

In Good Company?



The role of business in
security sector reform

Francesco Mancini

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International Peace Academy

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Francesco Mancini
New York and London
September 2005

Foreword

2005 was supposed to be the year that ‘development’ took centre stage. January started on a sombre note as the horror and destruction of the Asian tsunami unfolded. The Make Poverty History campaign made white wrist bands the fashion item of choice for supermodels and school kids alike. Live 8 brought together the biggest and brightest music stars to draw attention to the plight of the world’s poorest people. And it was all supposed to culminate in the G8 meeting in Gleneagles at the beginning of July, where deals on aid and trade were hotly anticipated.

July 7 changed all that. Four suicide bombers – Europe’s first, the loss of 52 innocent lives, the failed attempts two weeks later, and ongoing

police operations across Europe – have shifted attention to security. It looks like it will stay there for some time to come.

Of course, development and security are not mutually exclusive problems that can be tackled through aid and trade, on the one hand, and policing and intelligence on the other. As is becoming increasingly clear, they are inextricably interlinked and require an integrated and comprehensive response.

In simple terms, stunted social and economic development, whether in the shape of poverty, poor governance or a lack of democracy, breeds instability. This in turn provides global terrorists and organised criminals the space to operate. If developing countries and those in transition are unable to establish the rule of law and a functioning security apparatus, the cycle of instability will continue, hindering development still further. As much as better education and improved healthcare, effective security is a central part of development.

Security sector reform (SSR) has emerged in

recent years as a way of tackling the security and development questions together. It combines a wide range of activities that reform the security institutions of the state – the military, police, intelligence services and the criminal justice system – in order to make them capable of delivering security to citizens in a way that is consistent with democratic norms. It is an increasingly common element of development policy, and its methods have been applied extensively, from India to Nigeria, the Balkans to the Caribbean.

The level of spending on SSR, relative to other areas of development, is still small. According to figures from the UK Department for International Development (DFID), only £5 million (US\$9.7 million) of its £4.6 billion budget is spent on SSR. But there is growing recognition that in immediate post-conflict environments, fragile states and developing countries, the ability of the state to deliver security and access to justice for its citizens is a prerequisite for sustainable economic growth and social development. It is also a

cornerstone of many approaches to support conflict prevention. SSR not only reduces the likelihood of internal conflict, but is also critical in reducing the spread of instability elsewhere, including that which we experience in the developed world.

In recent years, an increasing volume of SSR work has been outsourced to the private sector. This trend is set to continue for the foreseeable future. Due to a lack of information about contracts from donor agencies, it is impossible to measure the extent of private sector involvement. But by looking at individual figures it is possible to at least get a sense of the scale. For example, in 1999, aggregate revenues from contractors' military training were in the range of £1.3 billion (\$2 billion) in the United States alone.

A range of organisations – from private security companies, management consulting firms and risk management companies, to non-governmental organisations and freelance consultants – are involved in the delivery of services. This includes professional and opera-

tional training, management support (change management, project management, financial and human resources management), and diagnosis and policy review (assistance in developing security strategy, planning, and strategic, operational and organisational analysis).

Reform of the security sector is intrinsically more sensitive than reform of any other area of state activity, especially when non-state actors are involved. It is therefore critical that donor agencies such as the United Nations Development Programme (UNDP) and the UK DFID, recipient governments and private contractors work together to create an effective governance framework to cover their work.

Donor agencies have been slow to take the lead and as a result there is a serious lack of transparency and oversight in place. This report shows that there is a basic lack of information about the extent and nature of the involvement of private companies in SSR. This makes it difficult for donor agencies to root out bad practices, and there is also a danger of them being ineffective

purchasers of private sector SSR services. Given the growing amounts of public money being spent on SSR and the far-reaching impact of this work, it is vital that the policy community addresses this as a matter of urgent concern.

There is a lack of information about the involvement of the private sector in SSR

Despite its growth, we know very little about the nature and extent of private sector involvement in SSR. Donor agencies have failed to provide concrete figures for both the amount of SSR work they are doing and the proportion they are outsourcing to the private sector. This is to some extent due to the fact that SSR work often stretches across multiple budget lines, making it difficult to capture comprehensively. But donors should put more effort into analysing their budgets and making private sector activities more open and transparent.

There is no framework in place to govern the work of private involvement in SSR

Oversight of private sector involvement in SSR work is currently woefully inadequate. There is no structure to govern decision-making, there are no guidelines for outsourcing, and it is difficult for donor agency purchasers to make reliable decisions about the skills, qualifications and credentials of those bidding for contracts. The lack of a public governance framework also limits the extent of wider accountability and oversight.

There is an urgent need for a governance framework to cover the role of the private sector in SSR. The cornerstone of this should be legislation at the national level which establishes clear structures and guidelines for regulating the outsourcing of SSR. Below this, there is a need for stronger policy frameworks, rules and regulations regarding the use of contractors, and these policy frameworks should also set up standards and mechanisms that promote good governance and

censure poor performance. International donors should also put in place guidelines, regulations and structures of governance capable of transcending national borders.

Donor agencies need to take the lead in this work as they are the most important point of leverage and influence for the private sector. They should establish blacklists for rogue companies in an effort to flush them out of business and push up standards across the board. They should be more proactive in vetting companies and testing their credentials. They also need to establish much stronger contract management to ensure work is delivered as agreed. Many private contractors are themselves asking for much stronger, open, and transparent forms of accountability and should show their commitment by establishing trade bodies to self-regulate practices.

Complexity makes governance difficult – but even more important

One of the main stumbling blocks in relation to governance is the complexity of the contracts and

relationships involved in SSR work. There is often a disconnection between project design and implementation stages, which makes it difficult to define objectives and parameters tightly from the outset. It is therefore important to design flexibility in to project contracts, while ensuring clarity for contractors. Contractors find themselves playing a ‘janusian’ game, answering to two clients – the donor and the recipient. It is often difficult for them to navigate through these different or conflicting interests, and there is a danger that they become the agents of unwanted change, delivering the wishes of donors without the consent of recipient governments. Complexity makes governance difficult, but even more important.

The lack of information and oversight make donor agencies ineffective purchasers of private sector SSR services

In the absence of reliable information and data, there is a danger that decision-makers will rely on

their personal assumptions about the private sector when making decisions about outsourcing. On the one hand, there are those who are intrinsically opposed to the involvement of the private ‘for-profit’ sector in security matters. On the other, are the pro-market radicals who believe all things ‘private’ are more efficient and effective than the sluggish public sector.

Neither of these positions is tenable. But until we have more reliable information about when the private sector offers a comparative advantage – either because it is cost-effective, its skills are best placed, or it can bring efficiencies and economies of scale – it is difficult to see how donor agencies can make effective decisions about the services they are purchasing.

While it is critical that we get the right governance and oversight structures in place, it is also crucial that we are realistic about the political context within which decisions are made about SSR. Underlying the debates about the role of the private contractors are wider questions about the legitimacy of the private sector as an actor in

security policy, both at home and abroad. We need to move away from the ‘saint vs sinner’ dichotomy to have a more balanced and grown up discussion about the opportunities and limitations of the private sector.

In a world where conflict and instability seem to be permanent features, where development is a universally accepted aim, and where pressure from Western publics to tackle the underlying causes of global insecurity, such as terrorism, has never been greater, the need for SSR will only continue to rise and demand will soon outstrip supply. If the private sector is to provide at least part of the answer, we must first address the serious governance gap that currently exists. But in doing this, we must avoid a technocratic response that avoids the really difficult questions about development and democracy, politics and profit.

Rachel Briggs

Head of International Programmes, Demos

London

September 2005

Executive summary

Key issues

- Security sector reform (SSR) focuses on security institutions of a state, namely the military, police, intelligence and criminal justice institutions, in order to make them capable of delivering security to citizens consistent with democratic norms. Despite the promotion of comprehensive SSR frameworks and guidelines, projects overwhelmingly focus on the reform of traditional security institutions (ie military and police training). Strengthening civil oversight and governance of the

- overall security sector are still marginal activities.
- The growing importance and level of activity of SSR has been accompanied by an increase in the outsourcing of reform projects to private sector companies. It is a trend expected to continue; future SSR programmes and projects are more, rather than less, likely to be implemented by private contractors. This rapid increase in outsourcing calls for a dispassionate analysis of the role of the private sector and the benefits and risks associated with their involvement.
 - The issue is currently not well understood; the role of private contractors in SSR is often mistakenly regarded as linked to the ‘privatisation of security’, but these are separate and distinct issues. In SSR, private contractors are involved in *reforming* security services rather than *providing*

security. The range of private businesses involved in SSR is also far more diverse than those typically included in the ‘privatisation of security’, including private security companies, management consulting firms, risk management companies, non-governmental organisations and freelance consultants.

- The services provided by private contractors in SSR programmes typically include training (professional and operational); management support (change management, project management, financial and human resources management); and diagnosis and policy review (assistance in developing security strategy, planning, and strategic, operational and organisational analysis).
- Although it is still too early to reach definitive conclusions on the role of

- private contractors, the potential benefits and downsides of using the private sector to implement security sector reform can be identified. The potential benefits include the capability to deploy teams with multi-dimensional skills quickly, effective knowledge management, flexibility, contribution to policy frameworks and guidelines, vision and a discreet presence on the ground. The risks include the complexities of having two clients, the need to vet company backgrounds, the risks of the private sector being an extension of national policy, difficulties in managing project design and mid-term changes, complex coordination and high costs.
- The task of minimising the risks and maximising the benefits of outsourcing lies with the initiating donor agencies and recipient countries. They must learn to better

manage the companies that are contracted to carry out SSR, particularly because the mandate and supervision given to private contractors are critical. Oversight and management of SSR private contractors are currently inadequate and must improve.

Recommendations

- Donor agencies must recognise that they have to develop a more effective way to engage, manage and control the private sector as an ally and partner.
- Needed improvements include new national legislation by donor countries for more transparent contracting processes and stronger contract management and oversight.
- Donors and international organisations engaging the private sector in SSR should be particularly

sensitive to the challenges of assisting in the reform of the security institutions of sovereign states. They should develop policy frameworks, rules and regulations regarding their use of contractors. Policy frameworks should set up standards and mechanisms that promote good practice and censure poor performance.

- The private sector should be aware of the peculiarities of SSR as a business, which requires greater transparency and a higher degree of political sensitivity than in any other area of public sector reform.
- The private sector should form trade associations that can promote corporate codes of conduct, instil trade standards and sponsor policy guidelines.
- The increasing research attention being devoted to this topic is welcome.

Scholars could usefully focus their analysis on the relations between donors and private contractors and probe the comparative advantage of using the private sector for particular tasks and functions. In particular, case-by-case cost–benefit analysis would be helpful in testing the assertion that the private sector is able to conduct SSR in an efficient and effective manner.

- There is a need for more integrated research to harness the knowledge of the diverse fields – including security, development, business strategy, change management and leadership – that this issue straddles.

1. Introduction

Security sector reform (SSR) has grown exponentially in importance and scope over the last decade, with increasing involvement from an ever-wider range of government agencies and international organisations. SSR programmes belong to the broad range of peacebuilding activities, and seek to link development and security agendas. SSR focuses on the challenges countries 'face in using the instruments of force in a manner that is consistent with democratic norms and supportive of human development goals'.¹ While academics, policy-makers and practitioners use the term SSR widely, the terminology and activities vary significantly. The countries of the Organisation for Economic Cooperation and Development (OECD), despite

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the promotion of comprehensive SSR frameworks and guidelines, overwhelmingly focus on the reform of traditional security institutions (ie military and police). Strengthening civil oversight and governance of the overall security sector are still ‘on paper’ activities.²

The growth in overall SSR activity has been accompanied by an increase in the outsourcing of SSR programming to the private sector. From Nigeria to India, from the Balkans to the Caribbean, bilateral donors and multilateral organisations are making use of the services of contractors to conceptualise and implement reforms to institutions that provide public security. The rapid increase in the outsourcing of SSR and the belief that the private sector’s role in SSR will continue to expand in the future calls for a dispassionate analysis and debate on the role of the contractors and the benefits and risks outsourcing entails.

The lack of consistent budget coding and different programming terminology impede the quest for accurate quantification of how much

donors and international organisations spend in overall SSR activities.³ Within individual organisations, SSR activities are allocated under several budget lines, including ‘security’, ‘justice’ and ‘peacebuilding’. More broadly, donors and international organisations use different programming terminology, which hampers attempts to compare budgets and define the overall size of the market. As a consequence, the role of the private sector is also hard to quantify. While there is no doubt that contractors’ activity in SSR is booming globally, the lack of transparency and research in the industry prevents exact data collection. However, a sub-sector figure provides a sense of the dimension. In 1999, aggregate revenues from contractors’ military training were in the range of £1.3 billion (\$2 billion) in the United States alone.⁴

As it stands, the debate on the private sector and security has been highly polarised and polemic. When the words ‘private sector’ and ‘security’ are mentioned in the same sentence, they conjure up images for some of illegitimate

interests and usurious profits. At the same time, advocates unquestioningly laud the private sector.⁵ Both characterisations obscure the reality of the role of the private sector in SSR, which is both more encouraging and more complex.

A major reason why the debate currently lacks nuance is because policy-makers and researchers talk and write about contractors in absentia. Bafflingly, the perspectives, interests and approaches of the diverse private sector actors are rarely sought, producing debate and scholarship with an air of unreality.

A second source of confusion originates from the limited research done so far on the private sector and SSR. The debate on the role of private contractors in SSR is often conflated with the issues of the 'privatisation of security'. This results in lack of data necessary for a more thorough analysis of the private SSR industry and for comparison of strategies and approaches. Indeed, a meaningful cost-benefit analysis of the private sector's contribution in SSR is currently impossible. In the absence of clear figures on the

human and financial resources employed by SSR programmes, it is a daunting challenge to test the assertion that contractors conduct SSR more efficiently and effectively than international organisations (eg the United Nations Development Programme, UNDP) and bilateral donors (eg the UK Department for International Development, DFID).

In an attempt to address these limitations, and as part of an International Peace Academy (IPA) research project on SSR, IPA and Demos convened a conference, ‘Private Sector Approaches to Security Sector Reform’, in London in October 2004. Held under the Chatham House Rule, the primary aims of the conference were to better focus the debate on the current and prospective roles of the private sector in SSR through: (1) exploring the reasons for the growth of the industry; (2) examining the industry’s activities and approaches to reform; and (3) assessing the potential benefits and risks of contracting reform to the private sector. Speakers and participants included professionals from private security

firms, management consulting and risk management companies, officials from defence ministries and development agencies, and scholars from research and academic centres working on the issue.

This policy report draws from the discussions that took place during the conference and from additional research undertaken by the author. It aims to shed some light on the previously unexplored contribution of private contractors to SSR. Chapter 2 briefly explains what SSR consists of and clarifies the role of the private sector in SSR. Chapter 3 explores the reasons for the growth of contractors' involvement in this fairly new area of work. Chapter 4 chapter examines the range of activities in which the private sector is now involved. In the absence of quantitative data, chapter 5 provides a descriptive analysis of the main benefits and risks of private business involvement in SSR, while chapter 6 concludes that the task of minimising the risks and maximising the benefits rests primarily with the agencies that hire contractors. The final chapter

calls for more integrated research and cost-benefit analysis to test the assertion that the private sector is able to conduct SSR in an efficient and effective manner.

2. What is security sector reform?

Although SSR is ‘still an evolving and, therefore, contested concept’, there is general agreement on a broad definition.⁶ The Development Assistance Committee (DAC) of the OECD describes it as ‘working to manage and operate the [security] system in a manner that is more consistent with democratic norms and sound principles of good governance, and thus contribute to a well-functioning security framework’.⁷ In other words, SSR focuses on reforming the security institutions of a state, namely the military, police, intelligence and criminal justice institutions, in order to make them capable of delivering security to citizens in a way that is consistent with democratic norms.

Although restructuring military, police and intelligence is hardly a new activity, the term SSR

arose in the early 1990s from within the development community, which acknowledged the effect of security institutions in providing a platform for supporting economic, political and social development.⁸ In Cambodia, for example, SSR was conceived of as ‘an essential condition for the success of rural development efforts, the democratic transition and efforts to restore the state’s capacity’.⁹ SSR is not only a technical issue, but a highly political one. It involves the ‘development of better conditions for democratic consolidation in transitional countries, in new democracies, in fragile democracies’.¹⁰

In recent years SSR has become an even more central activity of government agencies and international organisations. It is often an externally driven and funded process. Prominent examples of countries where there have been internationally driven SSR initiatives include Afghanistan, the Balkans, East Timor, Georgia, Mozambique, Sierra Leone and Solomon Island. ‘South Africa is a notable exception, [as domestic actors] envisaged the need for extensive change as

part of the post-apartheid transition that began in the early 1990s.¹¹ Other examples of domestically generated SSR initiatives include Brazil, Colombia, Nicaragua and Peru. Some of these reform attempts have been relatively successful so far, while others have been slow and subject to reversals on occasion.¹²

SSR is often presented as a critical element in conflict prevention and peacebuilding strategies.¹³ Where politicisation, ethnicisation, corruption, lack of professionalism, abusive use of force, poor oversight and inefficient allocation of resources affect the performance of the security sector, SSR is a key enabling factor for sustainable peace and development.¹⁴ According to OECD guidelines, SSR has three main objectives: ‘(1) developing a clear institutional framework for providing security that integrates security and development policy . . . ; (2) strengthening the governance and oversight of security institutions; and (3) building capable and professional security forces accountable to civil authorities and open to dialogue with civil society organizations’.¹⁵ These

are complex challenges to address, requiring the involvement of a vast range of actors referred to as ‘the security family’, including state security forces (army, police, paramilitary and intelligence), relevant ministries and offices (defence, finance, internal and foreign affairs, national security councils, and budget and audit offices), informal security forces, the judiciary and the corrections system, parliamentary oversight committees, private security firms, and civil and political society.¹⁶

OECD–DAC suggested five principles to support SSR work with partner countries and other actors: (1) *people-centred*, locally owned initiatives based on democratic norms and human rights principles; (2) *integrated security and development policies* and greater civilian involvement and oversight; (3) *multisectoral strategies* based on a broad assessment of the security needs of the people and the state; (4) *transparency and accountability*; and (5) implementation through *clear processes and policies* that aim to enhance the institutional and

human capacity needed for security policy to function effectively.¹⁷ This list of principles shows how SSR is a difficult and complex endeavour, requiring redistribution of power and rapid changes in organisations that are ‘inherently conservative and resistant to change’.¹⁸

Distinguishing the outsourcing of security sector reform from the privatisation of security

The current debate on ‘business and security’ often misrepresents the role of the private sector in SSR by confusing the role of contractors in SSR with the privatisation of security. It is important to be clear that the ‘privatisation of security’ and the role of the private sector in SSR are distinct topics. The privatisation of security is the ‘provision of security by private actors’,¹⁹ as when governments hire private companies to provide the offensive, defensive and support services that the states’ military and police personnel have customarily conducted. Multinational companies and humanitarian agencies also hire private

companies that offer services to protect individuals and property in situations of conflict or conflict risk.²⁰ Indeed, ‘some estimates suggest that the ratio of private security guards to police in developed countries is 3:1. In less developed countries it may be 10:1 or more.’ In Angola, for example, the government makes it a requirement for foreign investors that they provide their own security – usually by hiring a private company.²¹

The involvement of the private sector in SSR, on the other hand, is when contractors assist in the reform of the institutions of the security sector. In SSR, contractors do not ‘do’ security in any manner whatsoever. Moreover, the range of contractors involved in SSR is more diverse than those typically included in the ‘privatisation of security’. Management consulting firms, risk management companies, non-governmental organisations (NGOs), private military companies and freelance consultants, generally former military or police personnel, are the main players in carrying out SSR programmes.

3. An increasing reliance on the private sector to carry out SSR

As noted, government agencies and international organisations are the main donors financing, managing and supporting SSR programmes around the world.²² The UK DFID, for instance, allocated £5,050,000 (\$9.7 million) to its SSR strategy for the fiscal year 2003/04.²³ International organisations, including agencies of the United Nations (UN), and regional organisations like the Organization for Security and Co-operation in Europe (OSCE), have become directly involved in delivering advice and training to governments in the process of reforming their security sectors. National governments have also

An increasing reliance on the private sector

started SSR programmes without external donors' involvement, often as part of wider public sector reforms. In all these activities, external donors and local governments increasingly rely on outsourcing some or all of this work to the private sector. Although the private sector is playing an increasingly important role in the provision of SSR, donor agencies make very little information available about the nature, extent and location of these activities, and it is impossible to place a financial value on the size of the market.

The trend of outsourcing is by no means a distinctive feature of the security sector alone, but can be seen in many other areas that were previously the sole provenance of the state. The international community increasingly looks to the private sector for partnership in development, mirroring changes at the domestic level where private companies are so routinely involved in delivering public goods and services that it no longer attracts comment.²⁴ UN Secretary-General Kofi Annan's 'Global Compact' initiative is a case in point, asking representatives from the private

sector to form strategic partnerships with the UN system in the areas of human rights, labour, the environment and anti-corruption.²⁵

Why outsource SSR?

There are a number of reasons why SSR is increasingly being outsourced. First, SSR is a complex activity that calls for a wide range of skills and knowledge (technical, operational, managerial), which is often beyond the capacity of governments and multinational organisations to provide adequately and in a timely manner. Contractors are able to assemble the requisite expertise and experience that public means cannot. Contractors can often employ highly qualified ex-military and law enforcement officers, managers and management consultants, logisticians, and procurement and human resources experts in structured teams, and have the capacity to deploy them quickly. They bring a vast amount of expertise from their national models, have well-developed ties to their state's policy, ready access to personal networks and

extensive international experience. These teams may be capable of applying the most up-to-date methodologies and techniques to SSR in ways that national governments and multinational organisations cannot due to their limited training and staff development budgets.

The private sector, particularly management consulting firms, can rely on highly qualified staff with a business approach and a global network able to deliver multidisciplinary services to local governments and donors – personnel who may be more experienced in public sector reform than those who would otherwise be available. Many of the contractors directing projects have backgrounds in human resources and leadership training, as well.

Second, the private sector operates with more flexibility than governments or international organisations. Lengthy internal hiring procedures can prompt governments to turn to contractors, and standards and rules in multilateral organisations complicate the matter further. For instance, working on police reform for the OSCE

or UN Department of Peacekeeping Operations (DPKO) requires a degree from a police academy even if the job concerns financial or human resource management and does not require professional policing skills.

Third, the use of contractors allows the employment of military or police expertise without recourse to the use of a national army or police service, whose resources are often either over-committed or unavailable. Politically, contractors may maintain a more discreet presence on the ground since they neither wear uniforms nor officially represent a government. Also, because of their contractual obligations, they may have the advantage of being less sensitive to policy changes and governments' agendas at home and, therefore, be better able to guarantee continuity in SSR programmes.

Finally, the private sector advertises itself as capable of leveraging its experience in project management to coordinate the large range of activities that SSR programmes often require. Because of the diverse work-streams required in

SSR programmes, often the principal contractor, hired as project coordinator to orchestrate the different elements of the programme, can rely on a consortium of subcontractors, each in charge of a different activity. DFID is only one of many development agencies that rely on management consultants to coordinate and run their reform programmes.

Although these reasons stress the differences between the private and public sectors, there is actually considerable closeness between 'public' and 'private', reinforcing the advantages of outsourcing. As ex-government personnel migrate to the private sector, the line that separates public from private activities is increasingly fuzzy. The movement also goes in the other direction. Thus, the private sector builds up and retains diverse and complementary expertise over the long run, while the public sector, through outsourcing, can benefit from private personnel who know and understand the public environment. This has made the relationship between the private and public sectors even tighter.

4. Private sector approaches to SSR

Private sector approaches to SSR vary widely, not only because of the diverse backgrounds of the contractors (management consulting firms, NGOs, freelance consultants, private military companies and so on), but also because SSR involves an extremely diverse range of activities. Although some of the contractors are large corporations, the field is now crowded with small firms that bring specific ‘boutique’ expertise to bear on targeted needs.

Getting a sense of who is doing what is extremely difficult. There is, for example, no available data on the exact number of private companies in the market. Some suggest a global number in the mid-hundreds, and that is only with reference to private military companies.²⁶

For example, ‘in London alone, there are headquartered at least ten firms that have overseas contracts thought to be worth more than £100 million (roughly \$160 million). These firms have more than 8,000 ex-British soldiers on their books as employees. Similarly, at least several dozen firms based in the United States specialise in providing tactical and consultative military services.’²⁷ If one includes management consultancy and risk management firms, NGOs and other diversified companies, the number multiplies exponentially. Local governments and donors also hire a large number of freelance consultants to support SSR programmes; often, larger companies are hired to coordinate the small niche firms and individual consultants working on the same reform project.

Some private companies directly developed their expertise in the military and police fields, while others have approached SSR from their backgrounds in public sector or good governance reform. The range of activities they are involved in is vast and diverse, spanning everything from

the reform of pay and grading systems, to providing strategic advice about how best to organise a security force's capacity, to countering terrorist threats.

Additional research is needed to collect data about contractors in the SSR market. On this front, donors and international organisations must make more effort to collate this information. Although it is difficult for donors to provide accurate and robust figures because SSR programmes include activities that often span several budget lines, more data are essential for improving governance of the private sector in SSR programmes.

This pamphlet suggests that a way to classify contractor activities in SSR is by the range of services they offer. (This method of classification mirrors how the normal business outsourcing industry is categorised.)²⁸ Services rendered by the private sector in SSR programmes can be classified in three groups: (1) training; (2) management support; and (3) diagnosis and policy review.

Training: The first group of services relates to training, which includes the professional and operational development of security actors in myriad areas. The training may be technical, for example, concentrating on the use of new equipment, or conceptual, focusing on operation planning. Human rights, civil–military relations and various forms of parliamentary or civilian oversight training programmes also fall under this rubric. Contractors are involved in training militaries and public officers in the Balkans, in civil–military relations in Nigeria, and training police officers in Afghanistan and Iraq. The US government, for instance, contracted a private military company in Iraq to train nine infantry battalions with 1000 troops each. The basic training over a period of eight weeks covers land navigation, equipment use and maintenance, customs and courtesies, guard duty and marksmanship. The training also includes human rights, rules of engagement, rules of land warfare, the role of the military in society, and core values and leadership for officers.²⁹ The direct and

primary clients of training are military and police officers; soldiers; police personnel; specialised military and police units such as drug control, border guards and investigators; judges; court clerks; prison managers and guards; and civil society groups.

Management support: The second type of service relates to management. This may involve training programmes, but also includes the insertion of advisors into the various institutions of the security sector to assist with change and project management.³⁰ For instance, management consulting companies provide programme management support to police and justice reform in the Balkans, India and Bulgaria. Management support can also include the modernisation of managerial systems to allow institutions to function properly. Such tasks include strengthening financial and human resources managerial processes, improving judicial case management, reformulating armed forces budgets, reforming pay and grading systems, revising promotion and

disciplinary regimes, supporting civil management bodies and improving procurement systems. In Jamaica, for instance, DFID contracted a management consulting company to assist in the reform of the Jamaican police force. A team of around 17 private consultants is tasked to elaborate the terms of reference and to coordinate the implementation of the programme. Activities include strengthening management skills, institutional response capability and service orientation; developing community-based policing; and improving management of the Criminal Investigation Bureau.³¹ The main clients of these services are security institutions, namely the military, police, courts, and justice, defence and interior ministries.

Diagnosis and policy review: This category includes assistance to donor organisations to diagnose a recipient country's security sector or a component part of it; strategic, operational and organisational analyses of the sector for the recipient country; and advice to support national

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reviews of security policy. For instance, management consulting companies worked on the strategic review of the security and justice sector in Jamaica. In the Balkans, consulting companies, on behalf of the UK Government Conflict Prevention Pool, lead a programme to reform the security and justice sector of five countries. A consortium of ten partners with more than 40 consultants, local and international, are involved in the diagnosis and implementation of the reform programme. Communities and civil society organisations also carry out needs assessments and evaluations on how reform programmes might affect (or have affected) the relationship between institutions and the community. These SSR services are generally delivered to policy and security personnel in government institutions.

5. Assessing the private sector contribution

Assessing the role of the private sector in SSR is a new area of research. None of the national and multinational organisations that are using private sector services have commissioned studies to analyse their contributions and effects on SSR programming. Within academe, the books and articles that have been published have mainly focused on the issue of private military and security firms in providing security rather than reform of the security sector.³²

Since this is very much a nascent field, it is far too early to come to definitive and specific conclusions on the private sector contribution to SSR. Nonetheless, there is a growing appreciation of the potential benefits and downsides of using the private sector in SSR. The joint IPA and

Demos 2004 conference was instrumental in distilling these insights in large part due to the active participation of private sector representatives. One clear message was the need for better governance structures. Donor agencies need to take the lead in developing frameworks for accountability, working in partnership with recipient countries and contractors.

Many of the potential pros and cons that have been identified are not peculiar to this industry but, as universal managerial issues, are applicable to the work of governmental agencies, multi-lateral organisations and NGOs. This should encourage a more balanced approach to this issue, avoiding condemnation or glorification devoid of thorough analysis.

To be clear, what follows is a list of *potential* benefits and risks. The real impact of contractors depends on how the client – whether a government agency, international organisation or recipient government – makes use of their services within the context of a larger SSR process. To maximise the benefits of private sector

involvement, donor agencies need to improve their understanding of the comparative advantages of hiring contractors to carry out SSR programmes vis-à-vis relying on national and international public agencies. Lessons learned from specific contracts and further research should facilitate the process.

Main potential benefits

Contracting out SSR offers potential benefits to those who make use of its services, including multidimensional skills, knowledge management, flexibility, contribution to developing policy frameworks and guidelines, vision and discreet presence on the ground.

Multidimensional skills: The private sector offers a large range of skills from strategic management advice to community-based policing. Contractors can recruit former military and police officers who bring technical skills, while also being able to provide management consultants whose managerial experience would support the

implementation process. Donors and international organisations can especially benefit from the private sector's access to such skills, particularly with regard to project management, strategic analysis and leadership training, as they may not have access to such a range of skills in-house. The ability to build multidisciplinary teams is clearly one of the private sector's strongest comparative advantages. Moreover, the market allows members of the public sector to select contractors according to their specific needs. Most private companies can provide focused expertise on different components of the security sector (eg military, police, intelligence, courts, prisons) and in different services (eg operations, tactics, training, planning, human resources management, finance), which is simply beyond the capacity of most governments and multilateral organisations.

Additionally, contractors are generally more apt to invest in continued professional development than are governmental or multilateral organisations. A corporation's personnel is one of

its main assets and private firms rely on their human resources skills to stay competitive in the market. Contractors may, therefore, be better trained than colleagues in government or multilateral organisations in the most innovative management techniques and practices while, simultaneously, having years of technical and operational knowledge based on their former governmental service.

Knowledge management: Organisations are increasingly realising how important it is to 'know what they know' and be able to make maximum use of it.³³ Generally speaking, the private sector has in place systems and mechanisms that optimise the management of corporate knowledge in order to improve a range of organisational performance. Contractors are also more accustomed to engaging in meaningful strategic planning, performance measurement and personnel evaluation, all skills that are knowledge-intensive. Donors and international organisations can profit from contractors'

knowledge management to advance their understanding of how to identify, organise and disseminate important information and expertise on SSR programmes they sponsor.

The failure to apply lessons learned is a recognised trait of donors and international organisations. Working with the private sector can improve contracting agencies' problem-solving, dynamic learning and strategic planning.³⁴ In order to feed their learning and decision-making processes, contracting agencies can request contractors to identify relevant knowledge, explain it and share it in a formal manner.

Flexibility: Bureaucratic and political considerations severely afflict and impinge on the performance of governments and multilateral organisations, issues that affect the private sector to a significantly lesser extent. To assemble balanced and experienced teams in the public sector can take time and potentially cause internal disruptions and interdepartmental friction.

Unquestionably, the private sector has the capacity to deliver efficient services quickly and more nimbly. Contractors with a core SSR management group, consultants on retainer and a database of experts have the potential to efficiently assemble, deploy and manage programmes that meet governments' standards in ways that public organisations cannot.

Contractors are results-oriented, more inclined to apply effective management tools and to factor in and implement changes than are public institutions. In other words, there is less need to refer to a bureaucratic hierarchy within headquarters in order to implement changes in plans; instead, a field project manager is generally available to supervise the programme implementation. These benefits are particularly relevant in complex, long-term programmes of more than three to four years.

Insulated by their contractual arrangements, private sector actors may be less exposed to 'national interests' and less sensitive to policy changes and political agendas at home. Governed

by economic interest, contractors are induced to succeed and deliver results, since ‘the best job they have done is the last one, which opens the door to the next’. Failure to implement an SSR programme successfully means the potential loss of a future contract, and a competitive disadvantage in the marketplace.

Contribution to developing policy frameworks and guidelines: As a ‘player on the ground’ implementing the reform programme, and the only link between donors’ headquarters and the reforming institution, a contractor is in a unique position to learn lessons from the field. This can help donors to reformulate policy frameworks and guidelines, to include lessons learned in future programmes, to collect best practices and better target future initiatives.

A second contribution to developing policy frameworks and guidelines stems from the private sector’s capacity to undertake research and development. A joint public–private effort to better understand the problematic on the ground

has the potential to improve the effectiveness of SSR programmes. Since public institutions are often overloaded with numerous tasks or short on resources, the private sector, in the form of research institutes coupled with those with operational experience, can be engaged in strategic thinking to feed the SSR policy of national agencies and international organisations.

Vision: A strategic vision is an important requirement for any reform programme for three main reasons.³⁵ First, vision clarifies the general direction for change. Second, it motivates people to take action in the right direction. And, third, it helps to coordinate the actions of different people.³⁶ Contractors are often better able to deliver advice on how to think through strategic planning. They are capable of offering better methodologies to develop an institution's strategic vision, which strengthens the overall consistency and comprehensiveness of the reform programme. For instance, private sector employees are more likely to comprehend that

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training without management change is a recipe for failure, given that private businesses' own corporate policies often emphasise the necessity of career planning and development, learning institutions, and good evaluation and promotion schemes. However, it should be acknowledged that any private sector project in SSR needs to be guided by a larger policy framework that is politically grounded.

Discreet presence: In politically sensitive environments, the private sector's discreet and anonymous intervention on the ground may be a marked advantage. Contractors work without official uniforms and do not (officially) represent their home governments. Local communities may be keener to work with civilians or personnel without uniforms, especially in countries where people do not trust national militaries and police services. Likewise the local government may be more willing to accept suggestions and share information with consultants who do not have direct ties with any foreign country's policy. For

this reason, there is a growing concern among contractors about being associated with the stance of a particular government.

In brief, contractors offer a range of benefits. If aware of the full advantages of outsourcing, donors and international organisations can maximise the private sector contribution, increasing their level of knowledge, skill and expertise, and ensuring the broader effectiveness of SSR programmes.

Main potential risks

The broader pitfalls of SSR have become better understood as donors and international organisations expanded their programming in this area.³⁷ The high use of contractors raises additional challenges. Although some of these risks are hardly exclusive to the private sector, an appreciation of these potential downsides is useful in order for agencies to make use of outsourcing more effectively. The downsides include the complexities of having two clients, the need to vet companies' backgrounds, the risks

inherent in the private sector serving as an extension of national policy, poor project design and mid-term changes, complex coordination and high costs.

Two-client issue: The most critical component of consulting services is also its most intangible: the client–consultant relationship.³⁸ This relationship is particularly complex in SSR programmes. When the institution to be reformed differs from the hiring organisation, the contractor is confronted with two clients: the local government or institution to be reformed and the donor who pays the bill. The situation poses the difficult question of who is in charge of the contractor’s product and to whom does the contractor answer. Contractors may find themselves playing a ‘janusian’ game where they must answer to two masters.

There is no easy resolution to this question, but it is important to recognise and acknowledge that it has not been well researched or addressed. Under any circumstances, contract management

requires continuous adjustments and changes, but when there are two clients to answer to, the complexity level rises significantly. Donor agencies must accept their responsibility for taking the lead in tackling this downside. Clear and explicit terms of reference in the contract may help, and triangular consultations among donor, recipient and contractor, with all three parties sitting at the same table from the very beginning of the programme, can also facilitate the relationship.

Company background: A recurrent criticism of outsourcing in this field has centred on the need to conduct background checks of the companies involved in SSR.³⁹ The quality of the contractor and the reputation of its personnel are critical. This challenge is particularly relevant for small companies that populate the field but lack a known track record in SSR. The ‘profit motive’ can encourage firms with unsuitable backgrounds to enter the market and undermine the effectiveness of a reform programme. Donors and inter-

national organisations should exercise control over these contractors, set up standards and install mechanisms to reward excellence and punish sloppy practice. Regularly updated ‘blacklists’ of contractors to avoid should be available to provide information and support in the outsourcing process.

How to vet and guarantee the quality and suitability of personnel, a problem which also affects governments and international organisations, is a related concern.⁴⁰ For instance, police officers who proved to be good in their home countries may have a hard time attuning to local cultures. The financial incentives to work overseas are generally high and can attract people whose principal motivation is financial. Just as with governments and multilateral organisations, private companies need to assume responsibility for their staff, hold their people accountable and penalise them if they fail to respect established rules.

National policy extension: Hiring contractors to execute SSR policy can appear to be a ‘continua-

tion of national politics by other means'. Unlike public agencies, private contractors maintain no direct, official ties with the government that has hired them. A certain degree of political remove can be welcome, but there is an obvious risk in outsourcing the implementation of public policies. Although the contractors do not officially represent any country, once they acquire a contract from a government, recipient governments and local communities tend to identify the contractors with the contracting governmental agencies so that they are often perceived as de facto extensions of those governments.

As importantly, outsourcing national policies creates a serious 'democratic deficit'. The private sector does not belong to the public sphere; thus it is not subject to the same legislative oversight, although the public ultimately pays the bill. Lack of national legislation also leaves the field in need of quality control mechanisms to monitor the performance of private subcontractors. This is particularly critical in the foreign and security policy fields, which traditionally receive less

public scrutiny than does domestic policy. A further concern is that most of the private sector contracts in question require a degree of secrecy, raising the issue of transparency, since institutions in charge of oversight may not have access to enough necessary information.

National legislation has not caught up with the industry's growth and there seems little rush to engage with the issue.⁴¹ For example, the United Kingdom has been slow to consider the options for legislation outlined in a 2002 green paper on the topic.⁴² This set of risks calls urgently for action – national parliaments should legislate to clarify the use of contractors and produce clear rules to regulate these interventions.

Project design and mid-term changes: One of the most difficult issues to deal with is the original design of an SSR project. Frequently, project design is itself outsourced, though not to the eventual project implementer. The disconnection between those designing and those executing may cause difficulties as misunderstandings, acknow-

ledged and unacknowledged, may exist between the two parties. These problems may be exacerbated when project design is undertaken by a donor organisation and multilateral organisation whose personnel lack the requisite SSR skills, knowledge and experience. Under these circumstances, the contract under which the private company is hired and required to perform may bear little relationship to what is needed to achieve a successful reform, given a poorly conceived original design.

Second, any SSR project invariably needs to be revised and adjusted in mid-stream. This is a difficult but necessary process. How such revisions and adjustments can be conducted when an SSR project is outsourced needs not only careful research, but also highly nuanced contracts and well-skilled contract managers on the part of the donor organisation, the recipient government and the contractor.

Complex coordination: One of the main features of donor involvement in new programming areas,

including SSR, is the proliferation of projects and activities in the absence of an overarching policy framework.⁴³ The multiplicity of actors on the ground and the presence of numerous agencies and multilateral organisations poses greater challenges of coordination, a weakness in SSR regardless of whether it has been outsourced or not. Lack of coordination produces costly duplications of interventions, wastes resources and sends mixed managerial and political messages to the recipient institutions. Although they advertise themselves as capable of managing these diverse parts better, contractors may actually further complicate the coordination, since small pieces of a programme are often contracted out to different companies. This, in some cases, may produce even more duplication and waste.

The difficult role of coordination belongs to the donors and international organisations, as the recipient government often attempts to obtain resources from many different donors simultaneously. There are a number of ways to

facilitate coordination among the many actors supporting SSR. OECD has suggested trust funds, joint assessments and joint evaluations or lesson-learning studies as methods to enhance SSR coordination.⁴⁴ Additionally, donors can designate a single private company as project coordinator. However, one should recognise that this problem transcends the outsourcing question.

High costs: Generally, hiring contractors is expensive. The private sector might deploy costly senior managers who spend short periods of time on the ground and risk being accused of not providing ‘value for money’. This can be especially true if the reforming institution is not accustomed to managing contractors and may, therefore, not take full advantage of the presence of consultants, who are paid by time. This downside calls for studies that compare the cost of hiring contractors with the use (or development) of internal resources of the donors or multilateral organisations. It is still unclear

what the comparative costs are in terms of speed of implementation, delivery of outputs and effectiveness of reform.

Briefly, hiring contractors to carry out SSR raises a set of challenges. Table 1 summarizes the benefits and risks of private sector involvement in SSR. However, most of these risks are hardly exclusive to the private sector. Problems with quality of staff, project design and coordination affect most SSR programmes, even when contractors are not involved. Clearly, more has to be done to improve SSR implementation in general. When it comes to outsourcing to private companies the lack of norms and regulations, scarce oversight and control mechanisms, and peculiar features of the private sector amplify the challenges of implementing SSR programmes.

In conclusion, while some of the benefits suggest that there is higher efficiency in the private sector than in the public, this efficiency needs to be compared with the costs. The availability of multidimensional skills, professional knowledge management and great

Table 1. Summary of benefits and risks of private sector involvement in SSR

| Benefits | Risks |
|-------------------------------------------------------------|-----------------------------------------------------|
| Multidimensional skills | Two-client issue |
| Knowledge management | Company background |
| Flexibility | National policy extension |
| Contribution to developing policy frameworks and guidelines | Difficulties in project design and mid-term changes |
| Vision | Complex coordination |
| Discreet presence | High costs |

flexibility alone do not imply greater efficiency. Outsourcing may be a more effective way to conceive and implement SSR programmes. However, effectiveness, the power to produce an effect, does not imply efficiency, which is

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measured by a comparison of production with costs. A thorough assessment must consider the costs of outsourcing SSR. Only a case-by-case cost–benefit analysis can provide definitive conclusions on the private sector contribution to SSR and what services it might be most capable of delivering.

6. Managing the private sector contribution

The task of minimising the risks and maximising the benefits of the private sector being involved in SSR rests heavily on donors and multilateral organisations, who need to learn how better to manage their private partners. Government agencies and international organisations typically define the mandate of the contractors. They elaborate policy frameworks that should guide contractors' activities in SSR. Designing these terms of reference is a very critical task – they must solve the complex equation of developing coherent approaches, showing quick wins to their constituencies and engaging in long-term activities on the ground. Thus, the mandate that

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contractors receive becomes critical: what has been asked determines what will be done.

Typically, the failure starts at the beginning, with the design of programmes tailored more to donors' priorities than to local needs. As a result, the contract that engages the contractors includes terms of reference that address neither the main troubles of the institution to be reformed nor the safety needs of the community. A poor mandate can also weaken the process of ownership when the diagnosis reflects the donors' intentions instead of local needs.

Shortcomings may also arise from mandates that focus on quick and easily achievable outputs. For instance, certain contracts tend to focus too much and too early on personnel training before addressing the institutional capacity to absorb the new skills. Training is a favourite activity of donors, recipient governments and contractors, because it is relatively easy to implement, measurable and conveys an immediate sense of change to the trainees and the public.

Donors also face the question of when to

involve contractors. Preferably, the private sector should be brought into the process at the very beginning of the reform process. Contractors that enter in the middle of the process may lack a complete understanding of the issues on the ground. If they participate in the initial strategic diagnosis and needs assessment, contractors will be better placed to elaborate the implementation activities.

7. Conclusions

The private sector's involvement in SSR is a growing area and shows little sign of slowing in the near future. SSR is a complex business performed in an already complex environment. The diverse range of private actors and activities, confusion between providing and reforming security, and a highly polarised and polemic debate on the role of the private sector further complicate the matter.

This pamphlet is one of the first attempts to examine dispassionately the private sector's activities and approaches to SSR, and to assess benefits and risks of its involvement. Further work on several fronts is needed. Most notably, it is essential that donor agencies take the lead in developing frameworks to govern the role of the

private sector in SSR. More also needs to be done to increase the amount of information available about the work of the private sector in SSR. The current lack of data and analysis challenges the effectiveness of decision-making processes in purchasing SSR services.

The responsibility for progress rests with three main groups of actors:

Donors: Donors and international organisations must recognise that they need to develop more effective ways to engage the private sector as an ally and partner. Governments must improve the way they use and control the services of the contractors. Crucial improvements include new legislation that establishes more transparent contracting processes and stronger government oversight.

Multilateral donors and international organisations should also develop their own policy frameworks for the use of private contractors. Without further delay, such organisations should establish and implement

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their own policies in hiring contractors, a practice bound to grow in the future. Policy frameworks should establish standards and install mechanisms to reward excellence and sanction poor performers. ‘Blacklists’ should be available.

Contractors in the private sector: Contractors should be aware of the peculiarities of the business of reforming security, which requires greater transparency, policy sensitivity and corresponding accountability than the reform of other public sectors. Private sector associations can promote codes of conduct and ‘blacklists’.⁴⁵

Scholars: Researchers should focus their analysis on the relationship between donors and contractors, its benefits and risks, and the comparative advantage of using private services instead of public ones. Additionally, more integrated research in security, development, business strategy, change management and leadership will harness the knowledge of the diverse fields that SSR straddles.

As SSR programmes expand and come under closer scrutiny, the best way to address the challenge of the private sector in SSR is to debate *how* these players can bring added value rather than *if* they do. The question of division of labour and speciality needs further exploration, and identification of the private sector's comparative advantages for particular tasks and functions should also be examined.⁴⁶ Only cumulative case-by-case cost-benefit analysis can provide definitive conclusions on the private sector contribution to SSR.

Every actor brings specific added value, as well as specific challenges, to SSR programmes. The private sector is no exception. There is a need for further dialogue between contractors, donors and international organisations to discuss in an open and systematic way what each side can offer the other in SSR. The close interaction of the public and private sectors in SSR projects is vital to maintain momentum, vitality and professional depth for this evolving international activity. Provided that guidelines and regulations are

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established to ensure that the ethos, ethics and professionalism of chosen companies match public sector requirements, the private sector can act as a beneficial multiplier in the provision of SSR services. International organisations have a vital role to play in persuading governments to regulate the industry. Each side needs the other if all are to benefit from the relationship.

Notes

- 1 D Hendrickson, 'Overview of regional survey findings and policy implications for donors' in *Security System Reform and Governance*, Development Assistance Committee (DAC) Guidelines and Reference Series (Paris: OECD, 2005).
- 2 Ibid.
- 3 A re-wording of the Official Development Assistance (ODA) 'Coverage of certain conflict, peace building and security expenditures' allowed including SSR activities in the ODA. Data on OECD donors in SSR will be available at the end of 2005.
- 4 PW Singer, *Corporate Warriors: The rise of the privatized military industry* (Ithaca, NY: Cornell University Press, 2003).
- 5 'These biased findings are often misused by the firms or their opponents in pushing their own agendas.' Singer, *Corporate Warriors*.
- 6 H Hänggi, 'Conceptualizing security sector reform and reconstruction' in A Bryden and H Hänggi (eds), *Reform and Reconstruction of the Security Sector* (Münster–Hamburg–Berlin: Lit Verlag, 2004).

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- 7 OECD–DAC prefers the term *security system* reform to avoid confusion about whether the term *sector* pertains only to the armed forces, rather than including the whole system working on security-related issues. See OECD, *Security System Reform and Governance: Policy and good practice*, DAC High Level meeting, 15–16 Apr 2004.
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 - 19 D Lilly and M von Tangen Page (eds), *Security Sector Reform: The challenges and opportunities of the privatization of security* (London: International Alert, 2002).
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- 22 Brzoska and Heinemann-Grüder, 'Security sector reform and post-conflict reconstruction under international auspices'.
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- 25 See www.unglobalcompact.org/Portal/Default.asp? (accessed 4 Aug 2005).
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- 28 Peter Singer suggests this approach to organising the private military industry. See Singer, *Corporate Warriors*.
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- 34 See B Gupta, LS Iyer and JE Aronson, 'Knowledge management: practices and challenges', *Industrial Management and Data Systems* 100, nos 1 and 2 (2000).
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- Management Consulting Services* (New York: McGraw-Hill, 1995).
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- 44 OECD, *Security System Reform and Governance: Policy and good practice*, DAC Guidelines and Reference Series.
- 45 On self-regulation and its costs and benefits, see C Holmqvist, *Private Security Companies: The case for regulation*, policy paper no 9 (Stockholm: SIPRI, January 2005).
- 46 The OECD also called for further analysis on the incentives for ‘partnerships between state and non-state actors (including the private sector) in the security domain, particularly where state capacity is very weak and seems likely to remain so’. See OECD–DAC, *A Survey of Security System Reform and Donor Policy: View from non-OECD countries* (Paris: OECD, 2004).

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