



MAY 2025

A NEW ERA FOR AID

Prioritising people and protecting progress



A NEW ERA FOR AID: THE NEED TO PRIORITISE **IMPACT AND EFFECTIVENESS**

A new era for foreign aid is upon us - whether we like it or not. Global needs and extreme poverty are escalating and increasingly concentrated in countries where we see an alarming convergence of conflict and climate change. At the very moment these needs are rising, traditional donor funding is sharply declining - forcing difficult choices about who receives assistance.

In 2024, the world faced a nearly **\$25 billion** gap between funds required for UN appeals and funds received at a time when nearly 300 million people are in need of humanitarian assistance. This gap is now set to more than double as United States (US) and European donors slash their Official Development Assistance (ODA) budgets. Aid should be focused on addressing humanitarian needs and ending poverty. Yet, OECD data demonstrates how ODA is being spread increasingly thinly. Health spending is around **10% of the total**. Humanitarian aid averaged around 14%. Yet, spending on global challenges like climate mitigation, infectious disease control, costs for refugees in donor countries, international peace and security, and research and development is up from an average of 37% of bilateral ODA in 2007-2011, to around **60%** in 2017-2021.

While the US is not the only donor to reduce aid spending, it was the largest. In 2024, the **US** was the biggest Development Assistance Committee (DAC) donor, contributing \$63.3 billion, or 30% of all DAC ODA. In the same year the US funded around 43% of the global humanitarian appeal. The impacts of the cuts on affected populations are devastating.

In **Sudan** aid cuts have forced the closure of 80% of communal kitchens, leaving millions without access to food. Those who have fled to Chad to escape the violence in Sudan have lost access to US funded food, water, and education

programmes. By some **estimates**, US cuts to global health spending could cost 25 million lives in the next 15 years. When aid is needed most, the closure or reduction of key services undermines our ability to monitor **famine** or **displacement** to deliver aid, and is degrading the ability of local organisations and in some cases governments, to deliver services and protect populations from future risks. In an interconnected world, risks such as disease outbreaks do not always remain local. Cuts to funding for healthcare delivery at national and community level and vaccination campaigns in fragile countries risks undermining global health security and exposing the global population to graver risks.

IRC **analysis** shows that needs and extreme poverty are increasing concentrated in fragile and conflict affected states. At the same time, the aid budget is being reduced and spread across multiple priorities, undermining spending on what aid does best: delivering life-saving assistance where it is most needed, establishing a pathway towards lasting development. To maintain progress with fewer resources, the aid system must prioritise its work on where it is most needed and can be most impactful. This requires new thinking on where aid is spent, what it is spent on, how it is delivered, and how it is funded. This paper lays out a roadmap for initial steps by:

- Prioritising geographically to reach the most-at-risk communities;
- Focusing on programmatic interventions proven to deliver maximum impact in crisis settings that set the stage for development;
- Reinforcing a response model that ensures aid reaches those most in need;



- Supporting the central role of local humanitarian response;
- Utilising innovations in finance to deliver timely, efficient support and close the gap between needs and resources.

RECOMMENDATIONS

PRIORITISE WHERE NEEDS ARE GREATEST

Direct aid to countries facing the most severe risks and impacts from conflict, climate, poverty, and debt distress - guided by clear, data-driven vulnerability assessments.

INVEST IN WHAT WORKS

Prioritise proven, cost-effective interventions that deliver measurable impact and scale and lay the ground for sustainable development.

PROTECT ACCESS

Support the humanitarian access of frontline responders with flexible funding and diplomatic action to ensure aid reaches the most inaccessible communities.

EMPOWER LOCAL RESPONDERS

Elevate the leadership of local agencies to enhance the reach and accuracy of programmes and fulfil commitments to supporting local response.

UNLOCK SMARTER FINANCING

Protect grant-based aid for crisis settings, strengthen World Bank partnerships, and scale innovative financing tools like debt swaps and climate insurance to close the growing funding gap.

THE NEW ERA FOR AID IS HERE - FOR GOVERNMENTS, FOR HUMANITARIANS DELIVERING AID, AND FOR PEOPLE IN NEED.

How we navigate this moment will determine whether this new era of aid leads to a new era of suffering for millions of people, or whether we choose to prioritise aid that is impactful and effective.



16 December 2023. Secteur, Ouagadougou, Burkina Faso.
Aida Ouedraogo, 28, holds her son Yann.
Photo: Sibiri Sawadogo for the IRC.

AID CUTS ARE HURTING THE MOST VULNERABLE: WHERE WE MUST PRIORITISE

The global reduction in aid budgets requires a more focused, prioritised aid response to ensure limited resources serve the most vulnerable communities. Aid cuts disproportionately affect the countries at the intersection of **conflict and climate** crises, where **extreme poverty** is concentrated. The IRC has identified five major structural risks that leave countries susceptible to the impacts of the global ODA reductions (Methodology in Annex 1). These are:

A Exposure to the worst impacts of US aid cuts. Based on an analysis of US contributions to a country's Humanitarian Response Plan (HRP) and analysis by the **Center for Global Development** of countries significantly impacted by USAID cuts.

B Levels of humanitarian need. The establishment of a UN Humanitarian Response Plan (HRP) as an indicator of humanitarian needs in the country.

C Reliance on grant-based ODA. Based on analysis of countries receiving 90% or more of their ODA in the form of grants.

D Exposure to debt distress and least developed country (LDC) status. Countries at risk of, or already in, debt distress and classified by the UN as an LDC.

E Conflict and climate vulnerability. Countries identified by the **World Bank** as heavily impacted by **violent conflict** in 2025 and/or ranking in the bottom 20% of the **ND-Gain Index** for climate vulnerability.

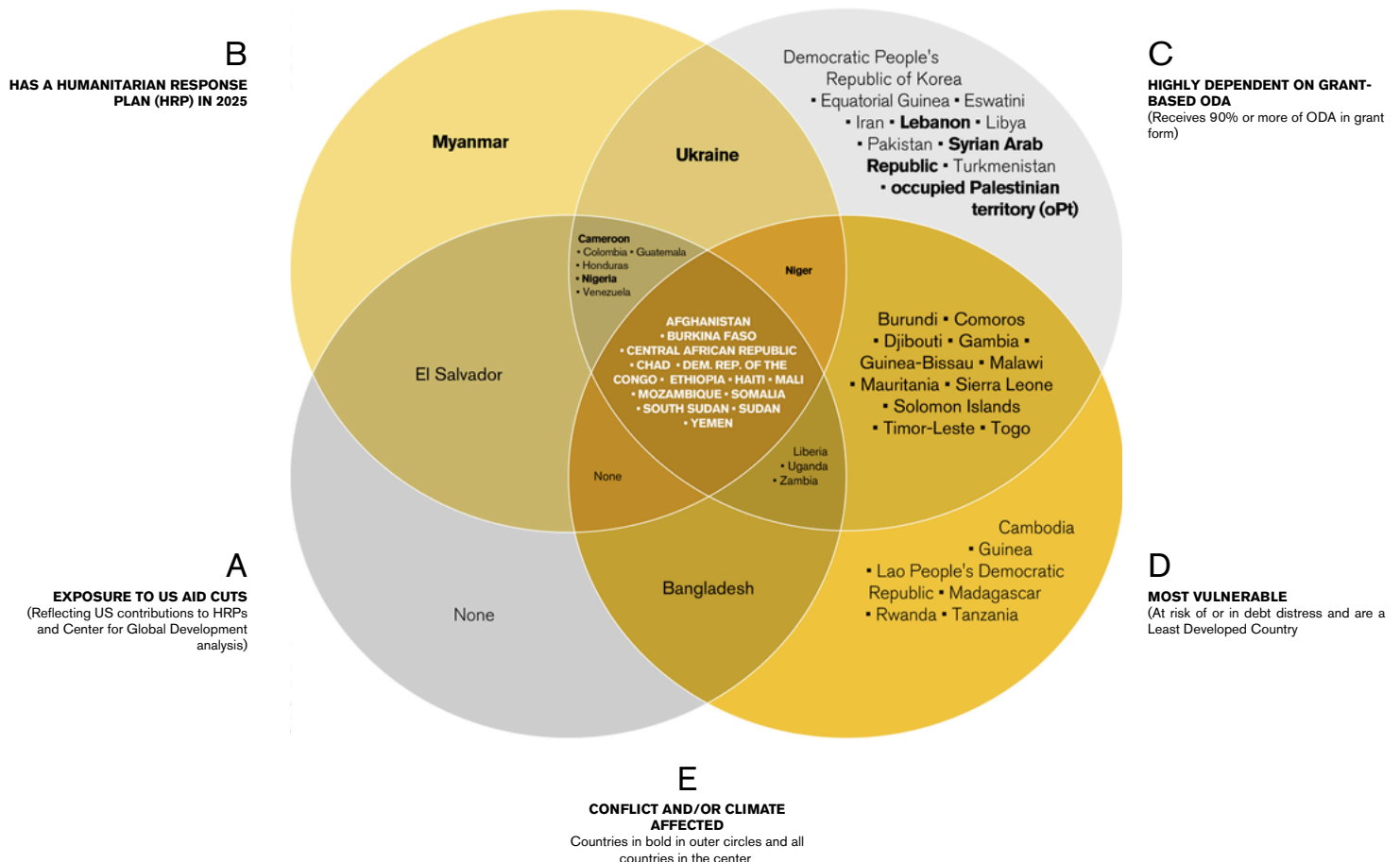


Figure 1: Assessing countries most vulnerable to aid cuts. Using these four structural indicators (A-D) we identified a list of 21 countries, each at severe risk. Thirteen **HARDEST HIT** countries sit at the center of the venn diagram and are impacted by four risks, and satisfy indicator E: conflict and/or climate vulnerable. Eight **Highly Impacted** countries are affected by one or more structural risks and additionally satisfy indicator E. For more details, see Methodology in Annex 1

Using these indicators we have identified a list of 21 countries, each at severe risk (see Methodology on page 17). All of the Emergency Watchlist 2025 countries feature in this list. 13 of these countries fulfil all of the five risk indices and are likely hardest hit by ODA reductions. The eight remaining countries are each conflict or climate vulnerable and additionally affected by one or more of the structural risks. This analysis offers a lens through which to explore the geographical spread of the impacts of ODA cuts (10 out of 13 are in Africa) and the risks that countries face, to inform thinking around funding prioritisation.



HARDEST HIT COUNTRIES

Afghanistan, Burkina Faso, Central African Republic (CAR), Chad, the Democratic Republic of Congo (DRC), Ethiopia, Haiti, Mali, Mozambique, Somalia, South Sudan, Sudan, and Yemen.

HIGHLY IMPACTED COUNTRIES

Cameroon, Lebanon, Myanmar, Niger, Nigeria, occupied Palestinian territory,² Syria, Ukraine.

Methodology in Annex 1

CHALLENGES AND RISKS EXACERBATED BY AID CUTS IN THE 13 HARDEST HIT COUNTRIES

In addition to identifying the most at-risk countries, prioritisation should also consider the common challenges across these contexts to help identify the programmatic, funding and policy priorities required to meet the needs of affected communities. The following shared characteristics inform the recommendations outlined in this paper.

- **Food insecurity is severe:** At least a quarter of populations in these countries (except Chad and Mozambique) are suffering from crisis hunger levels (IPC 3+),³ by which point families are already making impossible decisions about how to cope, often skipping meals, going days without food, and selling possessions. In four contexts, nearly half (**45 - 50%**) of the population is suffering from these conditions (Haiti, South Sudan, Sudan, Yemen).
- **Childhood malnutrition is extreme:** Eight of the 13 countries⁴ are collectively home to over 7 million children suffering from acute malnutrition.
- **Immunisation levels remain low:** 10 out of the 13 are in the bottom 20 of all countries globally for measles immunisation rates.⁵
- **Extreme poverty is concentrated:** Over a quarter of those living on less than \$2.15 a day are in the 13 countries.⁶
- **Climate impacts are widespread:** In 2024, 4 million people across Chad and DRC alone were recorded by the UN as directly impacted by climate events, and at least 250,000 people were impacted across each of the next four most-affected countries (Afghanistan, Mali, South Sudan, and Sudan).
- **Civilian protection risks are increasing:** Every country except Chad is designated by the World Bank as conflict-affected, with the number of civilian fatalities in 2024 ranging from 186 in Mozambique to 2,000 across each of Burkina Faso, DRC and Ethiopia and a high of 4,000 in Sudan. These figures likely reflect underreporting.
- **Violence towards women and girls is rampant:** Every country sits in the bottom 25% of the Women, Peace and Security Index. In nine contexts, at least a quarter of all women are survivors of Intimate Partner Violence (IPV) - in three of these contexts, that proportion rises to nearly half of all women. Even these very high levels are likely to reflect underreporting.

FUNDING AND ACCESS CHALLENGES IN THE 13 HARDEST HIT COUNTRIES

These challenges are further exacerbated by factors that impact the scope and scale of programme delivery across many of these worst hit contexts.

- **Funding shortages:** Despite the severity of these crises, humanitarian response plans for these contexts were on average less than 50% funded in 2024. In 2023 the 13 countries received just short of 10% of official aid⁷ but are home to over a quarter of the people living in extreme poverty.
- **Humanitarian access to communities is constrained:** Humanitarian access barriers are **rated** by **ACAPS** at 4/5 or 5/5 in every context except Chad, Haiti and Mozambique. Six out of the 13 countries were in the Top 10 countries for attacks on aid workers in 2023, with every country except Chad seeing incidents of violence towards aid staff.

- **Diplomatic disengagement:** Eight out of 13 of these countries have regions or the entirety of their state controlled by “de facto” politically unrecognised authorities - often limiting donor willingness to maintain diplomatic relations with the authorities, undermining efforts to promote IHL or protect civilians, and driving an uncoordinated approach to funding.⁸

RECOMMENDATION

PRIORITISE WHERE NEEDS ARE GREATEST

Prioritisation is vital to ensure efficiency and effectiveness. Reduced ODA should be allocated using a transparent, data-driven approach to vulnerability assessment that ensures the communities facing the greatest risks resulting from structural vulnerabilities, including but not limited to those outlined above, continue to receive the assistance they require.



24 January 2024 - Maiduguri, Nigeria: Physical medical assessment of Ahmad Ibrahim (10 months) at Sulumburi Health Clinic, Maiduguri Metropolitan Council, Borno State, Nigeria. PHOTO: Taiwo Aina for the IRC.

FOCUS ON **WHAT WORKS**: SCALING IMPACT AND SETTING THE STAGE FOR DEVELOPMENT

The needs of communities affected by crises are complex and require a range of responses. With fewer resources, support to proven, cost-effective interventions across sectors will be key to maximising impact and ensuring available funding goes further to support the services affected populations need. Humanitarian agencies have a proven track record of delivering effective programmes, even in complex conflict settings. But delivery alone is not the only indicator of the high return on investment that humanitarian agencies offer. Thanks to their partnerships with affected communities, local civil society, academic institutions and the private sector, humanitarians have developed and tested innovative interventions that respond to changing needs, address weaknesses in response models, and support conditions for longer term development.

The IRC has been at the forefront of these efforts. While accounting for just 3% of the global humanitarian budget (pre-US aid cuts), we conducted 30% of all impact evaluations in humanitarian settings and over 400 cost analyses across 37 countries to enhance the effectiveness of our programmes. Working with a consortium of 8 NGOs, IRC has developed and implemented a new web-based cost analysis software programme - **Dioptra**. It is a tool used to calculate the full cost of programmes, compare results to the typical cost of common outputs, and develop strategies to deliver greater cost effectiveness and reach through programme adaptations.

These approaches, combined with investments in **research and innovation** over the last decade have enabled us to design, test and scale the types of interventions that are needed today. The following examples show how scaling proven solutions can ensure a smaller aid budget can still effectively deliver real, measurable impact for the world's most vulnerable.

SCALE **BEST PRACTICE** SOLUTIONS



PREVENTING CHILDHOOD DISEASES:

Infectious diseases cost almost **\$60 billion** per year globally – these outbreaks know no borders and can impact us all. In contrast, disease prevention through vaccination and routine immunisation have proved highly effective. Between 2000–2023, an estimated **60.3 million** measles deaths were averted – and measles was almost eliminated globally. However, progress is not being sustained. Vaccine-preventable diseases are on the rise due to a combination of **climate change**, declining immunisation rates and vaccine hesitancy. Measles outbreaks now impact **57 countries**, with 10 out of the 13 hardest hit countries at the very bottom of the global immunisation table. Conflict-affected populations who cannot access government-led vaccination programmes are amongst those at the highest risk.



13 MILLION CHILDREN

IN JUST 10 COUNTRIES⁹

ARE UNABLE TO ACCESS THE PROTECTION THEY NEED

Yet, even where insecurity and limitations on humanitarian access make vaccine delivery more difficult, humanitarians have expanded coverage. In 19 months, the IRC-led Reaching Every Child in Humanitarian Settings (REACH) consortium, funded by Gavi the Vaccine Alliance and powered by a robust network of 15 local partners, administered **9 million vaccine doses** in East Africa and put nearly

1 million children on the path to full immunisation,¹⁰ including 376,000 zero dose children. As of January 2025, 96% of the 156 target communities have access to vaccines - at the start of the intervention only 16% of communities were deemed accessible. The cost of delivering each dose was just \$4. In low and middle-income countries it costs between \$1 to \$11 to deliver a dose of vaccine, putting the IRC-led intervention on the lower end of this range. By institutionalising the model of providing doses and funding directly to frontline actors to reach people outside of government control, humanitarians can ensure children, who would otherwise have been excluded from this life-saving intervention, are protected from debilitating diseases.

The economic and social benefits of disease prevention through vaccines are increasingly well **understood**, improving life expectancy and opportunities, reducing impacts on carers and supporting productivity. Primary health consultations are critical not only for vaccine distribution but also for monitoring and managing the risk of infectious diseases. Community health workers are the backbone of these efforts and are highly cost-effective, with an estimated **10:1 return on investment** for every dollar invested in them. In crisis affected contexts, these essential interventions are a key pillar in supporting community resilience and providing a basis for future development, protecting communities abroad and at home.

➤ **SAVING CHILDREN FROM STARVATION:** 256 million people - nearly half of whom are found in the 13 hardest hit countries - are experiencing crisis or worse levels of food insecurity (IPC 3+), with associated rises in malnutrition amongst children. Children experiencing acute malnutrition are 11 times more likely to die than healthy children. Prior to the aid cuts, of the 45 million children facing acute malnutrition, only 1 in 5 receives lifesaving and life-changing treatment.¹¹ Yet with the same financial resources invested in a refined system for diagnosing and treating malnutrition thousands, if not millions, more children could be reached.

The IRC's simplified protocol treats severely and moderately malnourished children at a single point, with one product (RUTF) and protocol, using simpler diagnostics. The simplification allows a shift from health clinics to community and caregiver-based diagnosis and treatment. IRC has tested this protocol in a randomised controlled trial and in routine settings, treating over 100,000 children in multiple countries. Across every study, our analysis has proven 85-95% recovery rates alongside 21% cost savings.¹² We believe treatment of acute malnutrition can be delivered at least 30% more cost-efficiently than the standard community-based management of acute malnutrition (CMAM) care.¹³ In the face of the aid cuts, which limit both support for nutrition response, and have caused global RUTF shortages,¹⁴ simplified treatment is needed now more than ever. The protocol uses 19-36% less RUTF than standard treatment, resulting in a cost reduction of \$6-28 per child in product alone.

Malnutrition **undermines** children's development, making them more susceptible to infectious disease and increasing the risk of chronic diseases in later life. Cognitive development, especially in children under the age of five who are in a critical period of growth, is also impacted with the effects persisting into adulthood, undermining educational outcomes, economic productivity, and overall well-being. Treatment for malnutrition is therefore an essential basis for future development of individuals, communities and countries.



18 April 2024 – Ourang, Chad. Guisma Moussa, 28, is giving RUTF to her two year old son Afnane Zakaria Mahamat at a health-centre in Ourang, eastern Chad. Photo: Jacob Zoeherman for the IRC.



PROTECT PROGRESS ON CASH

Humanitarian cash transfers are a proven, cost efficient means of addressing basic needs, improving food security and steadily encouraging economic recovery. Yet despite **donor commitments** to cash and **several years of growth** in cash and voucher assistance (CVA), support has been **reducing**. The volume of CVA transferred in 2024 is estimated at \$5.5 billion constituting a 29% year on year fall from 2023 to 2024. Hard-fought gains in scaling humanitarian cash are at increased risk due to the US aid cuts. Historically, the US was responsible for about 42% of CVA globally.

It is crucial these gains are protected, not least because the **evidence base** regarding the effectiveness of cash transfer programming is one of the strongest in international aid. Cash transfers can reduce poverty and vulnerability by giving people the choice over how they rebuild their lives, while fueling local markets, creating **additional value in local economies**.

Humanitarian cash prevents people affected by crises from being forced to skip meals, sell their limited assets, or fall further into debt. It is efficient in **reducing administration costs** with more aid going directly to people who need it, and designed well, can improve **women's use and control** of resources and assets. Innovations using **digital technology** can further enhance the impact of cash through, for example, supporting remote registration and delivering payments to people on the move and in hard to reach areas or linking cash recipients to wider services through digital platforms. In 2023, IRC teams delivered over \$79 million in CVA to approximately 1.85 million clients in 37 countries.

BRING PROVEN INTERVENTIONS TO CONFLICT-AFFECTED COUNTRIES

A new era for aid will require bringing new funding and delivery approaches to the most difficult contexts. IRC's experience of anticipatory action programming demonstrates what is possible when innovative forecasting tools and humanitarian expertise come together to offer solutions that effectively meet the needs of those in the countries hardest hit by the aid cuts.

➤ **ANTICIPATORY ACTION:** IRC's analysis demonstrates that the people living in the countries hardest hit by the aid cuts are also amongst those most at risk from the climate crisis, with extreme and frequent weather events like drought and floods becoming the new normal. With sophisticated and more readily available climate forecasting, these events are predictable. Yet the majority of assistance is still provided after a crisis has struck (anticipatory action only represents **1%** of humanitarian funding), preventing early response that can protect homes and livelihoods.

IRC's Anticipatory Action (AA) programming is getting ahead of climate disasters. Beginning in 2021 with a pilot research program in north east **Nigeria**, IRC's findings showed that pre-shock cash assistance to flood vulnerable communities not only helped mitigate the impacts of shocks on livelihoods and food insecurity, but also improved communities climate resilience in the long-run. Our **cost analysis** also indicates that pre-shock cash transfers are likely to be more cost-effective than post-shock transfers and that cost-efficiency gains increase when AA responses are scaled over time and across more households.

Building on these findings, our "Follow the Forecasts" approach to AA allows us to prioritise scarce humanitarian funding to places with the highest probability of hazards occurring. First tested in **Guatemala**, our approach applies Google **AI-enabled**

forecasting tools combined with local forecast and weather data. Working hand-in-hand with local partners, building on their intimate knowledge of local livelihoods and sharing IRC's technical expertise and access to forecast data, together we develop rapid contingency plans that enable us to target communities and households with early warning messages and cash so they are prepared when hazards strike. Reflecting our commitment to supporting those most at risk, the IRC has now implemented the approach in Somalia and Afghanistan. To date, the Follow the Forecast approach has proved highly effective, with all households identified at risk and targeted for assistance impacted by a climate crisis.

With low and declining levels of ODA to support long term development in conflict-

affected contexts, agile anticipatory action models are vital to protect households, build resilient livelihoods, and to generate evidence to increase the impact and effectiveness of spending.

RECOMMENDATION

INVEST IN WHAT WORKS

The response to the complex needs of crisis affected communities will require service provision across diverse sectors. To maximise the now limited ODA budget, donors should invest across sectors in interventions that are proven to be impactful and cost effective in meeting needs.



22 May 2023 – Sigadhere IDP camp, East Imi District, Ethiopia. IDP women receiving cash as part of the cash assistance program. Photo: Maheder Haileselassie for the IRC.

REACHING **NEGLECTED COMMUNITIES**: SUPPORT TO LAST MILE DELIVERY

Maximising the value of aid isn't just about figuring out *what* to deliver, but *how* to deliver it. Prioritising the impact of aid means delivering not where it is easiest, but where it is hardest. This requires putting funding in the hands of those that can reach the most neglected communities and building a sustainable response that lays the groundwork for long term development.

LAST MILE DELIVERY

The countries hardest hit by the aid cuts also face the greatest humanitarian access barriers - **ACAPS rates** ten of the 13 countries 4/5 or 5/5. These countries are also some of the most dangerous. Almost 200 attacks against aid workers were recorded in these contexts in 2023, with six of the 13 in the Top 10 countries with the most individual aid worker victims. ICRC estimates that over **195 million people** now live under non-state actor control - over **half the total** of people in humanitarian need in 2025. The presence of armed groups and “de facto” authorities can complicate humanitarian access, while contested state control can also leave populations cut off from state-led basic services.



A boy stands on the rubble of a collapsed building in Mandalay on March 31, 2025, three days after the deadly Myanmar earthquake. Photo by Sai Aung.

Despite the challenges of delivery in conflict contexts, national and international NGOs and local responders continue to operate. Our ability to do so sets us apart. Adherence to the **humanitarian principles**, long term relationships and trust with local communities, a commitment to partnership, and investment in specialised expertise in access negotiations and risk management, uniquely positions humanitarians to sustain delivery in contexts where others (e.g. governments, development or private sector partners) may be viewed with suspicion or hostility, or be unable to operate due to lower risk tolerance.

The ability to sustain access is life saving, but also provides a basis for supporting development outcomes. With an estimated 48% of the world's crisis-level food insecure living in the 13 hardest hit contexts, progress on the Sustainable Development Goal of **Zero Hunger** is only possible if access to affected populations is sustained. Such access is especially important when development actors are absent. While humanitarians cannot fulfil development agendas alone, they can help preserve the delivery of essential services, by, for example, supporting food security through cash programming and market support.

RECOMMENDATION

PROTECT ACCESS

In crisis contexts, aid delivery relies on humanitarian access. Donors and member states should use all diplomatic levers to protect and expand access to affected communities, upholding obligations under international law. Funding to strengthen the access negotiation and risk management capabilities of frontline humanitarian responders is a low cost and high impact investment that will ensure aid continues to reach those that need it most.

DELIVER MORE **DURABLE OUTCOMES:** EMPOWER LOCAL RESPONDERS

Global experience from contexts including **Sudan**, Gaza, **Syria** and **Myanmar** demonstrates the critical role that local aid responders play in humanitarian response and recovery. Assistance delivered by (and with) local actors, including civil society groups, national NGOs, women led organisations, and local authorities and ministries can significantly enhance the **reach and accuracy** of humanitarian programmes. Local responders are deeply embedded within their communities and possess a nuanced understanding of needs, allowing for the design of targeted and tailored programmes that make the best use of resources available.

Reforms to empower local actors have been proposed, including through the Grand Bargain. Yet, these ideas have failed to gain adequate traction, with much aid still subcontracted to local partners through international intermediaries. The ongoing financial shock to the humanitarian sector demands that we move beyond small fixes that address the inefficiencies in subcontracting, towards bold, principled transformation that shifts resources and decision-making power to local and national actors who are closest to crisis affected communities.

This process will still require international support to the capacity of national and local partners through training and technical assistance, but our ambition must be greater. The "**humanitarian reset**" should be a starting point in **reforms** to humanitarian coordination, funding and accountability that place local actors at the centre of decisions over where resources are directed and at the forefront of implementation. Doing so will not only ensure more effective and efficient assistance delivery, but where it is possible and appropriate to support local authorities, establish the basis for longer-term development.

The examples of cost-effective programmes outlined above show how the expertise of local

and international partners can be harnessed to maximise impact. IRC is committed to 'partnering as equals' meaning we share power, expertise and resources. We currently provide more than 15% of total global funding to local partners, and are on track to reach 25% this year. Our Partnership Excellence for Equality and Results System (**PEERS**) provides guidance and tools for effective partnerships. PEERS was awarded Humentum's 'Operational Excellence' Award for 2019 and has been assessed by donors and partners as a 'best practice' 'model approach' to building local capacity and delivering results. The system is open-source and available to the wider sector making a tangible contribution to locally led response.

Local ownership requires sustained funding. Local responders have been hit hard by aid cuts. Despite efforts by international NGOs to try and mitigate the knock-on effects to their partners, including through using their own financial reserves, local and national NGOs report having to shut down up to **90%** of their programmes, and let go staff. The next section explores financing for the new era of aid, including reforms needed for a locally led response.

RECOMMENDATION

EMPOWER LOCAL RESPONDERS

Supporting local response should be at the centre of efforts to drive efficiency and cost effectiveness. Locally delivered response is more targeted and tailored to the needs of affected communities, and often cheaper. To fully harness the contribution of local responders, donors and the wider humanitarian sector must catalyse progress toward an aid system centered on locally led systems change that achieves durable outcomes for people impacted by crises and lays the basis for sustainable development.

FINANCE THE NEW ERA: INNOVATIONS AND SMARTER FUNDING FOR IMPACT

Building a new era of aid depends on a new era of finance to support it. Effective aid delivery requires the urgent implementation of reforms to ensure that the right type of funding reaches the right places at the right times, combined with innovative financing strategies to bring new money into the system.

PROTECT **GRANT-BASED ODA** FOR THE HARDEST HIT CONTEXTS

Aid effectiveness begins by targeting resources precisely where the needs are most urgent. Grant-based aid should be preserved at least at current levels for the hardest hit and most vulnerable countries, in combination with partnership reforms (see below) to ensure aid reaches those that need it most. With ODA estimated to shrink by roughly **20%** in 2025, following already sizable **reductions** in 2024, contributing to major gaps in humanitarian funding (see figure 2), it is vital that grant-based aid is preserved for these countries so they do not become subject to more loans and spiraling national debt. With interest rates stubbornly high, inescapable debt repayments will continue to undermine the ability of countries to invest in their own public services. Our proposed prioritisation criteria, as outlined on page 3, combined with additional vulnerability criteria,¹⁵ should inform donors' decisions on the allocation of grant-based aid.

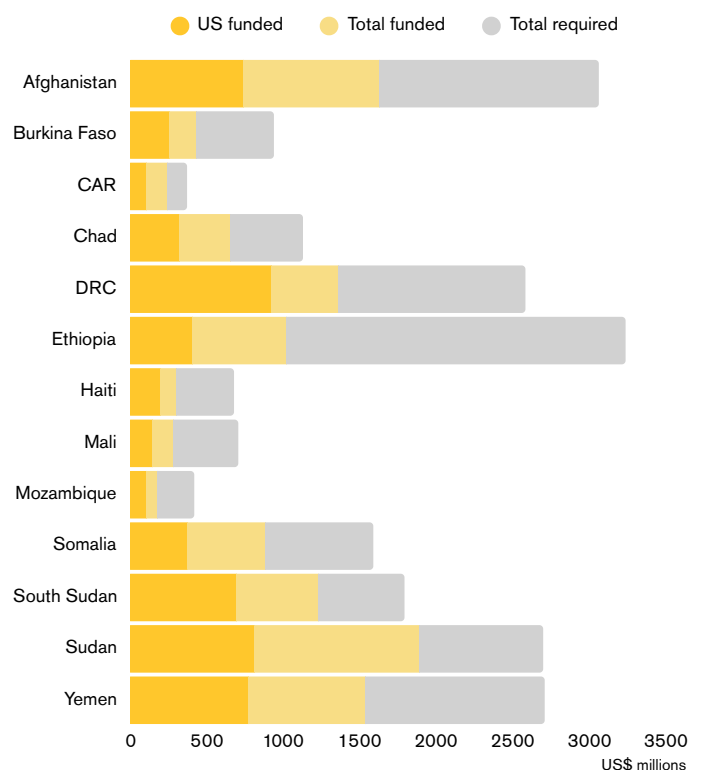
ACCELERATE COMMITMENTS TO **QUALITY HUMANITARIAN FUNDING**

Quality, flexible, multi-year funding, in line with **Grand Bargain** commitments, is needed more than ever because it allows partners to make the most efficient use of available financing, adapting interventions to changing needs and deploying emergency responses, even when new money is not available. IRC's comparative analysis of short- and long-term cash transfer programmes in Somalia finds that lengthening the life cycle of grants from less than a year to multi-year could deliver **44% efficiency gains**.

Ensuring funding is accessible to local responders is an important element of quality funding as highlighted in OCHA's **humanitarian reset**, initiated in response to aid cuts. The Reset calls for local and national partners to have priority access to pooled funds alongside recommendations to remove the minimum grant thresholds for pooled funds, which is often prohibitively high for local responders, including women's rights and women-led organisations, to absorb.

In the absence of direct access to funding, many local partners rely on intermediaries, including UN agencies and INGOs. As outlined above, bolder reform is needed to position local actors at the centre of response. In the immediate term, it is also vital that sub-granted funding is passed on with the same level of flexibility and duration as it was received.

Figure 2: 2024 Humanitarian Response Plan funding in the HARDEST HIT countries



HONOUR **WORLD BANK PLEDGES** AND EXPAND HUMANITARIAN **PARTNERSHIPS** IN HARDEST HIT CRISIS COUNTRIES

The World Bank's **mission** of ending extreme poverty on a livable planet hinges on its ability to continue delivery in countries where extreme poverty is increasingly concentrated.

World Bank funding, including International Development Association (IDA) financing, is a vital source of aid for conflict and climate vulnerable countries. For example 30% of all aid received by Ethiopia comes from IDA.¹⁶ In the constrained ODA environment, these funds are now critical. IDA helps donors to maximise aid's value-for-money potential - with each US dollar leveraging approximately \$3.5 for recipient countries thanks to IDA's hybrid financing **model**. IDA is already designed to prioritise grant funding to countries in debt distress and at high or moderate risk of debt distress (including a number of conflict-affected countries). Ambitious donor contributions are required to compensate for high interest rates and massive debt burdens in many IDA client countries, to **sustain IDA's ability to leverage additional resources**, and maintain significant grant funding. It is therefore vital that donors protect, maintain and where possible **increase** their commitments to IDA and advocate for others to do the same. This will help safeguard IDA's financing model and ability to leverage shrinking aid.

To ensure finance reaches communities in the hardest hit countries, the World Bank and its shareholders should accelerate commitments to

partnerships with humanitarian and civil society organisations. As outlined above, humanitarians have a proven ability to sustain service delivery in the hardest contexts.

Humanitarian partnerships can also help the Bank remain engaged in the growing number of **"de facto" authority settings** and support long term public system strengthening in sectors such as **education and social protection**.¹⁷ In a longer term protracted crisis setting in west lrbid in Jordan, the IRC-EBRD **advisory model** pilot has generated proof of concept demonstrating that humanitarian technical assistance can mitigate investment risks and enhance the inclusion and impact on the community of a large scale wastewater infrastructure investment.¹⁸

APPLY AND SCALE **FINANCING INNOVATIONS** IN PROTRACTED CRISIS SETTINGS

The funding crisis triggered by global aid cuts demands innovative solutions. The share of ODA to fragile and conflict-affected states fell from a little over a third in 2019 to 22% in 2023,¹⁹ while humanitarian finance was less than 15% of ODA in 2023. While **innovative financing** solutions alone are not sufficient to fill increasingly high funding gaps, they are needed now more than ever to bring new sources of finance, investment, and funding to the aid system. Bringing financing innovations to scale, where viable, can drive efficiency and speed in response through early action, and free up more limited public grant funding to be directed to the most difficult conflict-affected contexts where high risks can limit private investment.

% OF **GLOBAL EXTREME POVERTY CONCENTRATED** IN THE 13 HARDEST HIT COUNTRIES



% OF **DAC ODA ALLOCATED** TO THE 13 HARDEST HIT COUNTRIES



Figure 3: The 13 HARDEST HIT countries host over a quarter of the world's extreme poor but only receive 9% of total DAC ODA

➤ **PRE-ARRANGED FINANCE:** Disaster risk financing (DRF), such as **parametric insurance**, can play a role in making pre-arranged finance available to prepare and respond to climate hazards. By linking risk information to financial models, funding can be **predictably and quickly channelled** to the people and places that are most vulnerable to disaster impacts. While pre-arranged finance coverage has grown substantially, the most vulnerable countries are lagging behind, with only **3.1%** reaching low income countries between 2018 and 2022. Innovative pilots by NGOs can contribute to increased protection of the most vulnerable populations in these countries.



22 May 2023 – Sigadhene IDP camp, East Imi District, Ethiopia. An IDP woman counts cash she received as part of the cash assistance program. Photo: Maheder Haileselassie for the IRC

➤ **HARNESS AI AND DISASTER RISK FINANCING:** In 2022, prolonged periods of drought in East Africa are estimated to have caused 2.7 million children to drop out of school in Ethiopia, Kenya, and Somalia. In northern Kenya, the IRC is implementing a **Climate Resilient Education Systems Trial (CREST)** that harnesses AI-enabled predictive technology, and disaster risk finance to ensure children are protected when droughts, extreme heat and floods result in schools closure. Partnering with Africa Risk Capacity (ARC) - a hybrid mutual insurer - the project uses a parametric climate insurance trigger to release insurance based funding when a pre-arranged threshold (i.e. levels of rainfall) is reached. With this money, the IRC is able to launch a response combining cash and voucher assistance, remote child protection and education to ensure children

are safe and learning during school closures. This helps to prevent families resorting to negative coping mechanisms such as child labour.

➤ **LEVERAGE DEBT SWAPS:** A debt swap is when a country's government decides to refinance its outstanding sovereign debt that is trading at a discount on capital markets. Using a new loan obligation sourced from investors, with the support of a **public development bank guarantee**, and by committing a portion to fund social or environmental outcomes, a country can refinance at a lower interest rate and receive both net debt relief and, from the savings proceeds, unlock new grant funding for humanitarian, development, and/or environmental outcomes. Using the savings from sovereign debt swaps, over **\$1.7 billion** in new grant funding has already been created to promote nature conservation in 7 countries. With a growing number of refugee hosting countries experiencing both high sovereign debt levels and climate and conflict crisis vulnerability, **the IRC is promoting the use of humanitarian debt swap** to address the needs of communities in protracted crisis settings and generate significant new sources of grant based humanitarian funding.

RECOMMENDATION

UNLOCK SMARTER FINANCING

With reduced ODA, donors should ensure that aid is spent in ways that bring the greatest possible benefits to those impacted by crises. Grant based aid that avoids adding to debt burdens should be safeguarded for the most vulnerable contexts, aid quality should be prioritised through flexible and multi-year funding and expanded partnerships to ensure those that need aid most are able to receive it. Donors should also explore all options, including innovative financing, to bring more money into the aid system and enable the longer term protection of grant based funding for countries that need it most.

CONCLUSION

The new era of aid will bring difficult decisions. Drastically reduced aid funding means many communities around the world will go without critical assistance. However, this new moment also offers an opportunity to better prioritise where aid goes and advance innovations to mitigate the worst impacts of the cuts, ensure aid continues to reach those that need it most, and support and preserve basic services to underpin future development.

By adopting the recommendations outlined here - targeting aid where it's most needed, investing in what we know works, empowering local responders, and implementing smarter financing strategies - we can ensure that reduced resources still achieve maximum impact. Through collective action, we can prevent this new era of aid from becoming an era of unprecedented suffering, instead forging a path toward sustainable relief and long-term resilience.

Notes

1. Preliminary 2024 ODA data show that DAC member countries' in-donor refugee costs amounted to \$27.8 billion, representing 13.1% of their total ODA. While donors are allowed to spend ODA for hosting and supporting refugees domestically – within specific criteria – this does not make it the best use of extremely stretched ODA resources. Scarce aid should instead be targeted to countries with the highest needs.
2. “occupied Palestinian territory” (oPt) is the designation for Gaza and West Bank together used by UNOCHA. oPt is unable to meet all five indices of vulnerability. It cannot be defined as an LDC because the UN classifies LDCs based on sovereign country status, and it is not debt distressed because it cannot access international capital markets or issue sovereign bonds.
3. No IPC food insecurity assessments have been conducted for Burkina Faso, Ethiopia and Mali. Hunger across these contexts is widespread, yet not every context permits IPC food insecurity analysis to be conducted.
4. The remaining five countries have no IPC malnutrition assessment.
5. In order from lowest immunisation rate to highest: CAR, Yemen, Somalia, Sudan, Afghanistan, Ethiopia, Chad, DRC, Haiti, and Mozambique.
6. Based on private IRC analysis - please reach out for further details.
7. IRC calculation based on the OECD CRS database for ODA from DAC countries to developing countries, 2023.
8. Based on private IRC analysis - please reach out for further details.
9. Afghanistan, Yemen, Ethiopia, DRC, Syria, Sudan, Nigeria, Somalia, Burkina Faso and Myanmar are home to 13 million children who are missing out on life saving vaccines due to conflict and its effects.
10. 1 million children received DPT3 doses.
11. Learner, M., & Cho, Rev. E. (2024, February 5). Hunger hotspots: 45 million children with acute malnutrition. Bread for the World. <https://www.bread.org/article/hunger-hotspots-45-million-children-with-acute-malnutrition/>
12. (HG), B. H. G. (2022, November 21). Selection criteria for determining acute malnutrition. Humanitarian Global. <https://humanitarianglobal.com/selection-criteria-for-determining-acute-malnutrition/>

13. Bailey, Jeanette et al. "A simplified, combined protocol versus standard treatment for acute malnutrition in children 6-59 months (ComPAS trial): A cluster-randomised controlled non-inferiority trial in Kenya and South Sudan." PLoS medicine vol. 17,7 e1003192. 9 Jul. 2020, [doi:10.1371/journal.pmed.1003192](https://doi.org/10.1371/journal.pmed.1003192)
14. UNICEF/Global Nutrition Cluster updates, March-April 2025.
15. For example, the presence of a UN Flash Appeal
16. OECD, Creditor Reporting System. IDA provided 30% of ODA to Ethiopia from all official donors in 2023.
17. The "Building Resilient Community in Somalia" (BRCiS) consortium, led by the Norwegian Refugee Council and with IRC as a partner, has been supported by the World Bank. The Consortium piloted a scalable social safety net that provided chronically vulnerable households with regular monthly cash transfers for two years, with additional top-ups during emergencies. BRCiS aims to build the resilience of households with a focus on those that are most vulnerable and marginalised. This means that investments are made from a multi-sectoral perspective to generate systemic change and transformational resilience gains.
18. Following the pilot's success, the advisory model is being replicated in other countries in the MENA region as well as in Sub Saharan Africa with IRC humanitarians advising investors on how to enhance social impact and mitigate risks in their investments.
19. ODA gross disbursements, current prices from DAC countries and EU institutions.



March 24, 2024 - Gedaref, Sudan. Senior Midwife Zakia Yaqoup (43), stands with Midwife Fatima in front of the IRC's antenatal care and family planning section within the camp clinic. Photo: Noory Taha for the IRC.

ANNEX 1

PRIORITISING METHODOLOGY

The IRC used a multi-stage process of quantitative analysis to identify the countries at greatest risk from the aid cuts. We started with the 61 States of Fragility in addition to three countries not identified in this analysis that do have a Humanitarian Response Plan - **64 countries** in total.

Step 1: USG aid cuts flagging exercise

- We conducted an initial analysis of the 64 countries that receive both US humanitarian and development aid and applied filters to assess their vulnerability to USG aid cuts. We then assigned impact severity scores to each country. The filters were:
 - 1. Reliance on USG funding for a country's Humanitarian Response Plan in 2024
 - 1 point for less than 0.5 standard deviations above global average
 - 2 points for 0.5-1 standard deviations above average
 - 3 points for more than 1 standard deviations above average
 - 2. Whether the country was flagged by the Center for Global Development in its analysis of countries that were both a) highly dependent on ODA as % of budget and (b) had high % of USG money within that ODA
 - 2 points for any country flagged by CGD
- Countries that returned a non-zero number were identified as most impacted by US aid cuts. This produced **Circle A** (see below).

Step 2: Characterisation exercise

- To understand how fragile states fare across several indicators, we collected data on multiple characteristics for the 64 countries. This includes:
 - Humanitarian Response Plan - Yes/No
 - OECD States of Fragility - extreme fragility/high fragility
 - Risk of debt distress - high/medium/low/none/at debt distress
 - IRC Emergency Watchlist 2025 - Top 10/Bottom 10/Not on Watchlist
 - Least Developed Country - Yes/No
 - World Bank FY25 fragile and conflict affected states -- conflict-affected/-institutional and social fragility/Not applicable
 - Reliance on grant-based ODA, identified by whether a country received 50% or less or 90% or more of their ODA in grant form - Less than 50% grant share /Less than 90% grant share/90%+ grant share
- Using this initial list of characteristics we tested countries against various combinations before settling on our final set of indicators:
 - Whether the country has an active HRP - as an indicator of humanitarian needs in a country (**Circle B**)
 - Whether the country receives over 90% of its ODA in the form of grants - as an indicator of dependency on foreign aid, particularly the most lifesaving and basic type of aid that does not increase countries' debt burdens (**Circle C**)
 - The country is a Least Developed Country and is at risk of, or in, debt distress - as an indicator of the country's own ability to pay for basic services without foreign aid (**Circle D**)

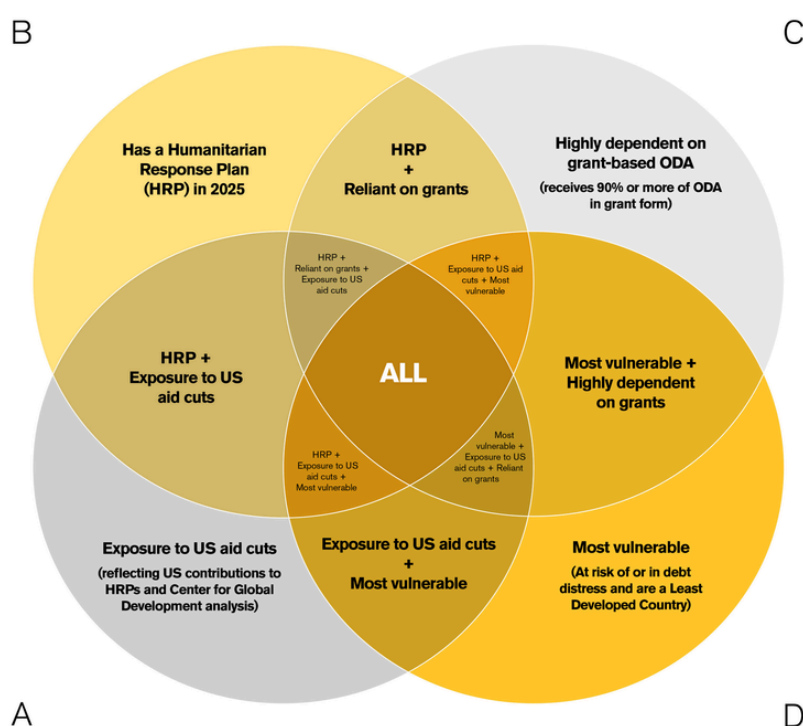
Step 3: Shortlisting

- Combining Circles A-D produced an initial longlist of 54 countries that fit within at least one of the circles and therefore at least one of the risk indicators.
- We then tested this initial list of 54 countries for **indicator E: conflict and climate vulnerability**, as a measure of risk vulnerability.
 - Climate vulnerable: Whether the country is in the bottom 20% of the ND-Gain Index
 - Conflict-affected: Whether the country is identified in the FY25 World Bank conflict-affected list
- If a country satisfied at least one of the initial four indicators and is also either conflict-affected or climate vulnerable, or both, it was identified as a **highly impacted country**. This produced a shortlist of 21 countries:
 - Afghanistan, Burkina Faso, Central African Republic (CAR), Chad, the Democratic Republic of Congo (DRC), Ethiopia, Haiti, Mali, Mozambique, Somalia, South Sudan, Sudan, and Yemen. Cameroon, Lebanon, Myanmar, Niger, Nigeria, occupied Palestinian territory, Syria, Ukraine
- Within the list of 21 countries, if a country satisfies all 4 of the indicators and is also either conflict-affected or climate vulnerable, or both, it was identified as a **hardest hit crisis context**. This produces a shortlist of 13 countries at the very center of the venn diagram on Page 3:
 - Afghanistan, Burkina Faso, Central African Republic (CAR), Chad, the Democratic Republic of Congo (DRC), Ethiopia, Haiti, Mali, Mozambique, Somalia, South Sudan, Sudan, and Yemen

Limitations

This methodology has limitations.

- This is a rapidly changing context, therefore, how significantly a country is impacted by USAID cuts is likely changing in real time. Our assessment is based on the latest available data as of the end of March 2025.
- Not all indicators accurately portray the level of vulnerability for every country.
 - HRP**: Syria and oPt do not have a Humanitarian Response Plan. However, this does not mean that there is not a high level of humanitarian need. Both countries have a Flash Appeal for 2025
 - Least Developed Country and debt distress**: oPt cannot be defined as an LDC because the UN classifies LDCs based on sovereign country status, and it is not debt distressed because as a non-sovereign it cannot access international capital markets or issue sovereign bonds.





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COVER PAGE

BENTIU, SOUTH SUDAN - NOVEMBER 28: Women walk along a dyke protecting Internally Displaced Persons (IDPs), and their host community, from further flooding on November 28, 2023 in Bentiu, South Sudan. Climate change has divided South Sudan into land that is experiencing unprecedented flooding or drought, with record flooding creating widespread displacement, the destruction of livelihoods and the loss of arable land which all contribute to rising hunger and cases of malnutrition. The ongoing war in Sudan has caused displacement of over 3.3 million people, some redirected refugees travelling back to South Sudan. Photo by Luke Dray.