



Donors Of Tomorrow

A Changing Humanitarian Financing Landscape By 2030

Definition

The bulk of funding for global humanitarian action has been provided by the governments of Western countries or, more precisely, by the members of the Development Assistance Committee (DAC)¹ of the OECD, who accounted for over 94% (\$20.6 bn) of reported international humanitarian assistance from governments in 2017.² Driven by their growing contribution to the sector, the total financial inflow for humanitarian assistance has significantly increased over time, reaching a record high of US\$28.9 billion in 2018.³ Despite this increase, there is a widening gap between available resources and humanitarian requirements⁴, which are rising at an even faster pace. Indeed, humanitarian requirements in 2018 reached a record high of \$28.1 billion.⁵ In contrast, in the last decade, on average, the international community met only two-thirds of the reported needs.⁶ Decisions on funding are highly political.

Key insights

➤ Reflecting multi-polarity

The regionalization of donors will determine the distribution of humanitarian contributions. Gulf donors will focus on giving to Middle Eastern crises, and Asian countries will prioritize enhancing regional resilience to natural disaster risks in Asia. Simultaneously, the sector will be molded by the growing importance of trans-regional forces in the humanitarian

¹ The DAC currently has [36 members](#), mainly countries from North America and Europe, with the exception of Australia, New Zealand, Japan, and South Korea.

² Global Humanitarian Assistance (2019) [Global Humanitarian Assistance 2019 Report](#), Development Initiatives pg 62

³ Global Humanitarian Assistance (2019) [Global Humanitarian Assistance 2019 Report](#), Development Initiatives pg 9

⁴ Only 61% of the requested funding was received in 2018 for a shortfall of \$11.1 billion: Global Humanitarian Assistance (2019) [Global Humanitarian Assistance 2019 Report](#), Development Initiatives pg 10

⁵ Global Humanitarian Assistance (2019) [Global Humanitarian Assistance 2019 Report](#), Development Initiatives pg 10

⁶ The Politics of Poverty (2015) [8 Trends to Watch in Humanitarian Policy and Practice in 2015](#), Oxfam America



aid flows (such as the Islamic social finance sector or the BRICS), and more countries (e.g. India, China, or Brazil) will incorporate humanitarian assistance as a foreign-policy set of tools.

➤ **An increasing proportion of private donors**

Non-traditional private donors (including companies and individuals) will play an increasingly important role in humanitarian funding due to the creation of user-friendly donation technologies.

➤ **Competition fosters creativity**

Consortia funding mechanisms (e.g. START) and private-public partnerships (under- used so far) will likely increase over the course of the outlook, broadening the resource base for humanitarian action. As a result, there could be an increased call for creativity, risk-taking, and collaboration, which could foster innovative financing (e.g. crowdfunding or social impact bonds), increasing the use of services like cash-card systems, social-safety-net payments, or even outsourcing technical expertise to private companies in the industries of water, electricity, and telecommunications to provide people in need with basic services.

Changes by 2030

➤ **Growing unmet needs**

Since 2004, the number of individuals targeted for assistance has more than tripled to reach 101.2 million people in 2017.⁷ The increase in funding requirements has also grown rapidly⁸ (requirements for 2004 were US\$3 billion and US\$23.6 billion in 2017).⁹ This increase has been driven predominantly by violent conflicts, with Syria being the recipient of 31% of all humanitarian assistance, though increasing displacement and crises induced by natural

⁷ United Nations Office for the Coordination of Humanitarian Affairs (2018) [World Humanitarian Data and Trends 2018](#)

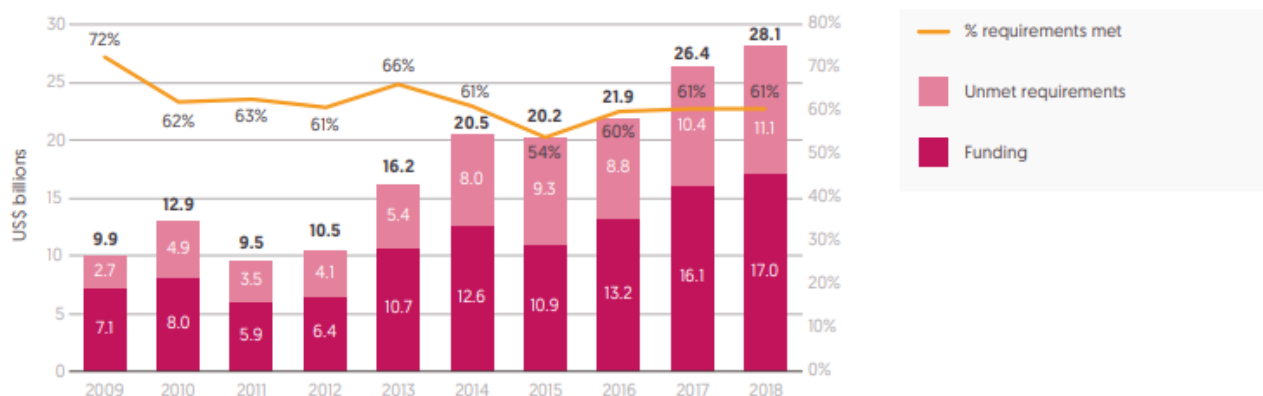
⁸ United Nations Office for the Coordination of Humanitarian Affairs (2018) [World Humanitarian Data and Trends 2018](#)

⁹ UNOCHA, [Consolidated Appeals Summary of Requirements as of 14 November 2003](#), retrieved September 2016



hazards also play a part.¹⁰ Though humanitarian funding has increased year on year since 2013, funding for humanitarian responses has failed to keep pace with the dramatically escalating need. In 2018, there was a record shortfall of US\$11.1 billion¹¹ for UN appeals. The scale of humanitarian need is likely to continue to grow, and funding will struggle to meet these needs.

Requirements and funding, UN-coordinated appeals, 2009–2018



Source: Global Humanitarian Assistance (2019) Global Human. Assistance Report, Development Initiatives pg 33

➤ New countries enter a funding landscape dominated by government contributions

The US\$28.9 billion of humanitarian funding in 2018¹² included contributions from government donors (which includes the European Union) as well as private donors (individuals, trusts, foundations, companies, corporations, and national societies).

From 2011 to 2018, the vast majority of international humanitarian-assistance contributions came from government donors, and in 2017, over 97% (US\$21.9 billion) of government contributions came from 20 donors.¹³ The United States was the largest

¹⁰ In 2015, 67% of funding reported went to countries affected by conflict (51% of those were also hosting refugees from other countries) and 18% of contributions went to countries affected by or highly prone to disaster caused by natural hazards.

¹¹ Global Humanitarian Assistance (2019) [Global Humanitarian Assistance 2019 Report](#), Development Initiatives pg 10

¹² Global Humanitarian Assistance (2019) [Global Humanitarian Assistance 2019 Report](#), Development Initiatives pg 9

¹³ Global Humanitarian Assistance (2019) [Global Humanitarian Assistance 2019 Report](#), Development Initiatives pg 36



contributor by volume, even though it decreased from 31.6% to for 29% (almost US\$6.6 billion)¹⁴, although the United States contributes the 17th highest percentage of GNI.¹⁵ The United Kingdom, European countries and institutions, Canada, and Japan are other main contributors.

Despite the global financial crisis, funding from traditional donors has continuously increased since 2013. In 2017, OECD-DAC donations accounted for over 94% (US\$20.6 billion)¹⁶ of all global humanitarian funding given by governments. However, changes in OECD donors' aid policy could undermine this trend and mark a turning point in the way they manage and provide contributions. President Trump's proposal to cut the budget dedicated to US diplomacy and foreign aid by 28% in 2018 is an indication of his administration's priorities, which could suggest that there will be a reversal in the trend of consistent increases in US contributions over the course of his term.¹⁷

In addition to reductions in the overall amount, the way in which OECD donors provide funding could become more restrictive, aligned with their foreign policy interests, for example, the position of the new United Kingdom Secretary of State for International Development, who will promote a more "trade focused" vision for the distribution of development assistance funds.¹⁸

Though big funding from East Asia still comes from Japan, in 2018, they decreased their contributions by 27% the donor landscape is changing in the Asian region.¹⁹ China's average total assistance represents less than 0.1% of the country's GNI, as opposed to the 0.3% given annually by the 29 OECD-DAC countries.

Remittances

While individuals are the most significant private funders of international assistance, the scale of support fed through the humanitarian system is dwarfed by the amount of money transferred to vulnerable communities through remittances. Though not included in metrics measuring humanitarian assistance, remittances from family members working abroad to developing countries increased by 10.8 percent to reach \$528 billion in 2018.³² Given dynamics in migration and increased connectivity, their importance as a source of income in the developing world is unlikely to be diminished.³³

¹⁴ Global Humanitarian Assistance (2019) [Global Humanitarian Assistance 2019 Report](#), Development Initiatives pg 36

¹⁵ Global Humanitarian Assistance (2019) [Global Humanitarian Assistance 2019 Report](#), Development Initiatives pg 38

¹⁶ Global Humanitarian Assistance (2019) [Global Humanitarian Assistance 2019 Report](#), Development Initiatives pg 62

¹⁷ Siddiqui, S. and Quinn, B. (2017), [Trump's Funding Cuts to Diplomacy and Aid Would Mark Retreat from Soft Power](#), The Guardian, 16 March 2017

¹⁸ Anders, M. (2016) [New DfID Head Divides UK Aid Community over Trade Focus](#), Devex, 4 August 2016

¹⁹ Global Humanitarian Assistance (2019) [Global Humanitarian Assistance 2019 Report](#), Development Initiatives pg 37



A rather prudent forecast suggests that non-DAC contributions could account for US\$50 billion in aid by 2025, with China and India being the main contributors and East Asia being the main recipient.²⁰ China, India, and Russia have some of the highest levels of GNI globally,²¹ but in 2015 none of these three countries ranked in the top 20 largest contributors of humanitarian aid. Considering rising global interest in humanitarian affairs and their slowly increasing contributions to aid, a further increase from China and India is likely by 2030, which could accelerate the shift in power balance between Western and non-Western funding actors.²² Funding patterns are also likely to be further impacted, based on the evidence that non-DAC donors tend to prioritize high-profile crises or be oriented toward regional and chronic issues.²³

While contributions from state donors might look significant, the difference between pledges, commitments, and actual funding can vary.²⁴ For instance, following the London Conference on the Syria crisis in early 2016, only US\$1.16 billion were committed out of the US\$6 billion in pledges,²⁵ depriving the crisis of a significant portion of funding.

After the 2010 earthquake that struck Haiti, it was reported that only 63% of pledges had been allocated by the end of 2011. Only a few countries – Japan, Finland, Italy, Denmark, Russia, and Saudi Arabia – had fully disbursed their commitments.²⁶

²⁰ The Asia Foundation (2014) [*The Changing Aid Landscape in East Asia: The Rise of Non-DAC Providers*](#)

²¹ World Bank 2019, [*Gross National Income 2018, Atlas method*](#), retrieved December 2019

²² Binder, A. & Meier, C. (2011) [*Opportunity Knocks: Why Non-Western Donors Enter Humanitarianism and How to Make the Best of It*](#), *International Review of the Red Cross*, 93 (884), retrieved December 2019

²³ Gibbons, P. and Heintze, H. J. (2015) *The Humanitarian Challenge: 20 Years European Network on Humanitarian Action*, Springer International Publishing, Switzerland

²⁴ FTS definitions: “Pledges are non-binding promises of contribution rarely distributed in totality. Commitments create a contractual obligation for the donor and allow organizations to start spending the money that was promised. Actual funding or contribution is the actual money that was disbursed after commitments were made.” 2012

²⁵ Adams, K. and Starling, S. (2016) [*Still Paying the Price? Progress on Addressing the Syria Crisis Since the London Conference*](#), Concern Worldwide

²⁶ Mungcal, I. (2012) [*Sobering: Haiti Pledges vs. Actual Funding*](#), Devex, retrieved December 2019

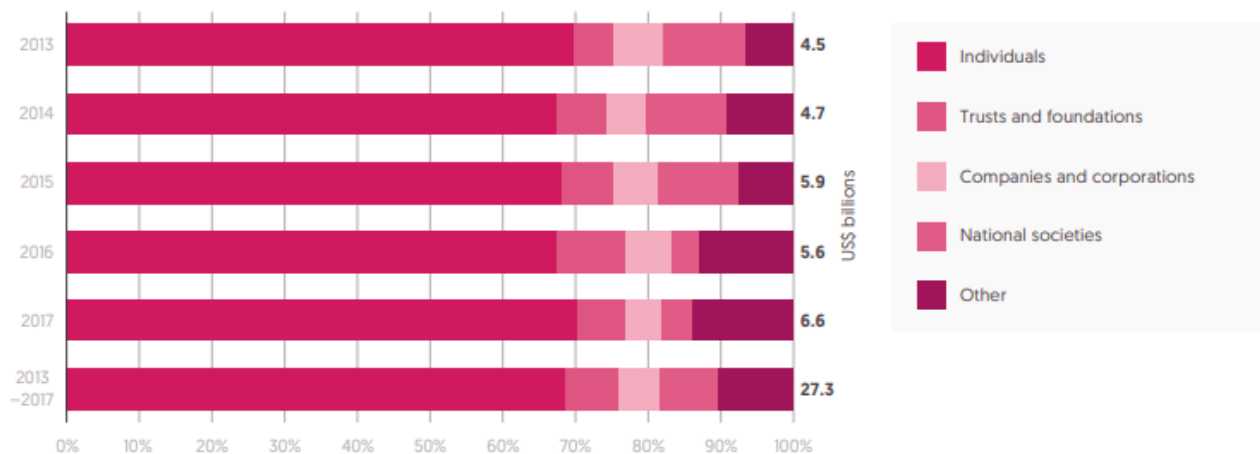


➤ Private contributors

The majority of private donors are individuals, trusts and foundations, companies and corporations, and national societies (this includes the Red Cross and Red Crescent national societies supporting governments locally). While the total amount contributed by private donors has fluctuated since 2010, private donors slightly increased their contributions to international humanitarian funding three years in a row until 2017. In 2018, it slightly reduced reaching an estimated US\$6.3 billion.²⁷ Individuals are by far the most important contributors of all private donors, with an average contribution of more than two-thirds of private funds in 2016.²⁸

Although private donors tend to donate to natural disaster responses, in 2015, 75.5% (about US\$ 400 million) of all contributions went to the Syrian crisis.³¹ The Nepal crisis was the second most donated to, amounting to 30% of all private contributions.

Sources of private international humanitarian assistance, 2013–2017



Source: Global Humanitarian Assistance Report 2019

²⁷Global Humanitarian Assistance (2019) [Global Humanitarian Assistance 2019 Report](#), Development Initiatives pg 32

²⁸Financial Tracking Service (OCHA), 2019, [Donor Profile: Private, Funding per Emergency 2018](#), FTS



Mirroring the growth in trusts and foundations,²⁹ private companies have also been increasing their share of the funding space, contributing some of their profits to humanitarian causes. Despite the economic recession, a steady rise in private donations to the humanitarian sector over the last decade has been seen.³⁰ For example, TripAdvisor was one of the first companies to contribute to the European migrant crisis response – donating US\$250,000 to IRC and Mercy Corps, emailing users for donations and matching them, and allowing staff to take volunteering leaves.³¹ In September 2016, the TripAdvisor Charitable Foundation pledged a further US\$5million over the next three years to the cause.³² This example is part of a larger trend of private sector companies getting involved in humanitarian responses (both financially and operationally), but it also sheds light on the changing methods of donating.

In consultations, round-table discussions, and commitments made at the World Humanitarian Summit in May 2016, the need for innovative financing approaches was emphasized and supported. The following were announced: a humanitarian impact bond, in which private investors make an initial investment into a humanitarian response program and are reimbursed, with a profit, by traditional donors only if certain outputs are met; an autonomous, global Islamic endowment fund for humanitarian needs; and finally, a private- sector-led initiative to increase risk financing in the most vulnerable countries. Hundreds of companies have also signed on to the Common Business Initiative (explored in the DRR section below) to improve coordination between the private and humanitarian sectors.³³ The history of private sector involvement in humanitarian aid to date suggests that these partnerships are steadily increasing and will continue to do so.

Technologies such as email and social media have made it easier than ever for individuals to donate to causes, and companies have used these platforms to bring attention to their philanthropic gestures and to the causes they choose to support. Crowdfunding, a newcomer to the humanitarian space, has allowed projects to be proposed and funded by the public. An example is the #HelpCalais campaign, set up by eight people in 2015 who sought to raise £1000 and ended up receiving £53,000 from 1,893 individuals all over the world³⁴

²⁹Adelman, C., (2003) [The Privatization of Foreign Aid: Reassessing National Largesse](#), *Foreign Affairs*

³⁰Private funding has remained consistent, even without the driver of mega-disasters and despite a severe global financial crisis.

³¹Shankman, S. [How Travel Companies are responding to Europe's Migrant Crisis](#), retrieved December 2019

³²TripAdvisor (2016) [TripAdvisor's Commitment to the Refugee Crisis](#), September 2016

³³Aly, H., 26 May 2016, [The World Humanitarian Summit: Winners and Losers](#), IRIN News, Istanbul, Turkey

³⁴The Resource Alliance, [How Crowdfunding Is Changing the Face of Social Action](#), retrieved December 2019



Thanks to technology, donating to humanitarian causes is likely to become increasingly user-friendly and transnational, which could result in a reduction in the amount of funds that are passed through the international humanitarian system, as funds can be more easily sought by smaller, local, direct implementers or communities themselves.

➤ **Global funds, localized action**

UN agencies receive most of donors' contributions (60% in 2016)³⁵ as the first-tier recipients and mostly rely on partners – second-tier recipients – for implementation. The vast majority of second-tier recipients are Western INGOs.³⁶

Local and national NGOs have limited capacity to access institutional funds.³⁷ First-tier recipients tend to consider direct funding to local NGOs as a risk,³⁸ and the majority of local agencies lack the means to go through the grueling granting process. Nevertheless, in 2016 the UN committed to increasing the share of financing for local NGOs by 25%.³⁹

The humanitarian funding landscape by 2030 is characterized by growing “competition” (rivalry over funding, combined with an imperative to join forces in consortia).

➤ **Alternative funding sources**

The START network is a global movement of INGOs harmonized in their efforts to accelerate crisis response.⁴⁰ One of the pillars of the START network is the START fund: a pooled fund aimed at providing quick response to “forgotten crises” and at enlarging funds for national and local NGOs. It provides needs-based, direct, and fast funding to NGOs for small-scale emergencies evolving out of traditional donor schemes. Less than one year after its launch (mid-2014), the START fund was able to reach 1,320,017 disaster-affected people

³⁵Global Humanitarian Assistance (2018) [Global Humanitarian Assistance 2018 Report](#), Development Initiatives pg 45

³⁶Global Humanitarian Assistance (2018) [Global Humanitarian Assistance 2018 Report](#), Development Initiatives pg 50

³⁷ Between 2009 and 2013 they received 1.6% of all donors' contributions directly going to NGOs, from IRIN News, [Where Is All the Money Going? The Humanitarian Economy](#), retrieved December 2019

³⁸IRIN News, [Rethink Needed on Humanitarian Funding for National NGOs](#), retrieved December 2019

³⁹ Istanbul Commitment #7: “Empower national and local humanitarian action by increasing the share of financing available to them”

⁴⁰Featherstone, A. (2015) [Evaluation of the Start Fund Design and Build Phase](#), Start Network



through the funding of 29 projects in 12 different emergencies.⁴¹ This initiative fits into a funding landscape that is increasingly needs versus capacity-based.

As another example, since its creation in 1972, BRAC (Building Resources Across Communities, a development organization born in Bangladesh in 1972) has become one of the most important international NGOs, with more than 100,000 employees and US\$845 million of expenditure within a variety of sectors; it reached 138 million people in 2014.⁴² BRAC represents an alternative model to institutional funding: it is almost self-funded through a network of local social enterprises, microcredit activities, and investment mechanisms. In 2016, BRAC self-funded almost 88% of its expenditures.⁴³ The BRAC system sets interesting new standards for NGO operations' funding in a landscape where external contributions are the main power supply.

Another growing trend in the humanitarian funding space is the rise of faith-based NGOs and their associated foundations. These include, but are by no means limited to, the Islamic bank, faith-based funds, and the Zakat tradition.⁴⁴ The rise of faith-based humanitarian actors and the growth of religious communities worldwide, combined with the evolution of technology, which allows people across the globe to donate easily and quickly, means that funding mechanisms that are beyond institutional donors are likely to continue to play a role in humanitarian funding.

Tomorrow is already here

Although the current DAC-driven paradigm of the aid donor landscape isn't likely to radically change by 2030, non-DAC donors have demonstrated their capacity to commit to humanitarian assistance, reshuffling the parameters of traditional donors' response. In some countries, non-DAC donors are already funding a significant portion of the overall response. For example, in Bangladesh in 2007, 70% of overall donor contributions were from non-DAC sources and in Yemen in 2008, over 80% of funds were from non-DAC donors.⁴⁵

⁴¹ Featherstone, A. (2015) [Evaluation of the Start Fund Design and Build Phase](#), Start Network

⁴² [BRAC at a Glance](#), retrieved December 2019

⁴³ BRAC (2016), [BRAC Annual Report](#), pg 33

⁴⁴ In Indonesia, Malaysia, Qatar, and Saudi Arabia, US\$5.7 billion is collected in Zakat each year. An Act of Faith: Humanitarian Financing and Zakat, Global Humanitarian Assistance, 2015

⁴⁵ Smith, Kerry (2011) [Non-DAC Donors and Humanitarian Aid](#), Global Humanitarian Assistance Briefing Paper, Pg 19