

More aid is spent by private enterprise than once was the case!

“THE gold rush is on!” That is how a cable from the American ambassador to Haiti described the descent of foreign firms upon Port-au-Prince in early 2010. An earthquake had flattened the city and killed hundreds of thousands. But a deluge of aid presented an opportunity. The message, released by WikiLeaks, noted that AshBritt, a Florida-based disaster-recovery firm, was trying to sell a scheme to restore government buildings, and that other firms were also pitching proposals in a “veritable free-for-all”.

During the following two years \$6bn in aid flooded into a country of 10m people, for everything from rebuilding homes to supporting pro-American political parties. Of \$500m or so in aid contracts from the American agency for international development (USAID), roughly 70% passed through the hands of private companies.

Haiti is one example of a trend. Though not all countries break down aid spending according to the type of contractor used, data from those that do suggest that a growing share of aid is funneled, not through charities or non-profit foundations, but through consultancies and other private-sector contractors that profit from the work. Nearly a quarter of USAID spending in 2016 went to for-profit firms, a share that was two-thirds higher than in 2008. Britain’s Department for International Development (DfID) counts its spending slightly differently: in 2015-16, 22% of bilateral spending (as opposed to money that it paid to multilateral organisations such as the UN) went to contractors, most of them for-profit companies, up from 12% five years earlier.

Typically, firms win aid contracts at auction, rather than receiving grants, as charities do. Some have become global players. Chemonics, an American firm founded in 1975, is active in 70 countries. In 2015 it won a contract for health-care services with USAID worth up to \$10.5bn over eight years. Cardno, an Australian firm, won 17% of the country’s contracts last year, worth A\$945m (\$709m).

One reason for the shift towards the private sector is the changing nature of aid. A smaller share now is made up of traditional projects, such as building schools or handing out food parcels, and more is “technical assistance”, for example to streamline a country’s tax code and strengthen tax collection, or to set up an insurance scheme to help farmers when crops fail. Private firms may be best-placed to advise on, or even run, these schemes.

Another reason is that even as aid budgets have grown, governments have sought to make aid departments smaller and more nimble. Both USAID and DfID have around the same number of employees now as they did when their budgets were just half as large in real terms. As aid agencies struggle to manage contracts, they have turned to the private sector.

Surprisingly little research has been done on the impact of this shift. That is partly because the oversight of aid is often poor. Think-tanks are still trying to work out where all the Haitian disaster-relief funding ended up, for example. And private-sector involvement can further obscure the picture, because the winners of bids may use a host of subcontractors, or insist that some information is kept confidential for commercial reasons.

What is known, though, is that for-profit and non-profit groups work differently. A non-profit body typically has large bureaux in the countries where it works, or forms long-standing partnerships with local charities that do. It will consider whether a proposed project fits with its charitable purpose, and whether it has suitable in-house expertise; only then will it decide whether to bid. Firms, by contrast, tend to have fewer staff, and to rely on subcontractors and freelance experts who can be flown in for as long as a project lasts. Tim Midgley of Saferworld, a charity, argues that this model means that firms may be less likely to understand local cultures, build relationships with governments and monitor long-term results. But it can also be more flexible, with firms matching expertise and staffing to each contract.

Cool aid

To shed light on the shift towards private-sector aid delivery, *The Economist* has analysed 4,500 subcontracts from USAID worth more than \$25,000 each. (All were granted since 2010. Those for which data were not available were excluded.) A third went to for-profit firms, and the rest to charities, NGOs or other governments. For contracts where a firm was the primary contractor, on average 41% of subcontracts went to other firms; when the primary contractor was a non-profit organisation, just 27% did. Around two-fifths of all subcontractors were based in America, although

most aid work is done abroad. And four-fifths of them worked with just one primary contractor, suggesting that aid work is carried out largely by stable consortia, rather than shifting alliances.

Not just aid budgets but contracts are growing bigger, says Raj Kumar of Devex, an aid-focused news organisation. One consequence is that only large bidders can stomach the risks. Together with the high cost of preparing bids—as much as \$100,000—this has led to market concentration. In Britain ten firms snap up half of all contracts (or lead consortia that do). The top ten account for around the same share of USAID contracts, a much higher share than for other government departments. In Australia they account for 70%.

The sector is consolidating further, as firms seek to expand the number of countries where they have the expertise to bid for contracts, and to run them. Between 2007 and 2015 Tetra Tech, an American firm, bought ARD and DPK, two aid consultancies; Coffey International, an Australian engineering firm; and a handful of smaller Canadian consultancies. Australia's GRM International merged with America's Futures Group and later became part of Palladium International, a permanent consortium of six aid firms.

A smaller firm's best chance to pick up some of this work is to join a consortium led by a larger firm. But it risks becoming mere "bid candy", as a recent investigation by a British parliamentary committee into DfID's use of contractors put it, with its expertise used to win a contract, after which the lead contractor keeps the work in-house. The committee also concluded that DfID focused too much on evaluating bids rather than results.

Other people's money

Some worry that firms motivated by profit rather than altruism may be careless in their spending, or even steal. Though wrongdoing by charities is hardly unknown, some high-profile scandals have fueled such fears. In recent years Louis Berger Group, one of USAID's largest contractors, has been found guilty of several cases of bribery and fraud. Its former boss, Derish Wolff, was found guilty of conspiracy to defraud USAID by faking timesheets, fined \$4.5m and sentenced to a year's home confinement. The firm agreed to repay \$69m.

Last year the *Mail on Sunday*, a British tabloid, published e-mails suggesting that the beneficiaries of aid projects run by Adam Smith International, one of DfID's biggest contractors, had been threatened with the loss of funding if they refused to write it glowing testimonials. Parliamentarians inquired further, and in February said that the firm had indeed sought inappropriately to influence their probe of DfID's contractors. The firm has since been restructured and four senior executives have stepped down.

A specific concern is that, like many firms that rely on government contracts, private aid contractors may be prone to revolving-door hiring. Our analysis of data from LinkedIn, a social network, shows that, at six of America's ten biggest aid contractors, about 5% of listed staff name USAID as their previous employer, a higher share than for any other former workplace. The agency was one of the most common ex-employers at the other four. No wrongdoing may have resulted. But the risks are evident at Adam Smith International, which turned out to have sought to win bids by using proprietary information shared by a former DfID employee who went on to work for the firm.

Another claim is that private firms may skim too much cream from their contracts. Without access to commercial information this is hard to evaluate; however, private firms do seem to pay higher salaries than charities to their top executives. We compared firms that won USAID contracts in the past eight years with data from USAspending, a state website that lists expenditures and the pay of senior staff at some government contractors. Information about wages was available for 135 for-profit firms. For comparison we looked at figures for 346 similar-sized American charities from CauseIQ, a data company. The bosses of the private firms earn on average more than \$500,000 a year—more than twice as much as their non-profit peers.

A separate study published in 2014 by Marieke Huysentruyt, then at the London School of Economics, examined 457 DfID contracts from 1999 to 2003. She found that, when controlling for the type of contract, the total personnel costs proposed by non-profit firms were on average just two-fifths those proposed by private firms. What is more, the contracts won by for-profit outfits were more likely to bust their budgets and miss deadlines.

All this suggests that donor governments should improve their bidding procedures and contract management. In the meantime, aid contractors have responded to bad publicity by lobbying harder. In 2016 a group of British aid contractors set up the Centre for Development Results to represent their views and counter unfavourable headlines. In 2011 American contractors started the Council of International Development Companies, which joined forces with an

older group dubbed the “Bombay Club” after the Indian restaurant where it first met. It lobbies federal politicians, arguing against aid dollars being given directly to foreign organisations and governments, which would risk cutting its members out.

A more immediate threat to the sector is that aid budgets might fall. President Donald Trump wants to reduce American aid by 28%. Australia’s government started cutting in 2011. Britain’s government has reaffirmed its commitment to spending 0.7% of gross national income on aid—a target long suggested by the UN which Britain is the first big country to meet. Nonetheless, calls to abandon it are growing ever louder.

How to be the change

One way to keep going during leaner times is to bid not only for contracts, but for grants—that is, to do some aid work at cost, without making a profit from it. When USAID funding reached a plateau in 2008, following years of fast growth, a few firms started bidding for more such grants. Take Abt Associates, a firm set up in 1965 that does research and implements aid programmes in nearly 50 countries. In 2008 17% of its revenue from USAID came in the form of grants; by 2016 that share was 31%.

Another opportunity, says Mr Kumar, is to work directly for the governments of countries that have long been aid recipients. Some have started to fund programmes similar to those paid for by donors, such as improving the way their health-care systems are administered. A third option is to expand into the fledgling “corporate-aid” sector. This strand of development work involves multinationals building capacity in poor countries, not principally for philanthropic reasons, but to benefit their businesses. Starbucks, for instance, is training coffee farmers in Rwanda and Ethiopia. Private aid contractors may be well placed to act as consultants to firms keen on such projects, or as brokers between them and local partners.

One estimate puts the total value to firms of such “aid-like” work in developing countries at around \$20bn a year, a figure that is expected to rise. Having built their businesses on contracts with Western governments, private aid firms may need to diversify if they are to continue to thrive

BRIC’s well placed to help lead drive on poverty

As the clock ticks towards the 2030 deadline for meeting global goals to eradicate hunger and poverty, the United Nations agriculture agency today asserted that five vitally important emerging economies, known collectively as the ‘BRICS’ countries, are well positioned to take a leading role in helping the world achieve these targets.

These five countries – Brazil, Russia, India, China and South Africa – form an economic block that accounts for more than 40 per cent of the world’s population and over 20 per cent of global gross domestic product (GDP). Together, they produce more than one-third of global cereal production, with Russia becoming the largest wheat exporter in the world.

“The BRICS countries play an important political role in the international arena. Developing countries around the world look to your successes in economic development over the past few decades as an example to follow,” [said](#) Kundhavi Kadiresan, the UN Food and Agriculture Organization ([FAO](#)) Regional Representative for Asia and the Pacific, during a statement to the 7th Meeting of the BRICS Ministers of Agriculture, in Nanjing, China.

“Your experiences provide a path that can help us all meet our global collective commitments, namely those of the [2030 Agenda](#) – its 17 Sustainable Development Goals ([SDGs](#)) – and the [Paris Agreement](#) [on climate change],” added Ms. Kadiresan.

She pointed out that, despite trends towards urbanization, as poverty in the world today is primarily rural, accelerating rural development will be key to achieving the [SDGs](#).

“The question is how we can do this?” continued the regional representative. “Our experiences in countries in different parts of the world have shown that it can best be done through a combination of agricultural growth and targeted social protection, but also through growth in the rural nonfarm economy.”

She underscored that agriculture can be a driver of sustained and inclusive rural growth, saying “In low-income countries, growth originating from agriculture is twice as effective in reducing poverty as growth originating from other sectors of the economy.”

All tools, approaches and technologies must also be accessible to poor farmers in developing countries for increased production and productivity.

An excellent example is South Africa's Fetsa Tlala, a government-led initiative to support subsistence and smallholder farmers expand cultivated land to food production.

Agricultural growth

Achieving agricultural growth would require research and development investments, in which BRICS countries could play a leading role as all five have strong agricultural research systems working on developing countries' challenges. Biotechnology and agro-ecological approaches would also be essential.

Information and communication technologies (ICTs) are becoming more widespread by the day, and they offer a promising approach to address many of the challenges small farmers face with regard to information on prices, weather forecasts, vaccines, financial services, and much more.

FAO is collaborating with the Organisation for Economic Co-operation and Development (OECD) and the International Food Policy Research Institute to make sure these technologies benefit smallholders.

Ms. Kadirelso points out that social protection programmes also play a key role in rural development – reducing poverty, benefitting health and strengthening family farmer confidence.

China donates primary school in Makeni

On Monday, 19 June 2017, a ceremony was held at Masingbi Town in the Northern Province to hand over two newly constructed schools as grant from China. Present at the ceremony from the Sierra Leone side were Dr. Minkalu Bah, Minister of Education, Science and Technology; Dr. Samura Kamara, Minister of Foreign Affairs and International Cooperation; Dr. Christiana Thorpe, Deputy Minister 1 Ministry of Education, Science and Technology; Hon Abdulai Sesay, Member of Parliament for Constituency 63; and Paramount Chief Bai Kuru Kanagbaro Sanka 111 of Konekay Chiefdom; From the Chinese side were His Excellency Wu Peng, the Chinese Ambassador to Sierra Leone. More than two thousand local people including School children witnessed the occasion.

During his remarks, Ambassador Wu said that he was delighted to be at the handing over ceremony on behalf of the Chinese government. He highlighted the importance of education in the development of any nation, and said the donation of two schools to the Masingbi and Makeni communities was a demonstration of China's support towards the development of Education in Sierra Leone. The Ambassador thanked Dr. Minkalu Bah for his closely working with the Embassy on these projects. He also thanked Dr. Samura Kamara, the Minister of Foreign Affairs and International Cooperation for his valuable support and collaboration in all of China's bilateral dealings with Sierra Leone. The Ambassador said that Dr. Samura Kamara is a true patriot of great Sierra Leone and a promoter of China-Sierra Leone long standing friendship relations which brings tangible benefits to the people. He reiterated China's commitment to continue assistance to Sierra Leone in infrastructural development in accordance with His Excellency the President's post-Ebola Recovery Priorities.

Dr. Minkalu Bah said during his key note address that China and Sierra Leone have a long standing relationship dating back in 1971. "China has done so much for Sierra Leone". He stated that during the Ebola outbreak while others were running away from Sierra Leone, China came and gave unflinching support to Sierra Leone in the form of medicines, medical equipment, Jui hospital, the P3 Research Lab, and above all medical staff including doctors and nurses to help fight the epidemic. He furthered that China constructed the Regent – Jui road as a gift to Sierra Leone and that in 2008,

the Chinese government built and donated two schools at Fourah Bay College and Yoni chiefdom respectively, and that China provides Scholarship to many Sierra Leoneans to pursue masters and PHD programs in China. The Minister said he hopes the two new schools will help to address overcrowding in classrooms and also motivate parents to send their children to school so that they can gain knowledge. He further said during the decade civil war most of the schools were destroyed and that the government is still struggling to build new schools to accommodate the high enrollment rate. Dr. Minkalu Bah said that he was grateful for the donation and expressed his profound thanks and appreciation to the Chinese Ambassador for his hard work and commitment to Sierra Leone. He concluded by saying that "China is a true friend of Sierra Leone, a friend who does not abandon you during turbulent times".

After the handing over ceremony, PC Bai Kuru Kanagboro Sanka III gave the vote of thanks. In his statement He thanked the ministers and other dignitaries who came to grace the occasion. He personally thanked Ambassador Wu Peng and the Chinese government for their remarkable contribution towards education in his community. He said the people of Konekay Chiefdom are happy for the donation as demonstrated through singing and dancing.

John

23rd June, 2017.