

Stanford SOCIAL INNOVATION^{REVIEW}

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The Top-Down, Bottom-Up Development Challenge

Do international development projects designed and managed at the grassroots level perform better than those managed from the outside?

By Ken Banks | December 11th, 2015 | [Link](#)

Earlier this month, I stumbled onto a post on Chris Blattman's website provocatively titled "[Is this the most effective development program in history?](#)" In it, he shares the story of how, in 2011, the Nigerian government handed out \$60 million to 1,200 Nigerians—that's about \$50,000 each—to help them create, run and/or scale a business. According to that post, "Three years later there are hundreds more new companies, generating tons of profit, and employing about 7,000 new people." Not bad for a reasonably modest amount of money.

Although I see the Nigerian government's action as more of an investment program than a development initiative, I agree with Blattman that it was effective. What if the international development and philanthropic communities directed more funds to the middle and the bottom, and let market forces and entrepreneurialism in the countries where we focus take over?

Arguments for Local Investment

Today I read another post that posed a similar question, this time on the Guardian Global Development Professionals Network. In "[Five reasons funding should go directly to local NGOs,](#)" Jennifer Lentfer—creator of [how-matters.org](#) and director of communications at International Development Exchange—argues that philanthropy should channel more funding directly to local innovators, NGOs, and social entrepreneurs on the ground in developing countries. To put things in context, only about 1 percent of humanitarian aid goes directly to local organizations and individuals in the global south at the moment. The rest goes through what [Dhananjayan Sriskandarajah](#) calls "fundermediaries"—larger global development players who then "trickle" it down (or so the theory goes).

Lentfer's call for more local funding is based on five arguments:

1. While outsiders struggle with concepts such as "community participation" and "local empowerment," local individuals and organizations—"dedicated and embedded local partners"—often understand them completely. These individuals are, as Lentfer wrote, "working hard to understand and address their own problems."
2. Local organizations are part of the social fabric of the communities they serve. As a result, they are often more vested in developing meaningful, sustainable, long-lasting solutions than are organizations based in other locations.
3. The larger the (outside) institutions, the more funds they need to divert to their own operational budgets to sustain their staff, and pay for offices and other associated costs.

4. Most local institutions—free from the burden of annual reports, log frames (frameworks to design and assess international development projects), and three-year funding models—can be far more action-focused and have greater staying power than outside, larger institutions.
5. There is proof, albeit in low quantities (because of the lack of direct funding at this level) that "grassroots grantees get results."

Reasons Not to Fund Local NGOs

In a [separate post](#), Dhananjayan Sriskandarajah shares five excuses donors give for not funding local NGOs directly. Some avoid local funding because they believe that local NGOs don't have the expertise or capacity to meet proposal and reporting requirements. Some say that it is too expensive to administer the smaller grant amounts suitable for smaller organizations. Others maintain that funders need to channel grants through "trusted partners to manage risk, or that money laundering and anti-terror rules make it hard to give to "non-trusted partners." Finally, some say that they are pressured to fund organizations in their home country (for example, organizations that more often than not are also located in the global north).

A Proposal to Settle the Issue

I have been arguing for more direct support for local innovators, social actors and NGOs for well over a decade, so each of these posts resonated strongly. It has also been a central part of my argument that we [build tools that local organizations can take and use on their own terms](#).

Of course, not all international NGOs are the same, and not all grassroots organizations are the same, either. But if there's evidence that in certain circumstances local players have a better chance of achieving a desired impact, often for less money, then it's right and proper that we investigate further.

In that spirit, I propose that the philanthropic community conduct a "Fixing Development Challenge," modeled on the same types of competition where investors start with the same amount of money and aim to turn it into as much as they can within a fixed period of time. It would need to be a fairly long-term experiment, and it could go something along the lines of:

1. Identify half-a-dozen international "fundermentaries" (organizations based outside of the local community they aspire to help).
2. Identify half-a-dozen grassroots NGOs (organizations working "from within").
3. Determine a modest starting-funds budget—the same amount for each organization.
4. Ask each receiving organization to articulate where and how they will spend the money (via a short proposal).
5. Using an independent evaluator, take some baseline data based on those proposals.
6. Disburse the funds.
7. Come back in a predetermined period of time (at least three years).
8. Using an independent evaluator, carry out some monitoring and evaluation to assess results. We would want to know, for example: Which projects are still running? What impact have they had? What changes have they helped facilitate? How sustainable are they? What changes have there been in the community they serve? How did the various approaches of the local organizations differ from one another? How did the various approaches of the "outside" NGOs differ? What conclusions can we draw from all of this?

We wouldn't have much to lose by trying out an experiment like this, but we would have a whole lot to gain. Of course, if we learned that projects designed and managed at the grassroots level performed better overall than those managed from the outside, the international development community would have some awkward and difficult questions to answer.

And if the international community does better? Well, then it's just business as usual.