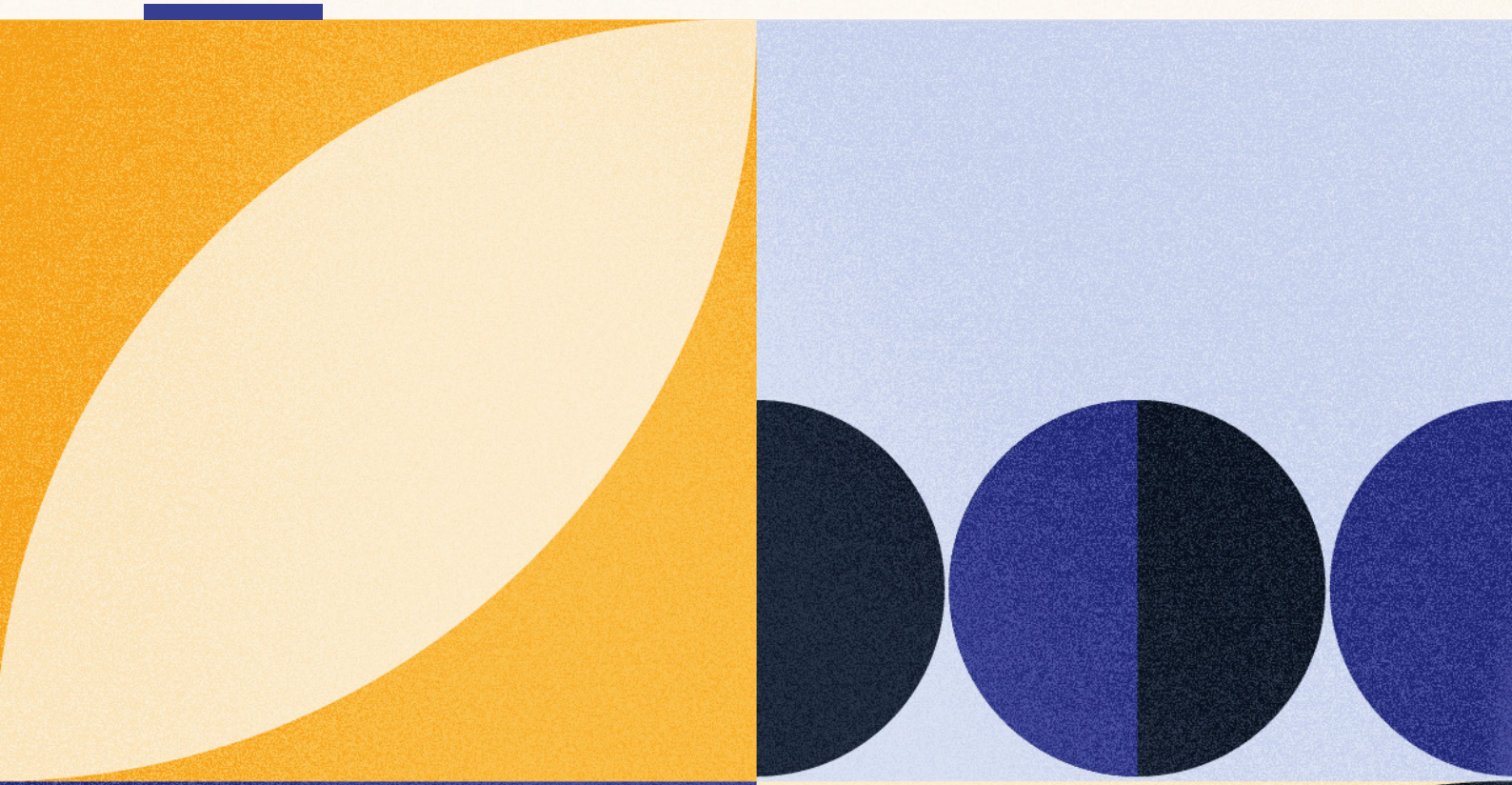
Beyond Aid

Building Sustainable Pathways for Locally Led Civil Society



International
Civil Society Centre

ICSC White Paper | Alternative Financing and Localisation

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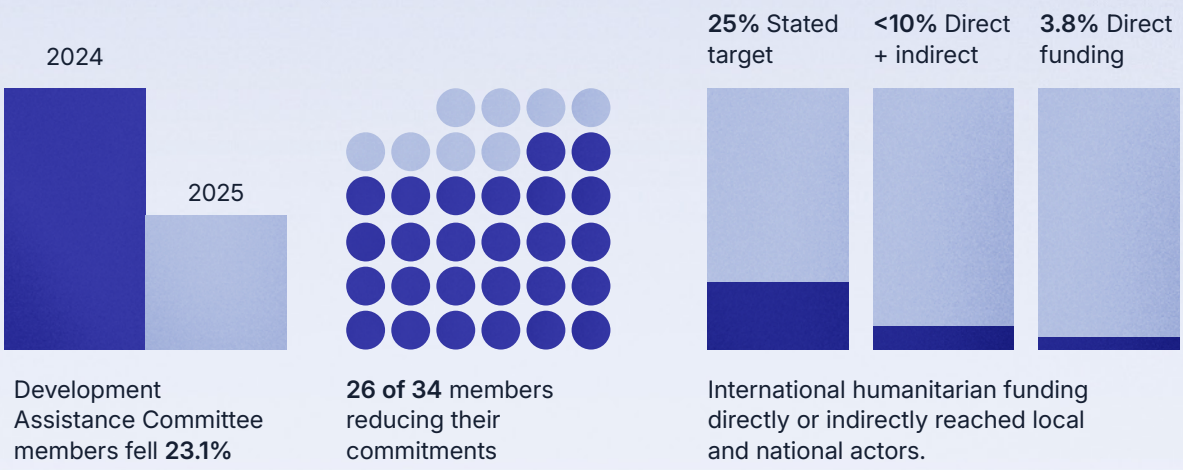
Executive Summary

The international civil society sector confronts an unprecedented structural crisis. In 2025, total official development assistance from Development Assistance Committee members fell 23.1%, with 26 of 34 members reducing their commitments. In 2024, less than 10% of international humanitarian funding directly or indirectly reached local and national actors, despite the stated target of channelling 25% of humanitarian funding to these groups. Direct funding to local and national actors also remained low at 3.8%. This global funding decrease is not a cyclical downturn but a fundamental challenge to the operating model that has sustained civil society action for decades.



Sources: OECD (2026) and Pearson & Rieger (2026)

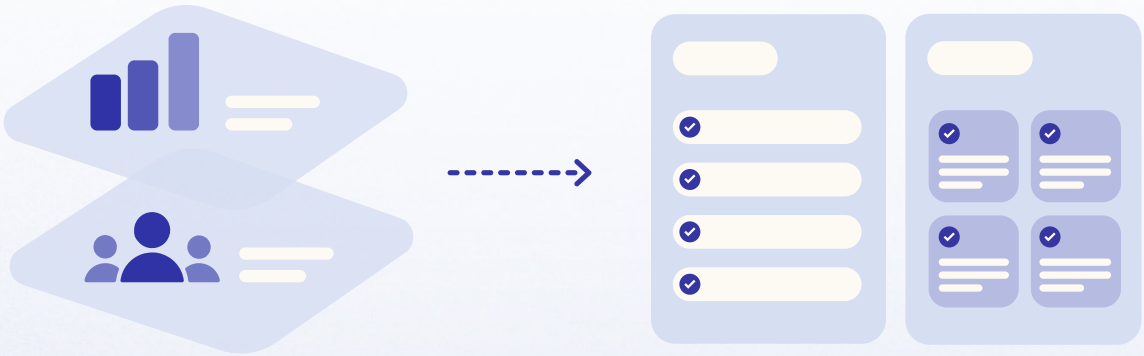
This white paper examines how civil society organisations can use alternative resourcing to respond to this structural crisis by pursuing reform within the existing aid architecture and transformation beyond it.

We recognise that financing cannot be separated from broader questions of power, governance, risk sharing and organisational transformation. While this analysis primarily focuses on alternative resourcing, we address these broader questions when they directly influence the sustainability and accessibility of the models under discussion.

Drawing on a desk review of more than 50 sources, seven key informant interviews (KII) with practitioners and researchers and primary analysis of funding data, the paper uses a two-dimensional analytical framework that maps alternative financing models along two axes: 1) reform versus transformation / expansion; and 2) actor group, identifying three groups driving change: funders, intermediaries and local and national actors.

The paper distinguishes between localisation — defined as reforming the international system to shift resources and decision making towards local actors — and locally led action, which supports civil society outside the traditional aid architecture.

> **This paper offers added value by connecting system-level analysis with recommendations for operational decision making, providing civil society organisations (CSOs) with a framework to navigate alternative, locally driven resourcing options based on their mandate, position and capacity.**



The paper documents multiple transformation pathways for international civil society organisations (ICSOs) to lead reform, including full dissolution with asset transfer, conversion to a secretariat among equal network members and co-leadership models. It also reflects on the UN Country-Based Pooled Fund (CBPF)[1], arguing that this funding mechanism could reorganise how money moves but not necessarily who makes decisions. Similarly, it finds that other funding initiatives (e.g., Start Fund, NEAR network's Change Fund and BRAC Pooled Fund) attempt to 'rebalance' power dynamics by centring affected communities in decision-making and strengthening local leadership in humanitarian financing (NEAR, 2025; ICSC, 2025a). Beyond these approaches, an analysis of 167 local intermediaries across the Global South finds that 89% are home-grown rather than spun off from international organisations and that local intermediar.

1. UN OCHA Country-Based Pooled Funds are multi-donor humanitarian financing instruments established by the UN Emergency Relief Coordinator and managed by OCHA. See more details at: https://www.unocha.org/country-based-pooled-funds.

The paper identifies five factors that may limit the adoption of alternative resourcing models:

1. Risk of replicating power imbalances, even in reformed structures.
2. Scalability constraints in community-led models
3. Fiduciary and compliance burdens that systematically disadvantage local actors
4. Legal and regulatory barriers to hybrid organisational forms
5. Persistent lack of transparency

The conclusions of this paper challenge the existing 'reform versus transformation' dichotomy. Rather, the evidence suggests that genuine and sustainable change happens in a continuum where top-down policy reform meets bottom-up innovation.

As a starting point, CSOs should clearly define why they intend to embark on localisation efforts, specifically in supporting alternative resourcing models. Intentionality and transparency are extremely important because the why will inform the definition of objectives, strategies and decisions about which funding models to adopt.

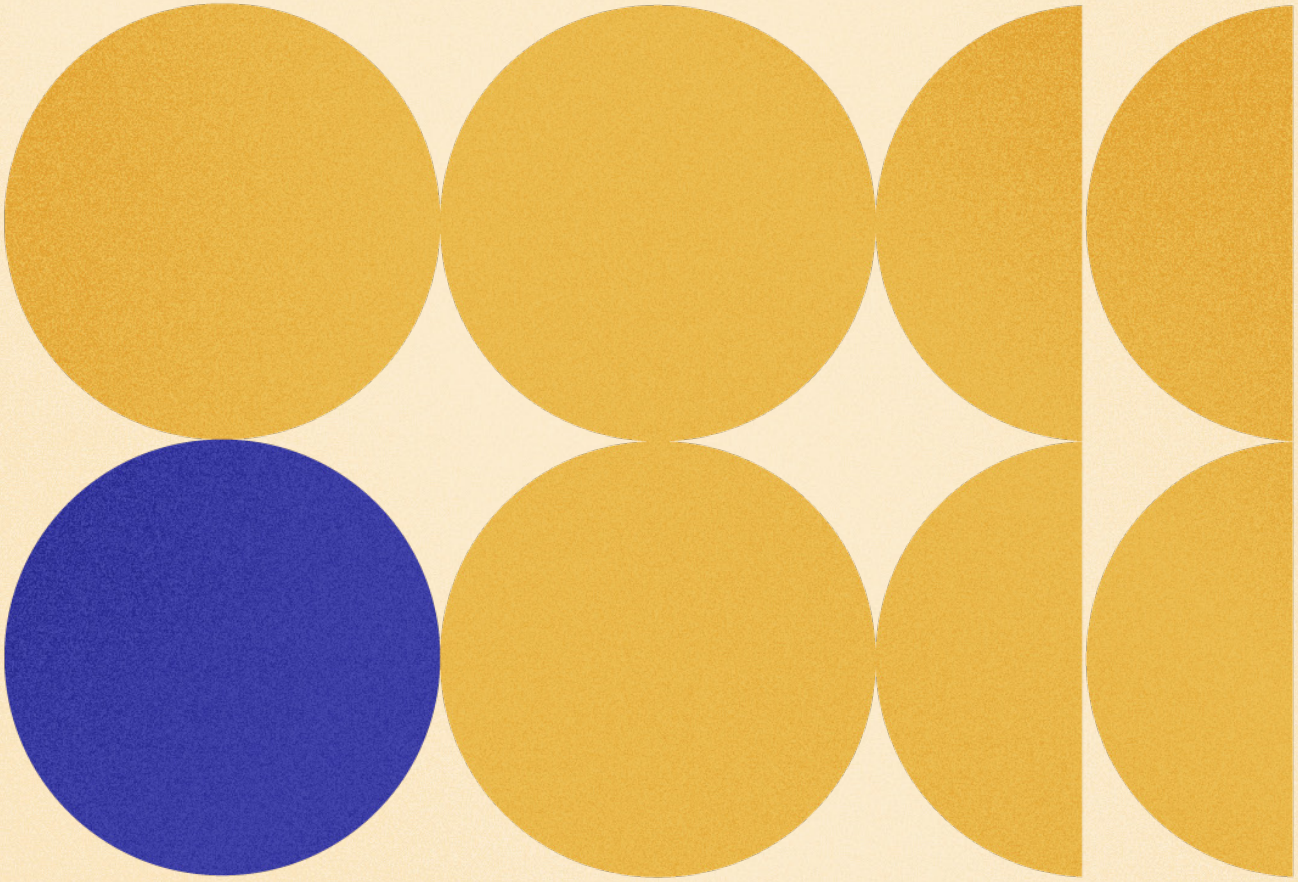
> **Based on the findings, we recommend a portfolio approach to humanitarian funding that is context-driven, actor-specific and goal-sensitive.**

For example, an organisation may combine grant funding with diaspora fundraising and a small-scale social enterprise to reduce dependency on any single funding source. Local actors should diversify across multiple models and systems rather than seek a single solution, and they should actively explore opportunities for innovation in bridging institutional funding with transformative models. Above all, the sector must move from rhetoric to experimentation and from documenting what should change to documenting what is actually changing and learning from it.

Finally, while this paper provides a set of recommendations for the international civil society sector, we also acknowledge its limitations. The analysis examines a wide scope of alternative resourcing models and applies them to diverse categories of organisations, each operating in a different space along the reform-transformation continuum and each with a distinct understanding of what localisation means for its own mandate and constituency. This study is an attempt to identify priority workstreams for ICSC and the wider sector within the broader localisation and alternative resourcing landscape.

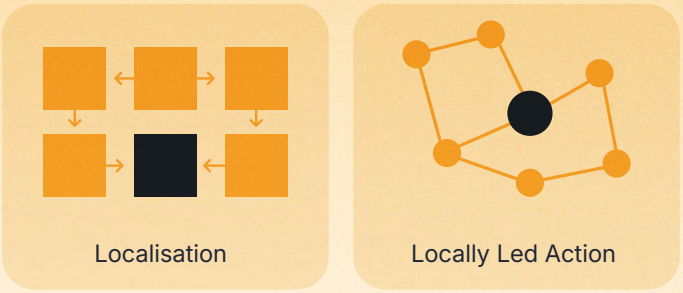
Section 1

Defining the Terrain



1.1 Localisation, Locally Led Action and Alternative Financing

This paper distinguishes between two concepts: localisation and locally led action.



Localisation refers to the process of reforming the international humanitarian and development system from within by shifting resources, decision-making power and operational leadership towards local and national actors while maintaining engagement with the existing aid architecture. In contrast, locally led action refers to initiatives that build and resource civil society action outside the traditional aid architecture, drawing on domestic resource mobilisation, community philanthropy, social enterprise and other mechanisms that operate independently of official development assistance flows (ALNAP, 2025).

Dissanayake (2024) identifies three dimensions of localisation that can be in tension with one another: localisation of resources (transferring control of funding from intermediaries to local actors), localisation of agency (transferring decision-making power from intermediaries to local actors) and localisation of ways of being (adopting local practices and knowledge).

Key informants in this analysis challenged the conceptual framing of localisation. One advisor argued that the term is problematic because it implies a top-down concession from the international to the local rather than solidarity with processes that are inherently local (KII-1). An independent consultant reframed the core question entirely, suggesting that the white paper should centre autonomous resourcing rather than repeat the call for donors to give more flexible grants. This informant argued that CSOs should be treated as agents capable of generating their own resources, with funding treated as capital rather than aid (KII-4).

In this analysis, alternative financing is broadly defined as any financing model that departs from the traditional, project-tied, short-term official development assistance channelled through international intermediaries. This definition includes reforms to the existing architecture (such as flexible funding, pooled mechanisms and overhead cost reform) and transformative approaches (such as community philanthropy, social enterprise, cooperative models and diaspora-led giving).

1.2 Three Competing Narratives

The analysis identified three competing narratives regarding the current crisis that each lead to different recommendations.



The first narrative describes an aid funding crisis driven by political pressure on official development assistance budgets, USAID disruption, and declining donor commitments.



The second describes a decolonisation and power shift imperative in which the current system is fundamentally inequitable and rooted in colonial-era power structures (IKEA Foundation, 2025).



The third frames the crisis through the lens of sustainability and leaving no one behind, emphasising the need for CSOs to build diversified, resilient revenue bases.

Key informants enriched these narratives with practitioner insight. A senior ICSO specialist cautioned against reducing localisation to a funding conversation, warning that the true goal should be a strong, resilient and diverse civil society (KII-2). A funding ecosystem researcher argued that the reform versus transformation debate is a false binary and that incremental steps should be valued rather than dismissed because they fall short of a full paradigm shift (KII-5). This paper adopts the Working Group position that all three narratives contain important truths, and an effective response must simultaneously address the funding crisis, power imbalance and sustainability challenge.

1.3 The Analytical Framework

The paper uses a two-dimensional analytical framework that organises alternative financing models along two axes:



Reform versus transformation / expansion (horizontal axis)



Actor group (vertical axis), identifying three groups driving change:

- funders
- intermediaries
- local and national actors

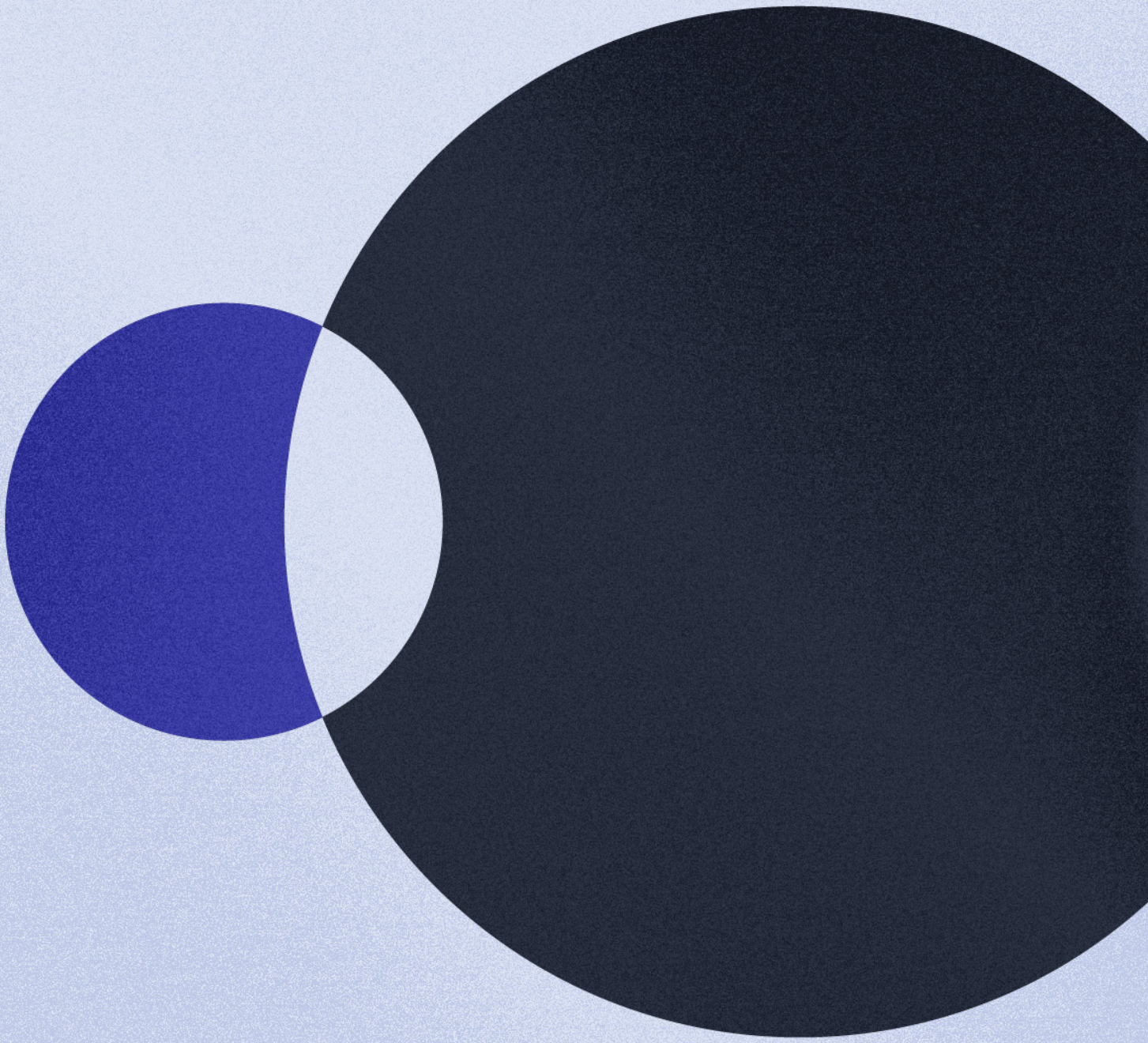
The key informant interviews offered the critical insight that funding shifts and power shifts must be separated and independently measured. Direct local funding can occur with no power shift, such as in a tightly specified contract with a local implementer, whereas an international intermediary can shift substantial decision-making power to local actors even when funds do not flow directly to these actors. The easily measured funding metric tends to overshadow the more challenging question of power shifts (KII-5).

Table 1. Analytical matrix with key informant interview (KII) insights

Actor Group	Reform (Within System)	Transform / Expand (Beyond System)	KII Insight
Funders 	Pooled funds; flexible funding; harmonised due diligence; indirect cost recovery reform; donor transparency mandates	Trust-based philanthropy (MacKenzie Scott; see Section 3.4); diaspora platforms; locally governed grants; blended finance; Islamic finance	KII-5: Separate funding shift from power shift; direct funding can be disempowering if tightly specified
Intermediaries 	Network/federation models; overhead transparency; capacity sharing (Solis et al., 2023); due diligence passporting; separation of functions	Full dissolution and asset transfer; locally governed pooled funds; social enterprise incubation; feminist fund models	KII-3: Intermediaries must change themselves first; KII-1: ICSOs have built their existence around a system with their interests at the centre
Local/National Actors 	Financial management strengthening; consortium advocacy; government contract diversification; fee-for-service models	Village savings and loan associations and self-help groups; social enterprise; diaspora/faith-based giving; community philanthropy; mutual aid cooperatives	KII-4: Treat funding as capital **and** CSOs as agents; start with 20% alternative revenue, grow to 80%

Section 2

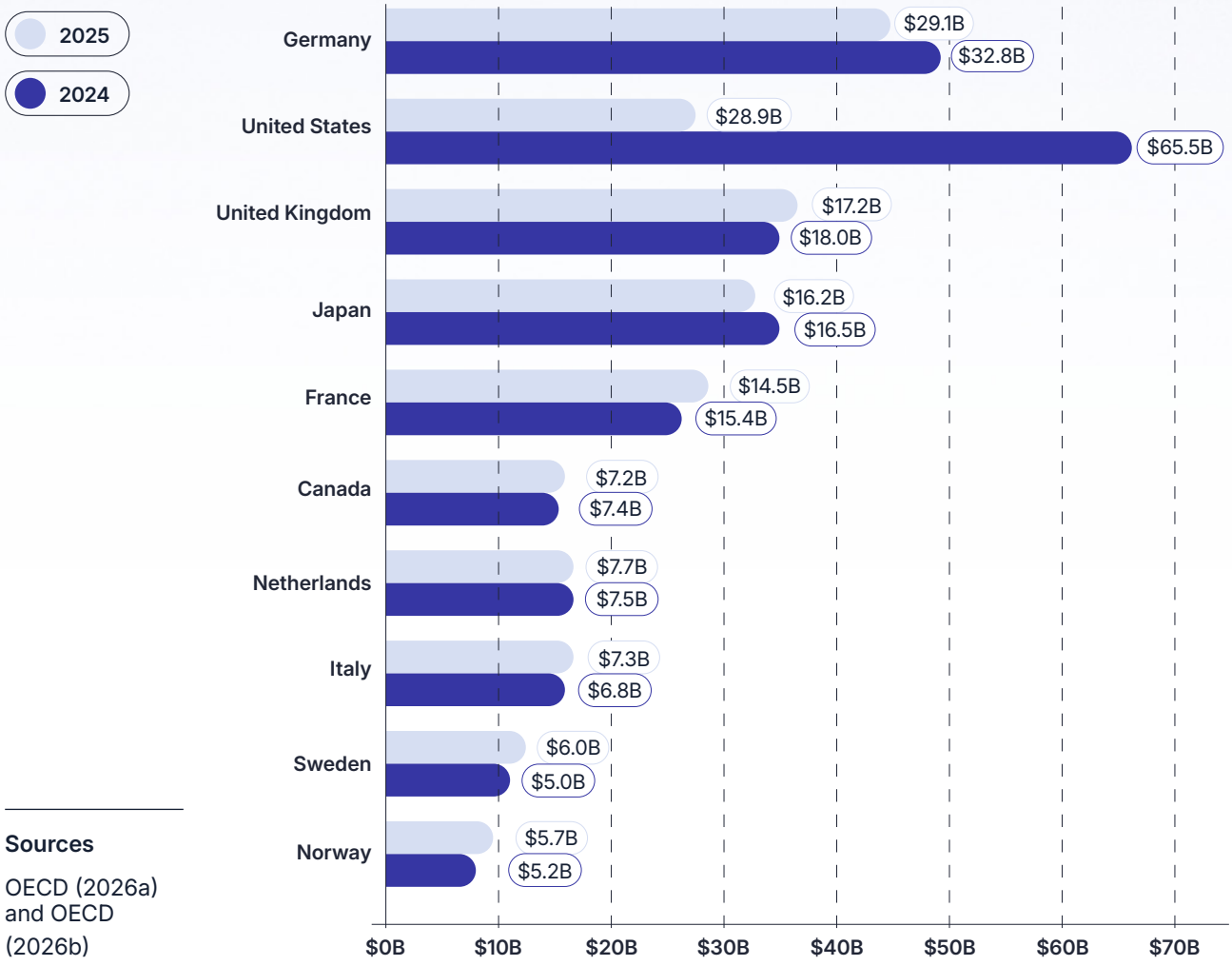
The Crisis in Context



2.1 The Political Economy of CSO Financing

The Organisation for Economic Co-operation and Development (OECD)'s official development assistance projections for 2026 reveal an aid architecture in crisis. Total assistance from Development Assistance Committee members is projected to fall for a third straight year by 6.9% in 2026, amounting to USD 152 billion, its lowest level since 2014. Previously, this metric dropped by 8.5% in 2024 and 23.1% in 2025, representing the largest annual contraction ever recorded. The United States alone drove three-quarters of the decline, with a 56.9% reduction in 2025; however, the crisis extends globally. A total of 26 of 34 Development Assistance Committee members reduced their official development assistance in 2025, with the five largest providers — France, Germany, Japan, the UK and the US — accounting for 95.7% of the total decrease. As one consultant put it, the grant system that the sector invented in the 1990s is reaching its end (KII-4). Another informant described the crisis in organisational terms, explaining that a funding influx from Ukraine and Türkiye created a bubble that inflated some local NGOs into bodies rivalling major ICSOs. When funds shifted elsewhere, the bubble burst (KII-3).

Figure 1. Top 10 Development Assistance Committee donors: 2025 vs. 2024

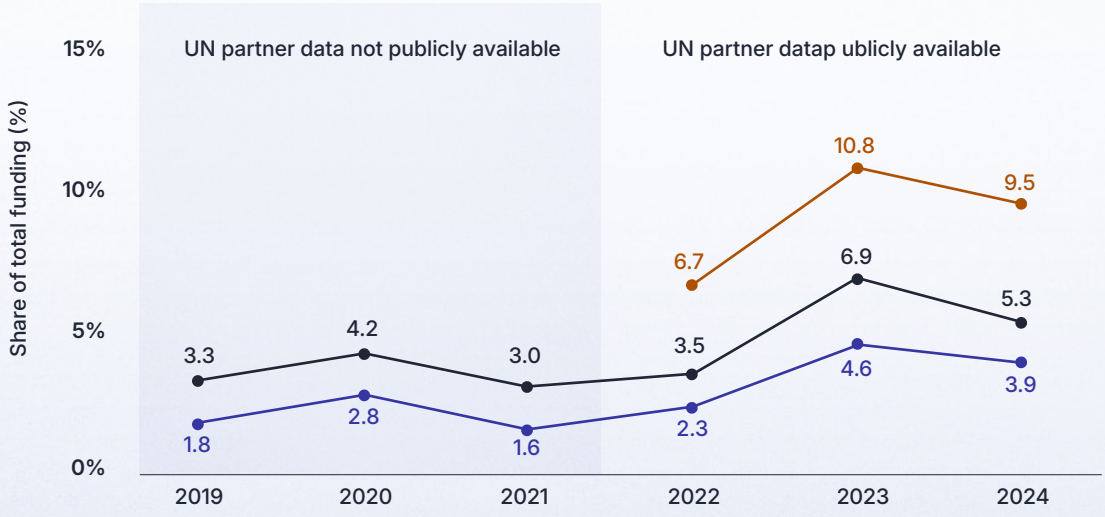


Sources

OECD (2026a) and OECD (2026b)

Within this context, the international civil society sector confronts an unprecedented structural crisis. This funding decrease is not merely a cyclical contraction in official development assistance budgets but a fundamental challenge to the operating model that has sustained civil society action for decades. The Grand Bargain, a landmark agreement between major donors and humanitarian organisations, established a target of channelling 25% of humanitarian funding 'as directly as possible to local and national responders'. However, the most comprehensive funding analysis to date finds that only 9.5% of humanitarian funding reached local and national actors in 2024, a 17% drop from the previous year. Direct funding stood at just 3.8% ($1.4 billion) in 2024, and no crisis context with a Humanitarian Response Plan achieved the 25% target between 2022–2024 (Pearson & Rieger, 2026).

Figure 2. Proportion of total humanitarian funding directly and indirectly reaching local and national actors, 2019–2024



Sources

Pearson & Rieger, 2026

The ICSC Leave No One Behind Partnership assessment (ICSC, 2025b) found that partnering national CSOs face losses of up to 30% of their budgets, and some are at risk of insolvency. The NEAR Network's Change Fund responded to these losses by launching a Bridge Funding window in 2025, providing emergency grants of $25,000 to affected organisations (NEAR, 2025). Such measures underscore the fragility of a system in which local organisations remain fundamentally dependent on international funding flows.

In FY2024, USAID provided $2.1 billion in direct funding to local partners (12.1% of acquisitions and assistance), an 80% increase since FY2021 (USAID, 2024). However, this progress remained far below the 25% target, and the subsequent dismantling of USAID demonstrates the political vulnerability of localisation gains. In the broader development cooperation context, direct funding to local organisations doubled in volume from $1.1 billion in 2011 to $2.1 billion in 2022; however, this doubling represented only a 0.2 percentage point increase in the proportion of official development assistance going to local partners. More than 90% of civil society support continues to flow to provider-country organisations (OECD, 2024).

A quantitative analysis of funding flows (Kuloba Warria et al., 2022) dissects the actual distribution of resources. Of $187 billion in official development assistance in 2018, less than 1% directly reached local actors. UN organisations spent an average of 67% of budgets on salaries, with international staff (44% of total headcount) earning 69% of the salary total. International staff typically earn six times the salary of their local counterparts, with fringe benefits (e.g., relocation allowance, hardship allowance, danger pay) costing 40–50% on top of their base salary. Combined UN and ICSO overheads total $9.4 billion annually.[2]

The core finding of Kuloba Warria's analysis is that local intermediaries could deliver programming with 32% more cost efficiency by eliminating international overhead and salary structures, yielding annual savings of $4.3 billion on the $54 billion analysed. An eight-year Transition Fund model demonstrates that gradually shifting 25% of official development assistance to local intermediaries, with 20% allocated to capacity building, would yield a net positive gain of $6.1 billion, breaking even in Year 2 (Kuloba Warria et al., 2022).

Key informant interviews reinforced the cost analysis. Across four CBPF studies in Ukraine, Myanmar, Sudan and Nigeria, UN partners cost roughly 1.8 to 2.8 times more than local NGOs for comparable awards and staff calibre (KII-5). One informant noted that ICSO overheads can exceed 50% even when a local partner is the prime implementer, and strategic allyship and fiscal hosting approaches charge a maximum of approximately 7% (KII-4).

2. Original data from, Palagashvili, Liya and Claudia R. Williamson (2021). "Grading foreign aid agencies: Best practices across traditional and emerging donors."

2.2 The Structural Roots of Stalled Reform

However, there is strong dissent among practitioners about whether the funding reduction should justify further localisation efforts. Practitioners argue that the recent funding disruptions are just one consequence of an aid architecture that has failed to address its shortcomings and limitations for decades. If funding is kept at the centre of the conversation, rather than equality, justice and self-determination, practitioners argue that solutions will be ill-conceived and fall short of expectations.

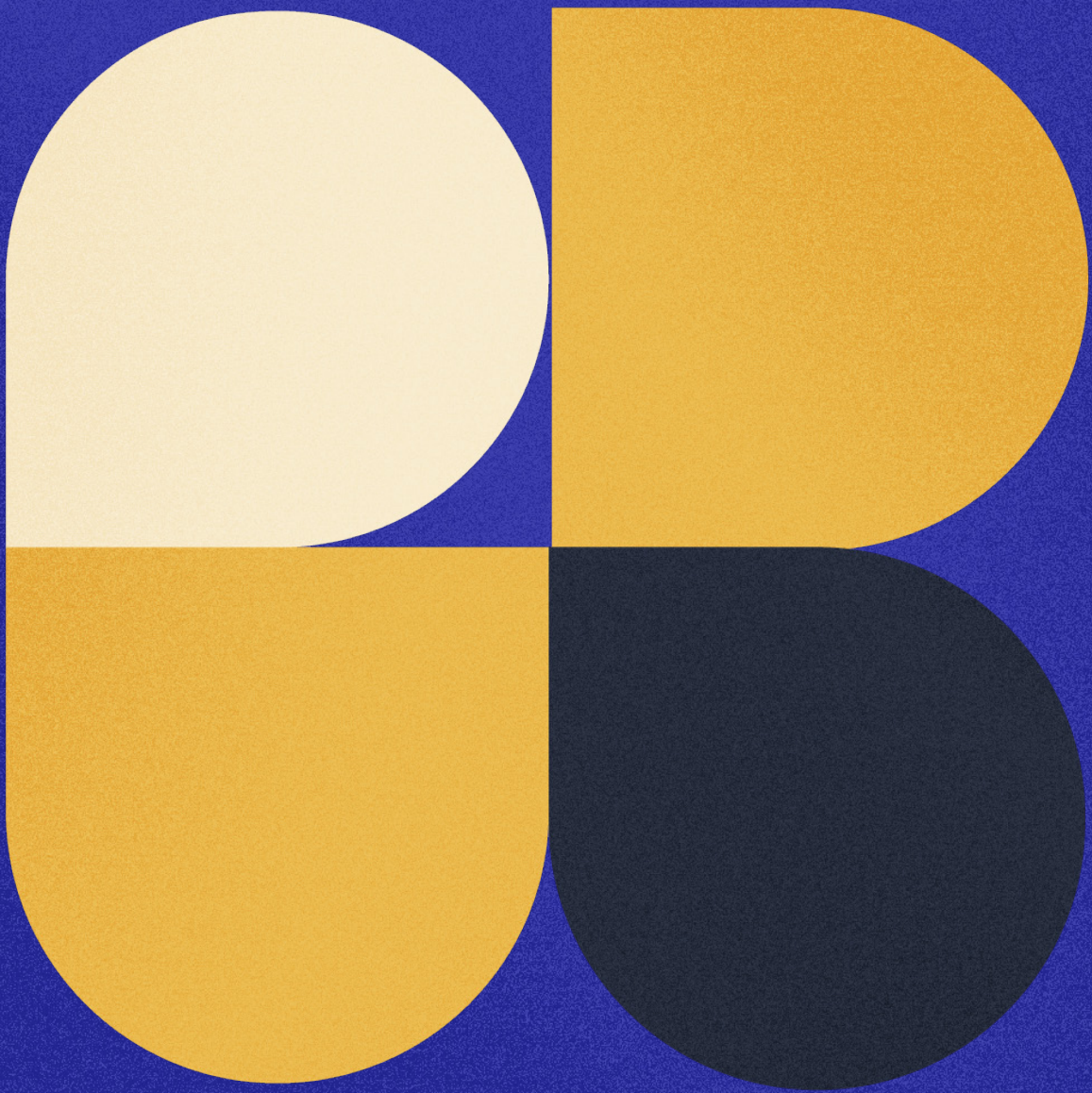
Twenty-five years of localisation commitments have not delivered transformative change. According to the Centre for Humanitarian Action (CHA)/Caritas Europa analysis, 62% of survey respondents identified structural racism within international agencies as a major barrier to change.[3] One informant observed that persistent white supremacy and racism operate across all functions, not just programmes, and a lack of organisational consensus often leaves localisation siloed in one thematic unit (KII-3).

A Humanitarian Advisory Group analysis, consulting more than 100 stakeholders across 36 countries, found that the greatest change potential lies in creating the structural conditions that enable localisation rather than relying on individual organisational motivation (HAG, 2021). The Dutch Relief Alliance's minimum requirement of 25% direct funding to local actors provides an example of how donor policy can support such structural conditions.

3. "Unfulfilled Promises Addressing the gap between commitments and practice in locally led humanitarian action", 2023. Locally led humanitarian action - www.caritas.eu

Section 3

Intermediary-Led Reform and Transformation



Several key informants mentioned the role of intermediaries in aid sector reform, often describing a need to transform relations between international intermediaries (e.g., UN agencies, ICSOs) and local actors. One advisor argued that ICSOs, as first recipients of aid flow, have built a self-centred business model around the idea that they are essential, which fundamentally contradicts the change they are asked to lead (KII-1). A localisation expert at an international organisation insisted that intermediaries must first change themselves before asking CSOs or donors to change. This expert asserted that many ICSOs are structurally too large to localise without undermining their self-interest (KII-3). A funding researcher took a more pragmatic view, arguing that intermediaries remain necessary because many donors lack capacity for small direct awards, and the priority should be to use donor leverage to reshape intermediary behaviour (KII-5).

Beyond these calls to reform relations between international intermediaries and their local partners, new transformative models involving local intermediaries have emerged, giving new perspectives on including local voices into aid mechanisms. The Share Trust Local Intermediary Landscaping Study (2025) identified 167 local intermediaries across four Global South regions, including 126 local, 23 regional and 18 locally led international entities. The vast majority (89%) are home-grown, created by Global Majority actors rather than international organisations. Two streams of reflection dominate the discussions on intermediaries: first, the relationship between intermediaries and local actors and the business model at stake; and second, funding streams such as pooled fund mechanisms and philanthropic intermediaries (i.e., how the money flows).



Case Study 1

A National NGO's Perspective: Partnership, Capacity and the Limits of International Partnership in Türkiye

International Blue Crescent (IBC) is a Turkish humanitarian NGO established in 1999 in the aftermath of the Marmara earthquake. During the subsequent refugee crisis in Türkiye, IBC expanded its international partnerships, collaborating with GIZ, World Vision, UNHCR, CRS and IOM. The organisation is currently extending its operations into Syria, Ukraine and Libya.

While international partners provided essential capacity-building support and credibility that enabled IBC to grow over the past decade, this relationship also had significant limitations. International partners imposed rigid project designs with little qualitative input from local partners, applied inconsistent overhead cost policies and concentrated funding within a small circle of pre-selected local NGOs.

There were also marked differences in how individual international partners approached their relationship with IBC. For example, indirect cost recovery rates were distributed unevenly, ranging from 0% to 7%, and capacity-building support was largely top-down in nature. A notable exception was GIZ's mentoring and peer-to-peer initiative (see the CLIP programme in Türkiye), which offered a more collaborative model.

International organisations should not be expected to fund IBC indefinitely, but international partners should invest in network expansion and long-term sustainability before withdrawing. Such initiatives could include introducing local partners to alternative funding mechanisms, advocating for the continuation of successful models and providing a managed transition rather than an abrupt cut-off.

IBC has succeeded in diversifying its funding base through its own initiatives, securing partnerships with Canadian, American and faith-based organisations that offer more flexible and less directive funding than international partners. However, none of its international partners have invested in IBC's long-term financial sustainability by building its capacity to access alternative funding models.

https://www.giz.de/en/downloads/giz2025-en-community-based-local-initiatives-project.pdf

3.1 ICSO Transformation: Multiple Pathways

Across the civil society sector, ICSOs have followed multiple pathways of transformation. Bond/Harnden (2025) documents five UK-based ICSOs at various stages of transformation and finds that no single model fits all contexts. The case studies, briefly described in this section, range from incremental governance reform to full organisational dissolution.

The Mango Tree, a UK-registered ICSO working in education in East and Southern Africa, chose full dissolution after a five-year transition plan. All UK trustees resigned from African boards, and new local trustees were recruited. A GBP 500,000 Legacy Fund was designated for remaining students, and investments were made in physical assets (e.g., vocational training centres, farmland) and locally led social enterprises as sustainable revenue sources.

Avert, an HIV/AIDS information organisation, completed its transition from decision to UK charity liquidation in 15 months. All financial and intellectual assets were inherited by African partners, with a 12-month reserve transferred for breathing space. The key lesson of this case study is to move decisively, not slowly or incrementally, while the organisation is in good financial health (Bond/Harnden, 2025).

Under its 2030 organisational strategy, HelpAge International is dissolving regional, country and sub-national layers, halving its global staff from more than 100 to approximately 50 and reconstituting as a thin secretariat of roughly 200 equal network members. As a senior localisation expert in the organisation described: ‘We have turned ourselves into a secretariat, a global hub to facilitate the whole process; everyone is an equal partner’ (KII-3). Transition support is modest and time-bound, consisting of approximately GBP 35,000 per year for about three years per entity. This support model contrasts with older ICSO localisation models, in which approximately 50% ongoing dependency is common.

Transform Trade relocated UK leadership to regional hubs in Asia and Africa, with an interim CEO leading from Nairobi. The Producer Fund shifts grant-making power to producers themselves.

Finally, Link Education adopted a co-leadership model, creating a global decision-making body with equal voice for all country offices and prioritising South-South learning.

An additional emerging pathway to localisation is ICSOs’ strategic withdrawal from selected funding mechanisms where international participation may unintentionally crowd out local and national actors. Rather than dissolving, ICSOs may choose to relinquish access to specific funding opportunities while continuing to provide technical support, advocacy, accompaniment, or risk-sharing functions. For example, Save the Children has made a strategic decision to progressively withdraw from UN CBPFs (Save the Children, 2025). This approach reflects an understanding that localisation sometimes re-

quires international actors to step back from competition for resources to enable greater direct access for local organisations.

A senior ICSO specialist offered a candid insider perspective on the challenges of transformation, noting that the internal lift needed to shift an organisational culture is often underestimated (KII-2). She noted that the entire sector avoids right-sizing to most efficiently meet organisational goals. Instead, organisations aim to maintain their overall income while producing partnership work that sounds impressive.

> **The examples described in this section indicate intermediaries' commitment to promote and facilitate localisation and transform their operations across funding, governance and strategy. They also highlight the diversity and breadth of organisations' efforts to reform their mandates and positioning in the global civil society ecosystem.**

3.2 Pooled Fund Mechanisms and Governance

Country-based pooled funds are the most established reform-oriented mechanism for global funding, channelling 46% of funding ($506 million) to local and national actors in 2025 (55% when including sub-grantees), up from 18% in 2016 (Pearson & Rieger, 2026). However, localisation practices vary, with some CBPFs localising more than 70% and others less than 5%.

In an analysis of pooled fund architectures, Boujnah (2026) concludes that pooled funds reorganise how money moves but not necessarily who makes decisions. This analysis introduces the key concept of institutional decoupling, a practice of deliberately separating capital aggregation, oversight and allocation into distinct governance bodies. Under this model, donors solely oversee financial integrity, communities solely control allocation and a secretariat solely manages execution. One informant explicitly warned against treating UN humanitarian pooled funds as models for locally led funding, stating that they are politically tied, mandate-bound, and not genuinely locally led (KII-4).

Beyond the reform-oriented CBPF models, other similar initiatives have recently emerged. For example, the Start Fund's procedure is that once a crisis alert is triggered, authority transfers to a pre-designated allocation committee, and neither the board nor donors can intervene.

The NEAR Network's Change Fund, which has disbursed $6.7 million across 65 grants in 24 countries since 2022, comes closest to full decentralisation because it aligns

decision authority with accountability ownership through an elected oversight body of practitioners from the Global South (NEAR, 2025).

The BRAC model acts as a risk sink by absorbing fiduciary and compliance risks so that 113 local organisations can access international funding without individually meeting the full burden of donor compliance (ICSC, 2025a).

In May 2026, the NEAR network identified 64 active locally led pooled funds, most of which are self-governed. Most of these funds operate as independent entities, managing and allocating their own resources without a third-party intermediary (NEAR, 2026).

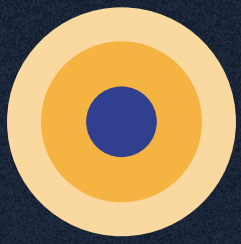
> **While these approaches differ in structure, they offer examples of the sector's efforts to not just shift resources to local entities and communities but also to streamline decision-making processes and make them more inclusive.**

3.3 The Overhead Cost Structural Barrier

Indirect cost recovery (ICR) refers to the portion of funding allocated to cover organisational overhead, such as administration, finance, human resources and infrastructure. ICR policies among funders have proliferated, increasing from 8 in 2022 to 40 in 2025, but remain deeply inequitable in practice. The 7% ICR cap is outdated and has no evidence base, and actual local and national actor overhead needs are estimated at 27–30% of funding. The United Nations High Commissioner for Refugees (UNHCR) caps ICR for local and national actors at 4%, and Germany safeguards only 2% for this purpose. USAID's 10% minimum, one of the few consistent sources of protected overheads, has been effectively withdrawn (ODI/HPG, 2026).

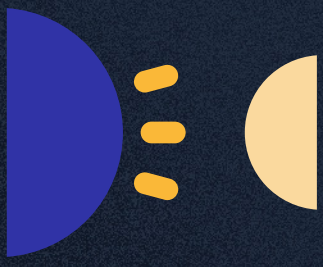
Case Study 2

The HelpAge International transition towards localisation: an example of reorganisation



Defining clear intentions

HelpAge went through a far-reaching organisational transition supported by the long-term vision of its 2030 strategy. By doing so, the organisation acknowledged that redefining its intermediary role requires time and structural adjustments to its own governance and management mechanisms.

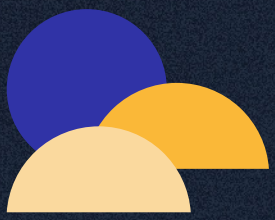


Anticipating resistance to change

HelpAge is going through a deep reorganisational process, partially dissolving its country and regional offices and halving its staff worldwide. Redefining its partnership approach elicited varied reactions from local partners:

Pro-localisation: Some local offices are keen to become national or local organisations (encouraged by independent successes like HelpAge India and Sri Lanka) and see sustainability and bigger-player potential in this reorganisation.

Resistant: Some local offices fear loss of branding and resources and a subsequent need to downsize. Some suspect localisation is a cover for HelpAge shedding them amid the funding crisis.



Adopting context-specific partnership

Each country office chose its own model through a joint localisation assessment that factored in mandates and the ecosystem in which each organisation works:

Networks of implementing partners with low operational costs: (e.g., Bangladesh, Uganda) continuing the ageing agenda

National entities: (e.g., Tanzania) retaining a country office structure but working through partners

Social enterprise entities: (e.g., Vietnam) reinvesting profit for the first three years to avoid reputational and legal liability concerns

Country office working directly with the smallest independent entities: (e.g., older people's associations, CBOs) as network members, reducing administrative cost



Documenting and advocating

HelpAge is documenting its full localisation learning process for public release in the near future, with an invitation for others to join and support. HelpAge also stresses the importance of sustaining proactive engagement with key stakeholders, such as donors, who can effectively support the reform of existing systems.

The Humanitarian Policy Group's recent report indicates significant variations in the quality and flexibility of ICR policies. For example, Denmark outlines a maximum allowable ceiling of ICR that can be shared (7%), but its policy includes no requirements for financing sub-grantee ICR (Ministry of Foreign Affairs of Denmark, 2025). In contrast, Spain requires a firm minimum financing for local sub-grantees and provides higher scores for proposals that exceed this minimum. Chronic ICR underfunding produces staff burnout, high turnover, heightened safety risks and strategic paralysis. Local NGO directors have been documented financing operational costs from their personal funds (ODI/HPG, 2026).

3.4 Beyond Reform: Feminist and Philanthropic Intermediaries

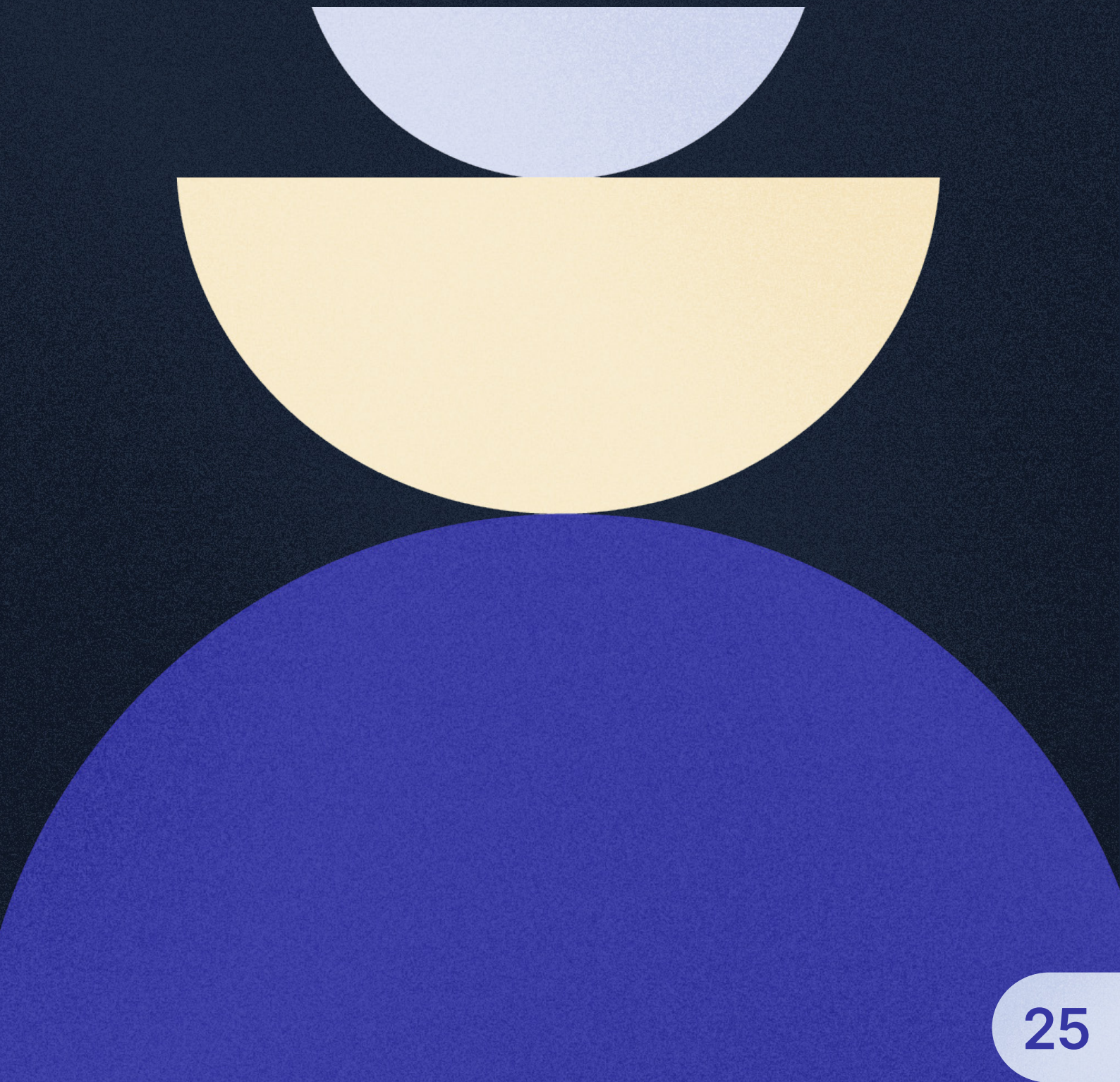
The KIT Institute (2025) evaluation of the Fenomenal Funds initiative documents how non-competitive, feminist pooled funding builds organisational resilience. Through this initiative, more than USD 20 million was distributed to 44 women's funds using non-regrantable, multi-year, flexible core funding. Governance gave women's fund representatives near parity with funders. Doria Feminist Fund's resources quadrupled since receiving a Resilience Grant through this initiative. The evidence shows that non-financial support is as important as funding itself, and non-competition is key to fruitful collaboration among grantees.

MacKenzie Scott's $19 billion in unrestricted giving to more than 2,000 organisations definitively demonstrated that fears about nonprofits' inability to handle large grants are unfounded. Nearly 90% of recipients reported strengthened financial sustainability, and recipients grew expenses by 50%, compared to 25% for comparable organisations that did not receive these funds (CEP, 2024). One informant described how the Scott grant's trust-based funding enabled an ICSO's Brazil office to maintain its community ownership instead of going through reinterpreted proposals to address donors' requests. The office used the grant to advance localisation and transform how it works with communities (KII-2).

Another informant described how the Global Greengrants Fund (Global Greengrants Fund, 2025) bridges the gap between local actors and formal institutional systems. Decisions are made by regional and thematic advisory boards composed of self-organised volunteer activists from within the movements. The organisation intentionally funds very small groups with small grants, a gap other funders often ignore, and acts as behind-the-scenes infrastructure to raise and pass funds safely and flexibly (KII-1).

Section 4

Community-Led Transformation



Many practitioners pointed out that genuine and lasting change requires not only a recalibration of funding priorities but a reimagining of power, trust and partnership in development. They argue that the centralised, Western-based grants system has been reforming since it was created without ever truly delivering on its commitments. A proposed solution is to invest in community-led initiatives that act outside or at the periphery of the central grants-based system, questioning and re-designing the business model.

> **The current funding crisis offers these practitioners an opportunity to showcase the transformative initiatives, approaches and models they have been developing. These examples may offer alternative solutions for CSOs seeking to engage in a genuine localisation process.**

Practitioners highlighted that working in the 'transformation space' requires a complete change of mindset and ways of working compared to the mainstream grants-based system. Original models or ideas tested and operationalised elsewhere are redesigned and adapted to new contexts, tested and eventually scaled up if conditions allow. Testing, adapting and contextualising is an iterative process that requires time and commitment.

Limited learning and capitalisation have been conducted in this space, in part because of a lack of adequate resources. Successes and milestones of transformative models are often questioned due to a lack of standardised indicators and comparative analysis that would objectively highlight the strengths and challenges of these models.

Without adequate learning and capitalisation, it is challenging to replicate and scale models developed in the transformation ecosystem. Many practitioners argued that these alternative models are not a panacea for all problems and may not be adaptable to specific contexts in which ICSOs remain necessary and essential. Nevertheless, practitioners and CSOs engaged in the transformation space argued that despite these challenges and valid arguments, the alternative, community-led transformation models are successfully addressing structural issues, such as sustainability and accountability, which are not sufficiently addressed in the current aid architecture.

This section examines financing models that operate outside the international aid architecture and that aim to entirely reimagine the aid business model, including community savings groups, faith-based giving, diaspora remittances, cooperative structures and social enterprise. These models represent the transformation column of the analytical matrix at the local and national actor level.

Two related but distinct concepts underpin community-led financing. The first concept, the self-help group, is an organised, voluntary gathering of peers to address a shared challenge. These groups are typically operated informally by members. The second

concept, mutual aid, is the social process by which participants simultaneously give and receive help, sharing their knowledge and experiences. Mutual aid is the engine of a self-help group but can also occur informally within everyday networks of neighbours, families and friends. The two terms are often used interchangeably in the literature, but this paper treats them as complementary dimensions of the same phenomenon. A funding ecosystem researcher described self-help groups as one of the most cost-effective, granular locally led approaches available (KII-5). Tearfund's study reports benefit-to-cost ratios ranging from 58:1 to 173:1 across six Ethiopian self-help group programmes, and the ratio rises to 210:1 when accounting for self-sustaining growth after ten years of donor funding (Cabot Venton et al., 2013).

The examples and approaches described in this section fall within the category of community philanthropy, defined as locally governed resource mobilisation grounded in collective action and local accountability.

Case Study 3

Towards Greater Funding Autonomy for Local CSOs: the Morocco example

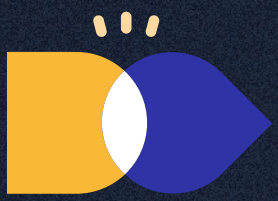
Beyond traditional donor grant systems and international charities, a variety of alternative funding models exist at country and regional levels. Key informants identified a need to systematically document and consolidate the full range of existing alternative resourcing models.



Documenting Alternative Funding: Mapping exercises should be conducted at national and regional levels. In Morocco, a mapping of alternative funding sources is currently being developed with the support of the European Union and the ministry responsible for civil society. This guide covers funding streams such as crowdfunding, private sector contributions, local philanthropy, diaspora remittances and community-led pooled funds. Resources such as the WACSI guidebook on alternative funding models in Africa can help practitioners navigate the diversity of available funding streams.



Advocating for a More Conducive Legal Environment: Supporting and advocating for an enabling legal framework at the country level is essential for the financial sustainability of local and national CSOs. In Morocco, a benchmarking exercise has been launched to support this process by examining the legal environments for alternative funding mechanisms in France, Canada, Kenya and Morocco to extract lessons learned and recommendations.



Bridging Traditional and Alternative Models: Traditional grants and alternative funding models can coexist, provided organisations are willing to experiment. A 'club' of reform-minded donors — including Denmark and others — demonstrates the possibility of improved aid, a model that enables local leadership and reduces gatekeeping. Donors have a responsibility to genuinely encourage diversification, rather than treating sustainability as a box-ticking exercise confined to a proposal section that expires at the end of the funding cycle.



Supporting the Diversification of Funding: International intermediaries can more systematically support local partners' efforts to diversify their funding. Informants from local CSOs noted that capacity-building support remains largely limited to accountability and due diligence mechanisms or operational and technical guidance, without adequate investment in organisational sustainability or revenue diversification. The inequitable allocation of indirect cost recovery and the constraints of time-bound project cycles also contribute to this problem. In Morocco, methodological tools are being developed to support CSOs in diversifying their funding sources.

4.1 Village Savings and Loan Associations

CARE International pioneered the village savings and loan association model in 1991. This approach has since grown to include more than 8 million members organised in self-managed groups across 121 countries. Notably, this model is capable of organic replication, and communities frequently establish new groups independently of CARE or any external support (CARE, 2025). Save the Children's experience in Nigeria illustrates how the village savings and loan association model can be integrated into broader programming. Their Foreign, Commonwealth and Development Office-funded PLANE W3 project established 74 savings groups with 1,850 members, generating combined savings of NGN 32.6 million (Save the Children, 2026).

A ShareTrust analysis estimates that self-help groups yield $58–$173 per dollar spent in Ethiopia, the second most cost-effective intervention in Africa according to the Copenhagen Consensus Centre. In Uganda, 75% of self-help group participants met their financial goals and 81% reported behavioural change (CARE, 2025). One informant reported that HelpAge Vietnam's intergenerational self-help clubs are sought by the World Bank and African Development Bank as consultancy services, generating earned revenue from community-based expertise (KII-3).

4.2 Faith-Based Giving

Faith-based giving refers to charitable donations, tithes, zakat, waqf, sadaqah and other forms of religious philanthropy motivated by spiritual obligation or moral duty, channelled through religious institutions, faith-based organisations or informal community structures. This model includes institutionalised mechanisms (such as church collection systems, Islamic endowment funds and denominational aid agencies) and informal practices (such as congregation-level mutual aid and religious festival giving; Berger, 2003). Faith-based giving is a substantial but insufficiently documented source of community financing. A 2020 West Africa Civil Society Institute and Global Fund Community Foundations study documented that Ghana's religious base (71% Christian, 18% Muslim) provides significant untapped domestic resources, with churches donating GHS 100,000–200,000 each during the COVID-19 pandemic (WACSI/GFCF, 2020).

Islamic finance offers particularly significant potential. Morocco's October 2025 national fatwa on zakat, a formal religious ruling validated by the Higher Council of Ulemas, provides a basis for structuring religious giving into formal social investment. Yet, Morocco currently lacks an operational legal framework for endowment funds or social impact bonds. A benchmark study recommends creating a national zakat and social waqf fund under multi-actor governance, with a Zakat-Waqf-Confiance certification label for qualifying associations (Boujnah, 2026). These findings illustrate a pattern of signifi-

cant internal financial resources across Muslim-majority contexts that remain largely unchanneled towards structured civil society financing.

4.3 Diaspora-Led Financing

Diaspora collective remittances represent a significant and under-explored source of financing. Galstyan and Ambrosini (2023) identify three categories of diaspora-led financing: state-driven (e.g., the All-Armenian Fund, which has mobilised more than $550 million since 1992), organised by transnational institutions (e.g., religious organisations, hometown associations), and locally initiated (e.g., informal networks, women-led collectives). Women are particularly active in organising informal semi-collective remittances that exist outside male-dominated official diaspora institutions.

The scale of this funding source is substantial. Remittance inflows to Senegal exceed $3 billion annually (approximately 10% of GDP). In The Gambia, diaspora remittances reached 48% of GDP during the COVID-19 pandemic. Morocco's 5 million diaspora members generate annual transfers exceeding 100 billion MAD, but no institutional mechanisms exist to channel these flows towards community financing (Boujnah, 2026). One informant described a Kenyan diaspora crowdfunding platform and a Moroccan rural development organisation that registered in the US to run crowdfunding campaigns on higher-ceiling American platforms, illustrating the creative workarounds CSOs are pursuing (KII-4).

4.4 Digital Finance as Community Resource Mobilisation

Digital finance is increasingly enabling new forms of locally controlled resource mobilisation that blur the distinction between financial inclusion, fundraising and community financing. Mobile money, digital wallets, crowdfunding platforms and digital savings products allow individuals and community organisations to mobilise, manage and distribute resources with lower transaction costs and fewer intermediary layers than traditional funding mechanisms.

For example, platforms such as M-Changa in Kenya combine digital payments, crowdfunding and diaspora engagement, enabling communities to collect resources for social causes through mobile technology. Similar approaches are emerging across Africa, Asia and Latin America, where mobile money infrastructure has expanded access to financial services for groups traditionally excluded from formal banking systems.

While digital finance is primarily an enabling mechanism rather than a standalone funding source, it can strengthen alternative resourcing models such as diaspora giving, community philanthropy, savings groups, mutual aid networks and faith-based giving. However, the effectiveness of this model depends on digital literacy, internet and mobile network access, consumer protection frameworks and safeguards around data privacy and exclusion.

4.5 Bridging Institutional and Community-Led Models

Some of the most promising models bridge formal international development and/or humanitarian funding with informal community mechanisms. For example, Sudan's Emergency Response Room system operates in 17 of 18 states with more than 10,000 volunteers, disbursing $10.9 million and reaching 2.7 million people in 2024 (ALNAP/ShareTrust, 2025). The Sudan Humanitarian Fund has scaled microgrants of up to $20,000 channelled via ICSOs to these mutual aid networks with minimal reporting requirements (ShareTrust, 2022).

A funding researcher described the Proximity to Humanity model in Sudan, which acts mainly as a low-overhead fiscal agent, channelling funds to grassroots Emergency Response Rooms with little decision-making power retained while other organisations support the civil society bodies working with those rooms. Both approaches are valuable but operate through different routes, illustrating the portfolio approach (KII-5). This bridging of traditional and alternative models demonstrates that formal and informal systems need not be mutually exclusive. What matters is whether decision-making authority sits with those closest to affected communities.

Another example of community-led models is provided by the GiveOut/GFCF study, which documents how LGBTQI+ communities have developed mutual aid structures, collective savings mechanisms and participatory grant-making processes that operate outside of the international aid architecture and mainstream domestic philanthropy (GiveOut/GFCF, 2026).

Takeaways

The examples presented in this section illustrate that there is no 'one perfect model' that suits in any context. Rather than asking which model should replace traditional aid, CSOs may benefit from exploring which combination of financing approaches is most appropriate for their individual context. The appropriate mix will depend on the local ecosystem, regulatory environment, organisational capacity and existing sources of community trust and legitimacy.



Section 5

Limiting Factors and Power Dynamics

A rich body of literature exists regarding the limiting factors and power dynamics affecting localisation efforts, many of which are structural barriers. One expert on local actors in Ukraine (KII-6) asserted that before entering a discussion on localisation and alternative funding models, ICSOs should first reflect on fundamental incompatibilities between the reality of local actors and the real objectives of localisation efforts.

Such incompatibilities may include:

1. Insufficient common understanding — Lack of alignment is often due to ICSOs' limited knowledge of and genuine interest in local actors;
2. Incompatible working methods — ICSOs often seek to shape local actors in line with their expectations, making them adopt unsuitable working methods; and
3. Differing mandates and intentions — For example, local actors in Ukraine have questioned the relevance of certain humanitarian principles advanced by ISCOs.

5.1 The Risk of Replicating Power Asymmetries

Alternative organisational and financing models do not automatically produce more equitable outcomes. Even when ICSOs transition to network or federation models, the central organisation often retains control over brand, compliance standards and access to major donors. For example, Plan International's regional variation in equitable partnership scores, ranging from 84% in the Rest of Africa to 66% in Eastern and Central Europe, suggests that structural transformation may proceed unevenly (Plan International, 2025).

Several key informants highlighted this risk. One advisor found it difficult to see how real transformation could happen with ICSOs still seeing themselves in the centre of the model (KII-1). Another warned that national chapters of international brands risk replicating centralised power dynamics in shifting from headquarters to a national office without changing accountability mechanisms. In contrast, a senior ICSO specialist cautioned that cutting ICSOs out of the models could obliterate rights-based actors, especially those defending the rights of girls, sexual and reproductive health and LGBTQ+ populations, because they often lack absorption capacity and depend on international presence for protection (KII-2).

The CHA/Caritas Europa analysis identifies a chicken-and-egg problem related to capacity, in which local actors are denied funding because they lack capacity but lack capacity because they are denied funding and the ICR needed to invest in organisa-

tional development (CHA/Caritas Europa, 2024). The broader development discourse increasingly questions who defines capacity and against what standards. Many localisation advocates argue that assessments privilege international compliance systems and managerial practices while undervaluing local legitimacy, contextual knowledge, community trust and other forms of organisational capability. As a result, capacity assessments may unintentionally reinforce existing power hierarchies and surface harmful assumptions about local actors (Oxford Policy Management, 2024).

> **Power asymmetries are reinforced by unequal distribution of risk. Donors frequently transfer fiduciary, reputational and compliance risks to intermediaries, who in turn transfer them to local partners through restrictive controls and reporting requirements. Without explicit risk-sharing arrangements, efforts to increase local access to funding may reproduce rather than reduce inequalities.**

5.2 Scalability Constraints

Community-led models have demonstrated enormous horizontal scale, with CARE's village savings and loan association programme alone reaching 58.7 million people, but vertical scaling remains limited. Social enterprise models face the dual challenge of financial viability and mission fidelity. The majority (75%) of social enterprises are actively seeking external financing, suggesting that many have not achieved self-sustaining revenue models (Schwab Foundation/WEF, 2024). One consultant recommended starting small, for example with 20% alternative revenue, and growing over time, because taking the first step is what matters (KII-4).

5.3 The Fiduciary and Compliance Burden

The term "due diligence passporting" refers to a system in which an organisation agrees to accept a due diligence or capacity assessment carried out on a potential partner by another organisation or certification body instead of carrying out their own. This model is meant to reduce duplicative efforts and administrative burden. Due diligence processes should be differentiated for different types and sizes of local actors. Examples of such processes have emerged through initiatives such as Alliance2015 (Alliance 2015, 2025). Plan International and Save the Children are also discussing a joint passporting system.

Under the Charter for Change initiative, seven ICSOs worked with Humentum to develop a 27-question due diligence tool covering seven areas. The tool is designed so that a single assessment can be accepted by multiple agencies, rather than requiring local organisations to undergo redundant evaluations (Solis, 2023). A funding researcher recommended that due diligence processes should be oriented towards enabling partnerships (i.e., identifying what support an organisation needs to meet standards), rather than serving as gatekeeping mechanisms that exclude smaller actors (KII-5). Donors should also create direct feedback channels with local organisations to verify how resources and power shift (KII-5). The need for a due diligence system with requirements scaled to organisational capacity and results accepted across multiple funders emerged as a priority in key informant interviews.

5.4 Legal and Regulatory Barriers

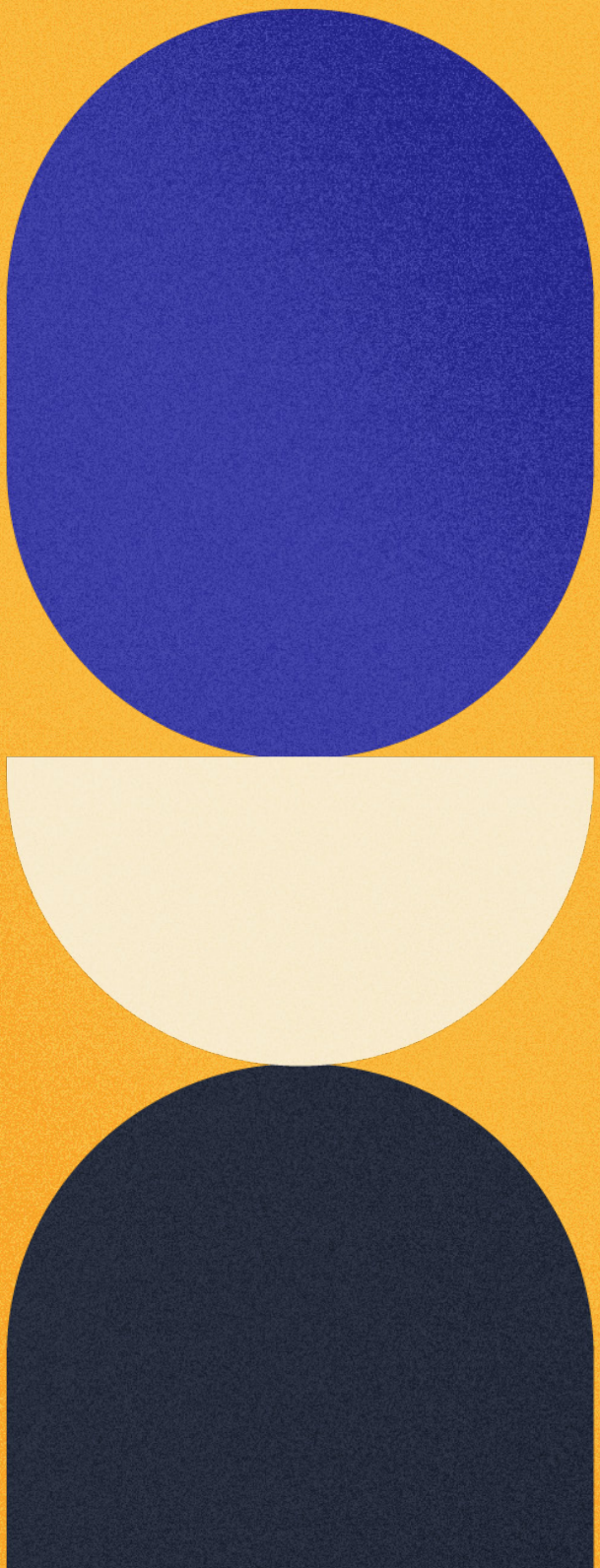
The Morocco case study (see Sections 4.2 and 4.3) provides a detailed analysis of legal barriers to alternative financing. Persistent ambiguity around non-profit revenue-generating activities creates a chilling effect in which associations hesitate to formalise their income-generating activities for fear of fiscal reclassification. For example, crowdfunding in Morocco is regulated under Law 15-18 (one of Africa's first frameworks), but platform deployment is slow. No legal framework exists for endowment funds, social impact bonds or hybrid organisational forms. Across France, Canada and Kenya, administrative complexity creates barriers for small associations in all contexts (Boujnah, 2026; Boujnah & Abadie, 2026).

5.5 The Transparency and Accountability Deficit

The persistent lack of transparent data on funding flows undermines collective accountability. For example, ICSOs reported $717 million in funding to local and national actors in 2024, yet only $14 million of that total was recorded in the Financial Tracking Service and $24 million in the International Aid Transparency Initiative (Pearson & Rieger, 2026). A funding researcher stated that as the current funding crisis gives donors more leverage, they should join together to demand transparency in budgets and local partnering, particularly from the UN system (KII-5). Another informant called for systematic transparency on intermediary chains at the country level and a need to document indirect cost and sub-granting systems (KII-4).

Section 6

Recommendations



6.1 The Why-What-How Framework

CSOs seeking to strengthen locally led action through alternative resourcing and financing approaches should consider the below process to identify why, what and how to contribute to global efforts:

Define the intention: Why should the organisation support localisation or locally led action? What is the final objective? (e.g., plugging into alternative funding streams, decolonising the aid system, supporting local partners)

Define what the organisation is willing to do to support global efforts in the different working streams (localisation vs. locally led action) by considering mandates, policies and strategies

Understand what the organisation can do in terms of resources and capacities and in which workstream(s) they can maximise their efforts

Understand the implications of genuine localisation efforts for the organisation (e.g., change of mandate, existing contradicting internal policies, ways of working, HR profiles, possible downscaling)

Identify internal policies and strategies that undermine or contradict localisation efforts and transparently communicate whether they will be removed or adapted to support new objectives and ways of working

Reframe and reaffirm organisational vision and mandate and realign strategies and policies to support new objectives

Analyse how the new mandate and ways of working impact financial sustainability and identify the most appropriate alternative resourcing models

Engage in the above process in full transparency and in an inclusive and participative way with local and other organisations

In following the above process, CSOs may decide to engage in different workstreams by supporting global or local localisation efforts. They may decide to engage in sharing capacities with local organisations, dissolve their centralised capacities into a network of independent local organisations, or support localisation efforts through learning and advocacy.

Below is an example of how a clear definition of thae Why-What-How framework may inform and support CSOs in identifying the most appropriate alternative resourcing models to sustain their localisation strategies and objectives. It is important to note that the Why-What-How framework may be useful in different ways for CSOs, depending whether they are engaged in the reform space or the transformation/expansion space.

The table below provides an overview of existing models. It is intended as a reference point to explore options rather than a prescriptive list.

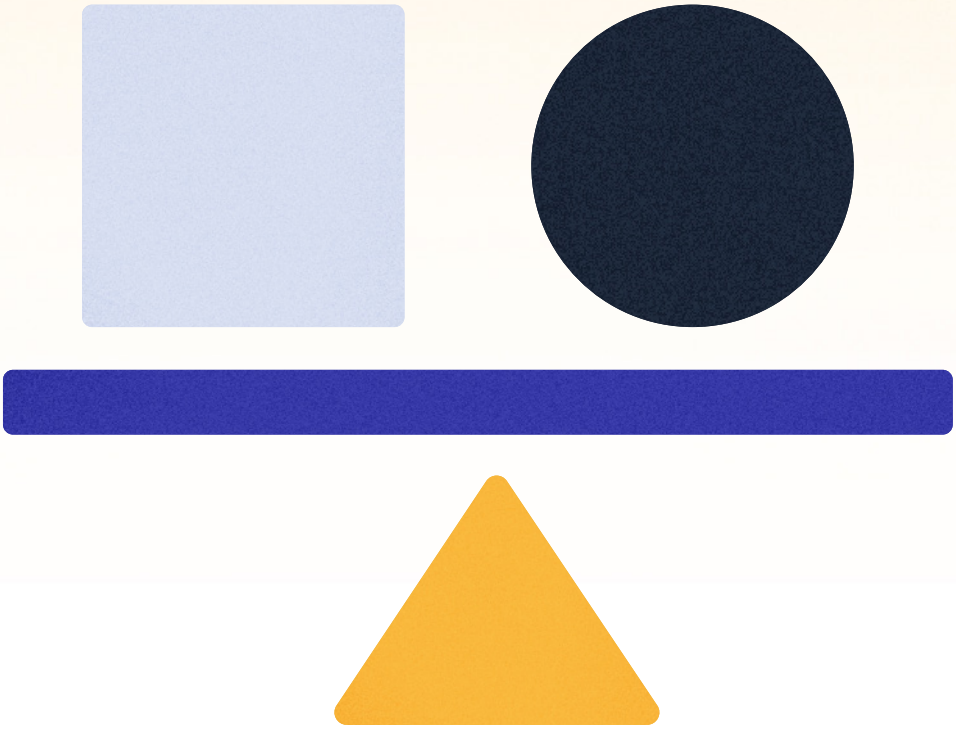


Table 2. Selection of alternative resourcing models for civil society organisations, derived from a literature review and key informant interviews

Global Models

Reform — within existing architecture	**OCHA Country-Based Pooled Funds:** 46% channelled to local actors (2025), up from 18% in 2016 (Pearson & Rieger, 2026)
	Humentum Harmonised Due Diligence: a tool with 7 areas and 27 questions; a single assessment accepted by multiple agencies (Solis, 2023)
	HelpAge Network Transformation: secretariat model with approximately 200 equal members, halved global staff (Bond/ Harnden, 2025)
	Disasters Emergency Committee: due diligence passporting pilot in Ukraine response
	Dioptra: cost efficiency tool used by International Rescue Committee, CARE, Catholic Relief Services
	Indirect Cost Recovery Bargaining: collective negotiation of overhead rates
	Terre des hommes Linkhub: intermediary-to-enabler transition pilot
Transform / Expand — beyond existing architecture	**MacKenzie Scott:** $19 billion unrestricted funding; 90% of recipients report strengthened sustainability (CEP, 2024)
	Fund: $6.7 million over 65 grants in 24 countries; elected oversight body from Global South (NEAR, 2025)
	Start Fund: procedural delegation; alert-triggered allocation, donors cannot intervene
	Fenomenal Funds: $20 million+ non-competitive fun
	Village Savings and Loan Associations: 8 million+ members across 121 countries since 1991 (CARE, 2025)
	Global Greengrants Fund: participatory grant making with movement-led advisory boards

Country–Based Models

Reform — within existing architecture

NETHERLANDS: Dutch Relief Alliance — 25% minimum direct funding to local actors

TÜRKIYE / UKRAINE: GIZ Civil Society Cooperation — peer mentoring for 16–18 organisations

MALAWI, UGANDA, ETHIOPIA: Link Education — co-leadership with equal voice for all country officese

ZIMBABWE: Reverse Call for Proposals — local actors define priorities and select international partners, reversing traditional funding dynamics

Transform / Expand — beyond existing architecture

SUDAN: Emergency Response Rooms — $10.9 million in funding, serving 2.7 million people; 10,000 volunteers

BANGLADESH: BRAC Pooled Fund for Localisation — risk-sink model enabling 113 local organisations to access international funding (ICSC, 2025a)

ETHIOPIA: Self-Help Groups — benefit-to-cost ratios ranging from 58:1 to 173:1

NIGERIA: Community Savings Groups — 74 groups; 32.6 million naira total savings

GHANA: Faith-Based Giving — 100,000–200,000 cedis per church during the COVID-19 pandemic

KENYA: M-Changa — digitised communal fundraising; over 50% raised from diaspora

SENEGAL: Diaspora Remittances — $3 billion+ annually, approximately 10% of national output

THE GAMBIA: Diaspora Remittances — 48.1% of national output; 80% increase during the COVID-19 pandemic

UGANDA: Mango Tree — full dissolution; £500,000 legacy fund; assets transferred to local partners

MOROCCO: Zakat and Waqf Fund / Happy Smala — national fatwa (2025); 171 diaspora projects

PALESTINE: Zakat Network — Traditional zakat committees, UNRWA, World Central Kitchen

VIETNAM: Intergenerational Self-Help Clubs — social enterprise revenue model with 1,121 clubs

MYANMAR: Local Flexible Funding Mechanism — grew from $600,000 in 2021 to $2.4 million in 2025, serves 245,000 people

The examples presented in Table 2 illustrate that there is no single model capable of advancing localisation and financial sustainability across all contexts. Rather than identifying a universal solution, successful approaches tend to combine multiple resource streams, including aid, philanthropy, community financing, diaspora contributions, faith-based giving, social enterprise income or pooled funds.

Across these diverse examples, three common characteristics emerge:

1. greater decision-making power for local actors,
2. diversified sources of financing, and
3. intermediary organisations that act as enablers, conveners or risk-sharing partners rather than sole controllers of resources.

Drawing on the 48 alternative resourcing models mapped in this study across seven distinct model types, Table 3 provides an overview of how each model type relates to three broad categories of CSOs. The relevance ratings reflect the analysis presented in **Sections 4** and **5**, considering factors such as governance structure, accessibility barriers and the degree to which each model shifts decision-making authority to local actors. In practice, applicability will significantly vary depending on an organisation's mandate, operational capacity, regulatory environment and existing funding mix. The table is intended not as a prescriptive framework but as a starting point for organisations to identify entry points to diversifying resources within a broader portfolio approach.

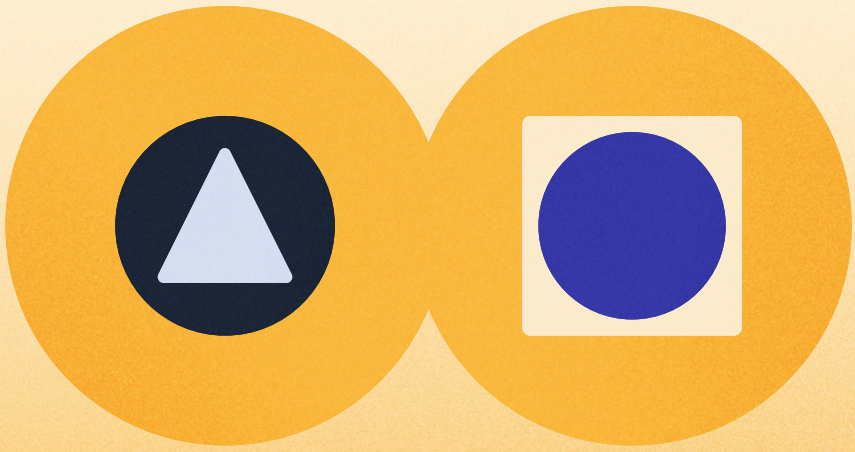


Table 3. Relevance and feasibility of alternative resourcing models for different types of CSOs

Model Type	Approach	Large ICSOs	National CSOs / Platforms	Small Local CSOs / CBOs	Key Enabling Factors
Pooled Fund	Reform & Transform / Expand	HIGH As intermediaries, governance actors, or shifting to facilitator or fiscal sponsor role	HIGH As direct recipients or national-level fund managers (e.g., Start Fund Bangladesh)	MEDIUM Increasing access via dedicated local windows, but compliance barriers persist	Governance reform to include local decision makers Simplified compliance and reporting requirements Dedicated allocation windows for local actors Flexible, multi-year funding cycles Institutional willingness of ICSOs to cede intermediary role
Community Savings & Lending	Transform / Expand	MEDIUM Can integrate into programming (e.g., CARE village savings and loan association model) or serve as technical facilitator	MEDIUM As facilitators, trainers or linking savings groups to formal financial systems	HIGH Direct participation, self-managed, builds community financial autonomy	Mobile money infrastructure for digital sub-wallets Training and mentorship for group formation Linkage to formal banking for scaling savings Regulatory environment supportive of informal finance Cultural acceptance of collective savings models
Faith-Based Finance	Transform / Expand	LOW Limited structural alignment with institutional models; possible advocacy/ coordination role	MEDIUM Coordination of national zakat/ waqf systems; governance and distribution infrastructure	HIGH Direct community-level resource mobilisation through existing faith structures	Transparent governance and accountability frameworks for religious funds Regulatory recognition of zakat/waqf as development finance Trust and legitimacy of faith-based institutions Digital platforms for collection and distribution Alignment with humanitarian principles and inclusion standards

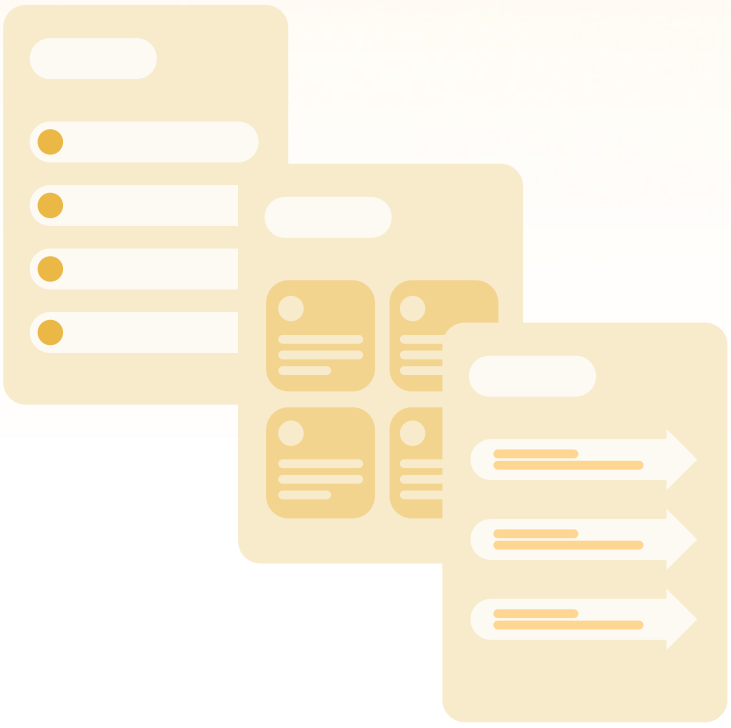
Diaspora & Crowdfunding	Reform & Transform / Expand	LOW Primarily a reputational/ coordination role; diaspora finance bypasses institutional channels	MEDIUM As registered platforms or channels for structured diaspora investment (e.g., IFAD RemitInvest)	MEDIUM Direct beneficiaries of remittance flows; crowdfunding for community projects	Diaspora engagement platforms and trust infrastructure Reduced remittance transfer costs (regulatory and fintech) Investment vehicles accessible to diaspora (bonds, equity) Digital crowdfunding platforms with local-language support Regulatory frameworks for cross-border micro-investment
Trust-Based Philanthropy	Transform / Expand	MEDIUM As recipients shifting to this model; also as intermediaries passing trust-based principles downstream	HIGH Primary beneficiaries of unrestricted, multi-year grants; reduced reporting burden	MEDIUM Via community foundations or participatory grant making; direct access still limited	Funder willingness to provide unrestricted, multi-year grants Simplified reporting and due diligence requirements Participatory grant-making approaches Power-shifting commitment from institutional donors Track record and evidence base demonstrating trust-based outcomes
Mutual Aid	Transform / Expand	LOW Outside institutional frameworks; ICSOs can support without co-opting	MEDIUM As coordinators, fiscal sponsors or re-granting intermediaries for mutual aid networks	HIGH Direct community-driven emergency response; horizontal, non-hierarchical resource sharing	Community trust and social cohesion Digital coordination tools (messaging, mobile money) Flexible, non-bureaucratic organisational forms External actors supporting without imposing structures Recognition of mutual aid as legitimate humanitarian response
Digital Finance	Reform	LOW Primarily a delivery mechanism rather than a resourcing model for large institutions	MEDIUM Mobile and digital platforms for programme delivery and financial inclusion	MEDIUM Financial inclusion via mobile money; reduces barriers to accessing and managing funds	Mobile network coverage and digital literacy Regulatory environment for mobile money and digital payments Interoperability between platforms and formal banking Data protection and privacy safeguards Agent networks for cash-in/ cash-out in remote areas

6.2 Recommendations for ICSC and its Wider Community

The recommendations below are primarily intended for the ICSC community of partners and affiliates. They outline a broad approach to localisation that considers how governance, power relations and organisational incentives directly affect access to and control of financial resources:

> **As a starting point, international organisations should clearly define why they intend to embark in localisation efforts.**

The 'why' is extremely important, because it will inform the definition of objectives, strategies and which funding models to adopt. For example, some organisations may seek to align with global policies, adapt to donor requests or tap into new funding streams. Others may seek to build alternative models that challenge the current decision-making mechanisms and 'de-colonise' a system that many consider to be a heritage of colonial power and Western supremacy. These two sets of objectives may require different localisation strategies and resourcing models.



Assessment of Localisation Strategies



CSOs should assess whether and how much their own self-interest drives the decision to engage and/or support localisation or locally led action. Similarly, organisations should assess how organisational interests may limit their commitment to support those processes. Without these internal reflections, trust between international and local actors may not be genuinely built or maintained, especially in processes involving funding and resources.



CSOs should undertake honest strategic reviews of organisational purpose and fitness for locally led approaches. One informant asserted that CSOs must be the first to change and make necessary sacrifices to ensure their readiness to support locally led processes (KII-3). Internal reviews would help CSOs identify the objectives they want to achieve and the role they can best play in the larger localisation ecosystem, including sharing and maximising the use of capacities and resources.



Organisations should be transparent about their objectives. Support of localisation and locally led efforts may be an organisational policy for many CSOs, but it is likely one of many policies, some of which may contradict each other. Genuine partnerships are built on transparency and trust, especially when some key players may perceive 'change' as an existential threat. Similarly, local and national CSOs should be transparent about their goals. Do they seek to replace ICSOs but sustain the existing systems, even though they may generate unequal power structures and aid distortions? Or do they seek to support transformational change which genuinely supports localisation but may not ultimately be in their own interest?

Reform Actions

Develop explicit localisation transition strategies with measurable milestones, drawing on the multiple pathways documented in this paper, including: network models (HelpAge), equitable partnership (Plan International), intermediary shifting roadmaps (Terre des Hommes), co-leadership (Link Education) and full dissolution with asset transfer (Mango Tree, Avert).



Mandate full overhead pass-through to local organisations proportional to their implementation budgets and publish transparent data on the proportion of funding retained at each tier.



Adopt due diligence processes that recognise the diversity of local actors, using due diligence to get to 'yes' rather than to exclude, and invest in passporting systems accepted across multiple partners.



Implement genuine capacity sharing, not unidirectional capacity building, recognising that local actors have capacities that international organisations lack and that knowledge transfer should be bidirectional (HPN/ODI, 2021).



Create direct feedback channels between donors and downstream organisations that bypass the intermediary, enabling donors to verify how power and resources shift (KII-5).



Advocate for and support the creation of national legal frameworks and ecosystems that enable the financial sustainability, independence and diversity of local and national organisations.



Review organisational participation in funding mechanisms where local actors could realistically serve as direct recipients and identify opportunities to progressively transition from competitor to enabler.

Transformative Actions

Undertake honest strategic reviews of organisational purpose and fitness for locally led approaches.

Invest in social enterprise incubation and earned revenue models that reduce long-term dependency on grants, drawing on examples such as the HelpAge Vietnam social enterprise, carbon credits, government partnerships and university research partnerships.

Support and incubate local intermediary structures, including the 167 mapped local intermediaries, by providing access to international networks, technical expertise and pooled risk management mechanisms.

Transition decisively by building national institutions (e.g., governance, financial systems, fundraising capacity, physical assets) before handover, and provide time-bound, modest transition support rather than open-ended dependency.

Transformative Actions

Act as behind-the-scenes infrastructure by safely and flexibly raising and passing funds, boldly negotiating conditions and refusing money with unacceptable strings rather than passing conditionalities downstream (KII-1).

Use intermediary positions and leverage to absorb and manage risk where appropriate, rather than passing disproportionate compliance burdens to local partners.

Use the Why-What-How framework (see Section 7.1) as an organisational self-assessment exercise for leadership, boards and local partners.

Create spaces for leadership and staff to reflect and have brave conversations on practices, assumptions and power dimensions.

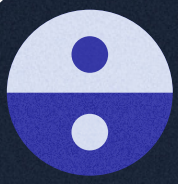
6.3 Supporting Local and National Civic Actors

Larger ICSOs should support local and national actors to:

- Pursue gradual financial diversification, starting with one to two mechanisms compatible with internal capacity and progressively building towards more diversified and autonomous revenue models. As one practitioner noted, this process requires modest, time-bound transition support enabling organisations to move from grant dependency through hybrid financing towards greater financial autonomy. Each transitional stage has associated capacity requirements (KII-3).
- Scale and formalise community-led financing mechanisms, build on the village savings and loan association model to develop more sophisticated community-managed financial products and explore digital financial service integration.
- Develop social enterprise revenue streams aligned with their organisational mission, recognising legal and regulatory barriers and advocating for hybrid organisational forms where needed.
- Build collective advocacy platforms for overhead reform, equitable partnership standards and due diligence harmonisation, following the example in Bangladesh where collective bargaining achieved improved ICR practices.
- Explore existing financing levers — such as diaspora engagement, faith-based giving, community philanthropy and revenue-generating activities — within appropriate legal frameworks.

6.4 Funders to Create Conditions that Enable Change

The recommendations below are directed to funders, but they are also intended to guide advocacy, partnership dialogue and collective action by ICSOs, national CSOs and networks engaging with donor institutions. Progress on many of the issues identified in this paper will require coordinated action between funders, intermediaries and local actors.



Harmonise and raise ICR rates to at least 15% for local and national actors, reflecting their actual overhead costs.



Scale trust-based philanthropy, using MacKenzie Scott's giving as definitive evidence that large, unrestricted grants produce transformative effects without the negative consequences some funders fear (CEP, 2024).



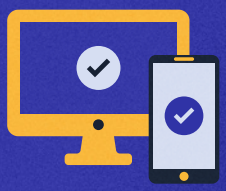
Invest in locally governed grant-making mechanisms, such as the NEAR Change Fund and the Fenomenal Funds model, which place decision-making authority with local actors.



Mandate transparent, accessible data publication on funding partnerships, closing the current gap in which $717 million in self-reported funding is unverifiable.



Support the creation of national legal frameworks and ecosystems that enable the financial sustainability, independence and diversity of local and national organisations.



Eliminate tied aid rules and streamline reporting requirements, investing instead in platform solutions that handle donor-facing administration.



Adopt risk-sharing frameworks that distribute fiduciary and compliance responsibilities more equitably across donors, intermediaries and local actors, rather than transferring disproportionate burdens downstream.



Create dedicated experimentation and learning funds that allow organisations to pilot alternative resourcing approaches, including models that may not succeed, recognising that innovation requires tolerance for uncertainty and failure.

Section 7

Conclusions

7.1 Bridging Reform and Transformation

This analysis demonstrates that reform and transformation are not competing strategies but complementary approaches along a continuum. The Sudan Emergency Response Room example, in which formal humanitarian funding connects with informal mutual aid networks, illustrates how bridging can work in practice. The work of Fenomenal Funds shows how feminist principles can be embedded within institutional funding structures (KIT Institute, 2025). The HelpAge transformation demonstrates radical reform from within over a multi-year horizon.

> *"This kind of transformation is not linear. It is messy, and one has to be compassionate about it."*
>
> (KII-1)

The white paper recommends a portfolio approach that is context-driven, actor-specific, and goal-sensitive.

Local actors should diversify across multiple models and systems rather than seeking a single solution. Innovative strategies to bridge institutional funding with transformative models should be actively explored. Above all, the sector must move from rhetoric to experimentation, from documenting what should change to documenting what is actually changing and learning from it.

This analysis points to three main conclusions:

7.2 Key Findings

Key Finding 1

Financial sustainability is inseparable from power and governance structures. The crisis facing civil society financing is structural and political, requiring responses that address not just funding but the power dynamics that determine who controls resources, who makes decisions and who bears risk. As one key informant explained, real change starts when an organisation accepts that success may mean a transfer of responsibilities and a drastic reduction of its own resources. That move, in itself, can build trust and motivate local actors to step in (KII-3).

Key Finding 2

No single alternative resourcing model supporting locally driven action is sufficient; rather, diversified portfolios are needed. There is no one-size-fits-all formula. While the aim should be to maximise local leadership, ownership and decision making, the pathways for achieving this will vary depending on context, mandate, organisational role and ecosystem dynamics. The funding models examined in this paper — from pooled funds and faith-based giving to community savings mechanisms and social enterprise — each carry distinct trade-offs, and their applicability varies by organisational type, mandate and operating environment (see Table 3). Any approach must be context-specific, informed by a political economy analysis and a genuine understanding of the ecosystem.

Key Finding 3

The role of ICSOs is shifting from implementers to enablers within a broader ecosystem. The available evidence challenges the dichotomies of reform versus transformation and international versus local. Genuine and sustainable change appears to happen in a continuum where top-down reforms (such as donor policy shifts) meet bottom-up innovation (such as community-led financing) and where international and local capacities collaborate rather than competing for space. This shift requires genuine trust and transparency, shared intentionality about objectives, robust monitoring frameworks for accountability and sustained commitment beyond project funding cycles.

The in-depth desk review and expert interviews conducted for this white paper also reveal a diverse understanding of the challenges and possibilities of localisation among practitioners. ICSOs tend to see donor policies as the key constraint, while local and community-based organisations more often identify ICSOs' institutional mindsets and approaches as the primary barrier to localisation. Organisational self-interest remains a recurring theme across the literature and interviews. Key informants expressed concerns that donors' commitments may be undermined by political interests, ICSOs may be reluctant to engage in processes that question their business model, and local CSOs may prefer competition for smaller grants to embracing changes that bring risk and uncertainty.

Despite the challenges of the current funding landscape, this study has identified a rich and lively space in which agencies are experimenting, testing and operationalising new approaches. These models offer opportunities for further learning, provided that self-interest is openly acknowledged rather than obscured by policy language.

> **In fact, despite the diverse views uncovered in this analysis, common agreement seems to exist regarding certain key elements and lessons learned, including:**

- Genuine trust and transparency are essential for any localisation process, especially those related to funding and resource mobilisation.
- Any funding approach or model should be context-specific, informed by and designed in accordance with a solid political economy analysis and an in-depth understanding of the ecosystem.
- Any funding approach or model should be actor-specific, informed by and adapted to the objectives and means of the stakeholder leading the efforts.
- Any funding approach or model should be introduced based on a genuine, shared intentionality that answers the questions of Why are we doing this? and What are the consequences for both international and local CSOs?
- Any funding approach or model should be accompanied by solid monitoring, evaluation, accountability and learning frameworks to ensure accountability to the interested populations and communities.

Finally, **time is essential.** Structural changes do not happen overnight, and they require commitments and efforts that go far beyond the usual duration of a project funding cycle.

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Together, we strive to ensure that civil society remains strong, connected, and capable of advancing justice and dignity for individuals and communities worldwide.

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List of Key Informants

Code	Role / Profile	Organisation Type
KII-1	**Senior advisor, participatory grant making and civil society strategy**	Independent / Advisory
KII-2	**Senior specialist, ICSO localisation and partnerships**	Large ICSO
KII-3	**Localisation expert, international network transformation**	International network / Federation
KII-4	**Independent consultant, CSO financial sustainability**	Independent / Consultant
KII-5	**Researcher, humanitarian funding ecosystems and pooled funds**	Research institution
KII-6	**Expert on local actors, Ukraine humanitarian response**	Field-level / National CSO perspective
KII-7	**Expert on local actors, Türkiye humanitarian response**	Field-level / National CSO perspective



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