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# Local NGOs and Firms in Mine Action

As more local nongovernmental organizations develop, establishing a distinction between local NGOs and commercial companies has become a growing concern for potential donors. The differences between NGOs and firms can be difficult to determine at times.

by Eric M. Filippino and Ted Paterson [ Geneva International Centre for Humanitarian Demining ]

It is generally agreed that sustainable mine action requires finding local solutions to the problems of mines and other explosive remnants of war. What is of more debate is the precise form these solutions should take.

Over the past 15 years, we have seen local commercial companies and nongovernmental organizations play only a modest role in most major mine-action programs.<sup>1</sup> This low level of involvement suggests that vital opportunities for enhancing the cost-effectiveness, sustainability and broader impact of national mine-action programs may have been overlooked. Local NGOs, for example, are often limited to running low-cost mine-risk education projects rather than more expensive demining operations.

The last 15 years notwithstanding, the situation is now evolving quite rapidly, as illustrated by recent developments in Iraq and Sudan, among others. In northern

Iraq, for example, responsibilities for mine-risk education and demining are largely entrusted to local organizations. In central and southern Iraq, the creation of new local mine-clearance and mine-risk education organizations is being supported by the Iraq National Mine Action Authority and by international NGOs. In Sudan, some local NGOs conduct modest amounts of demining.

## Distinguishing an NGO from a Commercial Company

It is a common misconception that NGOs and other not-for-profit organizations must operate to break even financially and that, should their income exceed their expenses in a given year, they have improperly earned a “profit.” Surplus is the general term for the excess of an organization’s income over its expenses for a period of time. Profit is a specific type of surplus—one that is “appropriable,” or owned by legal individuals (i.e., real persons or legally established organizations).

A profit-seeking organization operates with the intention of earning surpluses that will flow, ultimately, to the owners. A not-for-profit organization may earn surpluses, but these cannot be taken by or used to benefit, those people closely connected to the organization, such as the founders, members of the board, managers or employees.

Most not-for-profit organizations that provide significant benefits to the general public, such as local demining NGOs, must accumulate surpluses over time if they are to be sustainable and operate efficiently. These accumulated surpluses are needed to provide working capital (e.g., to pay deminers, purchase insurance and rent equipment before the NGO receives payment for its demining), to replace vehicles and equipment every few years and to cover the organization’s legal obligations in the event that it must wind up its affairs (e.g., severance payments to

employees, remaining months of rental agreements and the like). Thus, for many not-for-profit organizations—including local demining NGOs—it would be irresponsible not to manage their affairs so as to earn a reasonable surplus or financial reserve for operations.

The distinction between surplus and profit appears to be unclear to regulatory officials as well as donors. This misun-

derstanding can lead to some unnecessary financial subterfuge: As one administrator of a Bosnian NGO put it, “We are required to end the year at zero, but there are positive zeros and negative zeros.”

## Implications for Mine Action

Given the realities in the field, one can fairly ask the question: Would it make much difference to anyone if, say, all the local demining NGOs in Bosnia, Mozambique or even Afghanistan were reincorporated as local commercial companies (or vice versa)? Indeed, the argument could be made that the main “beneficiaries” of these organizations, having a not-for-profit legal status, may be officials in donor agencies who typically face much less paperwork when awarding grants to NGOs than managing competitive tenders open to commercial companies.

In terms of the difference—real or perceived—between commercial companies and NGOs, it appears that there is a significant degree of overlap with some companies masquerading as NGOs. Furthermore, some NGOs behave much the same as commercial companies, at least within the demining field—operating as contractors just as demining firms do. Because of this overlap, donors are unlikely to be certain whether a new

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organization that purports to be an NGO is a “true” NGO, with altruistic rather than profit-seeking objectives.

As a result of these complications, it is unclear whether donors (and perhaps even local officials) are in a position to distinguish “true” commercial companies from “true” NGOs. If those financing mine action cannot distinguish between local commercial companies and local NGOs, why should such a distinction be important in the mine-action field?

### Why the Distinction?

There appear to be two principal reasons why donors draw a distinction between local commercial companies and NGOs. First, the policies of donor and U.N. agencies often make it far easier to award grants than to organize competitive bids. In most cases, donor policies do not allow grants to a profit-seeking firm, so these donors often prefer dealing with local NGOs rather than with local commercial companies.

Second, some donors actively promote the growth of “civil society,” particularly as part of a peace-building effort or to foster pluralism in former socialist countries. In such cases, money may be far easier to come by for local NGOs than for firms.

Administrative convenience is a very poor reason for favoring NGOs over commercial companies, especially when one cannot distinguish between “true” commercial companies and “true” NGOs. Indeed, the probable impact of such a practice is damaging to the reputation of “true” NGOs. But the argument that favoring NGOs is warranted in terms of fostering civil society also is unpersuasive.

### A Better Approach: A Task Focus

A far better approach would be for donors, U.N. agencies and the mine-action center to focus not on the often-blurred distinction between local commercial companies and NGOs, but on the nature of the demining tasks. Where a task is a clear priority and well-defined, the performance of the demining operator can easily be monitored and there is less chance the operator will use unsafe procedures or demonstrate substandard work. Such a task should be awarded by a competitive bidding process open to any accredited organization that meets the prequalification criteria (e.g., demonstrated financial capacity and experience). A fixed-price contract should then be awarded to the organization submitting the lowest bid that otherwise meets the technical criteria.

Conversely, when what constitutes good performance is not readily apparent (e.g., the operator in a remote area will determine which tasks should be a priority) or when the level of effort required to complete the task cannot be gauged accurately (e.g., clearance of an urban area with extensive rubble), the contract should take the form of a “cost plus” agreement (contract or grant)—essentially hiring the organization and its assets to complete a set of tasks that cannot be clearly specified in advance. This method removes the incentive for the contractor to select easy tasks that should not be clearance priorities or to do substandard work that would endanger deminers or the general public.

In the cases in which the nature of the task cannot be defined precisely, the agreements must allow the demining



Mohammed Karim Latif practices mine detecting in Maidan, Iraq, in 1999. The United Nations is training the Kurds of the area to clear minefields.  
AP PHOTO / JOCKEL FINCK

organization greater latitude. In return for this latitude, the contractor should be held to a higher standard of accountability. Assessing the performance of organizations that enjoy significant leeway is a more complex matter and should be based in part on post-clearance land-use surveys. These surveys will shed light on whether the right tasks were done, the cleared land and structures reached the target beneficiaries and the beneficiaries are satisfied with the quality of clearance.

In other words, monitoring needs to encompass not only the demining outputs (e.g., clearance was done according to safety and quality standards) but also the nature of the outcomes (i.e., the socioeconomic benefits accruing to the target beneficiaries).

There is no evidence that NGOs perform better than commercial companies, or vice versa; so, rather than focusing on the legal status of the implementing partners,

which may tell little about the underlying orientation of the organization and its managers, donors and the mine-action center should focus on the nature of the demining tasks and employ an appropriate contracting mechanism for each type of task.

Moreover, the rapid expansion of local NGOs has led to some searching questions. In some countries, the explosive growth in the numbers of local NGOs seems to reflect donor largesse more than true “felt needs” on the part of local populations. Often the local NGOs bore little resemblance to indigenous forms of self-help organizations. Some so-called NGOs were created by governments (or by individual government officials) as a way to capture some of the international funding.

### The NGO Advantage: Trust

There are situations, however, in which local NGOs may have a potential advantage. Where a country’s government barely functions or has little interest in the well-being of citizens in remote communities, how does one deliver essential public services—including mine action—in mine-affected communities? Often in such situations, it is extremely difficult to monitor the performance of organizations working with remote communities. Often the mine-action center is also weak and underfunded.

When faced with such dilemmas, donors traditionally have sought international NGOs with established reputations and provided them with grants that do not have detailed performance targets—essentially, a “cost plus” contract for a period of time rather than a set of tasks. The international NGO then has the flexibility to respond to the needs it discovers in the remote communities. Typically, donors select international NGOs rather than firms in such cases because they trust the NGOs. But what is the basis of this trust, and how can local NGOs become trustworthy?

### The Basis of Trust

There are two key elements underlying the trustworthiness of an organization: motivation and governance, which we will discuss in order.

The motivations of “true” firms and “true” NGOs differ. “True” firms seek profits, while “true” NGOs promote public well-being. Motivation cannot be observed directly, however, so how do donors determine whether a local NGO is a “true” NGO?

The answer is experience. Large international NGOs have extensive experience that indicates they seek to promote public well-being rather than focus on profits. As local NGOs gain experience, they too can

demonstrate their motivations are for public well-being. But how does an NGO—whether local or international—get the chance to demonstrate its motivation through experience in managing projects if the donors do not trust them in the first place? Initially, donors may risk small grants for, say, mine-risk education projects, but rarely the large sums required for demining.

The answer to this question is governance. Successful international NGOs have highly respected and trusted individuals on their boards, who oversee the management to ensure the NGO is run to benefit the public.<sup>2</sup> With respected board members, an NGO has the opportunity to obtain donations and demonstrate its motivations, leading to more donations, thus, creating a virtuous circle.

What has been lacking in the development of local mine-action NGOs—particularly for expensive demining operations—is sound governance. Most developing countries—and certainly failed states where local NGOs are most needed to deliver public services—lack adequate legislation to require NGOs to have proper governance systems. Donors and established NGOs that wish to support the development of local NGOs should encourage these organizations to go beyond existing legal requirements in their countries and adopt best practices in NGO governance.<sup>3</sup> Managers of local NGOs that want to attract increased support would be wise to institute best practices on their own.

### Conclusions

There is no evidence that NGOs perform better than commercial companies in demining, or vice versa. So rather than focusing on the legal status of the implementing partners, donors and the mine-action center should focus on the nature of the demining tasks and employ an appropriate contracting mechanism for each type of task. Where the priority of a task and the level of effort to complete it are clear, contracts should be awarded via a competitive bidding process (i.e., pay a fixed price for the task and then monitor safety and the quality of the output). Where it is unclear which tasks should take priority or when it is impossible to estimate the level of effort required for a complex task, contracts should be awarded on a cost-plus basis (i.e., hiring a set of assets for a fixed period of time and monitoring both the outputs produced and the outcomes accruing to beneficiaries). ♦

*See Endnotes, page 112*

*This article is excerpted from the GICHD’s study, The Role of Indigenous Organisations in Mine Action.<sup>4</sup>*



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