

## HUMANITARIAN ALTERNATIVES

Are NGOs the sole purveyors of honourable intentions?

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It's an NGO that opens the dialogue and, through the voice of its financial director, gives an uninhibited and substantiated speech about companies and the bridges thrown with the humanitarian world. Evoking the virtues of social entrepreneurship, impact investing, blockchain or "social impact contracts", Mathieu Dufour is not afraid to announce the imminent death of the theoretical break between the private sector and NGOs.

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**N**GOs and profit-making companies are fundamentally subject to the same functional rules that come into play in operational strategies, human resources management, quality processes, accountability, legal matters, logistical constraints, adaptation to new technologies. Yet, between these two worlds, the rift – psychological above all, when it comes to the sensitive issue of profitability (earnings, remuneration, etc.) – is no less real in terms of governance modes and motivations. But are NGOs the sole purveyors of honourable intentions?

### **The non-profit motive as a principle of the past**

In the late 1900s, the company Nutriset launched a product that is quickly used (and sold) to combat malnutrition: Plumpy'Nut<sup>®</sup>, "a product specifically formulated for the nutritional rehabilitation of malnourished children over 6 months of age and adults suffering from severely acute malnutrition"<sup>1</sup>. A controversy over the intellectual property rights of this food soon arose, pitting altruism against a strategy for commercial profit<sup>2</sup>. The company's founder, Michel Lescanne, recalls that in the early 1980s "humanitarian aid offered politicians the opportunity to dispose of agricultural surpluses, or to make donations that would open up markets for businesses"<sup>3</sup>. Without a money-making component capable of financing Nutriset's continuing research, would the management of malnutrition have ever undergone its revolutionary change? This is one example that illustrates that the non-profit motive of an organisation is by no means criteria of its estimated general interest impact. It would thus be incorrect to claim that NGOs are the sole purveyors of ethical standards (or their intended result). Singling out the inadequacies of other groups to have us believe that only NGOs can rightfully cope with humanitarian crises (and have the available means for this to happen) is a restrictive view of things.

At present, 30 billion dollars are spent each year on humanitarian action, against only 12 billion five years ago. But this tremendous surge of money, largely backed-up by States and international institutions, must not overshadow the meagre resources that are in fact available in the

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<sup>1</sup> [www.nutriset.fr/index.php?id=50](http://www.nutriset.fr/index.php?id=50)

<sup>2</sup> Philippe Bernard, « Une guerre pour des cacahuètes », Le Monde, April 2, 2010, [www.lemonde.fr/planete/article/2010/04/02/une-guerre-pour-des-cacahuetes\\_1327908\\_3244.html](http://www.lemonde.fr/planete/article/2010/04/02/une-guerre-pour-des-cacahuetes_1327908_3244.html)

<sup>3</sup> Chloé Hecketsweiler, « Michel Lescanne, l'homme qui fait rimer humanitaire et bonnes affaires », Le Monde-Économie, June 8, 2015, [www.lemonde.fr/economie/article/2015/06/08/michel-lescanne-l-homme-qui-fait-rimer-humanitaire-et-bonnes-affaires\\_4649245\\_3234.html](http://www.lemonde.fr/economie/article/2015/06/08/michel-lescanne-l-homme-qui-fait-rimer-humanitaire-et-bonnes-affaires_4649245_3234.html)

## HUMANITARIAN ALTERNATIVES

redistribution of global wealth. And public funding is unlikely to become the answer that responds to growing needs over the long term. In short, NGOs are subject to the same rules as profit-making businesses, yet they operate in a different, but parallel sphere, where, if they act alone, they will be unable to satisfy the growing needs.

### Two hurdles

The “NGO model” has some distinctively disadvantageous features. The first problem, having no equivalent in any other sector, has to do with donors interfering in the set-up of the financial plan. The matter of indirect costs perfectly illustrates this point: regardless of the nature or the complexity of an NGO’s operations, or of its environment, some donors decide to earmark a fixed percentage of their donation in payment for all indirect costs of a project (including those incurred by headquarters). In money-making parlance, it would be as if the “client” were to forecast a “net business profit” without questioning the quality of the “product”. What venture capitalist would ever finalize funding arrangements without taking an actual financial plan into account? This funding method, commonplace to most grants, offers little room for newcomers, and leaves little leeway for bold action and risk-taking. By the same token, organisations rely on opportunistic financing in the belief that diversification ensures survival. Avoiding this pitfall, without straying from a sound strategy, is a feat in itself<sup>4</sup>. As “clients” of NGOs, are individual donors more flexible? To sway their “clients” (so as to “sell” their operations), NGOs must resort to making promises: to donor companies, they promote a cohesive wage policy, cherished values, and the pride of belonging. To generous individual benefactors, they guarantee the efficient use of funds (“your donation finances 95% of our actions”), as well as transparency and equal treatment. In itself, this two-faceted arrangement observes the rules for fundraising dictated in large part by organisational marketing. Instead, donors should rather be adopting, as their primary measurable criteria, the relevance, the quality, and effectiveness of NGOs. Today no commercial enterprise would shirk from setting up a guaranteed reimbursement plan to compensate for any deficiency in the quality of its products. Then why don’t NGOs take on the responsibility of assuring quality service to their donors with, for example, a “satisfied or money back” policy?

The second specific feature stems from the first, that is, the “client” is truly king to the point that he interferes in the mode of governance and the decision-making process. It is understandable that burdensome compliance and strategic planning processes must be set up as prerequisites for action (even in the case of an extreme emergency) and merged with public administrative processes to serve political interests<sup>5</sup>. Donors themselves are accountable to their supervisory boards and to voters alike. But this total donor interference has operational consequences. Case in point: on the day following his election, Donald Trump signed a decree prohibiting the funding of international NGOs that inform about, support, or advocate abortion. With the stroke of a pen, 600 million euros were thus withdrawn from family planning services and medical programmes. More generally, in the face of such calamities, NGOs have to start over from scratch at every cycle for want of a permanent model that allows their projects to flourish. And when it comes to emergency funding, cycles are especially of short duration, often lasting

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<sup>4</sup> Aside from a few organisations, whose financial structure allows them to be fully independent. *Médecins Sans Frontières* is, on this point, a remarkable, yet an unfortunately rare example.

<sup>5</sup> As such, the stated mission of the US government’s institution for international solidarity is revealing: “To end extreme poverty and support resilient and democratic societies, while supporting our security and prosperity.”

## HUMANITARIAN ALTERNATIVES

only one year. In short, NGOs are to be forever doomed to raising funds. A Sisyphean task, to say the least<sup>6</sup>.

Without a profit-making intent, whereby earnings can be reinvested for development, but which may be hampered by funding shortfalls and political uncertainties, the necessary rise of NGOs (through upscaling, innovation, better response) can thus only be realised by applying tedious short-term measures. The NGO funding model is limited by the very features that have differentiated it from businesses. In addition, the paradigm of humanitarian action has undergone changes over these last decades, as evidenced by ever-mounting poverty rates, the steady deterioration of the environment, demographic upheavals, the technological revolution, the greater concentration of wealth, etc. “Worldwide, economic forces are evolving, political rhetorics are evolving, and therefore humanitarian action must also evolve”<sup>7</sup>.

### Searching for new models

Going beyond the rift between profit-making and non-profit undertakings, that is, between NGOs and businesses, fresh initiatives now abound at this turn of the century. As early as 2012, the medical NGO Alima set up its main operational centre in West Africa to be closer to both its beneficiaries and its 1,700 employees, 95% of whom come from countries where it intervenes. By switching from “French doctors” to “African doctors”, and by working in partnership with private research laboratories and local stakeholders, this NGO embodies the core values of flexibility, inclusiveness, and adaptation to the environment. In 2016 and 2017, it was nominated for the award “*Entrepreneuriat dans les PED des Grands Prix de la finance solidaire*” (Entrepreneurship in developing countries, within the Grand Prizes of Solidarity Financing), a powerful indication that NGOs now have their place in the world of bridge-building. There was also at the same time the birth of the Social and Solidarity Economy (SSE), now growing at a faster pace than humanitarian action itself and operating in a similar pattern, where “synergy”, “bridge-building”, and “networks” are key terms. Then, as a symbol of this renewal, in 2017, the NGO Ashoka, the driving force behind social innovation through entrepreneurship, joined Station F, one of the world’s largest start-up campuses (hence, profit-oriented), thus demonstrating that among tech start-ups solutions and skills can be found in answer to today’s “major societal issues”<sup>8</sup>. Through its rapid growth, Ashoka seeks to resolve “major societal issues”, such as better access to medical care, cultural activities, and education, as well as matters that concern energy, prevention of natural disasters, etc.”<sup>9</sup> Should we then take these examples as a fleeting mix of genres, or are the imaginary barriers between NGOs and businesses collapsing?

However, solutions can be found in response to the limiting features mentioned above on the financing of grants. For example, the “social impact contract” provides that a prevention programme may be funded by a private investor, who can in turn be reimbursed (with interest) by the State, if it is successful. Launched in France in 2016, this initiative, we feel, was long overdue after it was tested, but now that after several hundred million euros have been expended,

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<sup>6</sup> Sisyphus was condemned to eternally roll uphill a boulder in Tartarus, precisely because he had chained Thanatos, thus saving humans from certain death. Are emergency NGOs to have a similar fate?

<sup>7</sup> Thierry Allafort-Duverger, former President of Alima, quoted in Jean-Philippe Rémy, « “African doctors” en deuil », Le Monde, November 16, 2012, [www.lemonde.fr/afrique/article/2012/11/16/afrique-doctors-en-deuil\\_1791306\\_3212.html](http://www.lemonde.fr/afrique/article/2012/11/16/afrique-doctors-en-deuil_1791306_3212.html)

<sup>8</sup> Press release on the Crédit Mutuel Arkea website, [www.arkea.com/banque/assurance/credit/upload/docs/application/pdf/2017-06/communiqu%C3%A9\\_tech\\_for\\_good\\_2017-06-20\\_17-15-25\\_837.pdf](http://www.arkea.com/banque/assurance/credit/upload/docs/application/pdf/2017-06/communiqu%C3%A9_tech_for_good_2017-06-20_17-15-25_837.pdf)

<sup>9</sup> See “Ashoka launches Shareit, tech for good accelerator at Station F”, <https://www.ashoka.org/fr/histoire/ashoka-lance-shareit-tech-good-accelerator-%C3%A0-station-f>

## HUMANITARIAN ALTERNATIVES

it has proven to be a success everywhere in the world. Does this preventive programme have real potential or is it merely a pipe dream? Exposed to the risk of having to make concessions on this type of result-based financing, a collective group tied to the SSE is willing to accept “the potential risk of experimenting over that of doing nothing”<sup>10</sup>. Businesses within the SSE are open to whatever may “safeguard their actions and bring about a change in scope”. Why would NGOs not do likewise? The fact is that the humanitarian sector is, without a doubt, overly cautious when it comes to these types of practices, as we saw when it took many years and the ICRC’s heavy hand to finally create the first “Humanitarian Impact Bond” in September 2017<sup>11</sup>.

Solidarity finance has become a high-leverage tool. Case in point: the newly created NGO, Alima, is on the verge of issuing nearly two million euros worth of associative shares, a type of bond that has become very popular for promoting solidarity savings and that is able quadruple the organisation’s operational response capacity to reach 10 million patients within the next ten years. Such a financial operation would have been unthinkable a few years ago for this type of structure<sup>12</sup>. In 2017, Alima joined the Finansol network, a collective group that campaigns to have a greater share of funds from general savings accounts allocated to social and solidarity projects. Because such a model has its limitations, it is important for NGOs to actively advocate impact investing and reconnect with real economics. In 2016, the significant increase in solidarity financing directed towards developing countries (+ 29.8%)<sup>13</sup> may be the sign that an initial answer to the predicament of humanitarian financing may have been found. Lo and behold, it comes from the private sector...

But this renewal is not restricted to funding aspects. Initiatives, such as the Accelerator Scale X Design, launched by the NGO Care in 2016, are noteworthy. As for private partnerships, “reshuffling”, “scaling”, and “increased social innovation” are now being expressed, terms specifically used by businesses. And its proponents outdo themselves to have their models and innovations included in donor funding cycles! The search for operational models in other sectors is another essential step. And finally, any improvement is translated into a generational challenge: NGOs will be able to attract and retain tomorrow’s talents only by constructively revamping their structures and by using appropriate technologies at the appropriate moment. The example of the blockchain<sup>14</sup> is revealing: although recognized as a breakthrough innovation (transparent exchange of information, secure transactions, binding contracts, etc.), few NGOs<sup>15</sup> are exploiting its potential. Yet the start-up The Humanitarian Blockchain has relied on this technology in its responses to humanitarian crises: “The Humanitarian Blockchain and Bitnation have their activists who [...] seek to reduce or abolish violence, wars and corruption, the inefficiency of social services, poverty and oppression. We [...] uphold an optimistic vision for the future of technological and capitalist entrepreneurship serving humanitarianism. We wish to collaborate with, and not antagonize, governments and authorities.”<sup>16</sup>

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<sup>10</sup> Tribune of André Dupon (President of Mouvement des entrepreneurs sociaux), Thibaut Guilluy (Director General of ARES), Christophe Itier (Director General of La Sauvegarde du Nord) and Frédéric Bardeau (President of Simplon.co and of Fondation Simplon.co), « Le recours au financement privé n’est pas une solution providentielle mais un levier supplémentaire pour innover », Le Monde, March 14, 2016.

<sup>11</sup> 27 million euros were raised by private social investors to finance three new physical rehabilitation centres over a three-year period in three African countries for the benefit of thousands of people. If successful, public bodies will remunerate the financiers: [www.icrc.org/fr/document/creation-de-la-premiere-obligation-impact-humanitaire-pour-transformer-le-financement-de](http://www.icrc.org/fr/document/creation-de-la-premiere-obligation-impact-humanitaire-pour-transformer-le-financement-de)

<sup>12</sup> Following the advice of Xavier Delpech, who asked that NGOs “embark on a crusade”. This appeared in the May 2016 issue of Juris Associations devoted to voluntary associations.

<sup>13</sup> “Zoom sur la finance solidaire 2017”, Finansol, [www.finansol.org/\\_dwl/zoom-finance-solidaire.pdf](http://www.finansol.org/_dwl/zoom-finance-solidaire.pdf)

<sup>14</sup> <https://blockchainfrance.net/decouvrir-la-blockchain/c-est-quoi-la-blockchain>

<sup>15</sup> Except the Start Network, a grouping of NGOs advocating the ultra-reactivity and decentralization of decisions: <https://startnetwork.org>

<sup>16</sup> “Saving the World through Crypto: the Humanitarian Blockchain”, Cointelegraph.com, 5 April 2016.

In short, now when contracts are generating a social impact, and when the private sector is spearheading multiple initiatives, we cannot overlook the potential stemming from these gateways. If these two worlds were to come together as one to overcome the present shortcomings of an imperfect response, it then makes no sense to dismiss current developments, however imperfect they may be. We could then imagine the collapse of the theoretical rift between the private sector and NGOs, and foresee the accountable use of various techniques and funding mechanisms operating for the benefit of the underprivileged. Because the welfare of those who suffer matters first. Someday, relief for the poor may come in part from businesses in developing countries, later taking charge. By the same token, the reinforcement of capacities must also follow this same route and it will be interesting to follow the expansion of social and solidarity economics in these countries.

*Translated from the French by Alain Johnson*

### Biography • Mathieu Dufour

Financial Director of the NGO Alima (Alliance for International Medical Action), he joined the humanitarian arena after a few years managing profit-making businesses. At *Médecins Sans Frontières*, he administered a hospital after the earthquake in Haiti (2010) and took on the financial coordination of medical projects during emergencies (North Kivu, Burkina Faso, Chechnya, Colombia, etc.). In 2013, he joined Alima in Dakar to participate in the development of this newly created medical NGO. Four years later, he had developed a dedicated team in West and Central Africa, comprising an emergency task force and resting upon a solid financial capacity. Being an active participant in the revolution of the social economy, he seeks to create a link between the voluntary and private sectors to serve communities in great need. Mathieu Dufour is also a consultant for the Core Humanitarian Standard (the humanitarian norm for community accountability).

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