

# [751] Working Paper

## Empowering Commercial Actors:

Outsourcing of humanitarian and development services in international peace operations and post-war settings

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No. 751 – 2008

Security in Practice no.15  
[A Publication in the NUPI Series on Security in Practice]



Utgiver: NUPI  
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ISBN: 978-82-7002-213-7

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# Empowering Commercial Actors:

## Outsourcing of humanitarian and development services in international peace operations and post-war settings

Nina Græger

### [Abstract]

This paper explores the increased outsourcing of humanitarian and, in particular, development services in conflict and post-conflict settings to private, profit-seeking companies that operate according to commercial principles. In integrated post-conflict missions, humanitarian aid and reconstruction and development tasks (including state building) now take place more or less in parallel. Arguably, governments, donors, NGOs and commercial companies are increasingly becoming part of the same political project: to assist countries in the transition from war to peace. The blurring of the lines between war and post-war settings has expanded the scope of activity by commercial actors. On the positive side, commercial companies seem to score better on efficiency and may contribute to a more professional humanitarian and development sector. On the negative side, the ability of governments to monitor and control private contractors is limited, while at the same time, allegations of corruption have sometimes been raised. Furthermore, profit-maximising companies are not likely to abide by or feel committed to established concepts and principles of humanitarian action in the provision of their services to the same extent as more traditional actors. If this is the case, the long-term legitimacy of the international community's commitment in war and post-war settings may suffer serious damage.

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This report is part of the Norwegian engagement in the Multinational Experiments 5 and 6 (MNE-5, MNE-6). The project is financed by the Norwegian Ministry of Defence and is managed by the Norwegian National Joint Headquarters. Besides NUPI, the Norwegian Defence Research Establishment (FFI) and the Defence Staff College are also engaged in the programme. Further information can be found at: <http://mne.oslo.mil.no>.



# Empowering Commercial Actors: Outsourcing of humanitarian and development services in international peace operations and post-war settings

By Nina Græger<sup>1</sup>

## 1 Introduction

Since the late 1990s an increasing number of actors have engaged in international peace operations, peace building, post-conflict reconstruction and state building.<sup>2</sup> The range of actors has also become more heterogeneous. This paper explores the emergence, scope and expansion of private, for-profit companies as providers of humanitarian and, especially, development services. The critical focus is on the possible effects of these business actors on the long-term legitimacy of the international community's engagement in conflict and post-conflict settings.

In the literature and the public debate, considerable attention has been paid to the increased demand for security in conflict and post-conflict areas and the resultant outsourcing of military and security services to private actors.<sup>3</sup> To an increasing extent, the United States – with other states gradually following suit<sup>4</sup> – is hiring private military companies (PMCs) to fulfil security functions formerly performed by uniformed personnel in missions abroad. This can be seen as one of the most profound developments in the US way of warfare since the 'civilisation of the battlefield'.<sup>5</sup> By late 2007, there were more civilian contractors involved in security services in Iraq than there were members of the US armed forces.<sup>6</sup>

Civilian actors have always been part of wartime and peacekeeping missions. Within the humanitarian sphere, private organisations and especially Non-Governmental Organisations (NGOs) have dominated the field since the beginning.<sup>7</sup> NGOs are

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<sup>2</sup> Throughout this paper, the terms 'international peace operations' and 'peacekeeping operations' are used interchangeably. State building efforts in post-war states include: the (re-) establishment of a democratically accountable military force and police force, and legitimate justice and prison structures, usually referred to as security sector reform (SSR), as well as efforts directed towards the (re-) creation of a system based on the rule of law, democracy (including a political system based on pluralism), a (well functioning) welfare system and economic reform.

<sup>3</sup> See e.g. Leander, Anna (2005): 'The Power to Construct International Security: On the Significance of Private Military Companies', *Millennium: Journal of International Studies* 33(3): 803–26.

<sup>4</sup> For a study of UK-based PMCs, see Havelid, Linn F. (2006). *Private Military Companies and Home State Interests. Conflict or Convergence? A Study of United Kingdom-based Private Military Companies*. Oslo: University of Oslo, Master thesis.

<sup>5</sup> According to Geoffrey S. Corn, assistant professor of law and former lieutenant colonel in the US Army, this is probably the most important change since the use of conscription during the US Civil War. Corn, Geoffrey S. (2007) 'Contractor, the Privatization of War, and Accountability', *World Politics Review*, 5 October [[www.worldpoliticsreviews.com](http://www.worldpoliticsreviews.com), accessed in December 2007].

<sup>6</sup> Corn (2007).

<sup>7</sup> The biggest international NGOs involved in humanitarian relief and, to varying degrees, in post-war settings are Oxfam, Care International, Médecins Sans Frontières and Save the Children.

involved in a range of field activities, including general humanitarian action, prevention, protection, relief, forcible humanitarian actions and restorative humanitarian action.<sup>8</sup> To this could be added reconstruction as part of state-building processes in war-torn societies.

The providers of services in these societies have become a quite diverse group over the years. Traditionally, humanitarian actors such as NGOs have provided the bulk of humanitarian services in complex emergencies and violent conflicts, and in (natural) disaster relief. For-profit actors have usually been engaged in disaster-related reconstruction processes and more long-term development. By providing logistics, telecom services and the like, commercial companies have generally complemented the expertise of NGOs.<sup>9</sup>

In the integrated post-conflict missions in Afghanistan and Iraq and elsewhere as well, the lines between humanitarian aid on the one hand, and reconstruction and *development* tasks on the other, have become increasingly blurred. Both types of efforts take place more or less at the same time, which is one reason why integration and coordination have become a key challenge for practitioners and politicians involved in international peace operations. As this paper will show, the blurring of lines between war and post-war settings has also expanded the scope of activity of commercial actors, with potentially serious consequences.

This paper analyses one particular trend in this picture – the increased outsourcing of services in conflict and, especially, post-conflict settings to private, profit-seeking companies that operate according to *commercial* principles. Two issues are of particular interest in this context: the ability of governments to monitor and control private contractors; and the relevance of preserving a space for traditional humanitarian actors in post-conflict reconstruction and state-building processes.

Regarding the former, we need to ask: to what extent has the current politics of outsourcing reduced the potential (and arenas) for control of those who provide services, and of the quality and scope of these services, due to the lack of transparency and accountability of commercial actors? Have donors and democratic governments in practice also outsourced oversight to private companies and their sub-contractors?

With regard to the second issue, the idea that there should be made a ‘humanitarian space’ qualitatively different from the military sphere in international conflicts is rooted in the Geneva Conventions of 1949 and 1977. Arguably, the idea of preserving a ‘humanitarian space’ has been overtaken by the policies and practices of contemporary peacekeeping missions and post-conflict settings, such as a comprehensive approach. To what extent would such a space still be possible and desirable? Profit-maximising companies are not likely to abide by or feel committed to the established concepts, principles and practices of humanitarian action in the provision of their services in the same way as more traditional actors are. If the commitment to humanitarian principles (humanity, impartiality and neutrality) or established codes of

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<sup>8</sup> This typology is borrowed from West, Katharina (2001) *Agents of Altruism: The Expansion of Humanitarian NGOs in Rwanda and Afghanistan*. Aldershot: Ashgate.

<sup>9</sup> Binder, Andreas and Jan Martin Witte (2007): ‘Business engagement in humanitarian relief: key trends and policy implications’, *HPG (Humanitarian Policy Group) Background Paper*, June, p. 19.

conduct, or both, as well as accountability and transparency is reduced through outsourcing, then how would this affect the legitimacy of international engagement in (post-) conflict settings?<sup>10</sup>

In the next section, we take a closer look at the commercial, for-profit humanitarian companies themselves. In section three, we analyse the most important implications related to the emergence and expansion of commercial actors in today's post-conflict settings, including the questions of principle to which this gives rise. Section four discusses some possible explanations of why tasks have been outsourced to commercial companies, including the changes in the environment in which the humanitarian and development actors are operating. The conclusion sums up the argument.<sup>11</sup>

## **2 Commercial actors – who they are and what they offer**

In the overall picture, NGOs and other traditional actors by far outnumber both non-profit and for-profit commercial actors engaging in *humanitarian* action. However, as a consequence of the blurred lines between the humanitarian and the development phase in conflicts and peace operations, the presence of commercial companies is becoming increasingly felt in all phases of the conflict, and not just in the development phase. In the large international peace operations in Afghanistan and Iraq, the outsourcing of tasks to private commercial actors has assumed an unprecedented scope.

What characterises these commercial providers of reconstruction and development services? What do commercial companies offer that NGOs and other more traditional humanitarian actors cannot? Who are buying their services, and how are commercial companies and donor governments connected? Commercial companies that engage in post-conflict settings today stand out as a basically heterogeneous group of actors, so no category or definition can cover the entire spectrum of the commercial companies involved.

Private commercial actors can offer a wide range of services from an abundant portfolio.<sup>12</sup> Commercial private companies that operate in post-conflict settings engage in foreign aid projects, reconstruction tasks and also act as policy advisors and consul-

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<sup>10</sup> There exist various definitions of what constitutes the 'international community'. In this paper, the term is used to refer to plans and practices undertaken by representatives of the international community of particular relevance to international peace operations, including international organisations like the UN (including its numerous agencies), NATO, the EU, the OSCE, the World Bank etc., as well as by individual states (and their agencies) and NGOs.

<sup>11</sup> In terms of methodology, the paper is based on publicly available secondary sources (mostly books, articles and web pages), supplemented with a few primary sources (email interviews, phone talks). While the international academic literature on PMC is growing, the literature on and even general information about commercial actors operating in the civilian sphere of post-conflict settings and peace operations has remained sparse. I would like to emphasise all the limitations this may place on my conclusions and that this paper should be seen as a contribution to the debate, rather than as an attempt to assess the overall importance of the for-profit companies.

<sup>12</sup> Post-conflict tasks like the promotion of democracy and rule of law, political pluralism and an independent media, a politically accountable police and military, national, regional and local government, and a sustainable economy are still mainly the responsibility of international organisations in cooperation with the recipient government, and these have a different mandate than NGOs and commercial actors. See Binder and Witte (2007: 21).

tants. A company like the US-based Chemonics International Inc., for instance, takes on projects linked to reconstruction and more long-term development, including food and water security, sanitation management, the reduction of malnutrition or local deceases, the promotion of local tourism, and other activities. Another US-based company, IAP Worldwide Services, provides various federal agencies, among them USAID (the United States Agency for International Development), with operation support and special services, including staff to supplement the existing workforce in support of family planning, HIV/AIDS care and education, communications etc. in Asia, Africa and the Caucasus.<sup>13</sup>

IAP Worldwide Services has also specialised in responding to the new types of complex emergencies by offering services to the US armed forces; according to their website: 'We take pride in filling our critical role so that our armed services can concentrate on their vital missions – whether it is helping them abroad or supporting them on the home front'. IAP Worldwide Services is serving the US Department of Defense in Iraq, Kuwait and other countries where US armed forces are deployed, by providing construction, engineering and logistics support, heavy lift and personnel transportation, power production (and plants).<sup>14</sup> The company also provides services for US Army locations at home (emergency power generation, material maintenance, transport etc.) and at military bases abroad.

Although large public donors (the customers of the commercial companies) like USAID and the British Department for International Development (DFID) have lists over contracts, it can be difficult to pin-point the activities of the commercial companies. First, because many of them do not operate in the field directly but provide government agencies, international organisations and even NGOs in donor and recipient countries with advice as consultants. Furthermore, the actual delivery services will often be sub-contracted to NGOs, either local or international.<sup>15</sup>

Second, a large share of the funding awarded to commercial companies ends up with sub-contracting firms, which makes the contracting companies difficult to track down. For example, Chemonics International Inc., in itself a big commercial company, has acted as sub-contractor in Iraq to such large international corporations as the Research Triangle Institute and BearingPoint in projects on local governance and economic governance, respectively.<sup>16</sup> Other big contracting agencies engaged in post-conflict areas include Bechtel, Halliburton and Kellogg, Brown & Root.<sup>17</sup> Both large corporations and smaller sub-contractors compete for contracts in conflict and post-conflict settings around the world.

Compared to other actors in the field – like NGOs, UN agencies and states – private companies represent a different type of actor or polity. Despite some variations in the views and practices of these companies, at least one characteristic pertains to all of them: the drive for profit and (new) markets. Commercial companies operate where there is a market for their services and there are fat contracts to be won. Crudely put,

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<sup>13</sup> <http://www.iapws.com/clients/fed.aspx>. Accessed 5 September 2008.

<sup>14</sup> <http://www.iapws.com/clients/dod.aspx>. Accessed 5 September 2008.

<sup>15</sup> Binder and Witte (2007: 21).

<sup>16</sup> Beelman, Maude (ed.) (2003) 'Winning Contractors: US Contractors Reap the Windfalls of Post-war Reconstruction', Center for Public Integrity, October.

<sup>17</sup> Binder and Witte (2007: 19).



profit-seeking companies are not in the humanitarian and development game in order to achieve or contribute to the common good, but to earn money and, hence, satisfy their shareholders and board of directors.

Commercial companies have also been important contributors to disaster-related humanitarian relief, referred to as ‘corporate philanthropy’.<sup>18</sup> Business companies have been particularly active in the provision of logistics, information technology and telecommunications services and, to some degree, in immediate aid supplies as well. More recently, however, this *non-commercial* business contribution has taken the form of direct engagement, for example through partnerships or meta-initiatives. This direct non-profit engagement may not be a reflection of altruism or philanthropy but a result of the need for positive branding in view of future contracts. As argued by Andrea Binder and Jan Martin Witte, a partnership with a well-reputed and experienced international agency or NGO could improve the company’s public profile.<sup>19</sup> Furthermore, they argue, corporate social responsibility through non-profit engagement may increase staff motivation in companies. Arguably, by supplying countries with a certain type of equipment or technology offered for free by one particular company, future orders and contracts for that company in the very same country could be facilitated, too.

Traditional humanitarian actors such as NGOs emphasise humanitarian principles as guiding lines for their engagement in conflict and post-conflict settings (more on this below). What, then, are the principles or codes of conduct that provide guidance to commercial companies and corporations? Many companies have their own ‘code of ethics’ and ethical standards or values. For instance, IAP Worldwide Services states: ‘honesty and fairness are essential to the way IAP does business and how we interact with people’; further, ‘...honesty, dignity, fairness, and respect to our customers, employees, suppliers, and the community (...)’ is part of IAPs Corporate Ethics.<sup>20</sup> However, these ethical codes and standards generally are directed more towards the customers – that is, donors and governments – than towards the people at the receiving end of their services. This represents a major difference from NGOs and other traditional actors, where, as we shall see, humanitarianism is at the core.

Who are those demanding the services of commercial companies? Governments and government agencies are the major customers, or buyers, of the services offered by commercial companies, as is the case with NGOs and even private military companies. The financial volume of the ‘humanitarian and development market’ has increased dramatically since 1990. In 2006, more than two-thirds of public funds were spent bilaterally on private companies. Given the amount of public spending, it should hardly be surprising that there is increased interest, presence and desire to control how donor governments spend resources in post-conflict settings.<sup>21</sup>

Most commercial companies involved in post-war settings are based in the USA and the UK. These countries have an established tradition of outsourcing tasks to private actors, and are deeply involved in peace operations around the globe. In the United States, the Pentagon, the State Department, the US armed forces but especially

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<sup>18</sup> Binder and Witte (2007: 9)

<sup>19</sup> Binder and Witte (2007: 12).

<sup>20</sup> [Http://www.iapws.com/who/mission.aspx](http://www.iapws.com/who/mission.aspx). Accessed 5 September 2008.

<sup>21</sup> Binder and Witte (2007: 5–6).

USAID have been outsourcing functions to commercial profit-based companies and their sub-contractors. In the UK, the contracts are outsourced through the DFID and other government agencies. Like the USA, Britain has been heavily engaged in the international operations in Afghanistan, with military and civilian contributions. In 2006, the UK and Afghanistan signed a 10-year Development Partnership Arrangement. Britain has become the second largest bilateral donor in Afghanistan, after the USA. Britain also has spent more than GBP 490 million in the country since 2001, and the figures for 2007/2008 are expected to be 107 million pounds.<sup>22</sup> In Iraq, DFID has invested approximately 78 million pounds in the improvement of infrastructure in southern Iraq, especially electricity and water supply.<sup>23</sup>

The outsourcing policy is not typical of Europe, however, where NGOs are still the major recipients of donor funding. Indeed, with the exception of the UK, the practice of buying humanitarian services from commercial for-profit companies is hardly noticeable in Europe. The dominance of US and British donors in the use of commercial companies as contractors in post-conflict settings could indicate the existence of different cultures and bureaucratic traditions, in addition to more flexible funding regulations than in the rest of Europe.<sup>24</sup>

This might also indicate that the United States and United Kingdom have a particular stake as lead nations in the ‘war on terror’ initiated in 2001. In consequence, both states are using their donor positions to channel humanitarian aid and, especially, more long-term reconstruction and development projects into the missions in Afghanistan and Iraq to promote stability – and success. Commercial corporations based in the USA have been awarded large USAID contracts in post-war Iraq and Afghanistan. In these two post-conflict settings alone, close to one hundred US humanitarian actors were involved at an early stage.<sup>25</sup> However, the rise in the number of commercial contractors is not related to these specific missions only – so this is but one possible explanation.

Having looked at some of the main features of commercial companies engaged in post-conflict settings and international peace operations and their main donors, we now turn to some possible implications of the policy of outsourcing.

### **3 Outsourcing practices – some implications**

Despite the potential gains with regard to effectiveness and professionalism, the outsourcing of humanitarian and development tasks to commercial actors also gives rise to several principle and practical questions.

#### **3.1 Increased competition for contracts – good or bad?**

To what extent may increased outsourcing tighten the competition for donor funds and contracts between traditional humanitarian actors and commercial companies?

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<sup>22</sup> <http://www.dfid.gov.uk/countries/asia/afghanistan.asp>. Accessed 22 August 2008.

<sup>23</sup> <http://www.dfid.gov.uk/countries/asia/iraq-infrastructure.asp>. Accessed 22 August 2008.

<sup>24</sup> Direct disbursement of government donor funds to commercial for-profit actors is even prohibited in some European countries, according to Binder and Witte’s study (2007: 19–21).

<sup>25</sup> The Center for Public Integrity has published a list naming the biggest commercial contractors in Iraq and Afghanistan (see Beelman 2003).

The idea that commercial companies and more traditional actors like NGOs compete on a commercial basis is overstated, according to recent research.<sup>26</sup> Commercial profit-seeking actors generally focus on reconstruction and long-term social and economic development like the provision of infrastructure, communication services and other logistical service, and are less involved in typical disaster relief and humanitarian services.

While immediate relief, such as food and shelter or field hospitals, is still mainly offered by NGOs, some commercial companies also have moved into humanitarian relief in natural disaster operations as well as in post-conflict operations. These firms are not necessarily visible in the field, but they provide advice to government agencies, international actors and NGOs.<sup>27</sup> This development may be a result of the increased blurring of the lines between the humanitarian and the development phase, noted above. When humanitarian relief and more long-term development projects are carried out at more or less the same time, then a blurring of tasks might also follow. Reconstruction tasks like building houses and schools, or water and electricity supplies, in post-conflict settings have been conducted by both NGOs and commercial companies for some time now.

In general, however, private corporations – whether they engage in the humanitarian and development sector for profit or not – tend to avoid contracts in post-conflict settings because of the associated dangers. These dangers may threaten the safety of the corporate workers, as well as the standing and reputation of the companies themselves, many of which cannot afford to be associated with the conflict or the conflicting parties.<sup>28</sup> This should not be confused with the ethics and moral principles, which many NGOs would be concerned about. For commercial actors, this is about the company's image-making and about ensuring profitable future contracts once the area has become safe(r). For example, personnel losses will be associated with the mission as such, and will give rise to questions as to whether engagement was a good idea. When personnel are brought back in body bags, future business opportunities in the conflict are endangered. Who wants to do business with or invest money in a company willing to take such risks? Or so the argument goes.

By implication, in dangerous post-conflict settings NGOs might have a competitive advantage over commercial companies in bidding for contracts. While few humanitarian workers may be willing to die for the good cause of saving other human beings, NGOs are at least familiar with the risks related to operations in warlike or post-war areas. NGOs also attract people to work for them who want to put into practice their moral responsibility to engage in a better world. Finally, NGOs do not risk going out of business, because they are not driven by the search for profit.

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<sup>26</sup> Binder and Witte (2007).

<sup>27</sup> According to Binder and Witte (2007: 21), corporations like BearingPoint and Booz Allen Hamilton, as well as McKinsey & Company have moved into the humanitarian business.

<sup>28</sup> Binder and Witte (2007: 11).

One approach for commercial actors is to engage in partnerships with NGOs. Partnerships and cooperation between non-profit (e.g. NGOs) and commercial actors, as well as complementary service portfolios, seem to be a growing trend, as noted above.<sup>29</sup>

Another alternative for commercial businesses, and one that may have an effect on competition in the longer run, is to buy security for their employees in the field by hiring private security companies to protect them. Unlike most NGOs who are committed by the principles of impartiality and neutrality, commercial companies are likely to have few principled arguments against PMCs or private security forces in general.

The idea that there should be made a ‘humanitarian space’ qualitatively different from the military sphere in international conflicts is rooted in the Geneva Conventions of 1949 and 1977, which established that ‘certain areas should enjoy special protection even in the midst of ongoing conflict’. By preserving a space for humanitarian action, one would simultaneously preserve a certain degree of impartiality, neutrality or at least independence from politicians and governments, on both sides of a conflict – or so the argument goes. While the requirement of neutrality and impartiality generally speaking has been loosened over time, political independence still is a trademark of humanitarian actors involved in conflict and post-conflict settings, and especially of the International Committee of the Red Cross (ICRC).

Since NGOs are most actively engaged in the early phases of an emergency or relief operation, leaving the more long-term development tasks to commercial for-profit companies, the outsourcing trend may not involve a higher level of competition for humanitarian funds for NGOs. On the other hand, the international community or the lead countries in a peace operation may be eager to initiate the reconstruction phase as early as possible, for financial and/or domestic *political* reasons. One political reason could be the wish to signal that there has been progress towards peace and stability and that the operation (and preceding military intervention) is a success.

Furthermore, deployment of military forces and/or the hiring of security services over time is costly. A high number of casualties, reduced or stretched budgets, or lack of political support for the engagement at home – or a combination of all these factors – could push for an early exit. These costs would be particularly important in relation to national political elections: for instance, in the 2008 US presidential election campaign, withdrawal of US troops from Iraq was an issue for both final candidates.

As a result of practical *and* political reasons then, the early, relief phase of a mission and the post-conflict reconstruction and state building phase may overlap in time. This may in turn create a certain degree of overlap between NGO and commercial companies’ engagement, making turf battles and competition more likely. The next section focuses on how this development may affect the principles of humanitarian action: If the role and position of NGOs in conflict and post-conflicts settings are challenged, will that entail sacrificing essential humanitarian principles? In the context of this paper, one concern is the potential effect this might have on the legitimacy of international engagement in (post-) conflict settings per se.

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<sup>29</sup> These are voluntary and collaborative initiatives between various types of actors involved in humanitarian relief, like the one between Motorola and Care International since 2004 (Binder and Witte 2007: 10, 19).

### 3.2 From altruism to profit?

One important question raised by the privatisation and commercialisation of humanitarian services in international peace operations and post-conflict areas concerns *ethics*. Humanitarianism is circumscribed by certain ethical rules, known as humanitarian principles: primarily humanity (or universality), impartiality (or independence) and neutrality. Most NGOs and other traditional humanitarian organisations adhere to and act according to these principles.<sup>30</sup> The core objective of their action and very existence is to save lives, alleviate suffering and maintain basic human dignity. The agenda of protecting people from or under the imminent threat of violence is shared by traditional humanitarian actors and military forces. Indeed, in many UN peace-keeping missions in the late 1990s civilian protection was a major objective of the military intervention or justification for it (as in the Kosovo conflict in 1999). In 2005, the importance of protecting civilians was enshrined in the principle of Responsibility to Protect, adopted by the UN Millennium Review Summit Declaration.<sup>31</sup>

The debate about the ethics of letting commercial interests into the humanitarian sphere, broadly defined, has several aspects. An NGO may be an expression of social mobilisation and may claim to have a social mission. Some analysts have emphasised that the legitimacy of such altruistic missions cannot be ‘lent out’ to profit-seeking actors who neglect the importance of impartiality and independency.<sup>32</sup> There would seem to be a basic and inherent tension between commercial interests based on the idea of profit on the one hand, and humanitarianism based on altruistic ideas on the other. Central questions in this debate concern whether the practice of buying services from profit-maximising companies acts to undermine the idea of humanitarianism itself, and whether humanitarian relief and aid based on commercial interests is a contradiction in terms.

According to Oliver Richmond, the traditional carriers of humanitarianism, NGOs, could be viewed as important mediators between particularistic norms and global governance/globalisation.<sup>33</sup> Because of their emphasis on impartiality and independency, he also poses the question: could NGOs be seen as ‘agents of emancipation against domestic, transnational, and international hegemonies, be they liberal or authoritarian, national or militaristic?’

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<sup>30</sup> Leader, Nicholas (2000) ‘The Politics of Principle: The principles of humanitarian action in practice’, *HPG (Humanitarian Policy Group) Report 2*, March.

<sup>31</sup> *World Summit Outcome*, paras. 138 and 139, UN, 2005. This does not necessarily mean, however, that there is international agreement on what constitutes effective protection by a third party, what form military protection should take, the legal justification for the use of force in the protection of civilians, the timing regarding the transfer of protection to national or local authorities etc. See Wheeler, Victoria and Adele Harmer (2006) ‘Resetting the rules of engagement: trends and issues in military–humanitarian relations’, *HPG (Humanitarian Policy Group) Research Briefing*, No. 21, March.

<sup>32</sup> According to Dearing, Tiziana (2004) ‘For aid workers, a deadly blurring of lines’, *Boston Globe*, November 28, 2004. Cited in e-Ariana – Today’s Aftghan News, Accessed 30 November 2007 at <http://www.e-ariana.com/ariana/eariana.nsf>.

<sup>33</sup> Richmond, Oliver (2005) ‘The Dilemmas of Subcontracting the Liberal Peace’, pp. 19–36 in Richmond, Oliver & Henry F. Carey (eds) *Subcontracting Peace: The Challenges of NGO Peacebuilding*. Aldershot: Ashgate.

Arguably, NGOs and commercial companies alike could be seen as sub-contractors of a liberal peace, because both are hired (by way of donor funding) by the same governments to do similar jobs. As a result of donor policies where NGOs compete for contracts and, if awarded, form a compact with the donor government, NGOs have increasingly become service providers alongside the UN (with its agencies) and business actors.<sup>34</sup>

However, these two types of actors or polities are likely to have different concerns and priorities in seeking contracts and when designing the services they offer. Firstly, NGOs in the humanitarian field are generally guided by humanitarian needs and mandates in the pursuit of their work. Commercial companies, by contrast, have no 'humanitarian' history or mandate that guides or puts restrictions on their activity. As one study has noted, private commercial companies seem to pay less attention to humanitarian principles. This is not to suggest that commercial actors are not concerned with humanitarian issues, but that they are more guided by profit concerns and client (donor) needs.<sup>35</sup> On the other hand, it could also be argued that the latter pertains equally to some of the US NGOs (like Care International) that depend on government funding.<sup>36</sup>

Second, according to the same study, independence from donors (usually governments) is essential to NGOs, while private commercial actors generally experience few compliance problems with donor directives. Commercial companies predominantly focus on the efficiency and output of their services, in addition to profit, and less on issues of politics or principles related to their engagement. Regarding impartiality, political issues of principles have at times led to conflicting views between NGOs and donors. For commercial companies, business interests will affect the type of services they offer and guide the type of contracts they seek.

Third, when missions and tasks are prioritised on the grounds of profit concerns, the provision of services may become more targeted. To what extent do commercial actors' agendas and modes of operation correspond to the need in conflict and post-conflict areas, leading to recovery and not only physical reconstruction? Forced transition to the reconstruction phase could obstruct or obscure a continued need for humanitarian relief services. Furthermore, commercial interests could lead to non-impartial or even discriminatory behaviour towards the recipients of aid and development. This might mean that groups in post-conflict societies with special needs, or groups with atypical needs that require special care or attention, are neglected or feel disadvantaged, because reconciling these needs with a streamlined portfolio is too costly.

Fourth, when profit concerns prevail, then missions may perhaps also become concentrated on high-profile post-conflict operations. It should be noted, however, that NGOs also have been criticised for seeking contracts in high-profile complex emergencies and post-conflict settings where funding is ample.

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<sup>34</sup> Davis, Austen (2007) 'Concerning Accountability of Humanitarian Action', *Network Paper*, No. 59, February. Commissioned and published by the Humanitarian Practice Network at ODI, p. 7.

<sup>35</sup> Binder and Witte (2007).

<sup>36</sup> Binder and Witte (2007: 22). Practitioners also have argued that this is the case.

Finally, the degree to which private commercial companies take local and cultural interests and ideas into account has been questioned by other actors in the field. In the early post-war phase in Iraq, the chief executive of a British-based aid agency, Geoff Prescott, asked: ‘They will seek to make a profit, but are they really interested in providing a culturally sensitive and contextually appropriate health system to respond to Iraqi’s needs?’<sup>37</sup> It may well be that the willingness to consider how to take into account various religions, clans (or other local power structures) and history when designing services is weaker among actors whose motivations are profit-driven, than by actors with a social mandate.<sup>38</sup> Compared to the private sector, the NGO environment has years of experience in developing methods of culturally sensitive approaches to areas with cultural complexity, Geoff Prescott and Lara Pellini argue. Within the health sector, for instance, one challenge related to public–private partnerships concerns divergent philosophies and the absence of a common understanding of cross-cultural issues.<sup>39</sup>

The commercialisation of the development and humanitarian field, leading to a weakening of traditional humanitarian principles, also gives rise to concerns beyond ethics. To recipients of aid and development, the distinction between the international community (the UN or other international organisations), donors and those who provide services on their behalf (NGOs or commercial companies) often is blurred. If commercial actors give priority to one type of task or project over another, this could be interpreted by the parties to a conflict as support to the opponent. Setting priorities often takes place at the cost of someone, perhaps the other warring party or parties, and can thus have negative effects on the pursuit and implementation of the goals set by the international community. For one thing, it could trigger or re-open conflict issues driven by ethnic, religious or other power logics.

Secondly, local ownership and credibility in the eyes of local governments is good for donor relations in general.

Thirdly, commercial companies often are perceived by the local community as profiteering from and supporting the intervention or occupation (as in early post-war Iraq), which acts to reduce their credibility.<sup>40</sup> When the recipients of humanitarian services see the international presence as non-impartial, its very legitimacy will be questioned.

For the profit-seeking companies, a streamlined approach and portfolio with regard to the provision of services will ensure the highest degree of efficiency and hence, profit. Indeed, one recent study has claimed that the degree to which neutrality and impartiality are taken into account by commercial companies seems less important for their success than their pre-crisis reputation and in-crisis communication strategies.<sup>41</sup>

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<sup>37</sup> ‘US contractors spark NGO exodus’, *Third Sector*, 7 January 2004 (<http://www.health-now.org/site/printfriendly.php?articleId=201&menuId=1>). Accessed 19 September 2008.

<sup>38</sup> Prescott, Geoff and Lara Pellini (2004) ‘Public–private partnerships in the health sector: the case of Iraq’, *Humanitarian Exchange Magazine* 26 ([http://www.odihpn.org/search\\_results.asp](http://www.odihpn.org/search_results.asp)), accessed 19 September 2008.

<sup>39</sup> Prescott and Pellini (2004).

<sup>40</sup> ‘US contractors spark NGO exodus’, *Third Sector*, 7 January 2004.

<sup>41</sup> Binder and Witte (2007: 16).

However, all contractors within post-war settings (and not just NGOs) must respect certain rules of conduct in order not to jeopardise their reputation and hence the chances of winning new contracts from donor governments. It seems that commercial or profit-based humanitarian contractors could get the upper hand in the scramble for contracts simply by having a record of having provided services efficiently while also paying respect to certain minimum ethical standards. In 2006 the World Economic Forum launched an initiative aimed at developing universal guidelines on humanitarian assistance. One dimension of this 'Humanitarian Relief Initiative' was to 'develop a set of cross-sector and sector-specific guidelines and standards regarding private sector participation in humanitarian relief facilitated by the United Nations'. Such guidelines, if agreed upon and introduced, might have an important impact also on commercial businesses involved in the provision of humanitarian assistance.<sup>42</sup> Whether this initiative also will spread to the development and reconstruction phase, where commercial companies dominate, remains to be seen.

### 3.3 Politisation of humanitarian action

The intra-state conflicts that emerged after the end of the Cold War transformed humanitarian actors from being an auxiliary to the authorities to major players on the international arena. While their growth was welcomed, the resources and power that many NGOs now command have brought them onto the political stage, whether willingly or not. A major challenge for humanitarian actors seems to have been to distinguish themselves from *realpolitik* and national political agendas, as well as from the politics of agency self-interest.<sup>43</sup>

NGOs basically claim to be non-political actors, and make reference to the importance of their humanitarian principles. However, to some extent many NGOs have already become political tools, or at least heavily entangled in political visions and projects, which may put their independence in doubt. In many countries, NGOs are heavily dependant upon the government for funding. By implication, such NGOs will also be influenced by government goals, though these need not be in opposition to the humanitarian goals, of course. Sometimes NGOs also are made part of the implementation of a country's foreign (aid) policy, which means subjecting the principle of independence to some degree of invasion by politics. In Norway, for example, the government has been encouraging – through close cooperation and funding of concrete projects – NGOs to pursue issues that for political or other reasons are problematic for the government. This practice does not pertain to governments of any particular political colour but has become a defining feature of Norwegian foreign aid policy.<sup>44</sup> A case in point is the international campaign for the ban on land mines, in which Norwegian NGOs played an important part.<sup>45</sup>

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<sup>42</sup> Cited in Binder and Witte (2007: 16–17).

<sup>43</sup> Dearing (2004: 15).

<sup>44</sup> As a result of a targeted policy, Norway has five big NGOs within foreign development and aid: the Norwegian Red Cross, Norwegian Peoples Aid, Norwegian Refugee Aid, Save the Children Norway and Norwegian Church Aid. Some would also add the Norwegian branch of CARE International to the list.

<sup>45</sup> Neumann, Iver B. (2002) "Harnessing Social Power: State Diplomacy and the Land-Mines Issue" pp. 106-132 in Andrew F. Cooper, John English & Ramesh Thakur (eds.) *Enhancing Global Governance: Towards a New Diplomacy?* Tokyo: United Nations University Press. For a general discussion, see Neumann, Iver B. og Ole Jacob Sending (2006) "Governance to Governmentality: Analyzing NGOs, States, and Power" in *International Studies Quarterly* 50 (3): 651–672.



The building of schools, for instance, a field in which both NGOs and commercial companies are engaged, could be interpreted as a political act at the receiving end. In a country like Afghanistan, building schools for girls was seen as part of a plan for Westernising the country, and many of these schools were burnt down or girls were attacked or threatened on their way to school.

How should actors involved in humanitarian assistance relate to politics? The sometimes uneasy relationship between humanitarian aid organisations, national governments and their military forces in international peace operations or complex emergency situations is well known and seems to have intensified.<sup>46</sup> Debates about the ‘politicisation’ of humanitarian action concern the relationship between humanitarian actors and donors (e.g. governments), where the latter has been accused of pursuing political goals through NGOs or of manipulating NGOs, potentially interfering with their independence.<sup>47</sup>

The very distinction between the political and the humanitarian ‘articulates discursively the autonomy of the latter over the former’ and shows that such a separation ‘is already a power effect’, Paulo Esteves claims.<sup>48</sup> However, if the ‘humanitarian space’ exists outside the international itself and constitutes humanitarian actors, then the removal of this space will simultaneously remove the space reserved for humanitarian actors, according to Esteves. However, as pointed out by Fiona Terry, ‘a space “separate from the political” [...] is seldom possible in practice’.<sup>49</sup> Due to the above-noted blurring of lines between the conflict and post-conflict phase in international peace operations, it has been argued that neutrality has been softened and for all practical reasons is now non-existent.

The past years’ heightened debate about impartiality, neutrality and civilian–military relations probably reflects the more holistic or comprehensive approach to violent conflicts and post-conflict situations that has been pursued by the international community (e.g. the UN, the EU, NATO) in recent years. As noted by the UN Security Council in 2004, peacekeeping only is part of an overall strategy aimed at consolidating and sustaining peace.<sup>50</sup> Once the fighting has ceased and a peace agreement has been negotiated, it is then that reconstruction and reconciliation processes begin. ‘Integrated missions’ has been introduced as a concept aimed at improving the coordination and integration of military and civilian/humanitarian contributions by the international community and other actors.<sup>51</sup> In integrated missions, humanitarian, civilian

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<sup>46</sup> Indeed, some countries, among them the USA, have not only crossed the line between these actors but also sought to eliminate it (Beelman 2003).

<sup>47</sup> Leader (2000: 50).

<sup>48</sup> Esteves, Paulo (2008) ‘Unfolding the International at Late Modernity: Humanitarian Space and Therapeutic Politics’, unpublished paper presented in Oslo, 18 April 2008, p. 22.

<sup>49</sup> Terry, Fiona (2002) *Condemned to Repeat? The Paradox of Humanitarian Action*. Ithaca, NY: Cornell University Press, p. 19.

<sup>50</sup> UN document S/PRS/2004/16, 17 May 2004.

<sup>51</sup> For a definition, see p. 3 in Eide, Espen Barth; Anja Kaspersen, Randolph Kent and Karen von Hippel (2005) *Report on Integrated Missions: Practical Perspectives and Recommendations*. Oslo: NUPI (Independent Study commissioned by the UN ECHA in May). In these missions, all United Nations functions report directly through one Special Representative of the Secretary General (SRSG) in order to reduce duplication of efforts, improve the information flow and ensure a more strategic approach. See Wheeler and Harmer (2006: 3).

and military actors are *de facto* made part and parcel of the same overarching political project of assisting countries in the transition from war to lasting peace. While there seems to be general agreement that integration is necessary, the idea of being tied to the political project of a mission has unleashed debates in many NGO environments. Critical voices have argued that integrated missions mean subordinating humanitarian principles to political or military priorities in the mission, lessening the safety of NGOs and reducing humanitarian access.<sup>52</sup>

In the ‘war on terror’ since 2001 there has been an increasing conflation of humanitarian aid, development, military actions and foreign policy. Some governments also have been less concerned about the distinction between military and civilian contributions to international peace operations. For example, in 2001 US Secretary of State Colin Powell publicly referred to NGOs as ‘an important part of our combat team’ in Afghanistan. In 2004, the head of USAID said, ‘USAID has stood on the front lines of the most important battles in the new war’, referring to the agency’s engagement in both Afghanistan and Iraq.<sup>53</sup>

In some cases, the UN and NGOs act as a single body and as part of a joint strategic approach ‘to maximize leverage in negotiations with regimes or warlords’, Austen Davis argues.<sup>54</sup> This approach has contributed to the blurring of lines between the actors involved and to transforming humanitarian action into a more professional single humanitarian system, according to Davis. For instance, public–private partnerships have been initiated for tackling large, complicated and costly health problems in post-conflict and unstable settings within the health sector.<sup>55</sup>

How does the outsourcing of humanitarian and development services to commercial companies impact on this development? The challenge from politics is intensified by the rising number of commercial companies in post-conflict settings and international peace operations. And, as noted, commercial companies increasingly are entering into partnerships with NGOs in their non-profit engagements like disaster relief operations. Independence is less relevant to profit-based commercial actors than it is to non-profit humanitarian actors guided by altruistic principles and ‘humanitarianism’. Moreover, through contracts with governments, commercial actors sometimes are allowed into the strategic level of preparations and negotiations related to missions, and may see this as an opportunity to have an impact upon the mission itself. And indeed, board members and/or administrative leaders in commercial companies often are former government officials.

### **3.4 Local effects - the labour market**

Actors within the humanitarian realm, they be NGOs or private commercial firms, have an impact on the local communities in which they operate. Personnel, or at least field officers, hired by commercial companies are recruited on the same ad hoc basis and short-term contracts usually offered by NGOs. And even NGOs are sub-contracting more limited tasks to private consultants, using ad hoc contracts. This practice is apparently quite common in Afghanistan, for example. As a consequence of ad hoc

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<sup>52</sup> For a discussion, see Wheeler and Harmer (2006:3).

<sup>53</sup> Both citations from Dearing (2004).

<sup>54</sup> Davis, Austen (2007: 7).

<sup>55</sup> See e.g. Prescott and Pellini (2004).

recruitment policies, knowledge networks, local connections and principles of good practice may disappear once a contract comes to an end.<sup>56</sup>

In post-conflict settings, the demand for personnel includes engineers, construction workers, translators in interrogations and psychological operations, vehicle drivers and the like. The negative effects on the local labour market of high salaries and other benefits offered to local workers by NGOs, private military companies or private commercial companies are well documented.<sup>57</sup>

However, the outsourcing of, for instance, reconstruction tasks to international commercial companies also has other local implications. While NGOs have relied largely on locals in their work, this has to a lesser extent been the case with commercial firms, who have brought in outside consultants with little or no experience from the operation area instead of hiring locals.<sup>58</sup> In Iraq, the US authorities sought to encourage US sub-contractors to hire local labour and business expertise, to help reduce local unemployment and prevent the Iraqi labour market from replicating that of the Arab Gulf states, where migrant workers dominate.<sup>59</sup> Nevertheless, most US sub-contractors have imported cheap migrant labour from South Asia in Iraq, causing resentment and also violence because of the tight local labour market.<sup>60</sup>

One argument put forward to justify why reconstruction projects, for instance, are not sub-contracted to local companies is that the latter lack the necessary expertise or experience. However, even where local companies have both experience and expertise in the restoration of infrastructure and services, as is the case with Iraqi construction firms and businessmen who became more skilled after the first Gulf War in particular, the contracts have gone to international – mostly US – corporations. The fact that some of these contracts concern the rebuilding of local and provincial town councils and schools makes this contracting ‘policy’ even more provocative, according to analysts.<sup>61</sup> Furthermore, participation in reconstruction projects could contribute to local ownership to the overarching process (see below).

There are examples where commercial companies have hired locals. In Afghanistan, Chemonics International Inc. hired local people – mostly farmers – for major public-works projects. There was also a political aim: to reduce local resistance to the Afghan government’s upcoming destruction of profitable opium poppy fields by pro-

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<sup>56</sup> This depends, naturally, on the ability of the organisation to create an institutional memory, by institutionalising knowledge and principles into routines and other practices. See Wheeler and Harmer (2006).

<sup>57</sup> Such effects could be reduced public services, as when local doctors earn more from working as translators than from treating patients; or shifts in the local balance of power, as in Afghanistan. Further long-term effects include brain-drain, when educated people leave the country, often for good.

<sup>58</sup> The US-based company *Chemonics International Inc.* in 2003/2004 has been accused of this. See The Center for Public Integrity (2003) ‘Chemonics International Inc.’, *Windfalls of War*. The report includes updates from 31 March 2004.

<sup>59</sup> Medani, Khalid Mustafa (2004) ‘State Building in Reverse. The Neo-Liberal “Reconstruction” of Iraq’, *Middle East Report* 232, Fall, pp. 29 ff.

<sup>60</sup> One exception is *Bechtel*, who has hired local work force and expertise within construction.

<sup>61</sup> Medani (2004: 31).

viding alternative sources of income.<sup>62</sup> This hiring policy spurred violent reactions from Afghan poppy owners, who had been relying on local labour for the poppy harvest.

The hiring of local personnel is essential for individual economies but is also important to promote some degree of local ownership of the overall post-war reconstruction (and reconciliation) process. Achieving the commitment of the local parties and local ownership is recognised as vital to the long-term success of any mission today.<sup>63</sup> Local ownership has become a buzzword in the international discourse also in response to allegations that what is taking place is an occupation or a post-modern form of imperial rule, rather than a state-building practice.<sup>64</sup>

By outsourcing services and tasks to private commercial actors, donor governments and the international community have for all practical purposes lost control of the effect of these companies on the local labour market and local community. That means they have also lost control of a major tool in the overarching post-war reconstruction and reconciliation process, where local ownership is vital. The message from Western politicians and governments is that reconstruction will create jobs and benefit all Afghans or Iraqis (to take the example of two countries in transition), and in the longer run remove the root causes of instability, insecurity or terrorism. However, this message risks being overrun by the hiring policies of the various private commercial actors to whom these important tasks have been outsourced.

### 3.5 Corrupt, or simply well connected?

The private market for humanitarian and development services seems to be expanding, not least because of the increase in the number of commercial contractors and sub-contractors. The rise in the outsourcing of contracts to profit-based firms has unleashed accusations of unfair competition and even corruption. Now, corruption comes in various shades and forms. In the context of this paper, our concern is with the absence of competition (or the presence of unfair competition) among actors bidding for contracts in conflict and post-conflict areas. Unfair competition or lack of competition is primarily a result of close relations between commercial companies and government donors. This practice stands in stark contrast to the principle of free market competition, declared as part of the philosophy and neo-liberal values of these companies. Because of the dominance of US commercial companies in these operations, we will focus on some of these and their alleged relations with the US government.

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<sup>62</sup> Hafvenstein, Joel (2007) *Opium Season. A Year on the Afghan Frontier*, Lyons Press. Hafvenstein worked for *Chemonics International Inc.* in Helmand Province between October 2003 and May 2005. For a book review, see *The New York Times*, 7 November 2007.

<sup>63</sup> Dreyer, Wincent M. (2006) 'Retooling the Nationbuilding Strategy in Afghanistan', *Joint Force Quarterly*, Issue 43, 4<sup>th</sup> quarter. Washington DC: Institute for National Strategic Studies, National Defense University Press. See also *United Nations Peacekeeping Operations. Principles and Guidelines* (2008). New York: United Nations Department of Peacekeeping Operations, Department of Field Support, p. 50.

<sup>64</sup> For a discussion of peace operations and post-conflict settings as modern-style imperial rule see *Internasjonal Politikk*, No. 1, 2008, in the contributions by Neumann, and by Græger and Grøner Krogstad.

Commercial companies usually are dominated by people who, with experience from national foreign aid bureaucracies and governments, bring their contacts and networks into projects. Former high-ranking government officials are frequently board members or hold leading administrative positions in the company, and are central in the contracting process, as we shall see. Several cases of the existence of linkages between private firms and governments or government agencies have been uncovered, and more or less well-founded accusations of such linkages have been put forward. Here we are talking about large sums of money in contracts won by private commercial firms without a sufficiently open prior contract process.

Furthermore, there are examples where private US companies with close ties to the administration and government agencies have been awarded contracts even though contract proposals from competing companies with similar experience and standing offered lower costs. In some cases, companies have filed a bid protest to the Government Accounting Office, claiming improper contract negotiations.<sup>65</sup>

Commercial actors – companies or individuals alike – who have won contracts for the provision of services in post-war settings also are among the biggest donors to US political campaigns. These 70 or so companies that were allocated projects in early post-war Iraq and Afghanistan had donated more to the presidential campaigns of George W. Bush than to any other politician, according to a report from the Center for Public Integrity.<sup>66</sup> The top ten contractors on the list had contributed nearly 11 million USD to political campaigning (parties, candidates, action committees) between 1990 and 2003.

According to the same report, nearly 60% of the companies that were awarded contracts in early post-war Iraq and Afghanistan had either employees or board members who had served in or had close ties to the executive branch of various presidential administrations and Congress members (from both the Democratic and Republican parties) or who had served in the highest levels of the US armed forces. Nearly all the ten largest contracts were won by commercial companies that employed former high-ranking government officials, or individuals with close ties to the Pentagon, the State Department, USAID or the Congress.

One company that has received extensive media attention in this regard is Kellogg, Brown & Root (KBR), a subsidiary of Halliburton. The company was headed by US Vice President Dick Cheney before he joined Bush in 2000. Another company that has been in the media focus because of its commercial engagement in post-war settings is Chemonics International Inc., which has had large contracts in Afghanistan. The company hired specialists who had been permanent or external advisors to or officers working for USAID's various programmes and bureaus in America and abroad.<sup>67</sup> 'Soft corruption' seems a plausible term for parts of this activity.

Close linkage between government donors and private companies or corporations also means that instances of irregular activity or negative developments could easily backfire on the government. Within the security sector, the scandal where forces from the private military company Blackwater killed 17 innocent civilian Iraqis became a

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<sup>65</sup> For a discussion of concrete cases, see Center for Public Integrity (2003).

<sup>66</sup> Beelman (2003).

<sup>67</sup> For names and illustrative examples, see Beelman (2003).

token of the lack of government control and of the potential consequences of outsourcing, as well as of close government–company connections. The media sobriquet ‘Blackwatergate’ signalled that central politicians were informed and also involved in the cover-up operation.<sup>68</sup> Scandals involving a commercial company with a large contract in post-war reconstruction and/or development projects, and with close contacts with government agencies or politicians (e.g. through their board members), would also affect the legitimacy of the post-war operation as such in a very negative way.

Arguably, (soft) corruption on the receiving end further contributes to the problem of incidents or grey-zone areas of corruption on the provider’s side. According to an Oxfam report published in January 2008, government capacity in Afghanistan generally is weak and corruption is widespread. This obstructs the delivery of services and undermines public confidence in post-war state building as a whole. It could also encourage ‘short-cuts’ on the part of the commercial actors involved that might not be readily uncovered by the media or the general public.

### **3.6 Transparency and democratic accountability**

The bonds between former employees in government agencies and their present position in commercial corporations as administrators or board/trust members also create problems related to transparency and accountability around contracts. To what degree are commercial companies and actors subjected to democratic control by elected politicians and the general public?

While commercial companies’ access to funding agencies, governments and the political level is facilitated by informal ties, this usually does not go the other way around. Once the negotiation process for a specific contract has been completed, there is little or no room for political control of the ensuing agreement by national parliaments, or the general public for that matter. In addition, the bidding process is often a closed one. According to Prescott and Pellini, for instance, big USAID contracts were awarded to US for-profit companies in a closed-bidding process – even before the war had started.<sup>69</sup>

The General Accounting Office has investigated contracting processes in relation to allegations of fraud and cronyism, and has also protested against companies, which indicates that the lack of accountability or transparency is a challenge. Moreover, the US government has outsourced assessments and evaluations of the commercial contractors to other contractors, further compounding the problem of democratic control of business corporations.<sup>70</sup>

When a policy field suffers from a lack of transparency, one strategy is to follow the money. However, financial flows are difficult to track down, due to company policies. Commercial actors are generally not interested in having extensive contact with the media, unless they themselves invite the media to promote the services they are offering. This tends to diminish public access to information about their practices and con-

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<sup>68</sup> See e.g. Jeremy Scahill, ‘Blackwatergate’, *The Nation*, 4 October 2007.

<sup>69</sup> Prescott and Pellini (2004).

<sup>70</sup> Center for Public Integrity (2003). See also James Risen in *The New York Times*, ‘Controversial Contractor’s Iraq Work Is Split Up’, 24 May 2008.

duct.<sup>71</sup> The web pages of these companies are usually designed for marketing purposes and directed towards governments and other funding agencies. Many commercial companies hesitate to share information about annual revenues and funding sources, which also hampers research on the humanitarian and development work done by these companies and may create suspicion about their work.

The lack of transparency and openness is not a characteristic of commercial companies only. Many governments that outsource contracts to commercial companies in international peace operations and post-conflict missions have severe restrictions on information about the contracts.<sup>72</sup> This demonstrates that these contracting processes are often closed at both ends.

The ‘spending imperative’, driven by the need for quick success of the intervening countries, may also undermine the rigour in the selection of sub-contractors. Much funding goes through international NGOs, which then sub-contracted work to local organisations that in turn have sometimes sub-contracted again. A 2007 study has shown that this long chain of upwards accountability intensifies the difficulties related to monitoring, offering ample opportunities for corruption but also for wastage.<sup>73</sup>

In a longer-term perspective, outsourcing to private actors may also affect the legitimacy of humanitarian action, post-war reconstruction, development and state-building efforts as such. Accountability and transparency has already become a major challenge with regard to the use of PMCs. Lack of transparency and accountability may backfire and reduce the popular legitimacy and trustworthiness of the international community and its institutions and missions as a whole – especially on the receiving end but potentially in donor countries as well. Thus there is a real need for systematic research on how the principles of transparency and accountability are affected by the increased business engagement in the humanitarian sphere.

#### **4 Explaining the emergence of commercial actors**

Given the range of (possible) negative implications of the outsourcing of both the delivery and assessment of humanitarian and development services in post-conflict settings, how can this development be explained? The increase in the use of hired military contractors from private military companies (PMCs) is usually explained by the ‘downsizing’ of military forces (and especially armies) after the end of the Cold War, with fewer uniformed personnel available. Even in countries where conscription still is practised, active use of the draft to recruit personnel for international peace operations is highly problematic for elected politicians.<sup>74</sup> Rather than spending budgets on additional forces, especially where forces are stretched thin as in the USA,

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<sup>71</sup> E-mail exchange with a Norwegian journalist working in Afghanistan.

<sup>72</sup> Though this took place five years ago, one example is worth mentioning in this context. In 2003, the Center for Public Integrity received only sporadic responses from USAID, the Pentagon and State Department to its requests for information (under the 73 Freedom of Information Act law) about the funding of on-going missions. The Center then filed suit in the US District Court in Washington, DC against the State Department and the Army (Beelman 2003).

<sup>73</sup> Savage, Kevin; Lorenzo Delesgues, Ellen Martin and Gul Pacha Ulfat (2007) ‘Corruption Perceptions and Risks in Humanitarian Assistance: an Afghanistan Case Study’, *HPG Working Paper*, July.

<sup>74</sup> Corn (2007).

contracts have stood out as the way in which the US Department of Defense could ‘maximize[ing] the number of “uniforms” for combat functions by minimising the number of “uniforms” for support functions’.<sup>75</sup> A similar situation is seen in the UK, which has come to rely heavily on PMCs for security services. Other states are following suit as well.

By outsourcing functions (often support functions) formerly done by uniformed personnel to private actors, more resources are available for combat functions and for bonuses to retain highly trained personnel and personnel with specific expertise (e.g. special operations forces) in the armed forces. According to this explanation, which seems plausible enough, the market responded with a mushrooming of private companies that could offer the requested services on acceptable terms.

While a shortage of military actors may have triggered the outsourcing of security to private military companies, other explanations must be sought for the emergence of commercial actors within the humanitarian and, especially, development sector. Four of these will be mentioned here.

First, there has been a rising demand for the provision of humanitarian and development services, due to the increase in complex emergency situations, violent conflicts, as well as in post-conflict settings since the end of the Cold War. The growth in the financial volume and the number of actors involved reached a peak with the Kosovo War in 1999.<sup>76</sup> The next peak came with the December 2004 Indian Ocean tsunami, a major catalytic event.<sup>77</sup> The tsunami catastrophe in particular also led to an increase in the number of unprofessional and ad hoc organisations that saw this as a new business opportunity. In consequence, coordination problems and overlapping services gave the humanitarian sector a somewhat frayed reputation, especially among some donors.

Second, the comprehensive, integrated and ‘whole of government’ international approach to conflicts and post-conflict challenges that grew out of the lessons learned from the second and third generations of peace operations increased the demand for better coordination between military and civilian actors. Commercial companies often offer professional and streamlined services, and are not hampered by such humanitarian principles as impartiality, neutrality and independence. Hence, many of the challenges related to military–civilian cooperation and to an integrated approach that are experienced by NGOs are not an issue for commercial companies. The combination of the magnitude of tasks, leading to coordination problems and overlapping of services in the NGO community on the one hand, and the inherent tensions between the humanitarian principles and an integrated approach on the other, has opened up a space for actors with a more practical and pragmatic approach to politics. And here commercial companies have found a niche.

Third, traditional humanitarian actors like NGOs vary in size, mandates and practices. There is no common standard or *modus operandi* among these actors; what unites them is their humanitarian focus. Against this background, more streamlined commercial companies may stand out as more efficient, professional and solid. These firms

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<sup>75</sup> Corn (2007).

<sup>76</sup> The number of NGOs present during this conflict is usually estimated to around 500 to 600.

<sup>77</sup> Binder and Witte (2007: 11).



already possess the business management tools appreciated by many governments and private donors. Competition, it is felt, may encourage efficiency and professionalism, which is profitable to the receivers of aid and development. Increased professionalism could also yield more value for money – also an attractive proposition to the international community. Commercial companies are more able – indeed, they have been forced, due to competition – to specialise in the services they provide. Hence, commercial companies could, arguably, bring not only greater professionalism but also new technology *and* funding into the humanitarian and development sphere.

## **5 Concluding remarks**

The outsourcing of humanitarian and, especially, reconstruction and development services to commercial companies gives rise to many questions, some of which have been addressed in this paper. The practice of humanitarianism has been in a state of change for some time now. Humanitarianism is based on ethical concerns that by their very nature seek to be non-political. In a world where the demand for humanitarian assistance and development services has risen, while the working environments for those actors who provide these services have become increasingly politicised, this represents a challenge.

As shown in this paper, the blurred lines between the early phase of humanitarian assistance and the political realm of the state building and, arguably, reconstruction phase in international peace operations add to this challenge. Increasingly, the reconstruction process is being initiated earlier than before – often for political reasons. Views about whether a country or society has reached the post-conflict stage or still is in a state of war – *de facto* if not *de jure* – may diverge considerably between NGOs, governments, donors, international organisations (e.g. NATO) and commercial companies.

Commercial companies have become very important to governments and the international community in peace operations and post-conflict settings. Undoubtedly, the outsourcing of humanitarian and development services (and sometimes also the provision of security services) to commercial actors can have some positive effects. Commercial companies seem to score better on efficiency outputs and may contribute to a more professional humanitarian and development sector. As a result of commercial involvement, the whole ‘humanitarian market’, broadly defined, has become more streamlined, specialised and professionalised. But just who profits from this change of practice, economically and politically is a question in need of further research.

The consequences of using commercial actors to provide development and humanitarian services have some clear ethical aspects. First, handing over these tasks to profit-maximising actors may in itself be a contradiction in terms. An expansion in the use of commercial companies may jeopardise traditional humanitarian values and principles like impartiality, neutrality and independence. By engaging in development and reconstruction projects in the early post-conflict phase, companies are also paving the way for later commercial contracts. Winning contracts in areas where the conflict level is low and the risks fewer may be more important to these companies than engaging in areas where their services are actually most needed. Profits may be put before the needs on the receiving end and before traditional humanitarian principles.

Second, close links between corporations and government donors and a general lack of openness in the contracting process have fuelled suspicions about corruption. While in some cases the lines may be blurred between having close relations with old friends and outright corruption, there are clear indications that the way in which commercial humanitarian companies have been established and organised have some unfortunate effects. Here, however, it should be added that this may be more of an American trend – that is where the biggest corporations are based – than a global one.

One way of overcoming allegations of corruption and lack of control with donor funds could be to focus on more transparency and accountability in connection with contracts. Another approach could be to direct aid and assistance bilaterally to the local (national) governments of the recipient countries, even though corruption exists there as well. According to an independent Canadian report, direct, bilateral assistance and aid could also strengthen the support of the local people at the receiving end.<sup>78</sup> The fact that the US government has been outsourcing control functions – like the assessment and evaluation of contractors – to private companies further compounds the problem of control and accountability.

Arguably, the commercialisation trend reveals a more profound change facing the international community and governments in international peace operations and in assisting countries in their transition from war to peace. Contemporary systems of governance and national governments in particular, are not capable of handling the challenges of globalisation and of a multi-polar, or non-polar, international system by themselves. In consequence, the governance vacuum is filled by actors seeking to provide various types of governance in various sectors. Commercial companies engaged in post-conflict settings represent but one such type of actor.

The founder and executive chairman of the World Economic Forum, Klaus Schwab, recently argued that global corporations could play an important role in ensuring a new system of global governance.<sup>79</sup> Corporate global citizenship would be an extension of a worldwide corporate engagement which already encompasses more than commercial and PR interests today, he claims. The general idea is to go beyond social corporate responsibility and towards tackling climate change and other challenges in need of a genuinely global response. One step in this direction within the realm of post-conflict settings would be to further develop and refine the concept of integrated missions by taking into account the current weaknesses. This endeavour would necessarily involve expanding the research focus on the coordination of civilian and military contributions to include the effect of commercial, for-profit actors.

The literature on outsourcing and privatisation within the humanitarian and development sphere is limited. Furthermore, information about the activity of commercial actors is scarce, and political and scholarly debate largely lacking. International (and national) debates generally centre on how humanitarian relief, reconstruction tasks and development could best be implemented and coordinated.

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<sup>78</sup> *Independent Panel on Canada's Future Role in Afghanistan*, January 2008, Ottawa.

<sup>79</sup> Schwab, Klaus (2008) 'Off the Couch', *Newsweek*, Special Edition, p. 21.

Why have outsourcing and commercialisation not been recognised as problematic? One reason might be that the need for humanitarianism as well as the existence of a market economy is part of the ‘doxa’ – the things and practices that are taken for granted and not subjected to serious questioning.<sup>80</sup> The idea of ‘saving lives’ – humanitarianism – is more than one hundred years old. The same goes for market economy as a principle for the organisation and implementation of private and public services of various kinds. Liberalism and the liberal peace project have also become part of that ‘doxa’. Increasingly, we have come to accept liberalism as a way of forging not only a political order but also a new social order. In that sense, both NGOs and commercial companies have become sub-contractors of a liberal peace promoted by the international community and (donor) governments. This paper has argued that the control, accountability and transparency dimension of this development must be taken more seriously into account.

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<sup>80</sup> For a discussion of the ‘doxa’, see Pierre Bourdieu (1977) *Outline of a Theory of Practice*. Cambridge: Cambridge University Press, p. 164.