



The Role Of Private Companies & Foundations

Definition

Private sector actors refer to for-profit corporations and their philanthropic branches, foundations, and trusts. Private sector actors are implicated in the humanitarian sector as funders of humanitarian action, supporters of humanitarian organizations, and as direct implementers.¹

Key insights

Aid is everyone's business

Delivering assistance to affected populations will increasingly become a multi-sectoral affair that involves NGOs, governments, small local businesses, and large multi-national corporations before, during, and after a crisis. The partnerships between these organizations will be varied in nature and structure and will add further complexity to the sector.

Private sector actors operate in their own right

The donor mentality will be replaced by one of partnership based on competency, efficiency, and access. Private sector actors will be increasingly implicated in the humanitarian value chain, becoming implementers in their own right, separate from (and in competition with) NGOs. Success will be measured against quantitative and qualitative targets and, if achieved, could result in repayments on investment.

A marketplace

A marketplace for humanitarian services will be created where beneficiaries are able to choose the services to which they subscribe – driving competition between private sector actors and NGOs. Where this functions, there could be an increased focus on quality driven by accountability to communities, but in more insecure environments with limited access, monopolies could create sub-standard programming.

¹ This file focuses on the role of private actors as implementers rather than funders of responses.



Changes by 2030

➤ **Actors: a shift toward the Global South**

Large Western multinational corporations with global reach have received the most attention for their involvement in the humanitarian sector. Often structured as part of or leading a large consortium of applicants, corporations have the capacity to apply for funding in significant tranches. Though Western corporations receive more coverage, regional, national, and local businesses are increasingly implicated in humanitarian aid delivery as direct implementers² and are a critical force in the privatization of aid.³

An increasing number of commercial actors from the Global South have been getting involved in humanitarian assistance. Up until 2014, middle-income countries saw the most private sector investment. These countries, and enterprises within them, are likely to adopt game-changing tactics in years to come.

Natural disasters and preparedness are the interventions where private sector actors have focused, contributing half the humanitarian response to Typhoon Haiyan in the Philippines and accounting for 70% of money distributed to USAID contractors in the Haiti earthquake response.⁴ Private sector actors have been most hesitant to engage in protracted conflicts and unstable environments because of the danger of appearing to take sides or tarnishing their reputations with their consumers. However, we may see an increase in the role of national private sector actors in these sorts of crises in years to come, particularly in states wary of external interference.⁵

Governments concerned about foreign political intervention, such as Zimbabwe and Myanmar, will increasingly work with businesses to deliver assistance rather than aid agencies, which they may mistrust.⁶ Aid agencies in these contexts will have to deal with the attitudes of

² Multiple authors cite the 2010 Pakistan floods, during which shopkeepers emptied stocks to provide for affected populations.

³ Patton, A. (2014) [Will the Private Sector “Shut Out” Aid Groups in Emergency Response?](#), Devex

⁴ *The Economist* (2017) [A Growing Share of Aid Is Spent by Private Firms, Not Charities](#), 4 May 2017 and Drummond, J. and Crawford, N. (2014) [Humanitarian Crises, Emergency Preparedness and Response: The Role of Business and the Private Sector – Kenya Case Study](#), Overseas Development Institute

⁵ Zyck, S. and Kent, R. (2014) [Humanitarian Crises, Emergency Preparedness and Response: The Role of Business and the Private Sector](#), Overseas Development Institute pg 14

⁶ Podcast: Zyck, S., 19 February 2015, [Private Sector Engagement in Humanitarian Response](#), Advanced Training Program on Humanitarian Action (ATHA)



these governments and will need to collaborate more with local business partners to ensure access to affected populations.

➤ **Mutually beneficial relationships**

Since the early 2000s, effective, mutually beneficial partnerships have been established in which the private sector, previously seen as little more than a “cash cow,” provides expertise, technical know-how, and efficiency streamlining to humanitarian counterparts. Though funding may have been the first form of support, for-profit companies now provide the humanitarian sector with various services and resources such as telecommunications, construction, consumer goods, pharmaceuticals, logistics, and innovations.

The motivations behind the private sector's involvement in the humanitarian sector have shifted. Originally focused on the reputational benefits, companies now view⁷ NGO partnerships as core to their business – from staff recruitment, well-being, and retention to investment in future growth opportunities (more on this last point in the DRR section below). This change in the private sector's approach has coincided with a professionalization of the aid sector and a drop in financing following the economic crash of 2008.⁸

Effective partnership building requires time and effort on the part of both parties — at the scoping stage and throughout the project's lifetime.⁹ Finding the right “fit” between organizations and getting them to “speak the same language” has been a barrier. However, in the coming years partnerships are likely to become much less ad hoc, and matching competencies and effectiveness will become the norm. The painstaking negotiation and development of partnership agreements that have limited impact will become a thing of the past, and businesses and NGOs will develop new, more strategic ways of working together.

New trends in the private sector, based on efficiency and cost cutting, are also likely to be integrated into the humanitarian sector over the next decade. For example, the rise of the

⁷ Steven Zyck calls this the post-CSR era, in this podcast: Zyck, S., 19 February 2015, [Private Sector Engagement in Humanitarian Response](#), Advanced Training Program on Humanitarian Action (ATHA).

⁸ While a drop was noticed in the immediate aftermath of the crash (2009) there has generally been an upward trend in humanitarian financing from both government and private donors.

⁹ OCHA, September 2010, [OCHA on Message: Public Private Partnerships](#)



sharing economy,¹⁰ which includes businesses like Airbnb, or circular economy movements,¹¹ which use waste or used products and add value, could play a key role in the humanitarian sector, shaping it into a more inclusive and inter-operable community.¹²

➤ **Investment in Disaster Risk Reduction (DRR)**

Private companies are increasingly investing in DRR efforts, viewing resilience and preparedness as an investment in the future not only for affected populations, but also for the stability of their working environment and the potential to expand to new markets.¹³ The 2015 Sendai Framework for Disaster Risk Reduction urges the private sector to integrate disaster risk into management practices and to invest in pre-disaster rather than post-disaster efforts in the interest of sustainable development. Out of the Sendai Framework also came the ARISE,¹⁴ which had an initial membership of 140 private sector organizations and aims to energize the private sector to create risk-resilient societies.

On the African continent, the rise of DRR and private partnerships has been evident since 2013, when a private sector initiative for Africa was launched by the UNISDR¹⁵ Chief at the 4th Africa Regional Platform for DRR, bringing together representatives from ARUP, Microsoft, Safaricom, the Climate and Development Knowledge Network, Oxfam-Tanzania, and the Council for Scientific and Industrial Research. Participants shared experiences on DRR and resilience building and presented five recommendations on how to help the private sector engage in DRR in the region.¹⁶

¹⁰ The sharing economy is a socio-economic ecosystem built around the sharing of human, physical, and intellectual resources. It includes the shared creation, production, distribution, trade, and consumption of goods and services by different people and organizations.

¹¹ A circular economy is an alternative to a traditional linear economy (make, use, dispose) in which we keep resources in use for as long as possible, extract the maximum value from them while in use, then recover and regenerate products and materials at the end of each service life.

¹² Podcast: Zyck, S., 19 February 2015, [Private Sector Engagement in Humanitarian Response](#), Advanced Training Program on Humanitarian Action (ATHA)

¹³ Multiple sources, including Aly, H., 26 August 2013, [What Future for Private Sector Involvement in Humanitarianism?](#), IRIN News, Dubai

¹⁴ Private Sector Alliance for Disaster Resilient Societies (ARISE)

¹⁵ The United Nations Office for Disaster Risk Reduction

¹⁶ McClean, D., 14 February 2013, [UNISDR Private Sector Initiative Launched in Africa](#), UNISDR



On a global scale, the World Humanitarian Summit (WHS) facilitated the establishment of the Connecting Business Initiative (CBI) – “a multi-stakeholder initiative that provides a mechanism for the private sector to engage with the United Nations system, national governments and civil society in a coordinated manner on crisis risk reduction, emergency preparedness, response and recovery.”¹⁷ It comprises 11 national private sector networks, representing hundreds of companies worldwide, and reflects the strong commitments made during the WHS on private sector collaboration.

The CBI reflects a recognized need in the humanitarian sector to think more long-term and assess risks and programs with their future impact in mind. As donors are pushed to move toward multi-year funding, long-term efforts such as DRR have the potential to make currently sporadic and partial public-private partnerships more consistent and encompassing – leading the way for other more sustainable, cross-sector collaborations in the future.¹⁸

Controversies and debates

➤ **Principled action**

Up until this point, the greatest controversy regarding private-public partnerships has been surrounding clashing motivations and principles between the two sectors. For years aid agencies have accused corporations of white-washing, getting involved in humanitarian work for reputational gain, and have raised concerns about how their operational independence is affected by such partnerships.¹⁹

Though these debates are likely to continue, especially as the ethics of new supply chains and networks are further explored, mutually beneficial and effective private-public partnerships will continue to grow. While concerns about the dangers of the “privatization of aid” will persist, the increasing role of private actors in the space could change the narrative.

➤ **Accountability**

Private sector actors are perceived to operate more efficiently than NGOs; however, Western for-profit personnel tend to have higher salaries than NGO personnel, and some

¹⁷ Taken from the [CBI website](#)

¹⁸ Zyck, S., and Kent, R., July 2014, [Humanitarian Crises, Emergency Preparedness and Response: The Role of Business and the Private Sector](#), HPG, ODI, London, UK

¹⁹ “Businesses are often seen as the ‘bad guys’ who are part of the problem, due either to the sensitive nature of their commercial interests or to their business practices.” Source: Kent, R. and Burke, J., June 2011, [Commercial and Humanitarian Engagement in Crisis Contexts: Current Trends, Future Drivers](#), Humanitarian Future Programme, Kings College London, UK

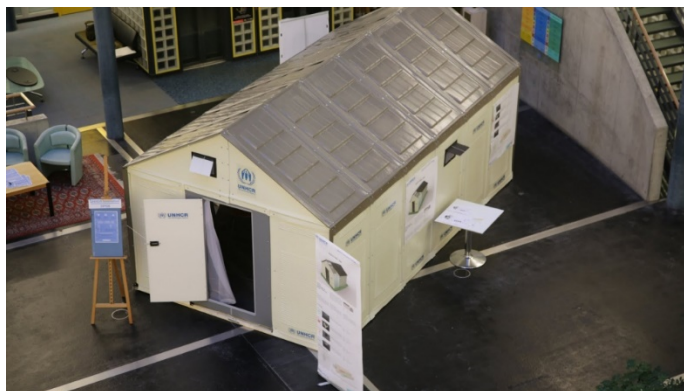


research suggests that “contracts won by for-profit outfits were more likely to bust their budgets and miss deadlines.”²⁰ As the number of partnerships increases, the public is likely to demand more accountability and transparency, which may challenge private actors. They are not accustomed to operating with the same levels of transparency as not-for-profit humanitarian actors, although the private sector tends to have a more professionalized result-measuring system.

Tomorrow is already here

Though humanitarian action is still marginal to their core business, several examples highlight the growth of private sector involvement in humanitarian action. Here are a few that illustrate the changes by 2030 outlined above:

- OCHA has formed partnerships with private companies such as Microsoft, Vodafone, and DHL to improve coordination, information management, and fundraising.²¹
- Since 2009, DHL has also partnered with the UNDP to “Get Airports Ready for Disasters” in Bangladesh, Indonesia, Nepal, and Lebanon.
- As of 2013, the IKEA foundation and the UNHCR have partnered to create a flat-packed weather-resistant shelter that requires no tools for assembly.
- Mastercard and WFP have formed a partnership to issue food vouchers redeemable at local shops – simultaneously tackling problems of food distribution and market dumping.
- The Global Fund has since 2012 been using Coca-Cola's extensive distribution network worldwide to deliver medicines to remote locations.



IKEA & UNHCR shelter. Source: IRIN News

²⁰ *The Economist* (2017) [A Growing Share of Aid Is Spent by Private Firms, Not Charities](#), 4 May 2017

²¹ OCHA, September 2010, [OCHA on Message: Public Private Partnerships](#)



- Earlier this year, Ericsson announced its Emergency Wallet program, which provides mobile finance solutions to those affected by disasters. This is the latest in Ericsson's 15-year history of supporting 40 UN missions in over 30 countries.
- Google's Terra Bella initiative shares its geospatial imagery, which maps disasters and their effects for emergency responders.
- As for DRR, the strongest and most recent example of growing attention and investment in this area is the aforementioned CBI.

The above demonstrates the breadth of private sector involvement in aid delivery, how this trend has grown over recent years, and how it is likely to continue doing so until 2030.