower local actors, especially those in the informal economy. The latter, which accounts for a substantial part of local economies in Africa, Asia, Latin America and the Caribbean, and the Middle East, are largely neglected in international funding. According to Seydina Ndiaye, a social entrepreneur in Senegal and co-founder of *Collectif des Volontaires du Sénégal*, an organisation that regroups, organises, and supports informal associations in his country, in the rare instances when financing reaches local actors, it usually targets well-established formal NGOs.



This leaves a broad swath of informal actors—such as civic associations or social entrepreneurs not legally registered and recognised by the state—out of the equation.<sup>2</sup>

To be sure, South-South assistance models have developed in recent years, offering local actors of change an alternative to the traditional Western model. For instance, as Paul Nantulya notes, "Most Indian aid is channelled through the African Development Bank. India's total investments in Africa amount to \$70 billion, a figure the powerful Confederation of Indian Industry aims to increase to \$150 billion by 2030." Moreover, as Observer Research Foundation's Malancha Chakrabarty states, India's development cooperation programme is based on "the principle of mutual benefit and demand-driven development." Lessons learned and capacity sharing from Southern to Western aid stakeholders should be promoted.

This essay focuses on the failure of the dominant Western international assistance model and encourages more research into the potential ways by which Western funding, comprising the majority of aid, can be channelled more directly to local actors.

It has become critical to overhaul the dominant international assistance model and put power and decisionmaking in the hands of those in need of funding.



ver the recent decades, movements that seek to decolonise aid—putting "decision-making [in the hands] of the people directly impacted by aid and development programs"—have made strides in the international aid sector.<sup>5</sup> So have localisation campaigns, or "initiatives owned and led by people in their own context," although experts have criticised the concept, arguing that it lacks a clear definition and ultimately undermines local actors.<sup>6</sup> These frameworks, however, alongside the 2016 Grand Bargain agreement, are often used by Western international aid stakeholders as the backdrop of their strategy to empower local actors.<sup>7</sup> That is notably the case of the United States, the world's largest Official Development Assistance donor and a signatory to the Grand Bargain, and whose aid agency has produced a number of localisation strategies over the past years.<sup>8</sup>

Despite commitments by multilateral organisations, international donors, and NGOs, however, the provision of funding to local actors remains extremely poor. In the humanitarian sector, Development Initiative reports, "combined direct and indirect funding to local and national actors fell from 2.7% of overall assistance in 2021 to 2.1% in 2022"—its lowest level since 2017, when the Grand Bargain was first implemented.<sup>9</sup> Direct funding accounted for only 1.2 percent of total humanitarian assistance during the same period.

In 2015, when that figure was 0.2-percent lower, Dhananjayan Sriskandarajah, then the secretary-general of CIVICUS and now CEO of Oxfam Great Britain, outlined the primary justifications made by international donors for not directly funding local civil society organisations (CSOs). These include their aversion to risk and low capacity to provide smaller grants, and the perceived lack of capacities of local organisations.<sup>10</sup>

Indeed, although many local CSOs across the Global South demonstrate great administrative capacity and mastery in donors' complex funding processes, skill levels vary between and within countries and regions. Moreover, donors' heavy bureaucracy, cumbersome eligibility conditions and procurement processes, lack of human and technical resources, and aversion to change are significant challenges to the empowerment of local actors.<sup>11</sup> Finally, experts have underlined how certain attitudes of international NGOs can impede

The Grand Bargain is "a unique agreement between some of the largest donors and humanitarian organisations who have committed to improve the effectiveness and efficiency of the humanitarian action, in order to get more means into the hands of people in need." - Inter-Agency Standing Committee. 'About the Grand Bargain'. Accessed 3 January 2024. https://interagencystandingcommittee.org/node/40190.



direct funding for local actors. A 2020 Save the Children report on localisation underlined how competition and poor partnerships between international and local NGOs could be a barrier to the empowerment of the latter, noting, "[The] criticism of local actors being treated as sub-contractors instead of meaningful partners or leaders by international actors is well-reflected in the literature." <sup>12</sup>

There are many prescriptions for international donors and NGOs alike to reform international aid—from increasing direct funding to local CSOs, to augmenting diversity in international stakeholders' leadership positions, to increasing transparency in international aid financing flows and strengthening local actors' capacities when necessary. Beyond these recommendations—which are often broad and lacking in practicality—there also needs to be more innovative thinking to imagine a radically different international aid system that can be implemented in pragmatic ways. This should aim not only to support local CSOs, but also to move away from dependency dynamics, and other "colonial-era and neo-colonial ideologies of the superiority and privilege of Western thought and approaches," as noted by Peace Direct. Such an approach would notably remove foreign intermediaries and truly enable bottom-up approaches and programme sustainability and impact.

That being said, there is no single way to solve the international aid conundrum. Any attempt to do so should be realistic and provide solutions that will support diverse funding for local actors while accounting for international donors' current high aversion to risk—at least until donors' systems undergo reform to reduce such aversion.

Competition and poor partnerships between international and local NGOs could be a barrier to the empowerment of the latter.



onors rely primarily on international NGOs to receive funding and implement international aid as these are perceived to be better capable of handling donors' processes; they are also viewed as having greater commitment to ethics, for instance, as compared to local CSOs. While a small number of well-established local NGOs succeed in capturing international aid financing, the amounts are largely negligible, and the plethora of informal actors of change<sup>b</sup> are left out of the international aid sector. According to Ndiaye, some local NGOs have "mastered" the financing system of international donors. As a result, it is often the same ones that receive international funding, while smaller organisations that are not as established or are informal but yet have a substantial impact within communities, struggle to obtain financing.

Ndiaye and other social entrepreneurs have designed the Collectif des Volontaires du Sénégal as a "social hub"—a place where informal and formal actors of change can have access to peer networking, coaching, and training. The Collectif's primary objective for 2024 is to increase its financing to provide small grants to its member associations, enabling them to implement their activities.<sup>17</sup>

This concept resembles that of a non-profit incubator, and it can uplift marginalised actors of change while addressing donors' concerns about risks and administrative burden.<sup>d</sup>

# The concept

Based on the business/for-profit incubator concept, non-profit incubation can be summarised as a system "to help nonprofits become effective, efficient, and impactful organizations." In India, Atal Innovation Mission (AIM), the government's initiative to spur innovation and entrepreneurship, states that non-profit incubators' support "includes providing incubation or co-working spaces, lab spaces, new technological facilities, utilities, growth funds, mentoring and advisory support, and network and linkages." Although AIM's handbook for incubators mentions that these services are provided for a fee or equity, that is not the case for all non-profit incubators.

<sup>&#</sup>x27;Informal' would mean they are not registered with any government agency and therefore are not accorded any legal status.

c In Senegal, NGOs are associations with two years or more of existence.

d Ndiaye avoids using the term "incubator" due to its negative connotation in Senegal, as many business/ for-profit incubators are perceived as inefficient by communities.

e The handbook also points out that incubators can take minority stakes in incubated businesses, in return for free or low-rent periods. Similarly, accelerators can sometimes provide businesses with free or discounted service providers. Thus, some services are and can be offered for free in India.



There is a need for more scrutiny of the advantages and inconveniences of the two models. However, providing such services for free—just like traditional aid—or for a negligible membership fee, for instance, would ensure more inclusivity by providing access to these resources to marginalised actors of change, which typically struggle to finance their activities. These services should be financed by diverse sources of funding to ensure sustainability.

There are limited academic studies about this fairly recent framework, and systems, rules, and terminology vary across cases. Nonetheless, the overarching idea—i.e., a local non-profit platform that supports local non-profit organisations developing and scaling up, through funding, providing access to potential donors, peers, and expert coaching or training—can be found across regions. It is associated with the non-profit and social entrepreneurship sectors.<sup>20</sup>

More research could enable mapping existing initiatives based on this model and getting a better understanding of administrative and financial structures that have met with success. Because of its scope, the non-profit incubator would ideally be a civilian-led initiative, to enable the structure to be well-integrated into the civil society networks it leverages to achieve its objectives, similarly to NGOs. It would utilise partnerships with academic institutions, the government, and the philanthropic and private sectors to channel technical capacities and financing opportunities, thus integrating different development stakeholders and ensuring sustainability.

For instance, in 2015, businessman Atul Satija founded The/Nudge Institute in India, an incubator that provides grants and mentoring, and facilitates peer networking for non-profit actors working to alleviate poverty in the country. Based on the level of maturity of the initiative, grantee candidates can apply to the incubator or accelerator programmes—incubation targets nascent initiatives, while acceleration is for existing organisations. The/Nudge Institute is funded by a variety of donors from the private, public and philanthropy sectors, and relies on a network of actors of change to provide mentoring to grantees, leveraging private-nonprofit partnerships to ensure the sustainability of the initiatives it supports. 22



# How it could make a difference

The concept of local non-profit incubation differs from classic international assistance as it removes from the equation foreign funding intermediaries such as international NGOs, thus directly supporting local actors of change, based on local expertise, knowledge, and tools. Such concept enables bottom-up approaches, designed, owned, and led by local actors, based on their priorities, integrated within communities, and in line with government strategies. For instance, The/Nudge Institute leverages the Indian government's policy to support social entrepreneurship in the country, and is supported by AIM.

By channelling funding through a centralised platform that is formally recognised by the state and that relies on well-established administrative, financial, and legal protocols, that system also offers guarantees to donors.

First, incubation may contribute to efforts to address the lack of sustainability of programmes funded by international donors. Whether they are implemented by international or local NGOs, the unsustainability of programmes—for instance, due to top-down approaches, a lack of integration within communities, or limited funding after a grant has concluded—and donor dependency is a crucial issue in the international assistance sector.<sup>23</sup> One way that the incubator can overcome this challenge is by diversifying its funding—seeking support from the public, private, and philanthropy sectors—thus reducing their dependency on traditional international assistance donors. Moreover, the incubator, just like the actors of change it supports, can seek auto-financing solutions to become, if only partly, self-sufficient. In Senegal, the Collectif des Volontaires du Sénégal has been auto-financed by its members for three years, without public, private, or international funding. The informal associations the hub supports also primarily rely on auto financing—for instance, one of them implements income-generating activities—as they are ineligible for most forms of traditional financing. However, although the social hub has demonstrated its resilience over the past years, it is actively seeking to diversify its funding to ensure the durability of the initiative, and to be able to provide grants to the member associations.

Second, it addresses the common criticism of donors and international NGOs that local actors lack the capacity to manage international funding and meet donors' requirements. As Ndiaye explained in an interview with this author, while smaller organisations may indeed face such a challenge, bigger ones



have spent time learning international donors' processes and seeking legal and administrative counselling to scale their processes. Ndiaye underlined how the same NGOs often benefit from international funding, as they become experts in donors' procurement and other administrative systems.

Third, and relatedly, by gathering in one platform local organisations in need of support, the incubator alleviates administrative burdens for both donors and local initiatives. Donors primarily interact with only one partner—thus addressing donors' limited capacity to provide large amounts of smaller grants—while organisations operate with one local platform whose language, processes, and tools, are informed by and integrated into the local context. For instance, to allocate grants, the social hub Collectif des Volontaires du Sénégal created operating standards and levels of funding based on donors' requirements and local actors' specifications. This system notably encourages smaller initiatives to professionalise and develop their capacities to become eligible for bigger grants, thus supporting their formalisation and sustainability and increasing their impact.

At the same time, it is also critical that international donors reform their oftenheavy bureaucratic models and increase their technical, financial, and human resources capacities to be able to efficiently handle bottom-up approaches. However, in light of donors' recalcitrance to reforming their administrative system, it is imperative to remain pragmatic and explore creative solutions that will promote more rapid change—until these root issues are addressed. Illustratively, the United States' embassies, which are the primary link between the United States—the world's largest international aid donor—and the recipients of aid, face chronic short-staffing across the African continent, which is the primary regional recipient of US aid.<sup>24</sup>

Fourth, as mentioned earlier, the incubation model can leverage privatenonprofit and other cross-sectoral partnerships, thus elevating local and regional expertise and the sharing of lessons by relying on experts based incountry or in-region. Such partnerships feed virtuous circles that also support the economic sector, thus contributing to several facets of development and crisis resolution.

Lastly, the incubation model can also support marginalised structures—such as informally organised civil society organisations, associations, or groupings working towards social change—thus integrating the informal economic sector,



which has historically been left out in the traditional modes of international assistance. By supporting informal actors of change, the incubator can also contribute to their integration in the formal sector, while deconstructing traditional Western definitions of who comprise actors of change. Ndiaye stresses how important the informal civil society is to communities—particularly in remote or rural areas, where international assistance often does not operate—and yet, struggles to receive funding. At the same time, he underlines how international donors' requirements such as complex procedure manuals often make little sense for such organisations, which often only require small funding geared towards practical activities.

Incubation may contribute to efforts to address the lack of sustainability of programmes funded by international donors.



he model discussed in this article is not without challenges, and there is a need for more studies on existing models across the Global South working for social change—from development to peacebuilding, to the humanitarian sectors—to analyse their structures, objectives, impact, and resilience. Similarly, as business/for-profit incubators are more common, there are likely good practices and lessons learned that can be leveraged for the non-profit sector.

Among the biggest challenges foreseen with this model is the reluctance of traditional international aid donors and NGOs to move away from the system they have known for 60 years, which would require them to give up part of their power and control in favour of local actors' and communities' agency and priorities. This would require raising more awareness about this concept and existing similar initiatives in the Global South, and intensifying efforts to deconstruct sweeping assumptions about the lack of capacities of local actors, which is too often applied indiscriminately to civil society, across regions and countries.

Currently, international NGOs that are considering exiting Global South countries in order to leave space for local actors of change often focus on strengthening the capacity of the latter and thus being an intermediary for international funding. However, years of cooperation with local, regional, and international donors, auto financing, and practical work within communities, have given many organisations across sectors the tools to be that intermediary platform, instead of international NGOs.

The incubation model is only one small contribution to the radical transformation of international assistance. We must explore how to move away from dependency practices and aid as a model that is stained by colonial-inherited assumptions and attitudes favouring international Western institutions and knowledge systems. There also needs to be more scrutiny about the role of private development companies, which are often left out of conversations about reforming international aid. Finally, while this essay focused on the role of the informal non-profit sector, there is also a need for more discussions on how even local formal organisations like NGOs can be counterproductive forces in the efforts for positive change. For instance, local organisations receiving international funding may be more accountable to foreign actors, while CSOs' actions may also reduce the state's incentive to be accountable to its populations, as CSOs take on its role.



Nonetheless, it is unsustainable to continue marginalising local actors—including formal NGOs, informally-organised social enterprises, and champions of change—from decision-making and the implementation of solutions to address crises, support peace, and spur sustainable development. Local innovative solutions exist, and with adequate attention and support, they will thrive and be more effective. ©RF

This brief first appeared, under a different title, in The Call of This Century: Create and Cooperate, the 2024 edition of ORF's annual journal, Raisina Files.

**Aude Darnal** is a Research Analyst and Project Manager at the Stimson Center.



- Admiral Ncube, "Localization of Humanitarian Action: From Grand Bargain to Grand Betrayal," *The Global*, September 9, 2020, https://theglobal.blog/2020/09/09/localization-of-humanitarian-action-from-grand-bargain-to-grand-betrayal/
- 2 Interview with Seydina Ndiaye, Co-Founder of Collectif des Volontaires du Sénégal, December 14 and 18, 2023
- Paul Nantulya, "Africa-India Cooperation Sets Benchmark for Partnership," Africa Center for Strategic Studies, https://africacenter.org/spotlight/africa-india-cooperation-benchmark-partnership/
- 4 Malancha Chakrabarty, "Gauging the Impact of India's Development Partnerships Abroad," Observer Research Foundation, October 12, 2023, https://www.orfonline.org/research/gauging-the-impact-of-indias-development-partnerships-abroad
- Amruta Byatnal, "Deep Dive: Decolonizing Aid From Rhetoric to Action," Devex, August 24, 2021, https://www.devex.com/news/deep-dive-decolonizing-aid-from-rhetoric-to-action-100646
- Peace Direct, Localisation and Decolonisation: The Difference That Makes the Difference, London, Peace Direct, 2022, https://www.peacedirect.org/wp-content/uploads/2023/09/ PD-Localisation-and-Decolonisation-Report-v3.pdf; Ncube, "Localization of Humanitarian Action"
- Oheneba A. Boateng, "Building Africa's Homegrown Humanitarian Systems: Restoration as an Alternative to Localization," *Frontiers in Political Science* 3 (2021), https://www.frontiersin.org/articles/10.3389/fpos.2021.711090/full; Inter-Agency Standing Committee, "About the Grand Bargain," https://interagencystandingcommittee.org/node/40190
- 8 United States Agency for International Development, "Localization," https://www.usaid. gov/localization
- Development Initiatives, *Global Humanitarian Assistance Report 2023*, Bristol UK, Development Initiatives, 2023, https://devinit.org/resources/global-humanitarian-assistance-report-2023/a-better-humanitarian-system-locally-led-action/; Sophie Edwards, "Dispute Over 'Grand Bargain' Localization Commitments Boils Over," Devex, July 3, 2017, https://www.devex.com/news/dispute-over-grand-bargain-localization-commitments-boils-over-90603
- 10 Dhananjayan Sriskandarajah, "Five Reasons Donors Give for Not Funding Local NGOs Directly," *The Guardian*, November 9, 2015, https://www.theguardian.com/global-development-professionals-network/2015/nov/09/five-reasons-donors-give-for-not-funding-local-ngos-directly
- Michele Sumilas, "USAID Localization: Challenges, Opportunities, and Next Steps to Further Development Initiatives on the Local Level," USAID, March 9, 2023, https://www.usaid.gov/news-information/congressional-testimony/mar-09-2023-usaid-localization-challenges-opportunities-and-next-steps-further-development-initiatives-local-level



- Sabina Robillard, Kimberly Howe, and Katja Rosenstock, *Localization Across Contexts:*Lessons Learned from Four Case Studies, Boston, Feinstein International Center, 2020, https://resourcecentre.savethechildren.net/pdf/brief-localizationacrosscontexts2020-7 0.pdf/
- Simon Parish, Marc J. Cohen, and Tigist Mekuria, Follow the Money: Using International Aid Transparency Initiative Data to Trace Development Aid Flows to Their End Use, Oxford, Oxfam International, 2018, https://oxfamilibrary.openrepository.com/bitstream/handle/10546/620416/gt-follow-the-money-traceability-methodology-230218-en. pdf;jsessionid=6661D9B0744C50A9ECF7B012D3986D54?sequence=1; Lisa Cornish, "What's Stopping Localization in the Humanitarian Sector?" Devex, April 30, 2021, https://www.devex.com/news/what-s-stopping-localization-in-the-humanitarian-sector-99794
- 14 Peace Direct, "Localisation and Decolonisation"
- 15 Corinne Deléchat and Leandro Medina, *What is the Informal Economy?* Washington DC, International Monetary Fund, 2020, https://www.imf.org/en/Publications/fandd/issues/2020/12/what-is-the-informal-economy-basics.
- 16 Interview with Seydina Ndiaye
- 17 Collectif des Volontaires du Sénégal, https://codevsn.org/
- infoDev, Business Incubation Definitions and Principles: Trainee Manual, Washington DC, World Bank Group, https://documents1.worldbank.org/curated/pt/717091562157862660/pdf/BIM-Module-1-Business-Incubation-Definitions-and-Principles.pdf; Nonprofit Organization for Philanthropic Initiatives, "What is Incubation?" https://www.thenopi.org/incubation
- Susmita Ghosh and Ashwin Joshi, Handbook for Non-Profit Incubator Managers, New Delhi, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, https://aim.gov.in/ images/NPI\_Handbook.pdf
- China Development Brief, "Non-Profit Incubator (NPI)," China Development Brief, https://chinadevelopmentbrief.org/ngos/non-profit-incubator-npi-2/; Jesus N. Valero, Marina Saitgalina, and Rachel A. Black, "Understanding the Nature of Non-Profit Incubators with Other Sector Incubators in the Founding of Social Change Organisations by Social Entrepreneurs," Journal of Social Entrepreneurship (2021), https://www.tandfonline.com/doi/abs/10.1080/19420676.2021.1977975; Karim Messeghem et al., "Measuring Nonprofit Incubator Performance: Toward an Adapted Balanced Scorecard Approach," Journal of Small Business Management 56, no. 4 (2018), https://www.tandfonline.com/doi/abs/10.1111/jsbm.12317; J. Gregory Dees, "Learning Laboratory: Social Entrepreneurship Offers Innovative Cost-Effective Development Solutions," Finance & Development 49, no. 4 (2012), https://www.imf.org/external/pubs/ft/fandd/2012/12/dees.htm; Organisation for Economic Co-operation and Development, "Social Entrepreneurship & Social Enterprises," https://www.oecd.org/cfe/leed/social-economy/social-entrepreneurship.htm
- 21 The/Nudge Institute, https://csi.thenudge.org/



- Sonal Khetarpal, "How Nudge Foundation is Enabling Not-Profits to Thrive," *Business Today*, January 7, 2021, https://www.businesstoday.in/latest/economy-politics/story/how-nudge-foundation-is-enabling-not-profits-to-thrive-283624-2021-01-06
- Mark Makomborero Matsa et al., "Sustainability of Donor-Funded Projects in Developing Remote Minority Tonga Communities of Zimbabwe," *Discover Sustainability* 4, no. 34 (2023), https://link.springer.com/article/10.1007/s43621-023-00152-8
- Foreign Assistance.gov, "US Foreign Assistance Trends," https://foreignassistance.gov/; Robbie Mackinnon and Amy Gramer, "U.S. Embassies in Africa are Chronically Short-Staffed," Foreign Policy, January 22, 2024, https://foreignpolicy.com/2022/07/22/africa-embassies-short-staffed-us-sahel-china-russia/

