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New Trends in Humanitarian Assistance

The Private Turn in Humanitarian Aid

By Jose Montesclaros and Christopher Chen

Synopsis

To bridge funding gaps in humanitarian assistance, states will need to re-examine their roles, relative to the private sector. Humanitarian technologies offer a potential high-volume, low-profit margin sector which can be an entry point for private companies.

Commentary

TODAY A common challenge faced by governments is a shortage in financing for the purpose of disaster preparedness, relief, and post-disaster reconstruction. From 1990 to 2010, approximately US\$107 billion in international aid was diverted towards natural disasters, even as the total damage was conservatively estimated at [\\$862 billion](#), according to the Global Facility for Disaster Reduction and Recovery (GFDRR).

In spite of this, developing countries continue to report funding deficits in disaster preparedness. In fact, only \$13.5 billion was allocated for disaster preparedness over the two decades cited.

Declining Aid to States, Growing Private Investment?

Disaster preparedness, relief and reconstruction, all require significant infrastructure and other types of investment. Societies have traditionally turned to national governments, aided by international development institutions, and civil society organisations, for these efforts.

This longstanding notion made sense after the Second World War when states held most of the capital to support war efforts, and private sector development was still

weak. This balance, of state-held versus private sector-held capital, allowed states to take charge of post-war reconstruction, and serve community needs.

Over the past decades a reversal has happened in the contributions of aid, as opposed to private sector investment.

This is evident in East Asia and the Pacific countries who receive development assistance from the International Bank for Reconstruction and Development (IBRD) and the International Development Agency (IDA).

In these countries, the share of capital received by states, from official development assistance (ODA), has declined relative to the funding received by the private sector from foreign direct investment (FDI). Whereas it used to be an 86-14 split between ODA and FDI in 1970, a reversal could be seen by 1990, when FDI exceeded ODA. By 2010, a significant reversal took place when the split between ODA and FDI became 3-97, based on World Bank statistics.

Re-envisioning State and Private Sector Roles

Today, we are witnessing further erosion in ODA relative to private investment given recent [budget cuts](#) to development institutions such as the United Nations. Trends of rising populism and narrow thinking, as well as bilateral tensions, are driving states to prefer to solve their domestic woes first, before helping less developed countries through such aid contributions.

These trends portend a future of widening funding gaps for disaster preparedness, relief and reconstruction, amid the increasing frequency and intensity of extreme weather events and natural hazards.

With this changing dynamic, there is perhaps a need to reconceptualise the roles of states and multilateral aid-giving institutions, in the context of humanitarian assistance and disaster relief (HADR) operations.

A way forward is to move away from the common mind-set in developing countries, wherein funding gaps are viewed as contributing to disaster vulnerability. Instead, governments may examine whether they should shift from their present role of direct provider of these functions, to being facilitators that allow for the private sector to serve these needs.

In a bid to better engage with the private sector, governments will need to understand private sector interests. Through this process, they can then identify gaps that the private sector can potentially fill, and map out niche areas in the humanitarian sector.

Humanitarian Technologies: For Private Investment?

A private company runs for profit, and this motive shapes its activities, the kinds of products it sells, and the customers it reaches out to. Given this market logic, the private sector is therefore perceived to ignore the needs of vulnerable populations.

Yet, the private sector today is playing a more proactive role in disaster preparedness

and response initiatives. For instance, Xylem, a company that provides technological solutions to boost water use efficiency, has a corporate citizenship programme –Xylem Watermark - that participates in disaster relief and risk reduction activities.

The company sold and/or rented out low-cost [pumps](#) to homeowners and small businesses to pump out large quantities of water from homes and other structures.

Similarly, [MasterCard](#), a renowned credit card company, utilised similar technologies to develop an end-to-end service to track whether benefactors have received their needed physical goods (medicine, food) in relief situations. No doubt, this initiative has brought the company closer to its customers, who may add to its customer base after the disaster situation. There remain, however, data privacy concerns of the affected population, which need further consideration.

Common between both examples, is that the private sector is realising a new high-volume, low (profit) margin market emerging, which was either able to pay, or which can add to the consumer base for future business. Given the trend of increasing per capita income in Southeast Asia as a whole, households themselves could have more agency with which to contribute to disaster preparedness and resilience-building exercises.

New Forms of CSR

Trends above can be attributed to an evolution of the way corporate social responsibility ([CSR](#)) is seen by the private sector, from focusing too narrowly on how much money is given (philanthropies and charities), to how it is made.

As discussed above, private sector entities, are exploring further ways of integrating social responsibility into their business processes and technology investment which are financially viable.

What we are witnessing is just the start of an increased level of private sector support in humanitarian operations. To upscale these new forms of CSR, governments, international development agencies, and civil society organisations, should engage the private sector about humanitarian needs to enable them to explore innovative ways of solving them by leveraging their own strengths in their value-chains and operations.

Jose Montesclaros is an Associate Research Fellow and Christopher Chen is a Research Associate with the Centre for Non-Traditional Security Studies (NTS Centre) at S. Rajaratnam School of International Studies (RSIS), Nanyang Technological University (NTU), Singapore. This is part of a series on New Trends in Humanitarian Assistance.

Nanyang Technological University

Block S4, Level B3, 50 Nanyang Avenue, Singapore 639798
Tel: +65 6790 6982 | Fax: +65 6794 0617 | www.rsis.edu.sg