The Black Hole of Humanitarian Innovation

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Abstract

Humanitarian innovation has rapidly emerged to become central to discussions about the future of humanitarianism. Innovation practices are framed as a means by which the humanitarian community can identify the paradigm shift that it needs to survive in a rapidly changing world. However, this framing is based on a misunderstanding of economic theories of innovation and particularly of the nature of humanitarian economics. The lack of both a true market and a profit mechanism in the humanitarian industry means that innovations can be generated but will never be sustained. Unless this obstacle is addressed – perhaps through emerging networked approaches to economic activity – humanitarian innovation will continue to be a dead end.

Keywords: innovation, technology, economics

Humanitarian innovation emerged as a recognised field with the launch of a research programme by ALNAP in 2008; it was clear at the time that the sector was ready for the systematic approach to innovation proposed by the final review (Ramalingam *et al.*, 2009). Ben Ramalingam has said that ‘none of us in the team have ever had a recommendation become such a tangible reality in so short a time’ (ODI, 2010), including, most tangibly, the creation of Elrha’s Humanitarian Innovation Fund in October 2010. Innovation funds, innovation labs and innovation studies subsequently proliferated, and by 2016 innovation had become important enough to be adopted as one of the central themes of the World Humanitarian Summit.

The ALNAP research specifically framed innovation as a response to external threats, stating that ‘[i]f established aid organisations fail to prioritise innovations, they are in danger of losing popular support and being overtaken by new types of relief organisations’ (Ramalingam *et al.*, 2009: 2). Innovation offered a way forward, if not a way out, for a humanitarian community that has perennially felt on the verge of becoming shipwrecked;¹ and an unfamiliar tide of ‘optimism, bordering on technological determinism’ (Garman, 2015: 440) has lifted up that community for a decade. Yet aid organisations now feel even more under threat than when this innovation turn began (Scott-Smith, 2016), and this sense of threat is intensified by ‘an increasingly vocal expectation that “now is the time to deliver”’ (Sandvik, 2017: 1) when it comes to innovation.

For those humanitarian professionals who engage in innovation because they want to transform the way in which the aid industry works, this presents a challenge. Most such professionals recognise that it is unreasonable to expect ‘innovation’ alone to fix long-standing problems within the humanitarian sector, and equally unreasonable not to expect it to create new problems; but the expectations of the entire sector sometimes seem to bear down on each new innovation lab. To some extent, this is a problem that we have created for ourselves; the same tide of optimism that previously lifted us up is now receding, and we risk being beached.

The limitations of innovation are now clear. Innovation ‘looked at as a process, appears suspiciously like the reforms of yesteryear’ (Sandvik, 2014: 27), potentially exposes vulnerable communities to new types of risk, and risks marginalising local aid workers and disaster-affected communities (Bloom and Betts, 2013; Jacobsen, 2015; Ong and Combinido, 2018). In addition, because much humanitarian innovation merely repurposes commercial innovation for humanitarian use (Carbonnier, 2015), when humanitarian actors incorporate these technologies into their work they also incorporate the values embedded in them. In the specific case of information technologies, this creates ‘a political economy in which technocratic solutions and quantitative data are more highly valued than other approaches or knowledges’ (Read *et al.*, 2016: 7).

At a meta level the ethos of humanitarianism innovation itself is suspect. The start-up mantra of ‘move fast

and break things' (the original motto of Facebook) is the opposite of what we want to achieve, since breaking things is how humanitarian crises are created, not how they are resolved – and the ethics behind such a motto are questionable (Sandvik *et al.*, 2017). Yet there is a more fundamental problem with the basic model of humanitarian innovation: a fatal flaw which has hobbled it from the beginning and will continue to hobble it in future.

Innovations are often presented as 'game-changing', but most innovations do not change the rules of the game; they only give a competitive advantage within the existing rules, which are shaped over long periods of time and are very rarely overturned by a single discovery. Innovations which do change the rules of the game – such as double-entry bookkeeping or the printing press – are invisible to most of us precisely because they form part of the rules that we play by now (Eisenstein, 2005; Soll, 2014). The paradigm shifted before our time, and we recognise it only with hindsight. Such paradigm innovation is however part of the 4Ps model developed by John Bessant and Joe Tidd (Tidd *et al.*, 2005) and adopted by Elrha's Humanitarian Innovation Fund to categorise different types of innovation:

- Product (the products or services which an organisation offers);
- Process (the ways in which products and services are created or delivered);
- Position (the context in which the products or services are framed and communicated);
- Paradigm (the underlying mental models which shape what the organisation does).

When I sat on the Grants Advisory Panel of Elrha's Humanitarian Innovation Fund, the majority of the grants were for Product and Process, rather than Position and Paradigm, innovations (Lawday *et al.*, 2017). Paradigm innovation is extremely hard to come by and extremely hard to see, partly because it takes place over an extended period of time. Indeed, it is an open question whether it is even possible to intentionally design paradigm innovations; certainly, neither Luca di Pacioli nor Johannes Gutenberg could have imagined the impact that their work would have.

This is not a problem until a situation arises which presents an existential threat and a paradigm shift is required purely for survival, which was of course the rationale that the original ALNAP study gave for innovation. This rationale draws on the idea of creative destruction, the phrase coined by Joseph Schumpeter to describe how the 'fundamental impulse that sets and keeps the capitalist engine in motion comes from the new consumers' goods, the new methods of production or transportation, the new markets, the new forms of industrial organization that capitalist enterprise creates

... [that] incessantly revolutionizes the economic structure *from within*, incessantly destroying the old one, incessantly creating a new one' (Schumpeter, 2003: 83).

This process does not appear to apply to the humanitarian industry. New goods, methods and organisational forms can be seen (particularly those enabled by networked technologies), but after ten years of the drive to promote humanitarian innovation very few seem to be able to gain significant traction. This is true even for cash distributions, which is one innovation that has been explicitly hailed as a paradigm innovation, and which has subsequently received more political support than any other innovation, particularly with the High Level Panel on Humanitarian Cash Transfers convened by DFID. Most of the effort in the sector has gone towards building an innovation ecosystem (Ramalingam *et al.*, 2015) that can support improved innovation processes (Obrecht and Warner, 2016) – not in itself a worthless task but one which fails to address the most critical barrier to both the generation and adoption of innovation.

In the Marxian analysis that follows from Schumpeter, innovation 'is adopted only from the perspective of the rate of profit its investment will offer by the lowering of production costs' (Deleuze and Guattari, 1972: 253). The implication that private companies are the primary vehicles for innovation has been challenged by Mazzucato, who shows that the state has been a key actor not just by indirectly enabling innovation (through creating and regulating markets) but by directly investing in it, and that the state should therefore receive a share of the profits from that innovation so that the innovation cycle can be sustained (Mazzucato, 2013).

This analysis assumes that there is a market through which both state and private actors can profit, but it has been pointed out that 'the aid system is at best a quasi-market' (Harford *et al.*, 2004: 3). The problem most frequently identified as arising from the lack of a true market is that '[d]emand is driven by donors and policies more than customer or end-user preferences' (Nielsen and Santos, 2013: 5) – that is, the consumer feedback mechanism of the market is missing, creating a classic principal-agent problem. This is true, but the far deeper and more intractable problem is the absence of any mechanism for generating financial returns, both as an incentive for and an investment in innovation.²

The end goal of humanitarian innovation should be positive impact on the lives and livelihoods of people affected by crisis, but while '[t]he presence of social returns to knowledge investments both through positive externalities and public goods generates an economic rationale for public support for such investments' (Frontier Economics, 2014: 10), such an economic rationale does not exist for investment in innovation in the aid industry, where social returns are delivered

primarily overseas. Analysts have noted that '[i]n the absence of the profit motive it is essential to provide other incentives for individuals and organisations' (Mulgan and Albury, 2003: 2), and it has been suggested that institutional donors are attempting to create incentives by using concepts such as Value for Money to become 'customers of impact' (Gray and Hoffman, 2015: 16). Such attempts to simulate a market using impact as a proxy for profit fail to create a mechanism for generating financial returns, however, and so do not address the underlying problem.³

The need to solve humanitarian problems will continue to spark humanitarian innovation, but without this financial engine such innovations will never take full flight. There will be success stories, but they will seldom if ever reach significant scale; large organisations may be able to mandate the adoption of particular innovations internally but lack any mandate to ensure their adoption across organisational boundaries. Institutional donors do not and should not have the authority to command implementing organisations to adopt specific innovations, since they themselves lack any mechanism to decide which innovations should be adopted; and the capacity of implementing organisations to innovate will continue to be limited by the fact that they have no metric to determine the allocation of resources to those innovations.

Humanitarian innovation as currently structured is therefore fundamentally unsustainable. Even when innovation emerges from the humanitarian sector, there is no mechanism available to generate or capture the profit created by that innovation. Increasingly we see individuals or small groups coming from within the sector take the 'free innovation' route of commercialising their innovations themselves (von Hippel, 2017), which once again leaves the sector no way to participate in that commercialisation.⁴ I have argued elsewhere that a paradigm shift is underway in the humanitarian system, driven by networked technologies which generate pressure for structural changes (Currión, 2018); these technologies have also created an environment in which innovation 'is an emergent property of networks of individuals and organizations' (Benkler, 2017: 8), which is likely to be a more productive approach for humanitarian actors, although not necessarily more profitable.

This is a deeply pessimistic picture: humanitarian innovation as a black hole that provides no information to guide our decisions or sustain our funding. Certainly, we need to improve the ecosystem for innovation; certainly, we need to increase the funding for innovation; and, certainly, we need a more ethical approach to innovation. All of these can and should be addressed without misguided and futile attempts to turn the aid industry into a true market. However, at some point we

will have enough labs, enough grants and enough partnerships, but still we will not see any sustained returns; and unless we innovate a new financial model, then humanitarian innovation will be on life support from institutional donors indefinitely.

Notes

- 1 In his history of humanitarianism Christopher Barnett (2013) pointed to 'a growing list of essays and books by in-house critics and veteran aid workers' on this topic; that list has only grown since Barnett's publication, up to and including this article.
- 2 Increased funding for humanitarian innovation should be encouraged – in 2013 OECD DAC members only invested the equivalent of 0.27% of their total humanitarian funding in innovation (Gray and Hoffman, 2015) – but such funding should not be referred to as investment, because it does not generate any returns.
- 3 The model of the market 'is often referred to ... in discussions of the humanitarian system ... It is a powerful metaphor, not least because many people in leadership positions subscribe to it' (Knox-Clarke, 2017: 28). It is extremely problematic, but regardless of what metaphor we apply to the sector, and regardless of the problems with that metaphor, it is a simple fact that innovation still has to be paid for somehow.
- 4 One solution is that humanitarian organisations could enter the market by spinning off social enterprises by which they generate returns through equity or licensing agreements, similar to the approach now taken by universities (Pattnaik and Pandey, 2014), although there are ethical and practical obstacles to this.

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