

HUMANITARIAN ALTERNATIVESPartnerships with private operators: the necessary debate among
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To conclude – temporarily – this Focus, Anne-Ael Pohu addresses the particularly enlightening case of “private development companies”, these companies that were created almost exclusively to intervene on the field of development and humanitarian action. Perceiving public funds, outsourcing to NGOs to fulfil their commitments, they induce a real paradigm shift. NGOs would benefit from opening a real debate not to be swept away by this movement of substance.

A number of funders increasingly encourage NGOs to collaborate with private companies in the implementation of humanitarian or development projects. Sought by private operators for their technical expertise and then regrouped into consortia to respond to important tenders, NGOs see their practices and way of conceiving the objectives and modalities of aid challenged.

Private operators seeking to conquer the “aid market”

Since the 2010’s, a number of international donors keep encouraging the private sector to participate in development assistance and even to assume a direct role in implementing aid. And so, private companies get to sign contracts with international institutions or donor States, in order to implement – with public money – the aid programmes designed by their co-contractor. Either referred to as “for-profit entities in humanitarian response”, “International development contractors” or “commercial entities providing relief”, these “for-profit development companies” (FPDCs) are characterized by their diversity and capacity to directly support institutions, governments or other companies on multiple themes (engineering, infrastructure, health, justice reform, etc.).

FPDCs are mainly active in the development sector, especially within reconstruction and rehabilitation projects. Their participation in emergency aid only started in the aftermath of the 2004 tsunami in Southeast Asia, and their role at the time was mostly limited to service provision for humanitarian agencies or NGOs in the transport and logistics sectors. Since then, the aid volume absorbed by FPDCs has kept increasing. USAID – the American agency for international development – started outsourcing to FPDCs through the 1990s, then significantly increased the volume of contracts in the 2000s because of the important reconstruction needs in Iraq and Afghanistan, as well as the reduction of USAID’s internal capabilities. In 2015, the main 20 USAID contractors thus received \$4.8 billion, only 25% of which were allocated to NGOs. The first beneficiary was the Partnership for Supply Chain Management¹, ahead of important private companies: Chemonics International (\$520 million); John Snow Incorporated (\$415 million);

¹ Joint conglomerate composed of 13 NGOs and FPDCs working on HIV/AIDS and tuberculosis programmes.

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DAI (\$272 million); AECOM (\$150 million); Abt Associates (\$143 million)². That same year, Chemonics – first among them – signed the biggest framework agreement ever to be granted by USAID to any type of subcontractor, for a total of \$9.5 billion. In the UK, FPDCs' rise has also accelerated since 2010. In 2011, the amounts granted to the private sector and to NGOs by the Department for International Development (DFID) were still comparable, and then the gap widened. Indeed, in 2015, the three NGOs benefitting the most from the public British development aid received £119.7 million (£48.8 million for Population Services International, £37 million for IMA World Health and £33.9 million for Marie Stopes International), while the three main private companies were receiving more than twice that amount: £245 million (£92 million for PricewaterhouseCoopers, £80 million for Adam Smith International and £73 million for DAI³).

If Anglo-Saxon countries were precursors in subcontracting to FPDCs, the European Commission progressively followed this trend. To this day, the funds dedicated to humanitarian action (ECHO) cannot be allocated to programmes implemented through private companies. However, this practice is common within the Directorate-General for International Cooperation and Development (DEVCO), notably as part of the European Development Fund (EDF)'s service contracts.

Approaches that unsettle the aid sector

FPDCs are praised by funders for their financial management capacity. The commercial contracts grant them increased control over the objectives and operational modalities (experts selection for instance), all the while transferring the contract's financial, administrative and fiscal responsibilities to the company. Moreover, donors, through such big-scale funding, reduce the number of contracts that they manage, and spare themselves the monitoring of the partners and subcontractors who implement the programme. The company ends up bearing the greatest risks. But the praises need to be moderated.

Contrary to NGOs acting according to a set of values, FPDCs are ultimately motivated by profitability. This is precisely what justifies such a high level of risk taking. These profits, along with the executives' earnings regularly make the news. In 2015 in the UK, a petition criticized the allocation of public development assistance funds to FPDCs – often accused of squandering and corruption. The British press even pointed out 11 UK companies and the exorbitant profits that they made from the DFID aid programmes, renaming their executives the “poverty barons”⁴.

Besides, the FPDCs' expertise and financial capabilities are not always sufficient in order to guarantee the quality of the technical offers submitted to the donors. They need to partner up with external operators – such as NGOs – to deploy particular skills and experts, understand the intervention context or strengthen the projects' community approach. Indeed, FPDCs are

² Ezekiel Carlo Orlina, “Top USAID contractors for 2015”, Devex, May 27th, 2016, <http://www.devex.com/news/top-usaid-contractors-for-2015-88181>

³ Ma Karen Brutus, “DFID's top NGO partners for 2015”, Devex, October 2016, www.devex.com/news/dfid-s-top-ngo-partners-for-2015-88991 and Ezekiel Carlo Orlina, “DFID's top private sector partners for 2015”, Devex, December 2016, <http://www.devex.com/news/dfid-s-top-private-sector-partners-for-2015-89333>

⁴ Ian Birrell, “Poverty barons' payday bonanza: Fatcats cashing in on British aid boom by driving up profits, pays and dividends in poorest parts of the world”, MailOnline, April 10th, 2016, <http://www.dailymail.co.uk/news/article-3531963/Poverty-barons-payday-bonanza-Fatcats-cashing-British-aid-boom-driving-profits-pays-dividends-poorest-parts-world.html>

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frequently criticized for their lack of technical knowledge and legitimacy, their misunderstanding of intercultural stakes⁵ or even of the project cycle management⁶.

The respect of humanitarian principles is also eroded by FPDCs, neutrality and independence being particularly concerned. Some private companies support one party to the conflict (for instance by logistically supporting military operations in a State in war), and the risk of being associated with the donor State's foreign policy is high. Others were accused of having direct ties to their donor States' intelligence services, or even contributing to the overthrowing of political regimes⁷. In the field, these practices undermine the humanitarian sector as a whole in that they create a climate of general distrust, result in less access and lead to security accidents. In the United States, FPDCs are clearly comfortable with their ties to the political sphere, and overtly pursue the goals of American foreign policy⁸. This proximity is reinforced by the existence of interpersonal relationships between political leaders and company executives, while the revolving door between State agencies and FPDCs is frequently used⁹.

Beyond humanitarian principles, many approaches and good practices of the sector (participation, inclusion, *do no harm...*) are still poorly integrated by FPDCs, which can cause tensions with communities, and reduce the acceptance level and coherence of various actors' interventions. Moreover, FPDCs often stay away from aid coordination mechanisms, and hardly or not at all share information on activities implemented in the field. This lack of transparency regarding their programmes' nature and scope questions the level of accountability to which these companies are bound with respect to their actions' results. Their activities are in no way reflected in the sector's reporting mechanisms (like the 4W Matrix, OCHA's Financial Tracking System or the reports from the OECD's Development Assistance Committee and from Global Humanitarian Assistance) and, generally, donors do not communicate on contracts signed by FPDCs. This lack of transparency tends to make coordination between actors more complex.

Vigilance points in collaboration with private operators

Collaboration with FPDCs in implementing aid has become a reality for NGOs, now having access to more important, multi-year and multi-country funding. While it is legitimate to open to alliance opportunities, these must be given particular attention by NGOs, in order to be able to study the conditions and defend their interests.

Making alliances with FPDCs therefore demands a change of paradigm. By engaging in a commercial negotiation, NGOs are exposed to a profit and free competition logic. They must be equipped to face the possible setbacks: competition with other partners; "non-conclusion" of the partnership after having shared their expertise; offers that do not comply with the agreed terms; lack of transparency in the dialogue with the donor; absence of choice regarding operational partners... Without compromising their "not-for-profit" nature, NGOs must change their language and adapt their intervention culture to this new environment.

⁵ Geoff Prescott and Lara Pellini, "Public-private partnerships in the health sector: the case of Iraq", Humanitarian Practice Network Report, Overseas Development Institute, April 2004, http://odihpn.org/magazine/public_private-partnerships-in-the-health-sector-the-case-of-iraq

⁶ External audits showed that Chemonics had set up evaluation criteria completely irrelevant to its Haiti projects.

⁷ See cases that affected DAI in Cuba and in Venezuela, or Creative Associates in Pakistan.

⁸ See the Council of International Development Companies (CIDC) website, a platform of American FPDCs aiming to facilitate a dialogue with the donors.

⁹ DAI's marketing strategy's Senior Vice-President and Creative Associates' representative are both former USAID advisors, whereas the founder of Chemonics worked as a State Department's Foreign Service Officer. In 2009, Barack Obama appointed Alonzo Fulgham – part of Palladium – to the USAID board.

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The analysis of the risks associated with the contract must be closely monitored and regularly updated. FPDC's technical capabilities must be thoroughly studied, and so must the final technical offer's quality. With legal counsel from a private law specialist, NGOs should also evaluate the financial risks that they run if they cannot reach their objectives. Even though in consortia, the leading organisation bears most of the risks, those can still be shared among the other partners. Hence the importance of a good understanding of each party's legal obligations. Other technical questions must also be dealt with, like the compatibility of the NGO status with profit making: what kinds of set-ups can be considered in order to combine these theoretically antagonistic approaches?

Ethics as a watchdog

It is also and more importantly on the ethical level that NGOs must question and position themselves, particularly regarding the possibility of making profit from an aid programme. If it were accepted in principle, within which limits and under what conditions could it occur? In order to preserve their independence, neutrality and impartiality, NGOs must also affirm their intervention principles, as well as the ethical principles endorsed by many organisations. Communication and dialogue with FPDCs are essential in order for companies to assimilate these principles, rather than just see them as an obstacle. NGOs must also lay down their conditions regarding specific issues, such as: hiring private security companies or armed escorts; negotiating with parties to the conflict; intervening in areas where the donor may have interests other than humanitarian; certain donors' requirements with respect to counterterrorism. The guidelines regarding the exchange of information on the beneficiaries' identity, the vetting process, and more generally regarding data protection and ownership, must be clearly defined. This requires absolute transparency from FPDCs as to the profile of the consortia's other partners and subcontractors. NGOs must ensure that these strategic or operational alliances do not contradict their policy and do not endanger their reputation and credibility, their acceptance level and the safety of their teams and beneficiaries. On that point, NGOs must evaluate the overall consequences of engaging with FPDCs in one of their countries of intervention. Indeed, the imposed intervention modalities can go against their practices in the country, or contradict the organisation's internal policies (particularly in terms of human resources management). Besides, some donors who are wary of FPDCs question NGOs as to the meaning and relevance of such a partnership.

The rise of FPDCs is still little understood and analyzed by NGOs or in the literature dedicated to the private sector's role in aid implementation. However, this trend is already impacting NGOs and the way that humanitarian aid and development assistance are implemented. The growing share of funds granted to FPDCs, combined with the increasing promotion of aid localisation, directly weighs on traditional actors and the space that they occupy. In the future, the diversity of NGOs could be challenged, leaving the biggest players, as the only ones capable of participating in FPDC-led consortia. To run away from this debate would be irresponsible on the NGOs' part. The variety of their approaches and expertise is a genuine asset. NGOs should jointly analyze these changes, anticipate and measure the opportunities and threats that they bring upon the sector, and perhaps build new alliances among themselves. In addition, pursuing the dialogue with the funders is indispensable so that NGOs can question their choices while promoting their own values and expertise, and reaffirm their commitment to the humanitarian principles and good practices in the sector.

Translated from the French by Benjamin Richardier

Biography • Anne-Aël Pöhu

Anne-Aël Pöhu is a jurist and independent expert in international development. For about 10 years, she has worked for various NGOs and for the United Nations Development Programme, in contexts of transition and crisis recovery. Anxious to associate operational work and analysis, she steered several research studies and publications on conflict resolution. Working in NGOs' headquarters as programme manager, she also contributed to the strategic development of partnerships and to the diversification of sources and modalities of funding. She recently collaborated with the Handicap International Foundation as an ethical analyst, and started research work on the role of "for profit development companies" in the implementation of international aid.

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