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# **GOVERNANCE AND DEVELOPMENT**

## **WORKING PAPER SERIES**

**Localisation: what could it mean for contractors?**

Graham Teskey and Priya Chatter

Issue 13, March 2022





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## Foreword

Covid-19 has forced localisation to the top of the development agenda. This is welcome. It is a topic that is hard to be ‘against’ (although some are): all of us working in development want to see progress here. But as this paper shows, there are real questions about the feasibility of some aspects of localisation. We are living in a world where nation states are more competitive and assertive of their national interests. There is not unanimous political or popular support for ‘overseas aid’, and stories of thousands of “our tax dollars” misappropriated in a foreign land will receive greater media coverage than millions of dollars in tax revenues being avoided by the rich and famous back home. It is thus absolutely right that our funding clients pay the highest attention to fiduciary management. But as this paper demonstrates, there are areas where progress on localisation can be made. The diagnostic tool described in section 6 will not answer all of our questions and concerns regarding the potential more effective and meaningful localisation, but it may help in creating a more structured and rigorous debate.

**Jacqui de Lacy**

Managing Director  
Canberra  
March 2022

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# Localisation: what could it mean for contractors?

Graham Teskey and Priya Chattier

## 1. Introduction: why localisation, and why now?

1.1 **Two factors have combined to catalyse a modest degree of soul searching regarding localisation in the international development community** - the first is Covid-19 and the second is the Black Lives Matter movement.

1.2 **Winston Churchill and Rahm Emanuel are both credited with remarking that “a good crisis should not go to waste”**. The last two years have certainly created a crisis for the mainstream development industry. The global pandemic that is Covid-19 has caused most travel to cease, disrupting the seemingly endless stream of monitoring missions, mid-term project reviews, and end of term evaluations. It is not that this work has stopped; rather it is that the work has been done either remotely or locally by nationals. This has prompted international contractors (private suppliers or NGOs) and donors to reflect on the extent to which they are reliant on international technical assistance (TA) to design, deliver, and report on program performance.

1.3 **The second catalyst is the Black Lives Matter (BLM) movement**. The movement, fueled by racial uprisings in the US and across the globe in 2020, forced the aid sector to take a look at itself and to call out some of its own colour blindness and ingrained discriminatory practices. Scholars and commentators have argued that international development suffers from a ‘white gaze’ problem in which whiteness is considered as the standard category against which non-white people are judged.<sup>1</sup> As the BLM protests evolved globally those working in international development were forced to confront the uncomfortable reality of structural racism in our aid work.

1.4 **As a result, aid and development have come under fire for perpetuating systematic power imbalances through ‘white gaze’ development thinking and practice**. This global movement has not only exposed racial and gendered fault lines within the architecture of international development, but also asymmetrical power relations across the wider aid ecosystem. For instance, the global aid industry still replicates Global North versus Global South power dynamics that often privilege and promote Western views of the world over communities they support. As a result of these ongoing conversations about the localisation of aid, intertwined with race, there is now an interest in shifting towards funding locally driven and locally led approaches to development. The ‘white saviour complex’ of development is under attack. But the question remains: to what extent can aid funding practices be transformed better to serve local communities?<sup>2</sup> A recent report, *Catalysing locally led development in the UK aid system*, highlighted the need to decolonise and decentralise development aid in order to be more equitable, and locally led.<sup>3</sup>

1.5 **The COVID-19 pandemic has forced the development sector to recognise and redress inequities in procurement policies and funding partnerships**.<sup>4</sup> This moment has provoked growing demands from donors to reform aid architecture, culture, and procurement practices that are driven by locally led approaches and in partnership with local actors, leaders, and partners.<sup>5</sup> Despite not having a formal policy, Australia’s DFAT requirements for localisation vary across the tenders issues over the past year: all tenderers must submit a Localisation Participation Plan with a strong focus on locally-led and driven development that maximises local expertise and the use of local suppliers for goods and services over the duration of the contract. DFAT’s

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<sup>1</sup> Robtel Naejaj Pailey (2020) ‘De-centering the ‘white gaze’ of development’, *Development and Change*. Vol 51(3):729-45. Accessed on 16/08/21 <<https://onlinelibrary.wiley.com/doi/abs/10.1111/dech.12550>>

<sup>2</sup> Save the Children (2021) Time to decolonise aid: insights and lessons from global consultation. Peace Direct, Adesco Alliance for Peacebuilding, Women of Color Advancing Peace, Security and Conflict Transformation. Accessed on 16/08/21 <<https://resourcecentre.savethechildren.net/node/19456/pdf/time-to-decolonise-aid.pdf>>

<sup>3</sup> BOND (2021) Catalysing locally led development in the UK aid system. Accessed on 18/08/21 <[https://globalfundcommunityfoundations.org/wp-content/uploads/2021/07/CatalysingLocallyLedDevelopment\\_BOND.pdf](https://globalfundcommunityfoundations.org/wp-content/uploads/2021/07/CatalysingLocallyLedDevelopment_BOND.pdf)>

<sup>4</sup> Accessed on 16/08/21 <<https://www.devex.com/news/usaid-to-push-localization-counter-china-s-influence-power-says-100383>>

<sup>5</sup> BOND (2021) Catalysing locally led development in the UK aid system. Accessed on 18/08/21 <[https://globalfundcommunityfoundations.org/wp-content/uploads/2021/07/CatalysingLocallyLedDevelopment\\_BOND.pdf](https://globalfundcommunityfoundations.org/wp-content/uploads/2021/07/CatalysingLocallyLedDevelopment_BOND.pdf)>

Localisation and Social procurement benchmarking study outlines other donor or private sector approaches and best practices to embed localisation and social responsibility across the wider aid program.<sup>6</sup>

### 1.6 This paper has three purposes:

- to summarise what Abt national staff told us about localisation and what it means to them;
- to propose a simple diagnostic tool to help practitioners reflect more systematically and rigorously on the extent to which ‘their’ programs and projects aid and abet the localisation agenda; and
- to consider politically feasible options for donors who wish to advance this agenda: just what reasonably can be expected in current circumstances?

1.7 **Consistent with all our governance work in Abt, our point of departure is political economy.** Our approach is based firmly on our understanding of *real politik*: that most bilateral donors, most of the time will prioritise five elements in their aid programs. They will wish to:

- minimise and outsource risk;
- retain strategic control and oversight;
- minimise real or perceived misuse of funds;
- maximise what can be claimed (attributed); and
- secure some direct national advantage

1.8 **It is not only donors that have (legitimate) interests and incentives:** managing contractors like Abt have too. Paragraph 2.1 below frames localisation – fundamentally - as being about the transfer of power and authority, from ‘us’ (we write as employees of a ‘northern’ development organisation<sup>7</sup>) to ‘them’ (individuals and organisations in partner countries in the global south<sup>8</sup>). Once acquired, power and authority are hard to give away. Political economy tells us interests and incentives are powerful drivers of individual and collective behaviour. While donors remain the main clients for managing contractors like Abt, the contracts we sign and the commitments we make will determine our organisational behaviour and reduce the incentives we have to lessen the extent of our own control. The barriers to effective localisation may be inherent in the overall development system, rather than in any malevolence on behalf of ‘northern’ actors.

1.9 **Given this environment, the paper will outline options for international aid contractors, be they private companies like Abt Associates or international NGOs.** What have we learned about ‘localising development’ over the past two years? What lessons can we infer from the rhetoric and practices of our main clients – DFAT and the UK’s Foreign and Commonwealth Development Office? Just what can realistically be expected of these two increasingly nationalistic donors?

1.10 **The paper has five further sections.** Section 2 frames the idea of localisation, Section 3 provides a very short summary of the debate. Section 4 reports what we told by our national staff in Papua New Guinea, Indonesia, Eastern Europe, Timor Leste, the Philippines, and Nepal. Section 5 presents what can be thought of as a ‘spectrum’ of localisation and applies this spectrum in two very different programs managed by Abt (one in Timor, and the other in Indonesia). Section 5 summarises what can be reasonably expected.

## 2. Framing localisation

2.1 **The first question is to consider what is meant by the term localisation.** This paper does not seek to offer an unambiguous and unequivocal definition. Rather, we suggest that any meaningful interpretation of localisation must reflect first, the transfer of power and authority to local individuals, organisations, or actors, and second, an increased (and increasing) use of local systems and processes. We thus endorse the approach outlined in the 2018 Humanitarian Advisory Group (HAG) report that meaningful localisation must empower

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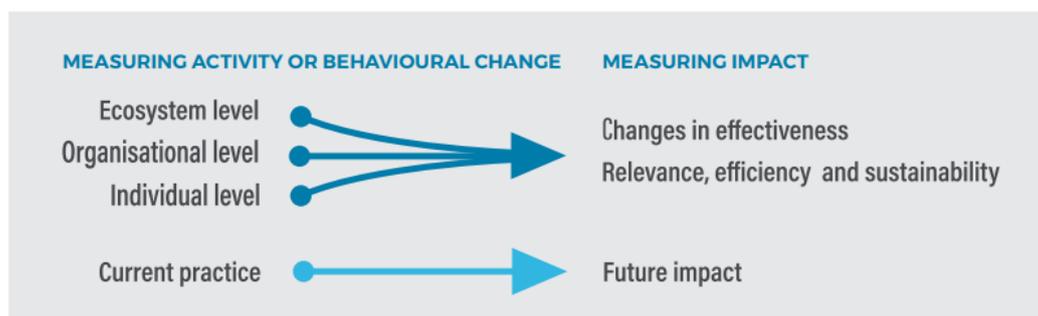
<sup>6</sup> Jayasuria, Dinuk and Stephen Howes (2019) DFAT Research paper on localisation and Social procurement. Unpublished paper.

<sup>7</sup> Even though we are way down south...

<sup>8</sup> Even though all our partners lie to the north of us...

local individuals and organisations, and strengthen the broader ecosystem (the ‘institutions’) in which the intervention or project operates (figure 1).<sup>9</sup>

**Figure 1: Individuals, organisations and the wider ecosystem**



2.2 **Significant parts of the literature focus on capacity building and leadership development as priorities for localisation.** While both these elements are clearly important, we suggest that they can be a distraction to the main objective, which is the transfer of power and authority to local individuals and organisations. Our understanding of the *real politik* of aid suggests that a principal barrier to localisation is the desire of donors to retain fiduciary control and minimise the potential for fiduciary risk. Managing contractors can be seen as one way to circumvent these risks at the price of meaningful localisation. Section 6 of this paper presents a spectrum of options that is aimed at ‘measuring’ the nature and extent of localisation.

2.3 **The literature identifies four rationales for localisation:**<sup>10</sup>

- **Financial argument:** Localisation is more cost-effective. National actors are cheaper than international ones, and funding them directly reduces transaction costs. But it also introduces other costs such as costs of capacity building and setting up fiduciary systems;
- **Ethical arguments:** Localisation should be built on equitable partnerships that treat local and national actors’ equal partners who make necessary and valuable contributions to the collective effort, and often do significant parts of the work, sometimes at high risk; and
- **Strategic arguments:** The strategic objective of all international cooperation is to support and enhance the capacities of those ‘receiving’ international assistance so that they can deal with these situations by themselves. This is in the medium-term financial interest of the donors;
- **Aid effectiveness and sustainability.** Local leadership, and local ownership is likely to deliver more effective aid and therefore more sustained outcomes.

2.4 **Since the World Humanitarian Summit in 2016, there has been some progress regarding localisation commitments, initiatives, frameworks, and projects generating evidence, and identifying what works and what does not.** The Humanitarian Advisory Group (HAG, 2018) report *Intention to Impact: Measuring Localisation* summarised existing approaches to measure progress on global and regional initiatives.<sup>11</sup> Globally, approaches to measuring localisation are both quantitative and qualitative, for example increasing funding to local and national actors, reporting on areas such as decision-making in partnerships and also including local capacity, access to information and participation in decisions.<sup>12</sup>

2.5 **The Start Fund – a consortium of UK humanitarian agencies - proposed seven dimensions of localisation** (figure 2).<sup>13</sup> While this is useful for identifying the multiple dimensions to which the idea of

<sup>9</sup> HAG 2018 ‘intention to Impact: Measuring Localisation’

<sup>10</sup> Disasters and Emergencies Preparedness Programme (2018) *Localisation in practice: emerging indicators and practical recommendations*, pp. 16-17. Accessed on 30/04/21 < [https://www.preventionweb.net/files/59895\\_localisationinpracticefullreportv4.pdf](https://www.preventionweb.net/files/59895_localisationinpracticefullreportv4.pdf)>

<sup>11</sup> Humanitarian Action Group (2018) *Intention to Impact: Measuring Localisation of humanitarian action in the Pacific*

<sup>12</sup> Ibid

<sup>13</sup> Source: Start Network, The Start Fund, Start Network and Localisation: Current Situation and Future Directions, April 2017

localisation’ must apply, it does not provide a sufficiently useful framework for planning and measuring localisation for Abt operations. So we decided to make one up for ourselves.

**Figure 2: The Humanitarian Advisory Group’s seven dimensions of localisation**

FUNDING	PARTNERSHIPS	CAPACITY	PARTICIPATION REVOLUTION	COORDINATION MECHANISMS	VISIBILITY	POLICY
25% As directly as possible Better quality	Less sub contracting More equitable relationships	Institutional development Stop undermining local capacity	Participation of crisis affected communities Inclusion: Gender, age, disability.	National actors have greater presence and influence	Roles, results and innovations by national actors	National actors greater presence and influence in international policy debates

### 3. A (very) short summary of the debate

3.1 **The idea of localisation is not new – it is just that Covid and BLM have pushed it towards the top of the development agenda.** Over the last decade, there has been a big push in the US Agency for International Development’s (USAID) Implementation and Procurement Reform to localise more aid by strengthening systems and organisations in partner countries. In 2010, USAID announced a policy that required 30% of its contracts and grants to be administered directly by local implementing partners or locally engaged entities. In November 2021, Samantha Power committed that 25% of USAID funding would go to local partners within the next four years. Today, that figure is closer to 6%.

3.2 **In 2012, an ODI research project on localising aid and aid effectiveness found mixed evidence, with the following headline messages:**<sup>14</sup>

- localising aid to the state can work in all country contexts;
- there is mixed evidence on the overall importance of localising aid;
- most donors should localise more aid;
- more aid should be localised to the private sector;
- international civil society organisations have an important role to play;
- there is more than one route to aid effectiveness;
- localised aid is no more risky than non-localised aid;
- this implies that this finding may also be true in countries with better-functioning institutions.
- information and research on aid effectiveness remains elusive and poorly shared;
- the complexity of systemic change should be operationalized by donor agencies; and
- donors should focus more on principles and human capital than rules.

3.3 **Localisation of development for humanitarian aid and peacebuilding efforts were given a big push by the ‘Grand Bargain Commitments’ agreed at the 2016 World Humanitarian Summit.** The agreement set out commitments by major international humanitarian and civil society actors to address unequal global-local power dynamics through the provision of more support and funding to locally led approaches (see section 3). The first Grand Bargain initiated eight workstreams. The Grand Bargain 2.0 (2021) takes stock of progress across these workstreams and refocuses efforts towards two enabling priorities: quality funding and localisation.

3.4 **Our literature review for this paper revealed that there are modest examples of change, but overall progress remains slow and there is little evidence of structural or systemic change.** There is clarity in the literature about the justifications and motivations for localisation, the overall intent of localisation, and how it could translate into operational practices. However, evidence suggests that the impact remains limited and patchy. While there is some evidence that localising aid can lead to strengthening the capacity and accountability of local actors, it remains unclear what ‘as local as possible and as international as necessary’

<sup>14</sup> A series of papers by Jonathan Glennie, Alistair McKechnie, and Gideon Rabinowitz

actually means in practice and what should be measured. Local and national actors are cautious of this oft-quoted slogan<sup>15</sup> – based on the rationale that local and national agencies have ‘low’ capacities and therefore need an active international presence in country. Some local, and national actors simply do not feel ‘entitled’ to direct funding or ‘empowered’ to take on leadership roles. There remains a lack of evidence suggesting whether the need to rely heavily on international technical capacity will ‘reinforce’ or ‘replace’ local and national capacities. The *Localisation in Practice* report noted a range of contextual (country, sub-national area, cross-border) factors that either create a more enabling or constraining environment for localisation, and how these interrelated factors lead to different localisation pathways and progress towards a ‘participation revolution’ and ‘reinforcement’ of local/national capacities in different contexts.<sup>16</sup>

### 3.5 Common themes to emerge from the literature review include:<sup>17</sup>

- programs with low proportions of localised aid are likely to be operating sub-optimally and should be increasing their localised aid content;
- the inability or reluctance to localise aid should be viewed as a significant weakness in an aid program portfolio;
- localisation is harder in fragile states, but that is increasingly where aid is going. However, localised aid is still able to play a positive role in most fragile contexts, (where weak institutions are more common) and middle-income countries (where donor relationships are less dominant),<sup>18</sup>
- donors should internalise complexity and share information.<sup>19</sup> Incentives are not in place to promote longer-term engagement rather than short term impacts. Donors must internalise an understanding of the long-term, complex, and political nature of aid programming when adopting localised aid;
- donors should insist on country programs delivering a strategy balancing short-term results and long-term systemic change, demonstrating that systems strengthening has been contemplated and discussed. The importance of ‘50-year thinking’ to complement three (or possibly five) -year time horizons;
- donor agency management should signal that systems strengthening outcomes are a priority alongside shorter-term results, and should be mainstreamed throughout the organisation in program results frameworks and performance contracts;
- frequent and rapid turnover of donor in-country staff may be incompatible with the development of strong in-house understanding of complex political realities;
- locally led development cannot ignore issues of power and donor incentives and the need to draw on systems thinking and power analysis to understand why localisation is ‘not’ happening and to learn from positive outliers that demonstrate what localisation could look like in practice.,<sup>20</sup> and
- the danger of elite capture and the creation of ‘NGOs’ whose sole aim is to win donor contracts and to curry favour.

## Recent bilateral donor perspectives

3.6 **Localisation has pushed its way towards the top of the agenda for the three main bilateral agencies with which we in Abt work: USAID, the FCDO in the UK and DFAT in Australia.** In December, the new USAID Administrator, Samantha Power, made a speech in early December 2021, where she focused on the implications for U.S. companies: “We know after decades of effort and evaluation, much of which you’ve been a part of, that locally led development supports local institutions in the most effective manner and nurtures sustainability, prioritizes the perspectives and preferences of those we hope to serve — recipient

<sup>15</sup> Disasters and Emergencies Preparedness Programme (2018) *Localisation in practice: emerging indicators and practical recommendations*, pp.5. Accessed on 30/04/21 < [https://www.preventionweb.net/files/59895\\_localisationinpracticefullreportv4.pdf](https://www.preventionweb.net/files/59895_localisationinpracticefullreportv4.pdf)>

<sup>16</sup> Ibid

<sup>17</sup> Jonathan, Glennie and Gideon Rabinowitz (2013) [Localising Aid: A whole of society approach](#).

<sup>18</sup> The first three bullet points might need a bit of unpacking around: Why is it harder in fragile states but at the same time the benefits more positive? Why programs with low proportions of localised aid operating at sub-optimal level. See ODI papers.

<sup>19</sup> See ODI paper on [Localising aid: sustaining change in the public, private and civil society sectors](#) that looks at the health systems of three diverse countries: Guatemala, Liberia and Uganda.

<sup>20</sup> Green Duncan, (2021) Some good ideas on promoting locally-led development in the UK aid system. Accessed 18/08.21 < <https://oxfamapps.org/fp2p/some-good-ideas-on-promoting-locally-led-development-in-the-uk-aid-system/>>

governments<sup>21</sup>, civil society organizations, and host country professionals”. Power noted that after years of debate (one could substitute ‘inaction’ in place of ‘debate’), the time has come for meaningful action on localisation. Power noted the challenges: the time involved in working with local organisations; the regulatory paperwork that local organisations struggle to deal with; and the risk of overwhelming a small organisation with large volumes of funding. Power noted that USAID has set a 25% target for funding to local organisations, with a further target aiming to have 50% of funding include local voices. The second target will surely be challenging – or it will skew the nature of USAID programming: that half of every dollar USAID spends must go toward putting local communities in a lead on projects. It will be interesting to track this USAID initiative.

**3.7 In the UK, the long-awaited<sup>22</sup> International Development Strategy is due to be published in the northern Spring.** It is not known the extent to which localisation will feature. If the record of the last eighteen months is anything to go by, the strategy will be heavy on rhetoric (“a network of liberty spanning the globe”) and light on detail and specifics. The UK Parliament’s International Development Committee has written to the Foreign Secretary, noting that “There is a widespread acceptance that it is time for power relations within the sector to be challenged and more funding should go to local organisations”.. The letter said that there was a “need for recipient countries<sup>23</sup>, communities and local organisations to be able to play a much more significant role in designing and implementing aid programmes..... the aid program.... should seek to build authentic partnerships with the communities where programmes are delivered, including the most marginalised individuals ... to ensure they have genuine decision-making power.” The references to power are welcome. Implementation will be the key. One has to ask what are the incentives in both USAID and in the FCDO to give power and authority away?

**3.8 There have been no comparable high-level policy commitments made by Australia.** The Australian NGO Cooperation Program (ANCP) details the progress made towards localisation through NGOs.<sup>24</sup> Proposing meaningful local procurement processes and practices are now required when bidding for DFAT contracts, which is welcome. However there does not appear to be any policy commitment to address the imbalance in power and authority which lie at the heart of the localisation agenda.

**3.9 As a consequence of this vacuum, we decided to understand some of these interpretations, complexities, and challenges by asking our national staff what they thought: what does localisation mean to them?** Is it happening? What opportunities are we missing? Are there examples of effective localisation practice across the project cycle? What more must we do? In order to find out we held a series of both one-to-one and ‘focus group’ type discussions with colleagues in Papua New Guinea, Timor Leste, Nepal, the Philippines, Indonesia and Eastern Europe. Findings are presented in the next section.

## 4. What our program staff told us

**4.1 In the previous working paper<sup>25</sup>, Abt national program staff identified eight related elements that collectively constitute meaningful localisation.** All are related and none are more important than others (figure 3). It is noteworthy that interlocutors in all six countries provided a remarkably consistent set of responses.

- **local actors, processes and relationships must drive change.** A unified response was that localisation must constitute an empowering process centered on ‘transferring power to local partners and national actors so that they have the opportunity to decide, participate, contribute, and learn from each other that ultimately leads to sustainability over time’;

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<sup>21</sup> It is disappointing though to hear continued use of the term ‘recipient governments’. Language matters; it is political. A recipient is a person or an organisation that receives, passively, a gift from the giver. UNDP argued against this term decades ago, preferring the language of partners and the practice of partnership.

<sup>22</sup> By some anyway....

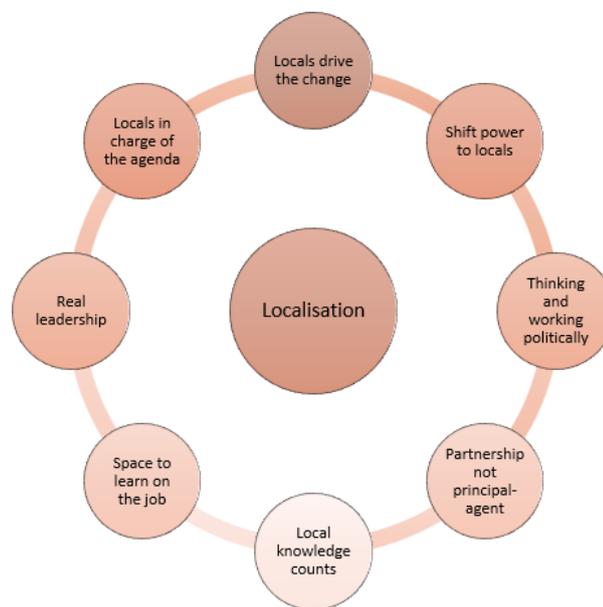
<sup>23</sup> Again!

<sup>24</sup> <https://www.dfat.gov.au/sites/default/files/localisation-and-the-ancp-2019-20.pdf>

<sup>25</sup> Chatter et al, 2022, “What does locally-led development look like in practice? Insights and lessons from national leaders”, Abt Associates Governance and Development Working Paper, Issue 11.

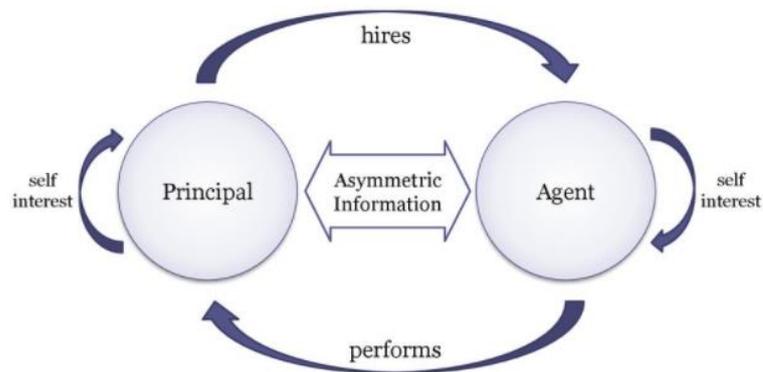
- **a shift of power and authority:** addressing power imbalances and transferring power and authority lies at the core of localisation. Without some transfer of power and authority localisation will remain rhetorical and meaningless;
- **thinking and working politically:** understanding the ideas, incentives, and interests of key decision-makers (both political and officials) is critical for effective program delivery. Localisation will require locals not only to understand the contemporary political economy, but also the ability to manoeuvre through those dynamics;
- **take the time and make the effort to encourage learning on the job:** program colleagues felt strongly that the rhetoric of localisation and capacity building must shift towards practical opportunities that enable local staff and agencies to demonstrate their capacity. ‘Capacity’ is best built by the opportunity to manage resources and learn on the job, possibly alongside (but not subordinate to) ‘international’ TA;

**Figure 3: What we heard from program staff**



- **local knowledge counts:** interlocutors noted the tendency within the international development community to privilege a ‘Western’ world view of how development happens, and this takes precedence over national technical capacity, expertise, and knowledge. Assumptions are often made which assume a ‘deficit in technical knowledge’. From the outset this can create a ‘we versus them’ narrative in the work place;
- **partnership not principal-agent:** an oft-mentioned issue was the lack of meaningful partnership between the donor and ourselves (Abt Associates) as the managing contractor. We have been contracted to be the agent of the donor (the principal) as in figure 4. In these relationships, the agent (the implementing partner) does the bidding of the client (the donor) who retains power and authority. In such arrangements the agent – be they international or local – are not able to exercise any meaningful power and authority;

Figure 4: Principal – Agent relationships, not partnerships



- **the role of leadership – formal and informal:** the business management literature demonstrates that power and influence in an organisation takes two forms: positional and personal. They may coincide but equally they may not. All our interlocutors felt that the dominant development model assumed, by default, that international staff were almost always required by bilateral donors. There was a consensus that donors have a fixed view of what a team leader should look like – usually one who looks rather like them – someone who writes crisp, clear English and can argue confidently and eloquently with senior local decision-makers. Respondents encouraged donors (and managing contractors) to consider other leadership models; and
- **who drives the localisation agenda in-country?** The question of local leadership is not only about the nationality of local program staff but the salience of solutions that are locally negotiated and informed by local actors. It is also about local project leaders and actors who are sufficiently politically informed to operate effectively in the local context and drive locally led solutions. One interlocutor remarked that flexible funding modalities which support iterative problem-solving approaches often allows locals gradually to take ownership and leadership. This element of contextualising development solutions from design to delivery can be missing in the localisation discourse.

## 5. The spectrum of localisation

5.1 The interpretation of localisation presented in this section is based on two factors: first, our understanding that the transfer of meaningful power and authority must constitute the core of any localisation agenda; and second, that effective localisation will have impacts on, and implications for individuals, organisations and the wider eco-system (figure 2 above). Withdraw power and authority and the debate is meaningless. Based on our discussions with colleagues, the literature, and our experience to date, we would suggest that there are four dimensions of meaningful localisation: Systemic, Strategic, Spending and Staffing. We call these the four Ss:

- **'Systemic'** refers to the extent to which individual donor investments are integrated into the host government's national planning and budgeting system;
- **'Strategic'** refers to the extent to which investments are designed by the host, including its overarching goal and the choice of the specific activities to be funded;
- **'Spending'** refers to the system for financial management, control, and procurement; and
- **'Staffing'** refers to how staff will be appointed, remunerated and managed.

5.2 There will be a range of possibilities in each of these four dimensions. We identify four:

- **'Localisation Proper'** refers to the situation where full power and authority over all aspects of the project are passed to the host or its chosen implementing agent, be it a government agency, private company or NGO;

- **‘Co-Creation’** refers to the host and the donor engaging as full and equal partners in investment selection, design, and implementation;
- **‘Consultation’** refers to the donor merely requesting the views of the host, with no commitment to take those views into account; and
- **‘Stasis’** where the donor takes full responsibility for the four Ss.

5.3 **It should be noted that the idealised ‘Pure Localisation’ possibility represents a fundamentally different development model as compared with the the other three.** Its adoption would require a complete break with current approaches. Transferring full power and authority to local actors means they become subjects of their own development, rather than objects of the donor’s. One further point should be made regarding Pure Localisation – and this relates to the increased danger of elite capture. For these two reasons alone we see Pure Localisation as unlikely, if not impossible, in the foreseeable future.

5.4 **Combining the four dimensions of localisation (systemic, strategic, spending and staffing) with the four possibilities (Localisation Proper, Co-creation, Consultation and Stasis) generates a 16-cell matrix which can be used to judge progress being made, and more importantly, where it is being made** (figure 5). Assessing project or program performance using this framework does not have to be subjective. By appropriately specifying the important elements that constitute effective and meaningful localisation, it is possible to reach judgements made on empirical data. In figure 6 the bullet points under each of the four S’s list what we suggest are the three key elements of each ‘S’. The ‘Systemic’ criteria, for example, identifies the selection and approval process (who chose the investment?), whether or not the investment is in the national plan and reflected in the national budget, and the nature of the project’s oversight mechanism, as the three key features. Answers to these three questions are empirical.

5.5 **The benefit of such a modestly rigorous and methodical approach is that it will enable a discussion on where progress can be made, project by project.** Clearly donors will have ‘red lines’. In some dimensions ‘Localisation Proper’ will not be politically feasible, even if developmentally desirable. Some aspects of ‘Spending’ for example may rarely reach beyond the ‘Consultation’ or ‘Co-Creation’ dimensions, while aspects of ‘Systemic’ and (some) elements of ‘Staffing’ may indeed achieve ‘Localisation Proper’.

5.6 **At the risk of suggesting a spurious degree of accuracy, this matrix could be pushed further and turned into a scorecard.** Each of the twelve elements could be accorded a score, with 1-2 marks awarded under the ‘Stasis’ dimension, 3-5 under ‘Consultation’, 6-8 under ‘Co-Creation’, and 9-10 under ‘Localisation Proper’. A total score of 120 is thus theoretically possible – a full mark of 10 for each of the twelve elements.

5.7 **For illustrative purposes only, we compared two DFAT-funded, Abt Associates-managed programs, one in Indonesia, and one in Timor Leste.** The former is a middle-income country, with a population of over 250 million and a highly skilled human resource endowment. The latter is a ‘fragile state’, only twenty years into its independent existence, with a population of slightly over one million, and where individual skills and competencies are scarce. To what extent do these contextual factors affect the possibilities for localisation?

Figure 5: The localisation spectrum

Dimension	Stasis The default 'principal-agent' relationship, where the donor retains control of all aspects of the investment	Consultation Donor consults local partners but is not bound by their preferences	Co-creation Local partners considered as equals and agreements are negotiated	Localisation Proper Where responsibility for all aspects of the investment are in local hands
<b>Systemic</b> <ul style="list-style-type: none"> <li>Selection and approval process</li> <li>On plan, on budget</li> <li>Oversight mechanism</li> </ul>	Investment selected by donor and (possibly) presented to host for information. No local funding considered, Donor designs and leads any (optional) oversight mechanism.	Host informed of investment. Unlikely to be any local budget inputs. Donors designs oversight arrangements and informs the host accordingly	Investment may not be in Plan but agreement reached with host. Any host funding included in national budget. Oversight arrangements agreed.	The investment is in the National Plan, and host funding is on budget. Approval conforms to national processes, and host government leads the oversight mechanism.
<b>Strategic</b> <ul style="list-style-type: none"> <li>Design: Goal and Activities</li> <li>ToC and MEL system</li> <li>Implementing partners</li> </ul>	Donor identifies Goal in line with its own strategic interests, and chooses Activities. MEL contracted to home based partner.	Host informed of project design and implementation partners. Views may be requested.	Donor and host agree investment priorities in annual/biannual consultations. Partners responsible for implementation and MEL negotiated.	Design process owned and led by host. ToC and MEL locally designed and implemented through local partners.
<b>Spending</b> <ul style="list-style-type: none"> <li>Funds control and management</li> <li>Accounting and auditing</li> <li>Procurement</li> </ul>	Donor specifies precisely financial management roles, responsibilities and reporting requirements and holds implementing agency to account for their implementation.	Donor informs host of financial management systems, processes, and responsibilities and requests comments.	Host and donor agree distribution of roles and responsibilities for financial management and procurement.	Implementing body (be it a government agency, a private company, or NGO) fully in control of financial management, accounting, and procurement.
<b>Staffing</b> <ul style="list-style-type: none"> <li>Selection, appointment and remuneration of staff</li> <li>Organisational structure and establishment, staff management, including job descriptions and annual work plans</li> <li>Performance reporting</li> </ul>	Team Leader and senior staff appointed by donor. Some limited delegation to implementing agency regarding more junior staff. JDs and Tors require donor clearance.	Donor informs host of process for staff recruitment and reporting, Salary scales remain with the donor.	Host and donor negotiate process for staff recruitment, establishment size, salary scales, and reporting requirements. Responsibility for implementation lies with the host.	Host appoints senior staff and Team Leader who then appoint staff, set up organisational structure and run all operational functions, including staff management and reposting.

5.8 The KOMPAK program in Indonesia is designed to support the Government of Indonesia improve basic services and economic opportunities. This is to be achieved by strengthening core systems and processes within the state to design, deliver, monitor, and learn from its public services programs, mainly health, education, and civil registration, in a decentralised context. KOMPAK seeks to achieve longer-term change in two key *institutions* of the state: first, to incentivise the different levels of the state to work together more collectively, and second, by influencing how evidence and experience is collected and analysed at downstream sub-national level and how that learning is then fed back in to upstream policy deliberation and resource allocation. Thus the vision for KOMPAK was strategic, far-reaching, and demanding. It set out to influence the rules of the game, rather than directly deliver services.

5.9 By contrast, the Partnership for Human Development Program (PHD) in Timor Leste, is designed to support the Government of Timor-Leste to improve the quality and inclusiveness of basic services in health, education, social protection embraces different modalities, compared to KOMAK. PHD seeks to build and strengthen government service delivery systems and processes in ways that will maximise GoTL's capacity to sustainably accept full or partial management of services being delivered by local or international stakeholders over time, as well as undertake reform and or scale up of existing services under GoTL management. In order to do this, PHD utilises combinations of different partners (local and international) to directly and or co-implement components of basic service delivery with and for GoTL. PHD also co-implements on a GoTL Education program and across investments embeds technical resources in the line Ministries that are mostly managed by GoTL.

5.10 Figures 6 and 7 present our 'findings' regarding the extent of localisation in these two programs. They should be read with caution. We are not presenting them as definitive – rather as a means of commencing a discussion on where and how localisation can be progressed. Figure 7 shows that in a relatively advanced county like Indonesia, there are still areas where localisation has a long way to go – principally in the 'Spending' dimension. We scored KOMPAK 10 out of 30 here, whereas in the 'Systemic' dimension we scored the program at 22, and in 'Staffing' at 16.

**Figure 6: A localisation scorecard for the KOMPAK program in Indonesia**

Dimension	Stasis 1-2	Consult -ation 3-5	Co- Creation 6-8	Localisation Proper 9-10	Comment
<b>Systemic</b>					Strategic priorities and workplan agreed by both host and donor.
• Selection / approval			7		
• On plan, on budget			6		KOMPAK is on plan; many activities are co-funded by government at national and sub-national levels.
• Oversight mechanism				9	GoI centrally involved
<b>Strategic</b>					Largely DFAT (consultant) driven design
• Design: Goal and Activities		5			
• ToC and MEL system		3			Little GoI input initially, but substantive in second phase
• Implementing partners			6		Many local implementing partners but all KOMPAK selected
<b>Spending</b>					Funds delegated to KOMPAK. GoI and DFAT approve high-level budget, and KOMPAK reports spending to both
• Funds control and management		5			Largely without GoI; KOMPAK included KOMPAK in some government audits
• Accounting and auditing	2				Significant local procurement but with KOMPAK (DFAT approved) systems
• Procurement		3			
<b>Staffing</b>					Senior team appointed jointly by GoI, DFAT and Abt. Indonesian national is TL
• Selection, appointment and remuneration of staff			8		KOMPAK led, DFAT approved
• Organisational structure and establishment			6		
• Performance reporting	2				KOMPAK led but the performance of international advisers have to be endorsed by GoI
<b>Total Score</b>	<b>4</b>	<b>16</b>	<b>33</b>	<b>9</b>	<b>62 out of a potential 120. This is actually not bad</b>

5.11 As expected, we recorded lower scores for the Partnership for Human Development in Timor (figure 7). KOMPAK registered a total score of 62, whereas PHD recorded 42. The issue is not the scores – the issue is where can we reasonably expect to make progress on localisation? This is discussed in the final section.

**Figure 7: A localisation scorecard for the PHD program in Timor Leste**

Dimension	Stasis 1-2	Consult -ation 3-5	Co- Creation 6-8	Localisation Proper 9-10	Comment
<b>Systemic</b>					
• Selection / approval		3			Initial consultations with the GoTL Strategic and detailed planning is consultative, budget less so but shifting
• On plan, on budget		3			
• Oversight mechanism		4			
<b>Strategic</b>					
• Design: Goal and Activities			6		DFAT (consultant) driven design/ co-creation DFAT/GoTL on new sector investments
• ToC and MEL system		3			Variation across sector designs, with some having heavier GoTL input
• Implementing partners			6		60% of current portfolio are local organisations, selection originates from GoTL, DFAT or PHD
<b>Spending</b>					
• Funds control and management	2				Funds delegated to PHD by DFAT but requests increasingly originate from GoTL
• Accounting and auditing		3			Increasingly more local procurement than international
• Procurement		3			Some local procurement but with DFAT approved systems
<b>Staffing</b>					
• Selection, appointment and remuneration of staff		4			Selection is mixed method between DFAT, GoTL and PHD. TL and Deputy TL (International) and Program Director (National) are selected by Abt and DFAT. 7 nationals sit in senior management positions due to increased localisation in the last 2 years
• Organisational structure and establishment		4			Program structure is GoTL and PHD led, with DFAT approval. Operations structure is PHD/Abt led and DFAT approved. GoTL also on recruitment panels for embedded advisers and GoTL set adviser workplans
• Performance reporting		1			PHD led
<b>Total Score</b>	<b>3</b>	<b>27</b>	<b>12</b>		<b>42 out of a potential 120</b>

## 6. What can we reasonably expect?

6.1 Paragraph 1.7 above noted that our point of departure is political economy. We recognise the many reasons why Localisation Proper is never going to happen: even more modest Co-Creation will present its challenges. Yet if we work through the four Ss, there are openings where effective and meaningful localisation, involving the transfer of power and authority, can be pursued. Some options are presented in figure 8. The list is neither exclusive nor exhaustive.

Figure 9: Issues and options

Dimension	Issues for donors	Options
<b>Systemic</b>		
Selection / approval	May not coincide with donor priorities	Revitalise annual aid talks and give the meeting teeth: to agree the rolling five-year portfolio and discuss progress of existing investments. As well as legitimising the program, such talks could, if handled appropriately, strengthen government to government relations
On plan, on budget	Opens up investment to local political processes and risks delays	Annual talks could allow donors to 'select' from among national priorities and be seen to be supporting host sovereignty.
Oversight mechanism	Could introduce disagreements and cloud the government to government relationship	Each investment to have its own oversight body with a mix of political and technical participation. To be proportionate to investment size .
<b>Strategic</b>		
Design: Goal and Activities	As above - may not coincide with donor priorities. Design may be captured by local elites	Co-Creation is the minimum that can be accepted here. Joint donor-host design team. Can also report progress to annual aid talks.
ToC and MEL system	Locally driven ToCs may underplay or ignore structure and patterning of interests and incentives Locally driven MEL frameworks may focus on Outputs and ignore Outcomes and Goal	As above. There would appear to be few reasons why nationals cannot at minimum participate actively in design work.
Implementing partners	To receive funds local partners must demonstrate fiscal and other compliance	Establish a prima facie case that local partners will be preferred Establish support programs for potential local partners, providing training and mentoring in financial management, systems development health and safety etc Require managing contractors to establish formal corporate linkages with local companies
<b>Spending</b>		
Funds control and management	The major perceived risk: loss of funds through misappropriation, fraud or corrupt practice. A nightmare for all donors and for good reason	Initiate programs that accredit local firms PFM systems
Accounting and auditing	Accounting and auditing are critical and must be external to the project and undertaken by suitably qualified and accredited organisations - whether local or international should not be the issue.	Privilege local accredited accounting and auditing firms
Procurement	Fraud and malpractice. Questions may also arise regarding value for money if locally procured goods and services are sub-standard.	USAID stipulates that some % of funds to be used for local procurement. This is an option.
<b>Staffing</b>		
Selection, appointment and remuneration of staff	Donors have an in-built bias towards their own nationals, especially as 'aid in the national interest' is the dominant narrative. Can we trust locals or third country nationals? How do we find out enough about them?	Co-Creation the minimum objective. Joint recruitment of senior staff. Salary scheme to be jointly agreed. Levels of delegated authority to contractor unambiguously articulated.
Organisational structure and establishment	Incentive to engage excess staff; risk of patronage; absence of quality assurance mechanisms	Organisational structures to be jointly agreed.
Performance reporting	If localised reporting may be anodyne and avoid hard decisions on competence and performance. Risk of nepotism in promotions	Reports jointly overseen by oversight mechanism if appropriate and required.

6.2 The potential for progress is probably at its greatest in 'Systemic' and 'Staffing' dimensions. At a minimum it would seem that 'Co-Creation' is the least we (managing contractors and donors) should aspire

to. 'Strategic' dimensions too should be within our reach. priorities and selection systems and processes. 'Spending' will undoubtedly remain the most unattainable – for a mix of good and bad reasons.

6.3 **The question is whether we managing contractors – as well as donors – want to share our power and authority?** Or actually do we quite like being in charge? As noted in the first section, there are deep interests and incentives embedded in the development system, and it is unrealistic to expect any transformation in the sharing of power and authority. This makes it even more important to make progress where it can be made.



## Abt Associates

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