Notes and Thoughts from Representatives of NACC Member Institutions

NACC News offers a series of brief articles contributed by representatives of member institutions. Thad Calabrese, NYU Wagner, helped to launch this feature last month. This month John P. Casey, Associate Professor, School of Public Affairs, Center for Nonprofit Strategy and Management at Baruch College, CUNY, graciously agreed to continue the series. Our intent is to develop a monthly conversation among our members about issues that affect the sector. You are invited to respond to the articles and to join in the discussion by submitting your own work.

Contact: john.casey@baruch.cuny.edu

IS FOR-PROFIT AID AND DEVELOPMENT BETTER THAN NONPROFIT?

The field of international humanitarian aid and development is often viewed as primarily the realm of nonprofit organizations, intergovernmental networks and government agencies. Nonprofit organizations (most commonly referred to in this contexts as NGOs) have become synonymous with aid efforts as they dominate the headlines and airwaves with their pleas for donations and stories from the frontline. Yet, there is also an extensive parallel network of for-profit companies working on humanitarian projects in developing countries. For-profit international aid and development companies have been in existence since the mid-1960s and have flourished as contractors with the US Agency for International Aid (USAID) and the UK Department for International Development (UKID). Some of the for-profit contractors focus on capital-intensive projects such as infrastructure development and emergency response logistics, but many work on issues more often associated with nonprofits, such as poverty relief, health programs, gender equality, sustainable market development, organizational efficiency, and education. Smaller companies tend to focus on one or two specific issue areas, while larger companies have the capacity to adopt a wide range of projects. Chemonics, John Snow Inc. and Abt Associates, are major players in aid and development, but have a much lower public profile than their nonprofit counterparts.

Much of the information about the work of these companies is obscured by commercial in confidence provisions, as well as by a flurry of mergers and acquisitions in the last few years. In late 2015, the US-UK-Australia conglomerate GRM Futures Group – itself a product of the merger and acquisition of a number of formerly independent companies in the three countries – merged with the US consulting firm Palladium Group to form a new global service corporation to deliver international development, strategy execution, impact assessment and training.
It is difficult to assess the exact size and scope of the for-profit aid and development sector. But there are indicators. In FY2014, 13 of top 40 vendors to USAID were for-profit companies. The Table 1 list shows the distribution between the sectors of the vendors to USAID.

### Table 1: FY2014 Top Vendors to USAID by Sector

<table>
<thead>
<tr>
<th>Vendor Type</th>
<th>No. of Vendors</th>
<th>Total Contract Amount</th>
<th>% of Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government/Intergovernmental</td>
<td>8</td>
<td>$4,413,512,730</td>
<td>45%</td>
</tr>
<tr>
<td>Nonprofit</td>
<td>19</td>
<td>$3,144,888,116</td>
<td>32%</td>
</tr>
<tr>
<td>For-profit</td>
<td>13</td>
<td>$2,306,383,690</td>
<td>23%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>40</strong></td>
<td><strong>$9,864,784,537</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>


There is an ever-shifting landscape of for-profit and nonprofit providers and substantial cross-over between the sectors. For-profit prime contractors often sub-contract with nonprofits to deliver front-line services (and vice versa), and some for-profits have established nonprofit affiliates to elicit donations for specific projects. The for-profit companies vary in organizational and ownership structure: some are employee-owned, while others are publicly-traded. There is also a large swathe of small-to-medium companies, supported by USAID in its efforts to encourage and promote small business, and those owned by groups underrepresented in the business community.

The for-profit development companies advocate for their sector through associations, such as the Council for International Development (CIDC) and the Small Business Association for International Companies (SBAIC). CIDC is a subcommittee of the Professional Services Council, the industry association that represents private vendors to the US government (the Council itself, like other industry associations, is a registered nonprofit). CIDC asserts that for-profit development companies offer superior accountability and transparency, and its website states that “we believe the debate over who should implement more of our foreign aid programs – nonprofits or development companies – misses the point. The better question is what type of implementation instrument, what type of funding vehicle, will be most effective for a given program.”

Currently, there is scant literature on for-profit international development companies. There are very few academic books/articles that analyze the work of for-profit international development companies, mostly highlighting their flaws. In contrast, there is literature produced by the companies themselves that extoll their virtues. Given the challenges in evaluating outcomes and impact of aid projects, the debates around the work of these companies combine wider debates about international aid and about the relative merits of for-profit and nonprofit strategies.

A better understanding of the work of for-profit aid and development companies would provide important insights on the relative impacts of nonprofit versus for-profit delivery of services and generate more discussion of their comparative advantages. I have begun some research hopes to shed
some light on this growing, but largely unknown, sector and I invite colleagues to contact me if they have interest in exchanging information or collaborating on future research.

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1 See: CIDC. “Did You Know?” http://www.cidc.us/did-you-know/


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http://www.nonprofit-academic-centers-council.org/news-events/