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Governance Effectiveness and Financial Management Systems as Determinants of Localization Readiness among Health Sector NGOs in Zambia: A Desk Review

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Abstract

Localization has become a central policy agenda in international development and global health, promoting the transfer of decision-making authority, financial resources, and implementation responsibilities from international organizations to local actors. Although international commitments increasingly advocate for locally led development, questions remain regarding the institutional readiness of local organizations to assume expanded leadership roles. This study examined governance effectiveness and financial management systems as determinants of localization readiness among health-sector non-governmental organizations (NGOs) in Zambia. Specifically, the study sought to examine the effectiveness of governance structures in supporting localization and to assess how financial management systems influence the ability of health-sector NGOs to operate independently within the localization agenda. A qualitative secondary data analysis design was adopted, drawing evidence from peer-reviewed journal articles, policy documents, institutional reports, and international publications published primarily between 2018 and 2025. The study was guided by Resource Dependency Theory and Institutional Theory, while thematic synthesis was employed to analyse and integrate evidence from the reviewed literature. The findings indicate that governance effectiveness constitutes a fundamental institutional capability influencing organizational legitimacy, accountability, leadership effectiveness, stakeholder confidence, and readiness for localization. The review further established that robust financial management systems enhance financial transparency, donor confidence, operational sustainability, and resource mobilization, thereby strengthening the ability of local NGOs to manage direct funding and operate with greater institutional autonomy. However, persistent donor dependency, weak governance practices, limited financial diversification, and institutional capacity constraints continue to impede successful localization among many health-sector NGOs in Zambia. The study concludes that localization should be understood as a process of institutional strengthening rather than merely the transfer of financial resources. Sustainable localization requires simultaneous investments in governance development, financial management systems, organizational leadership, and long-term institutional resilience. The study contributes to the growing body of localization literature by demonstrating that governance effectiveness and financial management systems are complementary institutional determinants that collectively influence the preparedness of local NGOs to assume leadership within Zambia's health sector.

1. Introduction

Non-governmental organizations (NGOs) have become indispensable actors in global development, humanitarian assistance, and public service delivery. Historically, NGOs emerged as voluntary organizations intended to address social, economic, and humanitarian challenges that governments were either unable or unwilling to adequately address (Banda & Chirwa, 2023). Over the past decades, NGOs have evolved from small charitable entities into sophisticated institutions that influence public policy, provide essential services, advocate for marginalized populations, and contribute significantly to socioeconomic development (Murdey & Barney, 2023). Their role has become particularly important within developing countries where public institutions frequently face resource constraints, governance challenges, and capacity limitations.

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In the health sector, NGOs have increasingly become critical partners in supporting healthcare delivery, disease prevention, health promotion, community mobilization, and health systems strengthening. Evidence from low- and middle-income countries demonstrates that NGOs often complement government efforts by extending healthcare services to underserved populations, particularly in rural and vulnerable communities (Besançon et al., 2022; Doshmangir et al., 2025). Through partnerships with governments, donors, and international agencies, NGOs have contributed substantially to progress in areas such as HIV/AIDS prevention, maternal and child health, immunization programmes, tuberculosis control, and community health interventions. The growing significance of NGOs within health systems has coincided with increasing international attention to the concept of localization. Localization has emerged as one of the most influential reform agendas within international development and humanitarian assistance. The concept broadly refers to the transfer of power, resources, leadership, and decision-making authority from international actors to local organizations and institutions (Roepstorff, 2020). This shift gained global prominence following the World Humanitarian Summit and the Grand Bargain commitments, which called for greater support to local actors and more equitable partnerships within development systems.

Localization is founded on the premise that local organizations possess contextual knowledge, community trust, cultural understanding, and long-term commitment that position them to deliver more sustainable and effective interventions than externally driven approaches (Frennesson et al., 2022). The agenda therefore seeks to address longstanding power imbalances within international development systems, where international organizations frequently control financial resources, programme design, and decision-making processes despite local organizations being responsible for implementation. Despite extensive support for localization principles, implementation remains complex. Existing evidence suggests that many local NGOs continue to face institutional constraints that limit their ability to fully assume leadership roles within development systems (Rao, 2023). Challenges relating to governance, financial management, organizational capacity, accountability systems, and resource mobilization often undermine localization efforts (Roborgh, 2023). Consequently, understanding the factors that influence localization readiness has become a critical area of inquiry among scholars, practitioners, and policymakers.

Within Zambia, NGOs have played an important role in national development since independence. The country's NGO sector has expanded significantly over the past several decades, particularly within health, education, agriculture, governance, and community development sectors (Banda & Chirwa, 2023; Zulu & Kabwe, 2023). The health sector, in particular, has witnessed substantial NGO involvement due to increasing healthcare demands, donor investments, and government partnerships aimed at improving service delivery outcomes. This article therefore examines governance effectiveness and financial management systems as determinants of localization readiness among health-sector NGOs in Zambia. Through secondary analysis of existing literature, policy documents, and institutional reports, the study seeks to contribute to ongoing debates regarding localization, organizational sustainability, and health-sector governance within developing-country contexts.

1.1 Problem Statement

The localization agenda has become a key priority in global health and development, promoting the transfer of leadership, decision-making authority, and resources from international organizations to local actors. The World Health Organization (WHO) stresses that meaningful localization requires stronger local leadership, accountability, and control over resources (World Health Organization, 2025). However, despite growing international support for localization, many local non-governmental organizations (NGOs) continue to face institutional challenges that limit their ability to assume these expanded responsibilities. In Zambia, a study conducted by Nyirongo, (2024) found that the health-sector NGOs play a vital role in complementing government efforts to deliver healthcare services, particularly in underserved communities. Nevertheless, their long-term sustainability remains a concern. Many local NGOs continue to rely heavily on donor funding, making them vulnerable to changes in donor priorities and funding cycles. For example, funding to NGOs supported through the Churches Health Association of Zambia (CHAZ) reportedly declined from approximately US$8 million annually to less than US$720,000 after 2015, leading to programme reductions and the closure of some organizations. Similar challenges have been linked to weak resource mobilization strategies and inadequate financial management systems (Chisira, 2025).

The situation is further complicated by Zambia’s continued dependence on external health financing, which the WHO has identified as a significant challenge to sustainable health sector development (World Health Organization, 2024). Although localization has received increasing attention from policymakers and scholars, limited research has examined how governance effectiveness and financial management systems influence the readiness of health-sector NGOs in Zambia to operate independently and sustainably. Existing studies focus largely on donor policies and localization frameworks while paying less attention to the institutional capacities needed for successful localization (Koch & Rooden, 2024; Rao, 2023). This study therefore seeks to address this gap by examining how governance effectiveness and financial management systems shape localization readiness among health-sector NGOs in Zambia.

1.2 Research Objectives

- To examine the effectiveness of governance structures in health sector NGOs in Lusaka, Zambia for implementing the localization agenda.
- To examine the financial management systems of health sector NGOs in Lusaka, Zambia in relation to their ability to operate independently under the localization agenda.

2 Literature Review

2.1 Governance Structures in Health Sector NGOs and the Localization Agenda

Governance structures are central to the localization agenda because they determine how non-governmental organizations (NGOs) balance donor accountability with community responsiveness. Localization advocates for transferring leadership, decision-making, and resources to locally led organizations, making effective governance essential for institutional autonomy and sustainability (World Health Organization [WHO], 2025). Governance structures, including boards of directors, management committees, and accountability mechanisms, provide strategic direction, oversee organizational performance, and ensure transparency in decision-making. Within health sector NGOs, effective governance enables organizations to align donor expectations with local health priorities while strengthening community participation. Consequently, governance has become a key indicator of whether NGOs are prepared to implement localization successfully.

Empirical evidence across Africa suggests that governance challenges remain a major obstacle to localization. In Kenya, Agyemang, Otieno, and Wanjiru (2022) found that although many health NGOs had formally established boards, these boards often played limited strategic roles and focused primarily on donor compliance. Executive management therefore dominated organizational decision-making, reducing board effectiveness in providing oversight and long-term strategic guidance. Similarly, Agyemang, Ohemeng, and Asamoah (2022) reported that governance weaknesses in Ghana undermined NGO sustainability, with many boards functioning as compliance mechanisms rather than institutions driving organizational growth and adaptation. These findings indicate that governance structures alone are insufficient unless supported by capable leadership and active stakeholder engagement.

Evidence from other developing countries reinforces the importance of inclusive governance for sustainable localization. Besançon et al. (2022), studying health NGOs in Mali, found that organizations with participatory governance systems involving communities, government representatives, and health professionals demonstrated greater organizational resilience and sustainability. In contrast, Frennesson et al. (2022) observed that many international humanitarian organizations continue to perceive local governance systems as weak, leading donors to retain strategic oversight despite commitments to localization. Such arrangements often reinforce dependency by limiting the authority of local organizations to make independent strategic decisions.

The Zambian context reflects many of these regional challenges. Chanda and Mulenga (2020) found that while health sector NGOs generally possess governance structures required by law, many boards lack the capacity to provide effective strategic leadership for localization. Governance remains largely compliance-oriented, with limited emphasis on organizational transformation or community participation. Similarly, Chikuta and Nkhoma (2023) argue that governance readiness among Zambian NGOs remains low because many organizations have not adapted their governance systems to meet the demands of localization. Boards often lack the skills, diversity, and institutional capacity necessary to promote local ownership and organizational sustainability. These findings suggest that governance reforms are still at an early stage despite increasing policy emphasis on localization.

This study is guided by Resource Dependence Theory and the Social Construction of Reality. Resource Dependence Theory (Pfeffer & Salancik, 1978) explains that NGOs often shape their governance structures to secure external resources, making donor dependence a significant influence on governance practices. In contrast, Berger and Luckmann's (1966) Social Construction of Reality argues that governance systems are socially shaped through interactions between organizations, communities, governments, and donors. Together, these theories provide a useful framework for understanding how governance structures influence localization by balancing external accountability with locally driven decision-making. They directly support the study's first objective of examining the effectiveness of governance structures in health sector NGOs in Lusaka in implementing the localization agenda.

2.2 Financial Management Systems and NGO Autonomy under Localization

Financial management systems are a critical determinant of the sustainability and autonomy of non-governmental organizations (NGOs), particularly within the localization agenda. Localization seeks to transfer leadership, resources, and decision-making authority from international organizations to locally led institutions, making strong financial management essential for organizational independence (World Health Organization [WHO], 2025). Financial management systems encompass budgeting, accounting, auditing, financial reporting, internal controls, and resource mobilization, all of which enable NGOs to manage resources transparently and efficiently. In the health sector, effective financial systems not only enhance accountability to donors but also strengthen organizational resilience by supporting long-term planning and reducing dependence on external funding. As localization emphasizes local ownership of development initiatives, financial management has become a strategic capability that determines whether NGOs can sustain operations beyond donor-funded projects.

Empirical evidence from Africa demonstrates a strong relationship between financial management and organizational sustainability. Agyemang, Ohemeng, and Asamoah (2022) found that NGOs in Ghana with robust financial management systems were better able to diversify funding sources, maintain donor confidence, and sustain programme implementation. Effective budgeting, transparent reporting, and sound auditing practices enhanced organizational credibility, allowing these NGOs to attract financial support from multiple partners. However, Banks and Hulme (2020) argue that despite localization efforts, many NGOs continue to design their financial systems primarily to satisfy donor reporting requirements rather than to promote strategic financial independence. As a result, organizations often remain dependent on external funding, limiting their ability to determine their own development priorities.

In Zambia, financial dependence continues to constrain localization efforts. Banda and Tembo (2023) report that many health sector NGOs rely heavily on single donor funding, making them vulnerable to changes in donor priorities and funding cycles. This dependence limits organizational flexibility and often compels NGOs to align their programmes with donor interests rather than local health needs. Similarly, the Zambia Institute for Policy Analysis and Research (ZIPAR, 2022) found that weak financial planning, inadequate internal controls, and limited financial management capacity undermine the sustainability of many health NGOs. These institutional weaknesses reduce organizational resilience and constrain the ability of local NGOs to assume greater leadership under the localization agenda.

International literature reinforces the importance of strengthening financial systems to achieve meaningful localization. Rao (2023) argues that genuine localization requires NGOs to diversify their funding sources and reduce reliance on donor grants if they are to achieve institutional autonomy. Likewise, Doshmangir et al. (2025) identify financial capacity as one of the key organizational requirements for achieving health system goals, emphasizing that NGOs with effective financial systems are better positioned to deliver sustainable health services and respond to emerging challenges. The WHO Localization Strategy (2025) similarly advocates investment in digital accounting systems, financial literacy, and institutional capacity to strengthen local organizations and improve financial accountability.

Although these studies demonstrate the importance of financial management for NGO sustainability, a significant knowledge gap remains in Zambia. Existing research documents financial vulnerabilities among NGOs but provides limited evidence on how health sector NGOs in Lusaka are adapting their financial management systems to support localization. Specifically, little is known about whether reforms such as funding diversification, strengthened financial controls, and improved accounting practices are enhancing organizational autonomy or simply reinforcing donor compliance. This limits understanding of how financial management contributes to localization readiness within Lusaka's health sector.

Institutional Theory and Human Capital Theory informs this study. Institutional Theory suggests that NGOs adopt financial management practices to gain legitimacy with donors and regulators, often emphasizing compliance rather than strategic autonomy. Human Capital Theory complements this perspective by arguing that effective financial systems depend on skilled personnel capable of managing financial resources efficiently. Together, these theories support the study's second objective by explaining how financial management systems influence the ability of health sector NGOs in Lusaka to operate independently while balancing donor accountability with long-term organizational sustainability under the localization agenda.

3 Methodology

This study adopted a qualitative secondary data analysis approach to examine the influence of governance effectiveness and financial management systems on localization readiness among health-sector NGOs in Zambia. The approach was selected because it enabled the synthesis of existing empirical studies, theoretical literature, policy documents, and institutional reports on NGO governance, financial sustainability, and localization without collecting primary data (Saunders et al., 2019). An interpretivist research perspective guided the study, drawing on Social Construction Theory, Resource

Dependency Theory, and Institutional Theory to understand how governance, accountability, and financial management shape organizational readiness within donor-dependent environments (Kumar, 2022).

Data were collected from peer-reviewed journal articles, books, donor reports, policy documents, and publications from international and national organizations published mainly between 2018 and 2025. Sources were identified through academic databases such as Google Scholar, Scopus, Web of Science, SpringerLink, and ResearchGate, as well as repositories of organizations including the World Health Organization (WHO), African Development Bank (AfDB), ZIPAR, and the Council for NGOs Zambia.

Studies were included if they addressed themes related to NGO governance, financial management systems, organizational sustainability, localization, donor relations, accountability, or institutional capacity development. Priority was given to studies conducted in Zambia, Africa, and other low- and middle-income countries to ensure contextual relevance. Literature focused solely on humanitarian emergency response without governance or sustainability implications was excluded.

Data were analyzed using thematic synthesis following Braun and Clarke's (2006; 2019) framework. Relevant studies were coded and grouped into key themes, including governance effectiveness, accountability, board functionality, financial management systems, donor dependency, funding diversification, organizational legitimacy, and localization readiness. To enhance rigor and reliability, findings were triangulated across academic literature, policy documents, and institutional reports. This approach provided a comprehensive understanding of the institutional factors influencing localization readiness among health-sector NGOs in Zambia while identifying critical challenges and opportunities for strengthening sustainable localization.

4 Results

4.1 Governance Effectiveness in Health-Sector NGOs for Implementing the Localization Agenda

Table 1 presents a synthesis of the reviewed literature examining governance effectiveness as a determinant of localization readiness among health-sector NGOs. The evidence consistently demonstrates that governance structures characterized by effective leadership, board oversight, transparency, accountability, and stakeholder participation positively influence organizational legitimacy and preparedness for localization. Across the reviewed studies, governance effectiveness was associated with increased donor confidence, improved strategic decision-making, and enhanced institutional sustainability. However, the literature also revealed persistent governance weaknesses, particularly among local NGOs in developing countries, including inadequate board functionality, weak accountability mechanisms, and limited strategic leadership, which constrain organizational readiness to assume greater responsibilities under the localization agenda. The Zambian studies similarly identified governance effectiveness as an important institutional requirement for strengthening local ownership and improving organizational credibility.

Table 1: Synthesis of Reviewed Literature on Governance Effectiveness and Localization Readiness

Author(s)	Focus of Study	Key Findings	Contribution to Objective 1
Agyemang et al. (2022)	Governance and NGO sustainability in Ghana	Effective governance improves organizational resilience and accountability.	Demonstrates governance as a prerequisite for institutional sustainability.
Agyemang, Otieno & Wanjiru (2022)	Governance challenges in Kenyan health NGOs	Weak governance limits donor confidence and localization readiness.	Highlights governance deficiencies affecting localization.
Chikuta & Nkhoma (2023)	NGO governance in Zambia	Governance effectiveness strengthens legitimacy and stakeholder confidence.	Shows governance supports localization readiness in Zambia.
Banda & Tembo (2023)	Localization of Zambian NGOs	Strong governance facilitates local ownership and strategic leadership.	Links governance reforms to localization implementation.
WHO (2025)	WHO Localization Strategy	Governance is a core pillar of localization performance.	Establishes governance as an institutional requirement for localization.
Rao (2023)	Localization study	Governance capacity determines organizational readiness for direct funding.	Demonstrates governance influences localization success.

4.2 Financial Management Systems of Health-Sector NGOs in Relation to Their Ability to Operate Independently under the Localization Agenda

The reviewed literature indicates that financial management systems are central to the operational independence and long-term sustainability of health-sector NGOs. As summarized in Table 2, organizations possessing effective budgeting systems, transparent financial reporting, internal controls, auditing mechanisms, and sound resource management practices were consistently found to attract greater donor confidence and demonstrate stronger organizational sustainability. Conversely, weak financial management systems increased dependence on external partners and limited organizational autonomy. Evidence from Zambia further showed that continued reliance on donor funding, coupled with inadequate financial diversification strategies, remains a significant barrier to localization. Although several studies acknowledged improvements in financial accountability among local NGOs, sustainable localization requires organizations to strengthen financial governance while developing diversified revenue sources capable of reducing long-term donor dependency.

Table 2: Synthesis of Reviewed Literature on Financial Management Systems and Operational Independence

Author(s)	Focus of Study	Key Findings	Contribution to Objective 2
Banks & Hulme (2020)	Financial governance of NGOs	Strong financial systems improve sustainability and reduce dependency.	Demonstrates importance of financial management for organizational independence.
ZIPAR (2022)	NGO funding and sustainability in Zambia	Donor dependency undermines financial sustainability of local NGOs.	Highlights financial challenges affecting localization in Zambia.
Agyemang et al. (2022)	NGO sustainability in Ghana	Financial accountability strengthens organizational performance.	Links financial management to sustainability.
WHO (2025)	Localization Strategy	Financial accountability is required for direct funding under localization.	Identifies financial systems as a localization requirement.
Murdie & Barney (2023)	Localization in health programmes	Institutional financial capacity supports locally led development.	Shows financial systems facilitate organizational autonomy.
Banda & Tembo (2023)	Future of Zambian NGOs	Diversified financing enhances long-term organizational resilience.	Demonstrates financial independence supports localization readiness.

Table 3: Cross-case Synthesis of Reviewed Literature

Theme	Number of Studies	Emerging Pattern
Governance effectiveness	6	Strong governance improves accountability, legitimacy, and localization readiness.
Board functionality and leadership	4	Active boards and effective leadership strengthen organizational sustainability.
Financial accountability	6	Robust financial systems increase donor confidence and funding access.
Donor dependency	5	Heavy reliance on external funding limits organizational autonomy.
Funding diversification	4	Diversified revenue sources enhance operational independence.
Localization readiness	7	Institutional capacity is more important than funding transfer alone.

Source: Synthesized from the reviewed literature (2020–2025).

4.3 Discussion

Governance Effectiveness in Health-Sector NGOs for Implementing the Localization Agenda

The findings of this study revealed that governance effectiveness constitutes a fundamental determinant of localization readiness among health-sector NGOs in Zambia. The synthesis of the reviewed literature demonstrated that organizations possessing effective governance systems were consistently better positioned to assume leadership responsibilities under the localization agenda than organizations characterised by weak governance structures. Across the reviewed studies, governance effectiveness was reflected through active board oversight, transparent decision-making, strategic leadership, accountability mechanisms, ethical management, and stakeholder participation. These governance attributes collectively enhanced institutional legitimacy, strengthened donor confidence, and improved organizational sustainability, thereby increasing the capacity of local NGOs to transition from implementing partners to independent development actors. The findings therefore suggest that governance effectiveness should not be viewed merely as an internal administrative function but as a strategic institutional capability that enables organizations to operate effectively within increasingly localized health systems.

The present findings corroborate those of Agyemang, Ohemeng and Asamoah (2022), who concluded that governance quality is one of the strongest predictors of organizational sustainability among NGOs operating in Africa. Their study demonstrated that organizations with effective governance structures exhibited greater strategic resilience, stronger accountability systems, and improved stakeholder confidence compared to organizations characterised by governance weaknesses. Similarly, the current findings indicate that governance systems provide the institutional foundation upon which organizations establish credibility and strengthen their ability to attract financial resources and strategic partnerships. This convergence suggests that governance effectiveness contributes not only to organizational performance but also to institutional readiness for localization by creating confidence among governments, donors, and beneficiary communities.

Evidence synthesized from Zambian studies further reinforces these findings. Chikuta and Nkhoma (2023) observed that governance effectiveness significantly enhances institutional legitimacy, organizational transparency, and stakeholder trust among local NGOs. Their findings indicated that organizations characterised by effective governance systems were more likely to demonstrate compliance with donor requirements while simultaneously strengthening community confidence and institutional credibility. The present review reached similar conclusions by demonstrating that governance structures create an enabling institutional environment through which local organizations become more capable of managing increasingly complex financial and managerial responsibilities associated with localization. Consequently, governance effectiveness emerges as both a prerequisite and an outcome of institutional strengthening within localized development systems.

The findings are also consistent with the WHO Localization Strategy (World Health Organization, 2025), which identifies governance as one of the principal institutional pillars supporting successful localization. According to the WHO framework, governance effectiveness encompasses accountability, transparency, leadership, participation, and institutional oversight. These dimensions were consistently reflected throughout the reviewed literature, where organizations possessing stronger governance arrangements demonstrated greater organizational resilience and preparedness to receive direct donor funding. The present study therefore confirms that governance effectiveness remains central to international localization frameworks and represents an important criterion through which donor agencies evaluate organizational readiness.

However, while the reviewed literature overwhelmingly supports governance strengthening, the findings also reveal important tensions within contemporary localization discourse. Several studies suggest that governance reforms frequently prioritize compliance with donor expectations rather than strengthening locally accountable institutions. Roborgh (2023), for example, argues that localization has often resulted in the decentralization of implementation responsibilities while strategic decision-making authority remains concentrated among international organizations. Under such circumstances, governance reforms may inadvertently reinforce donor influence by requiring local organizations to conform to externally defined accountability systems. The present findings partially support this concern.

From a theoretical perspective, these findings strongly support the assumptions of Resource Dependency Theory. Pfeffer and Salancik (1978) argue that organizations develop governance systems partly to manage relationships with external resource providers while seeking to reduce dependence on those actors. The present findings demonstrate that effective governance enhances donor confidence, improves institutional legitimacy, and increases opportunities for accessing diversified financial resources. Organizations possessing effective governance structures are therefore better positioned to negotiate equitable partnerships rather than remaining dependent upon a limited number of international donors. Resource Dependency Theory consequently provides a convincing explanation of why governance effectiveness emerged consistently throughout the reviewed literature as a central determinant of localization readiness. Rather than functioning solely as an internal management mechanism, governance becomes a strategic institutional resource that enhances organizational autonomy, strengthens bargaining power, and supports sustainable participation within localized health systems.

Financial Management Systems and Operational Independence under Localization

The findings show that financial management systems sit at the centre of whether localization translates into genuine operational independence for health-sector NGOs. Rather than functioning as routine administrative tools, financial systems emerge as structures that shape how organizations behave, how they are trusted, and ultimately how much autonomy they can exercise. Across the reviewed studies, it becomes clear that localization is not achieved simply by transferring funds to local actors; it depends on whether those actors possess the financial systems needed to manage resources responsibly, meet donor expectations, and sustain operations beyond short-term project cycles (World Health Organization, 2025; Koch & Rooden, 2024). From a Resource Dependency Theory perspective (Pfeffer & Salancik, 1978), this reflects a reality where access to resources determines behaviour, meaning financial systems become the practical mechanism through which dependency is managed.

Financial Accountability, Donor Confidence, and Institutional Sustainability

The findings show a very strong link between financial accountability and donor confidence. Donors are increasingly selective, and financial transparency has become one of the main filters for funding decisions. Organizations that demonstrate clear reporting systems, clean audits, and traceable budgets are more likely to be trusted with direct funding. This finding aligns closely with Rao (2025), who argues that accountability mechanisms function as trust-building instruments in resource allocation decisions. Similarly, Agyemang et al. (2022) show that accountability is not just technical compliance; it is a signal of institutional reliability.

Yet the findings also show that accountability alone does not guarantee sustainability. Many NGOs can meet donor requirements but still remain financially fragile because their income is narrow and unpredictable. This is where the gap between compliance and sustainability becomes visible. Koch and Rooden (2024) highlight this issue by arguing that localization requires financial resilience, not just reporting accuracy. Agyemang et al. (2022) reinforce this by showing that overreliance on external funding creates vulnerability to funding shocks.In Zambia, this tension is particularly clear. The findings show that donor agencies actively assess financial systems before funding decisions, while weak reporting structures remain a major barrier to direct funding. ZIPAR (2022) and the Council for NGOs Zambia (2024) both highlight persistent weaknesses in financial reporting and auditing. This creates a cycle where organizations struggle to improve systems without funding, yet cannot access funding without strong systems. From Resource Dependency Theory, this is expected: organizations adapt to survive within resource constraints. Financial accountability becomes less about internal governance and more about maintaining donor relationships.

Donor Dependency and Localization

The findings show that donor dependency remains one of the most persistent barriers to meaningful localization. Even though localization policies aim to strengthen local ownership, many NGOs still rely heavily on external funding. This creates a paradox: organizations are expected to become independent while still depending on the very system they are trying to move away from.Banks et al. (2020) describe this clearly, showing that donor dependence often pushes NGOs to align their priorities with external agendas rather than local realities. Roborgh (2023) adds that even when local organizations take on more implementation roles, their financial accountability still points upward toward donors rather than downward toward communities. The present findings reflect this same contradiction. NGOs are frequently evaluated on how well they comply with donor systems rather than how well they respond to local needs. Koch and Rooden (2024) describe this as the "localization dilemma," where dependence is both necessary and restrictive at the same time. What becomes clear is that donor dependency is not just a funding issue it is a structural condition. Resource Dependency Theory explains this well: when survival depends on external actors, autonomy naturally becomes limited. As a result, localization becomes less about independence and more about managed dependency.

Funding Diversification as a Localization Strategy

The findings show that funding diversification is one of the most practical pathways toward reducing dependency and strengthening autonomy. Organizations that draw income from multiple sources tend to be more stable and less vulnerable to donor shifts. This is strongly supported by Agyemang et al. (2022), who found that diversified funding improves resilience and long-term sustainability. Kinnunen (2024) also emphasizes that financial flexibility increases when organizations are not tied to a single donor. The present findings extend this idea by showing that diversification does more than improve stability it also shifts power. When NGOs have alternative income streams, they are better positioned to negotiate with donors rather than simply comply. In Zambia, the findings show real opportunities for diversification through government contracts, private-sector partnerships, consultancy services, and community-based financing.

Human Capital and Financial Management Capacity

The findings show that financial systems only work effectively when they are supported by capable people. Strong software or reporting tools alone are not enough. What matters is whether organizations have trained personnel who can interpret financial data, manage systems, and ensure compliance. George, Sagayarajan and Baskar (2023) support this by arguing that financial governance depends on the balance between technical systems and human expertise. Bi (2023) adds that digital financial tools improve efficiency, but only when users have the skills to operate them effectively. The present findings reinforce this point: organizations with weak human capacity struggle even when systems are in place. This suggests that localization readiness is partly a skills issue, not just a structural one. From an Institutional Theory lens, this reflects the idea that legitimacy depends not only on structures but also on capabilities that allow those structures to function effectively (Mokdad, 2025).

Interrelation Between Governance and Financial Management Systems

The findings show that governance and financial management are deeply intertwined. Governance provides direction and oversight, while financial systems turn those decisions into action. When one is weak, the other struggles to function effectively. Banks and Hulme (2020) note that separating governance from financial systems creates an incomplete understanding of NGO performance. The present findings strongly support this view. Organizations with strong governance but weak financial systems struggle to secure donor confidence, while those with strong financial systems but weak governance struggle with strategic direction. Agyemang et al. (2022) similarly show that the combination of both systems produces stronger institutional outcomes than either alone. Institutional Theory helps explain this by suggesting that legitimacy is built through alignment across multiple systems, not isolated strengths.

Governance, Financial Management, and Organizational Legitimacy

The findings show that legitimacy is one of the most important outcomes shaping localization readiness. Organizations are trusted when they demonstrate both good governance and strong financial management. Governance builds trust through transparency and leadership, while financial systems reinforce trust through accountability and proper resource use. However, legitimacy is not uniform. Donors, governments, and communities often define it differently. Donors focus on compliance, while communities focus on responsiveness. Roborgh (2023) highlights this tension, and the present findings confirm that NGOs constantly navigate these competing expectations. In Zambia's health sector, this balancing act is particularly visible, as NGOs operate across multiple accountability relationships simultaneously.

Localization Readiness as an Institutional Outcome

The findings show that localization readiness is not a single achievement but a combination of several interconnected capacities. These include governance strength, financial systems, human capital, legitimacy, and resource access. Murdie and Barney (2023) support this view by arguing that localization should be assessed through capabilities rather than funding levels alone.Organizations that combine these strengths are better positioned to take on leadership roles within localized systems. Those that lack them remain dependent regardless of funding levels.

Emerging Trends in Localization Research

The findings show a clear shift in how localization is understood. The focus is moving away from simple funding transfers toward deeper questions of power and control. Koch and Rooden (2024) and Roborgh (2023) both emphasize that localization is fundamentally about redistributing authority, not just resources. Governance is increasingly treated as central to localization, while financial sustainability is becoming more important than funding volume. At the same time, there is growing recognition that localization operates within systems involving multiple actors donors, governments, NGOs, and communities—rather than within isolated organizations (Mohieldin et al., 2022). The findings suggest that true localization requires structural change, not just financial adjustment.

5 Conclusion and Recommendations

5.1 Conclusion

This study shows that localization readiness among health-sector NGOs in Zambia is not simply about shifting funding and responsibilities from international actors to local organisations, but rather about deeper institutional transformation. The findings demonstrate that governance effectiveness and financial management systems are the core foundations of this transformation. Strong governance structures enhance strategic direction, accountability, transparency, and stakeholder confidence, which in turn strengthen organisational legitimacy and the ability of NGOs to assume leadership roles in health systems. Similarly, robust financial management systems improve transparency, donor confidence, and sustainability through effective budgeting, auditing, reporting, and risk management. However, the findings also reveal that donor dependency continues to limit true operational independence, despite improvements in governance and financial systems. Importantly, governance and financial management are found to be mutually reinforcing, collectively shaping institutional legitimacy, resource access, and sustainability. Overall, the study concludes that meaningful localization depends on the ability of NGOs to strengthen these interconnected systems while addressing broader structural inequalities within the aid environment.

5.2 Recommendations

The study recommends that health-sector NGOs in Zambia prioritize strengthening both governance and financial management systems as strategic foundations for localization readiness. This includes improving board effectiveness, leadership capacity, accountability structures, and financial systems such as auditing, reporting, and digital financial management tools. NGOs should also invest in leadership development and actively pursue funding diversification through partnerships, consultancy services, social enterprises, and domestic fundraising to reduce donor dependency and enhance sustainability. For donors and development partners, the study recommends shifting from short-term project funding to long-term institutional support that strengthens governance, financial systems, and organisational capacity, while simplifying compliance requirements and supporting core operational costs. The government of Zambia is encouraged to create an enabling policy environment, expand domestic funding mechanisms, and strengthen collaboration with NGOs through inclusive planning and partnership frameworks. Future research should focus on empirical and comparative studies to better quantify the relationships between governance, financial management, and localization readiness across different contexts and stakeholder groups.

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The article followed all ethical standards appropriate for this kind of research.

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