

# THE FUTURE OF FINANCIAL ASSISTANCE



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# EXECUTIVE SUMMARY

The scale-up of Cash and Voucher Assistance (CVA) is catalysing rapid change in the humanitarian sector: new operational models, changing use of technology, evolving partnerships with private sector actors, and stronger links between humanitarian assistance and other types of financial flows. These changes have implications for the future roles of humanitarian actors and for the ways they plan and deliver programmes to optimize results for people affected by crisis. This report is intended to support actors to think through how opportunities and challenges may evolve, and how they can better prepare to deliver effective assistance in future.

This report looks at humanitarian CVA within the broader landscape of financial assistance, including remittances, social transfers, and person-to-person giving, which reach people affected by crisis. Looking at CVA in isolation does not provide the full picture. It is important to understand how cash assistance can work with and alongside other financial assistance mechanisms to optimize the outcomes for users.

The future of financial assistance will be heavily shaped by the drivers of change that operate in the humanitarian ecosystem, and by changes in the broader global environment. Several specific drivers will have the most influence on how financial assistance evolves within this changing context. These are: the role of the private sector; the role of crisis-affected country governments, mobile technology and internet access, ID and its digitization, data and data protection, the use of financial services by crisis-affected people, funding levels for financial assistance, and population movement. The complexity of interactions between these drivers, which can create change in each other and the wider ecosystem, highlights how dynamic the financial assistance space will be in the near future.

The report explores what the future of financial assistance might look like in four scenarios<sup>1</sup> which we term 'control', 'chaos', 'emergence' and 'synergy'.



## CONTROL SCENARIO

In the control scenario, crises are largely contained within national borders, with governments in control of the response. Financial assistance is tightly controlled by sovereign governments, which significantly restrict external assistance. Government-led social transfers are the primary form of financial assistance, often expanding access and ensuring sustainability, but in some cases excluding marginalized populations. The environment for financial services, internet and data is highly regulated, with governments having full oversight of ID credentials and other personal data.

### Top-line implication for users of financial assistance:

Risk that assistance is not needs-based and that marginalized groups are excluded from receiving assistance.

### Top-line implication for the formal international humanitarian sector:

Because international humanitarian actors' roles in directly delivering financial assistance are limited, it is critical to build strategic, demand-driven partnerships with – and provide effective support to – national civil society organizations, where possible.



## CHAOS SCENARIO

In the chaos scenario transnational crises are the norm, with needs far outstripping resources. Cross-border and multi-actor approaches are required to provide financial assistance to populations on the move. The lack of resources and the deregulation/limited coordination of formal humanitarian and development assistance has reduced predictability and thus eroded user trust. Scarce external funding for financial assistance is prioritized for sudden onset humanitarian crises, reducing funding for social transfers. Governments privilege citizens over refugee populations in their delivery of financial assistance, a segregation compounded by the digital divide.

### Top-line implication for users of financial assistance:

The growing gap between needs and resources means that many people in need are unable to access financial assistance. The large number of refugees and migrants incentivizes the development of financial products better tailored to populations on the move.

### Top-line implication for the formal international humanitarian sector:

The challenge of providing assistance to large populations on the move requires new tools and approaches. Collective engagement with governments on financial assistance policy and regulation is key, as part of regional crisis preparedness.

<sup>1</sup> These four scenarios are based on analysis of how the eight most influential drivers of change may unfold in the global scenarios built for the IARAN (2016) The Future of Aid: INGOs in 2030.



## EMERGENCE SCENARIO

In the emergence scenario financial assistance is primarily provided through new localized networks with specific expertise, which are not coordinated by the government or formal humanitarian actors. The private sector takes on many of the functions of formal humanitarian actors, which catalyses technological innovation but does so in the absence of common principles or standards. ID management and the collection and storage of personal data are fragmented, creating multiple vulnerabilities for users.

### Top-line implication for users of financial assistance:

The entry of new actors into the financial assistance space increases the range of assistance options available to users from which to choose. Increased competition results in products and services that are better tailored to crisis-affected people.

### Top-line implication for the formal international humanitarian sector:

At the sub-national and transnational levels, humanitarian actors need to work under different sets of varied, highly localized norms and guidelines developed by new networks of partners.



## SYNERGY SCENARIO

In the synergy scenario financial assistance is funded, designed and delivered in a collaborative manner between different types of actors, supported by enabling national and global regulations, and underpinned by common principles and standards. Entry points for supporting government-led social transfers, including in humanitarian crises, are clear. Civil society supports accountable social transfer provision and/or fills gaps in coverage. Blockchain drives coordination and interoperability, including across borders, while safeguarding privacy.

### Top-line implication for users of financial assistance:

Global ID standards and the accessibility of transnational financial services facilitate access to assistance across providers and across borders.

### Top-line implication for the formal international humanitarian sector:

Humanitarian actors reinvent themselves. Rather than focusing on delivery, they play primarily a coordinating role, as well as an advocacy/watchdog role on adherence to standards (ideally in support of the government).

By 2030, financial assistance will be integral to what humanitarian and social assistance look like. The ways in which organizations respond to emerging opportunities and threats, adopt new technologies, and build new partnerships are likely to be highly varied. However, there are some areas that actors in the international humanitarian sector should focus on:

- ▶ **Treating CVA as part of a broader landscape of financial assistance** – International humanitarian actors need to explore how to work better with and alongside other actors and other types of financial flows.
- ▶ **Evaluating collective impact and using this to drive programming decisions** – Humanitarian actors need to ensure they are transparently capturing what works and scaling only the most effective models, while also ensuring a strong user voice in this process.
- ▶ **Taking data responsibility seriously** – Humanitarian assistance is digitizing faster than the legal and ethical frameworks governing this digitization. Humanitarian actors need to work quickly to understand what ‘doing no digital harm’ looks like.
- ▶ **Preparing to better meet the needs of people on the move** – All four scenarios entail significant increases in population movements within and across borders, including through irregular channels. Humanitarian actors need to explore how to work with other partners to adapt tools and approaches to better meet the needs of people on the move.
- ▶ **Maintaining the trust relationship** – In an increasingly politicized environment and while working more closely with non-humanitarian actors, humanitarian actors need to consider how to safeguard the trust relationship with users.
- ▶ **Putting the needs and voices of users at the centre** – More financial assistance should imply a stronger decision-making role for users, but the scenarios show that this is not necessarily the case. Humanitarian actors need to urgently explore how to increase accountability to users.



# KEY DRIVERS INFLUENCING THE FUTURE OF FINANCIAL ASSISTANCE

Financial assistance is a complex system made up of many actors, including individual users, governments, private sector businesses and formal international humanitarian actors. Each actor balances a number of priorities while adapting to the environments in which they find themselves. As a result, when considering the evolution of financial assistance, broader contextual changes and trends must be kept in mind.

Our analysis has identified eight drivers that will have the most influence on how financial assistance will evolve over the next 10 years to 2030. These are:



**Role of the private sector:** Private sector actors are at the heart of financial assistance; they both deliver financial assistance via their tools and platforms and support other actors throughout the system.



**Role of governments (of crisis-affected states):** Governments are the largest direct providers of financial assistance, and access to and provision of financial assistance from/by other actors hinges on government regulations and action.



**Mobile technology and internet access:** Access to mobile technology and the internet continue to expand connectivity globally, opening new avenues of financial assistance for those who have access.



**ID and its digitization:** Legal identity verification is often a requirement to access financial assistance. This is challenging for people who cannot prove their identity and is a process which is becoming increasingly digital.



**Data and data protection:** The collection of personal data, including legal identity, demographic, family, socio-economic, location and contact information is increasing, but users of financial assistance often have limited control over their information (which is highly valuable) and how it is used.



**Use of financial services:** Digital financial services are increasingly used to deliver financial assistance, improving financial inclusion for connected individuals, but excluding many who are on the other side of the digital divide.



**Funding levels for financial assistance:** Funding for financial assistance as a proportion of Official Development Assistance (ODA) will increase, as will alternative funding streams such as person-to-person (P2P) assistance.



**Population movement:** The situation of people on the move will become increasingly difficult and providing them with financial assistance will be especially complex due to their irregular status and vulnerability to exploitation.

# SCENARIOS FOR THE FUTURE OF FINANCIAL ASSISTANCE

## SUMMARY TABLE OF SCENARIOS

CONTROL	CHAOS	EMERGENCE	SYNERGY
			
<p>Government-led financial assistance with a high degree of control over other actors and eligibility criteria</p>	<p>User trust eroded by a lack of coordination and funding for a comprehensive response based on needs and standards</p>	<p>New networks of humanitarian actors drive innovation in a deregulated environment</p>	<p>Multiple interoperable modalities for financial assistance are coordinated under an umbrella of common principles and standards</p>
<ul style="list-style-type: none"> <li>▶ Financial assistance is <b>tightly controlled by sovereign governments</b> (who do not necessarily have sufficient resources to cover needs)</li> <li>▶ Governments significantly <b>restrict external assistance</b> and the presence of multinational private sector companies</li> <li>▶ <b>Government-led social transfers</b> expand access for some communities but frequently exclude persecuted or marginalized populations, as well as refugees and migrants</li> <li>▶ The environment for <b>financial services, internet and data</b> is highly regulated, with governments having full oversight of ID and other personal data</li> <li>▶ Assistance is coordinated through <b>single accounts</b> with very limited user control over personal data</li> </ul>	<ul style="list-style-type: none"> <li>▶ Governments provide financial assistance but <b>needs significantly outstrip capacity</b></li> <li>▶ <b>Formal humanitarian and development assistance are deregulated</b> and unpredictable</li> <li>▶ There is an <b>increased flow of remittances</b> (but transfers are costly)</li> <li>▶ Transnational crises require <b>cross-border and multi-actor approaches</b> to financial assistance provision</li> <li>▶ <b>Unpredictability</b> of assistance provision, and its frequent use to achieve exclusionary aims, <b>has eroded user trust</b></li> <li>▶ <b>Digital divide compounds divergence</b> in access to assistance</li> <li>▶ Governments have <b>limited regulatory capacity to enable financial services</b>, limiting financial assistance options</li> <li>▶ Complexity of crises leads to <b>multiple financial assistance delivery and ID systems</b>, linked to significant data protection risks</li> </ul>	<ul style="list-style-type: none"> <li>▶ Financial assistance is provided through new <b>localized networks of specific expertise</b> (local government, civil society, private sector)</li> <li>▶ The <b>private sector substitutes functions of formal international humanitarian actors</b>, catalysing technological innovation</li> <li>▶ New funding sources grow, including <b>P2P giving</b></li> <li>▶ <b>Major gaps</b> result from the localized and uncoordinated provision of assistance</li> <li>▶ <b>Digital divide grows</b> with the influence of multinational tech companies</li> <li>▶ <b>No common principles or standards</b> govern internet services, the internet or data</li> <li>▶ <b>ID management and the collection of personal data are fragmented</b>, creating multiple vulnerabilities for users</li> <li>▶ <b>Use of blockchain</b> is prevalent but <b>interoperability is challenging</b></li> </ul>	<ul style="list-style-type: none"> <li>▶ Governments provide <b>social transfers and work closely with civil society</b> for financial assistance provision, accountability and/or to fill gaps in coverage</li> <li>▶ <b>External financial assistance and private sector engagement is actively encouraged</b>; funding, design, and delivery are highly collaborative</li> <li>▶ Entry points for supporting government-led social transfers, including in humanitarian crisis, are clear</li> <li>▶ <b>Diverse funding sources</b> for financial assistance are leveraged, including taxation, remittances and P2P giving</li> <li>▶ National and global regulation enable financial assistance, <b>underpinned by common principles and standards</b>, also applicable to the private sector</li> <li>▶ <b>Common global ID standards and use of blockchain</b> (including cryptocurrencies) drive national and transnational interoperability</li> </ul>

## EXPLORING THE IMPLICATIONS OF SCENARIOS

Each scenario explores the role of the following actors: users of financial assistance, formal international humanitarian actors, local civil society, national governments and private sector actors. Potential opportunities and threats for users<sup>2</sup> and providers<sup>3</sup> of financial assistance are summarized for each scenario.



## SCENARIO I: CONTROL<sup>4</sup>

### SUMMARY

Global trends and the slow pace of change within the humanitarian ecosystem makes this the most likely scenario before 2020. This scenario is characterized by the rise of nationalism, leading to a decline in the relevance of global governance institutions. The humanitarian ecosystem is challenged by the politicization of crises, particularly those in areas of chronic fragility.

**Financial assistance is tightly controlled by sovereign governments who significantly restrict external assistance. Where there is capacity, government-led social transfers are the primary form of financial assistance, increasing the reliability of support and expanding access for many communities, but sometimes excluding persecuted or marginalized populations. The environment for financial services, internet and data is highly regulated, with governments having full oversight of ID credentials and other personal data.**

### DETAIL

In 2030, the **decline in the relevance of global governance institutions** has reduced the influence that the formal international humanitarian sector has over the coordination and delivery of financial assistance. The **rise of sovereignty**, driven in part by increasing domestic capacity to respond to crises and governments' abilities to operate without external support, means that national governments lead on the delivery of financial assistance. In many places, this expands access to assistance for the majority of people and increases its sustainability. However, where governments have insufficient resources, financial assistance is limited in its scope and scale. The politicization of humanitarian crises results in several governments restricting migration, borders and external assistance, meaning that **financial assistance is heavily controlled**.

In some cases, governments **restrict external assistance entirely**, although major sudden onset natural disasters that exceed government capacity for response can exceptionally result in a call for external support for financial assistance. In other cases, governments **allow external assistance to be channelled by traditional OECD donors within very constrained parameters or through existing social transfer programmes**. This strengthens government-led programmes, but as donors are required to use the government's registries and targeting strategies, **tough decisions must be made about humanitarian principles, data protection and coverage of affected people**.

Countries receiving assistance are largely selected by donors according to foreign policy interests. Meanwhile, financial assistance in conflict areas continues to be perceived as particularly risk-prone by traditional donors and funding levels to these contexts decreases.

In some cases, there are significant restrictions on the provision of assistance to marginalized people and those who are out of favour with the government (whether through deliberate exclusion or self-exclusion by those wary of sharing their data with government institutions). **The role of local civil society is critical**, complemented in some places by franchised INGOs, although their space is also shrinking. Depending on their level of alignment with the government, **humanitarian actors provide financial assistance to otherwise excluded populations**, and can play a role in **improving the accountability** of the targeting and design of government-led financial assistance.

**Regulatory environments for financial services, internet and data are heavily controlled**. Regulations only enable access to and use of financial services endorsed by the government. Financial services provision is therefore primarily through national private sector firms that comply with very stringent requirements and are easy to regulate, along with multinational providers with niche technology or services who are willing to operate under government control. While this increases trust in financial assistance mechanisms in some places, the transparency and effectiveness of financial assistance is threatened by a lack of accountability, and risks of fraud and corruption are high – particularly where private sector actors are linked with government representatives. **This prevents the development of a healthy ecosystem of financial services** and restricts the environment for new technologies, including cryptocurrencies. It also limits opportunities to access financial services for populations crossing borders, creating **distinct and exclusive national systems**.

Internet access continues to expand through increased access to mobile technology, particularly smartphones, which facilitate access to government-controlled financial services. However, **access to mobile technology and the internet is not equal**, and the **digital divide threatens to leave specific groups behind**, particularly women and rural dwellers. This increases inequality of opportunities to access financial assistance. Governments exert significant control over the internet content and services accessible by their citizens and have the power to temporarily suspend these at any time, increasing the vulnerability of those dependent on digital financial transfers.

<sup>2</sup> These are drawn from the authors' and contributors' analysis of the scenarios, and not on primary data collection with existing or potential users of financial assistance. However, analysis of primary research from Groundtruth Solutions' work in Kenya and Iraq has identified three main issues that users of CVA care about. These have been used as a reference point for informing users' opportunities and threats: deciding freely what to spend money on; receiving money reliably; trusting those managing transfers.

<sup>3</sup> These considerations are the output of workshops and interviews with actors within the formal international humanitarian sector. Where relevant, they are framed with a particular actor in mind.

<sup>4</sup> Based on the Narrow Gate scenario in IARAN's *The Future of Aid: INGOs in 2030*.

In most contexts outside of fragile states, **official ID is integrated with other ID credentials** (as in the case of the India Stack), which facilitates the coordination of financial assistance based on different types of personal data (demographic, geographic, socio-economic and/or health, etc.). **Governments have oversight of this personal data**, which enables them to control the means, methods and recipients of financial assistance, and to determine who is eligible for support. **Governments' oversight of data also further reduces their reliance on international actors** for the analysis of needs and vulnerabilities and the development of social registries and targeting mechanisms, thus increasing their self-sufficiency.

**Data protection and accountability are ensured by the government and not always compliant with developing international norms.** Individuals have very limited ownership over their data, and the data generated through the use of financial services is routinely sold as a valuable commodity to encourage further investment. This provides resources for the government to reach out to previously underserved population groups, often selected in line with the government's populist message. It also enables technological innovation and early warning of emerging public problems. This level of national control means that **financial assistance programmes are typically coordinated in single accounts.** This provides recipients with the ability to better control and manage their money, but also makes them more vulnerable to fraud. In cases where formal international humanitarian actors and/or local civil society are able to directly provide financial assistance, they favour stand-alone databases, despite the risk of these being seized by the government.

Arguments around national sovereignty, increasingly steeped in populist politics, mean that **countries are less willing to accept and integrate refugees and migrants.** Where refugees are accepted, they are isolated in camps and have **little or no means of accessing the mechanisms which enable financial assistance** for nationals (financial services, inclusion in social registries, etc.). These discriminatory practices also affect persecuted or marginalized groups within the country who, without the ability to be anonymous when receiving assistance, often seek to remain outside the national system.

The protracted nature of crises in contexts of chronic fragility **calls for new funding instruments for financial assistance, but donor interest is lacking.**

## OPPORTUNITIES AND THREATS FOR USERS

### Opportunities:

- ▶ Increased predictability of assistance for those who receive it, if the government has sufficient funding for social transfer programmes
- ▶ For the majority of people, there is greater reliability and trust in the providers of financial assistance, but potentially not for marginalized groups

### Threats:

- ▶ Limited access to financial assistance for persecuted groups (which could increase internal displacement), refugees and migrants
- ▶ Digital divide creates divergent levels of access to financial assistance
- ▶ Risk of exploitation of users receiving assistance from a provider other than the government
- ▶ Poor complementarity of other forms of assistance with financial assistance, reducing its effectiveness
- ▶ Limited accountability mechanisms for financial assistance, reducing its effectiveness
- ▶ Lack of individual control over the ownership and management of personal data, which could increase exposure to exclusion or persecution
- ▶ Risk of propping up populist governments with the ability to hand out cash, leading to increased persecution of vulnerable groups

## IMPLICATIONS FOR THE HUMANITARIAN SECTOR

- ▶ It becomes very difficult to reach persecuted and marginalized groups, jeopardizing the humanitarian mandate
- ▶ Where the humanitarian sector supports government social transfer programmes, there is a need for 'red lines' to be drawn e.g. on inclusion/exclusion and data protection
- ▶ There is a need for innovative mechanisms, including partnerships with local civil society, to safely provide financial assistance to marginalized groups excluded from government-led systems and to provide financial assistance in hard-to-reach areas
- ▶ There are opportunities to work with local civil society to strengthen the accountability of government-led financial assistance, including through the use of digital tools which do not require physical access
- ▶ There are opportunities to improve the quality of financial assistance by becoming a provider of specific technical expertise to direct providers (i.e. governments and/or local civil society); this is also an opportunity to implement localization commitments and encourage more equal ways of working
- ▶ Where access is permitted (e.g. after a sudden onset disaster), there are options for blanket targeting to reduce friction with government-led targeting approaches
- ▶ There is a need to mitigate the risk that populist politics of donor or crisis-affected governments undermine global gains in financial assistance



## SCENARIO 2: CHAOS<sup>5</sup>

### SUMMARY

In this scenario, the humanitarian ecosystem exists in a future characterized by the withdrawal of global governance and a renewed emphasis on the pre-eminence of national sovereignty. Humanitarian actors face a dramatic escalation in humanitarian need as a result of intensifying transnational crises and increasing displacement.

**Cross-border and multi-actor approaches are required to provide financial assistance in transnational crises. However, the deregulation and reduction in coverage of formal humanitarian and development assistance has eroded user trust in financial assistance processes. External funding for financial assistance is primarily for sudden onset humanitarian crises, reducing funding for social transfers. Overwhelmed by the increases in demand, governments may prioritize citizens and favoured groups, excluding marginalized groups.**

### DETAIL

In 2030, the transnational nature of complex systemic crises – where conflict, climate and political insecurity each play a role in driving vulnerability – requires **cross-border and multi-actor approaches to the design and provision of financial assistance**. In parallel, the decline in the relevance of global governance institutions means that **UN influence over the coordination, funding and delivery of financial assistance is shrinking**.

The retrenchment of global governance reduces the impact and coverage of the formal international humanitarian sector, resulting in **decreased trust from communities**. The eroding relevance of international law leads to **deregulation of formal humanitarian and development assistance**, further undermining the formal international humanitarian sector.

The continuing rise of populist and anti-immigrant politics challenges humanitarian and development funding from traditional donors. Financial assistance, although privileged over other types of assistance under right-wing economic development policies, is **vulnerable to overall anti-aid sentiment**, so progress made in its scale-up is threatened. Development programming shrinks overall, with **ODA reprioritized to crisis response** and away from politically sensitive protracted humanitarian crises in fragile states. This leads to **greater inequity in access to financial assistance** and a **reduction in funding for social transfers** from traditional donors.

The exception is **bilateral aid between states to keep refugees and migrants from crossing borders** (as the EU has done for Syrian refugees in Turkey since 2016). This type of aid increases, with the **funding often earmarked for social transfers** which must integrate refugees. The concentration of refugees in a few main hosting countries incentivizes improved opportunities for financial assistance in

these countries (e.g. a broader financial services ecosystem with lower-cost remittance services). The worsening refugee crisis leads to the emergence of new donors whose neighbours are in crisis (e.g., China pays to contain new crises in South-East Asia).

Where governments provide financial assistance, it is often **exclusionary as they try to focus support on their citizens**, not least in the eligibility for assistance. This leads to high **concentrations of need amongst marginalized groups**, refugees, and migrants, who are left to be assisted by disempowered humanitarian actors. With the formal international humanitarian sector operating under significant restrictions from national authorities, there is an even **greater need for local civil society, but it is highly fragmented and also restricted by the government**. It is therefore also unable to effectively access people in need.

Governments have **limited capacity to provide the regulatory environment** that can enable access to and use of financial services, so the **service provider options available to channel financial assistance are limited**. This unregulated environment provides some opportunities for financial services innovation, particularly for cross-border solutions. However, **internet access rates have plateaued due to lack of investment in infrastructure and services**, and mobile ownership rates have stabilized due to financial access barriers, particularly for women and people living in rural areas. Where internet is available, access is increasingly government controlled and can be suspended by the government at any time.

This context **constrains an increase in the use of financial services**, particularly among rural populations, internally displaced people, and refugees and vulnerable migrants. The digital divide further hampers the effectiveness of data-driven financial assistance. There is an **increase in remittances** from diaspora populations to relatives in their countries of origin, due to both higher levels of migration and the increasing gap between needs and the provision of financial assistance from the government or humanitarian sources. However, with limited investment in new financial services, remittances **continue to be costly for senders and/or recipients**.

The **segregation of different types of populations**, decreasing government capacity, and the increasing volume of need within complex transnational crises results in a greater reliance by humanitarian actors and governments on their own ID credential systems. These systems are **provided primarily by multinational private sector actors**. **Multiple ID systems** for determining access to different financial services and assistance proliferate, in addition to official ID. While this facilitates access to assistance for displaced populations and populations excluded by their governments, these multiple IDs and associated registries make for **uncoordinated assistance and create multiple vulnerabilities for data protection**.

<sup>5</sup> Based on the Overflow scenario in IARAN's *The Future of Aid: INGOs in 2030*.



Governments have limited interest in data beyond the criteria used to determine who is 'in' and 'out' with respect to predetermined eligibility, so they do not make smart use of data to target and refine financial assistance programmes. **Humanitarian actors continue to generate and use data** to improve the effectiveness of financial assistance. However, given the decline in influence of the formal international humanitarian sector, this is **not based on common data protection principles or interoperable ways of working**. The result is confusion for users and data protection vulnerabilities. An additional challenge is that refugees and vulnerable migrants are increasingly unwilling to share data with the formal international humanitarian sector.

## OPPORTUNITIES AND THREATS FOR USERS

### Opportunities:

- ▶ Large numbers of people on the move can give IDPs, migrants, and refugees increased bargaining power in accessing assistance, as ignoring their needs becomes a risk for both host governments and governments concerned about onward migration
- ▶ Displaced people can become an attractive customer base for financial and other service providers, encouraging the development of tools and services tailored to their needs, in a marketplace which increases user choice
- ▶ Limited regulation of aid and a potentially declining role for formal international humanitarian actors means many users have more freedom in how they spend the assistance they receive, assuming they have access to functioning markets
- ▶ Increased cross-border population flows increase the opportunities for receiving remittances from friends and family members in richer countries, but given the lack of strong transnational financial infrastructure these services may be costly
- ▶ If irregular migration becomes the norm, cryptocurrencies provide opportunities for non-traceable transactions and anonymity, which is very beneficial for persecuted or vulnerable communities in some cases

### Threats:

- ▶ The combination of populations on the move, the fragmented nature of financial assistance provision and a lack of transnational solutions means that coverage of needs is patchy; many people fall through the net and are left without assistance
- ▶ The lack of reliable internet and mobile access, combined with diverging regulatory environments between countries, exposes users to increased data protection risks
- ▶ Lack of coordination means that crisis-affected people often have to deal with and negotiate assistance from multiple aid providers, which is time consuming, demanding and costly

- ▶ Rising anti-refugee sentiments result in restrictions on livelihood opportunities for refugees and migrants, leading to long-term dependency on assistance in camp settings
- ▶ Exclusionary targeting policies disadvantage the most marginalized, including IDPs
- ▶ The lack of strong transnational aid infrastructure and limited resources mean aid flows are not reliable; households who rely on financial assistance risk being suddenly cut off
- ▶ Migration flows are largely irregular and migrants are wary of registering with ID systems, in particular government-associated systems, if they lack legal status
- ▶ Multiple and fragmented ID systems mean that ID is unlikely to remain valid as crisis-affected people travel from one country to another; registration processes may be burdensome and challenging, with loss of data from one country to the next

## IMPLICATIONS FOR THE FORMAL INTERNATIONAL HUMANITARIAN SECTOR

- ▶ There is a need for collective engagement with governments on financial assistance policy and regulation, as part of crisis preparedness
- ▶ The challenge of providing financial assistance for people on the move (particularly across borders), and the new approaches required to operate across regulatory environments and service providers, necessitate the development of shared, secure ID systems based on common data protection standards which function across borders and are not vulnerable to (or minimize the risk of) data breaches
- ▶ There is the potential to incentivize the use of smartphones and transnational data packages as an enabler of financial inclusion and assistance, in partnership with new donors and private sector actors who see it as an opportunity to open new markets
- ▶ The politicization of technological developments in relation to particular private sector actors (e.g. Huawei in the UK) and the implications for the channels through which financial assistance may be provided can be a highly sensitive issue for formal international humanitarian actors
- ▶ Organizations struggle with the high cost of secure data protection, which challenges organizational budgets
- ▶ As regional crises become the norm, there are opportunities to develop shared regional response platforms and new partnerships with regional actors; this necessitates cross-border data-sharing agreements
- ▶ The combination of poor coordination, patchy service, and lack of perceived neutrality undermines trust in formal international humanitarian actors

- ▶ In an environment of constrained resources, financial assistance needs to be more targeted and focused; this means improving targeting approaches by developing capacities and/or partnerships for new forms of data analytics or defining narrower objectives and time frames for financial assistance in response to humanitarian needs
- ▶ Dwindling funding leads to increased competition between agencies for donor resources, which undermines collaboration and transparency in some cases

- ▶ There is an increase in funding for national and local responders as governments prefer to support responses within their borders
- ▶ Civil society organizations are subject to increased pressure from governments in some cases, compromising humanitarian principles



## SCENARIO 3: EMERGENCE<sup>6</sup>

### SUMMARY

This scenario is characterized by a series of protracted, localized crises and a dramatic growth in large-scale involuntary migration. In this future, actors coalesce into networks, forming new institutions organized around specific thematic or geographic areas of interest, resulting in a more fractured humanitarian ecosystem.

**Financial assistance is provided through new localized networks of specific expertise, which are not coordinated by the government or formal international humanitarian actors. The private sector substitutes functions of formal international humanitarian actors, which catalyses technological innovation but does so in the absence of common principles or standards. ID management and the collection of personal data are fragmented, creating multiple vulnerabilities for users.**

### DETAIL

In 2030, the protracted, localized and diverse nature of crises means that there are **major gaps in the coverage of financial assistance needs in areas of state fragility and chronic conflict**, which are ignored by governments and traditional donors. **New networks of diverse actors** – including local governments (cities and sub-national authorities), national and multinational private sector actors, and local civil society – are **playing significant roles in the design, funding and provision of financial assistance**. These networks are working to create highly localized solutions in areas of strategic interest. They specialize in areas such as data analysis (needs, market functionality, FSP capacity, etc.), financial transfers and digital identity provision. The solutions may be highly adapted to their context, but the priorities of these diverse actors are not necessarily aligned or connected to broader national frameworks. **Formal international humanitarian actors work alongside these networks, which are organized around sectoral interests** and often heavily supported by private sector funding and interests.

**National governments do not exert much control or coordination over either formal or non-formal humanitarian actors supporting financial assistance, allowing local government institutions to work with the networks in their areas.** The strategic aims of the actors involved in the networks (such as stability or the creation of new markets) are often aligned with the government and can therefore assist in scaling up financial assistance in areas not covered by the government or seeking to complement government services where they exist.

**National and multinational companies have increasingly become substitutes for formal international humanitarian actors** throughout the programme cycle. This produces competition and diversity, which bring opportunities for innovation. However, there are also significant risks because there are **no common principles or standards guiding these interventions**. Private foundations and international corporations increasingly act as **donors of financial assistance to people in need**, funding innovation and capacity-building. For corporations, funding often focuses on contexts which align with their business interests. **Blockchain solutions for user ID management and the use of cryptocurrencies are more prevalent**, but the lack of common interoperable standards limits their potential.

**ID mechanisms are disjointed**, with humanitarian and private sector actors issuing their own ID credentials alongside official ID. This lack of coordination undermines the complementarity of assistance and in some cases **creates disparity in access to financial services** (depending on Know Your Customer (KYC) requirements). Conversely, the multiplicity of mechanisms offers a greater choice to users which is usually welcomed. The increasing role of multinational technology companies in financial assistance means that they hold significant influence over personal data, through both the development of ID technology and the volume and quality of information they hold. **The amount of digital identification data**

<sup>6</sup> Based on To Each Their Playing Field in IARAN's *The Future of Aid: INGOs in 2030*.

(including biometric data) that is collected and stored as a precondition for assistance increases, increasing the **vulnerability of these populations** to political discrimination, commercial exploitation and digital criminal attack. The outsourcing by **humanitarian actors of data management to the private sector** also exposes populations to risks of additional data breaches and unintended use of data for analysing population movements. More positively, big data can also be used smartly to improve the programme design and accountability of financial assistance.

Government regulation of internet, mobile infrastructure and services is limited, which opens up opportunities for investment from the private sector. Technology companies have a greater influence over financial services than banks, so **financial services become increasingly digital**. The uneven investment in infrastructure and services exacerbates the **digital divide in contexts that are or are not of strategic or commercial interest**. For those with access to digital financial services, financial assistance is predominantly transferred digitally. However – given uneven coverage, the lack of trust in any single provider and the lack of interoperable services – users continue to predominantly make payments in paper currency.

**Funding for financial assistance increasingly comes from new donor nations, multilateral institutions (e.g. the World Bank), international corporations, private foundations and private individuals**, who demand ever-greater accountability for money spent and continue to raise the bar for the expected impact. As the funding for humanitarian assistance becomes more fragmented, competition for resources significantly increases. The **provision of financial assistance is highly unequal, prioritizing popular or strategically important crises and declining in ‘forgotten crises’**. In addition to remittances, P2P giving is strengthened and scaled-up, based on evidence and in response to growing disillusionment with global institutions and governments. There is an **increase in localized fundraising for financial assistance within affected countries** (especially those with growing economies and a relative increase in middle class), much of which is digitally transferred.

Some countries facilitate successful integration of refugees and migrants (including official ID, right to work, and freedom of movement) and incorporate them within national social assistance programmes. However, many other countries force refugees and migrants to settle in camps and deny them access to financial assistance. In some cases, the ways that refugees and migrants are treated is influenced by the causes of displacement, with greater willingness to accept people fleeing climate change than people fleeing conflict. **A two-tiered financial assistance paradigm develops**: on the one hand there are significant innovations in the use of data to tailor assistance to users’ needs and preferences, and on the other hand many people have very limited access to financial services, let alone financial assistance.

## OPPORTUNITIES AND THREATS FOR USERS

### Opportunities:

- ▶ The localized design of financial assistance provides more opportunities for users to contribute to solutions, and the greater involvement of local actors improves the accountability and sustainability of the assistance received. This increases users’ trust in the system
- ▶ The diversity of actors creates competition and innovation, which increases the quality of service provision for users
- ▶ Options and costs for receiving remittances improve through private sector competition
- ▶ The use of blockchain for data ownership and management may allow users to control use of their own data
- ▶ Cryptocurrencies facilitate anonymous financial transactions, protecting users on the move who do not want to be tracked

### Threats:

- ▶ Assistance is not needs-based, with some crises and population groups receiving significantly more attention and resources than others. This creates social disparities and tensions within and between communities, undermining local power structures and trust
- ▶ The fragmentation of financial assistance means that users’ personal data is collected multiple times by multiple actors, without any accountability for how this information will be used or protected
- ▶ The management of personal data by private sector companies exposes users to commercial (mis)use of their data
- ▶ The reduction in overall trust in the multiplicity of actors, including FSPs, encourages a return to using paper currency
- ▶ Limited trust in cryptocurrencies and blockchain as a solution for data ownership and management where solutions are localized and not interoperable

## IMPLICATIONS FOR THE FORMAL INTERNATIONAL HUMANITARIAN SECTOR

- ▶ In a more fragmented humanitarian ecosystem with limited funding, the number of formal international humanitarian actors channelling funding for financial assistance significantly declines
- ▶ ‘Forgotten crises’ and vulnerable communities in situations of chronic crisis – the contexts with the greatest gaps in coverage – are more challenging environments for the provision of financial assistance and require adaptation of mandates and business models; this encourages formal international humanitarian actors to address these challenges innovatively and in support of local government

- ▶ New coordination structures provide an entry point to improve financial assistance (both social transfers and CVA) through technical expertise, data analysis, and funding provision, though with risks of supporting existing or new biases in assistance
  - ▶ New coordination structures present entry points for strengthened analysis of community-based mechanisms for financial assistance, financial service options available to users, and the financial journeys of people on the move.
  - ▶ There are opportunities to build partnerships with and influence private sector actors at the national level, in recognition of the increasing relative power that they have
- ▶ At sub-national and transnational level, humanitarian actors need to work under different sets of varied, highly localized norms and guidelines developed by new networks of partners
  - ▶ The growth of P2P giving provides opportunities for INGOs to support the design (targeting, value/frequency of transfers, monitoring, etc.) of these mechanisms so that they deliver the best outcomes for crisis-affected people
  - ▶ The scale of involuntary migration and the protracted nature of crises require resilient financial solutions and the ability to switch between mechanisms, meaning humanitarian actors need to engage more with and strengthen the wider financial services ecosystem (particularly in rural areas and areas of chronic fragility)



## SCENARIO 4: SYNERGY<sup>7</sup>

### SUMMARY

Given the degree of change required from the organizations working in the humanitarian space, and the structure of their interactions, this scenario is unlikely to transpire before 2025. This scenario is defined by the establishment of a new and more diverse system of international governance, driven by self-regulation and built organically through the institutionalization of formal interactions between rising actors and networks. These supersede traditional global governance structures to form a new paradigm. The humanitarian ecosystem plays a central role in innovating and regulating humanitarian assistance. Inclusivity supports the adoption of a more systematic response to increasing transnational crises and escalating humanitarian needs.

**Financial assistance is funded, designed and delivered in a collaborative manner, supported by enabling national and global regulation and underpinned by common principles and standards. Entry points for supporting government-led social transfers, including in humanitarian crises, are clear. Local civil society supports accountable social transfer provision and fills gaps in coverage. Blockchain drives coordination and interoperability, including across borders, whilst safeguarding privacy.**

### DETAIL

In 2030, the humanitarian ecosystem works through **new and evolved systems of global governance**, driven by self-regulation and built organically through the institutionalization of formal interactions between rising actors and networks. This shift reflects an **intensification**

**of globalization led by the private sector and other non-state actors. These actors include transnationally connected local civil society organizations, who increase their relative power in the system by leveraging their collective influence.**

This model facilitates the **collaborative funding, design and delivery of financial assistance**. It is supported by enabling **national and global regulations, strong partnerships and effective transnational coordination structures**. The coordination structures build on the most effective elements of the formal international humanitarian sector architecture. The transition to this model has been challenging, relying on concerted public pressure to drive major transformations in political and business leadership.

Crisis-affected country governments create **regulatory environments that enable access to and use of financial services**. The digitalization of financial services facilitates taxation and increases donor confidence, meaning that governments are increasingly able to raise the funds (internally and externally) to provide social transfers to their domestic population. This includes mechanisms to support IDPs through social transfers. Governments also **develop clear entry points for other actors to support social transfer expansion in preparation for and during humanitarian crises**. Host governments **provide financial assistance for refugees**, albeit on a selective basis, as part of an inclusive approach to integration that includes the right to work and freedom of movement.

**The role of local civil society is central to financial assistance, grounded in the access, capacity and sustainability**

<sup>7</sup> Based on the (R)evolutions scenario in IARAN's *The Future of Aid: INGOs in 2030*.



of presence that these organizations provide, which is increasingly valued by other actors in the system. In support of government-led social transfers, local civil society organizations lead needs analysis and monitoring and influence programme targeting, design and delivery. A limited number of local civil society organizations **develop the capacity to directly provide financial assistance where there are gaps in government coverage**. They are supported in these efforts by **technical expertise and funding from a limited number of formal international humanitarian actors** who also maintain capacity for delivery in large humanitarian crises. Civil society organizations **improve and enforce standards on inclusion, data protection and accountability**, in which local media also play a role.

Partnerships between private sector and humanitarian actors are driven by **principles and standards, overseen by an independent ombudsman**, and financed based on humanitarian need not media attention. Nonetheless, the harmonization of respective incentives is an ongoing challenge, given the different units of analysis between humanitarian actors (affected people) and the private sector (profit) and government social protection programmes (building state institutions to support individuals in the long-term).

**Common global ID standards**, informed by strict data protection requirements, facilitate interoperability of data between governments, humanitarian actors and the private sector (where possible and appropriate). They also accommodate for diversity and the possibility for individuals to determine how they are identified. In fragile states with limited government capacity, a **single ID system and common targeting approaches managed by one or many humanitarian actors ensures coherence of assistance**, as well as data protection and accountability. The enforcement of these standards is overseen by an independent ombudsman (or equivalent) or by local civil society.

**Commercial incentives and funding opportunities converge** to support a rapid increase in internet access, through significant infrastructure investment and widespread access to smartphones. This enables **financial services to become increasingly digital**. The potential of blockchain is exploited to empower crisis-affected people with the means to safeguard and access proof of identity and other records. While this results in greater accessibility and security for many, the increasingly digitized system presents challenges for populations who do not have a high-level of digital literacy. Nevertheless, the ownership of one's own digital identity and data is increasingly seen as a human right derived from international regulatory frameworks on personal data and trust in their application.

The prevalent use of **blockchain is a major driver of interoperability**, including when people cross international borders. It enables organizations to use their own systems but **channel entitlements to a unique identifier for each user**. **Cryptocurrencies (such as Libra) allow for a payment solution to be linked to such platforms**,

providing an opportunity for end-to-end integration of the financial assistance ecosystem. The stability of 'stablecoin' cryptocurrencies makes financial assistance more resilient to market shocks and adapted to the needs of populations travelling across borders. However, the **interconnectedness of these systems also increases their vulnerability to data breaches** and protracted denial of service, including, potentially, by pariah states that have intentionally excluded themselves from these globalized systems.

**Funding for financial assistance increasingly comes from new donor nations, international corporations and private individuals**, increasing funding flows to local civil society and directly to individuals. Simultaneously, the **synergies between funding sources for financial assistance increase**, supported by new financing mechanisms that are adapted to different levels of risk. The types of data generated about users based on their use of financial assistance opens up greater opportunities for additional financial products (such as micro-insurance, loans and saving instruments) adapted to their needs.

Coordination between governments, the private sector and humanitarian actors enables **greater interoperability between financial services, facilitating coherent provision of financial assistance into single or interoperable accounts**. This provides users with the ability to better control and manage their money. With growing interconnectivity, **remittances and P2P giving can be better leveraged**, including as anticipatory financial assistance by encouraging transfers prior to a shock.

## OPPORTUNITIES AND THREATS FOR USERS

### Opportunities:

- ▶ Users become more active in a decentralized marketplace and, shaped by demand, financial assistance is more user-centric and tailored to specific needs and contexts
- ▶ Global ID standards and the accessibility of transnational financial services providers facilitate access to assistance across providers and across borders
- ▶ Private sector actors invest in solutions that address financial and digital literacy challenges, increasing connectivity and their consumer base; this increases the readiness of users to adopt new technologies such as cryptocurrencies as a reliable form of transfer
- ▶ The integration of channels for financial assistance drives financial inclusion and opens up multiple cost-effective channels for receiving assistance through P2P giving and remittances

### Threats:

- ▶ In a diverse and decentralized ecosystem, deciding who to trust as a provider of financial assistance can be difficult
- ▶ The potential for exclusion as a result of the digital divide still exists and in some cases is exacerbated by the increased digitalization of financial assistance (especially as

users are expected to manage their own digital ID); this can exclude populations with low digital literacy or whose preference remains for paper currency

- ▶ In an increasingly complex financial ecosystem with use of alternative (and loosely regulated) currencies, client protection principles<sup>8</sup> can be put at risk

## IMPLICATIONS FOR THE HUMANITARIAN SECTOR

- ▶ There is an opportunity to shape a new form of financial assistance, driven by a common goal of ensuring regularity, reliability and sufficiency of assistance, irrespective of the provider or funding source; this implies significant changes in the mandates of different actors and inevitable changes to core businesses and ways of working
- ▶ Significant global leadership is required to organically establish common global ID and data protection standards and self-regulate these; these standards can become a precondition for support to governments on financial assistance and can govern interactions between formal and non-formal humanitarian actors
- ▶ There is an opportunity for greater service delivery integration with the private sector through the provision of better technology solutions designed through partnerships; these partnerships should be grounded in principles and standards for collaboration, co-developed and enforced by an independent ombudsman supported by accountability mechanisms to uphold them
- ▶ To capitalize on partnership opportunities, formal international humanitarian actors need to reinvent themselves, playing a coordinating rather than a delivery role, and an advocacy/watchdog role on adherence to standards (ideally in support of the government)
- ▶ To maximize the potential of adapting social transfers to respond to shocks, the respective added-value of formal international humanitarian actors, traditional donors, multilateral institutions, local civil society and any new actors need to be clearly defined
- ▶ The opportunities and risks of single government-led ID registries need to be fully assessed at global and country-level to determine the value of investing in coordination and harmonization of approaches or in developing complementary systems
- ▶ There is significant potential to further exploit big data, as standards and guidelines facilitate greater, safe data sharing to further leverage the potential of financial assistance, for example: analysing remittance data to better map needs and coverage; analysing debt and credit patterns to support decisions on early action; analysing outcome data to help make the case for leveraging further funding – including through new financing mechanisms

- ▶ There is a further blurring of the humanitarian/development space and with it the opportunity to demonstrate the power of joined-up funding approaches and link together a range of innovative financing mechanisms for financial assistance (including anticipatory financing, risk-insurance and contributory models at household level)

## WHAT DO THESE SCENARIOS MEAN FOR THE HUMANITARIAN SECTOR?

Each scenario presents a different potential future for consideration by interested actors. The opportunities and threats for users vary considerably due to the different conditions explored in each future. However, in each scenario there is significant space for users to increase their influence from a starting point where, currently, their perspectives are rarely taken into account in decision-making. In addition, in every scenario there are both encouraging and challenging implications for humanitarian and other actors.

Financial assistance is typically more effective and sustainable as part of a complementary set of interventions and, as a result, it cannot be separated from the dynamics affecting the wider humanitarian ecosystem. Therefore, in addition to the scenario-specific implications, there are broader sector dynamics which must also be considered.

The levers of change in the humanitarian ecosystem are complex and decentralized, which makes driving change challenging. The formal international humanitarian sector, by virtue of its decentralized structure and lack of single executive authority, is highly resistant to directional, planned change. There are pros and cons to this. In one way, this is a source of significant strength, allowing innovation to flourish, context-specific models to emerge, and new partnerships to develop. Looked at differently, it also means that there is a tendency in many places towards inertia. Individual organizations are not incentivized to update their business models in ways that embrace the commitments they have made to shift more power to crisis-affected people. This opens a significant gap between the objectives of individual organizations and the aims of the ecosystem as a whole to achieve greater impact, subsidiarity and inclusion. Such dynamics will have a significant influence on the future of financial assistance, as the ways in which organizations respond to emerging opportunities and challenges are likely to be highly varied.

Given the rapid growth of CVA as a tool of humanitarian assistance and the ever-evolving landscape of opportunities and actors around financial assistance more broadly, humanitarian actors' engagement with financial assistance

<sup>8</sup>The Smart Campaign (2019) Putting the Principles to Work: Detailed Guidance on the Client Protection Principles, Protecting and Empowering Financial Consumers.

can be a transformative entry point for tackling these inertias and catalysing positive change. In every future, to leverage the power of financial assistance, the humanitarian ecosystem must collectively consider how to overcome some specific dilemmas:

- ▶ **Emerging operational models need to be driven by improved impact, not by preferred ways of working.** Emerging collaborative operational models for the delivery of CVA are a positive development, and the impact of each on efficiency, effectiveness and accountability needs to be transparently monitored to drive system-wide learning. As well as greater collaboration between humanitarian actors, such models need to build and strengthen links with actors outside the formal international humanitarian sector, and to understand how CVA can best work with and alongside other financial assistance. The right incentive structures need to be put in place to ensure that only those models which can demonstrate that they improve delivery for end users (in line with their needs and preferences) are scaled, rather than scaling models which represent preferred ways of working of formal international humanitarian actors. Further, the sector needs to be careful that the emergence of single platforms does not unhelpfully enforce existing power dynamics or exclude or weaken relationships with actors outside the sector.
- ▶ **More financial assistance creates the potential for a transformed power relationship with crisis-affected people, but does not necessarily entail this: other supporting measures must be in place.** The formal international humanitarian sector is slow to change and operates under an incentive structure that encourages path-dependent, process-driven behaviours. This makes moves towards transferring power to users – who have little influence over the system – very challenging for any individual organization.<sup>9</sup> Donors have required considerable accountability on financial and legal compliance, but have not demanded similar levels of accountability on including crisis-affected people in decision-making. Financial assistance has the potential to transform this power relationship, but progress on other inclusive commitments must accompany its implementation.
- ▶ **Balance between risk mitigation and a tendency to over-regulate financial assistance must be carefully managed.** Financial assistance is disproportionately scrutinized as part of the broader desire to control how assistance dollars are spent and ensure that spending reflects donor priorities. The complexity of compliance requirements, anti-money laundering (AML) measures, and combating the financing of terrorism (CFT) legislation adds up to a very restricted operating environment in some contexts.

## KEY CONSIDERATIONS FOR THE HUMANITARIAN SECTOR

This report is intended to support and stimulate organizations' thinking on how to prepare for the future

of financial assistance, so that they can take advantages of opportunities to deliver better through new partnerships, instruments and approaches. This report does not therefore offer a complete set of recommendations, but several key considerations for humanitarian actors have emerged over the course of the research:

- ▶ **Treating CVA as part of a broader landscape of financial flows.** Formal international humanitarian coordination structures struggle to fully engage governments, the private sector, local civil society and development actors. Humanitarian action is still planned and implemented in silos, making it challenging to identify opportunities for joint approaches. Partnerships between formal international humanitarian actors and other financial assistance actors are currently weak. Private sector actors argue that failure to engage them earlier in the programme design process and treat them as strategic partners means that humanitarian actors miss opportunities to ensure that financial products and services are better tailored to crisis-affected people. Concerns remain about the challenges to principled humanitarian action that are entailed by working closely with private sector actors. In addressing these and other challenges, formal international humanitarian actors need to explore how to work better with and alongside other actors and types of financial flows.
- ▶ **Putting the needs and voices of users at the centre.** The increased use of financial assistance should imply a stronger role for users, with decision-making, choice and (ideally) resources shifting from formal international humanitarian actors to the people they serve. However, the scenarios in this report (as well as current research<sup>10</sup>) show that this does not necessarily follow. Users of financial assistance continue to report that they do not feel listened to and that their views do not influence humanitarian programming. There are no clear signs that this is improving over time. Formal international humanitarian actors need to urgently explore what they can do now to increase accountability, ensure programmes are designed and evaluated based on user experience, and start to shift power and resources from humanitarian actors to users.
- ▶ **Evaluating collective impact and using this to drive programming decisions.** One blind spot identified during the preparation of this report was the lack of evidence of collective impact that is currently collected and shared. In the absence of a broad understanding of what works in a given context, programming decisions are not driven by evidence about the most effective approaches. As formal international humanitarian actors test new approaches, partnerships and tools – and as contexts evolve – humanitarian actors need to ensure that they are capturing what works. Formal international humanitarian actors also need to be transparent about what works and scale up only the most effective models, ensuring a strong user voice in this process.

<sup>9</sup> Jeremy Konyndyk (2018) Rethinking the Humanitarian Business Model, Centre for Global Development.

<sup>10</sup> See, for example, Ground Truth Solutions' Humanitarian Voice Index, Participation Revolution Policy Brief: <https://humanitarianvoiceindex.org/policy-briefs/2018/12/04/participant-revolution>

- ▶ **Taking data responsibility seriously.** Systems for delivering financial assistance are digitizing faster than our legal/ethical frameworks can keep up with. Humanitarians need to step up their efforts in managing data securely and with respect to individuals' rights to privacy and protection, and collectively work on building trust and developing alternative governance models that enable data sharing for individual and collective good. We need to recognize that data literacy is a prerequisite for impactful humanitarian action in the digital age – one that requires investment and leadership attention.
- ▶ **Preparing to better meet the needs of people on the move.** Every scenario in this report entails a significant increase in population movements within and across borders, including through irregular channels. Estimates vary but include projections of more than 143 million additional climate migrants by 2050. Formal international humanitarian actors currently struggle to deliver financial assistance to people on the move; improving upon this is an urgent priority. Humanitarian actors need to explore how to adapt tools and approaches to better meet the needs of people on the move.
- ▶ **Maintaining the trust relationship.** The need to work more closely with a range of emerging actors across all scenarios means that formal international humanitarian actors' relationships with the people they serve will be modified and intermediated in a number of ways. In some of the scenarios there is much stronger government control over financial assistance, meaning

that humanitarian actors may need to make difficult trade-offs between access and neutrality. In an increasingly politicized environment and in working more closely with non-humanitarian actors, what can formal international humanitarian actors do to safeguard the trust relationship and ensure that users are treated with respect, receive quality services, and are protected? What do these scenarios mean for the humanitarian principles and their application, and how can humanitarian actors work with other actors to protect this?

## CONCLUSION

Financial assistance will be central to what humanitarian aid and social assistance look like in 2030. How it unfolds could be a microcosm for the power shifts in the broader humanitarian ecosystem and global economy.

This report has comprehensively explored the future of financial assistance and how it might evolve in four different scenarios. The opportunities and threats for users and the implications at the end of each scenario show how different futures will require adaptability from all actors in order for financial assistance to be an effective mechanism for meeting the needs of vulnerable people. The complexity of the system and the drivers of change highlight how dynamic a space this will be over the next ten years. It is up to all humanitarian actors to decide how far they will go in seizing the opportunities which exist to improve the system for the benefit of crisis-affected communities.



This report is the product of a collaboration between the Cash Learning Partnership (CaLP) and the Inter-Agency Research and Analysis Network (IARAN).

CaLP is the global partnership of humanitarian actors engaged in policy, practice and research within Cash and Voucher Assistance (CVA). CaLP currently has over 80 members who collectively deliver the vast majority of CVA in humanitarian contexts worldwide. CaLP's members include UN agencies, the Red Cross and Red Crescent Movement, donors, international NGOs, local NGOs and private-sector organizations. CaLP is based on learning, knowledge sharing, networking, policy, and coordination around the appropriate and timely use of CVA in humanitarian response.

IARAN is a collaborative hub of humanitarian professionals that brings foresight analysis and strategic planning together in the humanitarian sector. Through analysis and scenario building, IARAN enables aid organizations to plan 1–15 years into the future, pre-empt change, build adaptable strategies, and ultimately save time, money and lives down the line. IARAN's vision is an equitable and connected humanitarian ecosystem that enhances contributions to the Sustainable Development Goals (SDGs). IARAN's mission is to enable strategic thinking and actions via a collaborative ecosystem to build better futures for and with people in humanitarian need.

CaLP is leading the *Future of Financial Assistance* initiative, with and on behalf of its network. It has commissioned IARAN to produce this report using its foresight methodology and building on the scenarios in IARAN's 2016 *Future of Aid* report.

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