

Nonprofits & NGOs

# We Just Lost \$54 Billion. Now What?

How humanitarian organizations can use cost evidence to survive global aid's "Great Depression" and scale what works to save more lives.

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By [Jeannie Annan](#), [Sarah Case](#) & [Justin Labeille](#) | Jun. 24, 2025



An infant receives medical care at an IRC health center in Sudan. (Photo courtesy of IRC)

Worldwide, two million children **die each year** from acute malnutrition, which equates to one death every 15 seconds. To fight this, global aid workers deploy a fortified peanut paste known as **ready-to-use therapeutic food** (RUTF). It works for 9 out of 10 children and, at around \$90 per child, it's highly affordable—exactly the kind of simple, cost-effective solution that aid groups should be implementing.

But at the **International Rescue Committee** (IRC) malnutrition centers in Nigeria, supplies of RUTF are running out. In

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through the US Agency for International Development (USAID). Although the US Department of State later granted a waiver and support has restarted, the funding's future is uncertain, with discussions ongoing between NGOs, the State Department, and policy makers. Lives hang in the balance.

The IRC isn't alone. Cuts to nutrition spending **could cost the lives** of an additional 200,000 children this year, while wider cuts to global health funding could affect **an estimated 25 million people worldwide** over the next 15 years. Since January 2025, the US government has cut between **\$54 and \$70 billion** in overall aid and announced an **83 percent cut** to foreign aid. Meanwhile, the UK Government announced a reduction of aid from 0.5 to 0.3 percent of gross national income. Similar pressures exist in Germany, France, and Sweden. The impacts are far-reaching. In Colombia, the UN Refugee Agency **halted** basic supplies distributions, such as blankets, to conflict-affected communities. In Sudan, the NGO Mercy Corps **cut off** access to safe drinking water.

It's fair to say that humanitarianism's "Great Depression" moment has come. The sudden, almost overnight loss of US Government funding has exacerbated a reality where **the majority of humanitarian needs** were already unfunded. Something has to give.

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## The (Louder) Case for Cost Evidence

Six months ago, **a few of us at the IRC wrote** about how to make the most of limited resources by informing decisions with cost evidence. We argued that tracking data to determine where to

maximize the social impact of every dollar.

This is a part two we never thought we'd have to write. The once dusty, watercooler topic of foreign aid efficiency is now a political hot potato, and governments, NGOs, and donors are scrambling to claw their way back from **what one donor called** the “foreign assistance cliff.” The world is grappling with how to rapidly and fundamentally adjust to this new normal, and continue to help the **300 million people** who need aid. Some organizations may find it impossible; the humanitarian sector will certainly lose valuable programs, research, and expertise. For other organizations, it will take years to recalibrate.

We hope the US government returns to being a global leader in funding humanitarian aid soon. But change is here, and governments, donors, and NGOs can take three concrete actions now to reach the greatest possible number of people in need.

## Choose Radical Prioritization

First, the humanitarian sector has a moral imperative to quickly and radically fund and implement the most cost-effective programs. It doesn't matter who the funder is, which organization “owns” the solution, or whether multiple institutions are working in the same region to address the same problem. Thanks to innovation and evidence, aid organizations know more about what works best and how much it costs than ever before.

Alongside more than a dozen global and local partners across East Africa, the IRC knows it can deliver life-saving vaccines at **\$4 per dose**. In collaboration with Ministries of Health in **Kenya**, **South Sudan**, and **Mali**, it can treat 20 percent more malnourished children by **simplifying its approach**. Thanks to specialized organizations such as Marie Stopes Sierra Leone, it's possible to provide not only contraceptive services in humanitarian settings, but also a **year of protection for as low as**

In a recent essay, Rachel Glennerster, former chief economist at the UK's Foreign, Commonwealth and Development Office, and Siddhartha Haria, senior policy lead at the University of Chicago's Market Shaping Accelerator, go even further. They argue that the humanitarian sector needs to prioritize both the interventions that work and the countries where organizations deliver them, reserving grants for the poorest countries.

It's hard to overstate the value of prioritizing solutions at this time. Indeed, the IRC estimates that shifting spending to highly cost-effective programs could be equivalent to increasing humanitarian funding by \$1 to \$4 billion—in the same ballpark as the International Humanitarian Assistance cuts the White House is proposing for 2026.

## Scale Don't Slice

Many global aid funders are currently making short-term, piecemeal grants. The Center for Global Development found that the median development grant across low-income countries is less than \$100,000 and that around 85 percent of US government and European Union grants last less than one year. Across all UN agencies, bilateral donors provide the same percentage of funding—85 percent—but earmark it for specific thematic priorities or even project-level inputs. This cripples agencies' ability to make strategic decisions about where and how to allocate resources to produce the best possible outcomes.

It might seem intuitive to scale down grants and projects and right-size programs for reduced budgets. But economies of scale matter, and bigger and longer grants can deliver more impact per dollar spent. For example, the IRC estimates that for every additional 1,000 children it reaches with education services like remote preschool or accelerated learning programs, costs drop \$0.50 per child. This is because fixed costs, such as software development for edtech programs, are spread among more

result in savings that would pay for an additional 60,000 children to access services.

Collaboration between complementary partners can also unlock scale opportunities. In Kampala and Nairobi, IRC coordinates **Re:BUiLD**, a five-year, 30 million Euro (\$33.4 million) livelihoods program funded by the IKEA Foundation. The program—a collaboration **between 17 partners**, including refugee-led civil society organizations, city governments, and researchers—**supports 20,000 refugees** and their host community members with economic programs, including job training and small grants.

Collaborative projects like these have enabled IRC to learn how it can best support urban refugees. For example, it now understands that obtaining ID cards is a first-order challenge refugees face in formally banking themselves, that financial institutions need more explicit policy direction to recognize refugees as potential clients, and that the ensuing business capital is essential to jumpstarting entrepreneurship.

Bigger, longer grants that encourage (or even insist on) collaborations for scale can help keep urgent humanitarian solutions alive, even if it changes how groups implement them.

## Unlock Operational Efficiencies

Like rigorous evidence, optimized supply chains are essential to driving savings across the humanitarian sector. In 2024, the IRC made a concerted effort to save \$15 million through the renegotiation of global contracts in core-spend categories like information technology. In the face of USAID's stop work orders, the IRC created time-bound surge teams comprised of national, regional, and global experts to renegotiate contracts across all categories and then prioritize, execute, and monitor the changes. This concentrated push across a global portfolio yielded

As an organization, the IRC can achieve even more through operational efficiencies. But a challenge for the wider humanitarian sector is achieving economies of scale. For instance, it's possible to efficiently and cost-effectively procure 1,000 truckloads of food aid to supply a country for two years. But procuring one truckload of food aid for a two-month project is a logistical nightmare. The sector's project-level approach to sector-level operations needs to change.

As the humanitarian sector considers this challenge, it needs to undertake more collective action to enable these operational efficiencies of scale. This includes aligning compliance standards to ease reporting, pooling funds to give grantees procurement bargaining power, implementing projects at consortium level, integrating data sharing and analytics, and dedicating expert operational resources to continually streamline aid work.

The three actions outlined above won't make up for the \$54 billion or more lost in aid. Unless governments, funders, and NGOs make a decisive and immediate shift in how they deliver humanitarian support, millions more people stand to suffer, and decades of progress may start to reverse. The sector needs to focus on maximizing the impact of every dollar—and it already knows how.

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