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IPA's Security-Development Nexus Program aims to contribute to a better understanding of the linkages between the various dimensions of violent conflicts in the contemporary era and the need for multi-dimensional strategies in conflict management. Through its research projects, conferences and publications, the program seeks to make concrete recommendations to the United Nations system and the broader international community for more effective strategies, policies and programs in achieving sustainable peace and development.

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IN GOOD COMPANY? The role of business in security sector reform

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The full report can be accessed online at:
www.ipacademy.org/Programs/Research/ProgReseSecDev_Pub.htm

Security sector reform (SSR) has emerged in recent years as a way of tackling security and development issues in conflict-torn and conflict-prone states. It combines a wide range of activities aimed at reforming the security institutions of the state – the military, police, intelligence services and criminal justice system – in order to make them capable of delivering security to citizens.

An increasing volume of SSR work has been outsourced to private contractors. A range of organizations, from private security companies, management consulting firms and risk management companies, to non-governmental organizations and freelance consultants, are involved in the delivery of services that include professional and operational training, management support and diagnosis and policy review.

The paper argues that:

- Donor agencies have to develop more effective ways to engage, manage and control the work of private contractors in SSR;
- The task of minimizing the risks and maximizing the benefits of outsourcing lies with the initiating donor agencies and recipient countries;
- Additional research is needed to probe the comparative advantage of using the private sector for particular tasks and functions.

Security Sector Reform (SSR) is...

...reforming the security institutions of a state in order to make them capable of delivering security to citizens consistent in a way with democratic norms. Where ethnicization, corruption, lack of professionalism, abusive use of force, poor civil oversight and inefficient allocation of resources affect the performance of the security sector, SSR is a key enabling factor for security and development.

SSR activities are broad, and vary according to the needs of the reforming state. They can include: review of national security strategy and policies; modernization of managerial systems; training in technical issues, operational activities or human rights; civil-military relations and civil oversight; and disarmament, demobilization and reintegration.

These activities can involve a vast range of actors, including state security forces (army, police, paramilitary and intelligence), relevant ministries and offices, informal security forces, the judiciary and the corrections system, and parliamentary oversight committees.

KEY ISSUES

- Donor agencies are increasingly outsourcing SSR projects to private companies. It is a trend expected to continue. This rapid increase in outsourcing calls for a dispassionate analysis of the role of business in SSR and the benefits and risks associated with its involvement.
- The issue is currently not well understood: the role of private companies in SSR is often mistakenly regarded as synonymous with the "privatization of security," but these are separate and distinct issues. In SSR, private contractors are not *providing* security but *reforming* security services. The range of private contractors involved in SSR is also far more diverse than those typically included in the "privatization of security." The former include private military and security companies, management consulting firms, risk management companies, non-governmental organizations and freelance consultants.
- The services provided by private contractors in SSR programs typically include training (professional and operational); management support; and diagnosis & policy review.
- Although it is still too early to reach definitive conclusions on the role of business, some potential benefits and downsides of using private companies to implement security sector reform can be identified.
- The potential benefits of using private companies include the capability to quickly deploy teams with multidimensional skills; effective knowledge management; flexibility; contribution to policy frameworks and guidelines; vision; and a discreet presence on the ground.
- The risks of outsourcing SSR programs to private contractors include the complexities of having two clients (donors who pay for and recipient countries who receive the services); the need to vet private company backgrounds; the risks of the contractors serving as an extension of donors' national policy; difficulties in managing project design and mid-term changes; complex coordination; and high costs.

Private Sector Services in SSR

| | Main Services | Primary Clients |
|------------------------------|--|--|
| 1. Training | Technical (e.g., use of new equipment); conceptual (e.g., operation planning); human rights; civilian oversight. | Military and police officers; soldiers; police personnel; specialized military and police units; judges; court clerks; prison managers and guards; civil society groups. |
| 2. Management Support | Change and project management; modernization of managerial systems (e.g., human resources; pay and grading systems; judicial case management; budgeting, finance and procurement systems). | Military, police managers; courts and justice officers; defense and interior ministries personnel. |
| 3. Diagnosis & Policy Review | Strategic, operational and organizational analyses of the security sector or part of it; advice to support reviews of national security strategy. | Policy and security personnel in government institutions. |

Benefits and Risks of Private Sector Involvement in SSR

| Benefits | Risks |
|--|--|
| <ul style="list-style-type: none"> • Multidimensional skills • Knowledge management • Flexibility • Contribution to developing policy frameworks and guidelines • Vision • Discreet presence | <ul style="list-style-type: none"> • Two-client issue • Company background • National policy extension • Difficulties in project design and mid-term changes • Complex coordination • High costs |

- The task of minimizing the risks and maximizing the benefits of outsourcing lies with the initiating donor agencies and recipient countries. They must learn to better manage the companies that they have contracted to carry out SSR, particularly because the mandate and supervision given to contractors are critical. Oversight and management of SSR private contractors are currently inadequate and must improve.

KEY RECOMMENDATIONS

- Donor agencies must recognize that they have to develop a more effective way to engage, manage and control private contractors as allies and partners.
- Needed improvements include new national legislation by donor countries for more

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transparent contracting processes and stronger contract management and oversight.

- Donors and international organizations engaging the private companies in SSR should be particularly sensitive to the challenges of assisting in the reform of the security institutions of sovereign states. They should develop policy frameworks, rules and regulations regarding their use of contractors. Policy frameworks should set up standards and mechanisms that promote good practice and censure poor performance.
- Private companies should be aware of the peculiarities of SSR as a business, which requires greater transparency and a higher degree of political sensitivity than in any other area of public sector reform.
- Private companies should form trade associations that can promote corporate codes of conduct, instill trade standards and sponsor policy guidelines.
- The increasing research attention being devoted to this topic is welcome. Scholars could usefully focus their analysis on the relations between donors and private contractors and probe the comparative advantage of using the private sector for particular tasks and functions. In particular, case-by-case cost-benefit analysis would be helpful in testing the assertion that contractors are able to conduct SSR in an efficient and effective manner.
 - There is a need for more multi-disciplinary research to harness the knowledge of the diverse fields – including security, development, business strategy, change management, and leadership – that this issue straddles.

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In Good Company? The Role of Business in Security Sector Reform, Francesco Mancini. Policy Paper, October 2005.



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