Introducing 'for profit' initiatives and actors in humanitarian response.

Preliminary analysis of facts, trends & concerns.

Elena Lucchi

MEDICOS SIN FRONTERAS

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The Centre for Applied Reflection on Humanitarian Practice (ARHP) documents and
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This report's opinions, conclusions and messages are those of the author.
While they are largely shared within the MSF ARHP team, these views
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Executive Summary

Calls for the mobilisation of private actors are often heard in different contexts and discussions in the humanitarian sector. In recent years the private sector has been involved in multiple aspects of humanitarian action, not only as financial contributor. This review has found that the private sector is already involved in a number of sectors of humanitarian action; examples include the management of specific tasks, the provision of specific services, but also the direct management and provision of specific services. The private sector is often involved in innovation processes developing new products and services for affected populations or in the use of new technologies for assessment and data collection.

So far, private sector engagement has been most widespread in natural disaster settings and protracted crises. There is, however, a growing trend of involvement in conflict settings.

For humanitarian organisations, in addition to the urge to improve the efficiency of the response (timeliness and cost), key drivers for partnering with the private sector can include improving processes, enhancing effectiveness and relevance, improving operations, increasing coverage, and ensuring sustainability, as well as flexible financing. For many organisations, given the economies of scale, it is cheaper and easier to outsource services than to proceed with direct implementation or invest in heavy equipment, internal capabilities and technical skills.

Institutional donors have also been using humanitarian budgets to contract the private sector directly. In line with a strong risk aversion in the sector, donors find private contractors (in particular For-Profit Development Companies (FPDCs)) appealing, in that they are able to transfer risks to the private sector, especially in terms of financial, administrative and fiscal responsibilities. However, the introduction of for profit actors at the assessment stage, the hands-on delivery and feedback monitoring stages risk potentially 'commodifying' needs and impact. Especially in remotely managed interventions, this carries the risk that hard to reach people will probably remain invisible and that key considerations such as timeliness, accountability or protection impact - which are *per se* hard to monitor – will be penalised in favour of volume.

While partnering with the private sector might bring advantages (some of which still need to be proved), it also carries some challenges. Risks to humanitarian values are high in some contexts, especially conflict settings, under specific circumstances. There are real concerns about the instrumentalisation of aid by the private sector to open new markets under the appearance of humanitarian aid. The involvement of the private sector can also bring about the potential erosion of humanitarian principles and the ethical nature of the humanitarian work.

For example, there are legitimate questions about the incentives and business models of the private sector, and to what extent these coincide with independent and impartial humanitarian action, or with the principle of humanity, when beneficiaries are considered as consumers. The biggest concerns relate to the number of ways in which the work and approach of the private sector can affect the humanitarian space. Private contractors represent a specific concern among humanitarians: on one hand, they still are poorly integrating the good practices, codes and standards of the humanitarian sector (participation, inclusion, do no harm), on the other, they often choose to work for a specific institutional donor with its own foreign policy interests or which might be party to the conflict and they are prepared to take risks. This is particularly evident when the private sector supports 'hearts and minds' or stabilisation and reconstruction activities. These practices threaten to exacerbate access dynamics that are already problematic by creating a climate of general distrust, which can often result in reduced ability of humanitarian actors to engage with armed actors, and lead to limited access to affected communities and increased insecurity of operations.

Another key concern is the extent to which the private sector is going to be able to meet the needs of highly vulnerable populations in remote and difficult to access areas. Humanitarians need to be aware of the fact that commercial interests and efficiency considerations carry the risk to outweigh the needs of particularly vulnerable and hard-to-reach populations. Clearly, there will be contexts and issues out of the reach of, and of no interest to the private sector. These might include highly sensitive conflict situations and protracted crises or areas with difficult or insecure access, where the private sector might consider not intervening because of risk aversion or lack of foreseen commercial benefits (as returns on investment might not be guaranteed).

Another way in which the private sector has the ability to affect the humanitarian space is by becoming the preferred default responder for affected governments with low tolerance towards international humanitarian actors. Governments might have a preference to engage with the private sector as they see it as fundamentally apolitical, or at least not openly critical of its policies, as opposed to NGOs or the international community. Hence there is a huge risk that assertive states will instrumentalise this trend to further reduce the humanitarian space and to prevent foreign witnessing.

Accountability to affected populations is one of the key pillars of the humanitarian response, which make organisations accountable for the quality of their work to the people and communities it aims to assist. But where do affected populations come in the private sector's "accountability chain"? It is easy to see how proximity and accountability to the affected population are likely to be abandoned and overlooked in favour of stakeholders' agendas. Furthermore, efficiency considerations (including from donors) and concerns for profit have the potential to make delivery at scale a priority, over the people it is supposed to reach. As a consequence,

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beneficiaries' preferences and opinions could be disregarded to the advantage of "mass delivery" and future financial gains. The involvement of the private sector in service delivery to affected communities has also meant that they collect private data (names, addresses, gender) for different purposes (e.g. cash transfers). The question of what happens to this data is a relevant one. While most humanitarians have developed data protection protocols and accountability frameworks, the implications of the entry of the private sector in such a scenario are not yet clear.

Given the potential risks, partnerships with the private sector need to be considered carefully. From the humanitarian organisations' side, some have adopted risk-mitigation strategies. In addition to internal policies, a number of sector-wide charters and guidelines for cooperation between the private and the public or humanitarian sector have been produced in order to facilitate mutual accountability and understanding. Most humanitarian organisations who still see a crucial role of humanitarian organisations and NGOs as frontline operators are not ready to delegate standards, principles and ethics, and some organisations have laid down their own rules of engagement and red lines, in particular with regards to management and control of the humanitarian response when the private sector is involved.

In sum, while the engagement with the private sector might offer a certain number of advantages, the mindset in which it occurs, however, is cause for concern. On one hand, it seems that humanitarian organisations, while recognising the need for better capacity and diversified skills in the sector, tend to over-rely on the private sector as a solution. On the other hand, donors' subcontracting and transfer of risk of humanitarian responses to the private sector play into the underlying dynamics that drive the gap in the emergency response by humanitarian organisations. All of this feeds into an ever-growing vicious circle at the expense of increased capability and skills of the humanitarian sector for the emergency response, where the immediate needs of the most vulnerable populations are not being met: humanitarian organisations shy away from timely and effective responses and do not invest sufficiently in technical capacities (thus giving way for the private sector to intervene). In addition, while the private sector gains legitimacy in a new field, this might carry the risk for humanitarian principles to be easily dismissed and considered dated and simplistic.

There might be areas for an advantageous engagement with the private sector, but a critical analysis is needed, and humanitarians need to explore and promote partnerships that do not undermine the humanitarian purpose, accountability to affected populations, and the sector's emergency response capacity.

1. Introduction

1.1 Why this research

Calls for the mobilisation of private actors are often heard in different contexts and discussions in the humanitarian sector. In recent years, the private sector has been involved in multiple aspects of humanitarian action, and not just as financial contributor. Whether it was linked to innovation or to subcontracting practices to mobilise specific expertise, externalise service provision or cover critical gaps, it seems to be a growing trend.

Private funding has become an increasing trend in humanitarian donorship. Trusts and foundations have contributed with US$453 million in 2015 and companies and corporations gave an estimated US$388 million in the same year – the five-year period between 2011 and 2015, saw a total contribution from private donors of US$6.6 billion (these include individuals, trusts and foundations, national societies and others)[1].

Calls for increased non-financial involvement of the private sector in the humanitarian response found their first outlet in the UN Global Compact in 1999, an engagement platform announced at the World Economic Forum[2]. In 2007, the World Economic Forum and the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) devised a set of principles for private sector involvement in humanitarian action[3]. More recently, the Secretary General Report for the World Humanitarian Summit (2015) referred to the private sector as a key actor to achieve change and respond to current humanitarian challenges[4].

The introduction of 'for profit' notions in the humanitarian arena can understandably generate some discomfort. This research was triggered by the concern MSF had that, when an 'emergency gap' occurs, where the humanitarian sector is unable to provide an effective response (because of deskilling and/or risk aversion), it may be tempting to try to bridge that gap with services/actors that operate 'for profit'.

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1   Development initiatives, *Global Humanitarian Assistance report,* 2017. http://devinit.org/post/global-humanitarian-assistance-2017/

2   https://www.unglobalcompact.org/

3   World Economic Forum and United Nations: *Guiding Principles for Public-Private Collaboration for Humanitarian Action, 2007.* Available at: https://interagencystandingcommittee.org/system/files/legacy_files/World%20Economic%20Forum%20-%20OCHA%20Guiding%20Principles%20for%20Public-Private%20Collaboration%20in%20Humanitarian%20Action.pdf

4   UN, 2016. *Report of the Secretary General for the World Humanitarian Summit, 2016.* Available at: http://sgreport.worldhumanitariansummit.org/

Thus, the research objectives are the following:

- Mapping of practices: what is done, by whom, and with what justification.
- Identification of the most likely future scenarios regarding the privatisation of the response in emergency contexts.
- Identification and flagging of concerns regarding practices and trends.

1.2 Definitions, methodology and limitations

The private sector is very broad and it includes different entities and typologies. For the purpose of this study, the author used the following definition:
The term private sector refers to that part of the economy that is owned and controlled by individuals and organisations through private ownership.
It includes, but is not limited to, entities such as business, company, cooperative, corporation, firm, franchise, partnership, multinational, proprietorship and sole trader[5]. For the purpose of this study, foundations emanating from, or attached to, corporations are also included.

This report focuses mainly on the emergency response and the involvement of the private sector in partnership with humanitarian organisations and agencies. It does not include governments' responses to crises, nor developmental programmes. This report excludes the topic of private sector's direct funding of humanitarian appeals.

Unless otherwise specified, the term 'humanitarian organisations' is used here to broadly denote the entire group of: humanitarian NGOs and organisations including the International Committee of the Red Cross (ICRC); multi-mandate NGOs, working along the entire spectrum of development-humanitarian aid, and United Nations (UN) Agencies typically involved in the humanitarian response.

This research is based on a comprehensive literature review, twenty-one in-depth interviews with key stakeholders from the humanitarian and private sector. The author also attended the Aidex 2017 conference in Brussels[6].
An online survey for humanitarian practitioners was also conducted for the purposes of this study, but the number of responses collected was not deemed sufficient to produce any representative trends and allow comparison among different typologies of respondents. As such, the survey results have not been included in this report, except for some quotes.

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5   Humanitarian Futures Programme, *The private sector challenge: Final Report*, 2013, King's College London. Available at: https://reliefweb.int/report/world/private-sector-challenge-final-report:

6   https://www.aid-expo.com/aidex-brussels-conference-programme-2017

2. Mapping of practices

2.1 Typologies of involvement with the private sector

These days, the prevailing narrative points to the fact that the scale of humanitarian crises cannot be solved by humanitarians alone, and that engagement and support from the private sector (in the form of income or services) is needed. While "for many in the aid world, the idea of making a profit from people's suffering is deeply uncomfortable"[7], this review has found that the private sector is already involved in a number of sectors of humanitarian action[8]. These include: early recovery; health, shelter, food security, nutrition, logistics, WASH and emergency telecommunications. So far, private sector engagement has been most widespread in natural disaster settings (which are viewed as 'clear cut'), and protracted crises[9]. There is, however, a growing trend of involvement in conflict settings.

Examples (typologies) of private sector involvement include the **management of specific tasks** (e.g. security, training, etc.) or the **provision of specific services** (e.g. logistics, transport, telecommunications, infrastructure, waste management)[10]. More recent trends include the **direct management and provision of specific services** to affected populations (health, water provision) and also involvement in delivery of **cash transfers and other financial transactions** to impacted communities. The private sector is often involved in innovation processes, **developing new products and services** for affected populations or in the use of new technologies for assessment and data collection. Humanitarian innovation labs that benefit from private sector involvement are flourishing[11].

Consulting firms and independent consultants are also increasingly involved in evaluations, remote third-party monitoring and financial management of entire programmes that are delivered by donors or UN agencies (e.g. pooled fund managers).

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7   https://www.weforum.org/agenda/2018/01/humanitarian-crises-cost-private-sector-blended-finance/

8   https://www.humanitarianresponse.info/clusters

9   Zyck, S. and Kent, R. , *Humanitarian crises, emergency preparedness and response: final report,* HPG, July 2014*,* Available at: *https://www.odi.org/publications/8534-humanitarian-crises-emergency-preparedness-and-response-role-business-and-private-sector-final*

10   Soraya Narfeldt, *The Role of the private sector in humanitarian response*, Forced Migration Review, N. 29, December 2007, Available at: http://www.fmreview.org/humanitarianreform/narfeldt.html

11   See for example the GHL (Global Humanitarian Lab), where humanitarian organisations, the public and private sector are joining efforts to find solutions to common humanitarian challenges. https://globalhumanitarianlab.org/about/

It should be noted that organisations are also testing **innovative financing methods (blended finance).** Launched in 2017, the ICRC impact bonds are a form of results-based financing where private investors lend €22 million of five-year funding for the ICRC's physical rehabilitation programme[12]. Similarly, the Alliance for International Medical Action (ALIMA) has issued nearly €2 million worth of associative shares, allowing an increase of four times the organisation's operational response capacity. Such financial operations would have been unthinkable for humanitarian organisations a few years ago[13].

Disaster risk insurances are also becoming a popular way to provide responders with rapid funds for early response in drought affected communities[14]. The African Risk Capacity (ARC) is one example of this[15].

2.2. Key trends in partnership

As seen in Figure 1, a recent survey among the private sector for an OCHA study established that contributions though partnership to the humanitarian response follow overarching models of engagement, from financial support to in-kind donations, to services to improve internal operations and tangible products and services to improve the humanitarian response. Trends indicate a move away from purely financial contribution (fundraising) from the private sector towards partnerships that are more at strategic level, holistic and more central to the business, with humanitarian organisations using their private sector partners expertise for problem solving or as source of advice. For example, since 2013,

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12   https://www.ft.com/content/8d82241d-096b-313e-91d8-786ba99d2073 and https://www.devex.com/news/icrc-launches-world-s-first-humanitarian-impact-bond-90981

13   https://www.alima-ngo.org/alima-premiere-ong-de-medecine-humanitaire-a-lever-2-millions-d-euros-en-titres-associatifs

14   https://startnetwork.org/start-labs/drought-risk-financing

15   Established in 2014, ARC offers insurance against severe drought for member states of the African Union. Pay-outs are triggered by a satellite weather system when rainfall deviation and estimated response costs cross pre-defined thresholds. International donors provided funding to support the design of the facility. https://www.weforum.org/agenda/2018/01/humanitarian-crises-cost-private-sector-blended-finance/

Save the Children and pharma company GlaxoSmithKline (GSK) have been involved in a global strategic partnership, with common objectives of programme support, new product development, source of advice and employee engagement[16].

According to Save the Children, GSK has a specific health care expertise and "a whole portfolio of resources – mostly human, intellectual and research resources which we think can be lined up against some of the very specific needs which exist within child health within the developing world[17]."
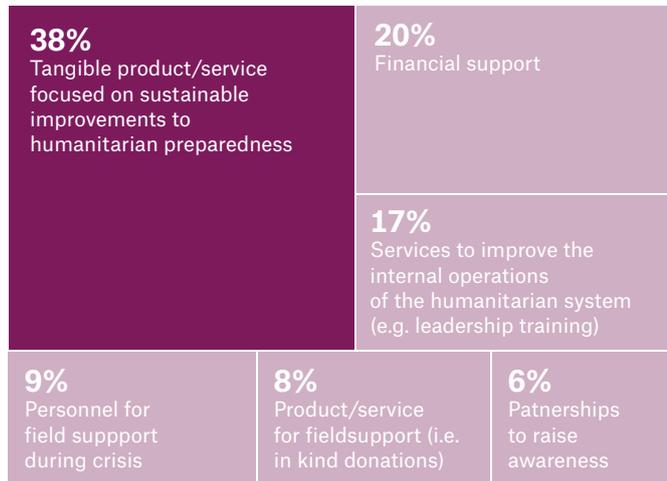

38% Tangible product/service focused on sustainable improvements to humanitarian preparedness	20% Financial support
	17% Services to improve the internal operations of the humanitarian system (e.g. leadership training)
9% Personnel for field suppport during crisis	8% Product/service for fieldsupport (i.e. in kind donations)	6% Patnerships to raise awareness

Figure 1: Contributions to humanitarian response through partnership[18]

For humanitarian organisations, in addition to the urge to improve the efficiency of the response (timeliness and cost), **key drivers for these partnerships can include improving processes, enhancing effectiveness and relevance, improving operations, increasing coverage, and ensuring sustainability[19]**. For many organisations, given the economies of scale, it is cheaper and easier to outsource (buy) services than to proceed with direct implementation or invest in heavy equipment, internal capabilities, and technical skills. This is a decision about to what degree organisations "want to build, buy or borrow".

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16   GSK and Save the Children partnership mid-term report, Available at: https://www.gsk.com/media/2756/save-the-children-partnership-progress-brochure.pdf

17   The Guardian, https://www.theguardian.com/business/2013/may/09/save-the-children-teams-up-glaxosmithkline

18   Source: OCHA, *The Business Case: A study of private sector engagement in humanitarian action*; Nov 2017. Available at: https://www.unocha.org/sites/unocha/files/PSS-BusinessCase-FINAL.PDF

19   Zyck, S. and Kent, R. , *Humanitarian crises, emergency preparedness and response: final report,* HPG, July 2014*,* Available at: *https://www.odi.org/publications/8534-humanitarian-crises-emergency-preparedness-and-response-role-business-and-private-sector-final*

Services might include water and sanitation, construction, food safety and quality control. A quick review of MSF's own practice has revealed that the organisation often contracts the private sector for specific services such as water trucking, building infrastructure, international and local transport of material and in-kind assistance, including medicines, and using the services of consultants for specific tasks[20]. On occasion, the private sector has helped MSF with import practices for cargos and facilitated their supply-chain[21].

Supporters of private sector engagement see the **practical advantages** to its involvement. There is a tendency to believe (although, as discussed later in the report, this is not clearly demonstrated) that the private sector is more **efficient in managing and providing logistics services and other services related to new technologies and technical capabilities**, especially with regards to telecommunications and 'big data' (geospatial images and beneficiaries data for needs assessments, stock and logistics data, etc.)[22]. OCHA claims that "private sector partners often have the best channels, access, knowledge and contacts to assist people, as well as the strongest data on where people are going and what they need[23,24]."

Several UN agencies have partnered with logistics giant Deutsche Post - DHL to manage airport and warehouse logistics for natural disasters[25]. During the response to the Typhoon Haiyan in the Philippines, international and national private companies from the telecom sector worked closely together with NGOs and the UN, in order to restore services quickly[26].

20   http://pharmexpress-logistics.com/en/news/pharm-express-logistics-became-the-logistic-partner-of-medecins-sans-frontieres/

21   https://www.inditex.com/en/our-commitment-to-people/supporting-communities/msf-programme

22   UPS and WFP have joint efforts in the Pandemic Preparedness Initiative, to have data available for potential pandemics (what stock is available, where is it, how can it be moved).

23   https://medium.com/humanitarian-dispatches/five-ways-cash-is-transforming-crisis-response-for-the-better-986b58018cc9

24   Zyck, S. and Kent, R., *Humanitarian crises, emergency preparedness and response: final report,* HPG, July 2014, Available at: *https://www.odi.org/publications/8534-humanitarian-crises-emergency-preparedness-and-response-role-business-and-private-sector-final*

25   https://www.weforum.org/press/2017/01/scale-of-humanitarian-crises-demands-partnerships-with-private-sector-to-deliver-lasting-solutions/

26   Sandrine Tiller, *The 'New Humanitarian Aid Landscape' Case study: Philippines Typhoon Haiyan Response*, MSF, April 2014

Many seem to think that the private sector is better equipped to provide **services and products related to cash transfers and mobile money platforms**[27,28]. Accordingly, the Directorate-General for European Civil Protection and Humanitarian Aid Operations (ECHO) has issued a new policy on cash transfers, which foresees the role of private brokers in financial transfers to affected communities[29]. Similarly, the World Food Programme (WFP) is involved in a partnership with MasterCard for the provision of cash transfers in Jordan and Lebanon, and World Vision International has been partnering with the same company for the response in Nepal and the Philippines[30,31].

The private sector is also considered to be more flexible and able to change quickly, which, coupled with technology and design capability, would help **push innovation, including building or adapting products for specific needs or contexts** (it should however not be forgotten that such partnerships also allow the private sector to test new products in emerging markets). UNHCR and the IKEA foundation are also long-term partners, and together manufactured and piloted a new type of temporary shelter intended for longer-term use, as well as sustainable lighting. IKEA also helped UNHCR to raise visibility for the refugee cause[32]. MSF's long-term partnership with Veolia (since 2012) focuses on technical innovation issues in the field of energy, waste, sanitation and drinking water[33]. Lately, the ICRC has announced a partnership with Microsoft to use facial recognition technology to help reunite families separated by conflict[34].

27   Zyck, S. and Kent, R., *Humanitarian crises, emergency preparedness and response: final report,* HPG, July 2014, Available at: *https://www.odi.org/publications/8534-humanitarian-crises-emergency-preparedness-and-response-role-business-and-private-sector-final*

28   http://www.wvi.org/pressrelease/mastercard-and-world-vision-address-key-issues-facing-humanitarian-sector-0 and https://www.weforum.org/press/2017/01/scale-of-humanitarian-crises-demands-partnerships-with-private-sector-to-deliver-lasting-solutions/

29   ECHO, *Guidance to partners funded by the Directorate-General for European Civil Protection and Humanitarian Aid Operations (ECHO) to deliver large-scale cash transfers.* Available at: https://ec.europa.eu/echo/sites/echo-site/files/guidance_note_cash_23_11_2017.pdf

30   https://www.weforum.org/press/2017/01/scale-of-humanitarian-crises-demands-partnerships-with-private-sector-to-deliver-lasting-solutions/

31   http://www.wvi.org/pressrelease/mastercard-and-world-vision-address-key-issues-facing-humanitarian-sector-0

32   http://www.unhcr.org/ikea-foundation.html

33   https://www.veolia.com/en/veolia-group/media/press-releases/medecins-sans-frontieres-doctors-without-borders-and-veolia-foundation-sign-research-and-innovation-partnership

34   https://www.icrc.org/en/document/icrc-davos-tech-partnerships-augmented-reality-and-cruelty-war

In chronic disaster contexts, some organisations see cross-sector partnering as part of the longer-term response to strengthen the local economy and make communities more resilient to shocks[35]. Initiatives to connect the private sector with the humanitarian sector towards long-term strategic engagement are emerging. Examples of those are the Connecting Business initiative (launched at the World Humanitarian Summit (WHS)), and the Humanitarian Private Sector Partnership Platform (HPPP) for East Africa[36],[37].

Partnerships are also preferred for **better financial flexibility and a longer-term financial view** (five years) on projects, as opposed to the traditional yearly funding cycle from institutional donors. Financial advantages are expected as, for example, the ICRC's impact bonds are due to attract new types of donors, resulting in a diversification of the organisation's donor base[38]. Interestingly, when the private sector becomes a donor to a humanitarian organisation, the latter finds challenges in collecting data and creating benchmarks in measuring the impact and efficiency of its programmes[39]. On the other hand, working with a donor or partner who is not bound by agreed humanitarian principles and good practices should be an important point of concern.

Finally, some humanitarian organisations are keen to **access the private sector's core competencies and skills**, often through the secondment of private sector human resources. Areas of support have included internal management, change management and streamlining organisational efficiency solutions and connectivity[40]. As with other organisations, WFP has a long-term partnership with a consulting company (BCG - Boston Consulting Group) to help them optimise processes and structures.

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35   http://community.businessfightspoverty.org/profiles/blogs/dr-kathryn-taetzsch-humanitarian-action-with-business-not-philant

36   https://www.connectingbusiness.org/about

37   https://reliefweb.int/report/world/humanitarian-private-sector-partnership-platform-hppp-launched-east-africa

38   ICRC Blog: *Impact finance and Capital Markets: a trend for Humanitarians?* Available at: http://blogs.icrc.org/gphi2/2015/07/20/impact-finance-and-capital-market-a-trend-for-humanitarians/

39   https://www.ft.com/content/8d82241d-096b-313e-91d8-786ba99d2073 and https://www.devex.com/news/icrc-launches-world-s-first-humanitarian-impact-bond-90981

40   Joanne Burke and Lilianne Fan, HPG, Humanitarian crises, emergency preparedness and response: Indonesia case study, HPG, February 2014

For the private sector, reasons for involvement often vary. Profit is still an underlying factor because of the possibility to open new markets, develop commercial opportunities, build relationships, and mitigate losses. As MasterCard's vice-president said: "Helping those emerging markets grow is in MasterCard's interest, to find new customers in those areas[41]." However, some businesses are also driven by corporate social responsibility priorities, such as complying with ethical labour practices, fostering environmental sustainability and supporting affected communities (including those where their own employees live) by donating money, products or services to social causes. Secondary benefits for businesses include enthusiasm and engagement of their staff (leading to increased motivation and retention, often through volunteering schemes) and enhancing the company's reputation, legitimacy, and brand[42]. Approaches to working in conflict settings differ: some international corporations seem to be quite risk-adverse, and they are unwilling to take responsibility for their employees' lives and are worried about issues of liability, insurance and perception that need to be taken into account. Some companies worry about the impact on their reputation if they were to get involved with negative players (governments or specific factions) in international relations. Other corporations, however, have a tarnished track record and many have profited from close relationships with armed groups and corrupt governments in contexts of unregulated markets or in conflict-affected areas. The extractive industry and other businesses linked to natural resource exploitation have often been mentioned as examples of bad practices, creating further tensions, displacement, conflict and hence humanitarian consequences, while feeding a profitable global market[43,44].

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41   https://www.devex.com/news/where-is-the-private-sector-in-humanitarian-response-88328

42   OCHA, *The Business Case: A study of private sector engagement in humanitarian action;* Nov 2017. Available at: https://www.unocha.org/sites/unocha/files/PSS-BusinessCase-FINAL.PDF

43   Claude Voillat, *Pushing the humanitarian agenda through engagement with business actors: the ICRC's experience,* in International Review of the Red Cross, Volume 94 Number 887 Autumn 2012

44   Filippe Calin, *The interaction between humanitarian non-governmental organisations and extractive industries: a perspective from Médecins Sans Frontières*, in International Review of the Red Cross, Volume 94 Number 887 Autumn 2012

Donors practices

Institutional donors have been using humanitarian budgets to contract the private sector directly. In line with a strong risk aversion in the sector, donors find the use of private contractors (in particular For-Profit Development Companies (FPDC)) appealing, in that they are able to transfer risks to the private sector, especially in terms of financial, administrative and fiscal responsibilities[45]. **Value for money and efficiency are the buzzwords of donors' standard terms and conditions**[46]. Moreover, such big-scale funding reduces the number of contracts that donors have to manage and spares them the monitoring of multiple implementing partners and subcontractors[47].

As way of example, in certain fragile and conflict-affected states, the majority of the UK Department for International Development (DFID) stabilisation programming is delivered through a chain of contractors as well as monitoring and evaluation of its humanitarian programmes[48,49]. Donors such as the United States Agency for International Development (USAID) and DFID sub-contracted private entities such as Development Alternatives, Chemonics or Adam Smith International for the reconstruction response in Iraq and Afghanistan and for provision of services in Syria[50, 51, 52]. Charlie Goldsmith Associates are consistently involved in assessments of health systems, most recently in South Sudan[53].

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45   https://www.devex.com/news/q-a-biggest-pitfalls-for-ngos-bidding-on-dfid-contracts-90738

46   https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/657021/DFID-Standard-Terms-Conditions-Services-Contract.pdf

47   Anne-Aël Pohu, *Partnerships with private operators: the necessary debate among NGOs,* Alternatives Humanitaires, Nov 2017. http://alternatives-humanitaires.org/en/2017/11/20/partnerships-with-private-operators-the-necessary-debate-among-ngos/

48   https://publications.parliament.uk/pa/cm201617/cmselect/cmintdev/920/92005.htm#_idTextAnchor016

49   A number of interviewees have mentioned the DFID Palladium contract signed with DHL logistics to deliver British government aid.
https://www.devex.com/news/dfid-s-top-private-sector-partners-for-2015-89333

50   http://syriadirect.org/news/after-suspension-of-usaid-project-250000-in-north-homs-without-water-subsidies/

51   https://www.adamsmithinternational.com/news-and-insights/adam-smith-international-strongly-defends-integrity-of-unarmed-community-po/

52   Michiel Hofman, Dangerous Aid in Afghanistan - January 12, 2011 Available at: http://foreignpolicy.com/2011/01/12/dangerous-aid-in-afghanistan/

53   http://charliegoldsmithassociates.co.uk/sector/health/

In humanitarian responses, a few private sector actors have been selected for their clinical expertise. In 2014, USAID contracted the Australian company ASPEN Medical, who operated a private clinic in Liberia's capital to support the Monrovian public healthcare system as Ebola took hold across West Africa. Similarly, the UK government contracted the same company for the Ebola response in Sierra Leone and the World Health Organisation (WHO) contracted it for the Mosul response[54,55]. An interviewee who was present in the field at the time of the response noted, however, that this approach did not necessarily equate to more efficient and better-quality services than those offered by NGOs.

The introduction of for profit actors at the assessment stage, the hands-on delivery and feedback monitoring stages risk potentially 'commodifying' needs and impact. Those stages are already seeing the involvement of private actors as subcontractors ranging from companies supplying and developing technology for remote 'assessments'; for-profits are then engaged in third party monitoring which can be merely checking if items arrived or a project exists. This type of monitoring might not be able to properly inform programme readjustments if this is not performed by sufficiently sensitive organisations who (as in the case of Syria) face similar remote management challenges to the NGOs and UN agencies and donors who have contracted them, and it carries the risk that the hard to reach people will probably remain invisible. Additionally, key considerations such as timeliness, accountability or protection impact - which are *per se* hard to monitor – will be penalised in favour of volume. More recently, with the argument to reduce duplication and improve accountability, donors promoted a move towards centralisation of cash transfers through a single UN agency overseeing banks and money-transfers companies in Lebanon. This proposal raised concerns around a potential drop in quality and sophistication, producing a de-facto monopoly of the marketplace towards big agencies and thus reducing the space for NGOs to meet the needs of the most vulnerable refugees as the drive towards 'volume' exceeded concerns about targeting and exclusion[56].

As donors become more risk-adverse, and are increasingly unwilling to accept uncertainty, failure or loss or diversion of assets in favour of volume considerations, they also foster a mindset of risk aversion among humanitarian actors, creating an environment which is unsupportive of interventions in conflict or highly

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54   https://www.aspenmedical.com/content/aspen-medical-contracted-us-government-agencies-keep-liberia-ebola-free

55   https://www.aspenmedical.com/

56   https://www.irinnews.org/investigations/2017/02/20/unconventional-cash-project-challenges-aid-status-quo-lebanon

insecure contexts[57]. Following this reasoning, there is a subsequent risk of donor programming increasingly becoming commodity driven and easily implemented by a private actor.

In summary, while the engagement with the private sector might offer a certain number of advantages, the mindset in which it occurs, however, is a cause for concern. On one hand, it seems that humanitarian organisations, while recognising the need for better capacity and diversified skills in the sector, tend to over-rely on the private sector as a solution. On the other hand, donors' subcontracting and transfer of risk of humanitarian responses to the private sector play into the underlying dynamics that drive the gap in the emergency response by humanitarian organisations[58]. All this feeds into an ever-growing vicious circle of even more reduced capacity and increased gaps in the response: humanitarian organisations shy away from timely and effective responses and do not invest sufficiently in technical capacities (giving then way and legitimacy for the private sector to intervene). If, on one side, technology does not necessarily equate to meeting needs and ensuring the quality and impact of the response, on the other side the humanitarian sector needs to build its own capacity to innovate and respond to the needs of the most vulnerable.

3. Key risks

3.1 Implications for the humanitarian space

While partnership with the private sector might bring advantages, it also carries some challenges. Risks to humanitarian values are high in some contexts, especially conflict settings, under specific circumstances.

There are real concerns about the **instrumentalisation of aid** by the private sector, to open new markets for them under the appearance of humanitarian aid. In his paper about money and morality in professional humanitarianism, Hopgood concluded that "the logic of capital is to make us see one another as

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57   The *Presence and Proximity: To Stay and Deliver Five Years On* study found that the challenges noted in that 2011 To *Stay and Deliver* report (e.g., limited presence and proximity, risk aversion) ultimately remain intact.

58   De Castellarnau, M. and Stoianova, V., *Bridging the emergency gap: Reflections and a call for action after a two-year exploration of emergency response in acute conflicts,* Emergency Gap Project, Médecins Sans Frontières, Barcelona, April 2018, in https://arhp.msf.es/categories/emergency-gap

partners in a variety of instrumental exchanges. The very logic of humanitarianism is to reject this idea precisely by helping those with whom no exchange is possible, whatever the Global Compact may say[59]."

Whilst engagement with the private sector is often seen as a solution, there are general concerns from humanitarian stakeholders that the private sector lacks the humanitarian reflexes for principled action at it does not always understand humanitarian activities and sensitivities. Certain types of decisions are deemed worthy of a deeper level of ethical oversight than others, and risks and benefits need to be considered[60].

The involvement of the private sector can bring about the potential erosion of humanitarian principles and of the ethical nature of humanitarian work. This raises questions that need to be addressed: as the private sector is slowly moving from the back office to the frontline, is it willing and able to provide neutral and impartial assistance? How is the for-profit logic influencing decisions in terms of what kind of humanitarian assistance is provided, and to whom? How are interventions prioritised? What is the relation with power actors? Is there a conflict of interest? What standards, principles, and codes will a private sector actor engaged in a humanitarian context be held accountable to? For example, there are legitimate questions about the incentives and business models of the private sector, and to what extent these coincide with independent and impartial humanitarian action, or with the principle of humanity, when beneficiaries are considered consumers[61].

Concerns about the private sector 'bending' the humanitarian principles or interpreting them differently abound[62]· As noted in the Emergency Gap localisation report, "in a war situation, expectations as to the ability and willingness

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59   Stephen Hopgood, 'Saying "No" to Wal-Mart? Money and Morality in Professional Humanitarianism', in Michael Barnett and Thomas G. Weiss (eds.), Humanitarianism in Question: Politics, Power, Ethics (Ithaca, NY: Cornell University Press, 2007)

60   Carmen Huckel Schneider & Joel Negin (2016): *The for-profit sector in humanitarian response: integrating ethical considerations in public policy decision making*, Medicine, Conflict and Survival, DOI: 10.1080/13623699.2016.1250200

61   Jim Drummond and Nicholas Crawford, *Humanitarian crises, emergency preparedness and response: the role of business and the private sector Kenya case study*. HPG, Jan 2014, Available at: https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8790.pdf

62   Humanitarian Futures Programme // Evolving Operational Contexts and the Role of the Private sector in Humanitarian Action: Literature Review, jan. 2013, Available at: https://reliefweb.int/report/world/evolving-operational-contexts-and-role-private-sector-humanitarian-action-literature

of local actors to implement the principled framework may need to be revisited altogether": this reasoning could be extended to the private sector altogether[63].

The biggest concerns relate to the number of **ways in which the work and approach of the private sector can affect the humanitarian space.**
One classic example is the way the private sector is involved in 'hearts and minds' or stabilisation and reconstruction activities, by building infrastructure, providing logistical support, and providing health services together with military forces in conflict-affected regions. At times, such companies 'operate like military outfits' and the media referring to these companies as 'aid groups' can create confusion[64]; Private contractors (FPDCs) represent a specific concern among humanitarians: on one hand, they still are poorly integrating the good practices, codes and standards of the humanitarian sector (participation, inclusion, do no harm)[65], and on the other hand, they often choose to work for a specific institutional donor with its own foreign policy interests or which might be party to the conflict and they are prepared to take risks. Thus, these companies can claim neither neutrality nor independence[66]. In addition, as Whittall wrote: "if healthcare is onlycarried out as a component of the overall military strategy, it undermines the very basis of medical ethics. Weapon-free civilian health structures operate in war zones for a reason: to ensure impartiality is respected and that treatment is given based on medical need alone[67]."

The private sector more readily resorts to armed protection and isn't as concerned with embedding with armies and maintaining close relationships with relevant local powers. However, this approach is highly problematic as it can compromise the ability of the humanitarian sector to use a more principled approach of

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63   There is a wide array of reasons that can lead the local private sector not to adhere to the key humanitarian principles. These may be intentional (such as a conscious choice to privilege a particular group), unconscious (a repetition of culturally normalised patterns of exclusion) or driven by a (perceived) fear of immediate or future reprisals (when local power actors demand specific types of responses or benefits may be threatening the organisation, its members and/or their families). Source: Emergency gap: *The challenges of localised humanitarian aid*, Emergency gap series 03, November 2016. Available at: https://arhp.msf.es/emergency-gap-papers-aid-environment/emergency-gap-challenges-localised-humanitarian-aid

64   Michiel Hofman, Dangerous Aid in Afghanistan - January 12, 2011 Available at: http://foreignpolicy.com/2011/01/12/dangerous-aid-in-afghanistan/

65   Anne-Aël Pohu, *Partnerships with private operators: the necessary debate among NGOs,* Alternatives Humanitaires, Nov 2017. http://alternatives-humanitaires.org/en/2017/11/20/partnerships-with-private-operators-the-necessary-debate-among-ngos/

66   Michiel Hofman, Dangerous Aid in Afghanistan - January 12, 2011 Available at: http://foreignpolicy.com/2011/01/12/dangerous-aid-in-afghanistan/

67   Jonathan Whittall: Medics as force multipliers around Mosul—at the expense of medical ethics? BMJ Blog, June 14, 2017. Available at: http://blogs.bmj.com/bmj/2017/06/14/medics-as-force-multipliers-around-mosul-at-the-expense-of-medical-ethics/

gaining acceptance and access among affected communities. This process has de-capacitated and undermined the traditional humanitarian actors, where belligerents and communities no longer see the difference or understand "who is who".

The private sector might represent a risk in what they might be willing and able to when negotiating with conflicting parties (including belligerent donor governments) in order to gain access to contested areas.

These practices threaten to exacerbate access dynamics that are already problematic by creating a climate of general distrust, which can often result in reduced ability of humanitarians to engage with armed actors, limited access to affected communities and increased insecurity of operations[68]. Other *Emergency gap* reports have explored concerns around coherence approaches, where humanitarian action is conflated with more strategic goals (political, military, economic or social). Such approaches are feared to inevitably lead to greater erosion of the space and conditions for principled action[69]. By extension, the private sector - which in itself is rarely apolitical and engages with governments in various ways in order to achieve their ends - supporting such approaches would likely increase such risks.

Partnering with the local private sector in a number of crisis-affected countries, such as Somalia and Yemen, has also supposedly helped with networking and facilitated humanitarian access and delivery of assistance[70]. However, one should be wary of the circumstances in which access is negotiated by entities with a vested interested in the outcome of the crisis. These companies might be well positioned to deliver certain components of humanitarian assistance, but this might come at the expenses of the immediate needs of certain communities or through the legitimisation of certain parties to the conflict. While it is often said that local actors (including the private sector) may be in a better position

68   Anne-Aël Pohu, *Partnerships with private operators: the necessary debate among NGOs,* Alternatives Humanitaires, Nov 2017. http://alternatives-humanitaires.org/en/2017/11/20/partnerships-with-private-operators-the-necessary-debate-among-ngos/

69   De Castellarnau, M. and Stoianova, V., *Bridging the emergency gap: Reflections and a call for action after a two-year exploration of emergency response in acute conflicts,* Emergency Gap Project, Médecins Sans Frontières, Barcelona, April 2018, in https://arhp.msf.es/categories/emergency-gap

70   Sherine El Taraboulsi-McCarthy, Nisar Majid and Barnaby Willitts-King, *Private sector engagement in complex emergencies: case studies from Yemen and southern Somalia.* HPG, February 2017, Available at: https://www.odi.org/sites/odi.org.uk/files/resource-documents/11354.pdf

to enter areas that are off limits to international staff and organisations, the counter-argument is that they are much more exposed to manipulation or intimidation, or have different (for-profit) interests driving their response[71].

Another key concern is the extent to which the private sector is going to be able to **meet the needs of highly vulnerable populations** in remote and difficult to access areas. In other words, given its commercial interests and efficiency consideration, will the private sector go 'the last mile'? Will it be able to ensure an impartial, appropriate, and timely response? Humanitarians need to be aware of the fact that commercial interests and efficiency considerations carry the risk to outweigh the needs of particularly vulnerable and hard-to-reach populations. First, the private sector needs a business case that goes beyond 'doing well' in order to engage in a response, for example in difficult business environments such as Yemen[72,73]. Clearly, there will be contexts and issues that are out of the reach, and of no interest to the private sector. Contexts might include highly sensitive conflict situations and protracted crises, or areas with difficult or insecure access, where the private sector might not consider intervening because of risk aversion or lack of foreseen commercial benefits (as returns on investment might not be guaranteed). If the SAVE research found that organisational capacity and insecurity clearly dictated where aid agencies operate within high-risk countries, resulting in unequal coverage of needs, with operations clustering in more secure and easily accessible areas within these countries, irrespective of the relative level of need of the local populations, there is no reason to believe that the PS, which is driven by business models rather than humanitarian principles, will perform differently - or better -, unless the commercial benefits outweighs the risks[74]. Moreover, if, as noted earlier, donors' contracts put the emphasis on delivering efficiently and at scale, for profit companies could be pressured to over inflate the target population and deliver aid to those who don't need it or, perhaps even more damagingly, under-represent and then over-deliver, which would negatively affect the ability of other sectors to appreciate needs and mobilise. This is made all the more tempting in remote management programmes with few monitoring possibilities.

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71   Emergency gap: *The challenges of localised humanitarian aid*, Emergency gap series 03, November 2016. Available at: https://arhp.msf.es/emergency-gap-papers-aid-environment/emergency-gap-challenges-localised-humanitarian-aid

72   Joanne Burke and Lilianne Fan, HPG, Humanitarian crises, emergency preparedness and response: Indonesia case study, HPG, February 2014

73   Sherine El Taraboulsi-McCarthy, Nisar Majid and Barnaby Willitts-King, *Private sector engagement in complex emergencies: case studies from Yemen and southern Somalia.* HPG, February 2017, Available at: https://www.odi.org/sites/odi.org.uk/files/resource-documents/11354.pdf

74   SAVE: www.saveresearch.net/. SAVE conducted research in four countries which concentrate the higher number of attacks on humanitarians: Afghanistan, South Central Somalia, South Sudan and Syria.

In terms of responding to urgent needs, the private sector might have technical solutions to a problem, but it might not be the solution to everything. The provision of health care in emergency situations by the private sector is inappropriate. "Humanitarian emergencies are not there to be making money from it but to support people in need[75]", and there should not be cost-recovery, as this causes delay in people visiting health facilities and most importantly, it leaves out the most vulnerable, as in an emergency many people are likely to have lost everything. In some instances, the response of private operators in emergency situation might be too slow: in certain contexts, the private sector continues with business as usual. One commentator mentioned that in the Syria response, engagement has been extremely slow, and corporations have a simplistic view of 'getting people stuff'. In-kind donations to humanitarian organisations for distribution to affected populations are often made with no consideration to the established needs. The Haiti response evaluation highlighted that "irrelevant or unusable donations during disasters can overwhelm the absorption of logistical capacity in the country[76]." In other responses, the alleged efficiency of the private sector, for example in logistics, hasn't manifested itself. For example, UPS's shipping of goods to Haiti for Care International in response to the 2010 earthquake resulted in major delays to the detriment of the beneficiaries. On that occasion, the company combined CARE's shipment with existing commercial contracts, which led to issues[77]. From an humanitarian point of view, such slowness in the response is not appropriate in short-term, large scale emergencies responses[78]. As one NGO respondent interestingly put it: "Is the private sector really efficient? NGOs and public sector should also be efficient, we also expect ourselves to be efficient."

Another way in which the private sector has the capacity to affect the humanitarian space is by becoming the **preferred default responder for affected governments with low tolerance towards international humanitarian actors.** A determining factor for the future will be the national legal and operational frameworks that governments will put in place (incentives for the private sector to engage more). An HPG study suggested that the private sector engagement will extend to a wide variety of contexts, in addition to disasters. This will likely include conflict settings as well as "places like Myanmar, Sri Lanka and Zimbabwe, where governments are increasingly keen to defend their sovereignty."

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75   Interview with key informant

76   http://news.philanthropyadvisors.org/increasing-private-sector-involvement-humanitarian-response-system-risks-opportunities/

77   Care Australia, *PRIVATE SECTOR ENGAGEMENT IN THE HUMANITARIAN SPACE Emerging Lessons for CARE Australia*, June 2015

78   Jim Drummond and Nicholas Crawford, *Humanitarian crises, emergency preparedness and response: the role of business and the private sector Kenya case study*. HPG, Jan 2014, Available at: https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8790.pdf

Governments might have a preference to engage with the private sector as they see it as fundamentally apolitical, or at least not openly critical of its policies, as opposed to NGOs or the international community. Hence there is a huge risk that assertive states will instrumentalise this trend to further reduce the humanitarian space and prevent foreign witnessing. Paradoxically, this situation might force humanitarian organisations to re-think the way they collaborate with the private sector, in order to gain access to populations in such contexts, all the while shifting the focus from the needs of vulnerable communities to corporate interests and having a negative impact on the scale, type, and quality of assistance for the people who need it[79].

Turkey's treatment of NGOs for cross border operations into Syria is illustrative of a government distrustful of the international aid sector taking actions that limited direct access and led to the increased engagement of the private commercial sector. The Turkish Government deliberately excluded certain INGOs from registration for political reasons (stated) and instead 'tolerated' a certain privatisation of parts of the response, which generated profit for Turkish companies. These and other bureaucratic impediments (e.g. limitations of volume per agency, long administrative times for authorisations to be issued) created a higher than normal dependence on commercial entities as the more traditional ways of operating were blocked[80]. Companies were contracted in Turkey to deliver directly inside Syria, but with quality checking and increasingly complex monitoring throughout the supply chain. The lack of registration also prevented NGOs from fielding senior monitoring staff or sending expats across the border even to areas where security wasn't the primary concern and so somewhat 'blinded' them. The situation was unsurprisingly rife with graft, corrupt sub-contracting and procurement fraud, and 'exploded' in 2016 with some of the biggest aid programmes

79   Zyck, S. and Kent, R., *Humanitarian crises, emergency preparedness and response: final report,* HPG, July 2014, Available at: *https://www.odi.org/publications/8534-humanitarian-crises-emergency-preparedness-and-response-role-business-and-private-sector-final*

80   *https://foreignpolicy.com/2017/08/03/inside-turkeys-ngo-purge/*

affected with major impact on delivery as well as reputational and institutional impact[81]. This situation describes in part what can result from intersecting relationships between governments and the private sector at a local, national and regional level, and how it can permeate the delivery chain from beginning to end, disrupting direct access and proximity, diverting funds from beneficiaries, reducing accountability, threatening principled action and focusing energy on 'workarounds' rather than on problems closer to beneficiary populations.

Another cause for concern is linked to markets dynamics and restricted competition. Where there are no alternatives, and not many players in the market, there is a risk of creating monopolies. Thus, it can become very expensive to hire the services of the private sector. This situation is likely to create a paradox: on one side there is a push for more private sector as it is supposed to be more efficient, on the other side this ends up increasing the costs for subcontracting its services. This will create a false sense of efficiency, as making profit is the goal of the private sector and the cost will fall on donors and taxpayers.

Accountability to affected populations is one of the key pillars of the humanitarian response, which makes organisations accountable for the quality of their work to the people and communities it aims to assist. Even if the humanitarian sector still has a long way to go in that regard, an accountable humanitarian response is people-centred.

The involvement of the private sector in the humanitarian response carries the following question: to whom is the private sector accountable, to whom is it not, and when does this become problematic to the delivery of timely, impartial humanitarian assistance? Depending on its business model, the private sector is typically accountable to its business stakeholders (investors) and consumers base, and potentially to the host governments where the business is based or operating (regulatory space). But where do affected populations come in the "accountability chain"? It is easy to see how proximity and accountability to the affected population are likely to be abandoned and overlooked in favour of the stakeholders' agendas. In addition, efficiency considerations (including by donors) and concerns for profit have the potential to make delivery at scale a priority, rather than delivering to the people it is supposed to reach. This "alternative accountability" framework brings a number of consequences.

81   https://www.irinnews.org/investigations/2016/05/09/us-probe-turkey-syria-aid-corruption-deepens and https://www.irinnews.org/investigation/2016/11/07/can-ireland%E2%80%99s-biggest-humanitarian-agency-beat-corruption-scandal

A certain standardisation of the response, instead of a needs based, personalised one has been connected to the entry of the private sector in the delivery of assistance. One commentator noted that in insecure contexts such as Syria, where the practice of remote management is widely used as replacement delivery modality, often through the sub-contracting to private companies, the ability to adapt to the needs, and the human touch traditionally brought by NGOs during assessments and distribution of NFIs, have become lost. Beneficiaries' preferences and opinions have been disregarded in favour of "mass delivery". While one should ask where does the private sector's appetite to work in such settings come from, one recent investigation fund DfID's private contractor Adam Smith "applying pressure to beneficiaries to submit evidence with implied or explicit references to continuation of funding and failing to make clear the extent of its involvement in the submissions of evidence[82]." Clearly, this was one example of lack of accountability, where corporate interests were elevated over the needs and feedback of the people.

Accountability towards beneficiaries also includes protecting their private data. As one corporate respondent put it: "Data is money and the private sector is far more advanced than the humanitarian sector in collecting, storing, managing and analysing it." Some agencies mentioned that there are potential advantages in buying data instead of collecting it. Data and data management is a type of donation that has a value in itself and in this sense, the private sector services will become more relevant[83].

The involvement of the private sector in service delivery to affected communities has meant that they collect private data (names, addresses, gender) for different purposes (e.g. cash transfers). The question of what happens to those data is a relevant one, with the premise that the private sector sees beneficiaries as consumers. One survey respondent mentioned: "[...] Using technologies like Blockchain can be effective in the field, but what are the data protection implications for the beneficiaries? Same with using smart phone apps for needs assessments in the field. How can we ensure the data of the beneficiaries is protected?" This reasoning also extends to surveillance and security data.

82   https://www.parliament.uk/business/committees/committees-a-z/commons-select/international-development-committee/inquiries/parliament-2015/conduct-of-adam-smith-international/

83   https://www.weforum.org/agenda/2018/01/3-ways-big-data-is-changing-the-humanitarian-sector/

While humanitarians have developed data protection protocols and accountability frameworks, the implications of the entry of the private sector in such a scenario are not yet clear[84].

The protection response has traditionally been the domain of specialised humanitarian organisations as it requires a certain type of soft skills, including the supposed capacity of ensuring confidentiality in order to prevent affected communities from further abuse.[85] However, as of late, some private sector organisations also claim to work in the area of protection. For example, Hala Systems, states on its website that it's currently focused on civilian protection, accountability, and the prevention of violent extremism before, during, and after a conflict[86]. This is done by collecting a multitude of data by means of different technologies, for "accurate detection, geo-location, and detailed characterisation of violent acts". Such data is then provided to governments or humanitarian organisations for monitoring or early-warning purposes. The service of civil protection probably saves many lives by providing early warnings and the information might also be handy for humanitarians for security management, yet there should be concern about where else the data might end up and which other purposes it will serve, especially in highly volatile contexts such as Syria, Yemen, etc. Additionally, the claim of preventing "violent extremism" raises a number of concerns in terms of neutrality and impartiality of action, to which the private sector is less likely to be sensitive and critical than the humanitarian community.

An additional threat related to the dependency on private actors for the development and use of technologies, especially those related to data collection and storage and mobile technology is the regulatory environment in the countries in which they are collected and used, or where a company is registered. These are generally controlled and monopolised by actors (authorities) who in most cases are also belligerents and could just as easily use the information (GPS positions, communities data) for intelligence purposes. As discussed at Aidex2017 "we need a better, real world understanding of who is using this data and how[87]."

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84   Isabelle Schlaepfer, How the arrival of companies re-examines the notions of legitimacy and accountability: the example of cash transfer programme, Alternatives Humanitaires, Nov 2017. Available at: http://alternatives-humanitaires.org/en/2017/11/20/how-the-arrival-of-companies-re-examines-the-notions-of-legitimacy-and-accountability-the-example-of-cash-transfer-programmes/

85   Recent enquiries suggest that this is not always the case. See: https://www.wired.co.uk/article/united-nations-refugees-biometric-database-rohingya-myanmar-bangladesh and https://www.irinnews.org/news/2018/01/18/exclusive-audit-exposes-un-food-agency-s-poor-data-handling

86   http://halasystems.com/mission

87   Matt O'Reilly, Deputy Trust Executive, Indigo Trust, at Aidex2017; Other interesting readings: https://www.irinnews.org/opinion/2016/07/11/slave-algorithm and https://www.weforum.org/agenda/2018/01/3-ways-big-data-is-changing-the-humanitarian-sector/

Coordination helps ensure accountability. The arrival of the private sector into the humanitarian space also carries a set of practical consequences. Poor coordination with humanitarian fora and within clusters has been reported as an issue. The arrival of new actors into a disaster setting increases the need for cooperation among different entities, but the private sector, including donors' contractors, often stays away (or sometimes is left out) from aid coordination mechanisms, thus producing an information gap on activities implemented in the field[88]. Their contribution is not included in the sector's reporting mechanisms (like the 4W Matrix, OCHA's Financial Tracking System and others) and, generally, donors do not communicate on contracts signed with contractors. This lack of transparency, and the general multiplication of actors involved in humanitarian crises tend to make the already strained coordination between actors more complex[89,90]. Information gaps on needs and opportunities, and lack of potential harmonisation between the humanitarian and the private sector have the potential to hamper the engagement between the two at the expenses of the affected populations[91].

There is a concrete concern that the choice of externalisation will probably come at the **expense of increased capability and skills of the humanitarian sector** for the emergency response.

In a worrying trend, the lack of emergency response capacity by NGOs has diminished significantly in the last 15-20 years and this is likely to attract more private sector providers to offer their services in crisis settings. Other common services offered to NGOs, such as supply chain, logistics, and access negotiations might slowly make them dependent on the UN or private providers and subsequently reduce operational agility and independence in highly politicised contexts where the UN or private providers are not responding to the humanitarian needs. It might still be too early to be looking for evidence on how private actors might be impacting on skills and capabilities of NGOs. However, the Emergency gap research has noted that when organisations centre their priorities and resources on securing funds, and away from investing in the necessary organisational capacity in order to be better able to reach people in

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88   http://news.philanthropyadvisors.org/increasing-private-sector-involvement-humanitarian-response-system-risks-opportunities/

89   Anne-Aël Pohu, *Partnerships with private operators: the necessary debate among NGOs,* Alternatives Humanitaires, Nov 2017. http://alternatives-humanitaires.org/en/2017/11/20/partnerships-with-private-operators-the-necessary-debate-among-ngos

90   http://news.philanthropyadvisors.org/increasing-private-sector-involvement-humanitarian-response-system-risks-opportunities/

91   http://community.businessfightspoverty.org/profiles/blogs/dr-kathryn-taetzsch-humanitarian-action-with-business-not-philant

need of assistance, skills and expertise will go lost. This trend has been confirmed in the WASH sector. If organisations do not have ongoing engagement with emergency operations it is difficult to retain technical capacity, both for human resources and support functions. A change of mindset is needed, and it should re-focus on facilitating the sharing of knowledge and capacity within the humanitarian sector[92].

In sum, risks can be high. Some noted that the increased involvement of the private sector in the humanitarian field is going to cause the death of the theoretical divide between the private sector and NGOs[93]. While the private sector gains legitimacy in a new field, this might carry the risk for humanitarian principles to be easily dismissed and considered dated and simplistic. In the meantime, the humanitarian sector is losing its response capacity and skills, creating an even bigger emergency gap, where the immediate needs of the most vulnerable populations are not being met.

3.2 Mitigating measures

Given the potential risks mentioned above, partnerships with the private sector need to be considered carefully. From the humanitarian organisations' side, respondents have noted ways of mitigating the risks, such as remaining vigilant, identifying services or offers corresponding to actual demands, and avoiding systematic partnerships. A number of possible solutions to be implemented at organisational level have been identified: Dialogue and understanding (to bridge the cultural and values differences); transparency and precise frameworks (to build a common approach, accountability); reciprocal investment in time and resources (to avoid dependence) and third-party facilitation.

A number of internal and sector-wide measures have been taken in response to practical and ethical concerns. These are meant to mitigate risks and bring the private and the humanitarian sector on the same page. "As we liaise with private sector partners, we see it as our role to introduce and reinforce humanitarian principles and break down the for-profit logic that can arise when private sector is involved in aid delivery[94]."

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92   Andrew Cunningham, The Evolution of Emergency WASH in Humanitarian Action, MSF, June 2017. Available at: https://arhp.msf.es/sites/default/files/The-Evolution-of-Emergency-WASH-case-study-vf.pdf

93   Mathieu Dufour, Alima, Are NGOs the sole purveyors of honourable intentions?, Altenatives Humanitaires, Nov 2017, http://alternatives-humanitaires.org/en/2017/11/17/are-ngos-the-sole-purveyors-of-honourable-intentions/

94   Survey respondent.

Some organisations have internal policies on the use of private security companies or armed escorts. Others, such as Oxfam, have published a Compendium Note on the Private sector and Humanitarian Relief, outlining their organisational position in conformity with the humanitarian principles[95].

Other organisations have developed internal checklists for screening potential private partners from an ethical point of view. This sort of screening analyses different aspects: the company's profile, the type of contract, the funds' origin, and also the profile of other partners. Screenings like these usually involve ethical, legal and fiscal questions. One respondent from an agency that otherwise regularly partners with the private sector in natural disasters mentioned that they would not deploy certain corporations in sensitive settings, as it would undermine their neutrality and impartiality and affect the agency's reputation.

In addition to internal policies, in order to facilitate mutual accountability and understanding, a number of sector-wide charters and guidelines for cooperation between the private and the public or humanitarian sector have been produced[96]. These are supposed to clarify the principles and operating procedures for all involved parties.

Many respondents still see a crucial role for humanitarian organisations and NGOs as frontline operators, whose added value is the interaction with the community. In political and sensitive contexts, they are keen to ensure that the needs of the most vulnerable are still met, that assessments, needs targeting, delivery of assistance and monitoring are independently and properly done and that the response remains neutral and impartial. For these reasons, some organisations have laid down their own rules of engagement and red lines, in particular with regards to management and control of the humanitarian response when the private sector is involved.

Luckily, most humanitarian organisations are not ready to delegate standards, principles and ethics. "I am ready to delegate tasks, and at times tactics, but I will never delegate on principles or on overall strategies." Similarly, another organisation mentioned: "We do not delegate decision-making and responsibility, for example on the choice of the most vulnerable." The moment the private sector is influencing an organisation's operationality or its way to access and be close

95   Oxfam International, *Policy Compendium Note on the Private sector and Humanitarian Relief*, March 2012 , Available at: https://www.oxfam.org/sites/www.oxfam.org/files/hpn-private-sector-and-humanitarian-relief-080312-en.pd

96   These include: WEF and OCHA Guiding Principles for Public-Private Collaboration for Humanitarian Action, Guidelines on Cooperation between the United Nations and the Business Sector, Principles on public-private cooperation in humanitarian payments and sectoral charters such as: The GSMA Humanitarian Connectivity Charter (for mobile networks) and The Crisis Connectivity Charter (for satellite communications). All available at: https://www.unocha.org/themes/partnerships-private-sector/resources

to populations in need is seen as the clear red line not to be crossed. Once a contract is signed, the sole responsibility and control of programmes should stay with the humanitarian organisations, and investors or partners cannot influence them. For example, in the case of cash transfers, there is unanimous agreement that the management of such responses needs to remain appropriate, and humanitarians are key to ensuring identification of needs, targeting of the most vulnerable and follow-up.

Maintaining a principled response is critical to the humanitarian response itself, especially those kind of programmes where a protection lens is key and the problems of inclusion and exclusion from principled programmes can be life-saving or life threatening. Humanitarian organisations have identified risks and issues, and instances where they are reluctant to delegate responsibilities. Reading across the localisation debate, a less implementation-oriented operational model also means less proximity to the people humanitarians exist to serve. If organisations move from implementers to brokers or intermediaries, the nature of the priorities changes dramatically, at the expense of the humanitarian mindset. The operational and principled challenges of getting things done and keeping the quality high in field realities are less and less discussed to the advantage of discussions on aid systems and policies[97]. In this sense, humanitarian organisations need to remain vigilant in order to avoid "mission creep".

4. Conclusions

It is likely that the private sector will play an increased role in humanitarian response in the near future.

This scenario needs to be understood within the broader trends in the aid system: humanitarian needs are steadily increasing as crises become protracted and new crises pile new needs onto existing ones. Humanitarian appeals and the related costs are expected to rise exponentially[98].

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97   Emergency gap: *The challenges of localised humanitarian aid*, Emergency gap series 03, November 2016. Available at: https://arhp.msf.es/emergency-gap-papers-aid-environment/emergency-gap-challenges-localised-humanitarian-aid

98   According to recent data provided at the WEF (World Economic Forum) by Sara Pantuliano: The global humanitarian appeal for 2017 was a record $23.5 billion, targeting 93 million people in need of assistance. This is five times what it was a decade earlier, for more than three times as many people. Humanitarian assistance costs are predicted to rise to $50bn per year by 2030, on the basis of current trends. By then, two-thirds of the world's poor could be living in conflict-affected countries. See:https://www.weforum.org/agenda/2018/01/humanitarian-crises-cost-private-sector-blended-finance/

There is appetite from both the private sector and institutional donors towards more engagement in emergency response and both OCHA and the World Humanitarian Summit in 2016 have recognised the Private sector's increasing role. Institutional funding is not keeping pace with such needs and the High-Level Panel on Humanitarian Financing Report calls on the need to harness the power of business in order to address the financing gap[99]. This means that the private sector will have a more prominent role in funding in the future. Innovative social finance tools will be more widespread and more corporate foundations will play a bigger role in humanitarian financing.

The trend for donors to implement humanitarian programmes through private contractors is also likely to continue. Some institutional donors such as DfID are now working directly with the private sector and pushing NGOs to develop more partnerships with the private sector. Within this changing landscape, as they come to terms with new global policies such as localisation, grand bargain and the likes, many humanitarian organisations and agencies see the potential of partnering with the private sector to share the burden and costs, including in conflict settings.

However, the involvement of the private sector can also carry some challenges in meeting the needs of highly vulnerable populations. There is recognition that the private sector has its own profit-oriented agenda and this might clash with humanitarian and ethical principles. Where accountability towards beneficiaries is not the main concern, the potential of instrumentalisation of aid for economic rather than humanitarian purposes is real.

There also are a number of ways in which the private sector can affect the ever-shrinking humanitarian space, by exacerbating access dynamics that are already problematic and by becoming the default preferred responder for affected governments or other power actors, in situations where principled humanitarian practices are not welcomed. These trends come at the expense of increased capability and skills of the humanitarian sector for the emergency response. While some have observed that NGOs may become too much like corporations, hence losing their humanitarian edge, in order to have access to specific donor's budgets, others, including MSF, are concerned about the risk of ignoring the system's shortcoming in terms of delivery in complex settings and bypassing it by relying on local partners and private actors (precisely in the places where principled action is most important).

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99   High-Level Panel on Humanitarian Financing Report to the Secretary-General *Too important to fail—addressing the humanitarian financing gap;* January 2016 Available at: https://reliefweb. int/sites/reliefweb.int/files/resources/%5BHLP%20Report%5D%20Too%20important%20to%20 fail%E2%80%94addressing%20the%20humanitarian%20financing%20gap.pdf

However, while it seems tempting to fill the existing gap through the private sector, the solution should lie in improving the response of the humanitarian sector altogether. Starting from the point of view that humanitarian aid is a (specialised) discipline with its own operational standards and ethical principles, the Emergency Gap is real and the humanitarian sector needs to maintain the capacity and skills to provide timely and impartial assistance. This includes the capacity to assess risks pertaining to the involvement of other actors.

There might be areas for an advantageous engagement with the private sector, but a critical analysis is needed, and humanitarians need to explore and promote partnerships that don't undermine the humanitarian purpose and accountability to affected populations.

Introducing 'for-profit' initiatives and actors in emergency humanitarian response: facts, trends & concerns

Annex 1 – List of institutions consulted

OCHA
WFP
ICRC
Save the Children
World Vision
Handicap International
MSF OCBA
MSF Canada
InterAction
VOICE
ICVA
KOIS Invest
The UPS Foundation
Independent Humanitarian Expert

Annex 2 – List of Acronyms

ALIMA: Alliance for International Medical Action
ARC: African Risk Capacity
BCG: Boston Consulting Group
DFID: Department for International Development (UK)
ECHO: Directorate-General for European Civil Protection and Humanitarian Aid Operations
FPDC: For-Profit Development Company
GSK: GlaxoSmithKline
GSMA: GSM Association (commonly referred to as ‹the GSMA›) is a trade body that represents the interests of mobile network operators worldwide.
HPG: Humanitarian Policy Group
HPPP: Humanitarian Private Sector Partnership Platform
ICRC: International Committee of the Red Cross
M&E: Monitoring and Evaluation
MSF: Médecins Sans Frontières
NGO: Non-Governmental Organisation
ODI: Overseas Development Institute
PS: Private Sector
UN: United Nations
UNDP: United Nations Development Programme
UNHCR: United Nation High Commissioner for Refugees
UNICEF: United Nations Children Fund
UNOCHA: United Nations Office for the Coordination of Humanitarian Affairs
UNODRR: Water, Sanitation and Hygiene
USAID: World Economic Forum
WASH: United States Agency for International Development
WEF: United Nations Office for Disaster Risk Reduction
WFP: World Food Programme
WHO: World Health Organisation
WHS: World Humanitarian Summit

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