



# HUMANITARIAN AFFAIRS THINK TANK

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## INCREASING PRIVATE SECTOR INVOLVEMENT IN THE HUMANITARIAN RESPONSE SYSTEM: RISKS AND OPPORTUNITIES

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*The authors are solely responsible for the views presented here, which do not necessarily reflect the positions of the organisation for which they work.*



It is no secret that the private sector and the humanitarian response system, whether the United Nations (UN) agencies, NGOs or the Red Cross movement have moved since several years from mistrust to strong partnerships building, redrawing the contours as the challenges of a rapidly changing sector. The "private sector" is a broad term covering different actors - small individual donors, wealthy individuals, foundations, companies - contributing in different ways and for different reasons to humanitarian responses. The multiplicity of approaches and intervention logics don't form a homogeneous entity but nevertheless contain some kind of consistency in the role it takes or claims to have in the collective responsibility regarding the need to respond to humanitarian crises. The arrival of new players in a sector where the roles were previously well defined redraws the place and functions claimed by the various stakeholders.

This growing involvement, measured by its overall contribution to the sector, from 17% to 32% between 2006 and 2010<sup>1</sup> is mainly financial (5.8 billion private donations in 2014)<sup>2</sup>. However, it also takes many other forms such as in-kind donations, workforce provision or transfer of knowledge, skills or technologies or the provision of specific goods or services at preferential rates, developed through partnerships<sup>3</sup>.

This growth is part of a broader increasing trend of traditional funding from governments and international organizations, which should be seen in the light of the dramatic increase of assistance needs created by the current major crises (Syria, South Sudan, Yemen etc.). Among private funding, an estimated 76% comes from individuals, 7% from foundations or trusts, 8% from companies<sup>4</sup>.

If companies and foundations represent only a small portion of private funding, their progress is important and it is worth looking at what motivates their growing involvement, which won't remain without consequences and will give rise to both challenges and opportunities for the sector.

Studies on the subject show that these reasons can be grouped into three non-exclusive categories<sup>5</sup>: ethical considerations, pressure from the stakeholders (customers, human resources, public opinion and so on) and an economic logic; the reason for their commitment is often a mix of these considerations.

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<sup>1</sup> Private Funding. An Emerging Trend in Humanitarian Donorship, Velina Stoianova, in April 2012, <http://www.globalhumanitarianassistance.org/>

<sup>2</sup> Global Humanitarian Assistance report 2015 <http://www.globalhumanitarianassistance.org/>

<sup>3</sup> For example the partnership between MasterCard and the WFP or the history of the creation of Nutriset <http://www.mastercard.com/fr/particuliers/programme-alimentaire-mondial.html> <http://www.nutriset.fr/fr/rendre-accessible/access/marketing-social.html>

<sup>4</sup> The remainder is allocated between funding by the National Societies and uncategorized. Global Humanitarian Assistance report 2015 <http://www.globalhumanitarianassistance.org/>

<sup>5</sup> Rieth, Lothar (2009). Chapter 16 - Humanitarian Assistance and Corporate Social Responsibility. URL: <http://www.disastergovernance.net/fileadmin/gppi/>

Different motivations for commitment include: protection of the consumer base, prevention of market disruptions, protection of networks and supply infrastructure, accession and testing of new markets and products, human capital protection and development, employee commitment and satisfaction, internal processes development and testing, emergencies preparedness, business responsibility and ethics, building relationships with government, civil society and other companies as well as improving brand and company reputation.

These multiple reasons, underpinned by economic strategies differ from the decision drivers of traditional aid actors, who, in addition to pursuing their assistance mandate, may nevertheless also follow the internal logic of brand, competition, visibility or differentiation. The private sector's goals and methods bring out challenges and threats to the humanitarian sector as well as great opportunities, by overturning the established roles and responsibilities between States, parastatal actors, NGOs, businesses and the general public. This paper will explore the threats and risks of privatization of the humanitarian sector as well as its advantages and opportunities, focusing on highlighting the profound changes and symbolic implications for different stakeholders, states, NGOs, companies and the general public.

## **CHALLENGES AND THREATS**

At first sight, increased funding may appear as good news, contributing significantly to the sector and beneficiaries, nevertheless the growing involvement of the private sector is not necessarily to everyone's liking and creates mistrust and suspicion among traditional actors and observers of the sector. Indeed, favoring initially the economic logic rather than a need-led logic means that the necessity to respond to the emergency or the suffering of the victims won't solely guide the intervention choices of the private sector, which will look for an alignment of needs with a strategic, economic and trade outlook for the company. Thus, if generally the intervention choices of corporate foundations are quite free and guided by the general interest, the reasons underpinning their creation and the choice of their intervention areas and methods are rather guided by economic rationality. The result is an unequal distribution of resources and interventions, according to the interests of donors rather than beneficiaries'. Certainly, this criticism is not new and is valid for institutional funding as well, where geopolitical logic underpins governments funding or even valid for the asymmetric public and small donors interest for a crisis rather than another according to the media coverage of the crisis. However, even if these biases existed before in the aid system and were also partly corrected thanks to small regular donors (and thus mobilizing a part of the private sector

in a sustainable manner), the size of partnerships and economic interests can influence the operational choices of aid actors, sometimes at the detriment of the beneficiaries' needs.

In addition, the partnership between aid actors and funding companies need to integrate the objectives and constraints of both parties to be viable and sustainable - as mutually beneficial – in this way, the logic of co-construction of the responses between the two parties becomes an evidence. One could therefore question the transformation of the responses and the ability of NGOs to negotiate on their behalf in the interests of beneficiaries, given that imposed constraints sometimes induces restricted freedom of action and decision and, limiting de facto NGOs' ability to pursue their mandate. If this funding enables a diversification of sources and thus a dilution in pressures coming from States and public opinions on operational choices of aid actors, this diversification may imply the need to integrate the interests of new private partners in the framework for interventions analysis and the definition of its operational freedom.

Additionally, there is another source of concern regarding the commitment of private donors, specifically on the selection of recipient organizations, which is not necessarily based on the criteria of relevance, effectiveness and efficiency but on visibility and communication criteria. Therefore, as we can already observe, the aid actors with the most efficient communication strategy but not necessarily the most efficient in terms of impact, attract more corporate donations. Sometimes this polarization comes at the expense of key actors in the aid system, local, expert players, more technical and so on. This raises the question of the genuine pursuit of impact for the beneficiaries - complex to achieve and less exploitable in terms of communication - compared to achieving "mere delivery", more concrete and visible and therefore more meaningful and impactful for the public, customers and companies' employees. Funding through appeal for donations and contracts with donors tended to favor responses for the 80% most accessible beneficiaries and these new requirements only reinforce the trend at the expense of the 20% almost always overlooked (forgotten crises, unreachable or hidden beneficiaries). In addition, local people, authorities or conflict stakeholders' perception of aid actors may suffer from the proximity and visibility with multinationals that tend to relate a little more NGOs to Western interventionism in a "catch-all": companies / NGOs / UN / USA. NGOs already struggle to prove their independence of views, interests and objectives from Western States from where headquarters, finances and personnel come from. Even if private sector funding meets moral imperatives of accountability to communities, it is far from being neutral and corresponds to particular interests of companies and has ideological connotations. For example, Bill and Melinda Gates Foundation strategy is criticized considering it is

not a "neutral charitable strategy"<sup>6</sup> but represents, specifically on its approach to health and agriculture issues, an "ideological commitment to the promotion of neoliberal economic policies and corporate globalization"<sup>7</sup>. Brand and Western companies' promotion, corollary of the partnerships concluded with them, increasingly blurs the understanding of their goals by stakeholders and thus creates additional threats on the quality of aid as well as on aid actors' security.

Additionally, companies producing goods or services directly used by the aid system may be tempted to give directly hardware or services. In-kind donation, often unrequested, is a recurring issue in high profile crises and a major concern for the aid system because as highlighted in the evaluation of the response in Haiti in 2010<sup>8</sup>, "irrelevant or unusable donations during disasters can overwhelm the absorption of logistical capacity in the country." These donations, like food aid from agricultural surplus outcome can become a logistical nightmare, weakly correlated to needs and with destabilizing consequences on local markets.

The arrival of new entrants in the humanitarian stage, drives the general movement of multiplied actors involved in humanitarian crises: companies, variety of NGOs, faith groups and military actors, various international organizations and foundations. This brings de facto one more challenge to the aid system as a whole but especially for its coordination. Thus, if the United Nations reform of 2005 and the establishment of the cluster system initially enabled a qualitative improvement in the coordination and consistency of responses, the arrival of a range of actors less prepared and little accustomed to the sector's operating logic slows down the whole system constricting coordination which is key for the overall response effectiveness. The current system of coordination, efficient for traditional international actors, has so far failed to integrate and coordinate private parties<sup>9</sup>, national as international or even local NGOs.

Finally, the increasing interest of new actors in questions that were previously the prerogative of States and established aid organizations (besides the temporary mobilization of individual donors, considered solely as mere providers of freedom of action through their donations rather than as operational actors) fundamentally reshuffles the cards of the roles assigned and claimed by the different actors. To simplify, if humanitarian action is primarily under the responsibility of legal

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<sup>6</sup> Gated Development: Is the Gates Foundation has always force for good? Global Justice Now, January 2016

<sup>7</sup> Ibid.

<sup>8</sup> IASC Inter-agency real-time assessment in Haiti. 3 months partner after the earthquake, François Grünwald (Groupe URD), Andrea Binder (GPPI), August 31, 2010

<sup>9</sup> "The private sector remains excluded from clusters in all country studies,-even in areas Where companies Were prominent and visible in Contributing to disaster response, Such As Myanmar" IASC CLUSTER APPROACH EVALUATION, 2ND PHASE, group URD & GPPI Andrea Binder, Véronique Geoffroy, Domitille Kauffmann, Susanna Kruger, Claudia Meier and Bonaventure Sokpoh. April 2010.

authorities which have set up an interstate system to assume this responsibility, in parallel, an expert sector has been set up on the matter; its role is to complement the public system, to challenge it when necessary and to replace it when absent. From this action, NGO actors involved in the response gained an expert and reference position, appropriating part of the debate and techniques. This role of expert enabled NGOs to impose standards recognized as international standards. Their position of sole legitimate interlocutor of the rest of society concerning these issues is now reduced by the arrival of other actors investing this field. While until recently humanitarian was the exclusive domain of NGOs, the Red Cross movement and the States (and the United Nations associated with them), this preeminent role is today challenged by private foundations, big donors, among them Bill Gates' foundation being the most prominent one and companies that begin to take action in this area. The role and importance of States, which provide guidelines and funding, aligned with their geostrategic agenda declines and NGOs, usually considered as referents on the issues of intervention methods, strategy or testimony on situations are challenged by these new players as well. The consequence of this dilution of expertise in a wider expert pool is the loss of legitimacy of NGOs on these issues as well as the loss of influence of States, policymakers or other components of society. The relative loss of legitimacy poses threats on the future capacity of these structures to mobilize resources as well as to preserve space to intervene, from both an operational and advocacy perspective.

This new industry changes the cursor of NGO's position and role, shifting from a position at the exclusive forefront of the humanitarian action to a supporting role of the social responsibility of citizens (donors), States (donors) and companies (donors); from a role of unique actor and prescriber of the humanitarian normative standards (alerting on needs and ethical dilemmas as well) to a role of implementer of the society's will to respond to humanitarian needs.

## **BUT ALSO OPPORTUNITIES**

Despite these challenges, it is clear that the private sector has much to contribute to the humanitarian response sector. Besides their financial resources and capabilities, as for example the 1 billion euros dedicated to the 2010 Haiti response<sup>10</sup>, the private sector can make a transformative contribution by pushing the sector for positive and profound changes.

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<sup>10</sup> The state of the humanitarian sector, ALNAP edition 2012

For example, analysis of specific capabilities in key areas such as emergency logistics, allows the establishment of partnership as "GoHelp" between DHL and OCHA, mobilizing DHL expertise for freight in disasters and allowing better response efficiency. Beyond these iconic partnerships such as Ikea with the UNHCR or Axa with Care, other methods, techniques and learnings from the private sector can improve responses. For example, the distribution model of Coca-Cola products in remote areas is probed to improve penetration of drugs and vaccines<sup>11</sup> even if the establishment of partnerships can raise ethical and impact questions when Coca-Cola uses this ability to improve the access to medicines for people in need as well as its own products, whose medical value is questionable.

If these are just examples, more generally, corporate innovation and research as well as the effectiveness of some of the solutions developed by companies are needed to improve the effectiveness and impact of the aid sector. The adaptation of new techniques, including the integration of new digital technologies or progress in medicine or satellite mapping, are essential for the quality of humanitarian response, as research and business development is a determinant contribution for the sector.

Similarly, analysis of the response to Typhoon Haiyan in the Philippines in 2013 showed that "the private sector has enabled the quicker and more efficient humanitarian response". Companies with a local presence are often the first responders, leveraging their networks, their human resources, infrastructure and products. [...] After the emergency phase, one of the main contributions of the private sector was to revive the retail chains for essential goods, lower prices and rebuild livelihoods»<sup>12 13</sup>.

Moreover, while the money from small donors and institutional donors requires higher accountability, emphasizing the search for results and delivery of immediate and visible services, funding from private actors allow more flexibility and risk-taking. If a private foundation can afford to fund 10 innovative projects with high risk and choose to select only one or two fruitful<sup>14</sup> ultimately, the traditional donors can't do this and here lies the essential role the private sector can play: funding innovation. In this field, there is currently a growing craze for innovation issues where companies feel legitimate in terms of skills and where humanitarian organizations are in demand.

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<sup>11</sup> Stanford Social Innovation Review, Learning from Coca-Cola By Prashant Yadav, Orla Stapleton, and Luk Van Wassenhove, winter 2013

<sup>12</sup> The Private Sector Stepping Up, ODI / HPN by Serena Brown, January 2015 <http://odihpn.org/magazine/the-private-sector-stepping-up/>

<sup>13</sup> Direct field observation by the authors showed as well that the private sector has ensured virtually alone, alongside local authorities, humanitarian intervention in the first week after the typhoon, organizing relief and distributions.

<sup>14</sup> Melinda Gates, conference IDDRI and Youphil.com, SciencesPo Paris, June 2013

These partnerships are built on the support of design or R & D companies' departments to find joint solutions to specific problems with aid organizations. This is for example one of the 5 pillars<sup>15</sup> on which ICRC partnerships are built, in the framework of its *Corporate Support Group*.

The effective contribution of the private sector goes beyond the provision of various resources, whether technical resources, expertise, manpower or funds. Indeed, bringing new sections of society to humanitarian issues is an opportunity for players to open themselves more to civil society and access to new networks. The ability to reach new targets for fundraising purposes or to deliver advocacy messages as well as education and awareness to the causes defended can be increased tenfold by the number of employees and customers of companies. Properly used, relays and corporate communication capacity allow the voice of humanitarian actors to be more and better heard.

Likewise, close relationship and dialogue between people in charge of partnerships in companies and NGOs will favor some kind of education and awareness of policymakers to underlying issues of humanitarian intervention. Furthermore, working in partnership and in particular when this partnership involves skill-based sponsorship, will encourage the mobility of human resources between the two sectors. This more in-depth understanding will induce an improved questioning about the interrelationships between economic interests and the contexts of humanitarian interventions and therefore enable companies to better understand their roles and responsibilities in these contexts. When decision-makers are in contact with other sectors with logics that differ from profit logic, they better perceive the possible implications of their economic choices. By questioning the ethical criteria of due diligence of its financial partners, NGOs can put pressure on companies to comply with ethical standards of social solidarity economy.

This growing involvement of individuals and companies in humanitarian affairs and broadly in social issues, supported by the rise in power of *crowdfunding* or the social solidarity economy, is rather good news and indicates a change in the society's paradigm. While the previous model was based on public authority, with self-organized complementary players at the periphery to be responsible for the whole society, the advent of economic and political liberalism induced an individual and economic actors' accountability movement regarding social issues. Without a system supplanting another one (public vs. private), the coexistence of a State responsibility with a private responsibility is an interesting balance for better management of requirements. The involvement and coexistence of public and private responsibility is also encouraged at all levels by public authorities by imposing a

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<sup>15</sup> <http://blogs.icrc.org/gphi2/2015/05/12/should-humanitarian-actors-broaden-their-engagement-with-the-corporate-sector/>



reporting framework for companies social responsibility issues, by offering tax benefits for small donors, wealthy individuals and companies for their commitment or, at the multilateral level, by favoring initiatives to build bridges between the two worlds as the Connecting Business Initiative launched<sup>16</sup> by UNOCHA, UNDP and UNISDR.

Redefining spaces, roles and responsibilities of different actors necessarily requires restructuring and transforming the sector, which is a critical turn to deal with for organizations and businesses, as well as for women and men within them where there will be losers and winners.

### **AN INEVITABLE DEVELOPMENT WHICH NEEDS TO BE FOLLOWED UP**

In the end, the question is not whether this new involvement is a good or bad thing for the industry and especially for beneficiaries but rather to understand that this is an inevitable and fundamental movement, with advantages and disadvantages, bringing both threats and opportunities. Reflection should focus on the means that must equip the sector to have the absorption capacity and reaction to these changes. Beyond the technical adjustment measures on issues of coordination and logistics congestion, the main issue for the humanitarian sector is that of analytical capacity of the interests of economic actors in order to understand the issues and to be in a good position to negotiate. Thus, if the use of institutional funding and more broadly, action in areas of high tension, impose a rigorous analysis of contexts, geopolitical relations, stakeholders interests, ideological confrontations at work or military issues in order to minimize handling or manipulation, engaging with the economic world requires analyzing and understanding its methods, goals and interests to keep negotiation levers and maintain freedom of action. Improving NGOs' understanding of economic issues and companies interests at stake is needed to reinforce NGOs' room for action and put NGOS on an equal footing with economic actors. Market logic and competition between donors with different interests can offer a broader independence to recipient organizations.

Finally, the involvement and commitment of economic actors and individuals in humanitarian issues, if they are widespread and recurrent, will gradually come to a situation where there will be no question of being virtuous by acting but where it will be perceived as irresponsible not to do so. Thus the public could potentially blame a company in the future for not intervening while it is accustomed and has the capacity to do it and put the company in a position of failure to assist people in danger if it did not act. This perspective paves de facto the way for a global moral responsibility faced with

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<sup>16</sup> Introductory Remarks by the Secretary-General Assistant for Humanitarian Affairs and Deputy Emergency Relief Coordinator, Kyung-wha Kang, Networks and Humanitarian Partnership Week, Geneva, Switzerland 1 February 2016

emergency situations, with the hope of improved support for future victims. This will transform the role of NGOs, to make them expert entities with a more political role, accompanying the responsibility of other actors bringing their insight and experience in platforms or coalitions of stakeholders including both the private sector, the general public, governments, NGOs and even academics. However, just like any other action involving different heterogeneous stakeholders understanding the issues and interests of everyone is key to ensure that no party dominates the whole and manipulates it for its own benefit. NGOs will have to be vigilant to ensure that they are not reduced to the manifestation of a market of morality, and avoid being purchasable by other actors as service providers, allowing them to implement their own responsibility. If partnerships are based on transparency and equality, they will improve the overall response and responsibility of companies, NGOs remaining prescribers of the moral norm and companies acting as "corporate citizen", responsible and full members of the societal debate in favor of the beneficiaries of aid. ■

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