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Concept Paper: Business Engagement in the Humanitarian Sector

- Draft -

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The following concept paper is a draft only, and is not to be quoted. Accordingly, we welcome feedback on this document as well as the project in its entirety. If you have any suggestions, please contact Kelly Johnson at kjohnson@gppi.net

Introduction

In light of recent international events such as the Tsunami and Hurricane Katrina, as well as the wars in Iraq and Afghanistan, the role and value-add of the private sector¹ in humanitarian aid is becoming increasingly scrutinized. Traditionally, the private sector was engaged primarily as a for-profit contractor by certain donors and agencies in this field, or philanthropically responding to local issues. More recently however, businesses and donors have begun to work together in non-profit arrangements, primarily known as partnerships, or in the US, alliances.

Businesses have a variety of reasons for entering the humanitarian sector, ranging from charity, corporate social responsibility to a business case for profit making. The borders between these drivers for engagement are not always clearly defined, as many actions categorized as being of a charitable or CSR nature can be linked to a businesses image, brand-building and their social license to operate. Regardless, the private sector is a growing player in the humanitarian field, and donors on either side of the Atlantic are developing diverse policies for engaging with private sector actors.

For example, in 2005 the US government published nine principles to guide USAID's work. One of those principles is "Partnerships: Collaborate closely with governments, communities, donors, NGOs, the private sector, international organizations, and universities."² Working from the belief that "Alliances incorporate a breadth of USAID and partner resources to arrive at solutions only available through pooled efforts"³ the US has set up a Global Development Alliance in order to facilitate these types of partnerships, where USAID works as an equal partner with NGOs, the private sector, communities etc.

In addition, many European nations have started programs to work with the private sector on development more generally including the UK, Germany, Denmark and the Netherlands, with some partnerships involving humanitarian crises.⁴ Certain donors also allow private actors to work on donor-funded humanitarian initiatives as contractors with the US even encouraging certain types of businesses to bid on contracts. In addition to looking at businesses as potential partners in humanitarian action, major donors are also participating

¹ The private sector is comprised of all firms in the economy which are not controlled by the government.

² http://www.usaid.gov/policy/2005_nineprinciples.html

³ http://www.usaid.gov/our_work/global_partnerships/gda/index.html

⁴ For a thorough understanding of partnership models in international development please see Binder, Palenberg and Witte (2007) "Engaging Business in Development, Results of a International Benchmarking Survey" GPPi Research Paper Series No.8 as found at:

http://www.gppi.net/fileadmin/gppi/Engaging_Business_Final_06222007.pdf, For information on partnerships in humanitarian aid please see, Binder and Witte (2007) "Business Engagement in Humanitarian Relief: Key Trends and Policy Implications" ODI, as found at

http://www.gppi.net/fileadmin/gppi/hpgbgpaper_binderwitte_complete.pdf,

in new business, or market, based mechanisms for disaster prevention and response. These mechanisms can be utilized by traditional humanitarian actors, or with the help of private sector actors.

The European Commission, on the other hand, is still surveying the issue of business engagement. It follows a more conservative path in terms of how it gives aid and works with recipient communities, stipulating that no actors it directly works with in humanitarian aid can make a profit.⁵ However, in its 2008 Strategy Paper ECHO stated that it will “continue its reflection on other themes and sectors such as protection, gender, environment and possibly the role of the private sector in humanitarian aid.”⁶ To facilitate the increased discussion on the topic of private sector engagement in the humanitarian field, a comparison of these two methods of engagement (commercial and non commercial) is necessary.

Like much of this field, in the past business engagement in humanitarian action was focused on relief, most visibly in the context of the Tsunami in 2004. However, preparedness is of equal, if not greater importance, especially for at-risk communities. In their general programming, both the US and the EU reflect this importance of preparedness, with specific offices within ECHO and USAID focused on both disaster preparedness and response (OFDA and DIPECHO respectively).⁷ Recently, the private sector has shown that it too has a role to play in preparedness efforts, both as a for-profit, and not-for profit, or non-commercial actor.⁸

Aim of Study

Considering these criteria; for-profit versus non money making engagements, and preparedness versus relief business engagement can be broken into four different categories, as seen below.

⁵ http://ec.europa.eu/echo/partners/procurement_en.htm, (last accessed 22 April 2008)

⁶ http://ec.europa.eu/echo/pdf_files/strategy/2008/strategy_2008_en.pdf (last accessed 7 April 2008).

⁷ See http://ec.europa.eu/echo/field/dipecho/index_en.htm, and http://www.usaid.gov/our_work/humanitarian_assistance/disaster_assistance/, for more information (websites last accessed February 18th, 2008)

⁸ World Economic Forum (2008) Building Resilience to Natural Disaster: A framework for Private Sector Engagement, as found at: [http://www.reliefweb.int/rw/lib.nsf/db900SID/ASIN-7CVQYU/\\$FILE/wef-building-resilience.pdf?OpenElement](http://www.reliefweb.int/rw/lib.nsf/db900SID/ASIN-7CVQYU/$FILE/wef-building-resilience.pdf?OpenElement), (last accessed March 20th, 2008)

Type of Engagement	Commercial	Not Commercial
Preparedness	A Examples: -weather derivatives, catastrophe bonds, disaster insurance pools, - micro insurance for individual businesses, - alarm systems - Infrastructure strengthening,	B Examples: - coordinating and logistics partnerships to help NGOs/Donors/multilaterals prepare for disasters - early warning systems, emergency plans, - education and awareness support
Response	C Examples: - Security contracting - Construction contracts	D Examples: - Coordination and logistics partnerships for relief supplies - telecommunications support

Using these four broad categories, this study examines donor-business relations and, using a donor perspective,⁹ will focus on comparing all four areas of business engagement in the matrix above (boxes A-D), providing an overview of these forms of donor-business engagement and some analysis about the circumstances required to make each type of business engagement suitable to relief and preparedness efforts. It will provide policy recommendations to improve donor-business engagement as well as highlighting good practices for engaging with business. For each of these areas analysis will be done regarding the risks and opportunities that business engagement represents. This will be done through analyzing the philosophy behind engagements, as well as stakeholder perceptions, and the end results of each type of engagement. The case studies will also compare what donors and businesses perceived the risks and benefits of the engagement prior to the engagement and after, as well as what stakeholders actually felt about the engagement.

Key Questions and Method

Study Group Scope

This study group will empirically analyse the different methods for and areas where business and donors engage in humanitarian action. It will create one summary report and four case studies. However, because this issue is relatively new, and, because the European Commission does not typically engage with businesses in humanitarian aid, in either commercial or non-commercial engagements, specific-single country program analysis is not possible. Rather, the case studies for this study group will look at multiple programs under

⁹ The aim of this study is to determine how donor policy towards business engagement can be improved. Therefore, while insights from the field are crucial to informing transatlantic policy reform, and will be examined via the case studies, the study group and the corresponding case studies must take a donor perspective.

the same heading, for example – commercial preparedness activities. Furthermore, while this study aims to have a donor perspective, many multilaterals, such as the UNDP and the World Bank, have advanced relationships with businesses and these programs will also be considered in this study, as their depth and length can inform transatlantic policy reform. Case Study information is outlined below.

Research questions

The overall guiding question for the study group is:

- *What can the private sector add to humanitarian aid, and how can EU and US donors best leverage potential as well as manage the risks related to business engagement?*

The research question for the case studies is:

- *For each of the four types of business-donor engagement, compare and contrast different business engagements – analyzing both the value-add of business engagement (including success factors for business engagement) as well as potential risks (and how they can be managed).*

Method

The study will essentially rely on the following methods: comparative case study research, qualitative interviews, and document review.

Summary Report: Design and Questions

The Summary Report will build on the findings of the case studies and will address the following issues:

At the Transatlantic Level

- What is/are the donor definition(s) of business engagement? What are the commonalities, what are differences?
- What are the different drivers for business engagement on either side of the Atlantic? What are the key commonalities and key differences?
- Are there potential areas where EU and US donors can work together to engage with business/make business engagement more effective?
- Is there space / need for common policies towards business engagement?
- What are the relevant international Codes of Conduct (UN Global Compact etc) regarding business involvement in the humanitarian sector? How do they work? What are the gaps? How can transatlantic partners work together to close these gaps?
- What are the best practices, lessons-learned that have already emerged regarding business engagement?

At the Individual Donor Level

- What drivers exist within each donor agency for engaging with businesses?
- What are the donor's philosophies towards business engagement?
- What policies exist with respect to business engagement in the humanitarian sector?

- What institutional mechanisms and procedures exist for engaging with businesses? How many resources (financial and human) are allocated to these offices/mechanisms?
- Do donors distinguish between local businesses in their own nations, multinational corporations, or local businesses in the affected community? If so, how? If not why not?
- What other foreign policy goals/philosophies promote or hinder business engagement?
- What are the donor, business, and independent evaluations of business engagement and donor policies towards engagement and what do they show?

Case Studies: Design and Selection

Four case studies will be commissioned for this study group, one for each area of engagement:

- A: Commercial Business Engagement in Disaster Preparedness
- B: Non-commercial making Business Engagement in Disaster Preparedness
- C: Commercial Engagement in Disaster Response
- D: Non-Commercial making Engagement in Disaster Response

In order to provide insight into the guiding questions for this study group, case studies will compare different private sector engagements under their respective topic using at least one engagement involving a donor from either side of the Atlantic. Based on these comparisons, each case study will identify obstacles to and criteria necessary for effective donor-business engagements. Where relevant, case studies will also look at whether donors have been/are well-prepared to support multilateral and local governments' efforts to engage with business in disaster preparedness and response.

Case studies include

- A comparative analysis between donors¹⁰ institutional set ups (structures and policies) towards business engagement
- Analysis of the feedback loop between HQ and the field level (and all levels in between) regarding donor-business engagement in the humanitarian sector.
- An analysis of the value-add and risks of using business versus a traditional humanitarian actor, as well as how those risks were/could have been mitigated

Case studies exclude

- An analysis of whether or not businesses should be engaged in the humanitarian sector.

Questions to be answered by Case Studies:

Commercial Engagements

¹⁰ Including multilaterals

For each engagement within their respective topic, case studies will address the following Questions.

Generally

- Provide an overview of how prevalent this type of business engagement is, looking at how and where that type of business engagement is used?

At the Donor Level

- What is the donor's philosophy towards business engagement? Do the donor's policies set incentives for businesses to engage with them?
- Why did the donor choose to work with the private sector in this case? Had they previously engaged with not-for-profit actors in this area?
- Was the specific project the result of a call/contract or was it designed separately? Why/Why not?
- If it was from a specific call/contract, did the call/contract specifically target businesses? Why/Why not?
- What does the donor view as the risks of engaging with business in this area? For itself? The project? Stakeholders? The business? How were these risks mitigated?

If this engagement utilizes a mechanism/tool designed by or run through a multilateral

- Does the donor's philosophy towards business engagement align with the multilateral's?
- How did the tool come into creation? Did the donor push for it?
- Who chooses the businesses/type of engagement utilized with this tool? How active was the donor in this process?

Interaction between Donor and Business

- Is there regular interaction and communication between the business and the donor?
- What are the formal and informal processes (from both the donor and business side) through which the alliance/partnership and its outputs are monitored and evaluated? Are these processes effective? What lessons have emerged from this evaluation?

At the Business Level

- If humanitarian aid is not the core business of this actor, why did the business choose to engage with a donor?
- Other than profit, is there another reason this business engages in humanitarian aid? If so, what else does business believe it gains from this experience?
- What risks does the business see resulting from this engagement? For itself? For the donors? For the stakeholders? How are these risks mitigated?
- Does the business have previous experience in the humanitarian field?
- Does this engagement use the businesses core functions? (for example, DHL providing support in coordination, logistics and materials movement\management)
- What factors helped/hindered accomplishing the goals of this specific engagement?
- Was the business successful in achieving the stated end goals of this contract?
- Would they engage with a donor again?

Results/Effects

- What are the positive results and effects of this engagement?
- What are the negative consequences of this engagement?
- What was the reaction to this engagement and its end results from the project stakeholders?
- What issues were criticized by stakeholders and why?
- What do stakeholders view as the value add of having a business engaged?
- What do stakeholders view as the risks add of engaging business?
- Compared to similar engagements with an NGO, was this engagement more or less successful? If so how and why?

Non-Commercial Engagements

For each engagement within their respective topic, case studies will address the following Questions.

Generally

- Provide a n overview of how prevalent this type of business engagement is, looking at how and where that type of business engagement is used?

At the Donor Level

- What is the donor's philosophy towards business engagement? Do the donor's policies set incentives for businesses to engage with them?
- Why did the donor choose to work with the private sector in this case? Had they previously engaged with not-for-profit actors in this area?
- What does the donor view as the risks of engaging with business in this area? For itself? The project? Stakeholders? The business? How were these risks mitigated?

If this engagement utilizes a mechanism/tool designed by or run through a multilateral

- Does the donor's philosophy towards business engagement align with the multilateral's?
- How did the tool come into creation? Did the donor push for it?
- Who chooses the businesses/type of engagement utilized with this tool? How active was the donor in this process?

Interaction between Donor and Business

- How did this partnership/alliance come into being? Who started the process towards this engagement? What are the terms of this arrangement?
- Is there regular interaction and communication between the business and the donor?
- What are the formal and informal processes (from both the donor and business side) through which the alliance/partnership and its outputs are monitored and evaluated? Are these processes effective? What lessons have emerged from this evaluation?

At the Business Level

- Why did the business choose to engage with a donor?

- What does business believe it gains from this experience?
- What risks does the business see resulting from this engagement? For itself? For the donors? For the stakeholders? How are these risks mitigated?
- Does the business have previous experience in the humanitarian field?
- Does this engagement use the businesses core functions? (for example, DHL providing support in coordination, logistics and materials movement\management)
- What factors helped/hindered accomplishing the goals of this specific partnership?
- Was the business successful in achieving the stated end goals of this relationship?
- Would they engage with a donor again?

Results/Effects

- What are the positive results and effects of this engagement?
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