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## Humanitarian economics

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WIDER Working Paper 2018/54

## **Humanitarian economics**

Gilles Carbonnier\*

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**Abstract:** This paper introduces the origins and scope of humanitarian economics, a vibrant field of study and practice that deals with the economics and political economy of war, disaster, and humanitarian action. To illustrate the field's scientific and policy relevance, the paper draws on various examples and highlights the potential of humanitarian economics to better understand and address some of today's thorniest humanitarian challenges. Finally, the paper calls for novel interdisciplinary, cross-sector collaborations to push a pressing research agenda forward.

**Keywords:** Humanitarianism, war economics, disaster economics, political economy of aid

**JEL classification:** F35, F50, H56, H84, Q54

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## 1 Introduction

Since the end of the Cold War, the volume of international humanitarian assistance has increased, from US\$1.2 billion in 1990 to US\$27.3 billion in 2015. Donor states account for about three quarters of the total, meaning that official humanitarian assistance now accounts for more than 10 per cent of total official development assistance (ODA). The number and variety of donors has multiplied: the Gulf States and Turkey have emerged as major players, while more than a quarter of total funding accrues from non-governmental sources (individuals, foundations, corporations, etc.). The number and variety of aid providers has sharply risen as well: in addition to the long-standing United Nations (UN) agencies, international non-governmental organizations, and the International Red Cross and Red Crescent Movement, we see more and more military, commercial, quasi-state, and local actors becoming involved in complex global relief supply chains.

As the same time, humanitarianism is in crisis. First, the number and intensity of grave violations of international humanitarian law (IHL) is on the rise, as sadly illustrated by indiscriminate attacks against civilians and the targeting of medical personnel and facilities in Afghanistan, Iraq, Syria, and Yemen. Despite the military involvement of most permanent members of the UN Security Council in these armed conflicts, war crimes go unpunished. Second, in the midst of war, humanitarian organizations have a very hard time securing access and a continued field presence where it matters most, leaving millions of people largely unassisted and unprotected. Third, aid often becomes yet another resource fuelling war economies. Worse, humanitarian workers have become a valuable ‘resource’ in a vibrant kidnap-and-ransom market.

Against this backdrop, humanitarian organizations have shown renewed interest in strengthening their negotiating capabilities to obtain improved field access, stronger security guarantees, and greater IHL compliance from warring parties. Training manuals implicitly draw on a rational choice framework. More than legal and normative considerations, the manuals emphasize costs and benefits, interests, and leverage points. Critical factors to consider when analysing the behaviour and decisions of armed groups comprise: the extent of territorial control; the nature and type of conflict finance; access to valuable resources and trading routes; and mobilization and opportunity costs. They also encompass economic agendas in war, where the boundaries between organized political and criminal groups are increasingly blurred.<sup>1</sup> These factors in turn provide a wealth of insights not only into the functions of—and rationale for—violence, but also into potential incentives, levers, and entry points for humanitarian negotiations.

In this context, humanitarian economics, an emerging field of study and practice, has considerable potential both to help us better understand the complex social reality of crisis situations and to improve the effectiveness of humanitarian responses. By focusing on the economic dimensions and political-economy dynamics of such crises and responses, humanitarian economics contributes to a better understanding of how people try to survive and continue to make a living in war economies. It can also help to inform humanitarian negotiations and to shed new light on how best to address IHL violations. And as the sector becomes larger and more professionally managed, humanitarian economics highlights how best to build on the diverse motives and incentives that drive hundreds of thousands of humanitarian workers in their daily encounters with people affected by war and disaster.

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<sup>1</sup> In any case, victims of political or criminal violence do not see much difference in terms of humanitarian consequences and the ensuing needs for protection and assistance.

This paper discusses the origin and scope of humanitarian economics, highlighting the specificity, relevance, and future research agenda of this emerging field. The paper draws from—and expands on—the author’s recent book *Humanitarian Economics: War, Disaster and the Global Aid Market* (Carbonnier 2016). The book itself builds on the contributions of hundreds of researchers over the past 30 years, as well as on three decades of personal academic and humanitarian experience in the field. The next section looks at the origins of humanitarian economics, while Section 3 turns to the scope and specificity of the field, including data and ethics. Section 4 illustrates the scientific and policy relevance of humanitarian economics with selected examples. Section 5 outlines issues that rank highly on the research agenda.

## 2 Origins

Modern humanitarianism emerged in the second half of the 19th century in Western Europe. With the foundation of the Red Cross in 1863 and the adoption of the first Geneva Convention a year later, humanitarianism as a movement and an ideology emphasized human life and dignity in the midst of war. This coincided with the emergence of ‘modern’ or neoclassical economics as a discipline in its own right which emphasized methodological individualism, or the primacy of individual choice in the shaping of social reality. As Alfred Marshall (1920: 6) later put it, ‘[neoclassical] economics is a study of mankind in the ordinary business of life.’ Crisis situations were obviously not regarded as part of the ordinary business of life: with a handful exceptions (notably, Keynes 1919, 1940; Pigou 1921), armed conflict and disaster were largely neglected by economists until the end of 20th century.

In the aftermath of World War II, the neglect of armed conflict and disaster by development economics was particularly surprising. The so-called Cold War was rather hot in the developing world. Many poor countries experienced brutal armed conflicts and/or suffered from disasters induced by natural hazards, with dramatic humanitarian and developmental consequences. Despite their high toll on growth, health and nutritional status, education, sanitation, and the fulfilment of other basic needs, disaster and war were widely regarded as abnormal events lying outside the realm of economics, or as not amenable to proper economic analysis.

Since the mid-1990s, an increasing number of economists have turned to the study of war, terrorism, and disaster. As these issues had long been studied by other social scientists, Jack Hirshleifer—a pioneer in the economic analysis of civil war—described the interdisciplinary encounter as follows in his 1993 presidential address to the Western Economic Association International:

As we come to explore this continent [i.e. conflict], economists will encounter a number of native tribes—historians, sociologists, philosophers, etc.—who, in their various intellectually primitive ways, have preceded us in reconnoitring the dark side of human activity. Once we economists get involved, quite properly we’ll of course be brushing aside these a-theoretical aborigines. (Hirshleifer 1994: 3)

Hirshleifer dismissed the value of interdisciplinary collaboration with the humour that typically infuses economics’ imperialism. Since then, empirical research has shown that engaging such ‘aborigines’ is of the essence if economists want to avoid adding catastrophe to disaster. Indeed, in-depth cross-disciplinary engagement is much more than a fashion of the day: it is an epistemological necessity required to reconstruct the complex social reality that prevails in crises, which in turn is a prerequisite for effectively addressing the humanitarian consequences.

In the 1990s, the dominant explanatory framework for armed conflict disappeared with the end of East-West ideological and military rivalry. Scholars and reflective humanitarian workers sought to develop a new analytical framework to make sense of the brutal civil wars that kept raging in sub-Saharan Africa and elsewhere. The seminal book *Économies des guerres civiles* ('civil war economies'), edited by a medical doctor and a humanitarian practitioner (Jean and Rufin 1996), brought many empirical insights to the attention of scholars and humanitarian practitioners alike. The focus shifted to the generation and distribution of war costs and benefits, looking for example at rebel finances, the drugs trade, diaspora remittances, and the economic agendas pursued by warlords and transnational criminal organizations (e.g., Nafziger et al. 2000).

In sum, the economic profession (re)discovered that combatants can make a more than 'decent' living by looting, kidnapping, racketeering, exploiting, enslaving, and taxing (Carbonnier 1997). Today, economics applies to the whole spectrum, from the micro-determinants of rebellion and suicide bombing to the role of aid and natural resources in armed conflict or the study of vulnerability and coping mechanisms among affected communities. By examining issues such as protection rackets, informal taxation, aid diversion, the impact of economic sanctions, and the payment of ransoms, economic analysis has helped to uncover how humanitarian assistance risks becoming—inadvertently or otherwise—a resource that fuels conflict, and how to better deal with that risk. Such insights have led humanitarians to reconsider how best to negotiate with warring parties, how to effectively influence combatant behaviour toward greater compliance with IHL, and how best to assist people in crisis situations by considering them not just as passive victims or beneficiaries, but as rational decision makers with varying levels of agency who are seeking to survive and adapt under dire circumstances (Mancini-Griffoli and Picot 2004; McHugh and Bessler 2006).

Contributions on the economics of war, terrorism, and disaster in the developing world have expanded fast over the past two decades, enhancing the analytical and methodological tools available to study the causes and consequences of crises, including how their associated costs and benefits are generated and distributed over space and time. This belated awakening can be explained by the fact that, in the midst of armed conflict, politics tends to prevail over economic considerations. Such situations are further characterized by poor and unreliable data. Getting solid data during crises can be highly challenging and time-consuming. As practitioners are well aware, this is often an obstacle to rigorous needs assessment and impact evaluation. More recently, advances in epidemiology, development microeconomics, and applied microeconometrics (e.g., Banerjee and Duflo 2011) enable more frequent field experiments in emergencies with a view to generating robust evidence in support of informed decision-making. This translates into stronger impact evaluations to assess the effectiveness and efficiency of aid interventions in conflict and disaster situations.

Finally, as humanitarian practitioners have sought to ascertain the need for assistance in a more rigorous and impartial manner, they have (often unwittingly) drawn on development economics to develop more refined techniques for household economy approaches, livelihood and vulnerability analyses, or food and economic security studies. The recent shift from in-kind to cash-based assistance further requires aid organizations to be better equipped for in-depth market analysis. Conversely, economists carrying out field research in crisis situations have come to learn a great deal from daily encounters with conflict-affected communities and humanitarian workers, at times reconsidering prevailing axioms and paradigms. It is in this context that humanitarian economics has emerged as a vibrant field of study and practice, a field that deals with the economic dimensions and political-economy dynamics of war and disaster.

### 3 Humanitarian economics

Humanitarian economics can be defined as a field of study that deals with the economics and political economy of so-called humanitarian crises<sup>2</sup> and responses. It does not treat foreign aid as an exogenous reaction to adverse shocks. Instead, humanitarian economics considers aid as part and parcel of contemporary disaster and war economies. It draws on different subfields, notably development economics and war economics, and yet it presents a set of distinctive features. From a normative viewpoint, it is driven by a deep concern for humanitarian outcomes, which influences its research agenda and ethics.

#### 3.1 Scope

To a large extent, the scope of humanitarian economics mirrors the scope and remit of humanitarianism itself. There is no universal definition of ‘humanitarian’ or ‘humanitarianism’.<sup>3</sup> These are contested concepts whose meanings vary depending on time and location. The definitions that enjoy greatest consensus nowadays are self-referential and self-serving: they have been advanced by actors who define themselves as humanitarian and the major donors that shape the market. Critics and newcomers in the humanitarian marketplace question the universality of such definitions anchored in Western history, moral philosophy, and religious traditions.

That said, it is widely accepted that the ‘humanitarian’ project relates to two essential principles: humanity and impartiality. The stated objectives of aid organizations that abide by these principles are to prevent and alleviate human suffering, and to protect the life, health, and dignity of all human beings, with no discrimination based on race, gender, political inclination, or other identity markers. In other words, aid that relies on criteria other than solely the urgency and intensity of recipients’ needs—such as aid conditional on economic or political targets—is not impartial and thus does not qualify as humanitarian assistance. ‘Humanitarianism’, in turn, refers not only to an ethics, but also to a corpus of doctrines and a global movement embedded in an ideology born from the philosophy of the Enlightenment and the evangelical revival of the 18th century. Nowadays, humanitarianism refers to a growing global humanitarian industry whose turnover keeps increasing at a fast pace.

As humanitarian assistance came to account for a significant share of total ODA, in 2007 the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development created a specific ‘humanitarian aid’ category for reporting purposes and adopted the following definition:

[humanitarian assistance is] designed to save lives, alleviate suffering and maintain and protect human dignity during and in the aftermath of emergencies. To be classified as humanitarian, aid should be consistent with the humanitarian principles of humanity, impartiality, neutrality and independence. (OECD/DAC n.d.)

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<sup>2</sup> ‘Humanitarian crisis’ is a misnomer. Such crises are not caused by humanitarian factors in the first place, and there is often no humanitarian solution to the crisis. War and disaster are social constructs that result from human omissions and commissions.

<sup>3</sup> The term ‘humanitarian’ has gained so much traction as a buzzword that it has been increasingly used and abused, e.g., to qualify air strikes in Kosovo in 1999, or military interventions in Iraq and Libya in 2003 and 2011 respectively.

The DAC definition of humanitarian aid refers explicitly to conflict and ‘natural’ disasters. It includes disaster prevention and preparedness, as well as assistance to facilitate a return to normal lives and livelihoods after a shock. In practice, a ‘shock’ often results from a set of chronic events, rather than from a unique, quick-onset event. As such, the definition entails an overlap between the typical remits of humanitarian and development enterprises, whose divide has become increasingly blurred given that the vast majority of ongoing armed conflicts are protracted crises that last for more than a decade (Development Initiatives 2017). Mirroring this, the scope of humanitarian economics deals with the economics of conflict and disaster all the way from root causes and prevention to resolution and post-shock recovery.

The humanitarian marketplace, which involves the economics of giving and altruism, is another object of study (Kolm 2006). Market demand is expressed by private and official donors who pay for humanitarian goods and services, often in response to a call for funding by suppliers who calibrate their funding requests not only in relation to the expected needs of people likely to be affected by a crisis in the following year, but also according to their own operational ambitions and capabilities. Supply thus involves a whole range of actors, all the way from traditional aid agencies to private contractors. Analysing the humanitarian marketplace also requires looking at institutional design and the evolving architecture of the humanitarian ecosystem. The market remains dominated by an oligopoly of a dozen large donors and a dozen large aid agencies (HPG et al. 2016). Nearly of them are headquartered in Western countries, although the share of emerging donors from the Gulf and Asia is growing. Contributions from local responders go largely unrecorded.

To what extent can the humanitarian market boom between 1990 and 2012 be explained by an actual surge in needs for humanitarian assistance? If we analyse proxy indicators for such needs, including the number and intensity of armed conflicts, the number of disaster victims, and the homicide rate in non-conflict settings, the data tend to show that there was no such surge. Until 2012, at least, such proxy indicators for ‘needs’ were rather on the decline, hinting at the fact that the market boom was largely driven by a surge in donor demand for humanitarian assistance, in a global environment where humanitarian morality, discourse, and practice had become a central tenet of global governance. The boom also reflects the fact that aid has become a default response to rising concerns over global issues such migration, public health, and security. On a more positive note, the market boom also derives from the expanding variety and quality of humanitarian services. In addition to a traditional focus on communicable diseases, relief organizations have started to address chronic diseases in crises that hit middle-income countries (e.g., Iraq, Ukraine), or the specific needs of refugees such as unaccompanied children or victims of gender-based violence.

Beyond the relief market, the scope of humanitarian economics also includes the economic dimensions of disasters. We carefully avoid using the misnomer ‘natural disaster’. Throughout history and across religious traditions, disasters have been equated with the wrath of god(s)—or the ire of Mother Nature herself. Faith and mourning rituals have helped survivors to make sense of the destruction and to heal from the trauma. Yet, it is not by divine design or because of nature that the poor are significantly more exposed to disasters than the non-poor. The death toll caused by natural hazards of comparable nature and intensity tends to be systematically higher in poor countries than in rich ones, even after we control for demographic density, urbanization, and other such variables. Inequality plays a central role in explaining how natural hazards turn into deadly disasters for specific groups within and across countries (Adaman 2012). Moreover, over half the people affected by disasters between 2005 and 2009 were living in conflict-prone and fragile states (Kellett and Sparks 2012), indicating an interlinkage between war and disaster running through weak institutions. In other words, the extent to which natural hazards such as earthquakes, storms, droughts, and cyclones become disasters depends on human omission and commission (World

Bank and UN 2010), just as famine results from political and economic failures, rather than from a lack of food supply due solely to adverse climatic events (Sen 1981). Humanitarian economics considers disasters as endogenous to the development process and as deeply embedded in social transformations and political-economy interactions where institutions play a key role.

The field further encompasses war economies. A first war-economy dimension relates to the vulnerability and livelihood of affected communities, which depends to a large extent on survival activities deployed by people caught up in war. This can be said of poppy cultivation in rural Afghanistan, cattle-breeding or charcoal-trading in Somalia, small-scale artisanal mining in the eastern Democratic Republic of the Congo (DRC), access to aid and solidarity networks in refugee camps, or migration to safer places and the sending of remittances back home. A second dimension of interest focuses on economic activities geared towards financing the conflict, which often include criminal activities that tend to flourish under conditions of impunity instilled by widespread armed violence and insecurity. One can cite as examples the illicit commercialization of mineral resources from the eastern DRC, wildlife-poaching in several sub-Saharan countries, and the smuggling of oil and antiquities from Syria and Iraq, not to mention the kidnapping of journalists and aid workers for ransom. A third dimension of war economies worth investigating is the complex interactions with global financial and trade centres. For example, the dot-com bubble and ensuing crash of the Nasdaq composite index of high-tech firms in 2000 translated into a crash in coltan prices, which deprived the non-state armed group *Rassemblement congolais pour la démocratie* (RCD) of lucrative revenue sources. As a consequence, RCD requisitioned all revenues generated by public utilities and parastatals, including the water and electricity utilities. Within a month, the water board lacked the funds to purchase water purification chemicals, and power stations stopped functioning in major urban centres such as Kisangani. The question for humanitarian organizations then was whether it was their role to step in and provide the chemicals, together with the repair and maintenance services, to avert a cholera crisis, or whether their role should be restricted to insisting that the looting of public utilities not occur in the first place.

Humanitarian economics is further interested in terrorism economics insofar as acts of terrorism are perpetrated in armed conflict, whether by organizations designated terrorist or not. Relief organizations increasingly operate in contexts where part of the territory is under the control of groups and individuals designated ‘terrorist’ by the UN and major aid donors such as the United States (US) and European Union—for example, Afghanistan, Lebanon, Mali, Palestine, Somalia, and Syria. Economic sanctions against designated terrorist organizations can have dire humanitarian consequences for the populations under the control of those organizations, as well as serious criminogenic effects, since criminal networks tend to flourish by investing in the lucrative business of circumventing sanctions and other measures aimed at countering the financing of terrorism. In the absence of a universal definition of terrorism, the label is attached to very different types of people and organizations, and the distinction between war economics and terrorism economics is not clear-cut. The various UN conventions addressing terrorism nonetheless point to an emerging consensus around an operational definition of terrorism, which emphasizes indiscriminate attacks intended to spread fear or terrorize a population through public media in support of a political cause. Likewise, Todd Sandler (2011: 280) defines terrorism as ‘the premeditated use or threat of use of violence by individuals or subnational groups to obtain a political or social objective through the intimidation of a large audience, beyond that of the immediate victim’.

Beyond disaster and armed conflict, should the scope of humanitarian economics extend to other violent situations? The Geneva Declaration on Armed Violence and Development highlights that nine out of 10 violent deaths occur outside of armed conflict, adding that of the 20 countries that recorded the highest homicide rates between 2010 and 2012, only six were conflict-torn countries, the other 14 being at peace from the viewpoint of international law (Geneva Declaration n.d.).

Between 2010 and 2012, for example, the most violent country was neither Afghanistan nor Somalia, but Honduras. Yet, humanitarian organizations have not significantly invested in violent contexts outside of armed conflicts, save for a few pilot medical and psychosocial projects in violent suburbs in Latin America and Southern Africa. On that basis, one may restrict the scope of humanitarian economics to situations of violence where IHL does apply, i.e. armed conflict.

### 3.2 Specificity

To what extent does humanitarian economics present specific features, given that it frequently deals with enclave economies, forceful acquisition, informal taxation, protection rackets, or the effects of sudden and large inflows of foreign aid (which greatly impact on domestic prices for basic goods and services, foreign exchange, and other economic indicators)?

On the one hand, humanitarian economics serves as an umbrella for conducting empirical research that is relevant from a humanitarian perspective by drawing on contributions from conflict, terrorism, disaster, and development economics. It extends neoclassical economic analysis not only to the behaviour of combatants, but also to that of humanitarian workers themselves and of the people affected by disaster and violence, taking their agency seriously and looking at how refugees, internally displaced people, and local communities cope with and adapt to the crisis as it unfolds.

On the other hand, a few analytically distinctive features need to be developed to account for the complex social reality that rapidly evolves during crises. There are obvious epistemological tensions embedded in the nexus between economics and humanitarianism, and the study of the latter helps not only to enrich but also to challenge the former as a discipline. Indeed, economics evolves in a universe of opportunistic individuals whose teleological rationality rests on a range of assumptions that may not hold in situations of war, where emotions such as fear, hatred, and resentment often prevail. Cost-benefit analysis now routinely expands beyond solely material and financial variables and seeks to encompass a series of emotions such as pride, self-esteem, or guilt and shame, which act as psychological rewards and sanctions. It further considers political and military gains and losses, for example by factoring military necessity into the equation when considering IHL violations.

Yet, economic analysis all too often disregards the political and identity variables that frequently dictate the behaviour of key actors in war. This can be the case when resentment and longing for revenge are neglected in explanations of suicide terrorism that make the standard assumption of opportunistic, maximizing behaviour: explanations grounded in contract theory tend to disregard political grievances (Harrison 2006). Another example is how to take into account fear and the sense of belonging attached to clan loyalty when evaluating the impact of foreign aid that is geared towards winning ‘hearts and minds’, such as in US counterinsurgency campaigns in Iraq and Afghanistan. Randomized field experiments tend to neglect the identity factor, as if local community members were uncommitted spectators ready to align with whoever offered the most generous package (Kalyvas 2006). Such assumptions must be put to the test when they preside over empirical research on the pros and cons of linking the humanitarian agenda with the tasks of development and state-building.

As for humanitarian action, it arguably thrives on selfless, altruistic engagement, which raises the question of how to factor the role of altruism into a rational framework. Non-kin altruism arguably explains—at least partially—supererogatory acts performed by relief workers in exceptional circumstances. Consider, for instance, the medical personnel who brought succour to Ebola victims in the Mano River region in 2014 at the peril of their own lives, for very little remuneration, while facing the fear of contamination and potential resentment from both local communities and their own relatives at home. It is true that economic theory has long integrated issues of

cooperation and reciprocity in a game-theoretical framework, as well as the symbolic dimension of material transactions. It remains a challenge, however, to account for the diverse motives and behaviours of humanitarian workers. There is vast potential to integrate recent advances in behavioural economics in order to analyse the role of social norms and pre-established mental models in shaping the behaviour of different actors in specific war settings, alongside advances in understanding altruism from other disciplines (notably evolutionary biology and neurology, see Carbonnier 2015). As the humanitarian sector becomes professionalized, a consideration of such advances can shed light on how to avoid the development of bureaucratization at the expense of the altruistic impulse that arguably fuels the humanitarian imperative to act in the face of distant strangers' suffering. It can also enhance our understanding of how parties in a conflict adapt their behaviour—for instance, when it comes to granting access to relief organizations or refraining from killing prisoners—based on a mix of cost-benefit calculus and a concern for norms and social expectations. For instance, experiments could shed light on the effectiveness of including IHL limits in violent video games with a view to influencing the mental models of young people who may take up arms if and when a conflict erupts.

Driven by a concern for humanitarian outcomes, humanitarian economics seeks to bridge theory with practice while paying special attention to contextual variables including institutions, history, culture, and identity. It also recognizes the need to consider diverse knowledge ecologies, including non-Western, local ones. Is it reasonable to extend rational choice models to study societies where self-subsistence and barter trade prevail over monetized exchanges? This question resonates with a debate that raged within economic anthropology in the 1970s and 1980s between the proponents of formalist and substantivist economic models (e.g., Sahlin 1972; Schneider 1974). The formalist model applies standard economic theory to all cultures, including 'primitive societies' where self-subsistence and barter trade prevail over monetized exchanges. Against this assumption of the universal validity of neoclassical economics, substantivism argues that decision-making in non-Western, pre-industrial societies is based not so much on individual choice or market signals, but rather on moral values, and on social relations based on reciprocity and redistribution, further shaped by clientelism and fear (Hann and Hart 2011). The formalist-substantivist debate raises a set of questions that remain relevant for humanitarians seeking to support the livelihood (or enhance the 'resilience') of vulnerable communities, especially in countries such as South Sudan, the Central African Republic, or Afghanistan. Since the height of the debate in the 1980s, contributions from new institutional economics have permitted a shift in the focus on the role of institutions and a grasp of the limited access orders (North et al. 2009) and political hybridity that characterize war-torn polities.

Disciplinary boundaries tend to fragment the complex social reality that prevails in humanitarian crises. Reconstructing and understanding that reality in all its complexity requires strong interdisciplinary engagement. Humanitarian economics is thus firmly situated in the broader interdisciplinary field of humanitarian studies, which spans the origin and evolution of crises, their impact on affected individuals, institutions, and societies, and the responses that they trigger at local, national, and international levels. As such, it draws part of its strength from interdisciplinary dialogue and multidisciplinary research with political science, anthropology, sociology, life sciences, law, geography, history, and psychology.

### **3.3 Data and ethics**

The field of humanitarian economics has emerged in the context of a global trend for more evidence-based interventions in crises. The availability and quality of quantitative data can be particularly challenging in the specific circumstances of war and disaster, compounded by the frequent lack of baseline information and adequate counterfactuals. The increasing availability and precision of geospatial data and satellite imaging techniques, together with the 'big data' revolution

and better data sets on violent events and disasters, allow more creativity in the conduct of quantitative research, whereas this was simply not an option a few years ago. Relief agencies themselves generate an increasingly large pool of data through more systematic needs assessments as well as project monitoring and evaluation. The introduction of technological innovations, often in partnership with commercial firms, contributes to the generation of new pools of data. For example, electronic food vouchers dispensed to Syrian refugees through ATM cards allow the tracking of consumption patterns among millions of refugees over several years. Data on humanitarian funding and programming is also collected in a more systematic way. In other words, there are ever more opportunities for using economic techniques in the humanitarian field.

This raises complex ethical issues insofar as research conducted in war zones may harm the population under study if not carried out carefully. Such ethical dilemmas are nothing new in public health, but tend to be less routinized in economics, where there is no such thing as a Hippocratic oath ('do no harm'). Conducting research for the sole purpose of enhancing our understanding of war, terrorism, and disaster is welcome. Yet, when we are collecting data during civil war or in refugee hubs, the safety and protection of informants and local research partners must prevail over the often tight schedule for presenting our study outcomes. This should be reflected all the way from initial research design to the dissemination of findings and recommendations, through appropriate confidentiality guarantees and data protection.

The humanitarian principles of neutrality and 'do no harm' are relevant not only to aid workers, but also to scholars working in humanitarian settings. For example, much of the literature on civil-war economies presents an anti-rebel bias, in that it questions the economic agendas, greed, and criminal activities of non-state armed actors rather than those of the ruling elite, even in cases where state repression is responsible for more than 90 per cent of IHL violations, as has been the case in Guatemala (CEH 1999). Such bias risks reinforcing a tendency to dismiss rebels as mere criminals while possibly condoning repressive regimes that are prone to deny non-state armed actors any of the rights and protections they are entitled to as parties in a non-international armed conflict. A third concern is that information and communications technologies offer considerable scope for innovation in data collection, but also raise serious concerns regarding confidentiality, localization, and security, with the risk of that one or several warring parties might refuse access to humanitarian organizations out of the fear that they are intelligence-gathering for the enemy. A fourth issue that deserves further inquiry relates to the evaluation of techniques associated with calculating the costs of war, including lives lost and impaired. Establishing the standard value of a statistical life (e.g., Viscusi and Aldy 2003) for people bereft of solvent demand means that killing hundreds of community members in poorer countries is costed lower than the life of a single US or Nato soldier.

## **4 Some applications**

Humanitarian economics is directly relevant in many ways to address some of the toughest challenges faced by the humanitarian enterprise. Since ancient times, the fate of prisoners of war has ranked among the major concerns addressed by different normative frameworks. The age of chivalry in medieval Europe has been hailed as a time when the lot of the vanquished improved. Social scientists have highlighted the role of knightly values that glorified acts of mercy in war, with an emphasis on warriors' concern for their own reputations and for inner emotions of pride, guilt, and shame. Economists have emphasized cost-benefit analysis to understand variations in the treatment of war prisoners. Clear property rights granted to individual captors over their prisoners produced an incentive to spare them, or at least to spare those expected to be ransomed for a good price. A monarch with limited resources to pay for the war could grant soldiers-for-hire

the opportunity to ransom their prisoners in field battles, where it was easy to assign property rights over those taken prisoner. Under these circumstances,

[a soldier] acts rationally when he decides either to kill or to spare a defeated enemy. If he kills him he eliminates any risk of the defeated soldier striking back. The advantage of sparing a defeated enemy, on the other hand, is the monetary benefit of selling him at a price determined by the prisoner himself, his family, or whoever else is interested in his release. [...] The (net) value of a defeated enemy thus depends on a number of empirically observable factors influencing benefits and costs, given the particular form of property rights. (Frey and Buhofer 1988: 21)

During the Hundred Years War, Henry V departed from the prevailing normative system of chivalry, which favoured sparing the vanquished. The English king, victorious over the French at Agincourt in 1415, ordered the execution of all prisoners, including the flower of French nobility and chivalry (Meron 1999), with the exception of a few of the highest-ranking prisoners, whose ransom belonged to the king. The massacre was later explained, if not justified, on the grounds of necessity: the sheer number of French prisoners made it too costly to keep them alive in the event of another French assault. Guarding the prisoners to prevent them from taking up arms would have diverted English forces away from combat.<sup>4</sup>

The rise of nation-states, forced conscription, and new military technology altered incentives to take part in war. The adoption of the first Geneva Convention for the Amelioration of the Condition of the Wounded in Armies in the Field in 1864 coincided with the transfer of property rights over prisoners from individual soldiers to states. Aware of the budgetary constraints of paying for modern warfare, Henry Dunant, the founding father of the Red Cross and promoter of the convention, drew attention to the benefits of effective sanitary services for the wounded in his *A Memory of Solferino*, first published in 1862: ‘by reducing the number of cripples, a saving would be effected in the expenses of a Government which has to provide pensions for disabled soldiers’ (Dunant 1959: 122). Since then, however, millions of detainees have continued to suffer from massive, repeated violations of basic rules and principles of IHL. As Frey and Buhofer (1988) conclude in their paper on prisoners and property rights, it is far from easy to substitute moral or humanitarian principles and rules for material incentives. Considering costs and benefits can nonetheless help us to understand—and seek to influence—armed groups’ commanders in war. As examples in Afghanistan and elsewhere show, by securing the transfer of the vanquished away from the war zone, humanitarian actors can alter the captors’ cost-benefit calculus in favour of sparing the prisoners.

The pros and cons of using foreign aid as a counterinsurgency instrument also illustrate the relevance of humanitarian economics in the face of the acute challenges facing the humanitarian sector. This leads to a blurring of lines between humanitarian aid, state-building, and counterinsurgency that can dramatically erode the ‘humanitarian space’ in which impartial, neutral, and independent humanitarian organizations are able to operate. The causal pathways through which aid may reduce ‘terrorist’ attacks and support counterinsurgency largely remain

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<sup>4</sup> English knights refused to execute Henry V’s order to kill the prisoners. The king therefore had to order his archers to do the dirty work. The knights not only repudiated such an unchivalrous task, but also did not want to lose the benefit of later ransom by killing ‘their’ prisoners.

undertheorized and poorly understood. A few empirical studies support the argument that foreign aid can decrease terrorism,<sup>5</sup> while others remain inconclusive at best, or make opposite findings.

The US Army's 2006 counterinsurgency (COIN) field manual affirms that 'COIN programs for political, social, and economic well-being are essential to developing the local capacity that commands popular support' (US Army/Marine Corps 2007: 55). At an operational level, the US Commander's Emergency Response Programmes in Iraq and Afghanistan put billions of dollars at the disposal of US Army brigade commanders 'to respond with a nonlethal weapon to urgent, small-scale, humanitarian relief and reconstruction projects and services that immediately assist the indigenous population and that the local population or government can sustain' (Global Security 2010). The loyalty of local community members is thought to be up for grabs by one of the warring parties through the provision of superior goods and services, including security (Kalyvas 2008). Such assumptions do not hold in many of today's armed conflicts fought along sectarian and ethnic lines, where individual decisions to side with the government or the insurgents can hardly be dissociated from identity factors.

Interestingly, a set of quantitative and qualitative studies in Afghanistan reach diverging conclusions regarding the impact of such aid programmes on violence and stability. (Quasi-)natural experiments typically conceive foreign aid as a stake in a contest between the government and the insurgency: aid can improve the way the population perceives the state and provides an incentive to share strategic information or 'intelligence' with governmental and foreign allied forces. This in turn may lead to a decline in the number of attacks. Several findings tend to support the hypothesis that aid reduces violence by weakening the insurgents' popular base (e.g., Beath et al. 2012; Chou 2012). A few others, however, conclude that allocating aid to hearts-and-minds campaigns may lead the insurgents to intensify their attacks against the recipient communities with a view to severing the ties between them and the aid providers (Child 2014).

Based on interviews and focus group discussions with community members and representatives of relevant institutions, qualitative field research conducted over the same period in Afghanistan finds that the misuse and unfair allocation of aid leads recipient communities to mistrust the government and the aid enterprise. This is particularly destabilizing in highly contested areas, where there is greater pressure to spend money quickly (Fishtein and Wilder 2012). Hearts-and-minds projects may have brought short-term benefits at the tactical level in a few cases where enhanced intelligence-gathering had positive short-term effects in terms of security for international forces. Yet, there is little evidence that aid projects succeeded in winning populations away from insurgents, legitimizing the government, or reducing levels of violent conflict (Fishtein and Wilder 2012: 3). In sum, depending on which research findings they consider, the military may opt to increase or stop the use of aid to win hearts and minds. The question then is: which studies exert the greatest influence? Some quantitative studies have benefitted from funding or access to restricted information regarding the number and location of insurgency attacks and foreign-funded aid programmes.<sup>6</sup> The policymakers who granted funding or access to the researchers may obviously have a direct interest in their findings.

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<sup>5</sup> This is arguably the case when aid is allocated to specific sectors such as health, education, and conflict prevention (Young and Findley 2011).

<sup>6</sup> Chou (2012) benefited from access to the US Military's Combined Information Data Network Exchange database; in the case of Iraq, Berman et al. (2011) received a grant from the US Department of Defence and Department of Homeland Security, and they acknowledge critical support throughout the duration of the research project from the US Military Academy.

As humanitarian field workers are aware, using aid as a soft weapon in war puts the ‘beneficiaries’ in a lose-lose situation. Each warring party tends to ask civilians to cooperate with them and to refrain from cooperating with the enemy. If one party cannot fully provide for long-term security, this leaves civilians with little choice but to play both sides. Impact evaluations of aid as a foreign-policy instrument in stabilization and counterinsurgency campaigns typically equate aid effectiveness with short-term tactical gains in reducing the occurrence of violent events. Yet, if aid recipients believe that the provision of assistance and security will only be temporary, it is rational for them not to change alignment, insofar as aid organizations and foreign military troops are expected to leave soon and the insurgency to return. The deterioration of the security situation that followed the withdrawals of foreign military support from Afghanistan, Libya, and Iraq points to the fact that local communities may be better advised to play all sides. It would also be necessary to better understand how the preferences of civilians change with certain aid interventions, such as community-driven development programmes that introduce new institutional dynamics (Fearon et al. 2009).

Analysing such complex humanitarian issues calls for the combination of hypothetico-deductive approaches (typically favoured by economists interested in testing the validity of theory-based models) with inductive research methods grounded in the observation of field realities. More generally, the study of war, disaster, and humanitarian responses will gain from a deeper confrontation between different social inquiry approaches, combining positivist, interpretative, historical, and critical social research. To paraphrase Jack Hirshleifer quoted above, ‘cross-tribal collaborations’ can be enriching, all the way from collecting and questioning the validity of primary data, to challenging research findings, for instance, by confronting the outcomes of qualitative field research that relies heavily on perception surveys and discourse analysis with results from quantitative studies that are arguably based on ‘hard facts’.

## **5 Research agenda**

The scope and definition of humanitarianism deserve to be revisited. Scholarly work has long been biased towards humanitarianism’s European and Christian heritage. The definition and interpretation of ‘humanitarian’, the interpretation of fundamental humanitarian principles of humanity, impartiality, neutrality, and independence, and the definition of key concepts such as vulnerability and resilience remain contested. Exploring the evolving understandings of these concepts across geographies and temporalities provides an opportunity for research involving scholars and practitioners from both North and South. The growing ability and resolve of emerging economies and other middle-income countries to deal with humanitarian crises at home and abroad calls for more attention to humanitarian expressions within different religious and secular traditions. This will have a bearing on how we envisage the scope and remit of humanitarian economics.

Further research on the humanitarian sector itself can usefully shed light on instances where competition between relief organizations stimulates enhanced humanitarian outcomes, and others where it produces adverse effects. Fierce competition in the humanitarian marketplace can sometimes stimulate innovation. But it also weakens the sector’s position vis-à-vis warring parties, donors, and other key stakeholders, who can easily play one organization against another and instrumentalize humanitarian aid to achieve other objectives. This renders coordinated humanitarian response illusory, even in instances where the stakes are particularly high for the humanitarian sector as a whole. This is especially the case in situations such as Somalia, where there have been several failed attempts to renegotiate the terms of engagement with power holders and power brokers when the balance between humanitarian outcomes and adverse side effects

turns negative (Terry 2014). It is also the case when stringent counterterrorist provisions jeopardize the exercise of impartial humanitarian action or the need for greater cooperation across organizations to resolve kidnapping cases and reduce their occurrence. More research is needed to gauge the humanitarian impact of trade and financial sanctions—including ‘smart’ ones—as well as counterterrorism measures. It can be highly challenging to disentangle the specific impact of sanctions from humanitarian outcomes that result from other factors. Embargoes and sanction regimes often prove relatively ineffective in the face of widespread informal activities, weak judicial systems, and low enforcement capacity or political will. Their long-term criminogenic influence on war economies deserves further research, as it can have a significant bearing on the transition from war to peace, as became apparent when oil-smuggling networks were revived by Isis/Isil in Iraq, years after the ending of sanctions against Iraq and the oil-for-food scandal.

Relief approaches are evolving fast. Cash-based assistance has become the preferred option in diverse contexts, including not only middle-income countries such as Syria, Lebanon, and Jordan, but also least-developed countries such as Somalia. This has been made possible thanks to technological innovations including smart cards, mobile money, and biometric recognition techniques. Cash assistance fits well within the current aid agenda and resilience paradigm, which favour market-based solutions. The economic literature highlights many pros (and a few cons) with regard to cash-based relief, which tends to offer beneficiaries greater leeway in using aid to cover their own needs. Multisector cash assistance allows beneficiaries not only to pay for food, but also to cover housing, education, transport, heating, water, and other requirements. It generally cuts transaction costs compared with in-kind distribution and reduces ensuing grievances. But in some instances, bringing trucks and moving goods into remote areas is important for opening up enclaves and reinforcing the passive protection of conflict-affected communities through a greater physical presence. In conflict-ridden areas, research on cash-based assistance could expand beyond cost-benefit analysis and consider the symbolic dimension of heavy logistics and the physical field presence of humanitarian agencies through warehouses, distribution sites, local offices, and the like.

In any case, cash assistance appears to be a game changer for the humanitarian sector, upsetting the sectoral mandates of aid agencies and transforming the relationship between aid providers and recipients. It is no silver bullet, however. Its adequacy depends on a host of context-specific variables such as the degree of financial inclusion, the potential linkages with social programmes that also rely on cash transfers, nutritional objectives, and recipients’ preferences for food versus cash assistance, all of which deserve further inquiry. The same applies to the risk that some donors may reduce their overall contributions, since they might prefer to support food aid—which offers them an opportunity to get rid of domestic agricultural surpluses—over cash assistance, which must be funded through taxpayer money and provides donors with less visibility than food bags stamped with the national flag. With the shift to cash assistance, market analysis and price monitoring become aid workers’ daily bread. The bridging of the micro-macro divide should be pursued to further inform humanitarian responses, together with a greater emphasis on local market dynamics and links to global markets. There is also much room to improve livelihood and needs assessment techniques, drawing on relevant advances in household and development economics. Proxy means tests increasingly serve to identify and select those entitled to humanitarian assistance. When and how to reduce cash-based and in-kind assistance programmes, and how to design sound exit strategies in fragile contexts, remains a challenge.

The role and influence of the business sector in humanitarian affairs is another topic that deserves special attention. Humanitarian organizations have emulated businesses in adopting results-based management, performance indicators, and the active pursuit of innovation, while companies partner with humanitarian agencies out of varying motives including reputation, risk management, and employee motivation (Carbonnier and Lightfoot 2016). It is time to focus on sector-specific

issues, such as the insurance industry in relation to disaster risk prevention and response. There has been a remarkable surge in the variety and number of disaster risk insurance products and risk-linked securities, such as catastrophe insurance bonds sold in the developing world. Disaster risk-linked securities offer an interesting asset class to diversify investment portfolios, in that the value of these financial instruments is primarily driven not by fluctuations in financial markets, but rather by the occurrence of disasters and the severity of the ensuing losses. Risk-linked securities are 'innovative financing devices that enable insurance risk to be sold in capital markets, raising funds that insurers and reinsurers [or governments] can use to pay claims arising from mega-catastrophes and other loss events' (Cummins 2008: 23).

The financial sector has developed disaster risk insurance products tailored to the developing world (and middle-income countries in particular), including sharia-compliant versions for Muslim countries. Insurance firms have teamed up with multilateral and regional organizations to market catastrophe bonds and a micro-insurance scheme that can involve weather-related parametric triggers, contributing to lower transaction costs. Disaster insurance and risk-linked securities offer an opportunity for disaster-prone but sovereignty-assertive states to transfer part of the disaster costs onto global financial markets and to thereby reduce their dependency on (volatile) foreign aid when hit by a disaster. These new instruments lead to increasing collaboration between the humanitarian sector and the financial services industry, often in the context of public-private partnerships, but they also raise moral hazards and other political-economy issues. The potential and impact of enhanced insurance market penetration in disaster- and conflict-prone countries deserves more scrutiny, as it results in increased cooperation between aid agencies and insurance companies, but also in enhanced competition. More generally, the rise of business-humanitarian partnerships requires greater scrutiny to ascertain not only the effectiveness and efficiency of such partnerships, but also their input or procedural legitimacy (Andonova and Carbonnier 2014).

## **6 Conclusion**

War, disaster, and humanitarian responses profoundly affect national and regional development trajectories. They are often seized upon as opportunities to challenge or cement the dominant order through comprehensive approaches that seek to combine political, security, development, and humanitarian agendas under the evolving paradigms of stabilization, resilience, and 'building back better'. In the context of the Sustainable Development Goals and chronic crises affecting war-torn countries, pressure is mounting to build synergy between humanitarian, peace-building, and development agendas and actors. While there is much room for greater collaboration, it is time to reappraise the merit of independent, neutral, and impartial humanitarian action for obtaining continued field access and effective outcomes in protracted armed conflicts, before considering a merger between the humanitarian and the far more transformational agendas of peace-building and state-building.

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