

# BICC Focus

## Dealing with private security companies

### Options for development cooperation in Timor-Leste, Liberia and Peru

By Marc von Boemcken

Private security industries challenge development cooperation in two ways. On the one hand, they constitute a significant part of the economy and the security sector of many developing countries. Private security thus immediately has an impact on a number of development-related factors, i.e. economic growth, social welfare and overall feelings of public safety. On the other hand, development agencies themselves increasingly rely on the services of private security companies. In some partner countries, missions of the United Nations (UN), bilateral donors, and international non-governmental organizations (INGOs) are even among the principal customers of commercial security services. Hence, they are directly implicated in the wider social and economic effects of the private security industry.

How should development actors deal with private security companies? This BICC publication summarizes the main findings from field research on private security companies in three developing countries: Timor-Leste, Liberia and Peru. Each summary focuses on the specific relations between development cooperation and private security.

The particular challenges, which the private security industry presents to development agencies, vary from case to case. Based on the country-specific findings, this publication concludes by outlining different options for how development cooperation can successfully align private security companies with more general developmental objectives.

#### Development cooperation and private security in Timor-Leste

Three security companies provide an estimated 6,500 East-Timorese citizens (mostly men) with guarding jobs. They

are amongst the largest employers in the entire country. In terms of total revenue, the private security industry is probably only surpassed by the petroleum sector. Since the wages of guards usually become distributed across wider kinship relations, up to 52,000 people might be benefiting from them. Besides constituting a large segment of the local economy, private security companies are also important actors in the overall security sector of the country. The number of private guards clearly outnumbers the strength of the national and United Nations' police forces combined. Commercial security services consist of static perimeter security (mostly in the form of unarmed guarding) as well as, to a lesser extent, mobile patrols. They are largely concentrated in the capital city of Dili.

Despite its comparatively large size, the private security industry has received only little attention within the otherwise rather ambitious security sector reform (SSR) process, which was instigated in 2006, following a severe crisis within the public security sector, and is primarily overseen by the United Nations Integrated Mission in Timor-Leste (UNMIT). Consequently, government regulation of private security companies is weak. Primary responsibility for control and oversight lies with the National Directorate for the Security of Public Buildings (DNSEP). However, only very recently has it begun to develop—with the assistance of the United Nations Development Programme (UNDP)—a concise regulatory framework specifically tailored to the private security industry. As yet, a licensing regime for security companies does not exist.

But, regardless of the importance of a public licensing mechanism, from a development policy perspective, such efforts only scratch upon the surface of the deeper problems associated with commercial security in Timor-Leste. In fact, private guards do not appear as a major

human rights or security problem—not least since existing legal stipulations bar them from carrying firearms and overall crime rates in the country remain relatively low. Security companies present no immediate threat to the public monopoly of force. Although the relation between the police and the security industry has (with some exceptions) not been formalized, and interactions between police officers and private guards are limited, both sides perceive of each other in a largely positive light. Two recently passed legislative acts even allow the state to draw upon the resources of the security industry in a 'state of emergency'.

The main problems are rather of a socio-economic nature. Among the most remarkable features of the security industry in Timor-Leste is the fact that almost all of its customers belong to the 'international community.' The single largest contract with a security company is held, for example, by UNMIT. Development organizations have thus been a decisive force behind the establishment of a security market in the country. A key factor here is the recent trend toward 'outsourcing' formerly in-house security arrangements to commercial companies. Whereas this may be the cheaper and more efficient option, the corporatization of private guarding has also abetted extremely exploitative labor relations. A guard directly employed with a development agency in Timor-Leste earns around nine US dollars a day, plus added social benefits (such as sick leave, paid holidays, a pension scheme and health insurance). By contrast, guards working for security companies seldom make more than three dollars fifty on a twelve-hour shift—barely enough to support a family. There are hardly any social benefits, which is all the more problematic, since Timor-Leste does not have a social security or welfare system of its own. Existing labor laws are both inadequate and not properly enforced. Over the past years, security guards have regularly gone on strike.

The emergence of a corporate security industry has also upset the relations between communities and international development organizations. Employing private guards is locally perceived as, first and foremost, a system for the redistribution of wealth. East Timorese expect wealthy internationals to hire and pay men from the surrounding neighborhood. Traditional district chiefs in Dili, however, complained that many security companies hired guards from outside the community in which they were put to work. Local people have been seriously antagonized by these practices and their perception of 'internationals' has suffered as a consequence.

A further and more general problem concerns the predominant reliance of the urban East Timorese economy on the commercial activities of international organizations. Already unemployment and underemployment are estimated to be as high as 70 percent. Given that security companies are the single-largest employers in the country, a decrease in international presence will most likely correspond with a further growth in unemployment. This factor could also contribute to destabilizing a situation characterized by the possibly heightened tensions that may accompany an eventual withdrawal of UNMIT.

This problem could be somewhat alleviated if security companies eventually succeeded in diversifying their client-base. This does not seem to be unlikely. Due to ever more revenues coming in from the offshore exploitation of oil and gas, economic growth has markedly improved since the 2006 crisis. This dynamic bears the potential danger of significantly widening the gap between the rich and the poor. While a few locals have become very rich over a brief period, urban poverty has increased. Eventually, affluent East Timorese may turn to security firms for protection from the threats posed by a growing number of 'have-nots'.

### Development cooperation and private security in Liberia

Since the end of the civil war in 2003, the Liberian security industry has considerably expanded in size. Its total revenues reportedly doubled between 2004 and 2011. This would make it one of the fastest growing segments in the Liberian economy. Today, an estimated 87 security companies are active in the country, employing about 7,000 individuals, all of whom are Liberians, mostly male. The number of private guards outstrips that of soldiers (2,000) and police officers (4,000). The services of security companies predominantly consist in unarmed and static perimeter protection, mostly in urban environments (and particularly the capital city of Monrovia).

Just as in Timor-Leste, foreign businesses, international organizations, development agencies and embassies constitute the single largest group of customers on the commercial security market. The United Nations Mission in Liberia (UNMIL) relies on a mixture of armed 'blue helmets' and unarmed guards from the US-owned security firm Inter-Con. Again, field research in Liberia confirmed the trend within the development community to 'outsource' security

services. Private guards who are directly employed by the organizations they protect appear to be the exception rather than the norm. Working conditions and labor relations are just as bad as in Timor-Leste. The majority of corporate security guards earn between US \$50 and US \$70 a month, which is considerably less than the average wage of a police officer. They usually work six days a week, often on 12-hour shifts, and with no additional social benefits. Security companies provide neither medical care to their staff nor insure their guards against injuries sustained on the job. Although guards are frequently attacked, they need to cover all medical costs themselves. Strikes in the security industry have occurred on several occasions.

Unlike in Timor-Leste, crime and insecurity is a very real concern in Liberia. Although the risk of a sudden relapse into civil war is low, the government still lacks the capacities to establish and maintain a reasonable level of public safety. People feel that instances of armed robbery, assault and theft are frequent and on the rise. Representatives from development agencies uniformly consider private guards to be of vital necessity. Behind this background, questions pertaining to the professional quality of corporate security services become an important issue. Insufficient capacities of security companies could develop into a major problem for development cooperation.

Although the security industries of Timor-Leste and Liberia are comparable in terms of their total size, in Liberia the spectrum of commercial providers is far more diverse and fragmented. Inter-Con is the largest security company, employing some 1,300 guards. It offers the most professional—but also most expensive—security services, with UNMIL and the US embassy being its principal customers. The other security firms are Liberian-owned and vary in size between a couple of hundred and a dozen employees. The quality of service delivery is considered generally low. Often, guards have little knowledge of operative procedures and can be easily bribed. In quite a few cases, they even robbed the very customers they were assigned to protect.

Attempts to further professionalize the Liberian security industry in the face of rampant crime and insecurity are hampered by at least two factors. The first of these concerns the tendency of many of the smaller and medium-sized development agencies to place cost efficiency above the effectiveness of services contracted. Whereas

private guards are considered necessary, development organizations frequently go for the cheaper bidders on the market. In doing so, they not only abet exploitative working conditions of guards; they also put themselves at potentially greater risk.

The second factor relates to inadequate public regulation of the private security industry. International donors have assisted the Liberian government in conducting an extensive security sector reform (SSR) process over the past years. However, and just as in Timor-Leste, the private security industry was not incorporated in these efforts. In theory, a government directive requires all security firms to obtain an operating license from the Division of Public Safety at the Ministry of Justice. Yet, the criteria for acquiring such a permit are extremely vague and confusing. In response to this shortcoming, the Division issued a 12-month moratorium on the registration of new security companies, during which it intends to improve the licensing regime. Donor agencies have neither extended technical nor financial assistance to this process, despite the fact that the Division lacks basic capacities to fulfill its mandate. Already a large number of security firms—some of which are hired by development agencies—can openly operate without possessing a valid official license. The Division neither has enough vehicles to conduct on-site investigations nor the necessary technical equipment to maintain a database of security companies. Moreover, it is badly understaffed, with only 17 people (including drivers and secretaries) to handle a vast range of coordination and oversight duties.

Weak government regulation has also contributed toward blurring the lines of authority between public and private policing. Several security company representatives complained that they missed clear governmental stipulations on the rights of a private guard when apprehending and detaining suspects. Often, guards did not know how long they could detain a person, and whether and when they were required to hand this person over to the police. Anecdotal evidence suggests reoccurring conflicts between private security companies and the national police force over policing authorities in particular contexts and surroundings.

## Development cooperation and private security in Peru

Private security markets in Peru differ considerably from those in Timor-Leste or Liberia. The security industry is larger, more diverse and—in large parts—more professional. At the same time, international development organizations, although they do purchase commercial security services, do not constitute the predominant group of customers. In fact, the diversity of customers reflects the diversity of security companies. Customers range from large transnational corporations, mainly in the mineral extraction industry, to average middle-class households, usually in urban environments. According to a 2010 survey, more than half of all Peruvian citizens live in constant fear of falling victim to crime, particularly robbery and burglary. Private road closures, armed guards and 'gated communities' are a common sight throughout the capital city of Lima.

According to official figures, as of June 2011, 540 security companies have been registered in the country, employing some 90,500 people, most of which are male. About 40 percent of the workforce is employed with only six companies. Many of these are transnational corporations, some of which have only recently entered the Peruvian market, often by acquiring local security companies. In 2010, the total revenues of the formal security industry amounted to an estimated one billion US dollars. In addition to this, up to 140,000 people may be working in the informal security sector (that is: they are neither registered with the government, nor do they pay taxes). If the formal and informal industries are combined, the total number of private guards is more than twice as large as the police force (about 100,000 officers).

Most commercial security activities consist of static perimeter protection. Larger security companies usually offer a broad portfolio of additional services, including armed transport, close protection, electronic surveillance, and security-related advice. A noteworthy difference to Timor-Leste and Liberia is that many guards in the formal security industry are equipped with firearms (mostly pistols).

Responsibility for regulating the private security industry lies with the Dirección General de Control de Servicios de Seguridad, Control de Armas y Explosivos de Uso Civil (DICSCAMEC), a department within the Ministry of the Interior. Security companies and individual guards need

to obtain an operating license, which has to be regularly renewed. Its award is premised upon meeting an extensive set of conditions. The law which specified these is the Ley de Servicios de Seguridad Privada. It came into force in March 2011. On average, DICSCAMEC subjects registered security companies to two on-site inspections per year. In addition, police officers check the licenses of individual guards when on patrol in the streets.

Government regulation is far more extensive than in either Timor-Leste or Liberia. But, and as indicated by the presence of a large informal sector, it is not without its shortcomings. Particularly in the more remote areas of the country, DICSCAMEC lacks personnel and equipment to conduct regular inspections. What is more, a number of informants stated that many of its officials were corrupt.

From the specific perspective of development policy, the main problems associated with commercial security lie less in inadequate licensing systems and a lack of professionalism on behalf of private security companies. Although the security industry certainly contributes to overall economic growth, bad working conditions of guards curtail positive effects on social welfare. Reportedly, the average monthly salaries scarcely suffice to afford a decent standard of living, especially in the informal sector. Female employees are said to earn significantly less than their male colleagues do.

An even more pertinent problem, which sets the case of Peru clearly apart from Timor-Leste and Liberia, touches upon human rights issues. A number of recent articles in Peruvian newspapers mention that private security guards have assaulted and intimidated civilians. This practice appears to be most pronounced in the more remote mining areas.

Environmental degradation in the wake of large-scale mining operations has exacerbated social conflicts between the extractive industries and local farmers, frequently erupting into open protests. In 2004, farmers in the Cajamarca region around the Yanacocha gold mine attacked extraction facilities and blocked access roads to the mine for several days. The security company responsible for protecting corporate mining activities responded by carrying out a massive counter-insurgency campaign against community activists and journalists involved in the protests. Members of a civil society organization representing the interests of local farmers were threatened

and intimidated on many occasions. At another mining site, a private security company was allegedly involved in detaining and torturing 28 environmental activists in 2005. In a clash between Yanacocha's security guards and local community members in 2006, one farmer was shot and killed.

Since the public disclosure of these incidents in 2007 and 2008, at least the large mining corporations have refrained from applying overt force against local farmers. The story above does, however, point to a potential problem, which development agencies could experience when they contract the services of private security companies: They may be protected by security guards who have been involved in human rights violations in those very communities. The transnational corporation Securitas has since acquired Forza, the Peruvian security company allegedly involved in the 2004 and 2005 incidents. The link to possible human rights abuses in the past is thus easily obscured. Needless to say that an association between development organizations and certain security companies will affect the ways in which 'development work' is perceived by local communities.

## Recommendations and options

The challenges for development cooperation in the three cases considered here display both similarities and differences. In a sense, the trajectory from Timor-Leste to Liberia to Peru suggests three ideal-typical cases. Corporate guarding appears as the norm of private security in all settings explored here. Yet in Timor-Leste, guards are unarmed and serve a fairly homogenous client-base of internationals within a comparatively secure environment. Problems related to private security are thus mostly of a socio-economic nature. Whereas Liberia bears a number of similarities to Timor-Leste, widespread crime and insecurity place questions of security and professionalism at the center of attention. In Peru, the client-base is far more heterogeneous and guards tend to be armed. Unlike in the previous two cases, possible human rights violations by private security companies present the main problem here.

What is more, the cases illustrate that development agencies can approach private security companies from the vantage point of at least two distinct positions, which they commonly assume in country-specific contexts. The first position is as supporting agent of SSR processes. Development actors can assist partner governments in subjecting the private security industry to a tight regime

of regulation and oversight. Second, donor agencies can exert an impact upon the conduct of private security companies in their position as customers of commercial security services.

## Development cooperation and SSR

Besides directly hiring security companies, development organizations have become increasingly involved in assisting partner countries with SSR; that is with establishing and maintaining an effective and legitimate security sector. Our findings from Timor-Leste and Liberia confirm that these efforts tend to be concerned almost exclusively with state bodies, particularly the police and the military. Whereas there is certainly nothing wrong with helping public institutions in this manner, such one-sided focus neglects the fact that the private security industry often constitutes an even larger—and possibly equally significant—part of the security sector as a whole. Yet, its involvement had been either at a very late date in the SSR process (Timor-Leste) or not at all (Liberia). In both countries, government regulation of private security companies is weak to non-existent. Particularly in Liberia, this creates real problems, since rampant urban crime coincides with a largely unprofessional security industry.

Depending on the local significance and impact of the private security industry, donor organizations involved in SSR processes need to devote more attention to commercial security agents. In particular, they ought to assist partner countries in increasing the professionalism of security companies by subjecting them to effective and accountable public regulation.

Yet, from a perspective of development policy, professionalism is only part of the picture. Development cooperation should note that a comprehensive regulation of the private security industry extends beyond the sole concern with security-related issues and institutions. Private security industries have an impact on a broad range of factors, including social and economic development. Depending on the context in question, our findings suggest that two aspects could require particular attention:

- the working conditions of guards employed with security companies;
- the relations between the private security industry and local communities.



Marc von Boemcken works as BICC Senior Researcher

Assistance in improving regulation and oversight ought to involve government ministries in the field of security as much as those bodies concerned with labor issues and the domestic economy. It can also extend to measures for empowering communities and civil society organizations to monitor and publicize the conduct of security companies.

More concretely, we found that the various actors involved in, and affected by, private security services often hardly communicated with each other. There was only little exchange between private security companies (and the associations representing them) on the one hand, and government officials from various ministries, public security bodies, trade unions, relevant civil society groups and local community representatives, on the other. A dialogue between the involved actors should precede any effort of devising (or improving) regulatory mechanisms and licensing criteria, giving them the opportunity to share their views and voice their expectations, needs and problems. Facilitating such exchanges—for example through workshops—may give development agencies a good opportunity and entry-point for kick-starting more concrete endeavors.

Moreover, particularly in Liberia, our field research uncovered very basic shortcomings on behalf of those government bodies, which are tasked with regulating private security companies. These include material needs, such as a sufficient number of qualified staff, vehicles, and computer equipment. They also expressed the need for technical advice regarding different models on how private security companies can be usefully integrated into larger security architectures.

#### Development agencies as customers of private security

The outsourcing of security requirements to private companies is a recent yet major trend across large parts of the development community. In many places, development agencies are spearheading a process toward the corporatization of private guarding. They need to seriously reflect on how these dynamics may affect the local communities in which they operate, and—by extension—the developmental objectives they pursue.

Timor-Leste is a particularly extreme case in this regard. Not only is the security industry the largest employer in the

country; development agencies are also amongst the largest customers. Development cooperation has thus created local dependencies, which countermand the often-stated objective of creating sustainable and self-reliant economies. This problem occurs in almost all places with large UN missions—and not only with respect to private guarding. Yet, although acknowledged in numerous UN reports, to date little has been done to seriously address it. One of the reasons might be that there are no easy and straightforward solutions.

Private security in Timor-Leste perfectly illustrates the dilemma confronting development cooperation: Development agencies may strive not to intervene in the domestic economic balance. Instead of hiring local security guards and/or companies, they could contract the services of large, international security firms. In fact, as regards its other requirements, UNMIT has pursued precisely such strategies, for example by importing US \$27 million worth of bottled water for its staff. Yet, such options are hardly desirable. The local people expect development agencies to distribute parts of their wealth, not least by investing in domestic economies. Failure to do so will seriously aggravate local sentiments toward development actors. The challenge is thus to support local economies without generating one-sided and unsustainable dependencies. In the specific case of water, an alternative to importing bottles could have been the establishment of water purification systems, an investment both internationals and locals would have benefited from. With private security, matters are not nearly as simple, however. Helping to create a sustainable private security industry by promoting the diversification of its client-base could come at a high price to the maintenance of social peace. That is to say: the private security industry may exacerbate social tensions in the wake of an increasing economic stratification of society.

One way out of this dilemma is to simply abstain from contracting private security services altogether. Local expectations can be met by other ways than hiring guards. For example, development agencies could finance projects, which benefit the communities living in immediate proximity to their offices and residencies—earning the trust and acceptance of local people this way. Such endeavors may turn out to be a viable security strategy—and certainly most in line with overall developmental objectives.



Yet, such 'ideal' arrangements are not always possible. Whereas they might work well in Timor-Leste, where crime rates are generally low, the operating context of development cooperation in Liberia is far more insecure and few donor agencies will feel comfortable without relying on some form of private security. Our findings suggest that—to the extent that guarding is deemed necessary—the best option for development agencies is to hire their own in-house guards. In all three cases considered in our study, the working conditions of guards in the private security industry were far worse than those directly employed with the clients they protected. Paying decent salaries and extending certain social benefits to one's own guarding staff is—first and foremost—an issue of social responsibility, which donor organizations should take seriously. It may also increase the overall security of development work, since in-house guards are generally considered more trustworthy and effective than their corporate counterparts are.

As an overall rule, the contracting of private security companies should be the last resort for development agencies in search for security. If they decide to do this, cost efficiency should not be the central criterion when deciding which company to hire. Particularly in dangerous environments, such as Liberia, going for the cheaper bidder might put the contracting agencies at great risk. Yet, neither should the professional quality of services—although certainly important—be the sole factor when purchasing commercial security services. As part of the contracting process, donor agencies ought to take additional account of aligning private security companies with overall developmental objectives. If they are major customers of the private security industry, such measures might have a significant impact upon the sector as a whole within a given country.

In addition to professionalism, our findings suggest three basic criteria, which development agencies should consider before hiring a private security company. Depending on the situation in the respective country, donors may want to ask themselves the following questions during the contracting process:

- **Working conditions within the security company.** Do security guards receive decent salaries and social benefits? How long are their shifts and working hours? Does the company promote and enable individual

development of guards, for example by allowing them to combine their job with pursuing further education? Many security firms in Timor-Leste, Liberia and Peru displayed serious deficiencies in these regards.

- **The relation between the security company and local communities.** How is the perception of a security company in communities in which it operates? Does it respect and adhere to local expectations and customs? In Timor-Leste, for instance, development agencies should insist on being protected by guards who come from the communities in which their offices are located.
- **The human rights record of the security company and the guards it employs.** Was the security company involved in human rights abuses in the past (maybe trading under a different name)? Does it check whether the people it hires have been involved in possible human rights violations? How thorough are these background investigations? These questions are particularly crucial in post-conflict surroundings. Given the—allegedly—only recent involvement of security companies in human rights violations in Peru, any development agency purchasing commercial security in the country is well advised to take this aspect into account.

BICC focus 11 summarizes the main findings of

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