GLOBAL HUMAN
RIGHTS DEFENCE

A Road Towards Efficient Financing of Humanitarian Aid

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CONTENTS

TABLE OF ABBREVIATIONS

CERF	Central Emergency Response Fund
CSR	Corporate Social Responsibility
DIBs	Development Impact Bonds
ECHO	European Civil Protection and Humanitarian Aid Operations
IATI	The International Aid Transparency Initiative
ICRC	International Committee of the Red Cross
IFC	International Finance Corporation
ILO	International Labour Organisation
INGO	International Non-Governmental Organisation
NGO	Non-Governmental Organisation
PPPs	Public-Private Partnerships
SIBs	Social Impact Bonds
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations International Children’s Emergency Fund
USAID	U.S. Agency for International Development
WFP	World Food Programme

WHO World Health Organisation

EXECUTIVE SUMMARY

This report addresses critical challenges in the current financing landscape for humanitarian aid, highlighting the pressing need for more efficient, equitable, and sustainable funding solutions. It identifies key issues such as political influences, limited resources amid rising global demand, and inefficient donor coordination leading to disparities in aid allocation.

The report analyses three distinct humanitarian contexts—conflict zones, natural disasters, and protracted crises—to illustrate these financial challenges in practice. Each scenario highlights the necessity of overcoming logistical hurdles, bureaucratic inefficiencies, and donor fatigue to ensure timely and effective aid distribution.

Innovative financing strategies are explored, including blended finance models, impact investing, the application of blockchain technology, and enhanced collaboration with the private sector. These approaches offer promising alternatives capable of bridging existing funding gaps while fostering transparency and long-term sustainability.

The importance of financial accountability is underscored through the examination of effective monitoring and evaluation mechanisms, anti-corruption strategies, and strengthened financial reporting standards. Furthermore, the role of international institutions, specialised agencies, and NGOs is examined, emphasising the need for better coordination with local governments to maximise aid effectiveness.

Future trends reveal an increasing reliance on emerging funding sources such as crowdfunding, social impact bonds, and corporate investments, alongside traditional government and institutional support. The growing humanitarian impact of climate change further underscores the urgency of integrating climate resilience into aid strategies.

Finally, the report provides clear policy recommendations: reform funding mechanisms to enhance flexibility and predictability, improve transparency in fund allocation, and actively engage the private sector through strategic partnerships. Implementing these recommendations will support a more resilient, responsive, and accountable humanitarian financing system.

1. INTRODUCTION

1.1 Importance of Financing Humanitarian Aid

Humanitarian aid acts as a safety net to communities endangered by instability, whether that instability is caused by a climate disaster, a war, or any other cause outside of the affected community's control.[1] This aid contributes to the immediate needs of the affected populations and helps to lay the foundations for lasting development and recovery. It is estimated that over 362 million people worldwide require humanitarian aid to survive.[2]

Humanitarian aid is funded by governments, corporate partners, and other donors. For example, the European Union has an annual humanitarian budget to cover multiple areas such as healthcare, food, education, and shelter.[3] The United Nations Office for the Coordination of Humanitarian Affairs is the organisation which ensures that humanitarian assistance meets growing needs by analysing ongoing situations and assessing whether the aid is effectively supporting the communities.[4] Their funding heavily relies on donor states, other international organisations (such as the European Commission), and general donors.[5]

Financing humanitarian aid is essential to ensure the survival and development of affected communities.

1.2 Scope of the Report

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[1] 'What Is Humanitarian Aid and Why Is It Important?' (*The IRC in the EU*, 7 February 2025) <https://www.rescue.org/eu/article/what-humanitarian-aid-and-why-it-important#:~:text=In%20addition%20to%20its%20moral,all%20safer%20in%20the%20process.> accessed 20 March 2025.

[2] ibid.

[3] 'Humanitarian Aid' (*European Civil Protection and Humanitarian Aid Operations*) <https://civil-protection-humanitarian-aid.ec.europa.eu/what/humanitarian-aid_en> accessed 20 March 2025.

[4] 'We Coordinate' (*Front page*) <https://www.unocha.org/we-coordinate> accessed 20 March 2025.

[5] 'How We Are Funded' (*United Nations Office for the Coordination of Humanitarian Affairs - Occupied Palestinian Territory*) <https://www.ochaopt.org/about-us/how-we-are-funded> accessed 20 March 2025.

This report will focus on identifying the challenges faced by the international community in obtaining humanitarian aid and distributing it to those in need. It will also explore potential solutions to improve the funding and allocation of humanitarian aid.

1.3 Methodology

This report will review the existing literature on the subject, as well as an analysis of case studies from recent events, to reach a conclusion on the matter. Interviews with experts from humanitarian organisations and financial institutions will also support the analysis.

2. GLOBAL HUMANITARIAN AID LANDSCAPE

2.1 Current Funding Trends

Over the years, global humanitarian aid has been growing, but it still falls short of meeting the increasing demands caused by conflicts, natural disasters, and economic struggles.[6] Governments and international organisations remain primary sources of funding, but alternative financing methods are emerging. Newer approaches like social impact investing, pooled funding, and public-private partnerships are gaining interest, though they are not yet widely adopted.[7] Many organisations hesitate to use these models due to complicated regulations, risk aversions, and concerns about long-term sustainability.[8] If these alternative funding sources were used more effectively, they could help reduce funding gaps and make humanitarian aid more sustainable in the long run.

Despite the increase in funding, humanitarian organisations continue to struggle with resource shortages, particularly in regions where prolonged crises receive less attention.[9] Funding is often reactive rather than proactive, meaning that money is allocated in response to high-profile emergencies rather than addressing ongoing humanitarian challenges. Additionally, donor fatigue has become an increasing issue, as long-term crises require

[6] United Nations Office for the Coordination of Humanitarian Affairs, 'Global Humanitarian Overview 2024' (2024) <https://www.unocha.org/publications/report/world/global-humanitarian-overview-2024-enarfres> accessed 10 March 2025.

[7] Development Initiatives, 'Falling Short? Humanitarian Funding and Reform' (2023) <https://devinit.org/resources/falling-short-humanitarian-funding-reform/> accessed 10 March 2025.

[8] ibid.

[9] United Nations Office for the Coordination of Humanitarian Affairs, 'Global Humanitarian Overview 2024, September Update (Snapshot as of 30 September 2024)' (2024) <https://www.unocha.org/publications/report/world/global-humanitarian-overview-2024-september-update-snapshot-30-september-2024> accessed 10 March 2025.

sustained funding that is difficult to maintain.[10] As a result, many humanitarian responses remain underfunded, leaving affected populations without adequate support.

Another emerging trend is the involvement of the private sector in humanitarian aid financing. Businesses are increasingly engaged in corporate social responsibility (CSR) initiatives, such as providing direct financial contributions, in-kind donations, or logistical support to aid organisations.[11] While these contributions are valuable, they remain supplementary rather than a primary source of funding. Strengthening partnerships among businesses, governments, and humanitarian organisations could help bridge funding gaps and create more effective and sustainable aid mechanisms.

2.2 Key Humanitarian Donors

Most humanitarian aid comes from a combination of governments, international organisations, and private donors. Countries such as the United States, Germany, and the United Kingdom contribute the most, either directly by providing aid or by funding organisations like the United Nations, the European Union, and the World Bank, which help manage and distribute resources to affected areas.[12] Governmental humanitarian funding is often driven by foreign policy interests, economic ties, and diplomatic strategies, influencing where and how aid is allocated.

Multilateral organisations play a crucial role in coordinating global humanitarian responses. The United Nations, through agencies such as the World Food Programme (WFP), the United Nations High Commissioner for Refugees (UNHCR), and the United Nations International Children's Emergency Fund (UNICEF), is one of the largest distributors of aid.[13] The European Union, through its humanitarian aid department (ECHO), also allocates significant funds to emergency relief and development programmes worldwide. These organisations help ensure that humanitarian aid reaches affected populations in a coordinated and efficient manner.

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[10] ibid.

[11] Development Initiatives, 'Funding to Local and National Actors' (2023) <https://devinit.org/resources/falling-short-humanitarian-funding-reform/funding-local-national-actors/> accessed 10 March 2025.

[12] Financial Tracking Service, 'Global Funding Overview 2024' (*UNOCHA*, 2024) <https://fts.unocha.org/global-funding/overview/2024> accessed 11 March 2025.

[13] United Nations Office for the Coordination of Humanitarian Affairs, 'Global Humanitarian Overview 2024' (2024) <https://www.unocha.org/publications/report/world/global-humanitarian-overview-2024-enarfres> accessed 10 March 2025.

Private donors, including large philanthropic foundations such as the Bill & Melinda Gates Foundation, the Open Society Foundations, and the Rockefeller Foundation, also play a crucial role in financing humanitarian aid.[14] These foundations often fund specific projects, such as health initiatives, educational programs, and disaster response efforts. Additionally, individuals contribute significantly to humanitarian aid through crowdfunding platforms, charity events, and direct donations. The rise of digital fundraising has made it easier for individuals to participate in humanitarian efforts, enabling a broader range of contributors to support urgent causes.[15]

Recently, new financial instruments have also been introduced to support humanitarian aid, such as catastrophe bonds and insurance-based models.[16] These mechanisms allow aid agencies to access funds more quickly when disasters occur, reducing delays in response efforts. However, these approaches are still in their early stages and require further investment and development to become viable alternatives to traditional donor funding.

2.3 Disparities in Aid Allocation

Despite efforts to distribute humanitarian aid fairly, some regions receive significantly more funding than others. Low-income countries and areas experiencing long-term crises often struggle to secure sufficient support, while regions facing sudden emergencies that gain media attention typically receive more immediate aid.[17] This imbalance is often influenced by political, economic, and strategic interests, leading to an uneven distribution of resources. Governments and donors are more likely to prioritise funding for regions that align with their foreign policy goals, which can result in overlooked humanitarian crises.

For example, while conflicts in the Middle East and Ukraine have received substantial international attention and funding, prolonged crises in regions like the Sahel, Central African Republic, and Yemen have remained underfunded.[18] This uneven allocation can leave millions of people without access to essential services such as food, clean water, and medical

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[14] Development Initiatives, 'Global Humanitarian Assistance Report 2023' (2023) <https://devinit.org/resources/global-humanitarian-assistance-report-2023/> accessed 10 March 2025.

[15] ibid.

[16] Development Initiatives, 'Pre-arranged Finance for Anticipatory Action' (2023) <https://devinit.org/resources/falling-short-humanitarian-funding-reform/pre-arranged-finance-anticipatory-action/> accessed 11 March 2025.

[17] United Nations Office for the Coordination of Humanitarian Affairs, 'Global Humanitarian Overview 2024, September Update (Snapshot as of 30 September 2024)' (2024) <https://www.unocha.org/publications/report/world/global-humanitarian-overview-2024-september-update-snapshot-30-september-2024> accessed 10 March 2025.

[18] ibid.

care. Furthermore, donors often prefer funding short-term emergency responses rather than investing in long-term recovery and development, leading to a cycle of dependency rather than sustainable solutions.

Another challenge is the slow and complex funding process. Bureaucratic hurdles and strict conditions on how aid money can be spent often delay support, making it harder for communities facing chronic crises to access the help they need.[19] Many funding agreements come with restrictions that limit how aid organisations can use the money, reducing flexibility in response efforts. For example, some donors specify that their funds can exclusively be used for food aid, even in situations where healthcare or housing might be a more urgent priority.

To address these issues, a more needs-based approach to funding is necessary.[20] Increasing transparency in aid distribution, simplifying funding processes, and embracing alternative financial models could help ensure that humanitarian aid reaches the most vulnerable populations more effectively and efficiently. Additionally, creating mechanisms that encourage long-term investment in humanitarian aid, rather than short-term emergency funding, would help build resilience in communities facing ongoing crises. Collaborative efforts between governments, international organisations, private donors, and affected communities are essential to achieving a more equitable and effective humanitarian aid system.

3. KEY CHALLENGES IN FINANCING HUMANITARIAN AID

3.1 Political Influences on Aid Allocation

The distribution of humanitarian aid is frequently intertwined with the intricate web of donor countries' political agendas, resulting in a landscape where foreign policy interests can overshadow the urgency of humanitarian needs.[21] Donor nations may prioritise regions or specific crises that align with their strategic, economic, or ideological objectives, potentially diverting resources from those with the most acute suffering but limited geopolitical

[19] Development Initiatives, 'Falling Short? Humanitarian Funding and Reform' (2023) <https://devinit.org/resources/falling-short-humanitarian-funding-reform/> accessed 10 March 2025.

[20] ibid.

[21] Kaiting Jessica Hsu and Mark Schuller, 'Humanitarian Aid and Local Power Structures: Lessons from Haiti's 'Shadow Disaster' (2019) 44 (4) Disasters 641 <https://doi.org/10.1111/disa.12380> accessed 15 March 2025.

significance.[22] This can lead to a skewed allocation of resources, where aid is channelled towards politically favoured regions, irrespective of the actual humanitarian imperative.[23] Such prioritisation may manifest as increased aid to countries that support the donor's foreign policy goals or, conversely, the withholding of aid from nations perceived as adversaries. The influence of political considerations on aid allocation can also undermine the principles of neutrality and impartiality, which are central tenets of humanitarian action.

3.2 Increasing Demand vs. Limited Resources

The escalating frequency and intensity of global crises, driven by factors such as climate change, political instability, and socio-economic disparities have created an unprecedented surge in the demand for humanitarian aid.[24] This increasing demand has stretched existing resources thin, resulting in significant funding shortfalls and an inability to adequately address the growing needs of vulnerable populations. Climate change, as a threat multiplier, amplifies the impact of existing vulnerabilities, leading to more frequent and severe natural disasters that trigger humanitarian crises.[25] Political instability and conflict contribute to mass displacement, food insecurity, and widespread suffering, further straining the capacity of humanitarian organisations to respond effectively.

The competition for limited resources intensifies as the number and scale of crises increase, forcing difficult decisions on which needs to prioritise and which populations to assist. Delivering sufficient assistance precisely when needed is essential for effective humanitarian aid, as delays can have dire consequences for those affected. The increasing demand is driven by a multitude of factors, including the protracted nature of conflicts, the growing impact of climate change and the increasing vulnerability of populations to natural disasters and other shocks.[26] The gap between needs and resources continues to widen, causing significant challenges to the humanitarian community.

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22 Maria Besiou, Alfonso J Pedraza-Martinez and Luk N Van Wassenhove, 'OR Applied to Humanitarian Operations' (2018) 269 (2) European Journal of Operational Research 397 <https://doi.org/10.1016/j.ejor.2018.02.046> accessed 15 March 2025.

23 Taekyoon Kim, Jong-Kyun Mok and Changbin Woo et al., 'From Humanitarian Relief to Democracy Aid: US Foreign Assistance Towards North Korea, 1996–2016' (2020) 35 (3) Pacific Focus INHA Journal of International Studies 585 <https://doi.org/10.1111/pafo.12173> accessed 15 March 2025.

24 ibid.

25 Florian Weiler, Carola Klöck and Matthew Dornan, 'Vulnerability, Good Governance, or Donor Interests? The Allocation of Aid for Climate Change Adaptation' (2018) 104 World Development 65 <https://doi.org/10.1016/j.worlddev.2017.11.001> accessed 15 March 2025.

26 Roozbeh Yousefzadeh, 'A Probabilistic Framework for Optimizing Real-Time Decisions in Humanitarian Aid Delivery Systems' (2020) Optimization and Control <https://arxiv.org/abs/2006.11953> accessed 15 March 2025.

3.3 Short-Term vs. Long-Term Funding

The prevalent focus on short-term relief efforts in humanitarian aid often overshadows the critical need for long-term recovery and development initiatives, perpetuating cycles of dependence rather than fostering sustainable progress.[27] While immediate relief is undoubtedly essential in the wake of a disaster or conflict, neglecting long-term development can leave communities vulnerable to future shocks and hinder their ability to rebuild and thrive. As such, short funding cycles and an excessive focus on "quick wins" can lead to superficial and short-lived initiatives that fail to consider the local context adequately or achieve fundamental and sustained impact.

Humanitarian aid, while vital for immediate relief, frequently operates on a short-term funding cycle, which can impede long-term recovery and development. Such behaviour creates a dependency cycle instead of fostering sustainable advancement. The inclination towards immediate aid occasionally diverts resources from initiatives aimed at addressing the root causes of crises and building long-term resilience. The humanitarian principles emphasise the right to assistance and the alleviation of suffering, but aid effectiveness is often questioned at a macro-economic level. The involvement of multiple stakeholders in humanitarian action, each with potentially differing values and objectives, can further complicate aid delivery. Aid organisations often tailor their plans to donors' pledges, which may not always align with the actual needs of the beneficiaries due to geopolitical considerations.

3.4 Access to and Control Over Funds

Effective and efficient allocation of funds is crucial, but it is often hampered by bureaucratic processes and lack of transparency.[28] The centralisation of financial control within international organisations or donor agencies can significantly impede the agility and effectiveness of local actors, who often possess a more profound understanding of the context-specific needs and challenges within their communities. Complex bureaucratic procedures, stringent reporting requirements, and a lack of flexibility in funding mechanisms can create barriers for local organisations to access and utilise funds effectively.

The imposition of top-down priorities and standardised approaches may overlook the unique needs and preferences of affected populations, hindering the development of sustainable, and community-led solutions. Funding mechanisms should prioritise local

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[27] ibid.

[28] Benjamin L Savonen, Tobias J Mahan and Maxwell W Curtis et al., 'Development of a Resilient 3-D Printer for Humanitarian Crisis Response' (2018) 6 (1) Multidisciplinary Digital Publishing Institute 30 <https://doi.org/10.3390/technologies6010030> accessed 15 March 2025.

ownership, participation, and accountability, ensuring that resources are channelled directly to the communities and organisations that are best positioned to implement effective and sustainable solutions. This calls for a shift towards more flexible, responsive, and decentralised funding models that empower local actors and promote community resilience.[29]

3.5 Coordination and Overlap Among Donors

The multiplicity of actors involved in humanitarian aid, including governments, multilateral organisations, and non-governmental organisations, can lead to coordination challenges and overlap in efforts. Duplication of efforts not only wastes scarce resources but can also create confusion and inefficiencies in the delivery of aid.[30]

Addressing this complexity necessitates a comprehensive framework that delineates the specific roles, responsibilities, and operational mandates of each stakeholder, fostering a shared commitment to overarching strategic objectives and harmonising operational protocols. In addition, ideational disagreements can surface, especially over leadership, the scope of coordination efforts, or differing opinions on global development priorities, further complicating unified action.[31] Effective coordination is also essential at the recipient level, as uncoordinated efforts can overwhelm local authorities, duplicate services, and create confusion among affected populations.[32] The success of coordination can significantly reduce confusion during humanitarian assistance operations, as some level of confusion is inherent in all disaster situations requiring relief actions.[33]

4. CASE STUDIES

4.1 Case Study 1: Conflict Zones

In conflict zones such as Syria and Yemen, the provision of humanitarian aid faces significant challenges, often leading to delays in delivering essential assistance. The complexities of operating in these regions are, as a result, of a number of factors, such as:

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29 Christian Burkart, Maria Besiou and Tina Wakolbinger, 'The Funding—Humanitarian Supply Chain Interface' (2016) 21 (2) Surveys in Operations Research and Management Science 31 <https://doi.org/10.1016/j.sorms.2016.10.003> accessed 15 March 2025.

30 Sarah Delputte, "The EU as an Emerging Coordinator in Development Cooperation: Perspectives from Sub-Saharan Africa" (2013) 26(1) Afrika Focus <https://doi.org/10.21825/af.v26i1.4926> accessed 15 March 2025.

31 ibid.

32 Peter Macalister-Smith, "Non-Governmental Organizations and Coordination of Humanitarian Assistance" (1987) 27 International Review of the Red Cross (1961-1997) 501 <https://doi.org/10.1017/s0020860400023172> accessed 15 March 2025.

33 ibid.

access restrictions, political interference, and safety concerns, all of which exacerbate inefficiencies in funding and aid distribution.

One of the most significant obstacles to effective aid delivery in conflict zones is the restriction of access. In Syria, for example, ongoing military hostilities and shifting territorial control by various factions have made it difficult for aid organisations to reach those in need. Several regions remain under the control of non-governmental forces, while others are besieged by combatants, leaving civilians cut off from external assistance. Humanitarian convoys often face blockades, limited routes, and bureaucratic obstacles that prevent timely delivery.[34] In Yemen, a similar scenario unfolds, as the war between Houthi rebels and the internationally recognised government, backed by a Saudi-led coalition, creates numerous barriers for humanitarian workers trying to access those affected by the conflict.[35]

Political dynamics play a significant role in hindering the distribution of aid in conflict zones. In both Syria and Yemen, aid is often subject to political conditions or restrictions imposed by local or international stakeholders. Governments or factions controlling areas may manipulate the flow of humanitarian aid to serve their interests. For instance, in Syria, both the Assad regime and opposition groups have been known to restrict or redirect aid to areas where it aligns with their strategic goals, leading to unequal distribution.[36]

The safety of humanitarian workers operating in conflict zones is another critical factor impacting the timely delivery of aid. Aid organisations face considerable risks when working in areas where ongoing violence, targeted aid workers, and the presence of armed groups threaten the security of personnel. In Syria, many aid workers have been killed or kidnapped by militant groups, forcing organisations to either reduce their operations or withdraw entirely from dangerous areas.

4.2 Case Study 2: Natural Disasters

Natural disasters such as earthquakes, typhoons, and hurricanes can cause widespread devastation, leaving millions in urgent need of humanitarian aid. However, response efforts to such crises are often hampered by various challenges, including logistical issues, lack of coordination among relief organisations, and inefficiencies in resource distribution.

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[34] Dr. Haid Haid, 'Principled Aid in Syria: Humanitarian Aid Restrictions and Ramifications' (*Chatham House*, July 2019) <https://www.chathamhouse.org/2019/07/principled-aid-syria/2-humanitarian-aid-restrictions-and-ramification> accessed 15 March 2025.

[35] 'World Report 2024: Yemen' (*Human Rights Watch*, 2024) <https://www.hrw.org/world-report2024/country-chapters/yemen> accessed 15 March 2025.

[36] United Nations, 'Humanitarian Situation in Yemen: Press Release' (*UN Press*, 2024) <https://press.un.org/en/2024/sc15651.doc.htm> accessed 15 March 2025.

One of the most significant barriers to effective disaster response is logistical issues. In regions like Haiti and the Philippines, the scale of destruction caused by natural disasters often overwhelms local infrastructure, making it difficult to deliver aid efficiently. For example, after the 2010 earthquake in Haiti, the country's already fragile infrastructure was severely damaged. Roads, ports, and airports were either destroyed or rendered unusable, slowing the movement of aid into the affected areas.[37] In the Philippines, where typhoons frequently strike, the vast and dispersed nature of the archipelago presents similar logistical difficulties. Relief efforts must navigate damaged transportation networks and reach remote, isolated communities, which can be extremely time-consuming. Additionally, the limited availability of fuel and transportation resources further delays aid distribution and makes it harder to get assistance to those in need.[38]

A lack of coordination among international and local relief organisations is another key challenge in disaster response. Often, multiple agencies and governments rush to provide aid, but without clear communication and collaboration, efforts can be duplicated or fragmented. For instance, following the 2013 Typhoon Haiyan in the Philippines, various aid organisations operated in different regions, often without sufficient coordination, resulting in overlapping efforts or gaps in coverage. Some areas received an abundance of aid, while others were overlooked due to inefficient distribution. Furthermore, the influx of aid from numerous sources can create confusion regarding needs assessment, with some regions receiving resources that may not be most appropriate for the situation, while others go under-resourced.

4.3 Case Study 3: Protracted Crises

Protracted crises, such as those in Afghanistan and South Sudan, present some of the most enduring challenges in the delivery of humanitarian aid. These crises are marked by their prolonged nature, with years or even decades of conflict, instability, and humanitarian needs that far outstrip available resources. The key issues in these regions are chronic underfunding, donor fatigue, and the lack of sustainable solutions, all of which contribute to cycles of aid dependency and inadequate support for long-term recovery.

In Afghanistan and South Sudan, despite the vast and growing needs, international aid efforts are often under-resourced. Donors, including governments and private organisations, are stretched thin by competing priorities and the sheer scale of global humanitarian

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37 Rhoda Margesson and Maureen Taft-Morales, 'Haiti Earthquake: Crisis and Response' (*Congressional Research Service*, 2010).

38 'Haiti Humanitarian Crisis' (*Center for Disaster Philanthropy*, 2024) <https://disasterphilanthropy.org/disasters/haiti-humanitarian-crisis/> accessed 15 March 2025.

challenges. This leads to severe limitations in the amount of aid that can be delivered, and what is available is often insufficient to meet the most basic needs of affected populations. In Afghanistan, where years of conflict and political instability have created widespread poverty and displacement, funding shortfalls have led to shortages of essential services like food, health care, and education. Similarly, in South Sudan, despite international efforts to address food insecurity and the displacement of millions, chronic underfunding has left many of the most vulnerable groups without adequate assistance.[39]

Donor fatigue is a critical factor in protracted crises. As conflicts drag on, the international community becomes less responsive, and donors become weary of supporting long-term humanitarian efforts without seeing tangible progress. In Afghanistan, the years of conflict have led to diminished international engagement, as donors shift their focus to more "urgent" crises or areas where they believe aid will yield more immediate results. Similarly, in South Sudan, prolonged civil war has led to diminishing returns on humanitarian investments, with many donors redirecting their resources elsewhere, further exacerbating the suffering of those who remain in need. Donor fatigue leads to a reduction in funding over time, and humanitarian organisations are forced to scale back their operations or divert resources away from critical areas.[40]

In both Afghanistan and South Sudan, the lack of sustainable solutions has led to the perpetuation of aid dependency. While humanitarian aid is crucial for saving lives in the short term, it often does not equip communities with the skills, infrastructure, or opportunities necessary to thrive independently.[41] For example, in South Sudan, the overwhelming reliance on food aid has led to limited agricultural development, as farmers continue to depend on external resources rather than building resilient and self-sustaining livelihoods. In Afghanistan, dependency on aid has stymied local economic growth, as many communities rely on foreign assistance for daily survival, rather than pursuing economic opportunities or investing in local businesses.

5. INNOVATIVE APPROACHES TO FINANCING HUMANITARIAN AID

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[39] Devex Editor, 'Q&A: How donor fatigue is exacerbating South Sudan's food crisis' (*Devex*, 3 October 2022) <https://www.devex.com/news/sponsored/q-a-how-donor-fatigue-is-exacerbating-the-south-sudan-s-food-crisis-104106> accessed 15 March 2025.

[40] ibid.

[41] Kaamil Ahmed, 'Aid workers warn "people are dying and they're going to continue dying" as funding cuts hit' (*The Guardian*, 14 March 2025) <https://www.theguardian.com/global-development/2025/mar/14/aid-cuts-humanitarian-united-nations-usaid-trump-uk-malnutrition-starvation-deaths-wfp-fao-defence-spending> accessed 15 March 2025.

As the global humanitarian landscape evolves, so does the demand for the innovation of traditional aid mechanisms currently struggling to meet international standards. To address this growing gap, innovative financial strategies have pushed for the implementation of guarantees focused on efficiency, sustainability, and transparency within the flow of resources to affected populations. This section will address the four key approaches of blended finance models, impact investment within humanitarian efforts, the role of digital platforms and blockchain, as well as collaboration with the private sector as strategies to finance humanitarian aid.

5.1 Blended Finance Models

To achieve the overall scope of enhancing sustainability within humanitarian assistance, the blended financial model utilises a combination of public funds and private investments. The blending of financial systems can de-risk private sector participation by leveraging concessional capital from governmental bodies, international organisations, or charitable sources, thus encouraging funding for humanitarian projects that would otherwise be labelled as hazardous investments.[42] The promotion of strategies aiming at long-term economic stability and resilience guarantees that aid efforts extend further than immediate relief.

This model of financing has the key benefit of aligning market-driven investments with humanitarian objectives. Since impact investing links both financial gain and social outcomes, the facilitation of fund allocation towards humanitarian projects can ensure capital market growth alongside rising support for development goals. The presence of the blended financial model can be seen primarily within the sectors of healthcare, clean energy production, and infrastructure. Sectors that are vital for humanitarian aid are also profitable investment opportunities.[43] An example of how this finance model can create impactful changes is showcased by the way the International Finance Corporation's (IFC) Blended Finance Facility has played a vital role in the funding of projects improving living conditions within at-risk areas.[44]

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[42] Organization for Economic Co-operation and Development (2021), *The OECD DAC blended finance guidance*, OECD Publishing <https://www.oecd.org/en/publications/the-oecd-dac-blended-finance-guidance_ded656b4-en.html> accessed 17 March 2025.

[43] Organisation for Economic Co-operation and Development (2022), *Scaling up blended finance in developing countries*, OECD Publishing. <https://www.oecd.org/en/publications/scaling-up-blended-finance-in-developing-countries_2fb14da0-en.html> accessed 17 March 2025.

[44] Harry Patrinos and Nobuyuki Tanaka, 'Education: Innovative financing in developing countries' (2024) World Bank Group Education Working Paper No. 1 <https://openknowledge.worldbank.org/entities/publication/a8012653-8854-4ff6-8e0b-b72207f4e5b3> accessed 17 March 2025.

5.2 Impact Investment in Humanitarian Efforts

Impact investment is a strategic model of humanitarian financing projects, as it aligns financial returns with constructive social outcomes. Within this model, investors are capable of providing capital to fund businesses and organisations that address humanitarian challenges while ensuring measurable social and financial benefits. The support provided by this model can be seen in climate resilience initiatives as well as refugee entrepreneurship programmes, where profitability and humanitarian support go hand in hand.[45]

By allocating funds toward humanitarian initiatives that generate both financial returns and social improvements, impact investment aligns capital markets with development objectives.[46] An example of how this investment model has gained popularity within the humanitarian financing sector is how the utilisation of social impact bonds (SIBS) and development impact bonds (DIBs) has increased.[47] A manner that can be observed within programmes such as the Humanitarian Impact Bond by the International Committee of the Red Cross (ICRC).

5.3 Role of Digital Platforms and Blockchain

The implementation of digital platforms and utilisation of blockchain technology have transformed the humanitarian finance landscape by implementing risk mitigation strategies, strengthening and enhancing transparency whilst reducing inefficiencies. Blockchain guarantees fund traceability, providing investors, as well as beneficiaries, with real-time transfer tracking. An example of this fostering of trust within the distribution of aid can be seen within the WFP Building Blocks programme, which facilitates the safe and effective practice of capital transfers for refugees located in Jordan.[48] Additionally, digital crowdfunding platforms have democratised aid finance by increasing accountability and accessibility, enabling individuals and corporations to make direct distributions toward

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45 'What you need to know about impact investing' (*Global Impact Investing Network*, 2023) <https://thegiin.org/impact-investing> accessed 17 March 2025.

46 Antony Bugg-Levine and Jed Emerson, 'Impact investing: Transforming how we make money while making a difference' (2011) 6 (3) Innovations Technology Governance Globalization <https://doi.org/10.1162/INOV_a_00077> accessed 17 March 2025.

47 'Humanitarian Impact Bond: A new financing model for humanitarian aid' *(International Committee of the Red Cross*, 2020).

48 'Building Blocks: Blockchain for food assistance' (*World Food Programme*, 2021) <https://www.wfp.org/building-blocks> accessed 17 March 2025.

humanitarian aid projects.[49] Finally, the implementation and practice of automating aid distribution based on the predetermined terms and conditions implemented through smart contracts lead to Blockchain, enabling timely and targeted financial aid to areas of need transparently and efficiently.

5.4 Collaboration with the Private Sector

Engaging collaboration between the private sector and humanitarian aid efforts provides accessibility to additional expertise, innovation, and resources. This collaboration of humanitarian aid programmes with private companies can additionally improve aid delivery and resource mobilisation, as resources and expertise are enhanced, particularly in logistics, technology, and financial management. This is linked to a reduction of expenses whilst increasing the timeliness of aid delivery.[50] An example of this collaboration is shown by DHL and Maersk having improved response logistics against disasters occurring by ensuring timely delivery of essential goods to crisis zones.[51] Furthermore, financial institutions, in addition to fintech firms, have contributed to the promotion and ensurement of access to financial digital services accessible to displaced populations.[52]

The implementation of these innovative financing mechanisms offers sustainable methods that aid in guaranteeing effective and equitable mobilisation of resources whilst offering sustainable alternatives to traditional humanitarian aid. Additionally, the utilisation of digital transparency technologies, partnerships with the private sector, impact investments, and blended finance provide capacity improvements for the realm of humanitarian aid.

6. FINANCIAL ACCOUNTABILITY AND TRANSPARENCY

Ensuring financial accountability and transparency in humanitarian aid is not just a financial obligation; it is a moral responsibility. Every dollar or euro mismanaged is a lost opportunity to save lives, provide shelter, or deliver food to those in need. In the past, numerous aid efforts have been undermined due to a lack of transparency, corruption, and inefficient financial oversight. To address these issues, robust monitoring mechanisms, anti-

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[49] 'The future of technology in crisis response' (*United Nations Office for the Coordination of Humanitarian Affairs*, 30 March 2017) <https://www.unocha.org/publications/report/world/future-technology-crisis-response> accessed 17 March 2025.

[50] David Miliband, 'Humanitarian action: The most cost-effective investment' (*World Economic Forum*, 2025). <https://www.weforum.org/stories/2025/01/humanitarian-action-most-cost-effective-investment/> accessed 14 March 2025.

[51] 'Private sector partnerships in humanitarian relief' (*United Nations High Commissioner for Refugees*) <https://www.unhcr.org/us/about-unhcr/our-partners/private-sector> accessed 14 March 2024.

[52] Mayada El-Zoghbi, Nadine Chehade, Peter McConaghy et al., 'The role of financial services in humanitarian crises' (*Access to Finance FORUM, Reports by CGAP and Its Partners,* No. 12, 12 April 2017).

corruption strategies, and clear financial reporting standards must be in place to ensure that humanitarian funds are spent efficiently and ethically.

6.1 Monitoring and Evaluation Mechanisms

Effective monitoring and evaluation (M&E) systems are essential for ensuring accountability in humanitarian finance. They help track how funds are used, assess the impact of aid programmes, and prevent financial mismanagement. Without these mechanisms, billions of dollars in humanitarian aid could be lost to inefficiencies and corruption.

Key Monitoring Mechanisms

01

Financial Audits

Regular internal and external audits help identify financial discrepancies and ensure that funds are allocated correctly. Organisations such as the United Nations Development Programme (UNDP) conduct independent evaluations of aid programmes to maintain financial integrity.

02

Real-Time Financial Tracking

Digital platforms allow organisations to track aid distribution in real time, reducing the risk of misallocation and fraud. The International Aid Transparency Initiative (IATI) was launched in 2008 to promote open-access information on humanitarian aid spending, making it easier for donors and stakeholders to verify where their money is going.

03

Blockchain Technology

The WFP has pioneered the use of blockchain in aid delivery through its “Building Blocks” initiative. This technology has been instrumental in providing direct cash assistance to refugees while eliminating middlemen, ensuring that funds are traceable, secure, and less vulnerable to corruption.

04

Third-Party Oversight

Organisations such as the International Public Sector Accounting Standards Board (IPSASB) establish financial reporting standards that humanitarian agencies must adhere to. By enforcing stricter accounting principles, IPSASB reduces opportunities for financial mismanagement. M&E mechanisms not only prevent financial abuse but also improve future humanitarian responses by identifying inefficiencies and learning from past mistakes.

6.2 Addressing Corruption and Mismanagement

Corruption remains one of the biggest threats to humanitarian funding. It is estimated that billions of dollars are lost annually due to bribery, fraudulent reporting, and misallocation of resources.

High-Profile Cases of Corruption in Humanitarian Aid

01

USAID in Haiti

After the 2010 earthquake in Haiti, the U.S. Agency for International Development (USAID) allocated $4.4 billion for relief efforts. However, investigations revealed that fewer than $50 million reached Haitian organisations. The majority of funds were either misallocated or awarded to firms based in Washington, D.C., raising concerns about transparency and local engagement.

02

WFP in Sudan

In 2024, WFP launched an internal investigation into allegations of fraud and obstruction of aid delivery by senior officials in Sudan. Amidst a severe hunger crisis, reports indicated that food aid was being manipulated by corrupt officials, preventing assistance from reaching those in desperate need.

Anti-Corruption Strategies

To tackle corruption, organisations must adopt **clear financial oversight measures**, including:

01 **Independent Audits**

Regular external financial audits by accounting firms and donor institutions can detect fraudulent activities and prevent fund mismanagement.

02 **Whistleblower Protection**

Encouraging staff and local stakeholders to report financial misconduct without fear of retaliation is critical. Stronger whistleblower protection laws help ensure that corrupt actors are held accountable.

03 **Strengthening Regulatory Frameworks**

IPSASB's accounting standards have been widely adopted to improve financial transparency and accountability in humanitarian operations.

Without urgent action, financial mismanagement will continue to erode trust in humanitarian institutions and reduce the effectiveness of aid efforts.

6.3 Strengthening Financial Reporting Standards

A lack of standardised financial reporting makes it difficult for donors and stakeholders to track how humanitarian funds are spent. Strengthening financial disclosure helps ensure that money is used efficiently, ethically, and effectively.

Key Financial Transparency Initiatives

01 **IATI**

IATI was launched in 2008 to create a global standard for reporting aid spending. It ensures that governments, NGOs, and humanitarian organisations provide accessible, real-time financial data on where funds are being allocated.

02

Publish What You Fund

This organisation ranks the world's largest aid agencies based on their financial transparency. Their Aid Transparency Index encourages institutions to publish detailed, publicly accessible financial reports, increasing donor confidence.

03

The Grand Bargain Agreement

Established during the 2016 World Humanitarian Summit, the Grand Bargain aims to simplify financial reporting, increase transparency, and reduce administrative costs for aid organisations. It also seeks to shift more funding control to local responders, ensuring more direct aid distribution and less financial leakage.

7. THE ROLE OF INTERNATIONAL INSTITUTIONS AND NGOs

7.1 United Nations and Specialised Agencies

The United Nations system comprises the UN itself and several programmes and specialised agencies with their own budget and specialisation. Although they operate in coordination with the UN, these agencies are separate international organisations that help the UN achieve its goals and are financed through voluntary contributions.[53] At the moment, more than 30 International Specialised Agencies and Programmes are active all over the world on behalf of the UN. Their strategic and diverse missions focus on managing humanitarian assistance via different venues. These channels include children's protection (UNICEF), rights of refugees (UNHCR), protection of cultural heritage (UNESCO, United Nations Educational, Scientific and Cultural Organisation), protection of workers (ILO, International Labour Organisation), right to food (WFP), and protection from diseases (WHO, World Health Organisation).[54]

Due to the international nature of these agencies, they often operate in countries that disagree with and hinder their work by, for instance, prohibiting their citizens from funding

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[53] 'United Nations System – Peace, dignity and equality on a healthy planet' (*United Nations*) <https://www.un.org/en/about-us/un-system> accessed 10 March 2025.

[54] 'United Nations System Chart' (*United Nations*, 2023) <https://www.un.org/en/delegate/page/un-system-chart> accessed 10 March 2025.

them or not recognising their legitimacy. A notable example to illustrate this situation is given by the WHO: when COVID-19 spread all over the world, it required immediate action from the WHO, and, thus, it highlighted the obstacles faced by the Organisation. Namely, the WHO did not have enough funds available to face the crisis, as more than 60 percent of its financing was provided by only nine countries whose economies were harshly hit by the pandemic. Furthermore, the Organisation's action was limited to those countries that recognised the seriousness of COVID-19 and accepted the authority and the decisions made by the Organisation.[55]

7.2 Role of INGOs in Fundraising and Distribution

International Non-governmental Organisations (INGOs) are active on behalf of the UN and play an important role in providing resources, delivering humanitarian aid, and offering technical assistance. Given the vast number of existing INGOs, it is important to distinguish between operational and campaigning INGOs to understand their tasks better. Namely, operational INGOs have to mobilise resources such as financial donations, materials or volunteer labour to finance their programmes. On the other hand, campaigning NGOs rely less on fundraising. Both types of INGOs mobilise resources and implement aid programmes with the help of local volunteers and the work of students during the summer holidays.[56]

Overall, it is remarkable that the main task INGOs carry out is to provide public goods and services in those countries where national governments are unable to do so due to a lack of resources. The examples are many and outstanding: several INGOs have been promoting social, political, and environmental changes through social media channels to reach a larger part of the population. Some INGOs have acted as newspapers, providing national and international news to the population, while others use their work to defend and promote national ideals of the countries they operate in. Finally, a significant number of INGOs have built schools and learning centres in the poorest and conflict-torn countries, like Afghanistan and India.[57]

7.3 Coordination with Local Governments

[55] Nkuchia M M'ikantha and David W Welliver, 'Strengthening the WHO in the pandemic era by removing a persistent structural defect in financing' (2021) 17 Globalization and Health <https://globalizationandhealth.biomedcentral.com/articles/10.1186/s12992-021-00780-7> accessed 11 March 2025.

[56] Peter Willetts, 'What Is a Non-Governmental Organisation? (2002) Research Project on Civil Society Networks in Global Governance <https://www.staff.city.ac.uk/p.willetts/CS-NTWKS/NGO-ART.HTM> accessed 11 March 2025.

[57] Susan M Roberts,, John Paul Jones III and Oliver Fröhling, 'NGOs and the globalisation of managerialism: A research framework' (2005) 33 (11) World Development <https://www.sciencedirect.com/science/article/abs/pii/S0305750X05001464?via%3Dihub> accessed 11 March 2025.

Because of their international nature, INGOs operate in many countries with different forms of government and different needs. In order to carry out their tasks effectively, they are required to cooperate with the national government of the country where they operate, and their work needs approval from both official and non-official members of the governments. Such a connection with governmental offices and ministers means that diplomacy is a big component of INGOs' work. In fact, INGOs workers need to balance their mission's task with the rules in place in the country where they are working, and most of the time, these two elements conflict. This means that the NGOs need to dialogue with national governments to receive approval to continue their missions and not be hindered while doing so.[58]

The lack of communication between NGOs and national governments leads to serious consequences for both the people the NGOs assist and the NGO volunteers. Recent examples of such miscommunication took place in the Mediterranean Sea, where groups of NGOs directors who were involved in helping migrants cross the sea were charged by the Italian Government.[59]

8. FUTURE TRENDS AND OUTLOOK

8.1 Emerging Funding Sources

Humanitarian crises, from natural disasters to armed conflicts, continue to escalate, requiring urgent financial resources to support affected communities.[60] Funding is crucial in enabling organisations to provide essential services, such as food, shelter, medical care, and psychological support.[61] However, securing stable and sufficient funding remains a challenge.[62]

Traditional funding sources, such as government grants, international aid agencies, and charitable foundations, play a central role in financing humanitarian efforts.[63] However,

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58 Max Stephenson Jr, 'NGOs and Humanitarian Assistance' in Helmut K Anheier and Stefan Toepler (eds) *International Encyclopedia of Civil Society* (Springer 2010).

59 'Processo Open Arms: Salvini a Giudizio per sequestro di Persona' (*Sky TG24*, 20 December 2024) <https://tg24.sky.it/cronaca/approfondimenti/processo-open-arms-salvini> accessed 12 March 2025.

60 'Top 25 Resources for Humanitarian Crisis Funding' (*FundsforNGOs*) <https://www2.fundsforngos.org/articles/top-25-resources-for-humanitarian-crisis-funding> accessed 10 March 2025.

61 ibid.

62 ibid.

63 Velina Stoianova, 'Private funding for humanitarian assistance: Filling the Gap?'(*Global Humanitarian Assistance Initiative*, August 2013) <https://alnap.org/help-library/resources/global-humanitarian-assistance-private-funding-for-humanitarian-assistance-filling-the/> accessed 10 March 2025.

new funding models, including social impact bonds, crowdfunding, and private sector investments, are emerging as alternative sources of support.[64] While these innovative approaches offer new opportunities, they also bring challenges related to stability, long-term sustainability, and operational efficiency.[65]

Traditional and Emerging Funding Sources

01

Government and institutional funding

Government grants are a primary source of humanitarian funding, with agencies such as the U.S. Agency for International Development (USAID) and the European Civil Protection and Humanitarian Aid Operations (ECHO) allocating substantial budgets for disaster relief. These funds help NGOs carry out large-scale interventions, but they often come with complex eligibility requirements, strict reporting obligations, and restrictions on fund usage. Additionally, shifts in political priorities and economic downturns can impact funding availability.

Institutional funding, such as pooled funds from multilateral institutions like the African Development Bank and the UN's Central Emergency Response Fund (CERF), provides another avenue for financing. These mechanisms enable coordinated responses but can be hindered by bureaucratic delays that affect the speed of fund disbursement during emergencies.

64 ibid.

65 ibid.

02 Private donations and philanthropic foundations

Private donations from individuals, corporations, and philanthropic foundations play an increasing role in humanitarian financing. Foundations such as the Bill & Melinda Gates Foundation and the Ford Foundation contribute substantial funds to initiatives in health, education, and disaster relief. Unlike government grants, private donations offer greater flexibility and can be mobilised quickly in response to crises.

However, private funding also faces challenges. Donor fatigue, economic fluctuations, and the tendency for funds to be earmarked for specific causes can limit the flexibility of NGOs in addressing urgent needs. Additionally, while one-time donations can be significant, maintaining consistent financial support remains a concern.

03 Crowdfunding and digital fundraising

The use of crowdfunding platforms, such as GoFundMe, Indiegogo, and Kickstarter, has reformed the way humanitarian organisations raise funds. These platforms allow NGOs to reach a global audience, bypass traditional bureaucratic processes, and engage directly with donors through compelling storytelling and social media campaigns.

For crowdfunding to be successful, organisations need to invest in strong digital engagement strategies, provide transparency in fund allocations, and maintain regular updates to sustain donor interest. While effective for immediate crisis response, crowdfunding alone is not a reliable long-term funding strategy.

04

Social Impact Bonds (SIBs) and corporate investments

Social impact bonds introduce an innovative financing approach where private investors provide upfront capital for humanitarian projects, with repayment contingent on achieving pre-detrimental results. Governments or international agencies serve as guarantors, reimbursing investors if the project meets its objectives. This results-based model encourages efficiency and accountability but requires strong impact measurement frameworks and the investors' confidence in humanitarian initiatives.

Similarly, corporate social responsibility (CSR) programmes allow businesses to contribute to humanitarian causes through financial support, employee engagement, and in-kind donations. Companies like Coca-Cola and Unilever have successfully partnered with NGOs to fund disaster relief and sustainability initiatives. However, aligning corporate priorities with humanitarian goals required transparency and careful collaboration to avoid ethical concerns.

8.2 The Impact of Climate Change on Humanitarian Needs

Climate change is a humanitarian crisis.[66] Extreme weather events, such as rising temperature, floods, droughts, and storms are becoming more frequent and intense, devastating communities, displacing populations, and threatening livelihoods.[67] The crisis is more severe in regions suffering from conflict, economic instability, and weak governance, where climate shocks compound existing hardships.[68] Addressing these growing humanitarian needs required immediate, coordinated action to reduce risks, strengthen resilience, and ensure long-term sustainable solutions.[69]

The far-reaching impacts of climate change disrupt livelihoods, exacerbate health crises, and fuel displacement and conflict.[70] Rising temperatures, unpredictable rainfall, and

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[66] Margareta Wahlström, 'Before the next disaster strikes - The humanitarian impact of climate change' (*OCHA*, 15 August 2007) <https://www.unocha.org/publications/report/world/next-disaster-strikes-humanitarian-impact-climate-change> accessed 10 March 2025.

[67] ibid.

[68] ibid.

[69] ibid.

[70] 'No Return to Normal: Climate Change and the Threat of a Global Humanitarian Crisis' (*OCHA*, 10 December 2021) <https://www.unocha.org/publications/report/world/no-return-normal-climate-change-and-threat-global-humanitarian-crisis> accessed 10 March 2025.

environmental degradation place immense pressure on communities already struggling with limited resources.[71] These cascading effects increase humanitarian needs and complicate response efforts.[72] Climate change poses a severe threat to livelihoods, food security, health and overall stability, particularly among the world's most vulnerable populations.[73]

The Humanitarian Costs of Climate Change

01

Syria

The Syrian crisis remains one of the complex humanitarian emergencies of the 21st century. Millions of Syrians were dependent on humanitarian aid, with 11.7 million people requiring assistance in 2019, including five million in urgent need. Additionally, 6.2 million people were internally displaced, living in camps and host communities.

This crisis highlights the intersection of conflict and climate change, both of which exacerbate humanitarian needs. Conflict weakened communities' ability to adapt to climate shocks, making displaced groups more vulnerable to environmental disasters like floods. The April 2019 floods in Al Hassakeh, caused by heavy rains, affected around 118,000 people. Many had already fled violence and struggled to cope with this new disaster. The floods destroyed homes, food supplies, and livestock, and damaged agricultural land, further threatening livelihoods.

In conflict zones like Syria, there is often a heavy reliance on agriculture, which is highly sensitive to climate variability. As a result, millions are reliant on food and livelihood assistance. Humanitarian organisations are working to address both immediate and long-term needs by providing relief to those impacted by both conflict and climate-related disasters. This situation underscores the growing necessity of integrating climate resilience into humanitarian response efforts to address the dual impacts of conflict and climate change.

71 ibid.

72 ibid.

73 ibid.

02 **Somalia**

About 60 percent of Somalia's population are pastoralists, dependent on rainfall of the two rainy seasons for their livelihood. Over the past three decades, prolonged conflict combined with changing drought and rain patterns has devastated pastoral life. Climate-related matters such as droughts, cyclones, and flooding have increased the population's vulnerability to chronic food insecurity, disease outbreaks, and malnutrition. These challenges also lead to inadequate access to safe drinking water, sanitation, and basic health care services. Currently, one-third of Somalia's population requires humanitarian assistance, marking it as one of the world's most enduring crises. While humanitarian aid is essential to saving lives, it does not prevent future disasters. Addressing the root cause of food insecurity is necessary to help millions who live on the brink of starvation.

03 **Mozambique**

When Cyclone Idai struck in March 2019, the coordinated humanitarian response highlighted the effectiveness of the international system when it was well-prepared and organised. Prepositioning of relief supplies ensured aid could begin immediately, while field hospitals and epidemic alert systems helped limit cholera outbreaks and provide healthcare to the vulnerable. While humanitarian aid is vital for saving lives, Idai also exposed its limitations. The devastation persisted long after the storm. Cyclone Idai destroyed crops just weeks before the harvest season, and Cyclone Kenneth followed shortly after, further damaging crops. By April 2019, communities were facing food shortages. While tropical cyclones are common in Mozambique, the country is highly vulnerable to extreme weather events, underscoring the need for long-term solutions beyond emergency aid.

8.3 Policy Recommendations for Addressing Financing Gaps

Global humanitarian needs have reached record levels.[74] Crises caused by conflict, climate change, and economic instability are putting increasing pressure on funding

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[74] Council of the European Union, 'Outcome of proceedings: Council conclusion on addressing the humanitarian funding gap 9598/23 (Brussels, 22 May 2023).

systems.[75] Despite significant humanitarian aid efforts, there is still a large gap between available resources and the growing needs of affected communities.[76] Traditional funding sources alone are not enough to keep up, making it essential to explore approaches to financing.[77]

To bridge this gap, policymakers should adopt a comprehensive approach that strengthens humanitarian financing through three key strategies: reforming funding mechanisms to enhance flexibility and predictability, increasing transparency in fund allocations to maximise efficiency, and fostering private sector engagement to expand the resource base.[78] By implementing these measures, the international community can create a more sustainable, responsive, and accountable humanitarian financing system.[79]

01 Reforming funding mechanisms

Traditional humanitarian funding relies heavily on government grants, international aid, and institutional donors. While these sources provide significant support, they often come with rigid structures, lengthy disbursement processes, and political dependencies. To enhance financial resilience, policymakers should advocate for multi-year, flexible funding that ensures predictable support for long-term humanitarian efforts. Strengthening risk-informed financing, which prioritises preparedness, early responses, and disaster risk reduction, can mitigate the impact of crises before they escalate. Additionally, expanding the use of pooled funding mechanisms, such as the UN's CERF, can improve resource coordination and reduce competition between humanitarian actors.

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75 ibid.

76 ibid.

77 ibid.

78 Barnaby Willitts and Alexandra Spencer, 'Reducing the humanitarian financing gap: review of progress since the report of the High-Level Panel on Humanitarian Financing' (*HPG and ODI,* April 2021) <https://odi.org/en/publications/reducing-the-humanitarian-financing-gap-review-of-progress-sincethe-report-of-the-high-level-panel-on-humanitarian-financing> accessed 11 March 2025.

79 ibid.

02

Enhancing transparency in fund allocation

Ensuring the efficient and equitable distribution of humanitarian funds is critical for maximising their impact. Policymakers should implement strong accountability frameworks that track fund utilisation, preventing mismanagement and duplication of effort. Improved data transparency through digital reporting tools and open-access financial tracking can enhance donor confidence and encourage sustained contributions. Moreover, fostering greater coordination between donors, governments, and implementing agencies can make for more efficient resource allocation, minimising bureaucratic delays that often hinder rapid crisis response.

03

Encouraging private sector engagement

Given the scale of humanitarian challenges, mobilising additional financial resources in the private sector is essential. Governments and international organisations should promote public-private partnerships (PPPs) that leverage corporate funding, technical expertise, and logistical capabilities. Encouraging social impact bonds (SIBs) and other innovative financing mechanisms can attract private investors, offering a results-based model where returns are tied to successful humanitarian outcomes. Additionally, tax incentive and risk-sharing frameworks can reduce barriers to corporate investment in humanitarian initiatives, making engagement more attractive to businesses.

9. CONCLUSION

9.1 Summary of Findings

The growing magnitude and complexity of worldwide humanitarian emergencies highlight the pressing necessity of improving funding systems to guarantee quick, fair, and efficient aid allocation. The current financial environment is not enough to satisfy the growing humanitarian demands driven by persistent conflicts, climate change, and socioeconomic inequalities, despite important efforts by governments, international institutions, and private donors. The reactive and short-term nature of most current financing methods frequently leads to fragmented and delayed responses, exposing vulnerable populations to protracted suffering. Political objectives usually have an impact on traditional donor-driven aid, which results in unequal cash distribution and exacerbates inequality in crisis response. Furthermore, the widespread dependence on unreliable and restricted financial sources worsens rivalry between humanitarian players, weakening cooperation and comprehensive aid initiatives.

Diversifying and stabilising funding sources can be achieved through innovative financing tactics, such as digital platforms, social impact bonds, and blended financial models. These strategies, however, call for wider acceptance, more transparent regulations, and improved collaborations between the public and commercial sectors. The transition to flexible, multi-year funding systems that put long-term resilience ahead of immediate relief is equally crucial. Improving transparency and accountability by means of real-time financial tracking and independent audits can reinforce donor confidence and encourage sustained contributions. To close the growing gap between escalating needs and available resources, the humanitarian financing system must evolve towards greater inclusivity, adaptability, and efficiency. Building a more resilient, adaptable, and sustainable humanitarian aid infrastructure that can handle today's and tomorrow's crises will require a shared commitment to updating funding arrangements.

9.2 Recommendations for Stakeholders

1. Improve Donor Coordination

   In order to minimise financing gaps and make sure that aid is distributed according to humanitarian needs rather than political or strategic goals, donors must effectively coordinate with one another. To promote cooperative planning and information exchange, stakeholders should create thorough frameworks that precisely define roles and duties. Joint evaluations and shared finance agreements are examples of improved coordination methods that could accelerate response procedures and reduce the administrative load for implementing organisations. In addition to promoting uniform reporting requirements, encouraging alignment with international initiatives can also improve financial predictability. Enhancing coherence and collaboration among donor networks can help the humanitarian system provide aid that is more impactful, timely, and equitable.

2. Explore Innovative Funding Models

   In order to diversify and stabilise humanitarian aid flows, stakeholders must investigate and expand creative finance strategies as traditional funding sources become more and more burdened. Promoting collaborations with the private sector and making use of digital tools like blockchain and crowdfunding platforms can increase the amount and effectiveness of financial assistance. Stakeholders should try to establish risk-sharing arrangements and supportive legislative frameworks that encourage private sector involvement in humanitarian funding to promote trust and scalability.

3. Address Accountability and Transparency challenges

   Maintaining donor trust and making sure that aid reaches the most vulnerable requires transparent and accountable financial methods. Adopting strong monitoring and assessment tools, such as third-party audits and real-time financial tracking, should be a top priority for stakeholders. Measures like the adoption of blockchain technology can improve money traceability, cut down on inefficiencies, and stop poor management. In order to better defend the integrity of aid activities and optimise the use of available resources, humanitarian organisations should strengthen their protections for whistleblowers and cultivate a culture of ethical responsibility.

9.3 Call to Action for Sustainable Financing Models

An immediate and significant change to sustainable, long-term finance structures is needed due to the ongoing and growing disparity between growing humanitarian needs and available resources. Implementing creative and solid financing strategies that guarantee predictable, sufficient, and timely aid for affected populations should be a top priority for all parties involved in the humanitarian ecosystem, including governments, multilateral organisations, private sector stakeholders, and civil society.

Improved humanitarian aid requires a coordinated international effort to institutionalise financial options that encourage long-term recovery, capacity building, and community resilience in addition to meeting immediate needs. Policymakers should aim to support multi-year, flexible financing commitments, and donors should adopt outcomes-based and risk-informed strategies. To close current funding gaps and build a more fair and sustainable humanitarian aid system, it will be crucial to fortify collaborations between the business sector and humanitarian actors. Now is the moment to act, transforming the financing architecture of humanitarian aid is not only a necessity but a moral imperative to ensure no community is left behind.

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