

## Delivering aid in a digital world

Ken Banks, IDG News

*With mobile banking taking off around much of the developing world, how long will it be before international aid is delivered electronically? Sound crazy? If you think so, you might be surprised to hear that it's already started happening.*

Getting aid directly to those who need it in the most timely and efficient manner possible is a topic that's always fascinated me. For some time I've taken particular interest in the level of "overhead" (costs) that charities take from their donations, particularly the ones I give to. Long ago I came to the conclusion that, wherever possible, I was going to give – either in the shape of a loan or a donation – directly to organisations working on the ground, by-passing as many middle-men and -women as possible. That's been a relatively easy exercise for me, since I've been fortunate enough to visit many grassroots conservation and development projects in the course of my work. This gives me the personal connection and level of trust required to take such a leap of faith before waving goodbye to my hard-earned cash.

For those that don't have that connection, there's organisations like Kiva, which cleverly solves the problem by linking lenders in the 'developed' world with borrowers in 'developing' countries through the internet. Rather than giving handouts, individual lenders – that's me and you – can select an entrepreneur in a developing country and choose to lend them money to help build their business. Currently Kiva take no overhead on the loan amount, although with a commitment to reach full sustainability by the end of the year this might not remain the case for much longer. The beauty of Kiva is that lenders get a real sense of connection with the person receiving their money, something sadly lacking in more traditional charitable relationships. I, for one, have no idea who ended up benefiting from my last Salvation Army donation, for example.

As our ever-expanding digital world slowly reaches some of the poorest and marginalised members of society, opportunities to deliver financial aid to them electronically becomes less myth and more reality. Mobile phone users in a growing number of developing countries can already pay for goods and services wirelessly through their mobile phones, and there are few technical challenges in allowing someone in the UK, for example, to make a direct donation to a user in Kenya by way of airtime credit to their phone. Just as the internet redefined the way we shop, the mobile phone will likely end up doing the same for international aid.

Handing out money electronically isn't always going to be the answer, of course, but it may be in surprisingly more cases than you think. In times of famine or hardship, for example, the typical Western response is to send over plane-loads of food aid. Although this might seem like the most logical thing to do, often it overlooks the chief cause of famine. Lack of food generally comes below politics, political instability, access to resources and markets, and civil conflict in the famine equation. In other words, it's rarely about a 'simple' lack of food. And flooding a country with food

aid creates its own problems, from feeding the militia in conflict situations to destroying what's left of the local and national agricultural market systems. The problem is considered so serious that last summer CARE International turned down a US government donation of \$45 million in food aid.

So, in famine situations at least, is there an alternative to handing out bags of rice? Well, the UK's Department for International Development (DFID) seem to think so, and they recently ran a \$3 million pilot project with Concern Worldwide to prove it, providing cash payments instead of food to tens of thousands of hungry people in northern Malawi. You can't get more direct than that. Although the project experienced its fair share of problems and challenges – ranging from the family registration process to overall data management and control – the problems were far outweighed by the benefits. As with many microfinance-style projects in developing countries, women were the main recipients of the cash, many taking their money and heading straight to local markets to buy food. The logic here is that this keeps the local economy moving, and the agriculture sector buoyant. In this part of northern Malawi at least, that's one problem solved and two avoided, on my count.

Interestingly, direct payments are nothing new in the conservation world, where they've been tried for some years with varying degrees of success. The process is pretty much the same – give the conservation dollars directly to the people living in the conservation area, and encourage them to help preserve their environment through their pockets. I've always quite liked the concept, but appreciate how controversial it is. Funnily enough, today's trendy carbon credit schemes work in a similar way, paying countries not to destroy their forests or other natural resources. The principal difference here is that it enables us to continue polluting with a slightly clearer conscience.

Meanwhile, back in Malawi, you may be wondering what the DFID project had to do with technology. Well, administering a system where piles of cash are handed out to tens of thousands of naturally very willing recipients needs to be effectively managed and controlled. So, each of the villagers in the scheme were fingerprinted, and their details held on a smart card which they present at pay-out. Without this smartcard technology, it's unlikely the project would have been possible.

The whole idea of making direct payments is appealing to both the donor and the recipient, and opens up a whole new world of opportunity if it's found to be effective. Imagine, it could take hold as an entirely new model for delivering aid, providing it is scalable.

With over 3.5 billion mobile phones out there, that particular problem may be well on the way to being solved for us.

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