



Cash programming in humanitarian innovation

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CASE STUDY: CASH-BASED PROGRAMMING (CBP) IN THE FOOD ASSISTANCE SECTOR

Executive Summary

The purpose of this case study is to explore the pattern of innovation in the food supply and distribution area (i.e. not concerned with nutrition). It seeks to understand and map the ecosystem in action and link to the emerging systems dynamics model being explored by the research team.

Research has been based on secondary sources and interviews with key players in the field, using a *snowball* approach in which respondents are asked to nominate others who could contribute useful perspectives.

The dominant design in food aid emerged during the early 1960s with the development of a mechanism for transferring US surpluses to countries in need. During the following fifty years there was a pattern of sustained incremental innovation along a trajectory which saw the challenge as one of supply push and finding ways to improve the process, product and targeting.

In parallel there has been the emergence of an alternative approach based around variations on a cash model – providing end users with the resources to meet their own needs through local market mechanisms. This model grew bottom up in a variety of contexts and for a long period was seen as a fringe activity without a strong evidence base and with relatively low acceptance.

The past decade has seen a major expansion and also a move from the fringes to mainstream programmes and an accumulation of experience around issues of how to deploy such innovations at scale. There has also been extensive learning about the very different set of resources (especially skills and capabilities) and the parallel infrastructures needed to operate what is essentially a financial system.

Cash programming is now accepted as one of the powerful tools in the portfolio available to humanitarian agencies and policies and procedures are now in place to enable a growing proportion of funding to be channeled in this way. It is also serving as a template for other kinds of humanitarian assistance – for example in shelter, WASH and healthcare.

Innovation theory provides a number of lenses through which to interpret this case and provide insights into the workings of the humanitarian innovation ecosystem. For example the Abernathy/Utterback model of innovation life cycles highlights the ways in which a dominant design becomes embedded in a mature system and the role played by entrepreneurs in challenging that and recreating a fluid state from which a new dominant design emerges. Another helpful lens is Christensen's theory of disruptive innovation which sees radical innovation emerging at the fringes of the mainstream, driven by entrepreneurs experimenting

and learning in that space. Early problems are solved and the innovation develops in maturity until it becomes attractive to mainstream markets – at which point it poses a challenge to existing incumbents.

A key characteristic of disruptive innovation is that the early stage of its emergence involves experimentation and learning at the fringe, driven by entrepreneurs. The process is one of fast failure and learning, gradually refining key elements of the innovation in the context of application. Recent models of *agile innovation* build on this, using concepts like rapid prototyping, minimum viable product, scrum teams and sprints to define a set of tools which enable fast cycles of experimentation and learning.

In the case of cash programming this was very much the observed pattern with small-scale entrepreneurial activity refining and defining a new model via a process of controlled experimentation with different delivery models, technologies and other elements. In particular the process took place at a time of rapid technological change where new developments (such as mobile payments and better online security) facilitated the building of a carrier infrastructure for cash programming.

The evidence base grew to a point where original objections were overcome – for example about whether end users could be trusted, how to avoid corruption, maintain security, etc. We can map this on to a classical S-curve and explain many of the features around slow take-up and then acceleration in terms of diffusion theory.

In particular slow take-up and early resistance is not simply a matter of *mindset* although this is a powerful inertial force. Henderson and Clark's theory of architectural innovation highlights the big challenge to the underlying structures and competencies required to implement radically new models which requires both learning new ways of working and simultaneously letting go of old but no longer relevant approaches. Cash programming requires a new technological infrastructure with different skills, moving away from a supply and distribution model to one resembling more closely a financial system. It also moves from a centralized mode towards a decentralized network model, with corresponding shifts in power and influence.

Arguably cash programming represents a *paradigm shift* in the underlying business and mental models around food; this is reflected in the change of terminology from *food aid* to *food assistance*. This has involved considerable adaptation on the part of mainstream incumbents and cash plays an increasingly important role in their thinking.

There are open questions about the future – for example the increasingly important role which technology might play in extending the range and application of cash programming. It is also clear that there are limits to the use of cash; it is not suitable under all conditions and agencies are beginning to develop guidelines to help make appropriate choices about assistance routes.

Overall the story highlights well the existence of an innovation ecosystem within the humanitarian sector. There are key players and institutions and connectivity across a network which supports what Christensen calls *sustaining innovation* – effectively doing what we do but better. But there are also points where experimentation takes place and new, radical options emerge; these tend to be at the fringes of the mainstream system and not well integrated, often driven by individual entrepreneurs acting in *maverick* mode. Finding ways to couple these two systems – the mainstream *do better* machine with its advantages

of scale and the entrepreneurial fringe with its capacity for radical new thinking – is a significant challenge and opportunity for enhancing the ecosystem for the future.

The case raises some key policy issues such as:

- How to foster entrepreneurship and create enabling conditions for small-scale experiments and prototypes?
- How to develop skills within entrepreneurs to operate in this mode?
- How to finance high risk *start-up* ventures of this kind?
- How to evaluate in light touch manner to ensure prototypes and learning can take place?
- How to enable brokerage to key new knowledge and resources when there is architectural innovation
- How to build *ambidexterity* into mainstream ecosystem players such that experiments and exploration at the periphery can be amplified

It also raises the question of whether the current ecosystem has the *right* elements and interconnectivity to facilitate the emergence of similar radical innovations in the future. If not what needs to be done in terms of configuring the system to enable this?