**Rethinking Humanitarianism**
Episode 5
Money Talks

**Konyndyk**
As humanitarians, we like to think that we are driven by principles, and we are, but the day to day realities of our sector are also driven heavily by money: who gets it, how it's distributed, and what it's intended for.

**Aly**
In many ways, the humanitarian aid system is like a set of monopolies. Funding is concentrated in the hands of a few big agencies. And that's actually at the heart of a lot of the sector's problems.

**Konyndyk**
The way money flows incentivises all kinds of counterproductive practices: layering on transaction costs, siloing cash programmes, depriving local frontline groups of resources.

**Aly**
And so you can't rethink humanitarianism without also rethinking the money.

**Konyndyk**
In Washington D.C., I'm Jeremy Konyndyk, senior policy fellow at the Center for Global Development.

**Aly**
And in Geneva, Switzerland. I'm Heba Aly, director of The New Humanitarian. We are your co-hosts for Rethinking Humanitarianism, a podcast series exploring the future of aid.

**Konyndyk**
Before we get into today's episode, we wanted to share a few thoughts from people who've been following our discussions on rethinking humanitarianism. In response to Simon O'Connell's call for large international NGOs to merge, David Weiss, the CEO of Global Communities, contacted us from Maryland in the US to tell us about his NGO's merger with another large INGO, Project Concern International.

**David Weiss**
I've long been an advocate of mergers as a powerful tool in the shrinking aid environment. Yet it can be hard in the NGO sector, in part because we lack a central clearinghouse to find the right merger partner, the way an investment bank might function in the private sector. At Global Communities, we overcame those obstacles and successfully merged with Project Concern International earlier this year. Our merger made sense because we found the right partner, the organisations had shared values as well as complimentary areas of expertise and geographic footprints. But the single most important factor was that both organisations came to the merger from positions of strength. Neither of us was looking for a lifeline. We were each looking for a partner who could help us achieve more than we could alone. Our motto was stronger together to achieve greater scale, and therefore greater impact. And that's a recommendation I would give to anyone considering a merger in the aid sector.

**Aly**
So it's interesting to see Simon's idea gaining steam, because, you know, he gave us the impression that many NGOs were not ready to actually have that kind of conversation. And this is a live example that actually it is possible.

**Konyndyk**
What I find so striking about the PCI/Global Communities merger is, as David says, this isn't a case of a hastily arranged marriage between two desperate organisations – these were two large, healthy NGOs that decided they could have more impact together. And that actually makes me more hopeful that we could see more organisations doing this. It's rare that an NGO gets into such a desperate state that it has to consider a merger. So if you don't have to be desperate to think about this, if it is something healthy organisations can do, then maybe it is something we'll see more of.

**Aly**
I like the optimism you bring to the podcast.

**Konyndyk**
I try.

**Aly**
In response to Muthoni Wanyeki's push for local solidarity models, we heard from former journalist and aid worker Kurt Gerhardt, in Germany, who sent in this thought:

**Kurt Gerhardt**
The persistence of the development aid industry disregards the dignity and personal responsibility of the people of Africa. And it is a constant violation of the principle of subsidiarity. In the light of the experience of recent decades and out of respect for the capacity of African societies, it is necessary to work towards an end of development aid, and to replace it with normal economic cooperation based on mutual interests.

**Aly**
And what I think is interesting, Jeremy, is that last week we heard Paul Currion talking about the end of aid as he saw it, and I certainly have been hearing from across different sectors, to my mind, an emerging consensus that this can't be the way forward. And this is another example of that, right? This frustration with this aid dependency model, and an increasing search for a more sustainable approach.

**Konyndyk**
Yeah and, you know, I've been hearing predictions of the imminent demise of the humanitarian model for the two plus decades that I've been working in the system. And I haven't seen it yet. In fact, we've just seen the system continue to grow. And so I think it does pose a challenge. And it's one that really is core to what we're trying to do in this podcast of: What will be the forcing function for change? And how can we actually begin to live up to some of the aspirations we set for ourselves? And I think that some of what we're talking about in today's episode begins to get at that very fundamental question of what will drive the sort of change we aspire to in the system.

**Aly**
And what I find interesting about financial flows is, when you're thinking about new visions for aid or whatever takes its place, funding flows can either be an obstacle to reform or an enabler of reform.

**Konyndyk**
And so today we're looking at two big areas where donors and aid agencies have made really ambitious commitments to finance things differently. In the Grand Bargain, the humanitarian community committed to channelling much more funding to local actors. And it also committed to channelling much more funding to cash programmes. Both of those are potentially transformative, but they depend heavily on challenging some of the funding monopolies that currently exist.

**Aly**
So in our virtual podcast studio today, we're joined by Tara Nathan, Executive Vice President on Digital Solutions for Development at MasterCard in New York. And Tara is one of those people who doesn't hide the fact that she's frustrated about the kind of monopolies that exist in the system. We both sit on the World Economic Forum's humanitarian brain trust. And in her role as co-chair of that council, she's really been trying to push UN agencies towards more progressive ways of thinking about the role of the private sector. Welcome to the podcast, Tara.

**Nathan**
Thank you.

**Konyndyk**
And we also have Sema Genel, who is the executive director of the NGO Support to Life in Turkey. And she's also the chair of the NEAR Network of Southern NGOs, and has been a really leading and very active voice in pointing out the needs and the priorities and the importance of elevating the perspectives of national players in how we think about the humanitarian sector. Hi, Sema.

**Genel Karaosmanoğlu**
Hi. Nice to be here.

**Aly**
So before we dive in, we wanted to ask you both a question that we put to each of our guests on the show, which is: What is one weird quirk in the humanitarian sector that just doesn't make any sense to you? Tara?

**Nathan**
The one that really sort of stuns me, you know, is the irony. The humanitarian sector is really based on this premise of in the riskiest environments, dealing with, in some cases with terrorists, working across, you know, government authorities and things like that; working in contexts where there's no water, no power, no electricity. So, in many ways, real cowboys. I've met a lot of these humanitarians, they're amazingly sort of frontier-type individuals. You say to them, this notion of working with the private sector, I've seen send entire organisations into fear, paralysis; when you talk about, "Okay, now we're going to go do something with the private sector," whether it's donors or NGOs or implementers, I see fear.

**Konyndyk**
It's easier for humanitarians to talk to non-state armed groups than the corporations.

**Nathan**
Yeah.

**Konyndyk**
How about you, Sema?

**Genel Karaosmanoğlu**
I mean, the way the whole system operates makes no sense to me. But if I had to pick one, I would say that I have a hard time understanding why international organisations would have a growth agenda. To me this goes contrary to what we're trying to achieve and how resources should be best spent within the aid system. The purpose of the aid system is not for organisations to grow bigger and bigger, but for greater benefit for affected populations. So if you are genuinely interested in alleviating suffering in, you know, protecting lives, in creating resilience – ultimately in creating value for money – then growing bigger so that you can be operationally present in every corner of the world at a very high cost would not be your first choice. And the interesting point is that growth is possible with no consideration whatsoever to the satisfaction of the end user. Affected communities are not the prime focus of the international humanitarian community. And interestingly, donors are okay with this. With all the money that they pour into the system, I would expect donors to worry a bit more about whether their money genuinely is making a difference on the ground. So I guess just the whole setup I find hard to understand.

**Aly**
The fact that the goal is so often to get bigger is so much linked to what we're going to talk about today in the sense that so much of these incentives are driven around bringing more and more funding into the organisation. Jeremy, you've been doing some research about humanitarian financing. And I wanted to just get a sense what findings you're coming across in that research, particularly around what *isn't* working in the current financing flows.

**Konyndyk**
Yeah, so we've been spending the last couple of years digging into the humanitarian business model. And one of the really interesting things that we did over the course of the past year is a series of in-depth interviews with the donor community. And we talked to donors that represent about 60% of the funding in the system, and tried to understand their business model. And some of the things we heard really pick up on, particularly Sema's point there about the kind of the impetus for growth and the impetus to… what is and is not motivating donor behaviour. So two things I want to just frame up with to start. So first, we asked every donor about the Grand Bargain commitment on localisation, and particularly we asked them: Do you have the bandwidth to actually give more money directly to local and national NGOs? And every single donor said no. What you have right there is a recipe for a lot of trouble with localisation. If the donors don't have the bandwidth to do that, then that inherently creates the need for an intermediary layer somewhere

between the donors and the frontline responders. And that's one of the big drivers that we see in the system. And we need to, instead of talking about how much goes to international and how much goes to local, I think we need to think about how do we redefine that intermediary layer? The second is, if that intermediary layer has to exist, what are the incentives and how that's shaped. And you know, right now, about 60% of the funding in the system goes to the UN and about 50% of the total in the system goes to just three big UN agencies: UNHCR, WFP, and UNICEF. And the incentives for those, based on how donors fund them, is to capture as much money as possible and, to Sema's point, it's to grow as much and capture as much funding as they can. Not just because of delivery impact, although I mean, that's legitimately part of it. But also because donors would much rather fund programme delivery than core costs. And so if you're a big UN agency, if you're UNHCR, and one thing you have to do in the world is advocate for the protection of refugees and for refugee rights, but no one wants to fund you to do that. Well, then you fund that by in fact, taxing a lot of the programme delivery costs and the more that you can get a programme delivery, the more that you can fund your core mandate. So the incentives for these big UN agencies really are to capture as much money as possible. And so what we've ended up with is a system that requires an intermediary layer, and then incentivises that intermediary layer to capture a lot of funding and not necessarily be very efficient. And so I think that makes change really difficult because no one in that construct, neither the donors nor the UN agencies, have a really strong incentive to do things differently – whether that's on cash, whether that's on localisation, whether that's on accountability. We have these normative commitments that we make that are up against these really hard financial incentive realities.

**Aly**
I'm wondering how that resonates with you guys, from your perspectives on localisation and cash agendas. Go ahead, Tara.

**Nathan**
There's really a curious sort of situation here where on the one hand, actually, these intermediaries, or these UN agencies, are planning for not only long-term funding, but the growing of their long-term funding. At the same time, their interventions are not planning for the long term. And if you ask me about what is really one of the challenges to the proliferation of cash programming, it's that. When you're talking about cash programming, there's a tendency to sort of think about solutions, or digital solutions, as one of the 1,000 apps on your phone, like a box of cereal that you can just sort of roll out. And it's not that. You should think about payments as more like akin to infrastructure. It's complicated. It's difficult. If you want to do it right in a privacy enhanced, in a secure manner, the infrastructure that's required is complex, it's difficult. So by nature, it requires a long-term solution, not only point-in-time-focused, but frankly, not, I don't know, we would call it individual vertical focus. So it can't just be a cash solution for WASH. It's not just a cash solution for food or just a cash solution for security. It really is akin to building roads. So it's interesting that there are these interventions that are, these organisations, that are meant to be set up as short term. In fact, they're out there raising long-term cash. They're aiming at growing that pie. But the interventions that they seek optimise to short-termism, they optimise to low-cost and not to value or not to sort of efficacy. You know, there's no plan for the handoff. It's crazy, right? Whenever you go into any situation, if you say, "Hey, I'm a short-term bandaid, I'm a short-term solution," to me, they should be planning from the outset, “who am I going to hand this off to when I'm done? Who's going to be taking over the running and the managing and the operating?” I don't think we see that happening.

**Aly**
In our conversations, Tara, in the past, you've kind of alluded to the fact that the private sector stands ready in certain situations, or maybe at least MasterCard, to say, I can actually do this work for you cheaper, faster, with more knowhow, and more sustainably in the long term. What kind of answers do you get when you propose the private sector as an alternative to cash programming, particularly, companies like yourselves where cash is your core competency?

**Nathan**
Right, so this business of cash programming is actually quite complex. It's actually the bringing together of legal and regulatory frameworks, it's security protocols and standards, it's technology, it's the laying of this infrastructure. It's really complicated. So why wouldn't people be knocking down our door? Right? So it's interesting when you say: What are the barriers to proliferation of more cash programming? I'd say, it's being asked to do it. It's difficult getting in the front door. Why? I'd say the culture of mistrust is still pervasive and real. I think there now has become a lot of movement, there's a lot of movement towards

partnering with the private sector, there's a lot of interest in the notion of partnering with the private sector. And I'd say a lot of progress has been made. If I look back over 10 years, a lot of progress has been made. We have been able to develop very promising, I'd say, partnerships across a number of different sort of, you know, development organisations. But the culture of mistrust is pervasive and real. It's not clear what part of that mistrust is based in, you know, rational fear of things that can go wrong, rational protections that are needed, irrational fears of the private sector as the sort of Boogeyman, and simply, you know, disinformation and self-preservation. Right? What aspect of the mistrust is really just trying to keep entrenched players entrenched? You know, I don't know. But the one thing about mistrust is that it's pernicious. It has the false appearance of moral righteousness. And it puts the private sector a bit in the untenable position of having to prove a negative. How do I know you're not evil? How do I know you don't have bad intentions? And that becomes just a difficult hurdle to surmount.

**Konyndyk**
Yeah, the point on trust is so interesting, because one of the things that came through really clearly in our interviews with donors was the degree to which institutional history and personal relationships still shape a lot of decisions. If there is a known partner that a donor has worked with for 30 or 40 years, like a UN agency, well it's very easy to justify giving money to that institution. You know, the trust is there. I think that doesn't really exist with other sectors. It doesn't exist between donors in the private sector, it doesn't exist, really importantly, between donors and local national organisations. And I think some of those informal but very real barriers also have a lot of shaping effect on the system. I'm also struck by some of what you're talking about the parallel to something that Sophie Tholstrup of the Cash Learning Partnership wrote in The New Humanitarian recently where she said we're doing more cash, and we are doing a lot more cash in the system than we were even three or four years ago. But we're still basically doing it the same way. And her turn of phrase, which is so great, is we're doing a cashified version of jerry cans and blankets. We're still breaking cash into our familiar systems, rather than using it to its full potential. I want to turn to Sema now, Sema on this point on trust, you know, that's a barrier to local organisations as well. I mean, when NEAR is looking at the system, when you and your own organisation are trying to engage with this wider humanitarian sector, what are you running into? What are the obstacles you're finding?

**Genel Karaosmanoğlu**
The point you made, Jeremy, on the fact that, you know, that donors would not be able to work directly with local actors, you know, the system is just not a fit for that. And there are lots of administrative constraints also to that. But when you look at it from the local actors' perspective, that's also not going to be a reality. As local actors, we really are able to absorb only only a portion of that funding. I mean, I can say that from experience as a local organisation. And we, of course, scaled up our operations. Now we run huge operations because of the Syria crisis. And we've just been doing more and more, but we realised that we're taking more risk, as we take on more money and more donor funding. So the challenge is there, you know, either way. And looking at how we can create different intermediaries, that's definitely a very, very important one, and you know, something that we need to create a solution for. I can mention briefly the research that we've been doing as the NEAR Network, and we have been looking precisely at alternative financing strategies, because currently the way the funding runs is not helping the system, it's still very ineffective, and it's inefficient. And what we propose as NEAR is to convene and to incubate local civil society actors, local leaders and their networks at the local level. This also includes involving the private sector, you know, Islamic funding, community philanthropy. There are a plethora of actors, you know, at the local level, at the national level, that are actually willing to engage, they want to be a part of the solution, and we're just leaving them out of the picture. It would still be a pooling of funds, but it would be a pooling of funds at the country level, and donors, if they so wish, can actually contribute to what's being created and what's been convened at the national level. At NEAR, we actually have designs of local funding mechanisms. We have one for Somalia and one for Nepal, and we're actually now recently working on one for West Africa. It was in the design phase, but now we're actually operationalising it. So it's basically decentralising the way the money flows, not a centralised system as we have now, with its big players, monopolising those resources, but actually decentralising it. Also, this kind of funding mechanism as something more localised will prepare organisations for disaster because they can work together pre-disaster, then they will have the ability and the agility to respond collectively in times of crisis. And they can invest in longer-term solutions for their own communities. We talk a lot about the nexus, but this is also a great solution for, you know, breaking up those silos between the humanitarian system and the development system and the peace work. Because at the community level, you know, it's all one. Community needs don't have those silos.

**Aly**
I'd love to hear a bit more about how it works in terms of decision-making, particularly if you're talking about this being a pooled fund at the local level, not only for humanitarian aid, but for the whole spectrum. You know, you've got, let's say, development actors, humanitarian actors, you have local organisations, you might have international organisations, you have the private sector, how on Earth does decision-making happen with such a wide range of stakeholders in terms of deciding where the needs really are?

**Genel Karaosmanoğlu**
I can give you a very concrete example. We just had an earthquake in Turkey a month ago, in Izmir. And in Turkey we've always had some kind of coordination mechanism among civil society organisations. And this is not only humanitarian, because the humanitarian world is a completely different world, but there's actually a whole, you know, much bigger civil society outside of that, and with every disaster – and Turkey is very disaster-prone and we have we have lots of displacement, people coming in and out, so it's a country of transition – so we have these informal networks where we come together as civil society organisations in times of crisis. But up to now, it's been more for coordination purposes. But in the last earthquake, we did our needs assessments. And then we said, let's share through social media with our networks, you know, what the needs are. And it was just amazing in terms of how much response we had. And afterwards, we thought, well, you know maybe, instead of just coordinating, we can actually do much more than that – we can actually mobilise resources. And we can be that connection between those that want to provide assistance, those that want to donate, and those that need it the most. So there can be very different structures of how that's set up. We can either just be a connector between those who want to give and say, "Okay, so here is what you can do," or, "here are some of the local groups that you can work through, or you can distribute your items through," or we can actually set up a more sophisticated structure of saying, "Okay, let's have a pooled fund, and then we, as an entity, we decide where the resources go."

**Aly**
That's just exactly where there's the kind of the challenge of: If the whole goal here is to kind of break up these monopolies where, you know, money flows through organisations that have power and that have all the power to decide how it's spent, and then devolving that, how do you avoid kind of recreating those power structures where then you have different, within that pooled fund, different organisations vying for power and control of those resources? Like how do you not only just devolve the financing, but also ensure that the way in which you make decisions around how it's spent moves us away from this model that we currently have, in which it's not the right incentives driving the decision-making?

**Genel Karaosmanoğlu**
As a coordination mechanism, we act as a collective. So we have a governance structure. And we're careful about how we take those decisions as a collective. But of course, it's easier when it's only about coordinating, you know, a group effort. So I do acknowledge that there is some danger there. But then again, this is a collective of the locals. And it's not a single agency, the funding passing from single agency to another. I mean, when you look at the system as it currently operates, because it works in that way, there's so much competition between organisations, because only, you know, certain organisations can get it. And this is actually doing a lot of harm to local civil society. You know, in the humanitarian sector, we talk a lot about "do no harm", but it really doesn't mean anything, because a lot of harm is done. And it's just rhetoric. And interestingly, Jeremy, going back to you were talking about trust, these kind of systems have trust ingrained in them. I mean, I saw it in the Izmir earthquake, you know, no one asked the question of should I trust this entity to really do the right thing? Because, you know, because it's just a different energy, it's a different dynamic. And the only reason we're all there is really because we want to provide good, and so the system itself has that trust ingrained. Because when we look at the current system, on the other hand, it's a very different dynamic to, you know, to what we're used to in the formalised humanitarian system.

**Konyndyk**
And what I find so fascinating about this idea, and we're ending up in a similar place, I should say, in some of CGD's research is that it reimagines in a pretty fundamental way what that intermediary layer looks like and what role it plays and who owns it. And so, you know, you take the reality of the need for the intermediary layer, but then you construct and populate it very differently, which I think is a really

compelling, you know, way forward for the future. Tara, you were trying to jump in there earlier. I'm curious what your reaction is to some of this.

**Nathan**
It's funny, I think one of the intermediary layers you could consider is digital technology. It doesn't have to be an entity or a person, right? And I think, you know, Mastercard's whole business is; we are a digital trust network. That's exactly how we describe ourselves. We provide transparency, a secure communication, and trustworthy channel to transmit digital payments and data, right? But it's not just the technology. It's a whole network of trust, which involves ensuring that the senders are legitimate senders, that the recipients are legitimate recipients, that they are accredited, that they are supposed to, per local laws and regulations, entitled to receive these monies, right? So there's a lot of potential for digital to solve as this intermediary layer. We could literally connect every donor with every beneficiary, if we made a comprehensive plan to do that, right? And that was some of the points I was trying to make earlier around taking a more long-term approach versus a short-term approach. Some of the cash programming I feel like we do today is, you know, we think of it as cash programming, but quite frankly it's only slightly more sophisticated than taking a $20 bill and sticking it in an envelope and mailing it like your grandma used to do, I think 30 years ago, right?

**Konyndyk**
It was only like five.

**Nathan**
You're still getting those letters from your grandma. huh? So, but nowadays, we have such sophisticated, you know, digital technologies that enable a donor, like me sitting in my home in Brooklyn, to go onto my mobile wallet, and I can literally connect someone sitting in a refugee camp in Azraq, right, to receive any kind of funding or capabilities or entitlements that I want to, but we have to build that infrastructure.

**Aly**
Well, actually, I mean, it kind of exists. I mean, you've got organisations like Give Directly, that are set up to do exactly that. And as you say, I'm sure there's ways that that can be scaled even more broadly than that. But I think the question for me is, what digital can't solve is the decision-making? So it comes back to my question to Sema, who's making the decisions on what money is going where? And which beneficiary? And that part, I mean, that's part of what all these intermediaries in the current system do. They are making decisions for the donors that the donors don't have the bandwidth to make. So how do you get around that in digital?

**Nathan**
It can't solve that problem. But what it can do is provide the transparent channel to enable anyone to send to anyone, right? And what the current ecosystem does is, by definition, you have an intermediary, okay, who because they provide sort of a one-to-many function, because they perform an aggregation function, they also take on, if you will, that decision function as well. Right? Yeah. And what we can do is separate the two. So digital technology has the ability to separate the transit layer, if you will, from the decision function.

**Konyndyk**
Yeah, I think it gets, you know, goes back to something we touched on earlier, which is how you structure a cash platform, or how you structure the role of that, and the layer has a lot to do with the interest of the system. When CGD talks to donors about some of our research, one of the things that we sometimes hear back is, “okay, yeah, we get the mechanics of this proposal. We understand that. But you know, there's the politics of it, there's the impetus to change. So where does the impetus for change come from that would actually get everyone to do this?” And I think that's one of the tough things with what you're laying out Tara, and with cash in general is, you know, what we've seen with cash is huge growth, and yet huge growth on terms that satisfy the traditional system and the traditional players. So cash has not so much broken down the power structures within the system as, so far at least, reinforced them. And one of the big fights in the system over the last five years has been between agencies that want to kind of funnel the cash through their own pipes, and donors that want to create a new pipe, or just like choose one pipe. And I think what you're laying out here is a whole new set of plumbing. And so how would you see that shift? Like what's going to motivate that shift? What's the sort of forcing function that is going to take the community in that direction?

**Nathan**
I don't know that I'm talking about actually creating completely new plumbing, right? What I'm talking about is leveraging persistent plumbing that already exists in several markets and connecting it or creating new plumbing where it's required and connecting it to existing plumbing.

**Konyndyk**
That's interesting.

**Aly**
It's new plumbing for this system. It's not new plumbing the world.

**Nathan**
For the system it's new plumbing, right, and not for the world. Instead, I think what I'm suggesting is, we need to be thinking about plumbing that is not just fit for today, but that's fit for the long term. If you look at the number of markets and the number of crises that have now become protracted, I think it's doubled or tripled in the past 10 or 15 years, right? That means that we need to start planning for the long term. That's a truism that we keep saying over and over in the development world. And yet we persist in keeping this false division between humanitarian and development. And that funding is still doled out as either humanitarian funding or development funding. So I think we need to, as I said, create this sort of more of an infrastructure-based approach. Now, where is that incentive going to come from? The incentive needs to come from the donors, because it's the donors that seek to gain the most. Well, I would say the donors and the beneficiaries. The donors and the beneficiaries seek to gain the most. The challenge with the donors is, I would say, even more than mistrust, it's risk averse. If they're used to dealing with a set of actors, and they know that I can get this money out the door, and they sometimes have multiple hundreds of millions of dollars to get out the door, they would always rather take the less risky option. I've actually seen in dealing with the private sector, in many cases, donors introduce an intermediary just to diversify their risk, so they can distance themselves from the private sector. And that is a completely different use of an intermediary, right? And where does it come from? It comes from a lack of actual contractual mechanisms to deal with the private sector. It's funny for as much as we talk about public-private partnership, there is a dearth of actual contractual legal mechanisms to enable that partnership. There's really two modes that you can engage in. One is philanthropic with a private sector entity – a private sector entity is able to give money and say, "that's philanthropy, and I'm gonna walk away." Or it can be purely commercial in the RFP type of response for proposal type of mechanism. The RFP mechanism doesn't work for most medium-, large-sized private sector entities, because it is super-bureaucratic. And what it does is it skews towards private sector actors that have a proficiency in managing the RFP process. That's really who it favours right? For most private sector actors, it's just not worth their time, frankly, to even respond to an RFP. We started learning this, because we came to this with very wide eyes, wanting to help, wanting to leverage our technology and our knowhow and our expertise. We said, "hey, we've been doing this payments game for 40 years, why can't we just lend our expertise, we don't need to make money really at this, we can't lose a tonne of money, right? I can't lose money at scale and, and be credible in front of my stakeholders. But I don't need to make a lot of money." And the process of actually doing that at scale is made really difficult because the contractual mechanisms don't exist. In order for me to go and do cash delivery in a given market, we have to go become an accredited or a preferred service provider in each and every market in each and every country where we seek to serve. So imagine me as Mastercard having to deploy resources to go figure out what the process is to get accredited in Somalia, to then turn around and do a deployment for 15,000 beneficiaries.

**Konyndyk**
When you talk about it that way, in a way, that's what NGOs and UN agencies do when they deploy overseas like that, you know, they go in, they start small, they figure out the local regulatory environment, they figure out, you know, "who do I register with at the humanitarian ministry?", and they kind of navigate their way through all that.

**Nathan**
That's not the way payments ecosystems are constructed on a commercial basis. What it requires is $100 million sort of upfront investments that are recouped in pennies per transaction over time. And that's the big challenge. So where does the incentive sit? I'd say it probably sits with, I think, a lot of activism around the beneficiary needs. So how do we better serve what the beneficiary actually needs? And donors. And so what do donors want to do, maybe they want to see their dollars sort of more efficiently or cost effectively

distributed. That would be the real push that we would hope to see. But we see even with the donors, even though there's a desire, and a, what do you want to call that, a curiosity with how digital and how private sector can really add efficiency and efficacy to the picture, there is a reluctance to engage in sort of modes or mechanisms that are considered sort of not, you know, business as usual.

**Aly**
So what I take away from actually both of your models for the future, so Sema your idea around the local pooled fund, and then Tara, you're tapping into the digital architecture that already exists. They are answers to the challenge around the mechanism. But they are not necessarily answers to the challenges around incentives and trust and politics. And in the case, Sema of local actors, even racism, which is sometimes at play. So from your perspective, Sema, how do you get around that? It is, in part, an operational problem. And we have actually heard donors who seem to have good intentions, say we want to do this but we just can't, and so giving them a mechanism addresses that problem, but it is not only a mechanism issue, there's all the rest of it at play, which you've just gone into Tara. So how do you get around that?

**Genel Karaosmanoğlu**
I mean, the fact that donors should be looking for better value for their money. I think this should be an important incentive for donors, but it's very conservative, I think the way the whole mechanism is set up, and as a result, our willingness to really genuinely talk about what works and what doesn't, and what can be done differently. I mean, I remember in certain events where we had, you know, donors in the group, and when we really pushed them, like, "Is this really carved in stone? Would we not be able to change this?", they were like, "Well, we actually could, but, it's a very difficult process." And it's more because we want to stay in our comfort zones, rather than, you know, are interested in creating different approaches. I mean, innovation is one example. I mean, we have all this money in the aid sector, and if we could just pour a bit of that into innovation, we could create wonders, but the way the humanitarian system works is very, very conservative, and there's no interest to challenge, to move out of that comfort zone. I mean, when you look at, you know, creating these more localised funding systems, I mean, it's great for the donor as well, you know, you can really amplify what you're doing with, you know, with the X amount of donor funding here, it can be coupled with, you know, whatever is available at the local level, and it would just create, you know, so much more impact than it does today. So it's a bit hard to understand why donors would not be interested in moving in that direction, because at the end of the day, I think for them, you know, they're interested in minimising costs, you know, working within the system. But there's so many other ways of using that same amount of money to create much, much greater impact when it's match-funded with other resources that are available.

**Konyndyk**
I think there is potentially a path forward in starting small with some of these funds, piloting them, and then giving them a chance to grow. And that's in a way, that's what we've seen with the UN's own country-based pooled funds. They started as these very small things. And every year now they're growing. And what we're hearing from donors in our conversations is, donors like those funds, and they're putting more and more into them because they do offer this way of meeting the donors needs, which is basically, "Give me an intermediary layer that can absorb a lot of my funding in an accountable way." But they provide some advantages that traditional funding through UN agencies doesn't.

**Nathan**
I think there's the carrot motivation. And there's the stick motivation, right? I think, if we are looking for some of these, for example, you know, donors to wake up and say, "oh, gosh, look, I'm realising these cost efficiencies by going local or working with the private sector," or, "I'm seeing greater value to the beneficiary." Those are all, I think, great advances that will happen on an evolutionary basis. So it'll happen slowly, as I said, I've seen huge progress over the course of the past 10 years, I've seen a huge shift in mindset, of willingness to partner with the private sector, of willingness to accept private sector as credible humanitarian actors. But I would argue that 10 years is too slow. But I think if we are looking for those carrot type of incentives with donors, they're going to take a very risk-averse posture, and it's going to be slow.

**Aly**
I want to know what the stick is.

**Nathan**
Of course, you do. My comms people on the call are freaking out. They're wondering what I'm going to say.

**Konyndyk**
Don't hold back.

**Nathan**
Yeah, I can't, unfortunately – I'm incapable of it. Payments is tricky and difficult and hard. And one of the main issues that we see over and over and over again, are issues around data security and data privacy, and a lot of the ways that this work is being done, frankly, with makeshift platforms, with NGOs playing global payment providers on TV, okay, is leading to data breaches, and is leading to data security challenges, and is leading to information being stolen, and The New Humanitarian actually did a big piece on this. And, you know, do we feel comfortable with organisations that can claim diplomatic immunity, having control of personal data that can be exploited in a negative way? So I would say to you, a big data breach could be a big stick that could catalyse the sector in the direction of realising that you have to go with the experts.

**Konyndyk**
That's such an interesting point. You know, so many of the kind of protective measures and due diligence measures and so on that we have in the system are basically reactions to past massive failings. And so it's interesting to look at that as a potential, I think I agree, I mean, if there were ever such an event like that, I think it would force a real reckoning.

**Aly**
There have been many such events, and they haven't forced the reckoning. That's the problem. And we've had major hacks, we've had data breaches, we've made the commitments to localisation, we've said that it's better for the donor, we've recognised that it's been better for the beneficiary. And none of that has been enough to change the financing flows.

**Konyndyk**
I think specifically on the data breach point, there have been those events, I don't think there's been the kind of cataclysmic event that Tara's talking about, and I think if there were, you know, that would likely realign the incentives and force more of a reckoning. You know, the story really of the whole financial model is everyone recognises the inefficiencies. Everyone recognises the problems and some of the misaligned incentives, but it has never quite reached enough of a breaking point, to force, to kind of drive the impetus for change. And that's the big question. Frankly, I don't have the answer to, it is: When does it reach that breaking point? I think it does take a critical mass. Cash is an interesting example here. Earlier in my career, I remember working in Uganda and talking to some other organisations about this interesting cash stuff that we're doing. And it struck me as crazy at the time. And now of course, you know, I'm a big fan and endorser of it, as is everyone. It took evidence, and it took just a lot of really committed people driving it forward. And I think that may be partly the path here. I don't know if we're gonna get that breaking point. Or if the answer is we just all have to keep chipping away at it.

**Nathan**
We do have to keep chipping away at it. But if I had just sort of a parting plea it's we have to rely on the experts to do so. You know, if you needed new transportation, you needed a new car, you wouldn't sort of ask for DIY Bob Vila manuals on how to build your own car. You'd go to a car manufacturer and say, "help me do this." And yet, with payments, you know, and with cash disbursement, I think we really underestimate the complexity of what needs to be built and what needs to be done and we should be relying on the experts.

**Konyndyk**
For you non-Americans on the podcast, Bob Vila is an American do-it-yourself expert.

**Aly**
Tara, I'm just going to push back a little bit because the leave it to the experts part makes a lot of sense. But I think a lot of people would say, what we're talking about is essentially a big social safety net and why should that be privatised? So when all of this kind of cash transfer stuff sits in the hands of private companies, you

know, you're saying organisations with immunity, do we really want them handling all of this? But do we want the private sector handling all this? Who is the private sector accountable to when it comes to this kind of stuff, either?

**Nathan**
When you say social safety net, sort of privatised, no one's saying that. We're saying that there's tools, there's technology, there's infrastructure that needs to be built in order to deliver the social benefits, and that currently, that expertise resides with the private sector. That's just a fact. As we spoke about earlier, to me, we have to separate who has the control and the decision-making power of how to channel funds versus what pipe do you use.

**Konyndyk**
Going back to something Sema said as well about the governance of these funds that NEAR is trying to conceive of, you could privatised cash delivery but doesn't mean you privatised cash governance.

**Nathan**
Exactly right.

**Konyndyk**
So Tara and Sema, we've covered a tonne of ground. We want to just leave you with one last question. So we ask every guest on the podcast, if you had a magic wand and an unlimited budget, what would be your big million-dollar, billion-dollar, we had one even trillion-dollar idea for the humanitarian sector. Anything as radical or as unimaginable as you want. But what would be the thing that you'd want to change, that would make sense?

**Genel Karaosmanoğlu**
Well, I have already mentioned my million-dollar idea that I would love to see locally designed, locally mobilised, and locally owned funding mechanisms in each country. Because this would be a system driven and shaped by the great diversity of actors at the local level, at the country level, and would present a more dignified way of allocating resources to where they really need to go. In one of your episodes, you had mentioned the metaphor of a tree where change in the aid system has up to now only meant trimming the leaves and the branches and not really addressing the structural roots. The tree itself we definitely have to trim, but it's more about planting more trees in different parts of the world, especially where disaster risks are high. And what's more, it's not only about convening those locally-owned funding mechanisms in-country, it's also about connecting them to one another so that they can exchange and learn. You know for me personally it’s also been very inspiring to listen to success stories of how civil society initiatives have come together. This is an exciting process. And it's a new experience for actors of the Global South. And all of a sudden, you realise you have the power to organise and mobilise all this civic energy and all the resources that come with it. And it's very empowering and emancipating. And learning from one another is an important one, because it would also mean that we're not standalone trees. But in fact, you know, we're part of a rich forest of trees that can crossbreed and act in solidarity when needed.

**Konyndyk**
Tara, how about you?

**Nathan**
I had the honour of participating in the high-level cash panel when it was first set up. And Jan Egeland sort of had a very catchy phrase that he said, "Why not cash? And if not now, when?" So my, it's not even a million-dollar or a trillion-dollar idea, I think it takes zero dollars. It's can we lead with a follow-on demand of our system that says, “Why not private sector? And if not now, when?” It is acknowledging that there are many circumstances in the humanitarian realm where private sector is absolutely irrelevant. Okay. And those are in reaching the hardest to reach individuals in the most difficult context, in dealing with the most difficult types of situations. But where you have a private sector actor, whether local, whether global, whoever it is, that is there to serve for the long haul, we should lead with that. And then we should say, “And if not now, what is my plan?” We should always enter with a long-term vision of: “This is my short-term intervention, which is humanitarian, this is my transition plan to private sector and/or local actors.”

**Konyndyk**

You know, we could have a whole other conversation someday, maybe we should, about what that would take. Why can't we think on multi-year timelines, and I think a lot of that, again, would come back to what we've been discussing here, which is the kind of the structures and the incentives that are hardwired into so much of how we finance the system today.

**Aly**
But what I think is interesting is actually that we started the conversation around the financing flows. And we ended, both of you in fact ended the conversation around a much more long-term approach, and basically, answering the nexus puzzle. Which is quite interesting, and I hadn't quite thought of, particularly local pooled funds, or even, in fact, cash programming in that way. So that's an interesting place to land. Even if I'm sure Tara, many people would challenge that the private sector is not the only one who thinks long term. And there are many other actors who can also play that long game, but we should be playing the long game.

**Konyndyk**
But we're gonna have to leave that for another episode. If we talk long-term aid now, we're gonna have a long-term episode as well. So we will wrap it up there. Sorry, that was terrible. We'll wrap it up there.

**Aly**
Thank you both very much.

**Nathan**
Thank you.

**Aly**
For more on how money flows through the system, check out a really interesting data visualisation that we published a few years back now called the humanitarian economy. And I reference it because it remains such a good, I think, representation of everything we've been talking about today, in real visual, stark form of just how many layers there are in the system, and just how many monopolies exist.

**Konyndyk**
And it's one of my all-time favourite pieces from The New Humanitarian. So I heartily recommend everyone go check it out. It has also informed some of the work that we're doing on humanitarian financing at CGD. And for the latest on that, go check out a blog that I've just co-published with Patrick Saez and Rose Warden that previews some of the recommendations on financing that we are incubating through our research.

**Aly**
You can also find more on Tara's views about the need for commercial solutions to humanitarian problems in The New Humanitarian's “Future of aid” series. And we'll drop all the links to these pieces in the show notes on our website. If you've got thoughts on alternative models to humanitarian financing, tweet your comments to us @CGDev and @NewHumanitarian with #RethinkingHumanitarianism. I'd love to hear your thoughts on this or send us a voice recording to rhpodcast@thenewhumanitarian.org.

**Konyndyk**
Today's episode ended up organically coming back to the idea of power. And we've been finding that in a lot of our discussions. So in our next episode, we're going to lean into that talking about governance and multilateral reform. Are member states interested in doing the heavy lifting? What is the global governance of the future? We'll be unpacking some of that with two seasoned diplomats.

**Aly**
The Rethinking Humanitarianism Podcast Series is hosted on The New Humanitarian's podcast channel. Search for The New Humanitarian on your favourite podcasting platform and leave a review to help others discover the podcast.

**Konyndyk**
Thanks again for listening to the Rethinking Humanitarianism podcast. See you next time.