

## **Submission to the Inquiry: Future of UK aid and development assistance**

### **1. In summary and answering the specific questions in the Inquiry brief**

- 1.1 Catalyst Now is the largest global movement of social innovators and entrepreneurs, focused on transforming the way the world works and driving sustainable change to advance the UN Sustainable Development Goals.
- 1.2 Our mission aligns with the Minister for International Development's vision: "Working in partnership with others": "helping countries build their ... systems – so they can thrive without aid": "From international intervention to local provision": "Working through local partners and civil society to deliver sustainable, 'locally led' solutions".
- 1.3 We see the impending funding crunch as an opportunity to refocus aid and development, investing in local initiatives for self-sufficiency, efficiency, and sustainability.
- 1.4 We are clear that social enterprise can and should have a major role in the new operating model.
- 1.5 We have answered the key questions from the briefing:
  - The UK should pivot to locally led development, away from development assistance through UK based International NGOs, unless they adopt the new model of localisation and reduce overheads.
  - Humanitarian interventions for disasters and crises require surge capacity and should continue through that specialist network
  - Good management practice (GMP) is currently lacking in the sector. It will be essential for goal setting and reporting – needed to support the change from paternalistic models to relationships and partnerships.
  - The government should communicate UK aid results using GMP, with clear performance measurement and reporting, with case studies to demonstrate value for money, equity, and accountability.
  - Increased localisation and support for investment opportunities will accelerate agency and attract development bank funding. Engaging with social enterprises will enable effective collaboration with smaller organisations and financing institutions.
  - The FCDO and other departments will need to make a significant shift in expertise and culture to implement this new model. Support will be required for successful transition.
  - The UK has an opportunity to take the lead, taking advantage from this threat. It should not be innovative that we trust beneficiaries and treat them as customers.
- 1.6 The following sections unpack the basis for these conclusions and our outline recommendations on both policy and practice.

## **2. Context: The Aid and Development Funding Crunch**

- 2.1 UK government spending on aid is set to reduce by nearly £5 billion, with the US announcing cuts of nearly \$60 billion. Global funding may decline by as much as \$150 billion, from \$450 billion
- 2.2 This will affect the 839 million people in extreme poverty (World Bank 2025), equating to a hypothetical loss of \$178 per person, or 59 days of living costs.
- 2.3 The actual decline in their support will be less, as some funding is for inter-governmental support, not so likely to be cut.
- 2.4 The Grand Bargain (1) shows that very little of cash has been reaching the people in need, due to the multiple layers in the aid and development supply chain (overhead stacking).
- 2.5 The Grand Bargain aimed to channel 25% of aid directly to local resources, but only 3% has been achieved. This means just 2 days less per person in need will be reaching the ground after the cuts: not a big loss.
- 2.6 The funding crunch poses a greater existential threat to those working in the sector (NGOs) than those being helped.

## **3. Evidence and Analysis**

- 3.1 Nobel Laureates Banerjee and Duflo's work on poverty shows that direct cash transfers are more effective than traditional aid programmes. (2) Beneficiaries use cash to assert agency and invest in their futures, challenging paternalistic development models.
- 3.2 A recent paper presented at the Logistics Research Network conference (Sheffield Management School, September 2025) found a disconnect between humanitarian, economic, and management disciplines in poverty relief (3). The humanitarian sector would benefit from adopting GMP and recognising economic research, with improved goal setting and accountability.
- 3.3 The sector recognises the need for change through localisation, but the ODI report (2022) (4) found the biggest barrier is lack of trust in global south actors by donors and organisations.
- 3.4 The funding crunch makes old models unviable; it is time for structural change and trust in local actors. Disintermediation (cutting out middlemen) can improve value for money.

## **4. We see the crunch as an opportunity not a threat**

- 4.1 Social enterprise can unlock disintermediation, supporting people in need on their terms and recognising their agency.
- 4.2 Deploying the funds available directly and unrestricted, trusting beneficiaries, and celebrating successes will maximise impact. Meeting the Grand Bargain's 25% target would put \$70 billion more into direct support, with a likely multiplier effect of 10 to 15 times.
- 4.3 Achieving this requires policy and practice changes: new channels, goals, controls, and cultural transformation.
- 4.4 Catalyst Now has observed repeatedly the transformation in peoples' lives through what seem like trivial changes to us in the wealthy north.
- 4.5 Making that happen is a question of policy and practice. New channels must be developed and maintained, new goals and controls put in place, and culture and attitudes transformed.

## **5. Our proposals in outline**

5.1. We will welcome the opportunity to develop these outline proposals in more detail with the committee and the FCDO.

### **5.2. Policy Proposals**

- i. Target that 60% of new funding commitments will be made locally direct within 18 months – i.e. to organisations whose local presence is focused on social and economic wellbeing. This allows headroom for heritage commitments and for a level of inter-Governmental support such as for disaster relief and police training. It also actively disintermediates established NGO channels unless they reorganise to qualify to be defined as ‘local’
- ii. Re-frame the goal setting, measurement and reporting in line with the new channel and the recommendations in the paper based on GMP from the Balanced Scorecard. (5)
- iii. Allocate investment for the re-design of the grant making and management of the aid and development chain using Digital / AI to service the localisation goals and maintain fiscal accountability.

### **5.3. Practice Proposals**

- i. Operationally the FCDO will substantially widen its span of contact and increase its transaction activity. The digital implementation will enable the department to ‘hold’ many more relationships but only if the design is grounded in the presumption of trust and applies sound goals and measures.
- ii. This implies huge changes in work content, methods and culture: a major organisational and cultural challenge; some people can be expected to struggle.
- iii. This will require investment in the transition and the ongoing infrastructure and practice of collaboration: working with organisations, networks, and collaboratives that catalyse develop and support multi-stakeholder processes.
- iv. The new model must accelerate the ‘clock speed’ of fostering co-creation of breakthroughs across local leaders, governments, funders, private sector, and civil society. Through shared management and data, the new model must capture interpret and replicate those initiatives that generate the greatest multipliers: almost building a ‘market’ for social gain.
- v. The risk profile will change significantly as the engagement and grant making will be diversified – a portfolio approach. Mishaps will be inevitable but a small part of the mix. They should be tolerated in the context of the very high returns on investment for the majority.
- vi. New appointments should be expected to ensure that the people and the new model are well aligned.

## 6. In Conclusion

The future of UK Aid and Development is at a critical juncture. The funding cuts present an opportunity for transformative change. Investing in locally led initiatives, adopting good management practices, and leveraging social enterprise, will enable the UK to maximise the impact of its aid, ensure value for money, and support sustainable development.

Organisational and cultural shifts will be needed. Catalyst Now are well placed to support this transition with the FCDO and stands ready to support the UK government in designing and implementing this new model.

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## 7 Catalyst Now – some more detail and links

- 7.1 Founded in 2019 by 50 pioneering innovators, Catalyst Now has grown into a global network of over 6,000 members dedicated to systemic transformation.
- 7.2 Funding comes from leading philanthropic foundations and members, who often self-fund their work and collaborations.
- 7.3 The vision is a world of thriving, self-sustaining communities powered by social innovation. More details and the 2024/25 Impact Report are available at <https://catalystnow.net>.
- 7.4 This submission has been prepared by Alan Braithwaite, a Catalyst Member, Producer of the documentary 'We don't do charity' and publisher of the Social Impact Files.  
<https://wedontdocharity.com> <https://theaidfiles.com>

## References

- 1) IASC (2016). The Grand Bargain: A Shared Commitment to Better Serve People in Need, 2016. Available at: <https://interagencystandingcommittee.org/grand-bargain/grand-bargain-shared-commitment-better-serve-people-need-2016>.
- 2) Banerjee, A.V. and Duflo, E. (2011) Poor Economics. London: Penguin.
- 3) Braithwaite, A. and Sandford, A. (2025). Creating a measurement and reporting platform to support improved international humanitarian performance. Logistics Research Network Conference. [www.ciltuk.org.uk/LRN25](http://www.ciltuk.org.uk/LRN25)
- 4) ODI Global (2021). Are we there yet? Localisation as the journey towards locally led practice, Research report. <https://odi.org/en/publications>
- 5) Kaplan, S. and Norton, D. (1992) 'The Balanced Scorecard: Measures that Drive Performance', Harvard Business Review, 70(1), pp.71–79.