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PREFACE

Over the past decade, the scale of humanitarian crises has escalated dramatically. Natural disasters, war, famine or persecution have occurred in locations as diverse as the former Yugoslavia, Afghanistan, Columbia, Rwanda, North Korea and Liberia. These and many other emergencies have demonstrated the importance of humanitarian assistance given to those in need. It has also become clear that humanitarian assistance, in the context of a rapidly changing world, must be planned, organised and implemented on a professional basis. Since the early 1990's, both international and non-governmental organisations have instigated programmes aimed at guaranteeing the professionalism in humanitarian aid, which is essential in ensuring that the victims benefit.

The Network On Humanitarian Assistance (NOHA) was launched in 1993 as a contribution to a new and unique concept of higher level education in humanitarian aid. The project was jointly initiated by the European Community Humanitarian Office (ECHO), which finances the world-wide humanitarian aid of the European Community, and the Directorate General XXII of the European Commission (Education, Training, Youth). With financial support from and under the auspices of the SOCRATES programme, the NOHA programme is currently being taught at seven European universities: Université Aix-Marseille III, Ruhr-Universität Bochum, Universidad de Deusto-Bilbao, University College Dublin, Université Catholique de Louvain, University La Sapienza Roma and Uppsala University.

The NOHA programme starts with a ten day intensive programme at the beginning of the academic year in September. This programme brings together all students from the NOHA universities, the lecturers, and representatives of international and non-governmental organisations. In the second part of the academic year, students study at their home universities, while in the third part, they are offered courses at one of the partner universities in the network. Finally, the students complete a practical component as the fourth stage of the programme.

The programme uses a multidisciplinary approach with the aim of encouraging interdisciplinarity in lecturing and research. There are five main areas which are taught in the second part of the academic year and these correspond to the *Blue Book* series, which are also commonly referred to as the *Module Books*. These module books are used throughout the network and contain the basic teaching material for the second period. The first edition was published in 1994. This second edition has been significantly revised, updated and, in parts, completely rewritten as a result of the teaching experience in the first 3 NOHA years. The volumes of the second edition are:

- Volume 1: International Law in Humanitarian Assistance**
- Volume 2: Management in Humanitarian Assistance**
- Volume 3: Geopolitics in Humanitarian Assistance**
- Volume 4: Anthropology in Humanitarian Assistance**
- Volume 5: Medicine and Public Health in Humanitarian Assistance**

In addition to the second edition of the five basic modules, two new modules have been published:

- Volume 6: Geography in Humanitarian Assistance**
- Volume 7: Psychology in Humanitarian Assistance**

All modules have been written by NOHA network professors, teaching at either their home university or other network universities. All NOHA universities, both past and present, have substantially contributed to the development of the *Blue Book* series. For each module at least two network university professors worked together to ensure a certain homogeneity of the text, although each author was responsible for a specific part. The table of contents outlines the specific contributions.

Special thanks go to all the authors and in particular to *Dr. Horst Fischer* from the Institute for International Law of Peace and Armed Conflict (IFHV), Ruhr-Universität Bochum, who has undertaken the role of editor throughout the whole process of producing this second edition *Blue Book* series. His staff, and in particular, *Mr. Guido Hesterberg*, prepared the manuscripts and layout of the books.

Information on the NOHA network and the *Blue Book* series can be obtained by accessing the ECHO's internet homepage (<http://europa.eu.int/en/comm/echo/echo.html>) or the IFHV internet homepage (<http://www.ruhr-uni-bochum.de/ifhv>).

As the NOHA course seeks to bridge the gap between theory and practice, I hope that these reference books will help to improve the quality of work for those involved in humanitarian assistance, especially because efficiency in the field is measured not only in financial terms, but above all, in number of human lives saved.

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INTRODUCTION

This book is not a technical manual or practical handbook for relief workers. Such publications are available from recognised institutions and organisations such as UNHCR, the International Red Cross and Red Crescent and Oxfam. The aim of the present book is to supplement the existing literature with a text which can be used as an orientation for *academic courses* in management of humanitarian aid. The book shall give an idea of some concepts and approaches of management science and economics and their relevance for humanitarian relief work:

- ◆ Management science and economics can help to deepen the understanding of the rapidly growing international humanitarian aid system as well as the social interactions and group dynamics within this system.
- ◆ By applying modern management techniques, it may be possible to improve the effectiveness and quality of relief work and find more suitable institutional arrangements for some pending problems.

Accordingly, the book comprises two parts.

- ◆ The *first part* offers a kind of guided (but selective) tour through some basic concepts and issues of management science and economics (chapters 1 to 3). The aim of this part is to make the humanitarian managers more sensitive to so-called social dilemmas and principal/agent problems which can explain quite a number of “irrationalities” where good will and communication are by far not sufficient to produce satisfactory results. Institutional arrangements are crucial for the occurrence as well as for the remedy of such situations.
- ◆ Within these institutional arrangements and under the structural conditions highlighted in the first part, management techniques have to be applied by aid workers and humanitarian managers in order to ensure that aid is provided in the most efficient and effective way. Basic concepts and techniques will be offered in the *second part* of the book (chapters 4 to 13).

The first part of this module was written in Bochum while authors from Bilbao contributed to most of the second part. In this respect, the book is the joint effort of a considerable number of people. Unfortunately, time constraints have prevented a full integration of the various contributions. It takes much more time and resources than presently available to amalgamate more than 10 individual contributions into one coherent and consistent text with which all the contributors can fully identify themselves. This process is on-

going, and the authors hope that they will be able to present a fully integrated text in the future.

The present version is a first step, and the authors welcome any comments and suggestions from the readers. We are thinking about suitable techniques (mainly via the Internet) for an active and creative participation of the readers in the process of improvement, enlargement and differentiation of the present text. The idea is to create a *living electronic book* which will be written by academics and experienced practitioners for those who want to enter into the field of humanitarian aid as well as for those activists who are looking for more theoretical and conceptual background information and inspiration.

This text may serve as a basis for such an experiment. The interested readers are kindly requested to check from time to time the WWW-pages of the participating universities (e. g. the page of NOHA in Bochum: www.ruhr-uni-bochum.de/ifhv) to see what progress has been made.

PART I

CHAPTER 1

PRIVATE AND PUBLIC GOODS

People buy goods and services because they benefit from their consumption or use and not because of the benefit to others. For most goods and services, the individual benefit cannot be enjoyed unless the consumer pays for it. Those who are unwilling to pay can technically be excluded from the benefit. For example, if someone is not willing to pay but wants to take something from a shop, the owner can call the police to prevent him from doing so. However, there are goods for which such a possibility does not technically exist or would not be economically sensible.

A. The Non-Applicability of the Exclusion Principle

If a group of people decides to improve a public road at their own expense, they have no right to exclude anybody from using this road who did not contribute to the costs of improvement. Or if some *humanitarian aid organisations* (HAOs) spend time (which could have been spent for other beneficial activities) negotiating with the government about general exemptions from import duties for relief goods or bureaucratic customs procedures, other organisations which did not contribute manpower to the negotiations cannot be excluded from the results, i. e. from the concessions. *Public goods* are goods and services for which an *exclusion* is not legally or factually possible for those who do not contribute to the financial, and other, production costs. The examples show that public goods (or collective goods, as they are sometimes called) can be provided by private individuals or by groups, but in most cases, the state is the provider of public goods (such as lighthouses, national defence, protection against criminals, monetary stability, etc.).¹

The basic problem with public goods is not so much that someone can benefit without contributing to the costs of their provision, rather, that because of this option, public goods which are in the interests of many individuals or groups may not be provided at all. Each individual or group can benefit from the provision of those goods, but if other people bear the costs and provide them, each individual can benefit from their efforts

¹ It should be noted that not all goods provided by the state are public goods in the sense of the definition given here: For example, university education is free in many countries and nobody is factually excluded from attending lectures at the university. But this is due to a political decision. It does not need much creativity to imagine a system where students have to pay or are otherwise excluded from the lectures at the universities. In fact, many countries have established such a system. Thus, university education does not fit the technical definition of public goods given above.

without sacrifice – even if the contribution to the costs were valued at less than the expected benefits from the utilisation of the public goods. If everybody calculates this way, in the end public goods will not be produced at all. Behaviour that is individually rational can result in everybody being worse off than he would have been if he had contributed to the costs.

B. What 20 or More Cannot Achieve, 5 or Less Can

Suppose twenty HAOs have contracts with ECHO to provide food aid to different refugee camps in a certain region. To access the region, all organisations must use a country road which is in bad condition. Rehabilitation of this road could substantially reduce the wear of trucks used for transportation. The HAOs have calculated that the costs for the rehabilitation of the road were only half of what they had to spend for repairing the trucks. Thus, rehabilitation would be a profitable investment. The HAOs have discussed this issue and come to the conclusion that each one should contribute voluntarily 1/20 to the total cost in advance. To ensure that nobody feels forced to contribute, the money shall be collected by depositing it secretly into a box so that nobody can identify whether and how much each has contributed. When the box is opened, it is most probable that there will be no money in it. This can be expected in spite of the fact that

- ◆ there was a consensus on the goal / desirability of the collective action,
- ◆ all HAOs had agreed to the collection procedure,
- ◆ sufficient information was available about the mutual benefits and
- ◆ open communication on the expected contributions had taken place.

Thus, neither ignorance nor disapproval could explain the result. It can be explained by a combination of

- ◆ the *lack of sanctions* for non-contribution and
- ◆ the expectation that each single contribution is not decisive or is only *marginal* for the realisation of the project (while it is not marginal with respect to the financial position of the contributor).

This made the adoption of a *free rider position* very attractive. Each HAO expected that its share of only 5 % of the total cost could be somehow substituted by the others, and that their own deviant behaviour (i. e. the non-contribution) cannot be identified and thus will have no individual consequences.

I. The Relevance of Numbers and Individual Costs

To see the relevance of the two conditions for free riding, two variants of the above example shall be considered:

- ◆ The *first* variant is that *only five* instead of 20 HAOs are involved. In this case, each organisation has to contribute one fifth of the total cost, and this is not marginal for the total financing. If one fifth is missing, the others will be neither willing nor able to provide the missing money. This is known to everybody, and since the benefits from the realisation of the project exceed the individual contribution, it is rational to deposit the money in the box. In cases where the costs are shared equally among the members of the group, the number of group members is a good approximation for the importance of the individual contribution for the realisation of the project. The larger the group is, the less important the individual contribution. If the individual contribution becomes marginal in large groups, then each group member has a strong incentive for free riding. This can explain the somewhat paradoxical result that a big increase in the number of people who agree on a common goal and declare their willingness to contribute voluntarily to the financing of public goods (so that the average burden for each individual will decrease) may not facilitate, but impede the realisation of exactly this common goal.
- ◆ The *second* variant keeps the number of HAOs at 20 but modifies the procedure for the *collection* of money. Here the money is collected *openly* and in a way that everybody can see who has contributed his share and who not. This in itself may already be sufficient to prevent free riding because, in this case, a discrepancy between word and deed would become obvious. For most people, the maintenance of *credibility* and *reputation* has a considerably high value, and its loss or damage due to free riding known to others will probably surpass the material advantages to be gained from it, especially if these gains are for the organisation while the loss of credibility affects the individual directly. This means that – in contrast to the initial scenario – non-marginal costs for free riding have been introduced.² Being identified as a free rider diminishes credibility, and credibility is an important precondition for a professional career and for future contracts. Thus, if the free rider deals again with some of those affected today, he must take into consideration that, even if there are no direct sanctions (e.g. penalties) for his present decisions, this may work to his disadvantage in the future.

There are numerous other examples for public goods and free riding in the work of HAOs. If you like, please send us fictitious examples or outlines of real cases which we can integrate into the text or put them up for discussion.

² It should be noted that these costs are different from what may be termed bad conscience after breaking a promise. The uneasiness about breaking a promise depends only on the deed itself and not on the circumstances. It makes no difference whether the broken promise becomes known to others or not. In the example above, the effect of conscience was not strong enough to prevent free riding.

II. The Advantage of Coming Late: Strategic Behaviour

A variant of free riding is a specific type of *strategic behaviour*. Those organisations which start with some kind of new relief work first have to often overcome great and numerous difficulties. For example, the first organisation that wants to support refugees in a troubled border area has to persuade the government, establish a transport network, identify leadership structures in the refugee population, etc. HAOs who follow the pioneer find, in many respects, prepared ground. If the late arrival in the field was not accidental but intended and well planned, this is another form of strategic free riding. If it only happens in rare cases, it is hard to identify and even harder to apply sanctions. But if there are HAOs which are always late-comers, one can suspect that the management systematically avoids a contribution to the preparation costs for humanitarian missions (which are spent to produce public goods, namely “easier access to refugees”).

If HAOs discover one free rider of this type, what could they do to protect their “investment” which opened up the field? What would you do if you realise that probably three organisations are willing to open up the field, but four others are likely to take the position of free riders and enter the scene only at a later time?

C. Lessons from Public Goods and Free Riding

The examples of free riding deliver a fundamental message. *Neither commitment nor communication or consensus are sufficient enough to achieve a common goal if public goods and large numbers of actors are involved.* What is needed is a suitable system of rewards and sanctions or incentives and disincentives. If all people had an extremely well developed, sensitive and very similar conscience, then one may be able to rely on it as the only means for the co-ordination of people’s behaviour. But as soon as we have sufficient reason to suspect that at least some people or groups and organisations behave in a more selfish manner, it is important to look for additional safeguards, i. e. for *incentive and sanction systems* or – as it is sometimes termed – for suitable *institutional arrangements* if we want to avoid the case in which individually rational decisions lead to socially undesirable results. Much of management science deals with such incentive systems (although several branches of this science have developed from different sources). The theories of *organisation*, of *leadership*, and of *controlling* deal with the design of institutional structures, with techniques for the motivation of staff and methods to monitor the performance of individuals as well as the whole system. Furthermore, *human resource management* deals with principles and methods for the remuneration of staff and other instruments for performance-related financial and non-monetary rewards.³ We will continue with a similar issue in the next chapter

³ It may help to understand the relevance of and the interrelations between the various branches of management science if they are presented as much as possible as variations of one main theme, namely the search for performance-oriented incentive systems and institutional arrangements. This method,

on “principal/agent problems”. Before this, the “prisoners’ dilemma” will offer an additional example for situations where rational individual behaviour leads to a result which is “socially” (i. e. for all decision makers involved) not the best possible (optimum) outcome. It is another example of a “rationality trap”.

A Variant of the “Prisoners’ Dilemma”

In the previous example it was implicitly assumed that a small group will reach an agreement on what to do. But there is no guarantee that this will be the case, and in particular the problem of breaking agreements is relevant. This shall be discussed on the basis of a fictitious example.

Suppose that two HAOs which provide logistic services to a refugee camp receive information that a CNN team wants to take pictures of their activities. While these HAOs co-operate quite well in the field, they are intensively competing for donor funds for which media coverage is of prime importance. Each of the two HAOs come up with the idea of using the CNN report as a form of advertisement by pinning their label on all relief items and to decorate all trucks and personnel with their logo. However, since the cutting and editing of the film is beyond their control, they do not know how often their own organisation will be recognised and how often the signs of the competitor will be in the picture. Because there is a risk of serious “under-representation” for each of the organisations, the field directors meet and come to the conclusion that it would be better if none of them use their respective labels and logos. They reach an agreement before the CNN team arrives. Would you expect to see trucks and personnel the next day with no logos or with the logos of just one or both organisations? If the field directors act rationally, probably all trucks and personnel will display logos of the respective organisation, i. e. both HAOs will have broken the agreement.

Returning for the signing of the agreement, each of the field directors realises in his office that there is a strategy which is clearly superior to the agreed one. If one party observes the agreement and does not label its relief items, trucks and personnel, but the other party ignores the agreement and places its logo everywhere, this will be the only one to be seen in the CNN report, and that is the best possible media coverage this organisation can get. Since each field director knows that the other one is also aware of this fact, yesterday’s commitments are no longer credible. Even if he would prefer to honour the commitment himself, he must expect that the other party will break the agreement. Thus, to take either full advantage of the situation (if the other sticks to the agreement) or to defend his interests (if the other breaks the rules), each will depart from the agreement and use his labels and logos. This, however, is the situation which is the worst case for both HAOs which should have been avoided by the (now broken) agreement.

(continued)

however, cannot integrate all aspects of management science, and it cannot go very deeply into technical details. Therefore the second part of the book will address a few sections of management science which have not been covered in the first part, and some aspects mentioned in the first part will be elaborated further with more technical details in the second.

The example shows: Communication and agreements alone are not always sufficient to reach the “socially” best solution and to prevent the worst case. What is decisive is credibility. Sanctions for breaking the agreement would have been ineffective in this case because both sides have broken it so that they cannot impose sanctions on the other party without accepting sanctions against themselves. If such behaviour is repeatedly experienced, the credibility of the people involved may deteriorate in general and not only in dilemma situations. This may lead to a rougher type of competition in the field. The dilemma model can be extended to more than two participants and will produce the same results. It should be noted that this dilemma is similar to but not identical with the one discussed with respect to public goods. In this dilemma, public goods are not involved.

A remedy for such a dilemma could be an agreement on a general code of conduct which excludes such behaviour. This agreement, however, cannot be reached by the field directors in a concrete situation like the one described. The agreement must be established well in advance (and in anticipation of such dilemma situations) between the headquarters or the top management of the HAOs.

- ◆ There is a “Code of Conduct” that establishes principles of conduct in disaster response programmes. These principles are listed below. Does that Code of Conduct prevent dilemma situations of the type outlined above?
- ◆ The example for a prisoners’ dilemma in humanitarian aid was fictitious. However, empirical examples should exist in considerable numbers. We would appreciate learning about your experiences with “real life” dilemma situations in humanitarian aid.
- ◆ We could discuss the vaguely sketched solution for the dilemma problem in some more detail. For example, can it be taken for granted that a suitable code of conduct would become effective and prevent dilemma situations of the indicated type? This is by no means self-evident, because codes of conduct are public goods, and in some way they may themselves be subject to exactly that kind of dilemma which they are supposed to solve. Therefore, it may be rational for most HAOs to abstain from troublesome negotiations on codes of conduct or to subscribe to the codes but later not to honour them. What could be the role of large public financiers of HAOs in the development and enforcement of codes of conduct?

The Code of Conduct⁴

1. **The humanitarian imperative comes first**
2. **Aid is given regardless of the race, creed or nationality of the recipients and without adverse distinction of any kind. Aid priorities are calculated on the basis of need alone**
3. **Aid will not be used to further a particular political or religious stand-point**
4. **We shall endeavour not to act as instruments of government foreign policy**
5. **We shall respect culture and custom**
6. **We shall attempt to build disaster response on local capacities**
7. **Ways shall be found to involve programme beneficiaries in the management of relief aid**
8. **Relief aid must strive to reduce future vulnerabilities to disaster as well as meeting basic needs**
9. **We hold ourselves accountable to both those we seek to assist and those from whom we accept resources**
10. **In our information, publicity and advertising activities, we shall recognise disaster victims as dignified humans, not hopeless objects**

⁴ Principles of Conduct for the International Red Cross and Red Crescent Movement and NGOs in Disaster Response Programmes; the full text – with explanations of the principles and annexes – can be downloaded from the Internet: www.ifrc.org/pubs/code/.

CHAPTER 2

PRINCIPAL/AGENT PROBLEMS

In general, incentive systems cause individuals to behave in a way which ensures the achievement of certain goals. These goals can originate from very different sources. They may be defined, for example, by the acting individuals themselves, by groups of actors in a collective decision-making process, or by the state as a result of a political process.

In the following, we shall concentrate on goals which are to be achieved by the collective efforts of a group of people and which are defined by someone who is not part of the group of actors. Examples for such goal setting authorities are

- ◆ the founders of an organisation who define its mission,
- ◆ a financing agency that contracted a specified service from a HAO,
- ◆ the shareholders of a company who hired the management.

Economics and management science have developed an abstract terminology in order to work out common characteristics of such different situations, to analyse them and to develop a theory which is general enough to incorporate a large variety of real life situations and help to explain (by recourse to only a few basic theorems) empirical phenomena of very different appearances (but with similar structural characteristics).

The person (or group of persons) who sets the goal for the actions of others is called the *principal*, while those who work to achieve the goal are the *agents*. A basic assumption is that everybody is mainly interested in the furthering and promotion of his own goals (which may be egoistic or altruistic, materialistic or idealistic, etc.). Of course, the agents are not free to do whatever they like. They have contracts with the principals which define what the principals expect from the agents, and this limits the scope of action of the agents. Under normal conditions, one must not misinterpret self-oriented behaviour in a way that it means that the agents work consciously and “with all means” against the interests of the principals. However, if there are alternatives for actions or decisions without violating the contract, agents will not give the highest priority to the interests of the principals but choose that alternative which better supports their own interests. In addition, agents may not wait for such occasions to occur by chance but could actively search for situations where they can promote their own interests without a direct violation of contractual obligations or undue neglect of the interests of the principals.

The Realism of Assumptions and the Quality of Economic Theories

The assumptions that all people behave in a egoistic and materialistic manner and that they always rationally balance costs and benefits of an action are not factual statements. One cannot ignore the many examples of unselfish and idealistic behaviour and “irrational” decisions which obviously would disprove any general statement maintaining the opposite. Then why do economists build their theories on obviously unrealistic assumptions? Several answers can be given.

One answer is that the assumptions may not be as unrealistic as they look at first glance. If we are talking of “people in general” or of the “average man or woman”, the assumptions may not be too far from reality. At least they are closer to reality than the assumption that everybody is most concerned, not with his own well-being, but with that of all others.

Secondly, the quality of an economic theory should not be judged by the realism of its assumptions but by its explanatory and predictive power. This power is the larger, the more general (i. e. the less qualified by many “if”-clauses) its basic assumptions are and the more real world phenomena are covered by the theory. Theories based on assumptions of the type mentioned above have been more successful in explaining real world economic phenomena than theories based on other behavioural assumptions. The economic approach – that people always balance costs and benefits – has proved so successful that it is applied to fields such as politics and bureaucratic behaviour, moral values and revolution, sex and crime.

Finally, even if theories do not accurately explain or predict people’s behaviour, they can have a prescriptive value. For example, if there are good reasons why people involved in humanitarian aid should always consider the costs and benefits of their actions, then economic and management theories would indicate how they should behave under certain conditions. If their observable behaviour is significantly different, this can be taken as an indication that people factually do not behave as they should, and one has to take a closer look at the reasons and implications.

A. Knowledge for Decision-making in a Dynamic World

The principals cannot prevent such behaviour. It is neither possible nor would it be sensible to eliminate all scope for agent’s individual actions. In a constantly changing world, it is impossible for principals to foresee all possible future developments and particular situations in which the agents have to make decisions. Therefore, the principals can never give complete and specific instructions to agents as to how to behave under all conceivable future circumstances. To lay down binding instructions for situations which are foreseeable may be possible, but that would suppress any attempt by the agents to search for better solutions which are also in the principals’ interest. In addition, only a limited number of future situations can be foreseen. Since it is not possible to centralise all

knowledge of the special circumstances at a particular place and a particular time, it is impossible to ensure the best possible decisions for all conceivable circumstances.

Only for an omniscient principal would it be rational to determine *ex ante* all courses of action for the agents. If the principal is not omniscient and if there is a constantly changing state of the world and state of knowledge about the world, the agent most probably has more information and thus can better evaluate alternative strategies than the principal. The principal would be well advised to allow the agents to utilise their individual knowledge (knowledge which only they possess) if he can ensure that this becomes beneficial for him, too.

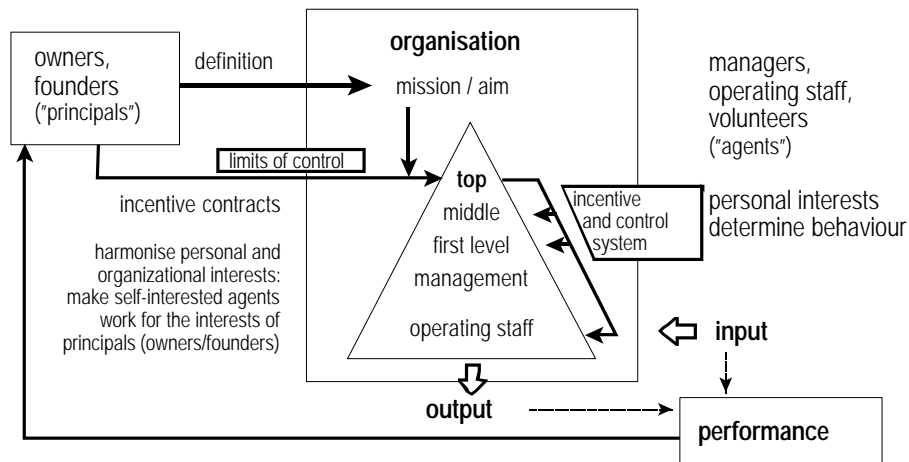
There are many situations where the “people in the field” become aware of new solutions for a given problem, e.g. how to organise a vaccination campaign after a flood or where to purchase food items for refugees. Nevertheless, there are manuals and instructions from the headquarters as to how to handle such tasks. In this example who is the principal and who is the agent? What could be their interests? What could be the rational behind procedural manuals and instructions from the headquarters?

The art is to design institutional structures or to set up incentive systems which bring the aims of the principals into harmony with the aims of the agents. Ideally, an action that promotes the interests of the principal should also promote the interests of the agents, and actions that are against the interests of the principal are also against the interest of the agents.

B. The Agency Problem of Organisations

The owners of a commercial enterprise or the founders of a non-profit humanitarian aid institution are the principals who have defined the aim or mission of the respective organisation. For a private firm, the aim may be the maximisation of the long-term profits, while the mission of the aid institution is the provision of social services to needy people. It is a plausible assumption for both that the continued existence or the survival of the organisation is a necessary precondition to achieve the aim or mission.

The Agency Problem of Organisations



To earn a profit or to provide a social service, the principals have to employ agents who will perform essential tasks on behalf of the principals. In nearly all types of organisations one will find managers and operating staff who are supposed to contribute to the accomplishment of the organisation's aim (to earn money) or mission (to help others). A special feature of HAOs is the employment of volunteers who may receive less money for the same activities than regular staff.

The Meaning of "Volunteer"

The Meaning of "Volunteer" differs considerably among the HAOs. While for some it denotes people who are willing – for whatever reason – to work at least temporarily for less than the market pay, for others it means well paid experts from various professions who offer their services for some time to an organisation which provides a social service. Here it is not clear whether volunteers "sacrifice" part of their income they could have earned from other employers while they work for a HAO. It may well be that the HAOs employ people with special qualifications at below the market rate who do not have effective alternative employment. If they would not work for the HAO, they would be unemployed with negative implications for their income, professional career, social status, etc. The idea that the otherwise unemployed are being employed is supported by the fact that most volunteers are either young people who have not yet been integrated into the employment system or retired people who have left that system already. The number of people who interrupt a professional career to serve for a HAO for pay considerably below their former salary is the rare exception. The personal sacrifice of the humanitarian aid workers and volunteers may be part of the myth and altruistic folklore of an industry which needs a special image of activists who are willing to make sacrifices in order to mobilise funds from private donors. But for the sake of the following argument, it is *assumed* here that *volunteers are paid less than the market rate* and that they *sacrifice a part of their income* which they could have earned outside the humanitarian industry.

The meaning of “volunteers” and the issue of monetary incentives for or sacrifices of people working for HAOs was hotly debated by the students of former NOHA courses. We would highly welcome your observations and opinions in this regard.

It is a basic and standard assumption in economics that every acting individual strives to maximise (or at least to increase) his individual utility. In order to fit into the standard models of management science, it is assumed that managers, operating staff and volunteers of HAOs strive for maximum personal benefits. Suppose that all managers and staff of a *commercial enterprise* are egoists motivated exclusively by material rewards. To illustrate the organisational problem, suppose further that all employees receive a contractually fixed income irrespective of the financial result (profit) of the company. In such a firm, it would be rational for each individual employee to minimise personal effort and strain as long as the income can be maintained at the previous level. If the strategy of *minimising efforts* or *shirking* can be detected and identified as an infringement of the contract, then sanctions will be imposed and the salary may be cut or the employee may be dismissed. Employees averse to risk will not expose themselves to this danger but will try to find loopholes and unclear passages in their contracts and deficits and gaps in the control and supervision systems which allow for shirking without the danger of serious sanctions.

The principals will take measures to counter this practice. One possibility would be to introduce a dense and reliable system of *performance control*. However, this may be difficult and costly to implement and to maintain, especially where work is complex, where the performance or “output” of each individual employee is hard to measure and where work conditions are dynamic, i. e. frequently changing. Further, a control system that is too strict expresses a fundamental mistrust of the employees which may exactly provoke or intensify that kind of behaviour which it was implemented to prevent. If it is impossible or impractical to set up detailed control routines and to specify all duties of every employee, *incentives instead of sanction systems* could support the interests of the principals much better.

I. Incentive Compatible Contracts in Commercial Firms: Profit Participation

In most commercial enterprises, the principals *and* the agents have an interest in *income* and *financial benefits*. When shirking of employees with a fixed income is a problem, the solution may be to offer (additional or instead of a portion of the fixed income) participation in the profits of the company. There is a wide range of incentive systems which can be applied, for example the payment of a premium for cost reducing proposals, the payment of a profit-related bonus at the end of the year, the payment of parts of the salary not in cash but in shares of the company, etc.

If shirking were the major problem of HAOs, and if the people working for them were mainly interested in material rewards, solutions could be found by adapting the concepts of commercial firms to the specific conditions of HAOs which usually are non-

profit organisations (NPOs). Being a NPO does not exclude recourse to financial incentive systems to motivate the personnel.⁵

Agency Problem: Solutions for FPOs and NPOs

perspective of	FPOs		NPOs
owners, founders	individual gains (profits)	aim, mission	social service, survival of organisation
managers, operating staff, volunteers	maximise personal utility (income/effort relation), financial benefits	motivation	support of mission (ideology), meaningful work, high professional standards, independence
organisation	shirking (minimising efforts)	major agency problem	individualism, rigorous or uncompromising professionalism
	output measurable	performance	input and output difficult to measure
	output-based control and systems, incentive contracts (e.g. profit participation, own shares)	solutions	'ideological' incentives and input-based control systems (time, resources) due to limited relevance of incentive contracts: material compensation less important for managers and staff, ideological reservations, limits in funding contracts, etc.

the problem of optimal organisation structure: **centralisation vs. decentralisation**

basic conflict with major motivations
= limiting individual autonomy

II. The Incentive Problem in HAOs

Things become much more complicated, however, if important groups of people working for the HAO are not motivated by individual financial rewards but by altruistic ideals and values. This may be the case with “idealistic volunteers” characterised above. For them, the attraction of working for a HAO may be

- ◆ to work for people in need,
- ◆ to contribute to a lasting improvement in the living conditions of poor people,
- ◆ to offer them the best services and to pursue the best professional standards,
- ◆ to find adventure instead of routine and to escape the “over-regulated” and/or profit-driven professional life in Western countries.

The organisational problem in such cases is not shirking, i. e. a tendency to minimise the individual effort, but just the opposite, namely a tendency towards over-achievement and towards an over-emphasis of effectiveness and a neglect of efficiency.

⁵ Many hospitals in the United States are non-profit organisations. They have to employ professionals who are rarely willing to accept pay less than the market rate. Probably some of the larger HAOs have very similar structures and could be managed in a similar way.

- ◆ Could you add other motivations for working for an HAO to this list?
- ◆ Do you feel that this presentation is too biased and does not correctly reflect the motives and incentives of volunteers working for HAOs? Where would you offer corrections and additions?

Effectiveness and efficiency are complementary in some cases, but conflicting in others. While effectiveness means maximising goal achievement, efficiency adds the cost dimension: maximising the goal achievement for a given set of resources (money, labour, time, etc.) or minimising the use of resources to attain a given level of goal achievement. For example, if the goal is to deliver a given quantity of basic food to a specific refugee camp, it may be very effective to lease several aeroplanes and to fly in the food. However, if the time of delivery is not critical and if the road infrastructure is intact, this may be the most inefficient method because using aeroplanes costs more than using road transport with trucks. Only if a HAO has abundant resources which it cannot use for any other purpose, does it not have to worry about efficiency. Abundant resources, however, are a rare exception and not the rule, and therefore efficiency criteria have to be observed in nearly all relief operations. Such criteria limit the range of acceptable alternatives and courses of action. For idealistic volunteers in the field, who are directly confronted with human need, destitution and distress, efficiency criteria and cost calculations may look strange or even inhumane. They may urge the headquarters to provide whatever the victims of a disaster need, irrespective of how much it costs. But the headquarters can hardly ever comply with all the requests from the field directors because the resources are limited and because the headquarters have to take care, not only of one, but of several disasters which are internally competing for the scarce resources of the HAO.

In addition to this, it is not only a question of resources as to whether volunteers should be enabled to realise all their ambitions. For example, the adherence to the highest professional standards is debatable if

- ◆ a destroyed village is not merely reconstructed as it was before but “upgraded” by advanced construction materials and by building previously lacking community and infrastructure facilities,
- ◆ the medical care introduces modern technologies and standards which were unknown before and will hardly be sustainable afterwards,
- ◆ refugee children receive basic education in the camps which is of a much better quality than what they had before and will have afterwards,
- ◆ disaster victims or refugees receive such an amount of support and care that their living conditions are better than those of the non-supported population around them.

To raise these questions does not mean that all answer must be negative. There are good reasons for concentrating humanitarian and relief interventions on the minimum necessary for survival under humane conditions and to leave the improvement of the situation to development organisations. However, there are also good arguments for seeing the humanitarian aid as part of a support package and to take the development perspective

into account as soon as the humanitarian mission is not only concerned with the saving of lives. But whatever position one takes, it should be plausible that such a decision about the basic orientation of an HAO's projects and programmes cannot be left to the discretion of each relief worker or field director. The headquarters must be involved, and it should even have the final word on how to translate the mission of the organisation into general strategy and, based thereon, into specific actions.⁶ Some reasons will be given below as to why strategic planning is of more importance for HAOs today than it ever was before.

III. Solutions for the Problem of Incentive Incompatibility in HAOs

If the ambitions of volunteers do not fully match the interests and strategies of the headquarters, and if financial incentives are of limited or no effectiveness in the case of idealistic volunteers, top management of a HAO has some options in limiting the adverse effects of the divergent perspectives and the resulting principal/agent problems.

- ◆ A first possibility is the *recruitment* and *training* policy of the HAO. The headquarters have to create, not only an understanding of the basic mission of the organisation, but also of the resource limitations and its strategic planning. Furthermore, the management should consider the different perceptions of various people working for the organisation when it composes mission teams and assigns tasks to individuals.
- ◆ It will be unavoidable that the headquarters have to turn down some of the requests for support from the mission teams and field directors. To minimise the frustrations resulting from such rejections, *procedural rules* should be established well in advance and as *general* (i. e. independent of specific cases) as possible. People are more ready to accept rejection if they are informed that their request was in conflict with accepted general rules than someone in the headquarter turning it down for specific reasons. While the former has more the character of clarification, the latter looks more like a personal defeat which is more frustrating.
- ◆ If the HAO works on a contractual basis for a financing agency such as UNHCR or ECHO, it can inform the field workers and directors about the *specifics* of that *contract* which limits its discretionary leeway. This will shift – rightly or not – the responsibility for the rejection of proposals from the field to the external financier and can reduce tensions within the HAO.

The second and third approach lead to solutions of the principal/agent problem of HAOs which are more “bureaucratic” than the incentive compatible contracts of commercial firms. It may be somewhat surprising that organisations which follow a humanitarian mission and work under unstable conditions will take recourse to *bureaucratic instruments* for the steering of their personnel. Such instruments are, in particular,

⁶ This does not exclude the final word being the result of an open and participatory process with active and equal involvement of all members of the organisation irrespective of their hierarchical position.

- ◆ procedural manuals and handbooks for field staff,
- ◆ checklists, forms and instruction cards,
- ◆ budgeting and financial reporting schemes,
- ◆ situation reports (“sitreps”) in standardised formats.

- ◆ If you have been working for a HAO, does the previous description match with your own experiences? Which of the bureaucratic instruments is disapproved most of by field directors?
- ◆ Do you see any connection between the size and/or the mission of an NGO and the recourse to standardised bureaucratic internal control procedures? Do you know more flexible, dynamic and innovative methods to overcome the internal principal/agent problem of HAOs?

At least the largest HAOs (such as the Red Cross, Oxfam, USAID) have all developed their own “bureaucratic instruments” and procedures which differ from each other, not only in marginal details, but also in substance. This is hardly surprising since all HAOs have their own mission and strategy, and the instruments for the internal human resource management have been adapted accordingly. The following section will draw attention to a trend, however, that may narrow the differences and harmonise the internal standards of the various HAOs considerably – at least in the long run.

C. Funding Agencies as Principals and HAOs as Agents

So far we have dealt with the internal principal/agent problem of HAOs. The founders or general managers in the headquarters of HAOs are the principals, and the field workers and directors are the agents. In addition, there is a second principal/agent problem in the humanitarian aid industry, namely the problem between national and international public funding agencies as principals and the contracted HAOs as the agents. This problem is not too serious in situations where it is possible to specify in the contract what goods and services have to be delivered by the HAO to whom, when, and under what circumstances, and how much will be paid by the funding agency. However, this will not always be possible. In particular, in new disasters and emergencies of a new type and in an unknown environment, it may neither be clear what exactly is needed, in what quantities, at what places, nor what an adequate price would be for required goods and services. Thus, the contracts cannot be as detailed as in “standard situations”, and they leave enough room for the HAOs to derive some extra benefits from the contracts. This means that the relief is not provided in the most efficient way if the efficiency criteria of the funding agency are applied. If the funding agency is spending taxpayers’ money, it will be monitored by politicians and the media, and it cannot afford a too serious wastage of public funds. Therefore, the agency has to find ways and means that minimise inefficiencies and the wastage of resources according to its own criteria, i. e. the funding agency as the principal has to limit the discretionary leeway for the contracted HAOs which are the agents. The principal can take several measures:

- ◆ It may not be possible to define exactly what the agents must do in a new disaster, but it is possible to draw on past experiences and the principal can *define standards for typical relief services* which are expected to be met by the agents in every case. Should it not be possible to meet these standards in a particular emergency, the agent has to justify the departure.
- ◆ The standards will not only define the technical aspects of the relief work. They are also the *basis for a cost calculation*. Starting from past figures and considering the specifics of the present project, the principal will get an idea of a reasonable price. This limits the scope of the agents to suggest prices they deem appropriate.
- ◆ The best standards are meaningless if the principal does not *control* the adherence of the agents to the contracts. Therefore, he may oblige them to report regularly and in a prescribed format about the progress of the mission. The truth of these reports has to be checked by inspections by the principal himself or by someone assigned by him. In order to be credible, the control or *evaluation* of the performance of the agents should be done, either for random samples, or for all funded projects.
- ◆ The contracts could have a *time limit* and their extension is tied to a positive progress report. This allows revisions and a change of the HAO if the former one was not able to meet the contractual requirements or expectations of the funding agency.

Large funding agencies such as UNHCR or ECHO have enough power to get their terms and standards recognised by a large number of HAOs. Smaller funding agencies may be less powerful in negotiations with large HAOs, and the control capacities may be more limited. Nevertheless, once the largest public financiers have agreed upon joint standards, the smaller ones will adopt them too. HAOs which contract with large and small financiers can hardly afford to honour the common standards only in the case of large funding agencies.

- ◆ Is the previous presentation of the setting and controlling of standards by large funding agencies a description of reality or speculation about what may come in the near future?
- ◆ Are you aware of substantial differences in the attitudes of UNHCR and ECHO regarding performance standards, monitoring and evaluation?
- ◆ What could be the reasons that HAOs will honour the common performance standards irrespective of the size and power of the funding agency that has offered a contract in a specific case?

If the largest public funding agencies attach increasingly more importance to performance standards and “professionalism” of HAOs, one should have some knowledge about the contents and their theoretical or conceptual background. This is also of relevance if the HAO community feels that the standards of the funding agencies are not appropriate or biased, and that they should be modified.

I. Standards for the Evaluation of Humanitarian Operations: ECHO's Manual

Unfortunately, neither the UN agencies nor ECHO have clearly defined their performance standards. However, ECHO has recently published an *Operational Manual for the Evaluation of Humanitarian Aid* which lists a number of questions that HAOs with contracts with ECHO have to answer during evaluations. These questions give some idea of ECHO's view on effective and efficient relief work.

- ◆ ECHO asks whether the *beneficiaries* have taken part in the process of defining their needs. "Perhaps particularly for disaster preparedness actions though by no means exclusively, this is a very important question, since community participation could very well be a crucial element for the success of the project."
- ◆ The manual emphasises several times that the HAOs have to deliver and distribute the *right quantity* and *quality* of products *timely* and *cost-effectively*.
- ◆ From the questions concerning the procurement of relief goods and services, one gets the impression that ECHO has a preference for *local procurement* and for the observance of *tender procedures*.
- ◆ The issue of *cost-effectiveness* or *efficiency* is raised several times. For example, it is pointed out that the "cost-effectiveness exercise involves assessing value for money of one or more operations on the basis of expected results set against financial input. The cost-effectiveness exercise should also comment on relative impact and cost effectiveness of the varying components of activities. Since it is difficult to measure the price of a human life saved by humanitarian aid, a realistic cost-effectiveness exercise is to make a cost analysis for different items, such as food parcels or transport modes on a country/regional basis."

ECHO has established an elaborate evaluation system (which is summarised in the table below). Each operation is subject not only to an "*ex-ante* evaluation" (which is a somewhat confusing term for the examination of a proposed operation), but also to an interim operation evaluation, usually carried out by an independent external consultant. ECHO is very clear about the dual purpose of its evaluation system, namely

- ◆ "transparency in the use of European Union funds for humanitarian aid, and
- ◆ improving the efficiency of operations, making better use of the money available."

Clearly, efficiency has very high value for ECHO. It is not so clear that this is also the top priority of all HAOs.⁷ Effectiveness and efficiency or ambitious rehabilitation plans and cost criteria are not always in harmony with each other.

⁷ It seems the *International Federation of the Red Cross and Red Crescent Societies* is not too far from ECHO's position: "Humanitarianism involves standards, which have to be defined, codified and described in an unambiguous way so that people can 'claim' them and others can ensure that they are fulfilled. [...] While 20 years ago states might have been expected to codify such standards, today operational agencies must act. [...] The existing *Code of Conduct for the International Red Cross and Red Crescent Movement and NGOs in Disaster Relief* is a first attempt to do this. [...] The Code has now been accepted by more than 100 independent humanitarian agencies. [...] Since the Code is essentially about agencies' behaviour and not

Types and Purposes of Evaluations According to ECHO Operational Manual		
	Type	Purpose
evaluation of individual operations	<i>ex-ante</i> evaluation	initial assessment of needs and/or costs before the start of an operation in order to decide whether or not to go ahead with it
	monitoring/on-going evaluation	Periodic supervision of the physical implementation of an operation to ensure that inputs, activities and outputs are proceeding according to plan
	interim operation evaluation	in-depth, independent examination of an on-going operation in order to assess the results of an operation in terms of efficacy (accomplishment of objectives) and efficiency (cost-effectiveness ratio of means implemented) [most frequent type of evaluation undertaken by ECHO]
	<i>ex-post</i> operation evaluation	in-depth examination of a completed operation in order to determine the results and the impact of the operation; operational issues are less relevant for the <i>ex-post</i> evaluation compared to the interim operation evaluation
evaluation of several (interrelated) operations	country programme evaluation	Assessment of an entire ECHO-financed programme in a country or a region to assess its relevance and impact within the political and socio-economic context for humanitarian aid in a country
	sector evaluation	Evaluation of a number of operations in the same sector (e.g. food aid, medical aid) within one or more countries to assess the relevance and impact of ECHO-financed aid on the specific sector and to draw sector-specific lessons for implementation
	thematic evaluation	studies on special themes (e.g. unaccompanied children, refugees, military assets in humanitarian aid)
	evaluation of aid instruments	Assessment of the efficiency of instruments and procedures that have been set up to facilitate the provision of aid
	joint donor evaluation	Examination of aid programmes where a large number of donors was involved in order to assess, for example, the results of the international programme support or of the efficiency of the donor co-ordination
	evaluation of disaster prevention & preparedness activities	interim or <i>ex-post</i> assessment of the results and efficiency of actions, considering also the sustainability of measures, the contribution to a reduction of the vulnerability and a greater preparedness for disaster recurrence

Table based on: ECHO Operational Manual for the Evaluation of Humanitarian Aid, Brussels, n. d.

II. Performance Standards of the HAO Community: The Sphere Project

If HAOs with divergent priorities work for ECHO – which is the largest funding agency for humanitarian aid and thus can hardly be ignored by many HAOs – they have to justify why their practice deviated from what the evaluators of ECHO had expected. This

about direct services to beneficiaries, there is a clear need to go further and establish universal operational standards. [...] The humanitarian system must now, more than ever before, demonstrate effective resource allocation and efficient resource utilisation. It must be able to make a more objective and coherent case for additional resources when these are required. It is time to move forward with a technical elaboration of the Code. Agencies have to be able to lay down, unambiguously, what beneficiaries have a right to expect in terms of what is delivered or secured, and how it is provided.” IFRC (1997), chapter 11.

may well be possible, and there is no doubt that ECHO does not dictate its most preferred procedures to every contracted partner. However, it takes time and effort to explain to the differences in any individual case. This could be rationalised if the HAOs themselves would come up with their own set of performance standards which may differ in some respects from those implicit in ECHO's evaluation manual. It is important that these standards are accepted by a large number of HAOs, otherwise they may not be taken seriously by the large funding agencies. In any case it must be noted that being taken seriously and being accepted are two different things.

The call for performance standards for humanitarian aid is not a new one, but only recently can co-ordinated efforts and practical work be observed – maybe in reaction to the implicit standards set by ECHO. The work on performance standards has been institutionalised and is presently being developed under the title “Sphere Project”. It was initiated in July 1997 as a programme of *The Steering Committee for Humanitarian Response* and *InterAction* which aims to define minimum standards in humanitarian response. The Steering Committee comprises large international HAOs (CARE International, Caritas Internationalis, International Federation of the Red Cross and Red Crescent Movement, SCA, Lutheran World Federation, Médecins Sans Frontières, SF International, Oxfam, and World Council of Churches), while InterAction is a coalition of 150 US-based NGOs active in disaster relief and development. More NGOs and HAOs participate as observers, while UN agencies (UNHCR, DHA, UNICEF, WFP) support the project.

The Sphere Project shall produce a three-part document within one year.⁸

- ◆ The first part shall be a *Humanitarian Charter* which will “describe the rights which humanitarian efforts support when normal social mechanisms have been disrupted.”
- ◆ The second part shall “set out minimum standards in four essential sectors – water & sanitation, nutrition & food security, shelter & site selection, and health services. To prepare the technical standards, a network of experts for each sector is reviewing existing protocols and norms developed by agencies throughout the world – UN agencies, NGOs and others. They will produce an agreed set of Technical Standards describing the goods and services that should be available to meet the rights identified in the humanitarian charter.”
- ◆ The third part shall present “acceptable implementation procedures with descriptions of Best Practices from a variety of situations around the world.”

The Sphere document “will form a structural part of the framework for accountability for humanitarian efforts worldwide.” It remains to be seen just how specific the performance criteria of the Sphere project will be, and how far they will differ in substance from the implicit criteria of ECHO. It cannot be ignored that Sphere is less a technical than a political project, and that there are fundamental differences in the basic philosophies of humanitarian and relief organisations which can have far-reaching practical implications for the design and implementation process of emergency operations.

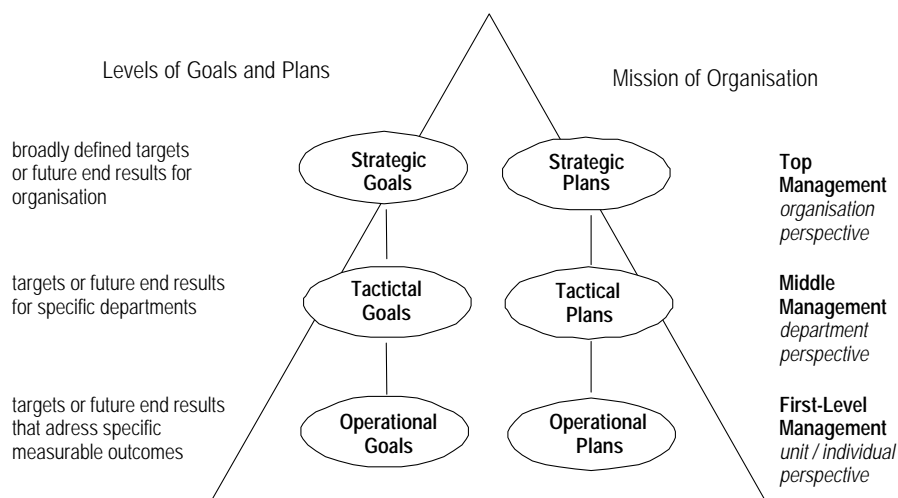
⁸ Quotations from: The Sphere Project, Project Overview, www.ifcr.org/pubs/sphere/.

- ◆ Why is it so important that the largest HAOs subscribe to the performance standards?
- ◆ Could you find some arguments in the previous chapters as to why it is a difficult and time consuming process to formulate performance standards for the HAOs by the HAOs?
- ◆ If large funding agencies such as ECHO have already established (explicitly or implicitly) their own performance standards, why should they adopt the new ones of the HAO community?

Whatever the details may be, it can be safely said that all performance standards will deal with the issue of cost-effectiveness or efficiency of resource utilisation (either in an affirmative or in a detached manner). Therefore, financial reporting and accounting systems, which are a precondition for any economic evaluation of a humanitarian operation, will be dealt with later in this text.

D. The Need for Strategic Planning in HAOs

If effectiveness and efficiency are more important than ever before, HAOs have to identify those areas where they have a comparative advantage over others, i. e. where they are particularly strong. The mission of a HAO must be broken down or translated into strategic goals which determine how to achieve the final aims and ideals by practical operations (see also chapter 6 on *Strategic Management* below).



Based on: K.M. Bartol, D.C. Martin: Management, 2nd ed., New York etc.. (McGraw-Hill) 1994, pp. 140-141

Strategic planning in HAOs has to adjust to a rapidly changing international environment. Most of the following recent developments may have far-reaching implications for strategic planning in HAOs:

- ◆ Humanitarian aid budgets increased sharply during the first half of the 1990s, but they reached a peak and have been decreasing for approx. two years.
- ◆ The total number of HAOs has also increased sharply parallel to the availability of funding, but it has not decreased in line with the shrinking of funds.
- ◆ The number of HAOs in the South has increased remarkably.
- ◆ Military and defence assets and personnel are being more frequently used in humanitarian aid than ever before.
- ◆ Commercial firms have entered into the humanitarian aid industry – either openly or after formal conversion into a NGO (in order to get access, for example, to funding from the UN system).

All these factors indicate that competition in humanitarian aid has intensified in the last few years, and this trend will continue in the foreseeable future. The different actors in the humanitarian market find themselves compelled to co-ordinate their activities, to concentrate on their “true capabilities”, and to focus more on their specific strengths, i. e. they have to identify and concentrate on their core competencies. The intensified competition is a serious challenge for HAOs in the North. One response of HAOs in the North could be to downsize their activities in all fields parallel to the reduction in total funds available. Another possible reaction could be to look for inspirations from the business sector where “lean production” and “outsourcing” have gained in relevance with the intensification of global competition after the collapse of the Communist bloc. Seemingly, some large international HAOs (such as the International Red Cross and Red Crescent) think along this line (see the quotations from the World Disasters Report 1997 in the box).

Quotations from World Disasters Report 1997

“Official aid is falling, even cash for high-profile disasters may have peaked and the collecting tin of public giving faces more competition and recession. Big cuts have begun. Meanwhile, there is competition at the sharp end in disasters, from military forces looking for work to companies looking for profits, and the new diversity of groups – human rights, conflict resolution, gender, even environmental – found in greater numbers at each emergency. Contradictions abound. [...] Going nowhere unpopular is a new force, the ‘Relief Inc.’ of private companies in trucking or telecoms are waiting to grab a share of official aid away from agencies by offering speed, efficiency, cost-effective performance and a willingness to take orders. Donors are listening; falling aid means a new focus on value for money. [...] If cash goes South, the days of the quasi-colonial NGO are numbered. [...] Proliferating Southern NGOs will replace their former Northern partners in many areas. [...] Northern NGOs must accept themselves as less important members of international alliances, and as real partners pursuing social change and common goals. [...] All donors stress more effective cooperation, more coordination. [...] Tomorrow’s challenge for agencies is to maintain humanitarian values while making disaster response more efficient, effective and accountable. [...] Three trends are

(continued)

clear. First, indigenous Southern NGOs will become far more important, both within their own countries and for external funders. They may well be the chosen conduits for future aid. [...] Second, true North-South NGO alliances will become necessary. Lessons Northern NGOs are now learning need to be passed to indigenous organizations, while Northern NGOs rarely reach Southern grassroots opinion and aspirations. [...] Finally, Northern NGOs will have to think less in terms of doing everything and more in terms of thinking everything. Knowledge, expertise, access to expertise and lobbying is where Northern NGOs can bring most value, not moving bulk goods or supplying semi-skilled labour in emergencies. Northern NGOs as knowledge agencies should be the goal.”

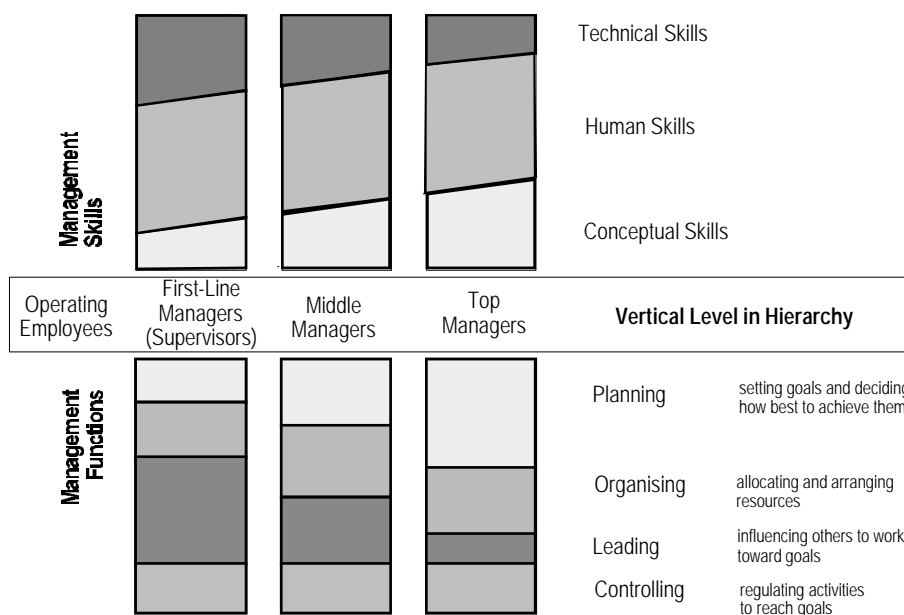
*Source: IFRC: World Disasters Report 1997, Chapter 1
(www.ifrc.org/pubs/wdr/97/ch1.htm)*

Most probably, the strategic planning of the dominant HAOs in the North will lead to more specialisation and a division of labour with the HAOs in the South. Thus, the giving up of certain tasks or market segments and an increased recourse to services from commercial enterprises or Southern HAOs must not be a sign of weakness in the structures of the North or a kind of emergency measure. It can be the result of a new strategic plan which takes into consideration the long-term sustainability of an organisation's relief in the changed international environment. Actually, many relief organisations have already started to use private sector resources to complement their own activities.

- ◆ Could you explain why the simple proportionate downsizing of all activities of an encompassing HAO in parallel to the available funding would not be a very convincing response?
- ◆ Could you identify areas where (1) Southern HAOs (2) commercial firms and (3) military forces might have particular advantages in terms of higher cost-effectiveness compared to Northern HAOs?
- ◆ To what extent should or must HAOs adjust their specific values to the tendencies of the humanitarian market like privatisation, contract culture and specialisation, in order to modernise and optimise their work?

E. Top, Middle and First-Line Managers: Functions and Skills

The larger an organisation, the more differentiated is its management. It is customary in theory and practice to distinguish three levels of management with respect to the typical functions and skills of the people holding respective positions.



Based on: K.M. Bartol, D.C. Martin: Management, 2nd ed., New York etc.. (McGraw-Hill) 1994, pp. 7, 21-22.

Regarding the *management functions*, planning is the prime function of *top management*. *Planning* means the setting of goals for the organisation and the definition of a broad strategy for achieving these goals. In an increasingly competitive environment, HAOs must start to think in more strategic terms: Very broad missions – such as “*the provision of humanitarian services to the needy wherever they are*” – must be broken down into more measurable and specific aims for which strategic plans can be developed. This means that HAOs will have to identify those areas of humanitarian services where they are particularly strong. Like commercial firms, HAOs may be well advised to identify their core competencies and to concentrate on fields where they have comparative advantages. This should be considered and elaborated on in strategic plans. Areas where an HAO has no comparative advantage over others will be reduced and left to others whose services can be sub-contracted in cases of need. The strategic positioning and streamlining of once universal HAOs will be a major challenge to top management of the aid industry in the late 1990s. This includes the design of new *organisational structures* which allocate and arrange the resources. The *middle* and *first-line management* has to translate the strategic plan into tactics – i. e. define targets for departments or units and allocate resources – and formulate instructions for the operating staff (operational plans). Thus, planning and organising are also part of the work of managers below the top level, but the extent is less and the content is more specific and closer to concrete operations. Because of the closeness to the operating staff and to volunteers (who can be very important for the effective functioning of HAOs), the middle and first line management (if such a differentiation is made at all, which is more probable the larger a HAO is) has a very important role to play in explaining a new strategy to the operating members of the organisation and in motivating them to contribute effectively to the achievement of the newly specified goals. Influencing others to work towards the goals of the organisation is sometimes termed “*leading*”; *leadership* would thus be a prime task for the first-line managers and supervisors. Besides planning, organising and leading, *controlling* is a fourth management function which is relevant on all management levels. The techniques of controlling, i. e. of regulating the activities of subordinates with respect to achieving the operational, tactical or strategic goals of the organisation, will differ depending on the level of management involved.

Regarding *management skills*, *human skills* – communication, motivation, negotiation, respect, humour, integrity, ability to work under pressure (toughness), cleverness, creativity, (inter-) cultural competence, mental flexibility, sensitivity to the needs of others, etc. – are indispensable on all levels at management. In management science, human skills are ranked very highly. Two other skills are emphasised, namely *conceptual skills* which are most relevant for top managers, and *technical skills* which are least important for them (top managers often show an astonishing ability to shift between totally different industries) but expected from first-line managers and supervisors.

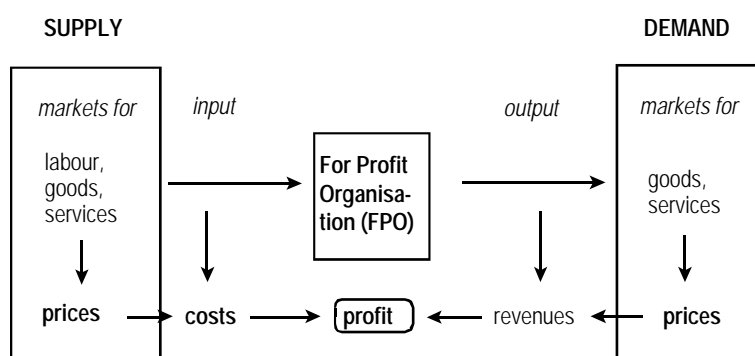
CHAPTER 3

EXTERNAL CONTROL THROUGH MARKETS

So far, the principal/agent discussion focussed on *internal* problems and control and incentive systems *within* a HAO. In addition, there is an external principal/agent and control problem which is of relevance for the effective functioning of the humanitarian aid industry and which – to some degree – could be solved by performance standards established by the HAO community.

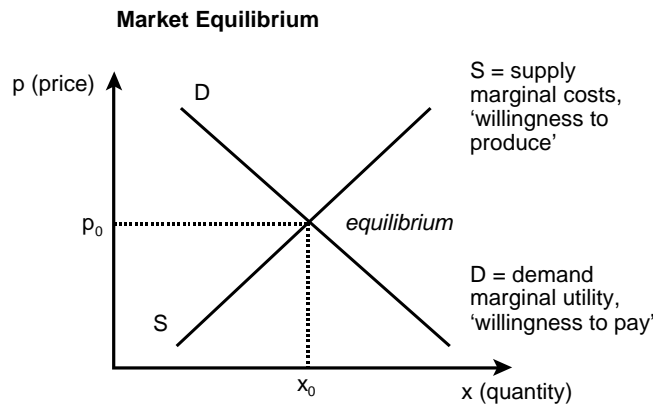
A. From Two to Three: Complex Structures in the Humanitarian Aid Market

In a normal market, two parties enter into an exchange: One party – the supplier – provides goods or services, and the other party – the consumer – pays a price and absorbs them. The consumers decide what kind of services are absorbed in what quantities, and the price they have to pay is determined by their demand decisions and by the supply decisions of the actors on the other side of the market.



Under competitive conditions, the production of goods and services will expand as long as additional units of the respective goods or services can be sold at a price which covers the additional costs of their production (= “marginal costs”). It is a sensible assumption that the marginal costs increase with an increase of the produced quantity. On the other hand, the consumers’ willingness to pay will decrease with an increasing quantity which

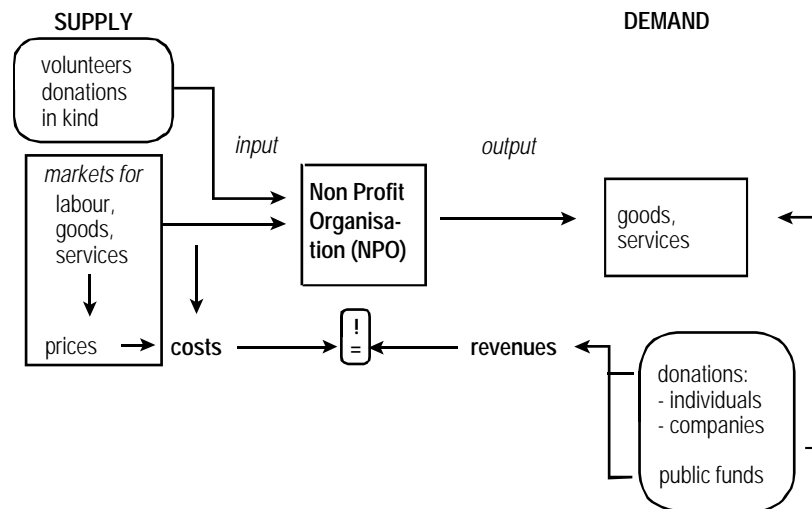
has been consumed already. In a graphical illustration, with the quantity on the horizontal axis and the price or (marginal) costs on the vertical axis, the supply is represented by a curve from the lower left to the upper right (S), while the demand is a curve from the upper left to the lower right (D). The point where these curves intersect is called market equilibrium: At a price p_0 , the quantity in supply matches the quantity in demand. A larger supply would not be sensible because the additional costs for the additional production would be above the willingness of the consumers to pay for the additional quantities.



- ◆ Please consult an economics or management textbook for a more detailed explanation of the cost terminology (total costs, variable cost, average cost, marginal cost, etc.).
- ◆ Why is supply less than x_0 not at equilibrium?

In the humanitarian aid industry, market relations are more complex because those who absorb the goods and services are not identical with those who pay for them. In the simplest case, three parties are involved:

- ◆ the HAOs, which provide the goods and services (suppliers),
- ◆ the victims of a disaster who physically absorb (consume) these goods and services (beneficiaries),
- ◆ private donors or public agencies who pay for these goods and services (financiers).



B. High Probability for Inefficient Allocation

Suppose the humanitarian aid is financed exclusively by private donations. The HAOs have collected a certain amount of money which is earmarked for the support of a specified group of beneficiaries. Support means a package or range of goods and services such as food, shelter, medical care, water, sanitation, etc. If the HAOs dispose of the money, it is up to them to determine how much of it will be spent for what purpose, e.g. for food. Either the supply of food is determined directly in quantitative terms ($x=x_s$), or an amount of money is earmarked for food. Then this amount, together with the information about how costs vary with the quantity supplied, determines which point on the supply curve or which quantity ($x=x_s$) can be provided. The same procedure is repeated for all other relief goods and services until the budget is completely allocated.

If the money was distributed among the beneficiaries, then each of them could individually decide how much to spend on food, shelter, etc. He or she could make plans which take into consideration the money available and his needs and preferences. This determines the individual willingness to pay for particular goods or services. The beneficiaries' aggregate willingness to pay is depicted in demand curves for each of the relief goods and services under consideration.

There is no convincing reason to assume that

- ◆ the points on the supply curves determined by an intersection with the demand curves of the beneficiaries are identical with
- ◆ those points on the supply curves that are the result of the allocation decisions of the HAOs.

It is most probable that there will be goods and services for which the beneficiaries would have spent more money than the HAOs had allocated, and other goods and services where they would have spent less. For example, most probably the beneficiaries would have spent more (or less) money for food than for shelter than the HAOs actually did on their behalf. This means that the donations have most probably not been used in a way

which maximises the need fulfilment of the beneficiaries – at least if beneficiaries' choices were taken as the benchmark.

I. Implications of a Non-Optimal Allocation

This simple example highlights a considerable number of important implications.

- ◆ The divergence between the desirable and the actual utilisation of funds is most probable where the HAOs that collected donations are specialised in only one branch of humanitarian aid (e.g. the provision of food).
- ◆ The problem may be moderated where HAOs offer a broader range of goods and services, e.g. in addition to food supply, the provision of shelter and medical treatment. In this case, the HAOs could try to achieve a better balance within its own aid packages.
- ◆ However, there is no guarantee that this will really take place. If a HAO depends on donations, and if donations depend on the media coverage of a disaster in general and a specific relief activity in particular, it may be in the interests, not only of a single HAO, but of a majority or even all donor-funded HAOs to concentrate on goods and services which attract more attention in the media than others. For example, the supply and distribution of food – in particular for children – and medical care – in particular for women – receives much more media coverage than the provision of building materials for shelter or the disposal of dead bodies. Thus, it is not surprising that more funds are systematically channelled into food and medical aid than into other activities which may have a higher priority from the perspective of the beneficiaries.
- ◆ If the HAOs provide goods and services in a combination which is not optimal according to the assessment of the beneficiaries, they could try to correct it to a certain extent. The beneficiaries could exchange or trade goods received (e.g. food items) on the local market against other items (e.g. building materials) which they value more highly. Presently such practices are often criticised by aid organisations, and they are not seen as welfare improving exchanges but as indications of a lack of gratitude, as the result of criminal practices in refugee camps, etc. Admittedly, all this might be true, but on the other hand one should not ignore the possibility that such trading corrects imbalances caused by the HAOs themselves. At least a second look is needed.

If the donors want to support the beneficiaries in such a way that the donated money maximises the welfare of the beneficiaries in their own assessment, the above example points to an unsolved principal/agent problem. The donors are the principals and the HAOs are the agents, but without direct feedback from the beneficiaries, the principals can only control the actions of the agents in a very weak and general manner. Even if the principals had more information about the preferences of the beneficiaries, the agents could argue that they acted in their best interest under the given constraints. Private donors could hardly refute such arguments, especially if not all HAOs involved in a given disaster argue in a similar manner.

The scope for discretionary action becomes much larger if the donors, in the last instance, do not see themselves as advocates of the beneficiaries of a specific disaster. What the donors are concerned with is a rather general altruistic sentiment, a feeling that they must contribute to the relief of disaster-stricken people. If the main motivation of donors is to calm their conscience, then they would, of course, want to see that the needs of the beneficiaries are being satisfied, but if the HAOs tell them that this is exactly what they are working for, the donors can content themselves with such a declaration without any further investigation (at least as long as no spectacular cases of misuse of donated money are reported in the media).

II. More Beneficiary Involvement and Performance Standards

The result is that under the structural conditions of the outlined triangular market relations, competition among donation-funded HAOs does not ensure the most efficient use of the resources if efficiency is measured from the perspective of the beneficiaries. An improvement of the efficiency can emerge from two different developments.

The *first development* is that of greater *beneficiary participation* in defining the needs. The most far reaching approach would be to channel the donations directly to the beneficiaries instead of the HAOs. If that would be possible, the beneficiaries themselves could decide which HAO or which commercial relief provider in Europe or in their own country should supply what quantities and qualities of goods or services at what prices. This would drastically change the parameters of competition for the HAOs. Admittedly, there are very serious problems with the practical implementation of such a concept. For example, who can organise and control fair distribution of the donations among the beneficiaries? What should be done if the beneficiaries are not able to assess the real importance of some types of humanitarian aid (such as medical care) and would spend the donations in a way that violates their own long-term interests? How should they compare prices and qualities of competing humanitarian aid providers? Considering all these problems, the idea of giving donations directly to the beneficiaries has, nevertheless, a high normative value. It can serve as a reference model for evaluation of actual practice. Furthermore, it is not completely out of the question that this could never be realised. NGO and HAO structures in Southern countries (which are often stricken by disasters) are developing rapidly, and the quality of these organisations and their effectiveness is improving. They could function as an institutional infrastructure, especially if large international funding agencies support the approach by accepting (if certain conditions are met) Southern HAOs as representatives of the beneficiaries and therefore increase the financing of them. Such behaviour of agencies in the public sector could have a signalling effect on the private donor market. It may be that some HAOs develop a more sophisticated beneficiary involvement methodology which is also appreciated by donors, or that new types of "donation consultants" and "beneficiary consultants" could emerge and offer their services to the respective groups. It should be noted that the participation of beneficiaries in the definition of their needs is one of the issues checked in the interim operation evaluation of ECHO.

The second development that can lead to improved efficiency is the formulation of performance standards. They shall ensure that beneficiaries will receive relief goods and services which are deemed necessary and sufficient for most cases. Although standards cannot take into account all particularities of a specific case (and thus cannot guarantee the best possible practice for each individual case), they limit the discretionary power of HAOs in being able to compose the aid with regard to the needs of the organisations.

Neither beneficiary participation nor compliance with performance standards can be enforced if a HAO is primarily funded by donations. However, if it becomes known that an organisation systematically deviates from generally recognised practices and standards, it will have to supply reasons for this. If the arguments are not convincing, it will be in danger of losing its donors.

PART II

CHAPTER 4

PERSONS AND IDEAS IN MANAGEMENT SCIENCE

Ours is a society of organisations. Since the dawn of humanity, the individual has felt the need to join forces with his or her fellow human beings to achieve the objectives that transcend his or her own capabilities, and this tendency has intensified as the objectives have become more ambitious and have therefore demanded a greater degree of effort and commitment.

In order for these groups to be able to function effectively and efficiently, for each individual to be able to contribute to the whole and to feel satisfied upon seeing how, from the sum of their efforts, the objectives of the group are obtained, management is necessary. Because of this, management, from a practical point of view, has existed whenever it has been necessary to direct a collective force. Although the term management had not yet been coined in those times, in the Egypt of the Pharaohs there were people capable of directing the construction of the pyramids, and in the Roman Empire there were those who led the legions to successive victories. *Harold Koontz* defined management as “the art of getting things done through and with people in formally organized groups, the art of creating an environment in such an organized group where people can perform as individuals and yet co-operate toward attainment of group goals, the art of removing blocks to such performance, the art of optimizing efficiency in effectively reaching goals.”

Management is in part an “art”, a “knowing-how”, and in this respect there have always existed persons especially qualified to carry out managerial duties and who have had the most appropriate qualities for leadership. Management is also a science, an organised body of knowledge that has been developed through the passage of time: theories, principles, and techniques generated by the posing of hypotheses, experimentation, and later analysis of the facts.

The science of management has been created in a singular way through a series of miscellaneous contributions from numerous authors who have approached it from very disparate perspectives. Among the “fathers” of management, or its “gurus”, as they are presently called, are to be found sociologists, psychologists, economists, politicians, anthropologists, engineers, statisticians; *Peter Drucker* himself, born in Vienna in 1909 and considered by many to be the man who invented management, studied to be a lawyer

and worked as a journalist before beginning his prolific contribution to managerial thinking.

It is difficult to identify a starting point for a historical review of contributions to management. *Juan Bautista Say*, at the end of the 18th century, was the first to recognise expressly the value of management in guaranteeing a business's prosperity. Throughout the 19th century and the beginning of the 20th century, the principle contributions began to appear: *Frederick Taylor* (1856-1917) and his "Scientific Management", seconded by *Frank and Lillian Gilbreth*; the "functional principle" of *Henri Fayol* (1841-1925); *Elton Mayo* (1880-1949) and his research into the social relations in the workplace; *Douglas McGregor* (1906-1964) and his conductive studies which led to his famous "Theory X" and "Theory Y"; and many other contributions that have together woven an interpretative web regarding human organisations and their way of operating.

However, it has been the last few decades that have marked the spectacular development of the science of management or that have, at least, been the period of time when all the previous contributions could be systematised and given coherence. Among the figures of greatest prominence is that of *Peter Drucker*, inspiration for the great majority of current theories about management. His contributions include the principle of decentralisation, orientation towards objectives, the value of quality, and the need to manage with the gaze fixed on the needs of the client. The most characteristic of his contributions is his idea that management is omnipresent, that the principles and techniques of Management can be as successfully applied in small organisations as in large ones, in those that seek a profit as in those that have exclusively social objectives and seek human progress, in industry as in the service sector, commercial businesses, hospitals, administrative organisations, museums, entertainment centres, universities, and non-governmental organisations.

For *Drucker*, management is a universal force, and the organisation, "a human, social, and even moral phenomenon". He considers that the essence of organisations is not power but responsibility. In his opinion, management as a discipline belongs to the humanities, and based on this idea, he has dedicated more attention in the last few years to the management of non-profit organisations such as hospitals, churches, or voluntary associations than to that of commercial companies. Management is precisely what permits the integration of individuals in a common project, commits people who share objectives and values; it is based in the permanent development of the organisation's members and oriented to the service of people.

There are many more names, and concepts in modern management theory. These include: *Cyert and March* with their vision of organisations as a coalition of interests; *Argyris* with his concept of "organisational learning"; *Igor Ansoff*, father of "strategic management"; *Michael Porter* and his "competitive advantage"; *Ohmae* and the "key success factors"; *Handy* and his types of future organisations: cloverleaf, federal, and triple I; *Deming* and *Juran* and "quality management" and "continuous improvement"; the studies on leadership of *John Kotter*; *Kurt Lewin*, and *Warren Bennis*; *Hayes* and *Abernathy* and their harsh criticism of management excessively focused on the short term; the "excellence" of *Peters* and *Waterman*; and so many other contributions that have formed present knowledge regarding management.

Management is, as *Drucker* says, “(d)efining the mission of the enterprise and motivating and organizing human energies to fulfil it”. Management has two parts. “*Defining the mission of the enterprise*” is what denominates the entrepreneurial part. It demands a “market” orientation, a capability for analysis in order to discover opportunities in the environment and to detect threats to be overcome, the mastery of the analytical tools and techniques used to set objectives, the creation of plans to attain these objectives, and the establishment of evaluation and control mechanisms. The second part is related to leadership; it demands of the manager the knowledge of the variables of the behaviour and motivation of individuals. He or she must be capable of communicating and mobilising, creating the appropriate organisational structure and guaranteeing the continuous progress and enrichment of the members of the organisation.

CHAPTER 5

BASIC PRINCIPLES IN THE MANAGEMENT OF HUMANITARIAN AID ORGANISATIONS

Peter Drucker affirms in his emblematic article, “What Business Can Learn From Non-Profits”,⁹ that “non-profits need management even more than business does, precisely because they lack the discipline of the bottom line”. If, in addition, we take into consideration the intrinsic complexities that the operation of an HAO (Humanitarian Aid Organisation)¹⁰ entails, there can be no doubt that the management of these organisations must be especially sound in order for them to be able to carry out their missions with a high degree of success.¹¹

A. Characteristics of HAO Management

The question that follows from these considerations is this: is business management adequate for the management of HAOs? If the hypothesis that every enterprise fulfils its social responsibility were true, it might be reasonable to think that the principles governing

⁹ *Drucker* (1990), p. 20.

¹⁰ Occasionally, the more generic term “NGO” will be used when talking about HAOs.

¹¹ Normally, an NGO consists of a headquarters and various branch offices with projects in the most diverse and inhospitable parts of the world working with a multitude of counterparts from many different cultures, relying on largely inconsistent and erratic funding, and dependent on unforeseen circumstances and other factors completely outside the control of the organisation. To examine this in greater detail, NGO funding is composed of a mixture of donations, sponsorships, commissions, promotional and catalogue sales, as well as a series of contracts with local, national, and international public institutions each with its own, complicated requirements implying a significant administrative burden. From the human resources point of view, the organisation depends, on one hand, on the goodwill and availability of hundreds of volunteers, who may at any point leave the activity in which they are involved. On the other hand, even though an NGO has a certain number of contracted personnel, these people are necessarily scarce, as their remuneration is below average in comparison with that of their professions, they have a high turnover rate, and they come from a widely varied array of nationalities and cultures. Last, but not least, these organisations possess the peculiar characteristic that those who pay for the product or service are not the same as those who consume it, and those who do consume it do not usually have the opportunity to choose between suppliers or complain about the quality of what they have received.

the management of any type of organisation, profit-making or not, would be universally valid. This position is however unrealistic, and it therefore becomes necessary to identify the characteristic aspects of HAOs that are relevant to their operation and administration. Along these lines we can say that, “the environment in which HAOs operate is characterised by the following factors:

- ◆ High instability.
- ◆ Many HAO actions (i. e., in emergency situations) must be realized under extreme time pressures.
- ◆ The potential geographic scope of HAO activities is practically unlimited.
- ◆ The work that HAOs undertake contains a high degree of risk and insecurity.
- ◆ The HAO working environment is usually fragmented and subject to the disparate interests of many different actors.
- ◆ In many occasions, decision-making and operational centers are widely separated, as much philosophically and culturally as physically.
- ◆ The target groups at the fundamental core of an HAO consists of the recipients of the aid, donors, volunteers, and contracted personnel. The characteristics of these groups are usually manifestly different.
- ◆ The obtaining of private funds often has a markedly seasonal nature, and may correspond to fashion or to emotional, impulsive, or superficial responses.
- ◆ The follow-up, evaluation, and control of the results achieved by these organizations usually lacks rigor and objectivity. Though hardly justifiable, the overall image may become a recurrent criteria in the self-evaluation of the organization”.¹²
- ◆ HAO workers (volunteers and paid employees) are generally capable people showing initiative, commitment, and imagination. All personnel, whether directors or teams of volunteers, should have a double aim: to learn and to reinvent.

These operating conditions have led to the fact that HAO management is distinguished by the following aspects:

- ◆ “Northern NGOs play a mediator’s role between their fellow citizens and governmental authorities, and populations in precarious situations.”¹³
- ◆ “As a norm, [...] [NGOs] are more money-conscious than business enterprises. [...] But non-profits do not base their strategy around money, nor do they put it at the center of their planning.
- ◆ NGOs begin their planning with the statement of their mission. They give a good deal of thought to the definition of the mission of their organization.
- ◆ An NGO’s human resources demand a well-defined mission, carefully thought out personnel placement, a continuous learning and teaching process, objective-based management, independence, challenging requirements and corresponding responsibility, and personal responsibility with respect to performance and results.”¹⁴

¹² *García Izquierdo (1996), pp. 211-212.*

¹³ *García Izquierdo (1996), p. 211.*

¹⁴ *Drucker (1990), p. 26.*

- ◆ “HAOs work in a decentralized way, orienting their resources and decision-making towards the services they render.
- ◆ HAOs are flexible, adapting to circumstances with continual organizational change. HAOs are innovative organizations.
- ◆ HAOs set as goals certain desired results and see themselves as responsible for achieving them.
- ◆ HAOs continuously reflect as to how they can better realize these goals.
- ◆ HAOs are leaders in the process of change, and promote dialogue, reconciliation, and communication.
- ◆ HAOs are passionate and open.”¹⁵

Given these characteristics peculiar to HAOs, the management of these organisations must necessarily differ in certain aspects from the traditional techniques of profit-making enterprises. First, the nature of HAO work requires the assimilation of a mentality open to dialogue and the development of an ability to relate to other people. As service organisations oriented towards certain populations, the primary dimension of an NGO is relational. NGOs form a space for contact, communication, dialogue, and co-operation. Their work requires constant dialogue and institutional relationships with the beneficiary population, with other NGOs (networking), with public administration, and with its own members. The actions that they undertake involve a need for inter-communication and harmony within the entire NGO team. For this reason, teamwork is one of the basic principles of HAO management. Secondly, the organisational culture of HAOs is service based, that is, HAOs offer concrete, valid solutions for determined needs of their target populations. The third fundamental aspect is that of movement. The nature of NGOs makes them a source of dynamic social movements and a force for keeping them in motion. They look to make those who work with them into public individuals, interested in the lives and the future of others. HAOs thus possess a clear political dimension and are committed to humanitarianism.

At the same time, each HAO must have its own decision-making method. There are no definitive solutions, nor can a decision be the same for all HAOs, nor are all HAOs the same. What is important is for each organisation to have the capacity to learn quickly to take decisions that will develop, sustain, and augment its permanent process of reinvention, adapting itself to its ever-changing surroundings and attempting to influence them intelligently. The *raison d'être* of its actions must always be that of achieving results that better the quality of life of the populations with which it works. If the NGO sector as a whole is to reach this goal, the determining factor will be how well each organisation takes advantage of the enthusiasm and the learning capacity of its volunteers and workers.

¹⁵ Based on Puig (1994) and (1995).

B. Challenges in HAO Management

Presently, the principal challenges that HAOs face regarding the improvement of their own management lie in professionalisation and in the development and implementation of effective evaluation mechanisms.

Those who hold points of view favourable towards the professionalisation of the humanitarian field should not be blind to the unique orientation of HAOs. The constant effort to maximise the quality and efficiency of the projects undertaken by these organisations must not be reduced to a central and sole concern for the “act” of solidarity at the expense of the authentic aim of that act. Therefore, it is convenient to constantly bear in mind that the specificity of NGOs consists in their creation as associative movements of people who share values of humanitarianism and solidarity and who wish to express those values in a concrete way. The effectiveness and efficiency with which they carry out the mission that they set for themselves is determined by the level of personal involvement reached in the communal responsibility they have assumed *vis-à-vis* the populations with which they work.

Consequently, the process of creating quality services that benefit vulnerable populations should not be grounded solely in a distilled list of principles and techniques for the management and administration of organisations. It would be most undesirable to see the creative possibilities, the spirit of enterprise, the sense of commitment, and the adaptive capacity that are innately part of HAOs taken from them. In short, the authentic challenge regarding the management of these associations is to achieve a symbiosis between their ordered, even, and responsible growth and the maintaining of the freshness that gives the organisation its enthusiasm and creativity.

Finally, the field of international humanitarian aid is one of the least regulated sectors in the world. It lacks common standards for its activities and effective mechanisms for evaluating these activities, and this regulatory vacuum has given way to the establishment of counterproductive practices. The recipient of the services that an HAO provides lacks the executive capacity to propose, much less carry out, projects that could re-orient aid activities towards the needs that the affected population itself perceives as such. In many occasions, the only evaluations realised are those required by the financing agency for its own needs. To comply, organisations are forced to resort to some of the worst kinds of commercial practice (e.g., vacuous auditing reports) but fail to evaluate the real quality of their management (see section on project evaluation). As a result, the activities realised by HAOs tend to be evaluated by that which can be measured, and in emergency humanitarian aid, this usually implies the evaluation of the process and not the evaluation of the impact that the process has.

It is essential for HAOs to be as efficient and as effective as any other organisation, but it is equally important for their identity that they go another step further and demonstrate, through their work, those values that are the distinctive mark of their humanitarian labour. The overriding respect for human dignity, the assimilation of the idea that aid is intended for a person in his or her totality not only for his or her physical needs, the commitment to the resolution of the structural problems that the affected population faces, and the realisation that humanitarian aid is a reciprocal process on a human level are some of the differentiating aspects of humanitarianism. Taking the time to work with

the people, adapting oneself to their rhythm of life, in order to earn their confidence so that they can participate in the construction of their future and not just cover their basic necessities, these are some of the aspects that should characterise humanitarian aid workers. They must act clearly and unambiguously according to the principles and values of the HAO, and the HAO must respect and measure up to the professional and technical standards to which they have committed themselves.

CHAPTER 6

STRATEGIC MANAGEMENT OF HUMANITARIAN AID ORGANISATIONS

Humanitarian aid organisations, like all organisations, have a mission to fulfil and certain objectives to obtain, and to do so, must organise the resources available to them in the most efficient and effective way possible. They need to produce results and must therefore have some way of assessing and measuring these results. As *Drucker* indicates,¹⁶ good intentions are no substitute for organisation and leadership; performance and results are products of responsible, sound management.

Surrounded by an especially turbulent, changing environment that keeps the organisation in a constant state of emergency, day-to-day operations become its main priority. The need to decide and act quickly and the impossibility of acting in every situation creates an enormous tension that can cause the organisation to lose sight of the course it should be following.

Even so, no activity can be managed or run properly without first having defined the objectives to be realised and the approach to be taken in order to realise them. To determine this approach, HAOs have available a very useful tool – *strategic management*.

The basic questions that management poses can be summarised as follows: Where are we? Where do we want to go? What must we do to get there? Finding answers to these questions is no easy task, especially when the organisation is growing and the environment in which it operates is uncertain. Faced with this challenge, strategic management emerges as a management philosophy that attempts to answer the above questions by examining them from two points of view, one external (the complexity of the environment) and one internal (the complexity of the organisation). In concrete terms, strategic management means the formulation of the long-term strategy of the organisation, its implementation, and its control.

The first phase, the formulation of the strategy, involves defining the activities which the organisation will realise, bearing in mind the interaction of its objectives, resources, and opportunities, as well as its competitive position – bearing in mind, in other words, what the organisation is good at in the provision of humanitarian aid.

The implementation phase entails transforming this global strategy into functional strategies of marketing, finance, human resources, operations, etc., which will in turn determine how to utilise the resources available in each of these areas and what pro-

¹⁶ *Drucker* (1990a).

grams and activities are to be developed. That is, implementation implies the practical translation of the global strategy throughout the formal organisational structure by means of the allocation of resources and responsibilities.

The control phase can be conceived of as being both *a priori* and *a posteriori*. *A priori* control, based on the idea of foresight that strategic planning applies, favours the adoption of preventive rather than corrective measures. *A posteriori* control, based on the idea of feedback, permits the adoption of corrective measures based on the analysis of information regarding perceived differences between desired results and those actually achieved. Both types of control can be realised at an organisational level, based on the achievement of global objectives, and at a project level, based on the objectives of the project in question.

How Can We Approach the strategic management of a humanitarian aid organisation?

Every organisation has a mission. In fact, an organisation is nothing more than a group of people that structures itself so as to realise a certain mission through the use of certain resources. The mission is the starting point for strategic management. Whenever an organisation examines itself and its future, it should ask some basic questions regarding the reason for its existence. Mission statements such as for example, “[t]o promote solidarity with underprivileged populations throughout the world and assist them in covering their basic needs”, let everyone who collaborates with the organisation, be they professionals, unpaid volunteers, or donors, recognise their personal contribution to the work of the organisation.

With the mission statement as a starting point, HAO managers must carry out a series of tasks in order to develop a management strategy:

1. Define the *fundamental objectives* that, arising from the mission and the goals of the organisation, will serve as a guide for all its activities. This means defining the ends that the organisation wishes to attain through its activities. Some of the ends to be attained might include, to continue the example above:
 - ◆ To uphold respect for human rights and for the right of those in need to receive humanitarian aid.
 - ◆ To promote a culture of solidarity.
 - ◆ To train a competent, efficient team of people who are committed to the organisation, etc.
2. Identify the *global strategy* most appropriate for the attainment of these objectives. This involves deciding what *course(s) of action* (strategic areas of action) the organisation is going to *pursue* based on the analysis of the problems and opportunities presented by its environment and on the ability that the organisation has to confront them. In the case of an organisation that is just beginning, this means deciding the activities to which it will dedicate itself. For an organisation that is already in operation, it means asking itself if the organisation’s current activities are indeed those which best permit it to reach its objectives.

In our hypothetical organisation, there are several ways of attaining the goals and objectives that it has set for itself. It might act directly in situations of emergency, or it might provide financial support for organisations that are better equipped for

emergency aid, or it might specialise in a particular aspect of humanitarian aid, whether that be medical assistance, food distribution, or refugee aid. The organisation could work with other institutions in development projects, or it could go it alone if it has sufficient resources and abilities. It might orient its activities exclusively to children or to populations as a whole. It might support the training of specialised local personnel or use exclusively expatriate specialists. It will have to consider the extent to which it will rely on public funding, etc.

From among all of these options, the organisation will have to choose those that, in conjunction with its resources and abilities, best enable it to attain its objectives. If an organisation is universally recognised as being “very good in emergencies”, it must be aware that it has a competitive advantage in this area, be it obtaining funding, in the quality of personnel that it attracts, and in its know-how. It will therefore have to take advantage of the opportunity and focus its actions on the attainment of its objectives, instead of wasting its efforts in areas where it is “not so good”.

In this respect, certain organisations are regarded as specialists in certain fields: UNHCR in refugee aid, UNICEF in children’s health care, ICRC in situations of war, Médecins Sans Frontières and Médecins Du Monde in medical care and surgery in emergencies, Caritas in food distribution, and the Red Cross in first aid. In these fields, these organisations maintain competitive advantages over other organisations.

3. In order for the management strategy to affect concrete aspects of day-to-day operations and project development and thus permit the achievement of long-term objectives, the HAO must design an organisational structure, a financing system, and a communications and public relations system. These elements will enable the HAO to acquire the resources necessary for the development of its activities. That is, the organisation must *decide the tasks* to be carried out in order to put its strategy into practice and to *select the resources* that will be employed. Every HAO needs to have sufficient economic resources to carry out its activities, and it must decide how to obtain them, how to keep track of them, and how to use them to achieve its objectives.

In this kind of organisation, more so than in any other, communication with the society of which it forms a part is fundamental. This communication should not only consist of a presentation of the needs it wishes to address – and in doing so, solicit the money it needs to act – but also make reference to the results it has achieved so as not to disappoint those who have put their trust in the organisation. Communication is equally essential for the promotion of active solidarity, the obtaining of the volunteers on whom the HAO depends.

As mentioned above, the financial and human resources that HAOs have at their disposal determine whether or not their projects will be realised. For this reason, as well as to co-ordinate their efforts, many organisations are linked to international networks, some since their creation (e.g. in Spain, *Cáritas Española* with *Caritas International*; *Medicus Mundi*, *Médicos Del Mundo* and *Médicos Sin Fronteras*¹⁷ with their respective sister organisations in other countries) and others subsequently (e. g., *Manos Unidas* with *International Cooperation for Development* and with *Accord*).

¹⁷ The Spanish counterparts of Médecins du Monde and Médecins Sans Frontières.

4. **Communicate** the strategies and tasks to be carried out to all the organisations members to assure their full support for the work to be done and to make sure that the activities of the different parts of the organisation are *co-ordinated*. The most visible part of a humanitarian organisation may be its activities in a certain project in a certain part of the world, but behind this project there are a great number of other activities that support it. These include obtaining funding, the recruitment and training of volunteers to carry out the project, the definition of the project's content in terms of the needs that must be addressed, the assessment of local resources in order to establish these needs, and co-ordination with other organisations so as not to duplicate efforts. Internal co-ordination is therefore essential to the successful realisation of any project. Though field projects may attract the most attention, the behind-the-scenes work of the organisation is the key to its continuity and to its possibilities for growth.
5. **Assign** each individual the tasks for which he or she is best suited, on the basis of his or her aptitudes, personality, etc., and attempt to establish an atmosphere of cordiality. There are people who are well-equipped for field work and others who are less so. Managers must be prepared to say no to those volunteers whose emotional stability or whose personal characteristics do not correspond to the demands of the situations which may foreseeably occur.
6. **Motivate** each individual to take an interest in the work he or she has been assigned and to be conscientious in its realisation. This is especially important for those people who will be working in the field; it is essential that they receive specific training regarding the situations that they may have to face. In order to carry out its activities effectively, HAOs need motivated volunteers and professionals, as they will become its strength and its competitive advantage. The organisation must make certain that its volunteers are committed to their work. Goodwill is not enough – the organisation needs “professional volunteers”.
7. **Evaluate** the success of the organisation; that is, observe and measure what is achieved, not only in each project with respect to its objectives, but also the contribution that these projects have made towards the general objectives of the organisation. If one of the objectives and one of the lines of action is the promotion of solidarity, and if a possible way of achieving this is to carry out a campaign in which, on a certain day, people are asked to wear a small green ribbon as a sign of solidarity, then the success of the campaign can be measured by the number of people who wear the ribbon. Of course, even though the campaign may be a success in this respect, this does not mean that the campaign has in fact promoted solidarity if the wearing of ribbons is not accompanied by increased donations and more volunteers. The qualitative character of HAO objectives makes the evaluation of whether or not they have been achieved difficult.
8. Undertake *corrective actions* when necessary. This applies as much to the orientation of the organisation's programs with respect to its objectives as to specific projects. Objectives and results must be compared in order to identify those activities which fail to show desired results and identify the reason for their unsatisfactory performance. If they are obsolete or simply unproductive, their discovery will avoid wasting money and energy.

Most directors of HAOs, immersed in their daily work and in the urgency of emergency assistance, probably find little time to think about these tasks, but as management professionals they must, once in awhile, try to stop and think about where their organisation should be heading in order to achieve its objectives and where it really is heading, swept along by its day-to-day activities. In this respect, the process described herein will permit HAOs to achieve their objectives and guarantee the satisfaction of their donors, volunteers, professional staff, and of society in general.

It is necessary to develop measures that can demonstrate what a particular department or program is doing with its resources and what it is achieving. These measures should be used to analyse both efficiency (which may be increased by reducing the cost of the activities realised) and effectiveness (which may be increased by increasing the number of services or by improving the quality of existing services.) An example of a measure of efficiency in a medical organisation would be, for example, the cost per patient treated. A measure of effectiveness might be the number of patients treated, the number of treatments per person, the time devoted to each treatment, or the percentage of potential patients treated.

Even so, to establish systematic management in an organisation whose objectives do not include economic benefit, it is not only necessary for management professionals to develop and adapt management techniques to the search for social benefit, it is necessary for these organisations, and above all, those who manage them, to be aware of the need for this. Furthermore, in order to carry out successfully all that is described above, a series of key factors must necessarily exist:

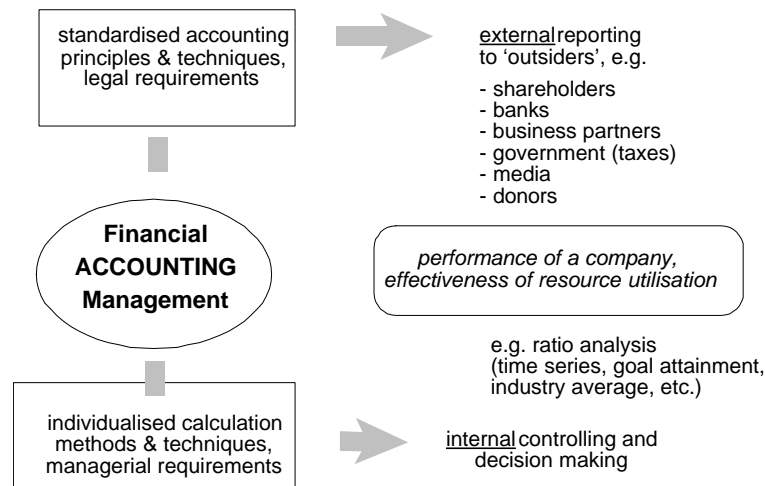
- ◆ A willingness on the part of managers to introduce changes in the relationships in and among groups and structures, centred on specific objectives, as an alternative to undesirable situations.
- ◆ The acceptance on the part of administrative councils and other bodies governing the organisation of the necessity for this change and their support for it.
- ◆ Information within the organisation as to the necessity of the change and its presentation as an opportunity rather than a threat.
- ◆ The commitment of the organisation's staff, making them responsible for their role in the change.
- ◆ A knowledge of the reality of the organisation's situation through analysis of the degree to which projects are being effectively carried out, the costs involved, and of the most reasonable management techniques.

Though the objective is ambitious, the need is equally great. The number of HAOs is increasing progressively, and the amount of resources they manage is such that it is worth the trouble to develop and apply techniques that will make their management more rational and effective.

CHAPTER 7

ACCOUNTING AND FINANCIAL REPORTING

The managers of a company or of a HAO employ financial resources which have been put at their disposal by other people or institutions. These may be shareholders who have provided equity capital, banks that have provided long and short-term loans, business partners who have delivered goods on credit, donors who have made donations in cash or kind, or funding agencies who have paid in advance for services still to be delivered. Since these people or institutions usually want to know – at least in a summarised form – what has been achieved with their resources, the management has to keep adequate records and prepare reports. For most commercial purposes, it is sufficient to explain how the value of the resources have changed. With regard to humanitarian aid, however, the providers of resources may also be interested to learn what has been done physically, especially if their resources have been used up in the process of delivering goods and services to people who did not pay for them. Therefore managers of HAOs may face a more encompassing accountability than managers of commercial enterprises. But private donors or public funding agencies will probably not only want to know whether their resources were spent effectively, i. e. whether the beneficiaries received goods and services (which can be seen from records on the HAOs' physical activities), but also whether this was done efficiently. For this, similar financial information on costs and values as in commercial enterprises are needed. Since it cannot be efficient if everybody introduces their own techniques and principles for recording and reporting financial transactions, HAOs should bring their accounting systems, as far as possible, into line with established standards of the business community.



The figures which are recorded by the accounting system of a company or an organisation will be processed further for two very different purposes.

- ◆ The first purpose is the *external reporting* to outsiders (shareholders, banks, business partners, the government, donors, etc.) who want to know about the financial potential and the financial results of the company's or organisation's activities. This information is provided by the *financial accounting* system. Financial accounting is subject to standardised accounting principles and techniques and other legal requirements which shall ensure that the figures reported give a fair and true picture of the financial position of the reporting unit. This does not mean, however, that every detail of accounting and reporting is exactly regulated and that there is no scope for individual adjustment and modifications, as will be seen below.
- ◆ The second purpose of accounting is to collect facts and figures which will not be communicated to outsiders, but will be used for internal steering, decision making and controlling. Figures of financial accounting can be used, but additional information may be required and can be processed as deemed suitable in the *internal management accounting* system. Here management is not restricted by external rules but it can develop and apply individual calculation methods and techniques which are adapted to the specific managerial needs and requirements.

The accounting system – be it financial or managerial – provides, for most purposes, only the raw material. The information that a company made a profit of 10 million ECU does not tell us much about that company unless you relate it, for example, to the profit of last year or to the turnover or equity capital of that firm or of other firms. Various financial ratios have been developed and are interpreted by financial analysts. They calculate such ratios on the basis of published figures for individual firms and relate them, for example, to industry averages. The financial controllers of a company or institution could even add further ratios by recourse to figures from the management accounting system which are not published, but available for internal purposes. A few of the most commonly used ratios will be presented in the following section because they are not only of theoretical interest for HAOs, but some of them are even used in practice by large public funding agencies to assess the financial status of NGOs with whom contracts shall be signed.

A. Types of Financial Statements

In the financial accounting systems, financial figures are collected and processed according to generally recognised principles¹⁸ in order to publish standardised financial statements at least once a year which can then be analysed by interested parties (so-called “stakeholders”).

Three types of financial statements are widely used:

- ◆ a *balance sheet*,
- ◆ an *income statement* (sometimes called “operating statement” or “profit and loss account”),
- ◆ a *cash flow statement*.

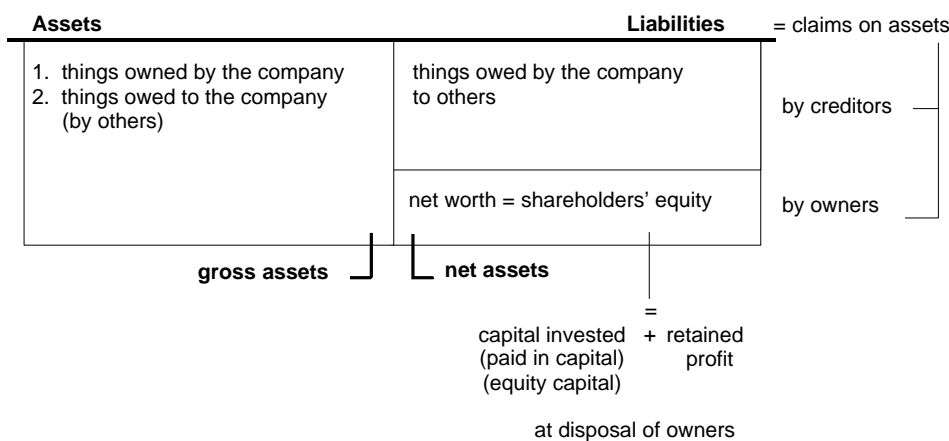
Notes and explanatory reports can be attached to all three types of statement. The first type of statement depicts the financial situation of a company or an organisation at a given point in time (usually the last day of the year) while the two other types summarise the operations or changes within an accounting period (usually one year).

I. Balance Sheet

A balance sheet is a systematic presentation of a company’s¹⁹ assets and liabilities or assets and claims against these assets at a given point in time.

Balance Sheet

listing (table) of the values of all assets and liabilities of a company at a fixed point of time



¹⁸ General recognition means that the specific set of principles is in force for a particular jurisdiction, e.g. within one country. There are differences in accounting standards and principles between different areas of jurisdiction. These differences, however, are relevant only for more specific cases than those presented in this text.

¹⁹ For brevity, “organisation” is omitted in the following text. Statements for companies also apply to HAOs unless explicitly noted otherwise.

- ◆ *Assets* are things (1) owned by the company and (2) owed to the company by others.
- ◆ *Liabilities* are things owed by the company to non-owners (i. e. to creditors) or claims by non-owners against company assets.
- ◆ The difference between assets and liabilities is called the *net worth* of the company. In joint stock companies this is equivalent to the *shareholders' equity* (which originates from the paid-in capital and the retained profits).

It is customary to distinguish between short-term and long-term assets and liabilities. This distinction is important with respect to the liquidity of a company, i. e. its ability to meet its debt obligations.

- ◆ “Short-term” assets are called *current assets* and comprise of (1) cash, (2) assets which can be converted into cash easily (such as treasury bills or claims of customers from sales), and (3) other assets which are to be used within one year (such as inventories of merchandise).
- ◆ “Long-term” assets are called *fixed assets* and will be used by the company for a period of more than one year, for example buildings, machinery and equipment.
- ◆ “Short-term” liabilities are called *current liabilities* and have to be paid within one year.
- ◆ “Long-term” liabilities have to be paid over a period exceeding one year.
- ◆ The *shareholders' equity* represents claims by the owners against the assets of the company. In the case of NPOs, there is no shareholders' equity as such, but in substance there is an equivalent which can have different names (and legal implications), e.g. *operating fund*.

The *net worth* (equity or fund) plus *long-term loans* are called *capital employed*. If the current (short-term) liabilities are added to the capital employed, the sum is the *total finance* of the company (which is – by definition – equal to the total assets).

The balance sheet shows how much capital is employed in a company, where it comes from (owners, founders or creditors, i. e. how it is financed), and how much it is worth financially. In addition, the balance sheet gives an indication of how quickly assets can be turned into cash so that its liquidity or solvency (i. e. the ability to meet debts) is ensured.

II. Income Statement

The income statement summarises the operations of a company over the accounting period and shows the financial results. While the balance sheet depicts the financial worth (or “value”) of a company, the income statement indicates its income generating power. Only one part of the income generated by the company – namely the profit (or loss) – has an impact on its financial worth, while other parts (which are much larger in most cases) – namely interest paid to creditors and salaries and wages paid to the staff – are not expressed by a change in the worth of the company at the end of the period. If the value of the assets exceeds the value of the liabilities at the end of the accounting period plus the shareholders' equity at the beginning of the period, the company has earned a profit which can be seen in the balance sheet as well as in the income statement.

The income statement compares revenues and expenses.

- ◆ *Revenues* are the *assets* derived from selling goods and services (such as cash or claims against customers). A company can also get assets (cash) from holding interest-bearing debt titles. The interest received is not usually included in the revenues or it is at least clearly identifiable because such income is not related to the actual business (“underlying operation”) of a company outside the financial industry.
- ◆ *Expenses* are the *costs* incurred for the production of the goods and services from which the revenues are derived (such as wages, salaries, raw materials). The interest paid, for example, to a bank from which the company has received a loan, should be clearly identifiable because such expenses are not related to the actual business. It should be noted that *expenses* are not identical to *expenditures*. Expenditure means a cash payment. If a company pays cash for a machine that will be used for four years, it would not give a correct picture of the financial situation if that cash expenditure was considered as a cost only in the year of purchase. Assuming identical utilisation of the machine in each of the four years, only one fourth of the expenditure should be treated as a cost in the first year. Then in each of the next three years, one fourth of the price shall be considered as a cost or expense although there is no expenditure for the machine in the second, third, fourth year. The distribution of the purchasing price over the period of utilisation of an asset is called *depreciation*. Depreciation is cost or expenditure; depreciation is a book entry and not related to payments.²⁰
- ◆ The difference between revenues and expenses is the *profit* (revenues exceed expenses) or *loss* (expenses exceed revenues) for the accounting period. This profit can either be distributed to the owners, or it can be retained in the company.²¹ In substance, this can also happen in a NPO, but the excess of revenues over expenses must not be shown as a profit. Instead of a retained profit, a NPO could show an increase in its operating fund (matched by the acquisition of additional assets) or an increase in activities, in the income of its staff, or in the operating expenses. The need to avoid profit makes is neither an accounting problem nor a serious management challenge, but it makes it much more difficult for outside observers to get a fair picture of the real performance of an NPO.

The income statement is crucial for assessing the profitability of a company and its income generating power. The latter is also relevant for evaluating the performance of non-profit organisations.

²⁰ This does not mean that the payments side should be ignored totally: At the end of the useful life of the depreciated asset, it must be replaced. This might require cash, and a company is well advised either to set aside cash for that purpose or to ensure (e.g. by a bank loan) that it will have access to cash once the (foreseeable) need arises.

²¹ Retained profits increase the reserves of a company. The term *reserves* “is often misunderstood: reserves show where the money came from, not how it has been used. It may exist as cash in the bank, but more likely it will have been used to buy more equipment or to add to working capital, that is, to finance stock and work in progress.”, *Irvin* (1995), p. 40.

III. Cash Flow Statement

A cash flow statement shows the flow of money in and out of a company. It compares the *sources of funds* (cash) – which are the receipts (e.g. from sales or bank loans) – with the *application of funds* – which are the payments. The *working capital* (also called net current assets) is the difference between current assets and current liabilities. During the accounting period, the working capital can increase by receipts which exceed the payments, or it can decrease by payments which exceed receipts. Thus, the cash flow statement shows changes in the working capital of a company. This working capital should be positive because otherwise the company might have difficulties in meeting its (short term) debts.

A cash flow statement is most useful if it is based on projected figures, i. e. if it is a forecast. It can then function as an early warning system with regard (not only) to liquidity problems.

B. Ratio Analysis

Ratio analysis has been developed for the interpretation of the information published in financial statements. This is mainly done by external readers (stakeholders) of the statements. But ratio analysis can also be used for internal controlling and targeting purposes. Usually ratios of one year are compared with the ratios of the company in previous years or with the same ratios of similar companies or industry averages for the same year or for a series of years.

It is customary to distinguish between ratios providing information about the profitability, solvency, liquidity, and efficiency of a company. The evaluation system of ECHO seems to allow the creation of sorts of average ratios for the humanitarian aid industry with regard to solvency and liquidity.

I. Profitability Ratios

Profitability ratios are the most popular ratios for commercial enterprises. HAOs, however, which usually define themselves as NPOs, cannot make any use of these ratios because the numerator of all ratios would be zero by definition.

II. Solvency Ratios

A company becomes insolvent once the total liabilities exceed the total assets. In such a case, the company could not honour all the claims against its assets. The proportion of debt (= short and long-term loans from all sources = total borrowing) to total finance (=

equity + debt) is called *gearing*.²² In the case of an NPO, equity should be replaced by the functional equivalent, e.g. the *operating fund*.

$$\text{gearing} = \text{total borrowing} : (\text{equity} + \text{total borrowing}) \cdot 100$$

Gearing helps to improve the return on equity if the costs of borrowing are less than the return on capital employed. This could induce companies to increase the gearing. However, if revenues fall short of expectation, the gearing (or leverage) effect can turn to the negative: the higher the percentage of loan financing, the higher the interest payments which will compress the return on equity. In order to balance risks and chances, a rule of thumb says that the gearing should not exceed 50 %.

Banks will usually look at more than just the gearing or leverage; they will also calculate the interest cover which relates profits before tax and interest to interest.

$$\text{interest cover} = \text{profit before interest and tax} : \text{interest}$$

This figure shows how often the interest on loans could be paid out of the net profit. As a rule of thumb, problems may arise if the interest cover is less than 2. For a NPO, the profit figure should be replaced by an adequate income figure.

III. Liquidity Ratios

A company must always have enough liquid assets (i. e. cash or other current assets) to cover its current liabilities.

The most important liquidity ratio is the *current ratio* which relates current assets to current liabilities.

$$\text{current ratio} = \text{current assets} / \text{current liabilities}$$

The rule of thumb is that this ratio should normally be between 1.5 and 2, i. e. the current assets should exceed the current liabilities by at least 50 %.

If the financial reports are detailed enough (or if the ratio analysis is used internally), a more precise ratio could be calculated which subtracts those current assets from the previous figure which may be difficult to turn into cash very rapidly (such as unfinished work in progress); the remaining (most liquid) current assets are called *quick assets*, and they are used for the calculation of the *quick ratio*.

²² Sometimes gearing is defined as debt to equity; this is also called "debt to equity ratio". A very similar ratio is the *leverage*, namely capital employed divided by equity.

$$\text{quick ratio} = \text{quick assets} / \text{current liabilities}$$

For absolute certainty, the quick ratio should not be less than 1.0, but under normal circumstances lower figures of up to 0.7 should be acceptable.

Another liquidity ratio – which is quite popular among banks – is the *defensive interval*. It is the division of the quick assets by the daily operating expenses (which external analysts could estimate from figures in the cash flow statement) and provides information about the number of days for which a company could continue to operate if no new liquidity would flow in. The defensive interval varies considerably among industries, but if it is less than 30 days it may become a matter of concern for the banks.

$$\text{defensive interval (days)} = \text{quick assets} / \text{daily operating expenses}$$

IV. Efficiency Ratios

*“Efficiency ratios provide a measure of how much working capital is tied up, indicate how quickly you collect outstanding debts and pay your creditors and show how effective you are in making your money work for you. They also indicate the management efficiency of your business”.*²³ All popular efficiency ratios use sales as a denominator. Therefore they cannot be applied to HAOs without major modification which is beyond the scope of this text.

C. The Relevance for Humanitarian Aid

HAOs which want to enjoy tax privileges or to establish contracts with large public funding agencies such as ECHO need a basic financial reporting system that conforms to recognised accounting standards. While the tax authorities may be particularly interested in the income statement, ECHO analyses the balance sheets in order to assess the financial solidity of HAOs. In particular, balance sheets of HAOs which are new to ECHO will be checked. Since humanitarian missions often have to be pre-financed by the HAOs, ECHO assesses their liquidity situation. Because most HAOs cannot provide a cash flow statement but can draw up a balance sheet, ECHO can examine the ratios, including for example

- ◆ equity (or its equivalent) to monthly expenses,
- ◆ net value of fixed assets to long-term capital,
- ◆ total assets to short term debts.

These ratios are similar to, but not identical with, the standard ratios for commercial firms listed above. One has to take into consideration the specifics of NGOs and HAOs.

²³ Irvin (1995), p. 56.

For example, HAOs probably will not finance their assets to a large degree with borrowed money (i. e. bank loans), and current assets may also be negligible. On the other side, short-term obligations and expenditures will occur (e.g. staff compensation and travel expenses, salaries for local personnel, transport bills, purchase of distributed goods, etc.) so that ensuring sufficient liquidity should be of concern to the HAO. Since the conventional current or quick ratio is not very meaningful, other ratios must be constructed. For example, if the net value of the fixed assets exceeds the long-term capital, some (or most) short-term obligations are backed by valuable assets which may be the basis for pre-financing of ECHO compensations by a short-term bank loan or an overdraft.

If important funding agencies look at such ratios, a ratio or balance sheet policy might become important for HAOs in the future. This may add to tension between the headquarters and field directors; for example, a ratio of equity to monthly expenses will be calculated for the HAO in total and not for each individual operation because the equity is not earmarked for individual field missions.²⁴ If one of the ratios has reached a critical level, it may be better (or even necessary) to choose a course of action which improves the liquidity situation although it may not be the most cost-effective one. If the field director had suggested the most cost-effective action and is now asked by the headquarters to deviate from this, he or she may not understand the reasons and will complain about the ignorance of bureaucrats in the distant headquarters. In order to avoid frustration and unnecessary tension, it might be advisable to develop a consistent and ratio-sensitive system of financial management and to implement it when all decision makers (in the headquarters and in the field offices) have been familiarised with its purpose and function.

²⁴ Irrespective of this, it could be very sensible to calculate defensive intervals for each individual mission.

CHAPTER 8

FINANCIAL MANAGEMENT

A. Public and Private Financing of Humanitarian Aid Organisations

One of the characteristics of HAOs is their dependence on funds from private and institutional donors, as those which come through self-financing, though necessary, are insufficient. These funds are then used to satisfy the needs of other groups. This obliges the organisation to report to their donors with enough information to assure them that their contributions have been well used, thereby attempting to ensure their fidelity as partner-clients. That is to say, some pay and others receive the service.

This situation, which occasionally appears in management literature as a trait unique to this type of organisation, is not so unusual if we keep in mind that, in reality, the donors do receive a service, understood as the “taking care of” those who are the neediest, those who the donors cannot nor know how to take care of. This is not so very different from the situation that occurs when we contract the services of someone to look after a child or an elderly person. In this case as well, one person pays, and another receives the attention; it can readily be seen that the person who pays also receives a service. The example, however, clarifies the authentic difference between these two situations that are, in principle, so similar: the proximity or distance of the recipients of the attention. When the recipients are close at hand, it is simple to verify that the money spent is being employed well, but when on the contrary, the recipients are far away, the only information is that which the HAO provides. This information has to address both qualitative and quantitative aspects (the latter being that which interests us at the moment). Therefore, though there exists a generalised complaint about the loss of freedom that the dependence on some to attend to others implies, the restrictiveness is no greater than that faced by any profit-oriented organisation in the marketplace or in dealing with a typical client. These organisations do not hesitate to invest important quantities of all kinds of resources in order to promote the quality of their goods and services.

We can note an exception, however, in the way information is provided: When the “client” is an institution, the questions of where, when, and how to provide information are answered by imperative, and this may complicate the development of an HAOs activities. On the other hand, it must not be forgotten that access to this type of funding permits the realisation of projects that would be impossible to carry out with exclusively private funding. Whether for this reason or strategic reasons related to independence of

action, the majority of HAOs have established limits on the proportion of public funds as compared to the overall total of funds received.

The following are some of the European Union's financing lines earmarked for HAOs:

- ◆ Line B7-5010 (DG8): "Community Participation in NGO Projects Destined to Underdeveloped Countries".
- ◆ Line B7- 5070 (DG8): "Program of Measures Destined to South Africa".
- ◆ Line L-255 (DG8): "Aid to Refugees, Displaced Persons, and Repatriated Persons".
- ◆ Line B7-302 (DG1): "Aid for the Self-Sufficiency of Refugees, Displaced Persons, and Repatriated Persons in Underdeveloped Countries in Latin America and Africa".
- ◆ Line B7-510 (ECHO): "Emergency Aid to Victims of Catastrophes in Underdeveloped Countries and Others".
- ◆ Other EU lines: Ex-USSR, Food distribution, etc.
- ◆ As for the United Nations:
- ◆ UNHCR.
- ◆ UNICEF.

B. Financial Accounting and External Reports

Each financing entity establishes its own norms for requesting funds and for the presentation of reports. In the case of ECHO, the following items may be financed in accordance with Article 8 of the Partnership Framework Agreement:

- ◆ Forfeit for local and expatriate staff (including salary, social security, insurance, and travel and living expenses) and a forfeit for local and international transport using vehicles owned by the HAO. Both forfeits are calculated for different categories of staff, vehicle types, and countries in which the project is to be carried out.
- ◆ Forfeit for communication equipment owned by the HAO.
- ◆ Goods delivered from warehouse supplies or for imported or purchased goods.
- ◆ The use of stickers with the ECHO logo.
- ◆ Other costs at the amount fixed in the project budget.

ECHO provides as well for two kinds of administrative costs:

- ◆ Direct costs: a percentage applied to non-forfeit items, with a 4 % maximum.
- ◆ Administrative Costs: a percentage applied to non-forfeit items involving the purchase of material, with a 2 % maximum.

Article 8 also stipulates that it is compulsory to present Financial Reports and Operating Reports within the period established by the Operating Contract, which may be monthly, at the end of each trimester, or at the end of the project. A Final Financial Report must be presented, at the latest, within three months of the end of the project.

In the Operating Report, in those cases in which it must be submitted monthly or at the end of each trimester, describes the operation of the project and the circumstances under which it is being carried out. When only a financial report is required, it must include a description of the improved project and its development.

Finally, the Operating Contract stipulates the possibility of advance payments, according to the type of project presented.

C. Management Accounting and Making Internal Decisions

It is not only the need to submit reports to the financing entities, however, that compels organisations to keep a strict accounting; it is also essential for the growth and development of its activities and for the prevention of possible deviations. Moreover, the large majority of organisations have yearly external audits performed, and these would be impossible without a tight accounting system.

As far as internal management accounting is concerned, some of the key concepts of business financial analysis can also be applied to HAO activities, though there are subtle distinctions in their interpretation. The debit side of the balance sheet allows the organisation to control the point to which it receives from public institutions and thus maintain the desired degree of independence. On the asset side, the calculation of Working Capital gives the organisation an idea as to the soundness of its management in terms of payments and collection of payments. With regards to this point, it is perhaps better to make a different interpretation than would be made for a profit-making enterprise. In an HAO, a high level of working capital does not necessarily mean bad financial policy – bad in the sense that expensive funds are being used as current assets or, to state this another way, in the sense of maintaining an inadequate financial structure – but rather that the kind of activity in which the organisation engages may force it to maintain high levels of liquidity in order to run its projects in the interval of time between the concession of the funds and their actual deposit in the organisation's account. It may even allow the organisation to carry out projects without any kind of external assistance.

As for the making of investment decisions, calculations of cash-flow and of profitability threshold are useful for clarifying issues such as the difference between fixed and variable costs and their different implications for the project to which the investment is linked. This kind of analysis will prevent the investment from being a permanent source of expenses for the community it is supposed to help.

Finally, it is becoming increasingly evident that there is a need to carry out project analyses and evaluations. Terms such as efficiency and effectiveness are appearing with greater frequency in the assignment of funds, and there is a growing call for the application of evaluation techniques that will enable institutions to draw conclusions based upon these ideas and assign funds to those projects that provide the best results. Here we enter into the areas of cost-benefit analysis, cost-effectiveness analysis, and cost-utility analysis, whose application to the field of humanitarian aid has only just begun.

CHAPTER 9

DECISION-MAKING UNDER CONDITIONS OF UNCERTAINTY

In the first part of this book, the concept of rationality was used several times without specific definition. In a very general sense, rational behaviour means comparing the benefits and costs of alternative actions and subsequently choosing the alternative that contributes most to the achievement of individual goals. This behaviour can lead to social dilemma situations and is the core of many principal/agent problems. In other cases, rationality just means, appealing to reason and providing arguments which justify certain behaviour or choice of a specific alternative to other people. This may have created the impression that there is always only one rational choice and that rational behaviour may be predetermined behaviour. This, however, is only true when making specific assumptions regarding the circumstances of choice and decision making. The following shall show that, under realistic conditions, a rational man or woman can have quite a wide range of choices which can all be justified by appeal to reason.

This is relevant in particular for non-programmed decisions which have to be taken in ill-structured and novel situations. Such decisions are required most frequently at the top level of management but they can occur at all management levels. Economics and management theory have developed various models of decision making which can be summarised and classified with respect to their basic assumption.

The first group of models assumes *full rationality*, which means in particular that the decision maker

- ◆ is fully informed about all relevant circumstances relating to a decision, i. e. about all possible situations under which a decision has to be made,
- ◆ has full knowledge of the results of each chosen alternative, under all conceivable circumstances and in all possible situations,
- ◆ has unlimited cognitive capacities and unlimited time, so that all the available information can be processed accurately.

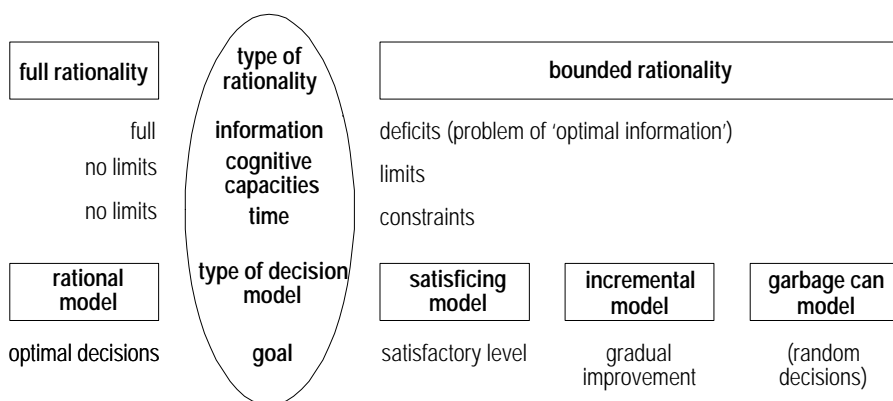
With these assumptions, *rational decision models* have been developed which offer rules for *optimal decisions* under conditions of uncertainty. Uncertainty means that there is one piece of information which is not known to the decision maker, namely which of the possible “states of the world” will materialise after the decision has been taken.

The second group of models assumes not a full, but a *bounded rationality*, which means that they

- ◆ assume that relevant information is not free but must be collected by the use of scarce resources (which gives rise to the question of the optimum level of information), so that decisions can never be made under conditions of complete information,
- ◆ see limits in the cognitive capacities of decision makers and
- ◆ recognise that time constraints have to be observed.

With this in common, various decision models have been developed, such as

- ◆ *satisficing models* which suggest that decision makers should not strive for the maximisation (or optimisation) of goal achievement (which cannot be reached due to limits and imperfections mentioned before) but for a (pre-defined) satisfactory level of goal achievement and that decision makers should avoid costly attempts (such as collection and evaluation of more information) to improve the goal achievement even further,
- ◆ *incremental models* which are of particular relevance for multi-dimensional goal systems and suggest that decision makers strive (continuously) for gradual improvement of a given level of goal achievement,
- ◆ *garbage can models* which raise fundamental doubts about the rationality of any rule and therefore suggest that decision makers make decisions at random.



If there was determinism in decision-making, it would be associated with models of the first group because these usually tolerate only one action (or a specified number of actions) as being optimal, while the bounded rationality models accept that an indefinite number of “rational actions” exist. A simple numerical example shows that, even assum-

ing full rationality, this is not the case because there is not only one, but a whole range of different rules for rational decision-making under conditions of uncertainty which can be compatible with the basic assumptions of a rational model.

Suppose a field director of a HAO has the task to deliver a certain quantity of food items to a remote refugee camp. His only goal is to maximise the quantity delivered, i. e. cost considerations will be ignored in this example. The field director can choose either to deliver the food by truck convoy (alternative 1) or by chartered planes (alternative 2). The director has to make contracts with the truckers or air charter company at least one month before the actual date of delivery. The weather on the day of delivery and in the week prior to delivery is an unknown factor at the time of making the contract. This, however, will affect the quantities that can be delivered:

- ◆ If the weather is fine on the day of delivery and in the week before (situation 1), both trucks and planes can deliver the maximum quantity which may be 225 units by truck and 175 units by plane.
- ◆ If it is raining only on the day of delivery (situation 2), the roads may become slippery so that only 200 units can be delivered by truck. The rain will also hinder the planes so that they can only deliver 140 units.
- ◆ If it was raining for a full week prior to and on the day of delivery (situation 3), the roads may become so muddy that it would be nearly impossible to get the whole truck convoy through; only 25 units can be delivered by truck. For the planes, the situation would be similar; they could only deliver 100 units.

The table summarises the alternatives and the results in units delivered depending on the situation that emerged.

	situation 1	situation 2	situation 3
alternative 1	225	200	25
alternative 2	175	140	100

What would be the rational decision: hire trucks or hire planes? Unfortunately (or fortunately?) there is no predetermined answer to this question. Different decision rules have been proposed and shall be outlined briefly:

- ◆ *Maximin rule:* If the field director wants to be “on the safe side” taking into account the worst situation (3), he or she should choose the alternative which gives the maximum results for the worst possible scenario (mimima). The worst result for alternative 1 is 25, for alternative 2 it is 100. The best of the worst results is 100, so he or she should choose alternative 2.
- ◆ *Maximax rule:* The maximin rule implicitly assumes that the field director is risk averse because he or she only considers the worst case. But as it is completely unknown which situation will emerge, it would be equally rational (or irrational) to only focus on the best case, i. e. to ignore the risk and choose the alternative that gives the maximum for the best possible scenario (maxima). The best possible result for alternative 1 is 225, for alternative 2 it is 175. The best of the best results is 225, so he or she should choose alternative 1.

- ◆ **Optimism/pessimism rule:** The previous rules can be criticised because they implicitly assume that the decision maker is either totally pessimistic or totally optimistic regarding the future. It may be that the field director wants to take the worst as well as the best results into consideration. The optimism/pessimism rule suggests attaching a weight w (optimism index) to the best result of an alternative and a weight $1-w$ to the worst result of that alternative. $w + (1-w)$ should add up to 1 or 100 %. Both the weighted best and worst result will be added together for each alternative and the one that has the highest weighted result will be chosen.²⁵ If the decision maker is indifferent, w and $1-w$ would be 0.5; but suppose the field director attaches more importance to the best results than to the worst. Assuming an optimism index of $w=0.7$, the first alternative will have a weighted result of $25 \cdot 0.3 + 225 \cdot 0.7 = 165$, the second a weighted result of $100 \cdot 0.3 + 175 \cdot 0.7 = 152.5$. Thus, alternative 1 will be chosen.
- ◆ **Average rule (Laplace rule):** The decision rules above can be criticised for not taking all the information that is available into consideration. They ignore the fact that at least one other result (between the best and the worst) is possible.²⁶ Therefore, this rule suggests calculating the average of the possible results for each alternative and to choosing the one with the highest average. This would be $(225 + 200 + 25) : 3 = 150.0$ for alternative 1 and $(175 + 140 + 100) : 3 = 138.3$ for alternative 2, so that alternative 1 would be chosen.²⁷
- ◆ **Minimax regret rule:** The minimax regret rule takes into consideration that people may become frustrated once they realise that they have made a “wrong” decision. If, for example, the field director chose alternative 1 and situation 3 emerges, he or she may regret not having chosen alternative 2 because only 25 instead of 100 units could be delivered. The difference between the best possible result and the actual result (determined by the alternative chosen) can be used as a measure for the intensity of regret. For the example just mentioned, the regret would be $100 - 25 = 75$ units. The table summarises all regret values. The alternative where the maximum possible regret is minimised is alternative 2 so that should be chosen.

	situation 1	situation 2	situation 3
best possible result	225	200	100
regret for alternative 1	0	0	75
regret for alternative 2	50	60	0

The example shows that it is impossible to qualify a given decision as ‘rational’ or ‘irrational’ unless the decision maker’s attitudes towards risks and his or her optimism/pessimism weights are known. From the decision as such an observer cannot con-

²⁵ It should be noted that the weights only express a valuation of results or indicate an attitude towards risk but they do not incorporate any information about the probability of the emergence of the alternative situations. Unless otherwise explicitly stated, all the rules in this chapter assume that all situations are equally probable.

²⁶ It is debatable whether this is a valid point. One could argue that it is rational to base the decision only on results which have a specific qualification and that all available information is used to determine which results do qualify for the final decision and which ones do not.

²⁷ It would be possible to combine this average rule with the optimism/pessimism rule.

clude whether it was based on elaborate calculations or spontaneous inspiration. Spontaneous decisions can be 'rationalised' afterwards by looking for an appropriate decision rule which matches up to the decision taken. Obviously, a principal/agent problem creeps up. If the headquarters of HAOs want 'rational decisions' by field directors in a specific sense, the top management has to give some guidance and decide on the appropriate decision rules in order to limit discretionary leeway of the first-line managers.

CHAPTER 10

LOGISTICS

The term “logistics” is derived from the French expression “*loger*” and originates in military language. In this area logistics stands for securing the forces’ material readiness for duty, transport, accommodation and supply of troops as well as transport, storage and maintenance of military equipment.

Logistics is one of the central decision-making areas within management and of particular relevance for HAOs. As discussed previously, relief organisations are no longer the sole players in the humanitarian market but are being increasingly confronted with other participants. This situation requires all participants in relief activities to analyse their capabilities and their limits, in view of a complementary and efficient performance while looking for co-operative alternatives. In other words, they have to identify their comparative advantages in an increasingly more competitive international market. In the field of logistics, relief organisations have several main options:

- ◆ they may use their own logistical capacities,
- ◆ they may rely on military assistance, or
- ◆ they take recourse to the competence of commercial logistics companies.

Logistical processes deal with transport, maintenance, storage and handling of goods, with the movement of people and with information processing. Objects (including information) are transformed from a primary state into a final state. By doing so, at least one of the factors of time, place, volume and sort will change without the objects themselves changing their characteristics in an undesirable way.

The logistics management in HAOs has to basically fulfil the same tasks as in other enterprises. It is a matter of bringing the right goods and services in the right quantities and qualities at the right time to the right places and – if necessary – distribute them to the right beneficiaries. Parallel to this, an information flow must be organised which provides the relevant data to allow an assessment of the effectiveness and efficiency of the logistic activities. What is required in the commercial world by competition and the market situation, is also relevant for the actors in the humanitarian market, who are accountable to their financiers (public institutions as well as private donors) and to the beneficiaries. Most parameters of general logistics can be easily applied to the field of humanitarian aid. Professionalism and cost-efficiency should, therefore, be considered central aspects of logistic activities. In the end, it is all about who can produce the most well-adapted, quickest and relatively cheapest results in a crisis situation.

Scope and importance of logistic tasks can differ according to the respective projects. However, strategic logistic functions for relief activities can be summarised – regardless of the time component – as follows: (1) procurement, supply; (2) storage, packing, labelling; (3) transport; (4) distribution, communication.

A. Transport

As *transport* represents the most important part of logistics, the other functions will not be discussed here. The term “transport” refers to the shipment of logistical objects. One distinguishes between *internal* transport within an enterprise and *external* transport for the forwarding of logistical objects from the enterprises’ environment into the enterprise or vice versa. Transport is crucial for a smooth and efficient flow of goods and information which is, at the same time, a prerequisite for successful performance.

The necessity of forwarding certain amounts of relief goods, project equipment and personnel to areas far away – which are often not easily accessible or where infrastructure has been destroyed – under extreme time pressure is a major logistical challenge. To aggravate the situation even more, it is hardly possible to apply standard transport models for optimisation because of the large number of and uncertainty in possible operational constellations and also because of a lack of reliable information. However, a thorough examination of possible routes and their access will at least provide an idea about gaps or respective overlap in transport operations.

The decision about which *means of transport* to choose depends on different parameters, e.g. the urgency of an operation, the amount and the volume of goods, the place of operation, the availability of different transport routes, the access to freight capacity as well as the costs, and the project budget.²⁸ Carrying out a project will only very rarely require just one means of transport. More often one has to plan transport chains which must be integrated into a comprehensive logistical concept. With regard to cost optimisation and risk minimisation, transport chains should be organised flexibly and include alternative concepts.

B. Air Transport

It is advisable to use transport by air in relief operations if the area of operation is far away and/or if the region is difficult to reach overland.²⁹ As a rule it is possible to get quite close to the area of operation by air transport. The disadvantages of air transport are the high freight rates, limited loading capacities and dependence on weather condi-

²⁸ Cf. *Davis / Lambert* (1995), p. 112; *Carter* hints at the fact that humanitarian assistance notwithstanding its many valuable advantages can be more than the local infrastructure can cope with. This may lead to further operational complications. Cf. *Carter* (1991), p. 281.

²⁹ The short transportation time by air does not apply to shorter distances but applies only to medium and long-term flights, because the actual flight represents only 10% of the overall transportation time. The other 90% has to be calculated for transport to the airport, handling, customs etc. Considering this, air transport will only be advantageous for overseas operations. Cf. *Oeben* (1995), pp. 31-32.

tions and landing facilities. For these reasons, air transport is mainly used for highly urgent cases when, for example, cost-intensive or perishable goods, medical instruments and low-weight materials have to be forwarded, or if transport by other means is not possible.

As relief organisations do not normally own aeroplanes, they depend on placing orders with a third party. Through this, they become dependent on the companies and institutions which are handling the air transport. If, in the case of an emergency, all relief organisations want to have access to cargo space at the same time and therefore obtain quotations from several commercial enterprises, false demand will be generated which will force up prices on the spot market.³⁰ In this case, relief organisations have extensive potential for co-ordination amongst themselves. Contracts for joint provision or at least arrangements for particular cases could defuse this logistical bottleneck. But instead, a kind of “lone wolf mentality” is still predominant and logistical co-ordination seems out of the question. Commercial logistics companies have made efforts to promote available consolidated consignment capacities to various relief organisations in order to gain more efficient utilisation of airfreight capacities and, by doing so, reducing charges. They contacted relief organisations directly but got a 99 % negative reaction.

There are different ways to get access to air cargo space:

- ◆ *Scheduled flights:* Apart from their limited freight capacity, scheduled flights to trouble spots are often strongly restricted and cancelled early for security and political reasons. Because of necessary and expensive logistical facilities for ground handling and clearance, scheduled flights mainly serve the international airports in the capital region only. This limits the area directly covered. If the actual area of operation is too far away from an international airport, further trans-shipment is necessary and can become difficult. Moreover, capital and airport zones are often particularly exposed to military attacks. However, scheduled flights offer, as long as they can be used, functioning handling and clearing facilities at the target airports, which is an essential asset.
- ◆ *Charter flights:* If forwarders or other specialised agents are asked to organise charter flights it must be made clear in advance if they are prepared to actually carry out the transport right up to the target airport in the troubled region. If there are security risks, commercial pilots of most nations, for example, can refuse to fly. Another problem is airport access in the operational area. Although the organisation of handling, clearing etc. is the responsibility of the contractor, priorities concerning the assignment of takeoff and landing clearance (for example priority for international organisations etc.) might exist. It could also be disadvantageous that the ground handling of charter flights often takes a long time because most corporations do not have local ground personnel and because the local authorities might not feel responsible for the handling. This would require that local field staff negotiate with the authorities. The collapse of normal ground handling organisation also poses a high risk for the security of the delivered material.³¹ In general, charter flights are more flexible

³⁰ Cf. Carter (1991), p. 280.

³¹ Cf. Eade / Williams (1995) p. 964 and Davis (1995), p. 113.

and can be directed, as far as this is in accordance with local laws, to the airport next to the area of operation. In the case of larger disasters, UN or other international relief organisations have established airlifts in order to secure food supply, or even rescue some of the local population. Whether other (smaller) relief organisations are able to make use of airlifts or airbridges depends on the planning of the initiators. It goes without saying that participation in an airlift only makes sense if the place of on-loading the relief goods is close enough to where the participating relief organisation is based.

- ◆ *Military flights:* The utilisation of military freight capacity can be a solution if all other possibilities have been exhausted, no planes are available on the market, or the local security situation requires military protection. Whether military transport services are cost-effective has been recently put to question.³²

C. Road Transport

Road transport offers the greatest flexibility with regard to capacity, scheduling and routing. Using the road network, larger amounts of goods can be transported directly to the area of destination. This applies to transport right from the place of dispatch, or from the airport/seaport next to the area of operation. Usual mode of transport is by truck. One advantage of road transport for short and medium distances is the relatively short transportation time. However, this advantage is relative to the number of frontiers which have to be crossed (requiring customs formalities etc.). In addition, in some countries trucks are not allowed on the roads at night-time or on Sundays, and other transit regulations may exist which can have an unfavourable impact on the forwarding time. Concerning the specifics of such formalities, commercial firms, especially forwarding companies are much better informed than most HAOs because they can fall back on extensive networks and sophisticated logistical systems. Furthermore, road transport needs less packaging than, for example, seafreight and offers flexible disposition.³³ But dependency on weather conditions and traffic flow and – in the case of convoys – reduced driving speed can represent detrimental effects.

While some years ago it was still customary for most of the relief organisations to operate their own truck park for relief purposes, substantial economic cuts have recently been made. Most of the fleet has been sold and, instead, commercial contractors have been increasingly used. Even if some organisations which focus not only on humanitarian aid, but also on national disaster relief, civil defence and social services are still keeping vehicles for these purposes, these trucks are not suitable for an operation abroad, particularly outside Europe.

With regard to transport chains, the problem of how to procure means of transport for bridging the distance between sea or airport and the site of operation must be solved. Only in exceptional cases would vehicles for trans-shipment purposes be sent from abroad. Usually they have to be bought or rented locally. Here, too, supply and demand

³² Cf. *Minear / Guillot* (1996).

³³ Cf. *Davis* (1995), pp. 114 f.

determine availability and price. Particularly in disintegrating states, one has to expect bottlenecks. If necessary, means of transport could also be procured in neighbouring regions/countries. When making decisions about buying or renting vehicles, one should also consider whether it is better to leave the vehicles behind after the operation is completed or to ship them back. Due to the extraordinary wear and tear during operations in the field, vehicles quickly lose value and are normally left behind.

D. Seafreight

Seafreight transport has a considerable advantage over air transport in relation to transportation costs. In contrast to air transport, extensive capacity can always be offered, even in the case of increased demand. For this reason, there is the potential for only moderate price increases. But the advantage in costs will often be offset by a longer timeframe for cargo handling and customs clearing, notwithstanding the additional costs which are necessary to trans-ship the goods from the port of destination to the actual area of operation.³⁴ Particularly in disintegrating states, this last part of the route can represent the weakest link in the logistical chain. Either by lack of infrastructure or due to the increased risk of armed attacks etc. can the sustainment of the target area be at risk. But the main disadvantage of sea transport is its long transportation time.³⁵ However, this must be put into perspective when it comes to larger transport volumes and the forwarding of non-urgent goods. Aeroplanes, given their small loading capacity, may need to make numerous flights and, due to this, can take as long as sea transport for the delivery of the total quantity. It may be inevitable at the beginning of an operation that the vital goods reach the field as fast as possible, but for the sustainment of continuing projects, shipping can be a useful alternative. This applies particularly to operations within Europe.³⁶

E. Railway Transport

In humanitarian aid, trains are only used in exceptional cases. Firstly, this is due to inefficient local railway networks. Furthermore, in disintegrating states in particular, infrastructure may have been partly or completely disrupted and the railway transport may not work. In addition, because railway networks can easily be interrupted, railway transport can be quite risky.³⁷

³⁴ Cf. *Eade / Williams* (1995), p. 963 and *Müller* (1997), p. 2.

³⁵ Cf. *Oeben* (1995), pp. 39 ff. and *Davis* (1995), p. 112.

³⁶ The total transport for the German IFOR/SFOR contingent in Croatia and Bosnia-Herzegovina was, for example, carried out by ship.

³⁷ *Eade / Williams* (1995), p. 968 emphasise the necessity of thoroughly examining the reliability of the railway network in the country of operation before deciding on its utilisation.

F. Logistics: Interrelations and Interactions in Humanitarian Aid

HAOs as well as commercial logistics companies have very different objectives and structures. This, however, is not a disadvantage but offers a wide range of possibilities for co-operation and division of labour. For this reason, the various roles of the humanitarian actors may differ considerably. But this does not exclude summarising the potential strategic competencies which could complement each other.

I. Core Competencies

HAOs have a key function regarding the organisation and co-ordination of relief projects. They act as important intermediators between donors and recipients. This ability, combined with their experience in the acquisition of funds, is something unique from which other participants can learn. With regard to carrying out relief projects, the organisations are able to integrate their specific knowledge as well as their local and field experience into the concept. Strategic and tactical planning, information management, drawing up concepts and co-ordination of the actual operation are their special strengths. Where logistics is concerned, the relief organisations should view themselves rather as co-ordinators than as executing bodies. Although a characteristic operational potential belongs to the unmistakable image of an organisation, the logistical aspects should be systematically put into the hands of commercial contractors.

1. Volunteers

Obligations from organisations' non-profit structure may be a hindrance to this kind of outsourcing strategy. The use of volunteers in field operations, for example, is a very controversial subject. While some agencies consider volunteers necessary and cost-effective, others view them as actually being more expensive than qualified full-time workers due to their lack of professionalism. However, because supporting volunteers is part of the (financial) core of many organisations, it is an unwritten law in relief work that volunteers' motivation must be kept up by involving them in field operations, for example in road transportation tasks. This, of course, would not be possible if external contractors are used.

2. Military Forces

In contrast to the choice regarding the utilisation of commercial services by organisations in humanitarian aid, it is not within the power of HAOs to decide on the involvement of military force. This decision is made by donor institutions under consideration of political aspects (with the consent of the authorities – as far as they exist – of the recipient

country).³⁸ In the field, relief organisations and military forces have to co-operate, whether they want to or not. Unfortunately, instead of co-operation, their behaviour is often characterised by prejudice rather than openness.³⁹ Even though necessity is the mother of “collaboration”, the difference in military and humanitarian institutional culture represents a major hindrance. The military works under a clear-cut hierarchical command structure, with set guidelines and strict control. They are drawn between their normal purpose of using force to neutralise or defeat an opponent, and the objective of providing humanitarian assistance, that is, working to support disaster victims. As relief organisations have a different approach, some of them may be unwilling to associate with the military as they may be seen as exercising too much control over relief operations, compromising relief organisations’ policies on involvement with government, or even as creating significant risks in making relief organisations liable to attacks directed at the military.⁴⁰ It is therefore important to clearly define how and under which conditions military and humanitarian mandates could interact in relief operations, particularly in disintegrating states.⁴¹

Military and HAOs in Albania

An example for the contrasting approaches of relief organisations concerning the use of military support can be found when comparing ICRC’s and WFP’s different logistical concepts during the Albanian crisis in the first half of 1997. As the use of military resources does not conform to the ICRC’s claim for neutrality and impartiality, they decided to deliver relief goods in small (in order not to become a target for armed attacks) but regular quantities without military escort. Even so, they preferred to supply very remote, insecure areas where other organisations did not go. The WFP, however, imported large amounts of food at irregular time intervals and attached great importance to being accompanied by the international protection troops while delivering the relief goods mainly to town areas considered to be rather safe. With regard to procurement and the involvement of local structures, the ICRC tended to make itself as independent as possible from local markets and local contractors by purchasing food and relief items in neighbouring countries and utilising national Red Cross structures wherever possible. On the other hand, WFP obviously used local entrepreneurs for transport operations while importing most of the food and relief items from abroad (Italy etc.). The two completely different concepts, however, supplemented each other and a certain (and necessary) division of labour became obvious.

³⁸ Cf. Brodersen (1996), pp. 51 f.

³⁹ Cf. Minear / Guillot (1996), p. 27.

⁴⁰ Cf. Kelly (1996).

⁴¹ Cf. Minear / Guillot (1996), pp. 148 f. Some positive tendencies are already discernible. Minear and Guillot highlight the fact that, in Somalia, military forces and relief organisations still tended to see each other as competitors instead of noticing their mutual advantages. But in Rwanda and Zaire, a complementary approach with an emphasis on co-ordination and collaboration was perceptible.

Although relief operations are not the main task of the military, they can, particularly if there is a difficult security situation, contribute to supporting of concepts of humanitarian assistance in a reliable way, or at least, can provide a framework for project realisation. Their strongest point is their ability to work in crises and war situations, fostering a secure environment, protecting humanitarian workers and goods and ensuring that relief aid reaches the recipients. Specifically, their fields of activity range from surveillance and monitoring, preventive stationing, the creation of protected aid corridors and the protection of relief goods' convoys to the provision of communication technology and logistical support like demining and pioneering work for rehabilitation. Due to their extensive self-sufficient logistical stand-by capacities, military forces can do a good job especially in the first period of a crisis where massive aid is required which the other humanitarian participants cannot provide as quickly and comprehensively. In this respect, military forces can be a useful complement to the other players. This is particularly true for short and medium-range flights between airports and seaports in the country of destination and the actual area of operation, also taking into consideration their experience with airlift and special techniques like airdropping. However, concerning the use of military forces in humanitarian assistance, it is most important that at any given time there are clear and unambiguous mandates, and that they are part of comprehensive relief concepts and there is mutual willingness for co-operation as is shown in the case of the UN service packages. Another positive aspect is the time limit for all military operations, therefore requiring a clear exit strategy, something which is lacking in some of the relief organisations' concepts, representing a considerable weak point in their planning.

II. High Costs of Military Logistics

A major disadvantage of using military forces in humanitarian aid is the high costs of their operations. After humanitarian operations like those in Somalia, Cambodia, Bosnia and Rwanda, it was ascertained that, in general, relief operations with the participation of military forces are considerably more expensive than without. In this respect, consideration must be given to whether the costs of military support exceed their actual value. By doing so, it makes a great difference if one only calculates the *incremental costs*, "*the additional costs incurred by the military as a result of taking on specific humanitarian assignments*",⁴² or if one takes the *overall costs* of an operation not only including overheads, but also fixed costs for personnel, equipment, maintenance etc. Commercial contractors are often able to undercut these prices⁴³ although a direct comparison is not easy to make because there are only very few analyses concerning this issue.⁴⁴ Corporations usually work in a project-related manner and gain access to the required resources at short notice profiting

⁴² Minear / Guillot (1996), p. 38.

⁴³ The Rwanda Report mentions the example of airlifting which a commercial contractor is able to carry out 4 to 8 times cheaper than the military; cf. *Steering Committee of the Joint Evaluation of Emergency Assistance to Rwanda* (1996), p. 61 and p. 67 (annotation 22 offers an actual example).

⁴⁴ Cf. *Steering Committee of the Joint Evaluation of Emergency Assistance to Rwanda* (1996), p. 61; Minear / Guillot (1996), p. 38, Kelly (1995), p. 26.

by their experience and flexibility. But in the case of a massive demand like in Rwanda in 1994, they too were often unable to cope on their own.⁴⁵

Nevertheless, while relief organisations have their own materials in storage or use the above-mentioned contractors, military forces are not as flexible. This is, *inter alia*, due to their higher safety standards and highly sophisticated and costly equipment.⁴⁶ The full self-containment of the military which can be seen as an advantage in the very beginning of an emergency situation, may turn out to be inflexible and be viewed as a hindrance later on.

III. Efficiency of Commercial Contractors

For the time being, commercial contractors still play a rather limited role in the project logistics for humanitarian operations. However, in future this may change when relief organisations will increasingly make use of professional *outsourcing* concepts. Especially when it comes to logistics, commercial contractors in humanitarian assistance offer complete coverage. They benefit from the most modern technology and networking opportunities which enable them to utilise synergetic effects, that is the organisation of transport chains as well as tracking and tracing systems which keep track of the whereabouts of a delivery at any given time. Other advantages of specialised corporations which have not yet been utilised by many relief organisations are offers for joint storage facilities, consolidated consignments or even the possibility of the complete outsourcing of logistical functions. On the other hand, the main risk of co-operation with private contractors lies in the fact that several of them are not prepared to operate in insecure environments. Clear-cut conditions and contracts are necessary although they are no guarantee for actual performance. But not all contractors have reservations about working in war or crisis regions. As the Rwanda case has shown, there are firms which are more prepared to take risks and act more flexibly. But, by doing so, they also enter the military sphere, where overlap may occur.

Problems and fear of contact also exist between the commercial sector and HAOs, again due to their different entrepreneurial, or rather institutional cultures. While relief organisations lay claim to a kind of moral monopoly, private companies lay claim to efficiency. It is basically all about the question "*When is caring good business, and when is good business really caring?*"⁴⁷ But meanwhile, there is no longer any clear-cut dividing line as the morals of many relief organisations are being subordinated to an increasing dependency on public funding. On the other hand, private contractors are not solely entitled to efficiency and sometimes overrate their understanding of relief work.⁴⁸

⁴⁵ Cf. Minear / Guillot (1996), pp. 150 ff.

⁴⁶ The strict security guidelines of military forces are often a hindrance in co-operating with relief organisations. Cf. Minear / Guillot (1996), p. 150 and p. 160. Above that, the military equipment though technically perfect may not always be suitable for an operation in a crisis region outside of Europe. This is particularly true for means of transport.

⁴⁷ Kent (1996).

⁴⁸ Cf. Kent (1996).

The slogan of the “new partnerships” between different participants in the humanitarian market should stand positively for the search for creative, unconventional solutions which will lead to more efficiency in relief work.

Relief Organisations and Commercial Contractors

Working relationships between CARE and the corporate sector go back a long time. Even after World War II, corporations joined CARE in providing CARE packages for Europe and then Asia. Today, CARE maintains several alliances with the private sector and “*is moving from philanthropy to partnership with its corporate supporters*”.⁴⁹ One of these alliances is a partnership with Cable & Wireless plc, a corporation which mainly works in the telecommunications sector. The company teamed up with CARE to develop specialist telecommunication kits for use in emergency situations. This development reflects a certain trend. The relief organisations’ interest in communication technology has rapidly grown in accordance with the increase of complex emergencies where conventional means of communication are not sufficient anymore due to, for example, the disruption of local infrastructure.⁵⁰

The portable kits contain radios, chargers and satellite telephones and can be dispatched immediately anywhere in the world. In this case, the expertise of a commercial contractor has contributed to the improvement of the emergency response capacity of a relief organisation. The benefit for the company is the further development of its already large pool of expertise through its field experience with CARE. By this, it can strengthen its market position as a competent supplier of wireless emergency response units and, at the same time, test and adapt its core products under utmost demanding conditions.⁵¹

IV. Local Partners in Logistics

Flexibility also applies to local contractors. There are good reasons for working in a participatory way and for involving local entrepreneurs as much as possible in the logistical process. Firstly, they are considerably cheaper than foreign companies (this margin does not count much if they work as subcontractors to foreign private contractors, of course), secondly, a target-oriented fostering and support of local private sector structures could result in an increasing professionalisation in, for example, the transport sector, or other logistical fields. Ultimately, this will lead to a more efficient local performance and, in doing so, could have a positive impact on the local economy.

A major problem for humanitarian assistance which is likely to occur, particularly in disintegrating states, is the establishment of parallel structures.⁵² *Frederick Cuny*⁵³ de-

⁴⁹ Nelson (1996), p. 220.

⁵⁰ Cf. Sudduth (1996). The increased interest in co-operation in the communications technology sector was also reflected in several expert interviews.

⁵¹ Cf. Nelson (1996), pp. 220 f.

⁵² Cf. also Stirn (1996), pp. 96 f. and pp. 311 f.

⁵³ Cuny (1983), p. 97.

scribes a relief or rehabilitation program as “*essentially an economic system superimposed on a community that has been affected by a disaster.*” These “new” economic systems which have been established in the form of logistical structures and relief goods still (or again) bypass in many cases existing local structures like marginal farmers, small shops, suppliers or transport firms. In this respect, foreign aid becomes a competing economic system which makes it more difficult for those concerned to recover economically and, instead, is creating dependencies.⁵⁴ Competition is, of course, not always destructive, but prospects are rather bad for the local private sector if they are competing with the compact relief aid imposed by humanitarian participants.⁵⁵

⁵⁴ Cuny (1983), p. 99 speaks of a so-called “*disincentive chain*”.

⁵⁵ Cf. Cuny (1983), p. 131 and Stirn (1996), pp. 78 f. and pp. 94 f.

CHAPTER 11

MANAGEMENT OF HUMAN RESOURCES IN HUMANITARIAN AID

A. Introduction

All organisations rely on people, but people are frequently the resource to which the least attention is paid. This is especially true when we consider humanitarian organisations (service organisations oriented towards victims or beneficiaries). The principle, “*People working with people for people*”, which should be applicable to any HAO, expresses the need for people to be at the centre of organisational attention.

Discussing human resource management in this field can be difficult, given that traditionally, many terms are used to define the different ways in which people participate in HAOs. Two of the most important terms are “temporary volunteers”, who do not receive a salary or any kind of economic benefit, and “professional staff”, who do receive economic compensation for their work.

This distinction leads to the development of different human resource policies, based on different conditions of hiring, stability, responsibility, training, and the relationships that both groups have with the organisation and with each other.

It can be argued that the distinction between volunteers and professionals is important only if the administrative structure of human resource management is rigid, traditional, and inwardly oriented. A modern HAO must be open, flexible, and oriented towards the attainment of its organisational objectives and towards the satisfaction of the needs of people, both internally (those who work within the organisation) and externally (victims or beneficiaries). Thus, the objective of human resource management must be the effectiveness and the efficiency of its personnel in carrying out the organisation’s humanitarian aid services.

In this respect, the quality of the aid given must not be compromised by the different contractual relationships an organisation may have with its staff, as it is of no concern to the victim or beneficiary whether the person providing the aid is a paid professional or an altruistic volunteer. In all likelihood, the only thing he or she wants is to be helped and for assistance to be given quickly and effectively.

From this point forward, both to avoid confusion and to focus on a single concept defining objective-oriented personnel, we will use the term “humanitarian worker” to

designate all personnel who possess the knowledge, skills, and attitudes necessary to carry out a specific job within an HAO.

B. Organisational Culture and Identity

The management of human resources must contribute to the definition, communication, and development of an organisational culture and identity, which are nothing more than the translation of the organisation's strategy standards of values and behaviour. These in turn clarify how individual behaviour can be harmonised with that of the organisation. Sharing a common organisational identity is necessary not only to avoid the negative effects of low internal cohesion, but also because, in the positive sense, this identity:

- ◆ Motivates workers and helps them work more intelligently.
- ◆ Promotes greater personal commitment, involvement, and loyalty.
- ◆ Facilitates the recruitment, promotion, training, and management of workers.
- ◆ Creates greater confidence and capacity for co-operation among workers.
- ◆ Increases their ability to resist stress and frustration.

Humanitarian workers who identify themselves with the culture of their HAO find more meaning and have a greater feeling of accomplishment than those who do not feel this identification. The sensation that they are "*doing something worthwhile*" is what gives them a sense of mission, and this is probably the most important element of intrinsic motivation for an HAO.

The identity of the organisation is itself modified through the influence of its humanitarian workers in the field, as the strong pressure to which they are sometimes subject may lead them to act in ways that give rise to organisational dysfunction limiting the effectiveness of the HAO⁵⁶. The less consensual the organisational culture, the more this dysfunction will disrupt the operation of the organisation, and, conversely, the higher the level of cohesion in organisational culture, the less effect these dysfunction will have on effectiveness. This is what makes organisational culture and identity so important for human resource management.

C. Recruitment and Selection of Humanitarian Workers

Broadly speaking, it could be said that an HAO is as good as the team of people that it is able to bring together, motivate, and guide to the attainment of the objectives it has set for itself.

Humanitarian aid is increasingly difficult and complex, and it demands increased specialisation, which in turn implies the development of systematic worker selection processes. Moreover, selection based on objective criteria, as well as being much more respectful of potential humanitarian workers, demonstrates the HAOs efforts to objectify its needs, goals, and resources, and expresses the importance to the organisation of its

⁵⁶ Based on *Walkup* (1993).

workers and of those to whom the aid is given. Objective selection also has other advantages:

- ◆ It better guarantees equal opportunity.
- ◆ It permits the HAO to identify those people whose profiles best fit in with its culture.
- ◆ It increases the probability of satisfying the needs of the worker and of the HAO.
- ◆ It decreases the possibilities of error in and lowers the cost of the selection process.
- ◆ It reduces the possibility of turnover, be it through worker changes or dismissal.

Whether in an HAOs headquarters or in the field, the process of organising and systematising the selection of humanitarian workers implies a series of steps which are briefly described below:

1. *Needs Analysis* of the organisation, its workers, and its beneficiaries. These needs may be defined through the analysis of:
 - ◆ Problems with, and plans for development, improvement, and future activities.
 - ◆ The future evolution of objectives, methods, and techniques in humanitarian aid.
 - ◆ The expectations of humanitarian workers and victims or beneficiaries.
2. *Job Description*: probably the most difficult question. The following elements must be kept in mind:⁵⁷
 - ◆ *Job Title*.
 - ◆ *Organisation Chart*: indicates the job's position within the organisation and identifies which positions it is responsible to and which it has responsibility over.
 - ◆ *Objective*: summary of the objective or purpose of the position.
 - ◆ *Decision-Making Autonomy*: what decisions the worker has the power to make.
 - ◆ *Level of Responsibility*: for finances, people, supplies and equipment.
 - ◆ *Consequences of Errors*: indication of the probability of mistakes and their relative importance.
 - ◆ *Training and Knowledge Required*: education, languages, computer skills, etc.
 - ◆ *Experience*: in what positions and organisations and for how much time.
 - ◆ *Adjustment Time*: amount of time necessary for a person to adjust fully to the requirements of the position.
 - ◆ *Duties and Principal Tasks*: such as control, management, planning, etc., including a list of duties and their proportionate frequency or completion time.
 - ◆ *Human Relations*: interpersonal or hierarchical relationships.
 - ◆ *Work Environment*: physical conditions and health issues.
 - ◆ *Risks*: estimation of the risks of illness or accidents.
3. *Establishment of a Candidate Profile* based on the position to be filled:
 - ◆ *Objective Characteristics*: age, sex (gender can be important for work within certain countries and cultures), experience, training, languages, computer skills, etc.
 - ◆ *Personality Traits*: definition of vital and secondary personality and character traits that the ideal candidate would possess, including at least three important

⁵⁷ Based on a synthesis of the work of McCurley/Lynch (1989), Pereda (1993) and Ansorena (1996).

areas: interpersonal relations, mental processes, and the area of energy, anxiety, and emotions.⁵⁸

4. **Candidate Recruitment:** There are various ways for an organisation to make its recruitment needs known to the market of potential humanitarian workers:
 - ◆ Personal contacts, databases, other humanitarian workers.
 - ◆ Telephone searches, notices, mailings.
 - ◆ External consultancies.
 - ◆ Mass-media advertisements (newspaper, radio, TV, Internet).
 - ◆ Professional associations, professional training centres, universities.
5. **Preselection of Candidates:** An analysis is made of the initial possibilities that each candidate has of fitting the job profile, until a total of 12-15 candidates have been identified for each position.
6. **Application of Objective Tests:** As there are very few occasions in which it is possible to observe the candidates “*in situ*” in order to predict their aptitude for humanitarian aid work, the organisation must rely on Achievement Tests (tests similar to the work to be realised) and Character and Personality Tests.
7. **Personal Interview:** This is the core of the selection process. To summarise *McCurley and Vineyard*,⁵⁹ the following points should be emphasised:
 - ◆ “Fluency and ease in the answers to questions about qualifications and work history.
 - ◆ Communication skills.
 - ◆ Level of enthusiasm and involvement.
 - ◆ General attitudes and emotional reactions.
 - ◆ The type of questions asked about the organisation and the position.
 - ◆ Interests and hobbies.
 - ◆ Flexibility, maturity, and stability.
 - ◆ Preference for working alone or in groups.
 - ◆ Level of self-confidence.
 - ◆ Sense of humour.
 - ◆ Real understanding of the organisation’s mission, purpose, and ‘clientele’.
 - ◆ Length of time in previous jobs and voluntary experiences.
 - ◆ Reasons for coming to the organisation.
 - ◆ Need for control, perfection, success, influence, approval, etc.”

A standard interview structure, whenever conditions permit, might be similar to that formulated in *Vicente*:⁶⁰

 - ◆ *Greeting and introduction.*
 - ◆ *Expression or purpose of the interview.*
 - ◆ *Exploration of the candidate’s educational background.* Motives for the choice of studies, relationships with classmates and teachers, satisfaction or not of expectations.

⁵⁸ *Saville et al. (1984).*

⁵⁹ *McCurley / Vineyard (1986), p. 33.*

⁶⁰ *Vicente (1996).*

- ◆ *Exploration of work history and experience.* Activities related to humanitarian aid, duties and responsibilities, objectives attained, techniques and resources used, etc.
 - ◆ *Exploration of interests, motivations, and preferences.* Why do you want to be a humanitarian worker? What do you know about this organisation? What do you expect from the organisation? What are you prepared to give?
 - ◆ *Exploration of abilities, areas of competence, and possible deficiencies.* Strengths and weaknesses that may facilitate or hinder job performance.
 - ◆ *Exploration of possible training needs.* Training necessary for the position.
 - ◆ *Languages.* Tests of reading, writing, and speaking abilities.
 - ◆ *Availability.* How much time is the candidate prepared to dedicate to the HAO? Is the candidate available for travel?
 - ◆ *State of health.* Illnesses, accidents, resistance to disease, etc.
8. *Making the Decision:* By using the double-entry chart technique, each candidate may be compared with the objective factors and personality traits of the Ideal Candidate Profile, and on the basis of this, a decision can be made as to which candidate best fits this profile.
9. *Selection in the Field:* In the field or in emergency situations, the guidelines of UNHCR⁶¹ may be used to select volunteers among the refugees or victims: “Before hiring staff from among the refugees, it is essential to consult a wide range of refugees in the community in order to ascertain what type of person might be appropriate. The following factors may be important:
- ◆ Age, sex, previous work experience, ability to read and write in the refugees’ language, ability to read and write or at least speak a common language with expatriate staff, education and training, social position. [...]

It is important that refugees who are to work within the community:

- ◆ Be accepted for their honesty and trustworthiness by the other refugees.
- ◆ Have good judgement.
- ◆ Care about the needs of other refugees.
- ◆ Show signs of initiative.
- ◆ Be capable of communicating easily with the refugees as a group.
- ◆ Have good listening abilities.
- ◆ Have a pleasant personality.

It is also important that those hired intend to stay in the area for the foreseeable future. Those who have a higher education are frequently the first to resettle or to look for better opportunities elsewhere.

The victims of natural or man-made catastrophes should participate whenever possible in the selection of personnel. This involves finding those people who are respected by the community of refugees or victims, explaining what the work consists in, and encouraging them to take part in the selection of aid workers.”

The workers’ character and personality features have to be strengthened with priority to the technical and languages competence, or experience. The latter can be

⁶¹ UNHCR (1991), p. 95.

improved with training, but a good worker's personality is very difficult to be changed.

D. The Profile of the Humanitarian Worker

There is no single profile for a humanitarian worker, but *McCurley and Lynch*⁶² give five characteristics common to long-term volunteers (in the author's terminology):

1. "Dedication to a cause or organization and a strong feeling of membership.
2. They are generally recruited because they approached the HAO or through internal promotion.
3. They tend to adjust their work (in content, duration, and energy) in order to achieve a more efficient contribution. They tend to be multifaceted and generalist.
4. Their motivation is as much one of membership as of results, and often, the best way to recognise their labor is to give them greater opportunities to commit themselves further to the cause.
5. The key to working with these volunteers is to think with them, as partners in a team effort."

Similarly, based in *Vicente*,⁶³ there are some personality traits that stand out :

1. Perseverance and the capacity for work.
2. Inter-personal and inter-cultural communication skills.
3. Lateral-thinking abilities.
4. A positive, democratic, and participative attitude.
5. Commitment to the organisation and its aims and to people.
6. Resistance to fatigue, frustration, and stress.
7. Self-control and the ability to manage people and situations.
8. Decision-making abilities, dynamism, and initiative.
9. Selflessness and service to others.
10. Honesty, responsibility, and positive social values.

Being an HAO worker calls for steadfastness, endurance, and a capacity for work more than for dreams and romantic ideals. For the benefit and respect of everyone involved (workers, HAOs, victims, financing partners, etc.), it is important to carefully identify the real motivations and energy of a potential humanitarian worker. *De Felipe and Rodriguez*⁶⁴ offer an interesting reflection of what leads some people to feel solidarity, summarised as follows:

- ◆ *Feelings of Guilt*: the objective of their action is to free themselves of this guilt.
- ◆ *Feelings of Superiority*: clearly paternalistic, having nothing to do with true solidarity.

⁶² *McCurley / Lynch* (1989), p. 19.

⁶³ *Vicente* (1996).

⁶⁴ *De Felipe / Rodriguez* (1995).

- ◆ *An Inferiority Complex*: causes the person to seek social recognition.
- ◆ *A Sense of Responsibility*: feelings of responsibility for the existence of injustice and evil.
- ◆ *Altruism*: excessive and unrealistic.

We might add a few more to the list based in *Vicente*.⁶⁵

- ◆ *Maladjustment*: the person is seeking social acceptance through personal adaptation.
- ◆ *Frustration*: causes a person to fight *against* and not *for*.
- ◆ *Pathological Identification* with the victims: the underlying fantasy is that by saving others, the person will save himself or herself.

De Felipe and *Rodriguez* propose an integrated definition of solidarity for the recruitment of stable, mature volunteers (humanitarian worker in this text):

- ◆ Solidarity should guide us from feelings (the emotional component) to reason (the cognitive component) and, from there, to action (the behavioural component).
- ◆ Solidarity is universal, reaching out to every person or group of people.
- ◆ Solidarity is reciprocal and mutual, received as well as given.
- ◆ Solidarity is radical; it goes to the roots of injustice, searching out its causes and solutions.

E. The Training of Humanitarian Workers

Victims of disasters and other beneficiaries do not just need the goodwill of the humanitarian workers who assist them – they need professional competence as well. Therefore, the training policy of every HAO should be directed towards satisfying the needs of victims or beneficiaries and this requires a continuous process of worker training and re-training.

Training objectives should comprise the totality of the person, including his or her:

- ◆ Knowledge and values.
- ◆ Practical abilities and skills.
- ◆ Attitudes and emotions.

As *Urgell*⁶⁶ indicates, the training program should include theoretical elements (scientific knowledge), normative elements (law), practical elements (techniques), ideological elements (organisational culture), and attitudinal elements (modes of behaviour).

We can likewise identify four levels of training:

- ◆ **Initial Training**: to instil knowledge of the HAO and its culture.
- ◆ **Specific Training**: to enable workers to carry out a certain activity.

⁶⁵ *Vicente* (1996).

⁶⁶ *Urgell* (1995).

- ◆ **Specialised Training:** to enable workers to realise those activities which require a higher level of technical knowledge.
- ◆ **Continuous Training:** to maintain and increase the worker's level of knowledge.

In identifying its training needs, whether for re-training or for the training of new workers, the HAO must take into account, according to *Le Boterf*,⁶⁷ the following:

- ◆ The difference between what the worker should be doing and what he or she really does do.
- ◆ The difference between the professional profile required and the real profile of the person.
- ◆ The detection of problems or dysfunction.
- ◆ The realisation of projects and plans for change or investment.
- ◆ The evolution of job positions in terms of content, functions, and attributes.

Generally, training plans cover a medium-length of time (2-3 years) and include a description of objectives and contents (teaching methodology, etc.), as well as of the sequence to be followed, dates, priorities, teachers/trainers (from inside or outside the organisation), logistics, organisation, evaluation criteria, and budget (salaries, costs, costs per hour, etc.).

The most effective didactic elements for HAOs are, in order to achieve the objectives of *Knowledge*, *Knowing-How*, and *Knowing how to behave (attitude)*, conferences, case studies, games, role-playing, and simulation. The choice of a particular method will depend on the objectives to be achieved and the needs of the participants but will almost certainly involve discussion and teamwork.

Finally, the evaluation of training plans and practices in HAOs should permit the detection and measurement of the effects they have and not only the effort put into training. Once again, *Le Boterf*⁶⁸ suggests three levels of impact (results):

1. Effects on abilities and knowledge at the end of the training period.
2. Effects on professional behaviour.
3. Effects on work conditions and on victims or beneficiaries.

F. Internal Communication

A specific communication policy for the transmission of organisational culture is not as necessary for HAOs as it is for profit-making organisations, as their members are more likely to share that culture, thus facilitating integration. Internal communication, apart from promoting cohesion and a sense of mission, does help the HAO to:⁶⁹

⁶⁷ *Le Boterf* (1991).

⁶⁸ *Le Boterf* (1991).

⁶⁹ *Urgell* (1995).

- ◆ overcome its fear of delegating responsibility as the organisation becomes increasingly complex.
- ◆ Put internal marketing programs into practice.
- ◆ Ease the integration of new humanitarian workers (acceptance and on the job training).
- ◆ Keep all workers informed as to what is expected of them.
Some useful internal communication instruments are:
- ◆ Training courses, conferences, seminars, etc.
- ◆ Internal magazines and newsletters.
- ◆ Letters, bulletin boards, suggestion boxes.
- ◆ Social balance.
- ◆ Opinion polls regarding the working environment and possible improvements.
- ◆ Meetings and work groups.
- ◆ Exit interviews.

These instruments are not, however, very effective unless communication policy starts from the understanding that humanitarian workers are responsible adults who need to be taken into consideration, who want to participate in decision-making and who want to be the protagonists of their work.

Participation is suitable when the organisation is democratic, when there exist open communication channels, when teamwork is promoted, and when each worker actively participates in the definition and oversight of his or her duties and responsibilities.

For this reason, a policy of participation must be united to one of communication, thus occasioning several important advantages:

- ◆ It promotes the integration and commitment of the HAO's workers.
- ◆ It creates a positive work environment.
- ◆ It increases the number of opportunities to express ideas, negotiate, and reach agreements.
- ◆ It improves effectiveness with respect to objectives and efficiency with respect to resources.

In order for communication to be effective, the following five conditions must be met:

1. A positive psychological attitude: the absence of barriers.
2. Active listening and feedback: bi-directional communication.
3. A common language and a clear message: language without "code words" and a message based on facts and correct information.
4. Coherence of verbal and non-verbal language.
5. Assertive behaviour: knowing how to say "no" without hurting the other person.

HAOs also use internal and external communication to obtain information that allows them to make decisions directed towards the attainment of objectives. The principle way of transmitting this information, either to headquarters or from headquarters to the humanitarian worker, is through written and oral reports. If these reports are unclear, or if their author has failed to be completely sincere in his or her assessment of problems and

difficulties, the decisions made and the actions taken in consequence may occasion considerable costs and further problems. Sooner or later, this will negatively affect the victims or beneficiaries as well as the effectiveness of the work performed and the organisation's work environment.

G. Remuneration and Motivation Policy

The management of human resources also implies the identification and satisfaction of the needs of the people who form part of the organisation. Apart from recognition and a feeling of self-fulfilment, humanitarian workers need an employment contract and economic remuneration. The existence of a salary tends to promote the worker's commitment to and permanence within the organisation. This is not to say that the motivation of humanitarian workers increases when they receive a salary, but in general, it is true that humanitarian workers tend to leave HAOs within a short to medium time period if they do not receive economic compensation or if they are forced to seek it in other types of work.

This is certainly one of the most important policies that an HAO must establish: it is necessary to compensate its humanitarian workers if it wishes to avoid the high turnover that currently exists in this field.

In this respect, there is a certain consensus among experts; *McCurley* and *Vineyard*,⁷⁰ *McCurley*,⁷¹ and *Urgell*⁷² coincide in their affirmation that there must be some type of benefit (including economic), aside from personal recognition, in order to increase and maintain the motivation of humanitarian workers.

Compensation is not everything, however; many authors have indicated numerous internal and external factors that motivate workers in their jobs. As an illustration, *Herzberg*⁷³ states that motivation within an organisation depends on two types of factors:

- ◆ *Motivational* (i. e., their presence gives a great deal of satisfaction, whereas their absence does not prove so unsatisfactory): Responsibility, achievement, recognition, a sense of importance and usefulness, and the perception that the individual's work forms part of a unified whole.
- ◆ *Hygienic* (i. e., their presence gives certain satisfaction, while their absence is unsatisfactory): Salary, job security, work environment, inter-personal relations, and prestige.

Knowledge of the expectations and motivations of its workers at any given moment allows the HAO to compensate and recognise each person in the most appropriate way, thereby reducing turnover and increasing satisfaction.

⁷⁰ *McCurley / Vineyard* (1986).

⁷¹ *McCurley* (1990).

⁷² *Urgell* (1995).

⁷³ *Herzberg* (1959).

H. Helping the Helpers

HAOs often forget that the problems of their workers wind up affecting both the effectiveness of the humanitarian assistance provided and the very culture of the organisation. As set out in *Vicente*,⁷⁴ humanitarian workers are accustomed to aiding victims or beneficiaries in difficult situations, and it is probably for this reason that they show a reluctance to accept aid themselves. They frequently seem to be caught in the rigid duality of the roles of “helper” (strong and possessing many resources) and “victim” (dependent, weak, without resources) that prevents them from recognising their own needs and asking for help. Humanitarian workers are idealistic people who, surrounded by a stressful reality, may succumb to the frustration and sense of impotence caused by having insufficient resources to deal with an overwhelming challenge. They very often lack previous experiences (of abandonment, death, violence, poverty, disease, etc.) which could prepare them for the situations they face.

These stressful experiences lead humanitarian workers to develop various coping strategies. For *Stearns*,⁷⁵ there are two negative mechanisms that workers employ to cope with stress:

1. Denying their own responsibility for peoples' suffering, denying the voluntary nature of their actions, and denying their ability to take initiative.
2. Refusing to believe that they are capable of hurting those who are asking for help, and refusing to see the damage their actions cause.

There is a verifiable tendency to dehumanise victims and beneficiaries and to distort perception of them, so that they are seen and treated as *problems* instead of as *people with problems*. Occasionally, this situation is created by the personality traits of the humanitarian worker, but in others, this frustration is situational or is caused by poor organisation (insufficient training).

Some solutions to this problem exist and can be divided into individual and organisational solutions. Among them:

- ◆ Working with coping techniques for stress and frustration.
- ◆ Preventive measures: reduction of vulnerability through adequate prior preparation, collection of information about the situation (politics, culture, language, working conditions, etc.)
- ◆ Working in pairs so that each person has someone looking out for him or her.
- ◆ Eating well, avoiding excess alcohol, exercising, reading newspapers, and setting aside specific times and places for relaxation.

Among organisational strategies, the most important is for HAOs to recognise that humanitarian workers can suffer psychological damage and that the early detection of psychological problems avoids more serious subsequent problems and increases productiv-

⁷⁴ *Vicente* (1994).

⁷⁵ *Stearns* (1993).

ity. Various programs may be developed to do this: self-awareness training, stress control “*in situ*”, psychological self-help groups, debriefing, etc.

The latter is especially interesting, in the form of readjustment interviews (after an overseas mission), in order to deal with and prevent the negative effects that stress has on workers, victims, and beneficiaries, and on the HAO itself.

In summary, there still exists much work to be done in the management of human resources, but it is clear that many positive steps are being taken to use these resources well – orienting the organisation towards victims and beneficiaries is the first step. This is the primary challenge for any HAO, to which it must direct its knowledge and resources with the aim of achieving the humanitarian objectives it has set for itself.

CHAPTER 12

MANAGEMENT OF EXTERNAL RELATIONS

As has already been stated in previous sections, the *raison d'être* of all HAOs is “outside” the organisation itself. The organisation comes into existence through a joint desire to satisfy the needs of certain populations. In the definition of its mission, in the choice of its strategic position, and in the systemisation of operations, the organisation adopts an “outside-looking-in” perspective. All these organisational elements are shaped by what is thought and said on the part of the beneficiary populations, public opinion, governments, its members, etc. In short, an HAO’s priorities, if it is to achieve its goals, are to be found outside itself.

A. Direct and Indirect External Actors

Within the external relations that an organisation maintains, a distinction may be made between direct and indirect external actors.

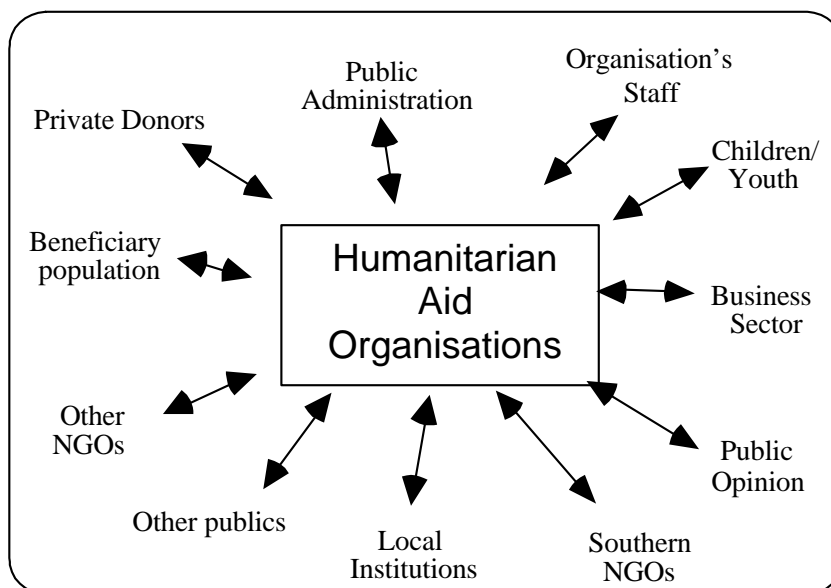
Direct external actors are those people, agencies, institutions, or entities that, through their acts or decisions, exercise a powerful influence over an organisation’s development without forming a part of the organisation. The latitude of decision that an HAO has over these external actors is limited to certain, determined channels and to a specific context. Within this group of actors, a second classification can be made, distinguishing those who form part of the environment of the organisation’s headquarters and those located in the field. Among the first group are private donors, public administration, other NGOs, the business sector, public opinion and the mass media, and sources for the recruitment of humanitarian workers. In the field, an HAO deals with beneficiaries, local NGOs, local institutions, other international NGOs, international organisations, diplomatic corps, and military detachments.

Conversely, indirect external actors are those environmental factors which do not have any direct relationship with the organisation but which must be considered in its decision-making. This consideration is of interest both for the improvement in the organisation’s relations with more direct actors and because it provides arguments for considering the impact that the organisation’s decisions will have in the medium and long term. These actors include, principally, its physical, geographical, social, political, economic, scientific, and research contexts.

B. The Duplication of “Clients” in HAOs

If we study in depth the exchanges that HAOs maintain with all of these external actors, the first and most fundamental idea to which we arrive is that, in contrast to profit-making organisations, the nature of HAOs produces a natural duplication of “clients” who receive the organisation’s services. Northern HAOs exercise a mediating role between their fellow citizens and their governments on one hand, and vulnerable populations on the other. The fulfilment of the mission of any of these organisations implies a satisfactory, harmonic exchange with each one of these target groups, as well as the contribution to the establishment of an inter-cultural relationship of mutual support between both of the northern and southern populations involved.

This idea forms the basis for what has come to be known as “marketing philosophy”. The organisation attempts to satisfy the needs and desires of the target groups with which it relates: the beneficiary population, local NGOs, local authorities, contributors of time and money – marketing management is essential to its relations with all these groups so that all of them will remain willing to continue these satisfactory exchanges. In the case of HAOs, however, when marketing is mentioned, it is immediately related to fundraising and the relationship with the donor. In these pages this tendency will be followed, although what is said about the donor relationship is applicable to the organisation’s relations with the rest of the target groups.



The following is an overview of the relationships that an HAO maintains with different direct and indirect external actors, specifically the beneficiary population, the donors, local authorities, other HAOs, and public opinion.

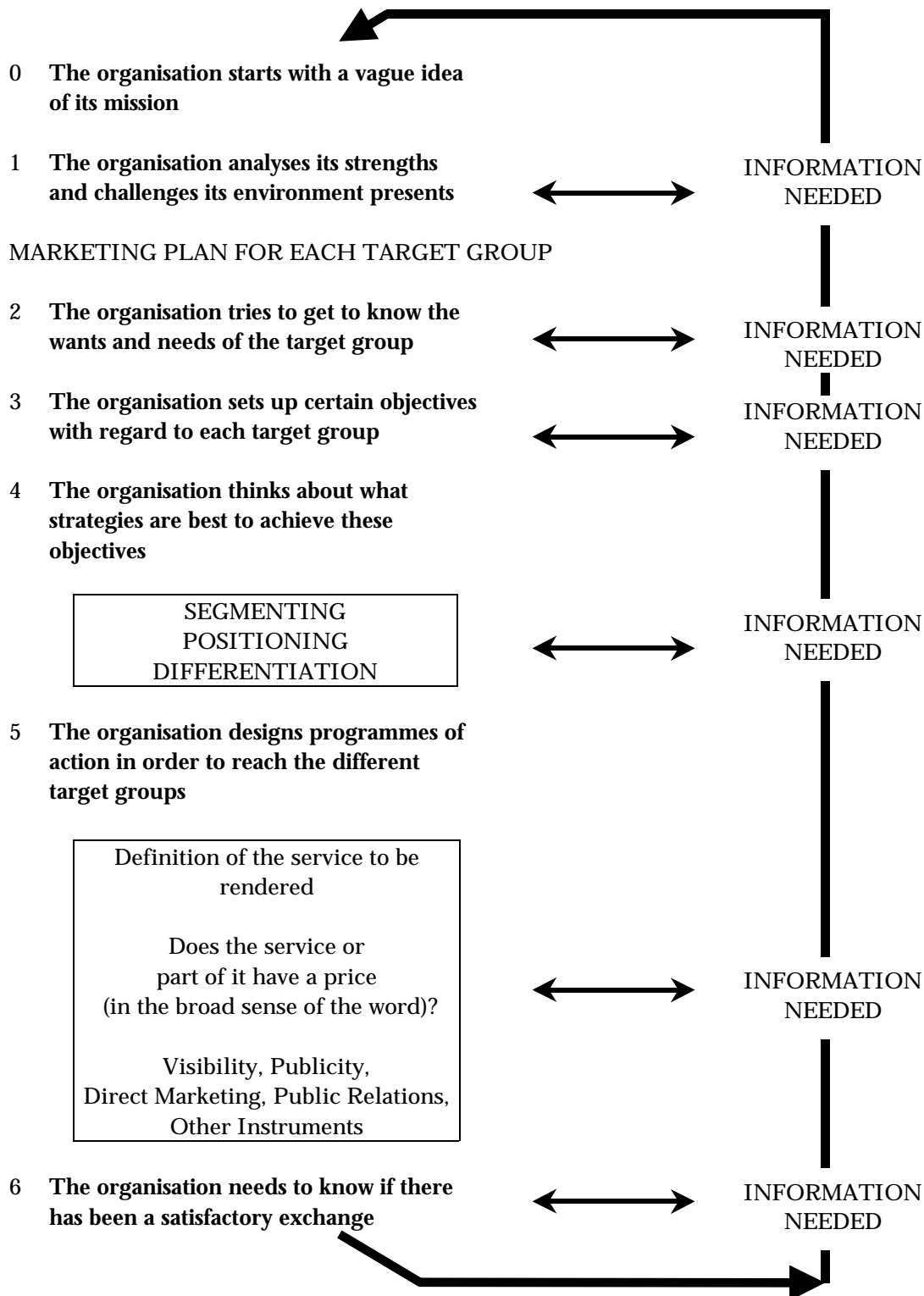
C. The Beneficiary Population

For the majority of HAOs, the beneficiary population is composed of refugees, displaced persons, repatriated persons, and, in general, any group of people who find themselves in a situation of vulnerability which they are unable to surmount alone. Within these populations are sub-groups that are especially vulnerable – for example, children, the elderly, pregnant and lactating women, and the handicapped. The principle challenge for HAOs in dealing with the beneficiary population is to establish methodologies based on mutual trust which facilitate greater participation of those affected in the solution of their problems. Participation is, fundamentally, an act of agreement. Reaching an agreement takes time and implies the existence of reciprocal exchange. It will only be effective and successful in the long run if there exists a mutual trust between the parties involved. Trust in turn will only continue to exist as long as each party lives up to its promises and assumes full responsibility for doing so. There must be a greater understanding and knowledge of what it means to be a refugee or to live precariously under the impact of a humanitarian tragedy.

D. Private Donors

The satisfaction of this group is essential to the continued development of the HAO and its work. The organisation needs for its private donors to feel satisfied with what they receive from the organisation (periodic information about its activities, gratitude, recognition, etc.) so that they will continue to collaborate. The bulk of an organisation's marketing is usually directed towards this group, following a planning process detailed below.

HAO Marketing Plan



The organisation, once it has defined its mission, first realises an analysis of its strengths and weaknesses, as well as of the threats and opportunities that its environment presents.

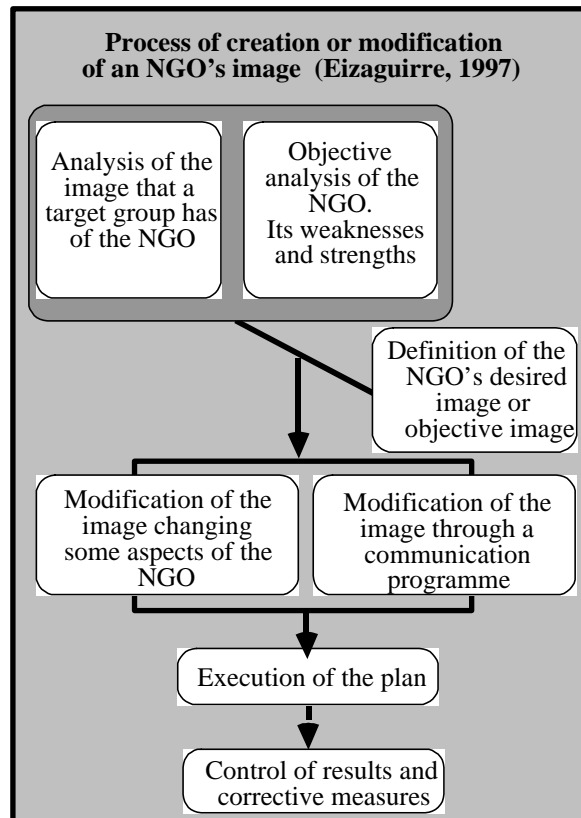
It must consider the resources it possesses (human, economic, physical, etc.) and study the competition (What alternative do donors have?) It should try to ascertain what motivates its donors to give money, how they prefer to give it and to whom, when they give and for what type of projects, and it must know very well the economic, social, and cultural environment which surrounds it.

After carrying out this analysis, the HAO should set some objectives regarding the donor public: increase their number, augment the quantity of money they contribute, raise the level of recognition the organisation has among potential donors and change their attitude towards humanitarian aid, etc.

In order to reach these objectives, the organisation has to define certain strategies. In the context of market planning, we should emphasise two which are fundamental: segmenting and positioning.

Segmentation strategy arises from the observation that it is possible to identify groups of individuals with needs, attitudes, and interests which are different from those of other groups. The organisation should not treat every group of private donors equally but rather endeavour to treat each one differently, such that the relationship of each with the HAO is more satisfactory than if they were all treated the same. Segmentation, in short, is the attempt to deal with each group in the way which best responds to its specific characteristics.

Positioning strategy arises from the observation that individuals have different images of humanitarian aid, NGOs in general, HAOs more specifically, and each organisation in particular. Given that this can affect their interest in or intention of collaborating with one HAO or another, the organisation must define *a priori* what image it wants people to have of it. It may want to be known as the most efficient, the most expert in health issues, the HAO "from here", and so on. Then, the HAO must determine the image that people actually do have of it and modify that image, if necessary, through a combination of two kinds of measures: first, modifications in management, in the projects in which it participates, in the personnel it has; and secondly, communications activities.

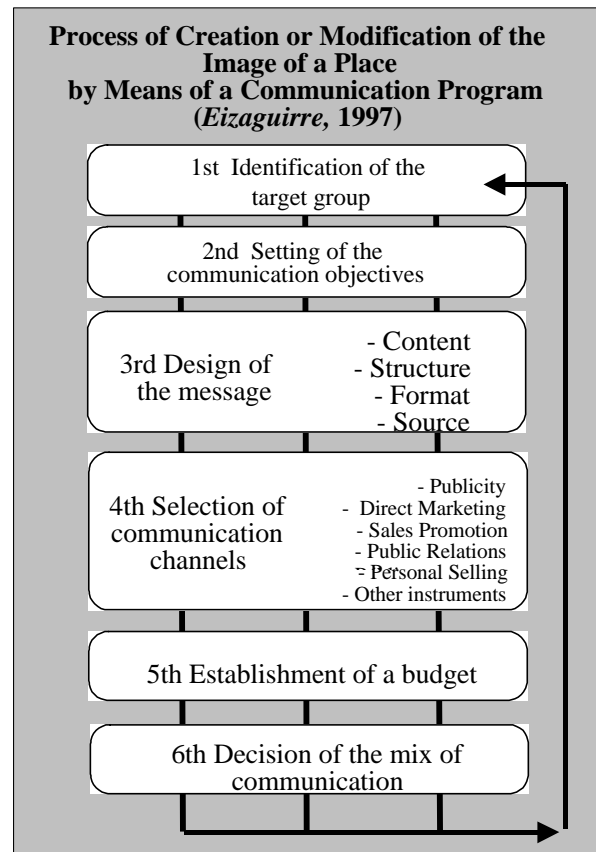


Once these strategies have been defined, the HAO must specify how it is going to materialise its relationship with the donor. It must determine what it will ask of each individual and what it will give in exchange; that is, it must establish the terms of exchange. Moreover, to support and promote this exchange, the HAO must employ a series of communication tools, such as public relations, publicity, direct marketing, and sponsorship. On the basis of the specific objectives that the organisation has regarding a particular group, it can adjust the combination of communication tools to be used.

ADVANTAGES AND INCONVENIENCES OF THE PRINCIPAL MEDIUMS OF COMMUNICATION ⁷⁶		
Medium	Advantages	Limitations
Newspaper	Flexibility. Geographic selectivity.	Short life. Limited socio-economic reach. Low printing quality.
Television	Combines vision, sound and movement. High power of attraction. Elevated audience. Low cost for impact.	High absolute cost. Little flexibility. Little message permanence. Possibility of being unnoticed.
Mailings/Direct Distribution	Audience selectivity. Flexibility. High permanence. Easy to measure results.	High relative cost. Junk mail image: much information is thrown away without being read.
Radio	High demographic and geographic selectivity. Massive coverage. Flexibility. Reduced cost.	Only permits use of sound in message. Limited impact. Little message permanence.
Magazines	Demographic and socio-economic selectivity. Printing quality.	Limited audience. High cost for impact obtained.
Billboards	High frequency and reach. Relatively inexpensive.	Shortness of message. Limited placement.

In any case, however, it is necessary to plan all communication activities in accordance with the following series of steps: the definition of the objectives of communication for the target group, the designing of the message, the choice of the medium, the decision as to the communication budget, and the definition of the communication mix.

⁷⁶ *Santesmases (1991), p. 602.*



Having defined the programs of actions to be taken for distinct groups of private donors, the HAO must put them into practice and attempt to discover *a posteriori* if the objectives have been achieved. In order to do this (as is true for many of the steps described in previous paragraphs), the HAO must have a good information system, one that permits it to know the level of satisfaction of each group, to which messages it responds, how it likes to collaborate, and what type of treatment it wishes to receive from the HAO. For the organisation, having good information (and at the right time) is fundamental if it is to carry out its mission successfully.

E. Local NGOs

Although the relationships with the two target groups described above provide a sound operating basis, the quality of an HAO's actions also depends on its exchanges with the other actors mentioned at the beginning of this chapter. With respect to local NGOs, the relationship may take many different forms, according to the degree of operational autonomy they have within a given project. The possibilities range from the local NGO carrying out the project in its totality, with the northern NGO as a mere financial intermediary, to the local NGO appearing as a counterpart solely because the northern NGO needs to fulfil this requirement in order to obtain public financing.⁷⁷ The real challenge

⁷⁷ For a more in-depth treatment of this topic, see *Lecomte* (1993).

facing northern NGOs in their relationships with local NGOs is to ensure that the institutional development of the latter guarantees the sustainability of a project's management once the former have left. In this respect, the participation of local counterparts throughout the process of a project's design and start-up, the continuous training of local NGO personnel, and the establishment of regular self-financing mechanisms are the key to giving continuity to a project based on the principles of local solutions, local control, and self-sustainment.

F. Local Institutions and Authorities

Relationships with local authorities have a dual aspect. From an administrative point of view, it is necessary to apply for entry visas and work permits, to register the organisation, to pay fees and taxes, etc. However, the current state of relations with these actors has more to do with the recent unstructured multiplicity of organisations that characterises the humanitarian regime of the North. The proliferation of HAOs requires a great deal of negotiating effort on the part of institutions and agencies of the South. The impossibility of controlling and evaluating the actions of so many foreign organisations has led some aid-receiving countries to restrict and regulate their operational access.⁷⁸ In the case of armed conflicts, the other factor presently conditioning this relationship is the loss of the neutrality of humanitarian interventions. The limitations imposed by the negotiation of access to zones of conflict, the respect for national sovereignty, and the limits imposed on humanitarianism in the name of neutrality are all more than sufficient arguments for critically examining the practical effectiveness of this concept, questioning its compatibility with the commitment to help populations in distress.

G. The NGO Sector

The relationship with other HAOs ranges from perfect co-ordination to open, undisguised competition.⁷⁹ Generally speaking, however, the most realistic relationship lies somewhere in between – that is, occasional collaboration or co-operation. For example, organisations often jointly realise campaigns of public awareness or pressure, organise the distribution of work and of geographic areas in field activities, share logistic resources in the sending of material or personnel, etc. The reality of a perfectly co-ordinated system of development co-operation and humanitarian aid still seems to be a utopian ideal. Although a great deal of consensus exists as to the importance of co-ordination, no one wants to be co-ordinated, and no one wants to be co-ordinated because the only actor who has the legitimacy to demand the partial renunciation of an organisation's interests for the greater common good is the population in distress. Therefore, the acceptance of a proposal of co-ordination led by any other actor would suppose for the rest of the or-

⁷⁸ For more detail, see *Refugee Participation Network* (1995).

⁷⁹ Competition among HAOs is usually centred around obtaining private funds, achieving an operative space – at home or in the field – that allows them to acquire a certain identity in public opinion, and locating local counterparts in those places where social structure and institutional development are poor.

organisations a loss of protagonism that none are willing to sacrifice, unless it were for the sole benefit of the beneficiary population and in accordance with its desires. The most meaningful advances that HAOs have made in this area are limited to, on one hand, the development of structures of international co-operation in those HAOs that consider themselves a large family of multiple organisations (MSF, SCF, CARE, World Vision, Oxfam, Caritas), and on the other hand, the creation of local, national, and international co-ordinating organisations, to which all types of NGOs can voluntarily adhere. At the highest level, there exist networks of NGOs, such as InterAction in the United States, the Managing Committee for Humanitarian Response, ICVA, Eurostep, Euronaïd, Eurodad, Aprodev, Voice, the European Union NGO Liaison Committee, and WIDE. The future of a consolidated, effective NGO sector necessarily passes through the development of a network that rationalises and increases the dynamism of the activities of this excessively large and varied collection of organisations. The medium essential to the development of this type of management is the learning of attitudes and abilities which facilitate dialogue and fluid relations.

H. Public Opinion and the Mass Media

Finally, HAOs cannot afford to ignore public opinion. They must bear in mind the public's perception and vision of the humanitarian field, as this represents a potentially fertile ground for raising awareness and receiving support and collaboration. It is very important that HAOs always remember that the legitimacy of their actions can only arise out of widespread, loyal, and well-informed social support. For their message to get through to public opinion, it is necessary for them to differentiate and personalise their relations with the groups that comprise it and remain in permanent contact with each one. In this respect, the mass media is an extremely important means of communication and, at the same time, a source of opinion about what each HAO and its sector as a group is doing. In turn, HAOs working in the field are privileged sources of information about certain crises. The mass media know this, and the establishment of a close relationship between the two sectors can be very advantageous in terms of reacting quickly to certain events, obtaining rapid and widespread support for these actions, and witnessing and reporting human rights violations. This poses a double challenge. First, not to cross the line in the broadcasting of scenes or information which violate human dignity and which clearly take advantage of the image of those who suffer, and secondly, not to let the humanitarian sector be guided by the dictates of the media. The mass media has one overriding interest, and that is to sell information and opinions. The existence of many forgotten conflicts⁸⁰ is proof that humanitarian and commercial interests do not always coincide.

⁸⁰ Among others, we can currently cite Sudan, Sierra Leone, Liberia, Somalia, Kurdistan, Chechnya, and Georgia.

I. Conclusion

The operative model of HAOs on an external level should be characterised by a network of relations with each and every one of the actors mentioned. This involves the adoption of a relational strategy based on the principles of coherence, personalisation, proximity, transparency, and adaptation to change. In the richness of exchange, the HAO finds both its reason for existing and the dynamism to convert it into reality.

CHAPTER 13

PROCESSES OF PROJECT EVALUATION

A. Conceptualisation

In the context of the methodology of the Logical Framework,⁸¹ evaluation is conceived of as “the analysis of the results and effects (impacts) of a project during its execution or afterwards, with the aim of reorienting it or formulating recommendations that will serve as a guide for similar projects in the future. [...] The beginning of a new phase of execution, if there is one, will depend on the results of the evaluation of the preceding phase.”⁸²

In a more generic sense, the UNDP defines evaluation as “the process which attempts to determine as systematically and objectively as possible the relevance, effectiveness, and impact of the activities in relation to the stated objectives.”⁸³

Aside from other definitions that might be constructed, evaluation always responds to a need to contrast results obtained with the objectives and goals previously established. Thus, “evaluation must not be conceived as an isolated and self-sufficient activity. It forms part of the planning process [...], generating feedback that permits choosing among various projects in accordance with their efficacy and efficiency, [...] [and] creating the possibility of correcting actions and reorienting them towards the stated goal.”⁸⁴

B. The Different Evaluation Processes

Inside this circular conception of projects are located two more processes that are very closely linked, both operationally and methodologically, to evaluation, but which should be clearly differentiated. These are “initial appraisal” and “monitoring”. The first of these concepts includes the identification and understanding of the problem and a critical analysis of its possible solution based on certain consensually selected criteria. “The final

⁸¹ Reference methodology selected by the European Union for development co-operation projects and humanitarian aid.

⁸² *Commission of the European Communities* (ed.) (1993), p. 12.

⁸³ *Sabalza* (1994), p. 482.

⁸⁴ *Cohen / Franco* (1993), p. 73.

result must be the configuration of a clear and realistic plan of activities, designed to reach a set of clearly defined objectives and goals.”⁸⁵

Monitoring, on the other hand, is “the continuous and systematic process of the collection and analysis of information relative to an activity throughout a period of time.”⁸⁶ Its purpose is the realisation of a balance sheet of the actions carried out up to that moment that will permit future improvement through correct decision-making. The realisation of appropriate monitoring makes the evaluation process easier and, at the same time, reduces the frequency with which an evaluation must be performed.

C. The Structure of Evaluation Processes

The generic objective of any development co-operation project and of humanitarian aid is the improvement in the living conditions of a certain community. Therefore, the structure of any evaluation process must be shaped around the beneficiary population. “The success of said processes depends on the people involved in them at the moment of their realization”.⁸⁷ The permanent consideration of the interests of the target population and the participation of the different groups of which it is composed are priorities in the evaluation process and the key factors that establish its role as a fundamental part of projects directed towards the promotion of indigenous, equitable, and sustainable development.

The second element of the structure of an evaluation process is the context of its realisation. The object of analysis is always in reference to a group of beneficiaries, a geographic area, a set of activities, a period of time, and a certain quantity and quality of resources. The parameters relative to these concepts must be defined during the planning phase of the project, although they will evolve throughout its realisation.

One determining aspect in the structure of the evaluation is the choice of the criteria that are going to guide its development. According to the point of view from which the activity that is the object of analysis is considered, the evaluation will have different aims, and different methodologies will be used.

D. The Evaluation of Resources

If this circular process of project planning is followed, everything in it must be subject to evaluation. All projects, once their implementation has been decided, begin with certain resources⁸⁸ being selected and organised in relation to certain objectives and articulated around a specific structure. Therefore, a first analysis could be that of the evaluation of available resources from a material point of view (quantitative and qualitative) and from the point of view of their internal organisation (structure, processes, and functions).

Through the combination of available resources, a series of activities are realised whose results are certain “products” or “services” aimed at the satisfaction of the needs of

⁸⁵ Gosling / Edwards (1995), p. 12.

⁸⁶ Gosling / Edwards (1995), p. 12.

⁸⁷ Gosling / Edwards (1995), p. 15.

⁸⁸ Human, financial, material, logistic, infrastructural, organisational, relational, etc.

the target population. The results have a first “effect” on those to whom they are directed, and finally produce a determined “impact” on the context of reference.

- ◆ “Effect is any behavior or event that can reasonably be said to have been influenced by some aspect of the program or project.”⁸⁹
- ◆ “An impact is the sum of all the effects (economic, technical, socio-cultural, political, ecological, organizational, health-related...) of an action on its context, in the broadest sense of the word.”⁹⁰

Thus, it is equally possible to apply an evaluative analysis to products/services, to effects, and to benefits.

E. Evaluation of Products/Services

The evaluations most often realised in relation to products/services are those that consider, as appraisal criteria, coverage, the degree of utilisation, and productivity.

- ◆ “Coverage is the proportion of those of the target group in need who receive the service to the total population of the target group in need that the project is attempting to assist.”⁹¹ Thus, an analysis of coverage provides information as to the true reach of the project within the population.
- ◆ In contrast, utilisation refers to the degree to which the products/services are used, although it could also include the degree to which available resources are used. The evaluation of this latter concept can be summarised by a coefficient of utilisation that may be defined as “the relationship that exists between effectively used resources (products/services) and the resources of the program available for an activity in a certain period of time.”⁹²
- ◆ Finally, productivity measures the relationship between products/services supplied per unit of resources available and per unit of time. Thanks to the information that it provides, decisions can be made regarding the quantity and the quality of resources necessary to improve the results obtained.

F. The Evaluation of Effects and Impacts

If the effects generated by the activities carried out in projects and programs are the focus of interest, analyses of efficiency, efficacy, and effectiveness can be realised. In an evaluation in terms of efficiency, the results obtained are compared with the resources used to that end. For the analysis to be complete, all contributions, including those of the receiving community, must be considered. Efficacy, on the other hand, refers to the

⁸⁹ Bond (1985), cited in: Cohen / Franco (1993), p. 92.

⁹⁰ Beaudoux. et al. (1992), p. 156.

⁹¹ Bond (1985), cited in: Cohen / Franco (1993), p. 96.

⁹² Lasso (1985), cited in: Cohen / Franco (1993), p. 100.

comparison between the objectives set and the results obtained. Normally, the difficulty in performing this type of analysis resides in the ambiguous definition and deficient quantification of the objectives. Lastly, effectiveness provides information as to the degree to which each activity undertaken contributes to attaining the desired end.

In the case of an evaluation of impact, the temporal perspective lengthens and the context of reference widens. Consequently, interest centres on knowing the particular contribution of the project or program, separate from the impacts attributed to other projects, policies, or factors. Based on this knowledge, an assessment can be made as to whether the impact of all of these forces operate in opposition to one another or reinforce each other synergetically, and it will also be feasible to carry out a viability and a replicability analysis. Viability is defined as “the capacity that actions have for being autonomously continued once exterior support has been withdrawn”.⁹³ For its part, replicability consists in “determining whether or not a certain action can be repeated in another place under the right conditions”; that is to say, “it is an extension of the criteria of viability”.⁹⁴ The purpose of this type of analysis is to identify the resources necessary for viability. Therefore, the priority areas of analysis are “the institutional aspects of the activity undertaken, the external dependence of the target population, the technology and training used in the project, the environmental considerations and impact of the project, and the cultural guidelines followed in its implementation.”⁹⁵

G. The Evaluation Process

Once the evaluation process has been duly structured, its development passes through four stages: data collection and processing, conclusions and recommendations, the elaboration of an evaluation report, and the communication of the results.

In the fieldwork necessary to collect information, both quantitative⁹⁶ and qualitative⁹⁷ methods can be employed, as well as a mixture of the two. The choice depends on the information required, the purpose of the research, and on the resources available to carry it out. The matrix of data obtained from primary sources can be complemented with secondary sources (i. e., documentation). In this respect, it would be useful to have available “documents about the area and the activity, monitoring reports, general documentation from regional or national public administration, from research institutes, from other projects, from student papers or reports, as well as specific documentation regarding identification, programming, monitoring, final reports, and previous evaluations.”⁹⁸

The final report should refer to issues of use to the those who receive the evaluation and should be written in the format and style appropriate to its characteristics. In

⁹³ *Beaudoux et al.* (1992), p. 157.

⁹⁴ *Beaudoux et al.* (1992), p. 157.

⁹⁵ *Sabalza* (1994), p. 489.

⁹⁶ Basically, statistical samples.

⁹⁷ Observation, group dynamics, semi-structured interviews, visits to other projects, seminars with relevant groups.

⁹⁸ *Beaudoux et al.* (1992), pp. 163-164.

order for the content to be pertinent, the report should, as a minimum, include conclusions translated into specific, detailed proposals for improvement in the attainment of the project's objectives, as well as recommendations regarding possible modifications in the identification of goals and activities, proposals for opening new projects, and suggestions for new evaluations to be realised.

Starting from this global evaluation scheme, the fields of social action, development co-operation, and humanitarian aid have developed their own methodologies, adapted to the particular conditioning characteristics of their projects. Among others are to be found the following methodologies: Rapid Rural Appraisal, Participatory Rural Appraisal, People Oriented Planning, Capacities and Vulnerabilities Analysis, and Cost-Effectiveness Analysis.⁹⁹

H. Evaluation in Humanitarian Emergencies

In the case of emergency humanitarian projects, it may seem that, given the urgency and speed with which the actions must be carried out, there is no time for the processes of initial appraisal, monitoring, and evaluation. Nothing could be further from the truth. If one wants to be of any use at all in assisting in these humanitarian catastrophes, and if the "day after" the end of the crisis has any importance whatsoever, it is essential to carry out these evaluation processes in the most precise, complete way possible. The assimilation of the learning that is obtained from the evaluations realised is one of the determining factors in the improvement of the humanitarian interventions and of the evaluation processes to be realised in the future. Though it must be kept in mind that the specific procedure for carrying out evaluations in emergency situations has certain peculiarities distinct from that of development projects,¹⁰⁰ this does not obviate the fact that the principles on which the procedures we have described are based are equally applicable to humanitarian aid actions.

I. Current Reality and Challenges in Processes of Evaluation

Presently, the application of evaluation processes in development co-operation projects and in humanitarian aid is being reoriented away from accounting centred models towards dynamic evaluations in which the priority is learning from experience.

Until now – and still habitual practice in the United Nations system, in the Commission of the European Union, and development banks – evaluation has centred exclusively on the justification of expenditures. This practice requires abundant human resources (civil servants), offers a limited picture of the real operation of the project and the effects generated by it, and moreover, gathers information of little utility for the presentation of possible improvements or alternatives to the project. The latter has been

⁹⁹ For more information regarding these methodologies, see *Cohen / Franco* (1993), *Chambers* (1994), (1994a), and (1994b), *Gosling / Edwards* (1995).

¹⁰⁰ For more information regarding the differential aspects of evaluation processes in situations of emergency and in development projects, see chapter nine of *Gosling / Edwards* (1995).

one of the most habitual criticisms of development co-operation programs and humanitarian aid.

On the contrary, any methodology centred on learning favours the inclusion of evaluation processes in the project cycle, presents results that can potentially be used to improve future activities, and is a stimulating element for the participative integration of the beneficiaries in the design, management, and evaluation of projects that they direct themselves. The latter favours the implementation of impact evaluation, until now more the exception than the rule. In conclusion, “projects and programs belong to the recipients, and clearly any assessment of their success or failure must bear in mind their opinions”¹⁰¹.

¹⁰¹ Cracknell (1996), p. 25.

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