



A New Model for Funding Local Impact

How 'bottom-up' rather than 'top down' funding can - and already does - drive local impact globally.

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IT IS TIME TO RE-THINK HOW COMMUNITIES THRIVE

International assistance groups distribute billions of dollars every year to improve local conditions. Some of it works. A lot of it doesn't. This money could be spent more effectively.

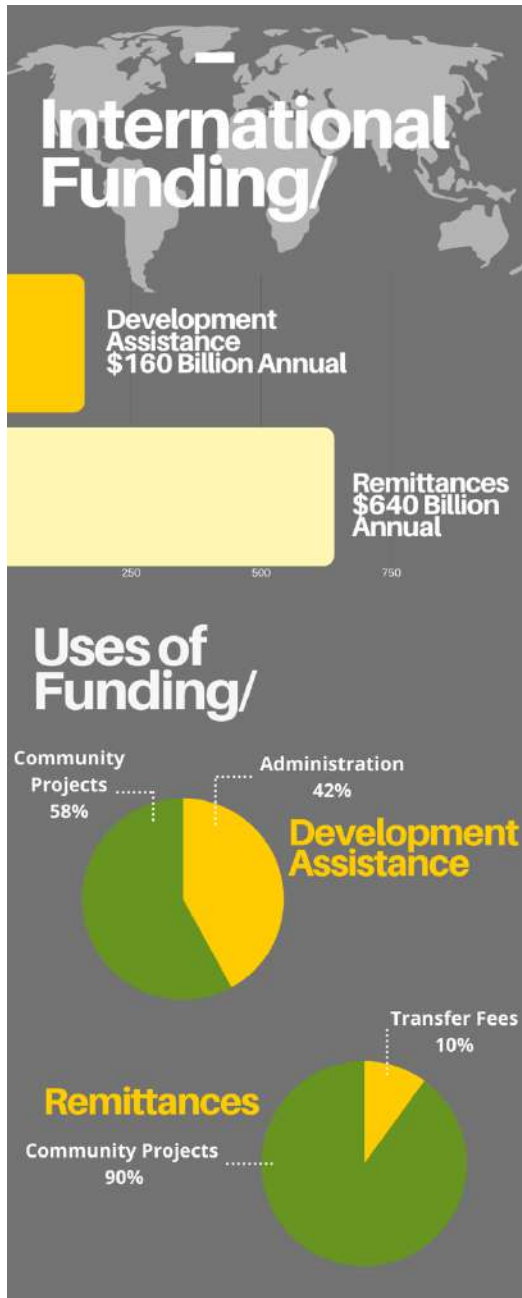
The world and its issues need a new model for how local development funding is distributed, monitored and evaluated for impact.

International and bi-lateral aid agencies and foundations are sending out Requests for Information and Requests for Proposals, hiring consultancies, hosting conferences of experts and doing all the 'right' things to make sure they don't err in their work.

This approach of '*respond to our idea of the solution so we can give you our funding*' hasn't changed a lot over the years. Although a lot of good has been done, too many projects disband when grants end.

A better way to ensure community impact is, we believe, right in front of our nose.

With the greatest respect for the intentions of large givers and aid agencies - including our own decades of field-level work where we vigorously and sincerely applied these donor-directed approaches – it is time to re-think how we catalyze local economic vitality and fund lasting social change.



Instead of imposing our ideas of how to solve problems, what would happen if

- We challenge the community to define what it wants?
- We give it leeway to spend money as it deems best?
- We empower it to find practical ways to hold itself accountable for results?

This is already happening now, worldwide.

Every year **\$640 billion** gets sent around the world by remittances – person-to-person financial transfers. This money is sent back home by 258 million immigrants worldwide, 50 million of whom live in the United States.

The total combined global assistance aid is \$160B, of which only **\$62.4 B**, is directed to helping communities.¹

No government or overseeing policy arm is involved in remittances. There is no donor overhead to manage or centralized policies that direct how to spend these funds.

The only cost incurred in remittances is the financial transfer fee, about 10%. In contrast, traditional formalized aid processes spend a substantial portion, perhaps up to 42%

¹ OECD.org Official Development Assistance <https://data.oecd.org/oda/net-oda.htm>

of funding, on institutional administration, process management and recipient compliance.

Remittance funding goes primarily to people living in millions of towns and villages across the developing world. Individuals are funding the people and purposes they care about to ease life and open opportunities around the world.

For most of the world, the outpouring of remittances is the practical backbone of their international financial assistance. These informal remittances make an immediate difference in the lives of families and friends back home. As recipients spend this money on better food, more education, improved housing, businesses and projects, their local village and community economy gets a boost too. Impact is obvious.

Although there are exceptions, too many relief and development projects fall woefully short of their envisioned local goals. Once outside funding dries up, local engagement often fades and little sustainable resilience is left in its wake. Impact is less obvious in these cases.

THE BIG IDEA: Empower local leaders and peer-led groups

Let the people who care about the work – those who want to deliver the impact – decide for themselves how to use, borrow/lend, govern, manage risk and make sure money is well spent.

What if we spend just a small portion of our aid dollars to empower local respected leaders and their work?

Recipients would be tasked to figure out how funding could be better spent and how local development efforts could be better carried out. After all, villagers and immigrants are experts in survival and getting ahead. They show remarkable innovation and resilience in the face of political and natural disasters.

Let's tap their wisdom and problem-solving savvy, have them take the lead, hold them accountable to themselves, not to us. They have a direct stake in creating outcomes that make lasting change.

SAVINGS CIRCLES are peer-based saving and lending groups

One of the most powerful examples of this approach is the focused discipline and resulting impact generated by peer-based savings circles. Here, villagers and immigrants save and lend to each other in small, engaged groups that hold each other accountable. They help each other through challenges. As

each member receives a payout (according to the group's agreements), the person has enough cash in hand to do something useful.²

Savings circles exist in astounding numbers in virtually every country in Asia, Latin America, Africa and in every immigrant enclave in rich countries. While villagers may save a dollar a week, immigrants living abroad are saving \$100 per week up and even much more. They use their payouts to grow businesses, purchase homes, send their children to school, *and also* to send money to their families back home.

Our experience leads us to believe that the amount people save and distribute in these types of self-empowered systems dwarfs the amount of loans provided to the vulnerable through the world's microfinancing and banks.

Savings Circles and similar models represent a vast, powerful network of impact that is in place and working well now. We believe this influence can be leveraged and magnified with help from traditional funders, as we suggest with one idea below.

LOCAL 'GENIUSES' are the community leaders whose social capital gives them outsized influence

Leaders exist in every community. They are 'geniuses' who understand how things work in their world. They make their local community tick.

Let's recognize them financially. Genius Awards pay respected locals to lead and support others.³ Geniuses get paid a stipend to continue their leadership to do more of what they do normally.

These awards are small but ongoing levels of financial support given to those with strong social capital, people with recognized respect among their peers. This stipend frees these leaders to focus on supporting groups and projects that are trying to solve an already recognized need.

² Ashe, Jeffrey, Kim Wilson, <https://mangotree.org/Resource/How-to-Achieve-the-American-Dream-on-an-Immigrants-Income>

³ The 15 annual MacArthur "genius awards" invest in a person's originality, insight, and potential in fields ranging from art to development. We propose the micro-version of this model. These "genius awards" will support committed dynamic local leaders respected in their villages and communities worldwide.

One way that the providers of (mostly Western) traditional funds can take a major step back from deciding who gets funding for what is to recognize and fund local ‘geniuses.’ Funders can let local leaders make or at least advise on the funding decisions.

Genius Awards enable solutions to scale and be inclusive. Local leaders, geniuses, linked through their smart phones can share their successes and ideas with each other and replicate groups. They can pass on their insights to funders who back this approach. These leaders will be the ones to train others, to ensure that savings circles reflect good practices and that working groups incorporate the poorest and youth.

As growth happens, these leaders can take the lead in linking informal peer-based borrowing to external more traditional lending sources that are able to support larger goals. In all cases, they can help ensure that remittances are well targeted. This oversight and its risk mitigation impact comes at a fraction of the cost of traditional third-party (usually non-local) management processes and policies.

The dramatic difference created by this genius award and related models is that the traditional funding provider (foundation or agency) stays mostly out of the picture.

The funding provider may provide valuable help to the community by helping it tell its story – spreading the word of success for others to apply in their own ways. But the traditional funder is not the primary decision-maker that directs who in the local community gets money to do what.

As you may imagine, we have a lot more to say about this. Our perspectives are based on our actual grassroots-level engagements over many decades, working in immigrant communities across the US and in villages around the world. We’re pretty sure that ‘bottom up’ is the way to go.

Please contact us (jeffaashe@gmail.com, therobscar45@gmail.com, susanmills@metaphasemgt.com) to engage with us as we move this idea into the world.