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Translating impartiality into operations from a financial perspective: Uncertainties and solutions

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Abstract

Considering the drastic changes in the nature of conflicts, humanitarian organizations (HOs) and donors, investing more attention into impartiality is critical for HOs if they are to survive and improve the quality of their humanitarian activities. As one of the four fundamental humanitarian principles, impartiality has critical implications for humanitarian action in relation to three aspects: its symbolic meaning for humanitarian action, its procedural significance for humanitarian access, and its operational importance for needs assessments. This article analyzes how the practice of impartiality is challenged by the current humanitarian financing model from five angles: funding source, funding amount, funding allocation, financial management and funding categorization. To cope

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with these obstacles, we focus on the financial perspective and propose three suggestions for international HOs: first, digitally innovating the humanitarian financing model to ensure that overall humanitarian needs are covered; second, strengthening engagement with non-traditional donors such as the Gulf countries and China, with a focus on infrastructure; and third, developing a hybrid financing model, with case studies from UNICEF and the International Committee of the Red Cross.

Keywords: impartiality, humanitarian organizations, humanitarian principles, humanitarian financing, innovative financing models, non-traditional donor engagement, urban warfare and humanitarian action, blockchain in humanitarian aid, humanitarian economics.

Introduction

Humanity, impartiality, neutrality and independence are the four fundamental principles of humanitarian action. They are widely recognized by humanitarian actors and abided by.[1] Of the four, humanity and impartiality are the substantial principles or the goal of humanitarian action, while neutrality and independence are operational principles. Operational principles are easy to understand and can be directly utilized to support humanitarian actions; conversely, the problem with substantial principles is that they only tell humanitarian actors what is good, and do not specify how it should be done. Moreover, there were 5,000 humanitarian actors worldwide as of 2021, including eleven United Nations (UN) agencies, 930 international non-governmental organizations (INGOs), 3,900 local or national non-governmental organizations (NGOs), the International Committee of the Red Cross (ICRC), the International Federation of Red Cross and Red Crescent Societies (IFRC), and 192 National Red Cross and Red Crescent Societies (National Societies), and each organization understands and practices impartiality quite distinctly, making it difficult to standardize the principle of impartiality. Furthermore, there have been a series of changes in the humanitarian sector that pose considerable challenges to the implementation of impartiality.

1 Except for members of the International Red Cross and Red Crescent Movement (the Movement), there are a range of international humanitarian actors who regard the principles of humanity, impartiality, independence and neutrality as their code of conduct or operational standards to guide their everyday work, such as the United Nations (UN) Office for the Coordination of Humanitarian Affairs (OCHA), the Office of the UN High Commissioner for Refugees (UNHCR), UNICEF, the World Food Programme (WFP), the International Organization for Migration, the Norwegian Refugee Council and the International Rescue Committee. More information is available at: www.unocha.org/humanitarian-access; https://emergency.unhcr.org/protection/protection-principles/humanitarian-principles; www.corecommitments.unicef.org/ccc-1-3; www.wfp.org/ethical-culture; https://emergencymanual.iom.int/ioms-humanitarian-policy-principles-humanitarian-action-pha; www.nrc.no/what-we-do/speaking-up-for-rights/humanitarian-access/; www.rescue.org/sites/default/files/document/2802/englishirc-waycode-conducta4final.pdf (all internet references were accessed in May 2024).

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To strengthen their authority and influence, humanitarian organizations (HOs) have been expanding their functions and geographic scope in the past half-century, and this has two implications. First, the environments in which they work have become increasingly complex, requiring continuous efforts to strengthen capacities in order to deliver service in different contexts; the overlap between humanitarian actors and other organizations is inevitably increasing, and coordination among them becomes necessary. Second, the organizational features of HOs are changing. In the past, participating in humanitarian work was based on voluntary action, and humanitarian practitioners did not always receive systematic education related to humanitarian assistance – they were entrepreneurs, doctors, etc., and would return to their previous jobs after the mission ended. Today, humanitarian workers are more highly educated and specialized in related sectors of humanitarian assistance.

In terms of providing services at the field level, since governments that were formerly colonized now have a stronger presence even in remote areas of the country, coupled with respect for the principle of sovereignty, there has been a shift in the environment in which humanitarian workers work, from a power vacuum to working under the close supervision of the government. This has resulted in a more difficult acceptance of agencies in front-line areas than before. There has also been a change in the way organizations operate. They used to send a representative to the field level and start from scratch, with the representative hiring a group of temporary staff to help achieve the HO's organizational goals. When the objectives were met, the team would be disbanded and the representative would return. Nowadays, because of the increasing institutionalization of HOs, there is often a fully functional and configured local team working at the front-line in conjunction with international staff. Under this framework, humanitarian service delivery often follows a set of standard operating procedures, which is the primary method for front-line staff to provide services, but HOs are not able to customize assistance projects based on the specific field situation.

In terms of conflict, first, we are witnessing a trend towards the urbanization of warfare. In the past, wars took place far from cities and had less impact on civilians. Nowadays, the urbanization of warfare is becoming more pronounced as a natural consequence of the global urbanization process.[2] It has implications for the use of weapons and for services provided to affected people. For one thing, military commanders have obligations to make plans reflecting awareness of the need to protect civilians.[3] For another, urban warfare has direct and indirect consequences for civilians, especially in densely populated areas.[4] As

2 Center for Civilians in Conflict, *A Primer on Civilian Harm Mitigation in Urban Operations*, June 2022, p. 1.
3 ICRC, *Reducing Civilian Harm in Urban Warfare: A Handbook for Armed Groups*, Geneva, 2023, p. 9.
4 The direct consequences of urban warfare on civilians include being killed, injured or massively disabled, while the indirect consequences include the disruption of urban services such as infrastructure that are indispensable for sustaining life, meaning that civilians are often deprived of food, water, sanitation, electricity and health care.

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a result, civilians may choose to stay or be forcibly displaced, leading to completely different needs. The source of livelihoods, for example, may change from agriculture to individual businesses or employment. Accordingly, the means of assistance may change from direct food aid to cash-based assistance, or from drilling boreholes and installing hand pumps to rehabilitating infrastructures (water, electricity, etc.). Second, as conflicts become protracted, HOs are becoming more and more involved, both proactively and reactively, in work related to development. The differences between HOs and development actors are based on definitions, with the former focusing on urgent needs for survival and the latter contributing to the long-term improvement of livelihoods. However, long-lasting conflict inevitably leads to awkward overlaps between the two.

In terms of donors, first, in the decades following the founding of the UN, the divide between aid donors and recipients was very clear, with donors being limited to a handful of developed Western countries, mainly the US and European countries. In the last two decades, however, there has been an emergence of a number of non-Western countries that are increasingly contributing to international humanitarian assistance, such as China, Brazil, Turkey and Saudi Arabia. Second, the size of donor economies has changed. From 1992 to 2010, the G7's total share of gross domestic product (GDP) was larger than the BRICS countries' share;[5] in 1992, the G7's total GDP share was 45.8%, compared with 16.45% for the BRICS countries. In 2010, the G7's share accounted for 34.02% and BRICS accounted for 26.85%. Between 2010 and 2018, although the G7 still had a larger share than BRICS, the distance between the two was closing; in 2020, the BRICS countries' total share accounted for 31.5%, outpacing the G7 (at 30.7%) for the first time.[6]

In light of these changes, this paper aims to analyze two questions: what difficulties do international HOs face in practicing impartiality, and how should they respond in order to provide humanitarian aid that is as impartial as possible? The paper is divided into three parts. The first part discusses the financing challenges affecting the implementation of impartiality, the second part covers the technical and political challenges affecting the practice of impartiality, and the third part proposes solutions to address the challenges in the financing, organizational and crisis response dimensions.

Before entering the formal discussion, we would like to clarify three points. First, the principle of impartiality is a subjective concept; no HO can provide absolutely impartial services. Second, there is no universal conclusion as to who is authorized to decide whether humanitarian services are impartial or not. Third, the solutions proposed in this paper are primarily for international HOs, especially intergovernmental organizations (IGOs) and NGOs working in conflict settings worldwide. The principle of impartiality is important not only because it

5 Here we refer to the initial members of BRICS: Brazil, Russia, India, China and South Africa.
6 "BRICS Surpass G7 GDP, India, China Major Economies with Fast Growth", *Business Standard*, 20 April 2023.

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is relatively difficult to understand, but also because it is directly related to how HOs prioritize resources and responses, and for whom.

Why impartiality is critical for HOs

According to a survey on aid workers conducted by the research team of the Active Learning Network for Accountability and Performance (ALNAP), humanity (85%) and impartiality (78%) were considered to be the most important humanitarian principles, compared to 70% and 66% for neutrality and independence respectively.[7] In the humanitarian principles pyramid, impartiality is viewed as the goal of humanitarian action or the first principle, together with humanity. Along with the six other Fundamental Principles of the International Red Cross and Red Crescent Movement (the Movement), impartiality is key to the Movement's identity and is at the core of Movement's ethics and approach to help people in need during armed conflict and other emergencies.[8] Moreover, various international HOs, such as the UN Office for the Coordination of Humanitarian Affairs (OCHA), the Office of the UN High Commissioner for Refugees (UNHCR), UNICEF, the World Food Programme (WFP), the Norwegian Refugee Council and the UN Relief and Works Agency for Palestine Refugees, regard impartiality as part of their code of conduct or ethical culture to guide their everyday work.[9] Therefore, impartiality stands for the symbolic justice of humanitarian action – but more importantly, impartiality is also at the core of efforts to meet human needs and deliver effective services. At the operational level, HOs are required to provide humanitarian assistance based on need alone, which is not easy, especially when HOs are facing increasing funding shortfalls and humanitarian aid is at risk of being politicized.

The concept of impartiality and its symbolic importance

According to the Movement, the principle of impartiality means that HOs "[make] no discrimination as to nationality, race, religious beliefs, class or political opinions. [They endeavour] to relieve the suffering of individuals, being guided solely by their needs, and to give priority to the most urgent cases of distress."[10] This concept embodies three related elements. First, non-discrimination: assistance is provided to help people regardless of their religious beliefs, the colour of their skin, their political convictions, where they come from, or whether they are rich or poor.

7 ALNAP, *The State of the Humanitarian System*, London, 7 September 2022, p. 268.
8 ICRC, *The Fundamental Principles of the International Red Cross and Red Crescent Movement*, Geneva, August 2015, p. 4.
9 More information is available at: www.unocha.org/humanitarian-access; https://emergency.unhcr.org/protection/protection-principles/humanitarian-principles; www.wfp.org/ethical-culture; www.corecommitments.unicef.org/ccc-1-3; www.nrc.no/what-we-do/speaking-up-for-rights/humanitarian-access/; www.unrwa.org/impartiality.
10 ICRC, above note 8, p. 4.

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Second, proportionality: it must be ensured that those in greatest need receive assistance first, whether distributing food or treating wounded. Third, individual impartiality: decisions must be made on needs only and must not be influenced by personal considerations or feelings.[11]

Non-discrimination discards the objective distinctions between individuals and community, or between relatives and non-relatives; proportionality means that humanitarian aid addresses the most urgent needs as a matter of priority; and individual impartiality requires humanitarian practitioners to discount subjective distinctions in order not to favour the interests of ethnic affiliates, friends or political allies over those of distant strangers or enemies.[12] In brief, together with the principles of humanity, neutrality and independence, impartiality restrains humanitarian practitioners from acting solely based on self-interest, and helps pursue greater effectiveness by excluding the negative side effects of emotionally driven responses from the decision-making process. Impartiality is neither a sacrosanct commandments nor an illusory ideal; rather, it offers useful beacons in the rationalization process that transforms the initial humanitarian impulse into actual plans.[13]

The symbolic importance of impartiality is also embedded in international humanitarian law (IHL). It was one of the first principles put forward by the founders of the ICRC and is derived from the Geneva Convention of 1864. Article 6 of the Convention states that wounded or sick combatants, to whatever nation they may belong, shall be collected and cared for.[14] This is a non-discrimination clause. Proportionality, on the other hand, was not injected into the principle of impartiality until about seventy-five years later. In 1955, Jean Pictet, former vice-president of the ICRC and a legal practitioner in IHL, published a paper entitled "Rewriting the Fundamental Principles of the Red Cross", in which he proposed the Movement's seven Fundamental Principles as humanity, equality, proportionality, impartiality, neutrality, independence and universality, and added the element of proportionality into impartiality to address the ethical dilemma that the ICRC was facing in the aftermath of World War II.[15] Pictet actually changed the connotation of impartiality. First, he modernized the element of non-discrimination. The non-discrimination clause, fully recognized in the original Geneva Conventions and subsequently appearing in the 1948 Universal Declaration of Human Rights and the 1949 Geneva Conventions for the protection of victims of war, prohibits any form of discrimination "on the grounds of sex,

11 *Ibid.*
12 Gilles Carbonnier, *Humanitarian Economics: War, Disaster and the Global Aid Market*, Oxford University Press, Oxford, 2015, pp. 32–33.
13 *Ibid.*
14 Geneva Convention for the Amelioration of the Condition of the Wounded in Armies in the Field, 22 August 1864, Art. 6, available at: https://ihl-databases.icrc.org/en/ihl-treaties/gc-1864/article-6?activeTab=undefined.
15 Joël Glasman, *The Invention of Impartiality: The History of a Humanitarian Principle, from a Legal, Strategic and Algorithmic Perspective*, Humanitarian Studies Series, Routledge, London, 2020.

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race, nationality, religion, political belief or other criteria".[16] Second, Pictet added the element of proportionality to explain how aid should be distributed, christened as the "distribution rule".[17] While non-discrimination was well established in law, proportionality was more difficult to justify. The 1949 Geneva Conventions stated that there were "permitted distinctions" for HOs, but without specifying what they were. The Conventions allowed distinctions to be made "on the grounds of suffering, distress or the inherent weakness of people being protected", but did not elaborate on how to recognize this suffering.[18]

The legal embeddedness of impartiality implies a duty on HOs that they are required to respond to the needs of victims of armed conflicts and disasters solely depending on the intensity and urgency of human needs, without any distinction as to nationality, religion, sex, gender, ethnicity, political leaning, etc.[19] Pictet attempted to link impartiality to objectification, the idea that objective knowledge is important in providing humanitarian aid. While human beings tend to feel a sense of solidarity with those known to them or to whom they are close, HOs cannot act in this way. They must undertake a comprehensive and accurate examination of the facets of the problem and an exact assessment of the values at stake. This is because impartiality is derived from objectivity, which involves making a decision based solely on the facts. Impartiality also requires humanitarian assistance to be "depersonalized", which means that it is necessary to know and see as much as possible. Adherence to proportionality requires an in-depth awareness of the human needs involved, for impartial assistance requires knowledge, intelligence and discernment.[20]

Procedural significance for humanitarian access

Importantly, impartiality has a critical influence on HOs' ability to gain humanitarian access. Humanitarian access is a prerequisite for HOs to operate on the ground. Parties to conflict must protect civilians under their territorial control and meet their basic needs, and if they are unwilling or unable to do so, HOs have an important supporting role to play. In such cases, the parties should agree to relief operations that are impartial in character and conducted without any adverse distinction, and must allow and facilitate rapid and unimpeded passage of humanitarian relief for civilians in need, which is understood as humanitarian access.[21] There is also a solid legal basis for humanitarian access in both IHL treaties and customary IHL. Articles 15 and 23 of Geneva Convention IV of 1949, Article 70(2) of Additional Protocol I, Article 18(2) of Additional Protocol

16 Jean Pictet, "Les principes de la Croix-Rouge(II)", *Revue International de la Croix-Rouge*, Vol. 37, No. 441, 1955, p. 563.
17 J. Glasman, above note 15.
18 *Ibid.*
19 G. Carbonnier, above note 12, p. 23.
20 J. Glasman, above note 15.
21 ICRC, "Humanitarian Access: What the Law Says", 27 November 2023, available at: www.icrc.org/en/document/humanitarian-access-what-law-says.

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II, and numerous resolutions of the UN Security Council all stipulate that in different situations of armed conflict, the parties to the conflict shall grant permission and facilities to HOs that provide emergency humanitarian relief.[22] In armed conflict, access to victims is regulated by IHL, and all parties to the conflict must respect the rules of IHL that regulate humanitarian access.[23]

Adherence to impartiality is the key to gaining humanitarian access to areas where it is urgently needed. HOs are mandated to treat affected people irrespective of what side of the conflict they are on, with the aim of having continuous contact with people who belong to opposite parties to the conflict, even though this way of providing aid may violate the domestic laws of States, which is also the reason why several international HOs benefit from diplomatic immunity.[24] By acting impartially, HOs will have greater acceptance from and authority with different parties within a conflict situation. If HOs are not able to act impartially, such as when their ability to provide aid is affected by political opinions or counterterrorism measures, they may be prohibited from entering certain areas and some groups of affected people may not be able to get the aid they need. For instance, countries may list persons and groups who are considered prohibited from interacting with various actors out of counterterrorism concerns, and the ICRC may be prevented from visiting detained persons, facilitating the release of detainees or helping to reunite missing persons with their families, all of which are humanitarian activities mandated by the Geneva Conventions and IHL. In this environment, counterterrorism measures negatively impact humanitarian action because HOs are prohibited from delivering food assistance to civilians, repairing infrastructure or tending to the wounded.[25] For people in need of protection, eager to have news of their missing families, the consequences are grave when HOs are hindered from carrying out their mandate. In 2010, the ICRC provided medical training to Taliban members, including its senior militants and combatants, while also providing training to 100 Afghan security

22 Geneva Convention IV provides: "Each High Contracting Party shall allow the free passage of all consignments of medical and hospital stores … intended only for civilians of another High Contracting Party, even if the latter is its adversary. It shall likewise permit the free passage of all consignments of essential foodstuffs, clothing and tonics intended for children under fifteen, expectant mothers and maternity cases." Geneva Convention (IV) relative to the Protection of Civilian Persons in Time of War of 12 August 1949, 75 UNTS 287 (entered into force 21 October 1950), Art. 23. Additional Protocol I provides: "The Parties to the conflict and each High Contracting Party shall allow and facilitate rapid and unimpeded passage of all relief consignments, equipment and personnel provided in accordance with this Section, even if such assistance is destined for the civilian population of the adverse Party." Protocol Additional (I) to the Geneva Conventions of 12 August 1949, and relating to the Protection of Victims of International Armed Conflicts, 1125 UNTS 3, 8 June 1977 (entered into force 7 December 1978), Art. 70(2).

23 "ICRC Q&A and Lexicon on Humanitarian Access", *International Review of the Red Cross*, Vol. 96, No. 893, 2014, pp. 359–360.

24 Charity and Security Network, "NGO Impartiality May Upset Some, But Is Important for All", 16 June 2010, available at: https://charityandsecurity.org/archive/ngo_impartiality_may_upset_some_but_is_important_for_all/.

25 ICRC, "Counter-Terrorism Measures Can Impact Humanitarian Action Negatively", 6 October 2022, available at: www.icrc.org/en/document/counter-terrorism-measures-can-impact-humanitarian-action-negatively.

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personnel. The then Afghan government was aware of these training activities, which were provided in a transparent and impartial manner.[26] Although there were concerns about the ICRC's assistance to the Taliban, it is the ICRC's adherence to impartiality that has helped it gain continuous humanitarian access to Afghan territory until now.

We can also observe the importance of impartiality from the latest developments in the humanitarian sector. On 22 December 2021, the UN Security Council adopted Resolution 2615, providing a humanitarian exemption to the sanctions regimes established by Resolution 1988 and enabling the provision of humanitarian aid to Afghanistan.[27] On 9 December 2022, the Security Council adopted Resolution 2664, which provides a "humanitarian carve-out" to the asset freeze measures imposed by UN sanctions regimes.[28] The adoption of these two legally binding resolutions reflects the severe challenges faced by HOs during the counterterrorism process and the political recognition by States of the need to protect the humanitarian space when countering terrorism activities. The two resolutions introduced a clear exception that addresses the key financial sanctions challenges posed to humanitarian action, and it was HOs' relentless engagement with the Security Council that advanced their adoption. By doing so, HOs further removed the obstacles to impartially providing effective aid and paved the way to identifying the problematic types of restrictions and their consequences on humanitarian operations as specifically as possible.[29]

Operational Significance for Needs Assessment

At the operational level, impartiality is something that HOs are expected to adhere to when providing aid and protection, before which needs assessment is a necessary procedure. Impartiality dictates that HOs must correctly assess the urgency and intensity of needs for assistance irrespective of political, ethnic, religious and other concerns. In this regard, impartiality is directly related to the outcome justice of humanitarian assistance. Conducting needs assessment requires effective coordination within one organization, but as HOs have shifted from their initial paternalistic management to more hierarchical and specialized management, they have grown from a dozen or two to thousands or even tens of thousands of staff, with a greater diversity of functions and therefore a much more complex management structure than in the early days. Accordingly, modularity within

26 Ashish Kumar Den, "Taliban Learning First Aid from Red Cross Workers", *Washington Times*, 26 May 2010.
27 UN, "Security Council Unanimously Adopts Resolution 2615 (2021), Enabling Provision of Humanitarian Aid to Afghanistan as Country Faces Economic Crisis", 22 December 2021.
28 UN, "Adopting Resolution 2664 (2022), Security Council Approves Humanitarian Exemption to Asset Freeze Measures Imposed by United Nations Sanctions Regimes", 9 December 2022.
29 Emanuela-Chiara Gillard, *Humanitarian Exceptions: A Turning Point in UN Sanctions*, Chatham House, London, 20 December 2022.

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HOs is becoming more evident and the correlation between departments is diminishing due to HOs' institutionalization and specialization.

For HOs, of which most staff work at the field level, one of the major problems arising from modularity is that inconsistencies can easily arise in the procedures of different departments or divisions. First, a lack of information-sharing leads to the possibility of duplication among departments, which is not conducive to improving the effectiveness and accuracy of assistance. For instance, assessment fatigue can easily occur when different divisions carry out repeated needs assessments for the same group. People may feel frustrated because they are expected to answer the same questions repeatedly, often with no positive results or feedback.[30] As a result, they lose patience with "humanitarian assessments". In such cases, needs assessment does not help HOs to obtain useful information.

Second, there is insufficient coordination across departments. Institutionalized HOs follow a set of procedures when conducting needs assessments, with each department simultaneously conducting the assessment by using the tools in their own boxes. The problem is that Department A may not be aware that Department B has already collected the relevant information, and the flow of information between departments is impeded due to information protection and structural considerations of the organization. In some cases, the information possessed by different departments is not the same, which can lead to a time lag in the verification, recording, analyzing and updating of information at country level.

Third, each department has its own budget due to differences of functions. There will also be varying degrees of difference in how they work and with whom they carry out their work. Although all departments serve the same humanitarian purposes, when it comes to carrying out specific tasks, the relevant standards and work procedures are inconsistent, which is regarded as a normal phenomenon most of the time, and there are no conscious coordination efforts between departments on a regular basis. For example, when each department carries out its own activities at the field level, due to the differences in budgets and work content, there are clear distinctions in the operating procedures, methods and standards used, and therefore differences in perceptions of the organization by those groups who work with the various departments.

Impact of current humanitarian financing model on impartiality

The current humanitarian financing model contains four prominent features. First, it relies heavily on a small range of donors – traditionally Western governments – providing short-term funds on an annual or rapid-response basis. Second, the way funding is mobilized is fragmented since donor governments have different priorities, time frames and decision-making processes. Third,

30 ICRC and IFRC, *Guidelines for Assessment in Emergencies*, Geneva, 31 December 2008, p. 26.

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unearmarked funding accounts for less than 15% of contributions, and HOs rely heavily on overheads to finance their core functions. Fourth, UN agencies and major international HOs are the main intermediaries through which donors allocate most of the funding.[31]

However, the current global humanitarian financing model is no longer able to solve the problem of the ever-widening funding gap. Under the current model, funds are always raised in a "begging bowl", with sovereign States providing voluntary contributions. The main recipients of voluntary contributions are humanitarian agencies in the UN and members of the Movement. From 2012 to 2021, nearly 60% of funds donated by governments went to UN agencies, and 20% to INGOs.[32] These agencies distribute funds to local or national NGOs to varying degrees. In addition, the logic behind humanitarian financing is a command economy, where how much assistance is given, and how it is given, depends entirely on donors' prior planning. Donors rely on information provided by agencies for short-term and project-based funds. Funds disbursements are usually made after, rather than before, a disaster or crisis, and the period for utilizing them is usually short. The current financing model is facing challenges in five areas: funding sources, funding amounts, modes of use, modes of management and categorization of funds. These challenges negatively affect the practice of impartiality in different ways.

Diversity – losing financing sources

Earmarked funding dominating the sector

The majority of humanitarian funding comes from States, especially developed countries. Donors from the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) provide more than 90% of humanitarian assistance.[33] The ICRC receives 82% of its funding from sovereign States, with the rest coming from the European Union, National Societies and other public and private actors.[34] From 2015 to 2019, tightly earmarked and country earmarked funding remained between 65.8% and 70.2%, while softly earmarked and non-earmarked funding remained between 29.8% and 34.2% (see Table 1). UNHCR receives more than 88% of its funding from member States and the EU, with the private sector accounting for 8%, UN pooled funds 3% and the UN regular budget 1%. Of these, tightly earmarked and earmarked funding are respectively 16% and 24%, and softly earmarked and

31 Patrick Saez and Rose Worden, *Beyond the Grand Bargain: The Humanitarian Financing Model Needs More Radical Change*, Center for Global Development, 7 July 2021.
32 ALNAP, above note 7, p. 57.
33 *Ibid.*, p. 58.
34 ICRC, "The ICRC's Funding and Spending", available at: www.icrc.org/en/faq/icrcs-funding-and-spending.

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Table 1. *Evolution of ICRC earmarking, 2015–19 (amount in CHF million)*

Year	Totally non-earmarked	Loosely earmarked (region/programme)	Country earmarked	Tightly earmarked
2015	389 (26%)	122 (8.2%)	808 (54.4%)	179 (11.4%)
2016	374 (22.8%)	121 (7.3%)	906 (55.1%)	254 (15%)
2017	395 (20.6%)	117 (6.5%)	1032 (57.9%)	277(15%)
2018	400 (22%)	142 (7.9%)	1023 (56.5%)	250 (13.6%)
2019	378 (20.9%)	161 (8.9%)	992 (54.8%)	278 (15.4%)

Source: Corinna Kreidler, *The Added Value of Flexible Funding to the ICRC*, ICRC, Geneva, 2020, p. 7.

earmarked funding respectively 7% and 6%, leaving a funding gap of up to 50%.[35] WFP is also largely funded by governments, with the rest coming from corporations and individuals.[36]

The significance of flexible funding lies in allowing HOs to allocate funds purely based on needs, including funding for forgotten crises that lack media attention. Flexible funding also improves the ability of HOs to respond in a timely manner.[37] However, the current humanitarian financing is dominated by earmarked funds from sovereign States, with limited flexible funding available. Flexible funding is limited due to two reasons. First, donor countries are requiring more timely and detailed reporting from international organizations (IOs) on issues like the use of flexible funding, concerns on transparency, and the decision-making processes of HOs. Second, a few donor countries that provide large amounts of flexible funding are concerned about whether flexible funding is being used to subsidize shortfalls in earmarked funding due to increasing administrative costs.[38] Therefore, HOs have to convince politicians and the public, with sufficient evidence, that the benefits of flexible funding are worthwhile, and that the risks to which it is exposed are reasonable and manageable.[39]

35 UNHCR, *UNHCR's 2021 Financial Requirements*, available at: https://reporting.unhcr.org/files/ga2021/pdf/Chapter_Financial.pdf.
36 WFP, "Funding and Donors", available at: www.wfp.org/funding-and-donors.
37 ALNAP, above note 7, p. 58.
38 A low share of management costs does not necessarily equate to efficient assistance. For instance, relief supplies may be transported by an HO's own vehicles, where the transport costs are included in management costs, or the HO may hire and pay for contractors, where transport costs are not included in management costs, but this does not make the latter more efficient. Assistance in-kind tends to account for a lower proportion than service assistance. Expenditure on preventive activities (including awareness-raising advocacy and publicity) may involve higher management costs than post-crisis response.
39 Corinna Kreidler, *The Added Value of Flexible Funding to the ICRC*, ICRC, Geneva, 2020, pp. 8–9.

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Small share of non-public sector funding

Non-public sector funding consists of individuals, trusts, foundations, companies and corporations, and National Societies. In 2019, the private sector provided $6.7 billion for international humanitarian assistance, accounting for more than one fifth of the total assistance for the year. Some 67% came from individuals, followed by trusts and foundations, corporations, and National Societies. In addition, private donors funded more NGOs than IGOs, with 90% of individual donations going to NGOs in 2019.[40] Compared to the public sector, private sector funding is an important source of flexible funding. Most funds from individuals are unearmarked and not time-restricted, and funds from trust funds, foundations and private donors are generally quite flexible.[41] However, the current situation shows that HOs have not made substantial progress in attracting private funding. A research project by ALNAP shows that 45% of surveyed humanitarian practitioners believe they currently have a poor relationship with the private sector and are ambivalent about future collaboration. Many humanitarians see the potential value of more strategic partnerships with the private sector, but the incentives for private actors stepping into the humanitarian field remain less understood, leading to ongoing concerns about ethics or competition for resources. The best ways to effectively mobilize private sector engagement in fragile and conflict-affected countries remain unknown.[42]

We acknowledge that funding from the private sector may also have to cater to the needs of certain groups, but the generally small share of private financing greatly reduces the opportunities for HOs to access flexible funding. Considering that corporations, trusts, foundations and individuals have different risk tolerance, motivations and expertise from public donors, the projects they are willing to finance differ from those of public donors.

The increasing humanitarian funding gap

It is evident that the funding gap is widening. In terms of the total, the UN-coordinated appeal[43] for 2012 was $10.5 billion, while in 2021 the amount was $38.4 billion, a fourfold increase (see Figure 1).[44] UN-coordinated appeals aim to reach more people affected by crises, but the actual funding has not kept pace with the increase presented in the appeals. While COVID-19 brought the 2020 appeal to a peak of $39.3 billion, the modest increase compared to 2019 meant that just over half of the appeal was financed, a record low (see Figure 1).[45] At

40 Development Initiatives, *Private Funding for International Humanitarian Assistance*, 4 April 2022, p. 5.
41 *Ibid.*
42 ALNAP, above note 7, pp. 78–79.
43 UN-coordinated appeals include humanitarian response plans, flash appeals and refugee response plans. They represent the system's collective estimate of needs and costs. They do not involve all agencies: the ICRC, IFRC and Médecins Sans Frontières choose to remain outside the appeals process, and many local and national NGOs are also not directly linked to the appeals process.
44 ALNAP, above note 7, p. 83.
45 *Ibid.*

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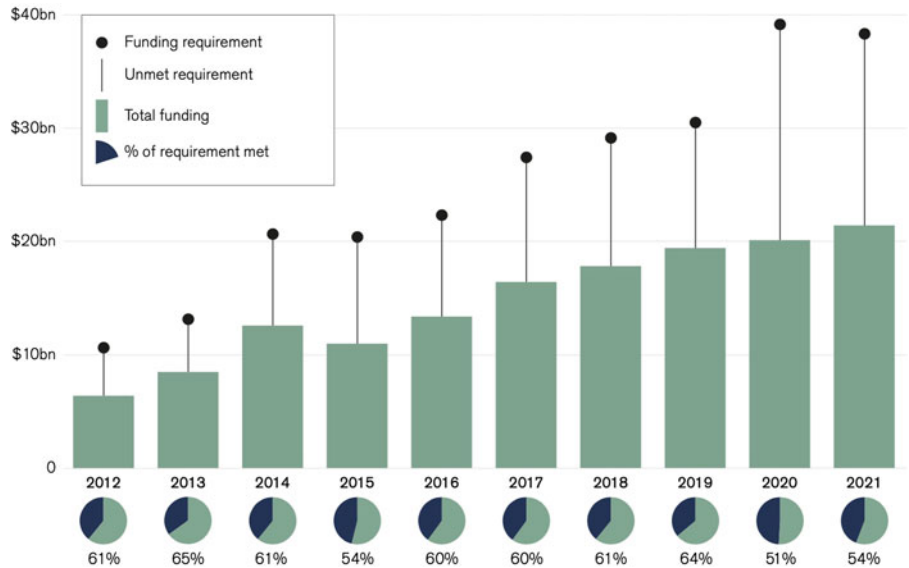


Figure 1. Requirements and total funding, UN-coordinated appeals, 2012–21. Source: ALNAP, *The State of the Humanitarian System*, London, 7 September 2022, p. 85.

the beginning of 2023, the ICRC announced a reduction in its budget from CHF 2.84 billion to CHF 2.4 billion, along with 1,800 staff losing jobs, twenty-six out of 350 operations worldwide facing closure, and other operations being scaled back to varying degrees. The budget for 2023 is only 0.3% higher than that of 2022, but the ICRC faces a funding gap of CHF 430 million.[46] In 2024, the ICRC's initial budget forecast is CHF 2.1 billion, a 13% decrease from the organization's revised 2023 budget.[47] From 2012 to 2023, the appeal funding requirements increased by six times, while actual funding dropped between 2022 and 2023. The funding gap from 2012 to 2023 was continuously widening, with the 2023 gap reaching a record high.[48] Under these circumstances, HOs had to identify and select aid recipients among the most vulnerable people, as with the case of Syrian refugees in Lebanon.[49]

The widening funding gap is partly due to the increase in humanitarian needs, which is a result not just of the increasing number of new crises or people affected by crises, but also the needs accumulation from existing crises and changes in the scope and expectations of humanitarian response. The number of

46 ICRC, "An Update on ICRC's Financial Situation", 4 April 2023, www.icrc.org/en/document/update-icrc-financial-situation.

47 ICRC, "ICRC to Resize Global Footprint, Maximizing Reduced Resources in Era of Declining Aid Budgets", 11 September 2023, available at: www.icrc.org/en/document/icrc-resize-global-footprint-maximizing-reduced-resources-era-declining-aid-budgets.

48 OCHA, *Global Humanitarian Overview 2024*, Geneva, 11 December 2023, p. 72, available at: www.unocha.org/publications/report/world/global-humanitarian-overview-2024-enarfres.

49 G. Carbonnier, above note 12, p. 150.

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people targeted by UN-coordinated appeals for the period 2017–21 increased year by year. In 2020, the total number of people targeted for humanitarian response reached 141 million, an increase of 43% from the previous year. In 2021, the number of people targeted for humanitarian assistance reached 143 million. At the end of 2021, this number reached 154 million because of the Afghanistan crisis.[50]

Moreover, the amount of funding per person has decreased over the past decade. In 2012, the average per-person funding of humanitarian appeals was $220; in 2021, the amount was $178, which was partly due to changes in the methodology for estimating population over the past decade.[51] Procurement costs have risen as the prices of basic items have increased. The challenge of humanitarian access may also have an impact on costs: in terms of requirements per person, the three most expensive crises by far in 2021 were Libya, Iraq and Syria, where access to affected populations was extremely constrained.[52]

The growing gap between appeals and actual funding reflects the fragility of a system that relies on discretionary support from a small number of donors. The impact of the funding gap is twofold: first, with limited funding to respond to increasing numbers of conflicts or affected populations, funding allocation globally is falling into the trap of "which crises to invest in"; and second, recipients perceive that "aid is not enough" and judge the adequacy of aid on the basis of the level of support provided by the system. There are many barriers to the current financing system in providing proportionate support for humanitarian needs, over which transaction costs, organizational absorptive capacity and humanitarian access have an influence. One third of respondents to a survey[53] conducted by ALNAP said that this was the biggest problem.[54]

Unbalanced use of funds

Humanitarian funding is also used in a highly uneven manner. First, global humanitarian funding is concentrated in a handful of major emergencies, with the five largest crisis appeals accounting for 46% of the total. Over the past decade, 42% of humanitarian funding has flown to five countries (Yemen, Syria, Afghanistan, Ethiopia and South Sudan), and 10% has been shared among 117 countries. Yemen and Syria were the two largest recipients of humanitarian aid between 2012 and 2021, receiving a third and a fifth of funding each year respectively. COVID-19 has diluted the share and volume received by the largest recipient, with thirty-four more countries receiving humanitarian assistance in 2020 than in 2019, including several high-income countries (Greece, Panama and Chile).[55] Second, the extent of humanitarian funding shortfalls varies dramatically

50 ALNAP, above note 7, p. 86.
51 *Ibid.*, pp. 86–87.
52 *Ibid.*, p. 87.
53 The respondents in this survey did not include communities that were not receiving assistance.
54 *Ibid.*, p. 97.
55 *Ibid.*, p. 90.

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for different crises; in other words, funding is highly polarized. From 2018 to 2022, the gap between crises with the most adequately funded appeals and those with the most underfunded appeals continued to widen. In 2018, the gap was 86%; in 2021, it reached 172%. Between 2016 and 2018, 8% of crises received less than a quarter of their appeals, and 13% of crises received more than 75% of their appeals. From 2020 to 2021, 19% of crises received less than a quarter of their appeals and 17% received more than 75% of their appeals.[56]

For individual crises, concentration of funds is beneficial to providing support in a timely manner. However, there are two negative impacts of concentration from the global perspective. First, crises with urgent needs but small amounts are not able to meet 100% of their appeals; for example, Nepal had the smallest appeal of all countries in 2021 but had a 91% funding gap. Second, there can be path dependency in the funding concentration, with media coverage and government attention reinforcing it and discouraging the use of resources to address other crises, such as in Haiti. In addition, global averages hide significant differences between countries or populations. Overall, refugees are 60% less satisfied than other groups with the amount of assistance they receive, such as in Lebanon, where satisfaction is below 70%. The result is due to the protracted displacement, the instability of the assistance received and the lack of alternative livelihood options in the face of rapid inflation.[57]

Consistency between financial management and people-centred response

Financial management here refers to the system developed by HOs regarding the mobilization and allocation of funds. Power for the decision-making of humanitarian financing currently derives from donors, who are responsible for determining the overall allocation of resources to individual HOs as well as to specific emergencies. These donors are also members of the governing boards of HOs that receive the bulk of humanitarian funding. Sound financial management is a prerequisite to saving lives, and it involves reasonable financial planning and budgeting, good relationships with public and private donors, appropriate financial systems and staffing, and robust control measures.[58]

This paper argues that IOs consist of a bureaucratic team of professionals and secretariats, and an executive committee made up of member States. As a result, donors have great power in how funds are allocated, but at the same time are largely influenced by the priorities set by the bureaucracies. It is the assessments and perspectives of HOs that shape humanitarian funding plans and determined donor contributions. Recipients, however, are not involved in this process. As a result, the current system of financial management is an organized and

56 *Ibid.*, p. 89.
57 *Ibid.*, p. 97.
58 International Association of Professionals in Humanitarian Assistance and Protection, "Financial Management", available at: https://phap.org/theme-financial-management.

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hierarchical club consisting of States, IGOs and big INGOs. At the macro level, States and HOs confer on high-level strategies and aims at pledging conferences. At the field level, specific aid policies and programmes are made independently by HOs, which at the same time assume the role of gatekeepers between funders and recipients.[59]

It is important to observe whether fundraising and funding allocation are entangled – in other words, whether fundraising and allocation are managed by the same department or team within the organization. If there is a direct entanglement between fundraising and allocation, it means that the organization develops specific humanitarian programmes based on the funds it raises which specify the purpose, time, country or theme of the programme. In the long run, the paradigm of humanitarian response will change to a fundraising-driven model rather than a people-centred one, with the balance of humanitarian decision-making tipped completely in favour of donors. The importance of ensuring that fundraising is not tied to fund allocation lies in the fact that it enables HOs to respond more fully to the views and needs of potential recipients and to ensure that recipients can influence the decision-making process of humanitarian assistance in their own way, rather than being excluded from it. If fundraising and allocation are not entangled, the organization is able to allocate funds based on needs rather than fundraising capacity. In the context of rigid donor funding structures, entanglement between fundraising and allocation could further worsen the balance of humanitarian decision-making discourse, which may have an impact on the implementation of impartiality at two levels: globally, it would be difficult for organizations to allocate funds to crises or countries most in need of assistance, and nationally, the provision of assistance would be more likely to be entangled with the interests of donors.

Rigid difference between humanitarian and development funding

The divide between humanitarian and development assistance has existed from the very beginning, with the two emerging at different times and developing at different rates. Humanitarian assistance came into being at the beginning of the twentieth century, while the concept of development did not even appear in the UN Charter and did not shape up until the 1960s, when countries dealt with humanitarian issues separately from development issues.[60] Humanitarian assistance serves life-saving efforts in emergencies, such as meeting basic human needs for survival, water, food, shelter, etc., with the aim of eradicating poverty, while development assistance is used in non-emergency situations to promote socio-economic development and improve people's living conditions in the medium and long term, such as through technical assistance, education, health,

59 Jeremy Konyndyk and Rose Worden, *People-Driven Response: Power and Participation in Humanitarian Action*, Policy Paper No. 155, Center for Global Development, September 2019, pp. 6–7.

60 Barbara Harrel-Bond, *Imposing Aid: Emergency Assistance to Refugees*, Oxford University Press, New York, 1986, p. 9.

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agriculture education, etc. Thus, HOs carry out emergency operations and focus on the immediate needs of individuals, families and groups, while development actors are more concerned with long-term plans and priorities, and they usually work in partnership with governments to implement specialized development programmes.[61] As a result, humanitarian and development agencies aim to address different problems, receive funding from different channels and utilize funding for different periods of time. The time frame for development work is roughly three to five years, while that for HOs is generally less than a year.[62]

As a result, donors have a tradition of separating humanitarian aid from development aid in order to make foreign aid more effective. The categorization is rational because principled humanitarian assistance requires actors to operate independently, which means that in most cases HOs do not implement projects jointly with governments, while in contrast, development actors often partner with governments.[63] In addition, the categorization is in line with donors' overall funding procedures. But as humanitarian crises are more protracted than ever before (crises last at least eight years, most last more than twenty years, and some last thirty or forty years), the work between humanitarian and development organizations faces an awkward overlap. It is not a normal phenomenon for HOs to work in conflict settings sometimes for fifty years. The problem is this: providing humanitarian assistance to conflict-affected areas for decades only addresses the emergency side of a protracted crisis, and not the poverty and infrastructure-maintenance side. Ideally, it should be governments, development organizations and private sector actors who take on these tasks, but this is often not the case for a variety of reasons. The solution, in our view, is not to ask donors to combine humanitarian and development assistance but to think about how to mitigate the negative impacts brought by the rigid distinction between the two. Two points are crucial to note here: firstly, without strong external incentives, humanitarian actors, development actors, donors and other relevant parties have little incentive to work in complementary ways, and secondly, in the eyes of recipients, there is no great difference between humanitarian and development assistance, nor between survival and livelihoods.

Solutions to help international HOs adhere to impartiality

While many of the obstacles faced by international HOs in their efforts to provide impartial services are intractable, there are relevant internal and external ways by

61 Jeff Crisp, *Mind the Gap! UNHCR, Humanitarian Assistance and the Development Process*, Working Paper No. 43, Evaluation and Policy Analysis Unit, UNHCR, 2001; Bryan Deschamp and Sebastian Lohse, *Still Minding the Gap? A Review of Efforts to Link Relief and Development in Situations of Human Displacement, 2001–2012*, Policy Development and Evaluation Service, UNHCR, January 2013.

62 Eliza Anyangwe, "Is It Time to Rethink the Divide between Humanitarian and Development Funding?", *The Guardian*, 4 December 2015, available at: www.theguardian.com/global-development-professionals-network/2015/dec/04/funding-humanitarian-assistance-development-aid.

63 *Ibid.*

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which they can minimize the negative impacts of these obstacles. In the past decade, there have been increasingly innovative ideas for helping HOs to adhere to impartiality as much as possible, such as the Joint Intersectoral Analysis Framework and various mechanisms for accountability to affected people adopted by some HOs.[64] These new ideas did make real improvements for more impartial and effective humanitarian action. We suggest that a linkage should be developed between the four humanitarian principles and requirements on financing respectively, as shown in Table 2. Our proposals here, which focus on the financial perspective, are an attempt to think outside the box of the traditional humanitarian aid model.

Digitally innovating the humanitarian financing model

Digital currency had its origin when the US dollar was no longer anchored to gold and was replaced by sovereign currencies backed by the credit of the United States. In 1976, Austrian economist Friedrich Hayek put forward the theory of free-market economics and proposed the concept of competitive currencies issued by private banks, which was the embryonic form of digital currencies. The emergence and popularization of Bitcoin after 2008 marked the birth of a new digital currency era.[65]

With the transformation of human social governance, we are experiencing transformative impacts in digital technology and artificial intelligence (AI). Digital technology is increasingly being used to improve the effectiveness of global governance. For instance, blockchain technology can accelerate climate action in three areas: transparency, climate finance and clean energy markets.[66] Blockchain technology is also being applied in the agricultural sector.[67] Over the past few years, digital currencies have begun to be used in the humanitarian sector. In 2019, UNICEF launched a cryptocurrency fund, which is used to fund open-source technology benefiting children and young people around the world.[68] Following the outbreak of the Russia–Ukraine war, the Ukrainian government

64 See the Joint Intersectoral Analysis Framework website, available at: www.jiaf.info/; UNHCR, *Operational Guidance on Accountability to Affected People (AAP)*, September 2020; ICRC, *Accountability to Affected People Institutional Framework*, Geneva, 15 June 2020; UNICEF, *Accountability to Affected People Handbook*, 2020; International Organization for Migration, *Accountability to Affected People Framework*, Geneva, 2020; Inter-Agency Standing Committee, *Accountability to Affected Populations: Tools to Assist in Implementing the IASC AAP Commitments*, 2012.

65 Michael Peneder, *Austrian Conceptions of Money and the Rise of Digital Currency*, Policy Note No. 265, SUERF, 10 February 2022, available at: www.suerf.org/publications/suerf-policy-notes-and-briefs/austrian-conceptions-of-money-and-the-rise-of-digital-currency/.

66 UNEP Copenhagen Climate Centre, *UNEP DTU Partnership: Climate Changes and Blockchain Opportunities*, available at: https://unepccc.org/wp-content/uploads/2019/02/udp-climate-change-blockchain.pdf.

67 UN, "WFF Masterclass: 101 Blockchain by Rome-Based Agencies of the United Nations (FAO, IFAD, WFP", 20 November 2021, available at: https://webtv.un.org/en/asset/k1v/k1vi13wa0g.

68 UNICEF, "UNICEF Launches Cryptocurrency Fund", 8 October 2019, available at: www.unicef.org/press-releases/unicef-launches-cryptocurrency-fund.

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Table 2. *Humanitarian principles and requirements on financing*

Humanitarian principle	Requirements on financing	Current financing model	Existing problems resulting from current model	Possible solutions
Humanity	Rapidly and immediately respond to the needs of those affected by crises, such as through life-saving activities, first aid, and provision of food and shelter – more efficient, quick, less cost.	1. HOs rely on voluntary contributions from a small range of donor governments, mainly OECD countries. 2. Donor countries provide funds on an annual basis, leading to a reactionary and short-term response. 3. There is no overall objective measure of financial requirements, and no ways to objectively prioritize resources within and across crises. The way resources are mobilized is fragmented.[i] 4. Unearmarked funding accounts for	1. The commonly perceived definition on humanitarian aid is from the OECD DAC, and it entails an overlap between the typical remits of humanitarian and development enterprises.[iv] 2. The difference between humanitarian and development funding is unclear. 3. For HOs seeking funding, current appeal models are typically time-consuming, process-intensive and dependent on the donors' time frames, resulting in	**Operational fund and post-delivery replenishment** (already adopted by the ICRC)**:** this system ensures continuous funding flow and timely resource allocation. Note: this approach demands more stringent financial management due to the potential risk of deficits. **Classification of funds according to emergency levels:** allocate high-emergency budgets with more flexibility, quicker disbursement of funds, and higher turnovers. Conversely, allocate low-

		less than 15% of HOs' overall received funding.[ii] 5. UN agencies, the ICRC, IFRC, and other major international NGOs are the main intermediaries of funding allocation. 6. Cash assistance is becoming a major operating modality. 7. Programme cycle logic: needs assessments lead to the design of aid programmes, which in return determine resource mobilization.[iii]	significant delays from the initial proposal of funding needs to the actual allocation of funds.	emergency budgets with a greater planning requirement, more stringent fund management, and lower-frequency/ multi-year commitments. **Employment of technologies to enhance efficiency:** utilize AI-powered data analytics and predictive modelling to forecast funding needs, optimize funding allocation, evaluate aid effectiveness and assess humanitarian impact. Implement blockchain technology for transparent and efficient fund transfer and tracking.
Impartiality	1. Allocate funding based on needs.		1. The number of emergencies that are severely or	**Digitally innovative the humanitarian financing model** to

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TABLE 2.
Continued

Humanitarian principle	Requirements on financing	Current financing model	Existing problems resulting from current model	Possible solutions
	2. Provide aid first to those who need it most. 3. Provide aid without being influenced by personal emotions.		chronically underfunded has been rising since 2022 (8 in 2021, 10 in 2022, 13 in 2023).[v] 2. Surveys highlight corruption as a key concern.[vi] 3. Funding is highly polarized. 4. Funders may try to shape the agenda of humanitarian actions according to their own priorities and vision stemming from domestic politics, which may differ from the needs of the affected	fully cover global humanitarian requirements. **Raise more discretionary funds** through various channels, e.g. thematic funds, trust funds and other forms of pooled funds. **Effective communication with donors:** engage in open and effective communication with donors to align their understanding with the actual needs of the affected population.

			population.	
Neutrality	1. Provide aid without taking sides. 2. Establish a broad funding base and make the funding mechanism inclusive to all potential funders.		Technologies used by HOs to improve assistance efficiency are at risk of ineffective monitoring, which results in significant portions of resources ending up in the hands of parties to conflict and affects HOs' neutral image.[vii]	**Bring onboard emerging funders** such as non-traditional donor countries, corporations, philanthropists and foundations. Design funding proposals that appeal to their interests, while not compromising the other three principles. (Example: some countries may show higher interest in infrastructure needs in conflict settings.)
Independence	1. Prevent key funders from influencing the institution's decision-making (both explicitly and implicitly).		1. In the past two decades, major donors have increased their contributions to peacekeeping operations. In some countries, aid-	**Create a diversified funding source.**

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TABLE 2.
Continued

Humanitarian principle	Requirements on financing	Current financing model	Existing problems resulting from current model	Possible solutions
	2. Avoid a funding structure that is entirely public or private. 3. Maintain and regularly review the availability of a substantial alternative funding source, enabling the organization to proactively reshape its funding structure in order to consistently ensure independence.		security linkage has been particularly pronounced. 2. Demand on the humanitarian marketplace is expressed by donors' willingness to pay for the delivery of humanitarian goods and services, but humanitarian demand does not equate with actual needs for assistance and protection. 3. Demand tends to be equated with humanitarian organizations' *ex ante* appeals for	

			funds and *ex post* operational reports and financial statements.	

[i]Patrick Saez and Rose Worden, *Beyond the Grand Bargain: The Humanitarian Financing Model Needs More Radical Change*, Center for Global Development, 7 July 2021.
[ii]*Ibid.*
[iii]Gilles Carbonnier, *Humanitarian Economics: War, Disaster and the Global Aid Market*, Oxford University Press, Oxford, 2015, p. 46.
[iv]*Ibid.*, pp. 41–42.
[v]Humanitarian Funding Forecast, "Underfunded Crisis Index", last updated 18 September 2023, available at: https://humanitarianfundingforecast.org/index-underfunded-crisis/.
[vi]Paul Harvey, "Evidence on Corruption and Humanitarian Aid", CHS Alliance, 2 December 2015, available at: www.chsalliance.org/get-support/article/evidence-on-corruption-and-humanitarian-aid/.
[vii]Joe Belliveau, "Humanitarian Access and Technology: Opportunities and Applications", *Procedia Engineering*, Vol.159, 2016, p. 304.

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began publicly soliciting crypto donations online, which helped the Ukrainian government and NGOs raise more than $100 million worth of cryptocurrency.[69] In April 2022, Binance launched the Binance Refugee Crypto Card and created a cryptocurrency crowdfunding site, the Emergency Assistance Fund for Ukraine, which has already raised about $1 million for the Ukrainian people.[70]

Using the features of digital currencies to achieve effective humanitarian aid is thus foreseeable and already well practiced. Our specific suggestion is to establish an initial issuing institution for digital currencies with a brand-new public function, backed by the credibility and trustworthiness of HOs and supported by sovereign States. The issuing institution could be a united consortium of IOs or an entirely new IO. Once a humanitarian crisis occurs, a sum of digital currency is issued by the issuing institution for public subscription. The subscribed funds are transferred to the appropriate organization for crisis response operations. The issued digital currency enters the domestic or international economy through the transactions between initial subscribers and other parties to exchange for goods or services. This integration allows the digital currency to function as a general equivalent in value, actively participating in the market just like any conventional form of currency. In the future, the issuing institution can keep issuing new digital currencies and maintain the basic functions of a currency (a medium of exchange, a standard of deferred payment, a store of wealth and a measure of value). This suggestion ensures that overall humanitarian needs are fully met by using digital technology and that funds are used in alignment with the four principles of humanitarian action.

Our starting points for this proposal are as follows. First, there are many constraints in the traditional financing framework, so if all HOs were to double their efficiency, it would not necessarily change the way that countries arrange their funding. Because the total funds that countries have for humanitarian aid are set at a certain amount, giving more aid to one organization means that other organizations get less. The moral stance of this proposal is that it is as justified as attracting contributions from countries, integrating the humanitarian economy into the livelihood economy of countries.

Second, thanks to the various advantages of digital currencies, there is a demand and trend for the development of digital currencies in countries around the world. Although the digital currencies currently in circulation are mainly issued by commercial entities, many governments are also moving in this direction and incorporating digital currencies into their financial regulations, thus making them part of the modern financial system. It is conceivable that as digital currencies become mainstream, the volume and longevity of those currencies will be sufficient to cover humanitarian funding needs for decades to come.

69 Aidan Arasasingham and Gerard Dipippo, "Cryptocurrency's Role in the Russia-Ukraine Crisis", Center for Strategic and International Studies, 25 March 2022, available at: www.csis.org/analysis/cryptocurrencys-role-russia-ukraine-crisis.

70 "Binance to Launch Refugee Crypto Card for Ukrainians Forced to Leave Ukraine", *PR Newswire*, 26 April 2022, available at: www.prnewswire.com/news-releases/binance-to-launch-refugee-crypto-card-for-ukrainians-forced-to-leave-ukraine-301531614.html.

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Third, we refer here to digital currencies as unsecured currencies. Institutions issue unsecured currencies, whether they are paper currencies or cryptocurrencies, which creates a differential, and this differential creates an income. The currency can be the same as paper money issued by countries and is not linked to gold. A backed, unsecured currency will generate an economic benefit to the issuing institution, and the economic benefit will generate revenue for humanitarian financing. In the future, countries may develop relevant rules for regulating digital currencies, and they may consider integrating humanitarian and development financing into those rules.

Fourth, there is of course a significant difference between humanitarian needs and global GDP, with the former making up only a tiny fraction of the latter. In 2021, global humanitarian needs were $38.4 billion, with a global GDP of $96.487 trillion in the same year; in 2022, global GDP reached $100.135 trillion, with humanitarian needs of $51.7 billion in the same year.[71] In the future, it is likely that there will be a digital currency system with a large enough volume to cover global humanitarian needs and even development needs.

Fifth, international HOs traditionally receive the majority of their funding from governments, which make foreign policies in areas such as border control and counterterrorism. Also, the current financial pipelines are bank accounts and transfer mechanisms controlled by financial institutions. Being able to transfer funding using cryptocurrencies means that HOs can bypass the current restrictive and costly financial pipelines, and provide humanitarian assistance with maximum autonomy.[72]

Strengthening engagement with non-traditional donors

For a half-century or so, the multilateral humanitarian system has been supported by a small range of donors, both in terms of funding and values – mainly member States of the OECD DAC. Since the beginning of the twenty-first century, humanitarian funding from non-DAC countries, which are perceived as non-traditional donors, has increased. Among them, Gulf State donors and China are typical emerging funders in the humanitarian sector.

Gaining more financial support from Gulf donors

The Gulf States are the Kingdom of Saudi Arabia (KSA), Qatar, Kuwait, the United Arab Emirates (UAE), Oman, Bahrain and Iraq. In the past two decades, the first

71 Development Initiatives, *Global Humanitarian Assistance Report 2022*, 12 July 2022, p. 33, available at: https://devinit.org/resources/global-humanitarian-assistance-report-2022/volumes-of-humanitarian-and-wider-crisis-financing/#downloads; OCHA, *Global Humanitarian Overview 2023*, Geneva, 30 November 2022, p. 18, available at: https://humanitarianaction.info/gho2023; Statista, "Global Gross Domestic Product (GDP) at Current Prices from 1985 to 2028", available at: www.statista.com/statistics/268750/global-gross-domestic-product-gdp/.

72 Ian Gray, "Disintermediation – the Future of Aid in a Digital World?", in François Grünewald (ed.), *Humanitarian Aid on the Move*, Groupe Urgence-Réhabilitation-Développement, May 2016, p. 24.

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four of these have provided a relatively large amount of humanitarian funding both through multilateral and bilateral channels. In 2023, the KSA provided 2.9% ($872.6 million) of the total humanitarian funding, the UAE 0.7% ($221.1 million), Kuwait 0.4% ($114.4 million) and Qatar 0.1% ($42.7 million).[73] Among the four donors, the KSA provides the largest amount of humanitarian funding. In April 2015, the Saudi government established the King Salman Humanitarian Aid and Relief Centre (KSRelief) as the country's humanitarian aid agency, which was a landmark step in the development of the KSA's aid programme.[74] In 2021, the KSA provided humanitarian and development aid mainly through four governmental ministries: the Ministry of Finance (69%), the Ministry of Foreign Affairs, the Saudi Fund for Development (13.5%) and KSRelief (8.2%).[75] From 2020 to 2022, the KSA donated $500,000 as unearmarked funding each year, and the KSA, UAE and Qatar were all in the top thirty donors to OCHA.[76]

There are differences between the Gulf donors in terms of sectoral priorities, geographic focus, internal assistance management, foreign aid policies, etc., but compared with DAC donors, Gulf donors share several common features that distinctly break from traditional DAC aid modalities. First, Gulf donors historically focus more on infrastructure, especially in transportation, energy provision and water supply, while DAC donors provide aid more on service provision such as education, health, the rule of law and economic stability.[77] Currently, Gulf donors' humanitarian aid covers both service provision and infrastructural facilities-building, with a prominent emphasis on the latter. Second, Gulf donors' funding is increasingly directed towards lower- and lower-middle-income countries, with significant portions of aid allocated towards sub-Saharan Africa and South and Central Asia.[78] Third, Gulf donors have a common trend of providing grants or loans to groups with similar religious, ethnic or cultural beliefs.[79]

In the coming decades, Gulf donors will play an important role as development and humanitarian aid funders. Considering their aid features and priorities, we have a number of suggestions for HOs. First, HOs should have regular communication with Gulf donors, especially with the aid managing agencies within these governments (there is a strong possibility that in the coming years, KSRelief will act as the managing agency of the KSA's humanitarian affairs). By doing so, HOs will be able to understand the aid priorities and approaches of Gulf donors both as a whole and separately, and the Gulf countries will better understand the mandates and activities of HOs. Second, HOs should further

73 OCHA, "Humanitarian Aid Contributions", available at: https://fts.unocha.org/home/2023/donors/view.
74 Makki Hamid, *Why the World Needs Partnership with Saudi Arabia: Saudi Arabia's Global Humanitarian and Development Aid*, King Faisal Center for Research and Islamic Studies, January 2022, p. 8.
75 OECD, "Development Cooperation Profile: Saudi Arabia", available at: www.oecd-ilibrary.org/sites/b2156c99-en/index.html?itemId=/content/component/b2156c99-en.
76 OCHA, *Annual Report 2022*, 12 June 2023.
77 M. Evren Tok, *Gulf Donors and the 2030 Agenda: Towards a Khaleeji Mode of Development Cooperation*, Centre for Policy Research, United Nations University, November 2015, p. 3.
78 *Ibid.*
79 Assem Dandashly and Christos Kourtelis, "The Provision of Arab Gulf Aid: The Emergence of New Donors", *International Politics*, Vol. 60, No. 2, 2022, p. 421.

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discuss the agenda of infrastructure financing with Gulf donors. Gulf donors have more expertise in infrastructure projects than DAC donors. Although existing scholarship claims their aid towards infrastructure resembles the attitude of large donors in the second half of the twentieth century,[80] infrastructure financing in humanitarian settings remains a traditional gap of the current humanitarian aid system. The relevant expertise and experience of Gulf donors can be explored further to help HOs carry out infrastructure-related tasks in armed conflicts and other humanitarian emergencies. The KSA's development assistance is traditionally focused on infrastructure,[81] and the KSA has already accumulated experience in investing in infrastructure in humanitarian situations. For instance, in Indonesia, the KSA committed to reconstruction through the Saudi Fund for Development by providing loans for infrastructure in 2006, and in Ethiopia, the KSA actively supported the country's transformation plan through infrastructure investment from 2010 to 2011.[82] Finally, HOs should discuss various forms of humanitarian aid with Gulf donors, such as cash assistance, in-kind oil delivery and cash injections into the central banks of recipient countries, while creating specific policies to increase the transparency of funding usage.[83]

China's role in infrastructure aid for humanitarian response

China has emerged as a formidable foreign aid donor since the beginning of the twenty-first century, especially after 2004. This was a period when China experienced rapid economic growth and became the world's largest exporter and second-largest economy. This economic strength enabled China to increase its financial resources for international aid, with an average annual growth of 29.4% in the first decade of the new millennium.[84] Although China's foreign aid is predominantly bilateral, its multilateral funding has also grown significantly. As of 2024, China is responsible for contributing approximately 15% of the overall UN budget. This places China as a major contributor, following the United States.

China's foreign aid is categorized into various forms such as grants, interest-free loans, concessional loans, complete projects (turnkey projects), goods and materials, technical cooperation, human resource development cooperation, medical teams working abroad, overseas volunteer programmes and debt relief. The specific areas of focus include agriculture, industry, infrastructure, public facilities, education, medicine and public health, and clean energy/climate change.

China's interest in providing aid in infrastructure is in contrast to traditional donors. Traditional donors tend to shy away from funding infrastructure projects due

80 *Ibid.*, p. 408.
81 The KSA's development aid includes soft loans for developing crucial infrastructure, such as hospitals, social housing and water treatment facilities.
82 Kingdom of Saudi Arabia and UN Development Programme, *Partnership in Development and South-South Cooperation: Official Development Assistance of the Kingdom of Saudi Arabia*, 2016, p. 13.
83 A. Dandashly and C. Kourtelis, above note 79, pp. 422–423.
84 Shuaihua Cheng, Ting Fang and Hui-Ting Lien, "China's International Aid Policy and Its Implications for Global Governance", Working Paper No. 29, Research Centre for Chinese Politics and Business, November 2012.

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to a combination of factors. Their development philosophies often prioritize social sectors like health, education, and governance reforms, focusing on human rights, democracy and sustainable development. Infrastructure projects, being complex and involving long-term commitments, pose higher risks related to construction, maintenance and political stability. Traditional donors typically aim for direct impacts on poverty reduction, which are achieved more effectively through investments in health and education. Historical precedents and established practices in these areas further influence their aid policies. Additionally, domestic political considerations in donor countries often drive them to support aid forms that directly address poverty and align with their citizens' values.

In contrast, China's emphasis on infrastructure aid is rooted in its own development experience, which has heavily relied on infrastructure investment, along with other factors such as market access expansion of Chinese goods, diplomatic influence and soft power, and image-building.

Against a backdrop of rapid urbanization and recurring urban warfare, the absence of or damage to infrastructure not only poses development challenges but also creates negative humanitarian consequences. Urban areas contain critical civilian infrastructure, such as water treatment plants, power stations, hospitals, and storage locations for essential consumables like fuel and spare parts. In urban warfare, this infrastructure can be at risk of damage or destruction, affecting the civilian population's access to vital services.[85]

Aid in infrastructure is therefore essential in the context of urban warfare in order to address the immediate humanitarian needs caused by infrastructure damage, to support post-conflict reconstruction and rehabilitation, and to implement preventive measures to protect critical infrastructure. Infrastructure aid not only restores essential services disrupted during conflicts but also facilitates a return to normal life for affected communities and mitigates the long-term impacts of conflict on civilians. Historically, humanitarian organizations have engaged in such assistance, exemplified by the water project in Maiduguri, Nigeria, commissioned by the ICRC in 2019, which serviced 150,000 local residents.

The need for infrastructure support in humanitarian contexts, combined with China's focus on infrastructure in its aid, could create a beneficial scenario. This situation might lead to a diversification of donors and ensure more consistent funding for infrastructure projects in such settings.

Developing a hybrid humanitarian financing model

Driving factors for a hybrid financing model

For the first time in recent years, UN-coordinated appeals in 2024 ($46.4 billion) are less than what was asked for the previous year ($51.5 billion),[86] which means that the humanitarian system will target fewer people, concentrate on core life-saving

85 ICRC, above note 3.
86 OCHA, above note 48, p. 4; OCHA, above note 71, p. 4.

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activities, and try to separate humanitarian aid from long-term development work.[87] This change is driven by the reality that traditional donors are cutting off their budgets for the humanitarian sector. (According to OCHA, actual funding dropped between 2022 and the end of 2023; before 2022, actual funding had been on the increase for ten years.[88]) Diversifying funding is therefore not only critical for HOs' own survival, but also a necessary tool for HOs to deliver effective service.

The current humanitarian financing system is essentially a command economy that is determined by the current composition of funding sources, the majority of which come from States. We propose the adoption of a hybrid model that combines public and private sector financing. This is analogous to the source of electricity for a power station. A power station has a base generation output, but it also needs solar and wind energy, for example. Regardless of the changes in green energy, there is a national power station to provide the base, with solar and wind as complementary components. The price of electricity is not constant – it is low when the wind is particularly strong and the sun is particularly high, and it is adjusted according to the actual situation.

Private financing is highly flexible, and the proportion of private sector financing that an organization needs depends on a combination of demand and fundraising capacity; it is not definitely advisable for an HO to access as much private financing as possible, but is rather preferable to keep its total amount at a level that basically matches expenditures. HOs should work under the assumption that there are variables in humanitarian financing, that new actors can become involved, and that there cannot be too much reliance on government funding. Financing from the private sector and individuals is more of a market economy structure, so it is important to consider how command and market economies can be integrated to achieve the greatest effectiveness. The advantage of individual funding is that there is no guarantee that the money will be spent on a certain project or for a certain period, so individual contributions can compensate for mismatches in time, place and project.

Many HOs have their own funding pools. The ICRC operates on an annual basis, and its funding is characterized by agreements between the ICRC and governments early in the year to determine the total amount of funds to be raised and a commitment by the donor countries to contribute to the emergency response after the operation. The ICRC has enough funding to operate for a few months, but this serves more as a buffer than anything else. When its own funding is exhausted, the ICRC submits a request for funds from governments to fill the pool.

Private donors can also be categorized based on their characteristics. In the past, the ICRC mainly used the model of the Corporate Support Group (CSG), which is mostly made up of large investors. These investors provide funding of up to CHF 500,000 per year to become CSG members, with limited additional value provided by the ICRC to the CSG member companies. Currently, around a dozen companies are

87 Irwin Loy and Will Worley, "What's Shaping Aid Policy in 2024", *The New Humanitarian*, 4 January 2024, available at: www.thenewhumanitarian.org/analysis/2024/01/04/whats-shaping-aid-policy-2024.
88 OCHA, above note 48, p. 72.

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part of the CSG, with a predominance of Swiss-based companies. However, the development of the model is limited, and it is difficult to replicate it outside Switzerland. Private fundraising costs can be high since reaching out to a large number of small individual donors requires more resources than maintaining a relationship with a few large public donors. Beyond cash donations, amounting to slightly less than 1% of total humanitarian funding between 2008 and 2012, the business sector has favoured broader partnerships with humanitarian organizations that encompass the provision of goods and services together with skills, know-how and technology whose value goes largely unrecorded.[89]

Forming a hybrid financing model based on good practices

What a hybrid financing model means for HOs is that they have a diversified funding source, which enables them to have maximum flexibility to allocate their funding in compliance with their work priorities and in response to humanitarian needs. Here we provide two examples of good practice for HOs seeking to adopt a hybrid financing model.

UNICEF's diversified funding sources

Among various UN agencies, UNICEF is recognized as having made prominent achievements in private sector fundraising. Since its establishment, UNICEF has been entirely funded by voluntary contributions. During the 1990s, UNICEF was faced with a decline in core resources, so the UN General Assembly adopted a specific and achievable target for core resources, and multi-year funding frameworks were adopted in response.[90] In 2022, UNICEF's total income reached $9.326 billion, 70% of which ($6.5 billion) came from the public sector, 29% ($2.665 billion) from the private sector and 1% ($123 million) from other income. Meanwhile, flexible funding through thematic funds increased 59% ($1.201 billion) from 2021, largely driven by private funding.[91] Among core resources in 2022, funding from the private sector accounted for more than a half (see Table 3). UNICEF is increasingly dependent on the private sector for its core resources to support humanitarian and development programming and to uphold its normative mandate.[92]

For those organizations that are severely dependent on voluntary contributions and have very limited flexible funding in their overall budgets, UNICEF's experience offers several valuable lessons. First, such organizations should diversify their funding categories and make those categories

89 G. Carbonnier, above note 12, p. 44.
90 Muhammad Yussuf and Juan Luis Larrabure, *Voluntary Contributions in United Nations System Organizations: Impact on Programme Delivery and Resource Mobilization Strategies*, UN Joint Inspection Unit, Geneva, 2007, p. 3.
91 UN Economic and Social Council (ECOSOC), *Structured Dialogue on Financing the Results of the UNICEF Strategic Plan, 2022–2025*, E/ICEF/2023/26, 4 August 2023, p. 2.
92 *Ibid.*, p. 11.

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Table 3. *UNICEF regular resources by type of source, 2022 (amount in $ millions)*

Funding sources	Amount/percent
Public sector	494/37%
Private sector	709/54%
Other income	123/9%
Total regular resources	1326/100%

Source: UN Economic and Social Council (ECOSOC), *Structured Dialogue on Financing the Results of the UNICEF Strategic Plan, 2022–2025*, E/ICEF/2023/26, 4 August 2023, p. 10.

institutionalized. UNICEF's funding is categorized into core resources for results (RR), other resources (regular), and other resources (emergency). RR is funding without restrictions, to be used flexibly to achieve the greatest impact for children. Other resources (regular) consist of contributions designated by UNICEF donors for specific areas, such as country, geographic region, theme, project or sector. It may be contributed via pooled funding, global programme partnerships or international financial institutions. Other resources (emergency) consist of funds designated for particular emergency response requirements and forecasts.[93]

Second, organizations should diversify their funding base in the private sector. The private partners of UNICEF are very diversified. UNICEF has 10.5 million individual donors who are the main contributors to country programmes in middle- and high-income countries, and account for over half of total core funds.[94] Moreover, funding from philanthropists, foundations and membership- and faith-based organizations has increased dramatically over the past five years, rising from only 257 such donors in 2018 to 7,700 in 2022. UNICEF's partnerships with businesses donating over $100,000 grew from 253 in 2021 to 451 in 2022.[95]

Third, organizations should launch thematic funding initiatives or other forms of pooled funding. By enabling longer-term planning and lowering transaction costs, thematic funds directly support the achievements of programme results. To improve its funding flexibility, UNICEF launched thematic funding initiatives in 2003. At first the response from donors was muted, but the thematic funding increased rapidly in 2004 and proved to be particularly effective in large-scale emergencies such as the Indian Ocean tsunami at the end of 2004.[96] In 2022, flexible funding through UNICEF's thematic funds increased 59% from 2021 to $1.201 billion.[97]

93 UNICEF, "Funding to UNICEF", available at: www.unicef.org/partnerships/funding.
94 ECOSOC, above note 91, p. 24.
95 *Ibid.*, p. 22.
96 M. Yussuf and J. L. Larrabure, above note 90, p. 11.
97 ECOSOC, above note 91, p. 2.

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Fourth, organizations should formulate specific policies to fully utilize the potential and manage the risk of private partnerships, including but not limited to conducting joint evaluations on funding usage and visibility, jointly producing cutting-edge knowledge of certain types of funding, and establishing regular communication channels to foster mutual understanding. For instance, UNICEF has developed new strategies to accelerate the mobilization of regular resources from private partners, which include an effort to increase visibility of the critical role of regular resources.[98]

The ICRC's Humanitarian Impact Bond in pilot countries

In 2017, the ICRC launched a five-year Humanitarian Impact Bond (HIB), the world's first HIB, raising CHF 26 million. The HIB was used to fund the establishment of physical rehabilitation service centres in three African countries. It is project-oriented fundraising, initially funded by social investors such as Bank Lombard Odier and New Re, and ultimately reimbursed through a payment-by-result agreement with outcome funders including the governments of Switzerland, Belgium, Italy and the United Kingdom, and the "La Caixa" Foundation.[99] If the ICRC designs ways for the equivalent resource to help more people than before, the outcome funders declare the project a success and the positive results are recorded.

In terms of achievement, the three physical rehabilitation centres have served thousands of local people since 2021. Also, through the HIB, HOs have improved the efficiency of these rehabilitation centres by deploying improvement measures and building a digital management system.[100] What is even more worth mentioning is that the HIB has opened the door to HOs (including the ICRC), donor governments and the private sector to work on financing model innovation in response to specific humanitarian needs. On the other hand, the HIB has its own disadvantages, such as being complex to design and expensive to set up, and involving additional costs to manage multiple investors and donor requirements.[101]

Unlike regular bonds, the HIB's returns are independent from market dynamics, making the HIB less risky. Instead, getting money back, ideally with interest, depends on how impactful the donor's investment was when it was used by the service provider (HOs). Traditionally, funds have been paid directly by big donors such as governments (outcome funders), but now outcome founders and the ICRC together think they have found a dramatically more impactful way of doing things. The HIB has the advantages of offering zero risk to the big funders,

98 ECOSOC, *UNICEF Strategic Plan: Updated Financial Estimates, 2023–2026*, E/ICEF/2023/AB/L.6, 10 July 2023, p. 8.
99 ICRC, "First Humanitarian Impact Bond Successfully Brings Physical Rehabilitation Services to Conflict-Affected Communities", 18 July 2022.
100 Ecorys and Foreign Commonwealth and Development Office (FCDO), *ICRC Humanitarian Impact Bond: A Case Study Produced as Part of the FCDO DIBs Pilot Evaluation*, Oxford, 1 December 2022, p. 1.
101 *Ibid.*, p. 3.

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a potential profit for investors, and a guarantee that people receiving the aid will get a better service than before.

For governments, instead of pre-payment, funding is post-payment, which can be adjusted according to the performance of HOs and is better for convincing the taxpayer. In addition, in case of losses, 60% of the capital can be protected, with HOs covering 10% and governments covering the rest. For HOs, funding was difficult to obtain under traditional financing mechanisms, but now it will be a little easier. For social investors, the risk is manageable and shared by multiple parties, and the outcome risk depends on the ability of the HOs to achieve the outcome objectives. The HIB is structured to provide a competitive return at project completion based on performance, with an annual return of 7% if the project improves its outcome indicators by 80%.[102]

According to evaluation from think tanks, the ICRC HIB has several features to consider for HOs looking to develop one of their own. First, setting up an HIB may take over a year, and the situation in the field may change drastically as the project is developed. Second, the HIB should be developed to meet a specific need. Third, the legal feasibility of operating an HIB at the early stage should be tested. Fourth, investors need to be involved at the early stage. Fifth, outcome indicators need to be designed.[103] Therefore, an HIB is more suitable for international HOs who are faced with specific humanitarian needs in a protracted crisis, have had the solid expertise and abundant experience to address those needs previously, and have developed mature partnerships with the private sector.

To make this innovative financing model sustainable, we suggest that HOs should make the following efforts. First, it is necessary to strengthen adequate access to and deep analysis of information related to the local situation in order to draw conclusions about which countries and thematic areas are suitable for private funds. The choice of pilot countries should be in line with the HO's own priorities. It is also critical to understand the needs of the private sector and the government, and whether the organization itself is able to meet those needs so that there is a possibility of matching interests. Second, HOs need to strengthen their advocacy with donors and the private sector, so that those actors can further understand the merits of an HIB and realize that there are many investment opportunities in areas affected by armed conflict as well. Local people need money to survive, and investment can create jobs and help stabilize the country. Therefore, private investment can also be a positive factor in smoothing out the situation in armed conflict. Advocacy is helpful in changing the stereotype that it is impossible to derive economic and social benefits from addressing the effects of armed conflict. Priority is given to donors who regularly fund HOs and private sector initiatives that focus on social impact. There should be a continuous dialogue and necessary updating of information with these actors. The primary

102 Impact Investing Institute, "ICRC Humanitarian Impact Bond", available at: www.impactinvest.org.uk/case-study/icrc-humanitarian-impact-bond/.

103 Ecorys and FCDO, above note 100, p. 3; Barnaby Willitts-King *et al.*, *New Financing Partnerships for Humanitarian Impact*, Humanitarian Policy Group, Overseas Development Institute, London, 2019, p. 19.

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objective during the pilot phase is to maintain a few interested and capable investors, rather than to expand the number of investors blindly. Third, at the international level, countries should be called upon to establish or improve relevant domestic laws. The current HIB is a non-public quota bond; if the investors exceed a certain number, HOs are required to collect a certain amount of tax on behalf of the government, which goes against the essence of HOs. Fourth, HOs should adhere to the previous way of working and enhance the credibility and ability of the institution in order to maintain trust for providing assistance and protection.

Conclusion

This article has analyzed the uncertainties in practice of, and possible solutions for, one of the four principles of humanitarian action: impartiality. Our discussion has been based on the dramatic changes that have taken place in terms of the nature of conflict, humanitarian organizations and donors. Considering such fundamental changes, we believe that a thorough discussion on impartiality has significant implications for humanitarian assistance in the future.

Impartiality is the first principle and goal of humanitarian action, but it is more than that. In the current humanitarian context, the principle of impartiality is more than a way by which HOs are able to deliver effective services. It has symbolic implications as well as procedural and operational ramifications for HOs' ability to gain sustained humanitarian access and achieve outcome justice during the process of humanitarian assistance.

However, the current humanitarian financing model has struggled to meet the world's rapidly growing humanitarian needs, facing challenges such as the widening funding gap, severe reliance on public sector funding, unbalanced distribution of funding, and unclear differences between humanitarian and development funding, which threaten HOs' ability to adhere to the principle of impartiality.

Based on a view from the financial perspective, which is the major innovation of this paper, we have specified the linkage between humanitarian principles and financing requirements and have made three primary recommendations to help HOs adhere to the principle of impartiality, First, HOs should take advantage of digital technology to ensure that humanitarian needs can be adequately met. Second, they should strengthen engagement with non-traditional donor countries such as the Gulf States and China by understanding their aid features to increase financial support from these countries, and utilizing their expertise in infrastructure to meet specific needs in humanitarian situations. Finally, by analyzing the good practices of UNICEF and the ICRC in securing private funding, we have made a range of suggestions for HOs to help them diversify their funding sources and develop hybrid financing models.

The past decade suggests that it is almost impossible to fundamentally change the traditional structure of humanitarian financing, as it requires political courage and substantial support from States, which is difficult to achieve – even

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more so today, when inflation is soaring and the global economy is on a downward turn. Therefore, we hope that, in the current challenging international and local environments, these suggestions provide HOs with workable ideas to help them improve their fundraising systems and internalize the four humanitarian principles into their financial management systems. By taking these suggestions on board, we hope HOs will be able to tackle the uncertainties of humanitarian funding and find solutions to maximize the provision of impartial services.

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