

The Mutual Dependence Model: The Case of the Palestinian NGOs

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Abstract

The increased role of the non-profit sector in the political, social and economic realms of the developing nations has fundamentally changed the approaches of governments and international organizations to the issue of economic and sustainable development. States have become extremely dependent on NGOs, transferring a wide range of public services from governments to NGOs. Indeed, often NGOs are the only functioning institutions providing essential services such as health, education and welfare. The Palestinian NGOs are a case in point. However, this proviso could and often does create tensions between the NGOs and the government. The research establishes the existence, nature and consequences of these tensions, focusing on the competition between the state, the NGOs, the donors, and the clients. We assume that while the work of NGOs is imperative to the economic development of less developed nations it could be counterproductive. While aimed at creating autonomous communities, it could lead to greater dependence on NGOs, while on the political level it could undermine and delegitimize the sovereignty of the newly created fragile government.

Introduction

Economic development of less developed countries can only be achieved when it is supported by more advanced economies. Wealthy countries finance economic growth through dispensing grants and loans that recipient countries are expected to repay at subsidized interest rates and over longer periods of time than offered by private financial institutions. Funds from international organizations and governments are transferred either directly, or indirectly, from the developed countries, commonly, via businesses and investors offering to implement programs leading to economic development in the developing countries. Recently, the process involves growing transfers of development funds to either local, or international non-governmental

organizations (NGOs).

The major international institutions taking part in government-supported international finance are the multilateral development banks (MDBs), namely, the World Bank, the International Monetary Fund (IMF), the Inter-American Development Bank, the Asian Development Bank, among others. These financial institutions support and promote state, public as well as private investment and NGOs, participating in economic development programs in the private sector, industry, job creation, infrastructure, health, child care, education, and welfare programs.

While in the 1970s there was much concern about the increasing power of the state apparatus, with fear of dictatorships in many developing countries, this situation has changed in the 1990s. Almost unnoticed, the center of power has shifted from the sovereign government to a myriad of global financial institutions and wealthy, donor governments. Clearly, some of the changes are positive, some are negative, some necessary, some not, some reversible, and again some are not. While the Mutual Dependence thesis seems widely accepted, there is surprisingly little field research to support its empirical and theoretical validity. This paper uses the case of the Palestinian NGOs to explore: (a) the extent and confines of the dependence syndrome, and (b) its effects on the triangle: state-NGO-donors relationships.

The Mutual Dependence Thesis

The mutual dependence thesis was defined by the Institute for Policy Studies at the Johns Hopkins University⁽¹⁾ as a "pattern that seems to characterize the relationship between the state and nonprofit organizations...Nonprofit organizations-due to their heavy dependence on public sector funds and close ties to the state in a wide set of policy fields-have become increasingly "state oriented" and bureaucratic." The argument continues to state that ultimately, the nonprofit organizations become entangled in the political process, lose their independent, professional nature, and, in fact, become an extension of the state.

It is our experience that in developing countries, especially countries dependent for their survival on foreign aid, the reverse seems to be true. The main reasons are: (a) the developing government ability and authority to regulate the international financial institutions, which has never been substantial or clear, has further declined, (b) due to national frictions the government's overall power to establish and pursue a cohesive

agenda had contracted and, (c) funding for economic development and support for social, educational and health programs has contracted, a fact which further eroded the power of the state.

The Palestinian case clearly demonstrates this state of affairs. While the economic development of the West Bank and Gaza seems to be crucial to the future of the peace process, the Palestinian economic and social conditions have greatly deteriorated. First, a substantial reduction in Palestinian employment in most of the Gulf states greatly hurt the PA economy. Second, the all too frequent Israeli practice of closure of the Occupied Territories, devastated the Palestinian economy. Third, economic and financial support of Palestinian NGOs has also declined. A 1997 World Bank report reveals that "funding for Palestinian NGOs has declined steeply in recent years...In the early 1990s Palestinian NGOs were receiving between \$140-220 million each year from outside sources. By 1994, support contracted to about \$90 million and in 1996 it went further down to \$60 million. " Whereas the West Bank/Gaza rudimentary infrastructure has been greatly fragmented, the feudal agricultural system remains underdeveloped, the massive international aid could hardly alleviate these severe distresses.

It is our assumption that the process of economic assistance to the Palestinian hardly succeeded to support the development of human resources, enhance social services and strengthen the economic and social development of the Palestinian ravished community. The research focuses on the causes and effects of these processes, especially of the political and economic interests of the parties involved as they are expressed in their policies and actions. Finally, the study challenges the common, general statements about state-NGO-donors covert and overt relationships.

A Typology : IGO and NGOs

Since non-profit organizations vary in form and structure, as well as in purpose, ideology and interests, they reflect the political and social environments of their fields of operation. "According to the Union of International Association, the NGO universe includes well over 15.000 recognizable NGOs that operate in three or more countries and draw their finances from sources in more than one country." ⁽²⁾ The first distinction should be made between International Government Organizations (IGOs), and Non-Governmental Organizations (NGOs), both are non-profit organizations.

(a) **IGOs**, are international non-profit organizations created by governments, either by treaties, or international agreements, for specific purposes detailed in a formal, enumerated charter. They must have a bureaucratic structure, permanent governing institutions, and they are established to achieve long-term economic, social, or strategic goals. Because IGOs are financed by governments, their activities are determined by the national interests of their membership. Often IGOs are created as ad-hoc organizations, to fulfil a particular mission, achieve a specific goal, or solve a pressing problem. Peacekeeping organizations are a case in point. Other IGOs, however, like NATO, are permanent IGOs both in structure and function. Many IGOs operate as part of the United Nations organization, which in itself is an IGO. Indeed, IGOs date back to the beginning of the 19th century, following the Congress of Vienna and the conclusion of the Napoleonic Wars. Membership in IGOs is exclusively reserved for governments of sovereign states, usually, regardless of their politics or ideology. However, since membership in IGOs is voluntary, and since the membership decides what rules will govern its activities, an IGO could adopt an exclusionary approach. NATO is a case in point.

Clearly, IGOs are not all alike. Some IGOs are stronger, more powerful and more influential than others. Some are more affluent than many states in the developing world. Indeed, most IGOs are better financed, more technologically advanced and function more effectively and efficiently than most states. The main dilemma in IGOs-NGOs-state relationships is: could this triangle develop a relationship of partnership rather than control of either one over the others? In their efforts to control and confine IGOs activities many states enact stronger or weaker regulatory statutes. Often, governments in the developing world try to adopt decisive policies, establishing their priorities and national interests over those of the IGOs. However, often, these efforts only lead to an endless pursuit of ad-hoc, hastily thought-up initiatives.

The significant IGOs concerned with economic development are international institutions affiliated of the United Nations and its specialized agencies. The three most consequential among them are: the World Bank, The International Monetary Fund (IMF), and the United Nations Development Fund (UNDP). While the World Bank's original mission was to support the economic recovery of Europe and Japan after WW II, the Bretton Woods institutions' focus shifted upon the successful completion of their mission, and they have been fostering the economic development in the less developed countries. From an overall lending budget of about \$1 billion in 1968, the World Bank's lending budget grew to over \$12 billion in 1981! However, the results are clearly, inconclusive. Of the 66 developing countries receiving World

Bank aid for the past 30 years, 37 countries are indeed no better today than they were before receiving the World Bank aid. "(T)he data show that recipients of World Bank loans generally are worse off today than before receiving such aid...Thus there is no evidence that the World Bank has helped poor countries develop."⁽³⁾ Thus, the challenge might seem to be: how to reconcile the IGOs leadership, state sovereignty, and the people's needs?

(b) **NGOs**, are non-profit, non-governmental organizations, that gained legitimacy under article 71 of the UN charter, which granted NGOs the right to consult with the United Nations Economic and Social Council. Article 71 was adopted following a stringent lobby by over 1200 NGOs which were represented at the San Francisco Conference. Because NGOs were perceived as the representative not of governments, not of organizations or businesses, but of "the People," they were assumed to be the fulfilment of the opening statement of the UN Charter: "We the people." After 50 years, NGOs seems more likely than ever to fulfil this mission. A common metaphor suggested by Marc Nerfin presents the prince as the government, responsible for maintenance of public order; the merchant, as the private and the business sectors, responsible for the production of goods and services; and the citizens who are presented by the NGOs, responsible for the accountability of the prince, and the responsiveness of the merchant.⁽⁴⁾

NGOs have been hailed as the people's power; the vanguard of civil society; the keepers of democracy, pluralism and liberalism. NGOs operate above and beneath the state level as well as above and beneath the national level. Many contemporary NGOs are actually a coalition of organizations sharing the same objectives. While many NGOs are either private, independent organizations, other are public organizations, funded and promoted by the state. State supported NGOs were given the acronym "GONGO" or "government-organized-nongovernmental organizations". During the Cold War era, GONGOs were created both in the East and in the West. Recently, NGOs have become more vocal and aggressive. They have established almost 100 liaison offices with various UN agencies, and they are operating in about 120 countries. Their activities have been coordinated by the Conference of Non-Governmental Organizations (CONGO).⁽⁵⁾

The rationale behind the promotion of NGO to the front seat of civil society has been that any government, either in a developed or a developing nation, could not or should not provide all the necessary civic, social and educational services required by a modern society. The burden has to be shared by civic, non-profit organizations, i.e., NGOs. Furthermore, no government, however wealthy and advanced, could turn its

back, let alone reverse the improvements in the efficiency of services that has resulted from NGOs activities. Any government that would try to turn the clock back, especially a government of a developing country, risks a fatal intensification of its economic and social crises.

While most NGOs work closely with IGOs and have a mutual interest in promoting civil society, economic development and democracy, it is necessary and important to examine the distinction between IGOs and NGOs. Specifically their organizational structure, modus operandi, resources, and purpose. While some prominent scholars of international organization argue the contrary, we believe that the borderlines between the two are clear, and their characteristics are distinctly different. Thus, placing them in the same category could inhibit the research and obfuscate the issues. Moreover, the distinction between the two must be substantial thus exceeding the legal framework. Whether large or small, rich or poor, all NGOs are networks that follow the pattern of informal relationships among their membership and with their clients. They are guided by strong personal convictions in their mission, goals and interests. Save the Children, Oxfam, and Amnesty International are cases in point. IGOs, on the other hand, are organizations created and represented by governments, thus, pursuing their national interest is clearly, their highest priority. IGOs establish and follow rigorous formal rules and bureaucratic procedures, while trying not to become too involved in their clients problems, regardless of their severity. Conversely, NGOs, especially in developing countries, usually function as independent agents, pursuing their clients interest at the risk of a confrontation with the local government .

Not surprisingly, NGOs exercise different operation strategies and tactics in developed and developing countries. The argument has been made that in Germany, for example, NGOs behave and function as subsidiaries of the state. "Today, nonprofit organizations in the field of health and social services present powerful economic force...and they account for about the third of the hospital industry. Social welfare and health constitute the strongholds of nonprofit service delivery in Germany and together account for close to 60% of total operating expenditures.⁽⁶⁾ Scholars in Germany trace this government-NGOs partnership to the 19 century German welfare system, "when autocratic government selected politically opportune partners in providing social services. During the Weimar Republic, private welfare organizations largely served as distribution agencies for the government, which increasingly began to utilize such organizations to alleviate poverty and other social problems."⁽⁷⁾ This partnership could result in NGOs espousing policies, strategies and tactics exercised by the state.

Examining nonprofit NGOs in the developed countries, it seems that they have adopted business-like modus operandi, thus, they often compete with the government for resources necessary to provide the social services they offer. In the best case scenario, these NGOs should complement the work of the government and help it provide better, more efficient services. In the worst case scenario, however, often the interests of the government and the NGOs collide. While warning proclaims about NGOs alarming growth, and the charges that NGOs are about to eclipse the powers of the sovereign state seem closer to science fiction than to reality.

Recipients and producers of public services

Humanitarian aid operations involve the setting of objectives, the allocation of resources, the division of labor among the various donors, and above all, having a good will and optimism. Even if all these requirements exist, the operation might still fail to fully or partially achieve its goals. One of the major problems is the need to ignore the broader, more complex political context and carry out only technical/organizational activities, which is hardly possible. In the Middle East the economic aid operations were inseparable from the political struggles, while the groups receiving aid were active participants in the conflicts.

The United Nations and its main agencies played a crucial role in determining the operational procedures and the policy instruments used in the economic development of the Palestinians. The assistance operation began as a response to the severe refugee crisis. Following the Arab-Israeli war of 1947-48, the UN launched a campaign to alleviate the plight of the Palestinian refugees. The General Assembly's reaction was swift, decisive and effective. The main UN aid instrument in the Middle East was the United Nations Relief and Work Agency for the Palestinian refugees (UNRWA)⁽⁸⁾ created in 1949, and assigned the duty of providing relief, health, education and work for the Palestinian refugees. UNRWA was granted a generous budget (over \$350 million for 1997), and has been operating in relative comfort for almost half a century. It employs over 20,000 local Palestinians in a semi-permanent bureaucracy, and recently became part of an umbrella organization supporting the Palestinian transition to self-determination.

While UNRWA has been the most important assistance instrument for the Palestinian refugees, a network of private and community NGOs has been operating there consistently and with impressive results. Most of the NGOs were formed in the 1970's following the Six-Day war of 1967, and were monitored, coordinated and approved by

the Israeli authorities. The 1993 Declaration of Principles (DOP) signed between the Government of Israel and the PLO, and the later Jericho-Gaza autonomy agreement, provided the Palestinian NGOs (PNGO) a more favorable and free environment. In November 2, 1995⁽⁹⁾, the Palestinian PNGO Network became a formal institution when it was incorporated in Jerusalem.

By the end of the 1970s the growth of government in most developed nations has become unsustainable, thus placing great voters pressure for changes in the economies of public services so that it could be maintained and even improve. These demands instigated a search for reforms within politics to reinvent government, resulting in calls for decentralization, privatization and a transfer of public services to charitable or other nonprofit making organizations. The assumption has been that by decentralization and shifting the burden to NGOs the country will move away from old-style nationalized civil services, which were viewed as failure from most standpoints. Following this trend the World Bank has initiated in the spring of 1997, an experimental project: the Palestinian NGO project (PNGO). The World Bank assumed that shifting substantial international aid funds to NGOs will result in a less corrupt and more effective system of aid distribution, specifically, a system that would be more responsive to the needs of the people. "The importance of NGOs to the economy of the West Bank is clearly recognized...The World Bank estimated that over 1,200 Palestinian NGOs and 200 international NGOs are active...In early 1996, it was estimated that NGOs provided about 60% by value of all primary health care services and up to one-half of secondary and tertiary health-care. All disability and preschool programs are run by NGOs, as well as most agricultural services, low cost housing and micro-enterprise credit schemes."⁽¹⁰⁾

While the PNGO project is an innovation, it is by no means an exception. Since the mid 1980s the processes of delivering social services have changed radically. It remains to be seen, however, if this radical change has been propitious. The rise of the nonprofit sector and its transformation into a main provider of public services is spreading through developed and developing countries alike, and students of public administration call it "New public management "(NPM).⁽¹¹⁾ It is a variation on the public choice principle, which assumes politics to behave as a market with its own entrepreneurs, rules and norms. This approach advocates decentralization of service agencies combined with as much outsourcing as possible. Actually the principle originated in the 1960s, in the hope that adopting private sector/ business strategies and tactics, and implementing them in the public sector will solve the government bureaucracy severe malaises. However, often, and especially in developing countries this free market strategy ignores its own consequences.⁽¹²⁾ In the developed countries

the move toward privatization of public services was strengthened by a steady decline in public confidence in government competence that was spurred by a new breed of interest groups and lobby strategists and their public relations advisers who harshly and mercilessly attacked traditional civil service in the name of NPM. These pandits advocated increase in public services, while fighting to get a piece of the pie.

However, a recent Congressional review of activities by ten enterprise funds created by the US Congress to help the development of capitalism in Eastern Europe placing foreign aid in the hands of private NGOs show a sad picture. One fund's in-depth review showed:

"Bad investments appear to have eaten up a third to two-thirds of its \$26 million investment portfolio. The cost of running the fund are surging, to \$ 3 million last year. The fund has made few loans to small businesses. It has had little, if any, effect on government policies in either the Czech Republic or Slovakia. The fund is failing to achieve either commercial success or developmental impact."⁽¹³⁾

States often develop suspicion and animosity toward NGOs operating within their boundaries. most developing nations face a dilemma: to cooperate and welcome NGOs operations, especially of those who are connected to wealthy, prominent IGOs such as the World Bank and the IMF, could result in a dent to their sovereignty. The other option, namely, relinquish their right to receive aid and deny NGOs and IGOs access to or control of their political, social and economic systems, could result in a fatal blow to their economic development. Clearly, most developing nations have yet to resolve this difficult dilemma.

NGOs modus operandi: procedures and instruments of operation

Both in developed and in developing countries NGOs often operate as "non-territorial-governments."⁽¹⁴⁾ While some NGOs are more assertive, aggressive and active than others, they all enjoy a unique legal status, informal structure, and lax accountability systems, all of which enable them to assume the role of "non-territorial governments" (NTGs). Indeed in an international system that is controlled by the principle of interdependence among political units equally sovereign in their territorial boundaries, NGOs operations are directed by the principle of "**functional sovereignty**".⁽¹⁵⁾ NGOS use this principle to assume control and carry out policies on an independent, autonomous basis. Functional sovereignty greatly differs from territorial sovereignty, when a political entity enjoys control over a territory. Usually, NGOs assume control over a particular issue or service, either on an exclusive or a shared basis, i.e., along a

continuum, NGOs authority could range from a full autonomy to a responsibility shared with national, regional or local governments.

The concept of government responsibility for public services was extremely rudimentary until the end of WWII. Indeed, at the end of the 19th century public expenditures was a small proportion of the GDP and the services were mostly provided by local authorities. "Non-military expenditures did not take off until 1945." ⁽¹⁶⁾ (Indeed, the spirit of this approach resulted in the conception of the Bretton Woods institutions). While following the Korean War defense expenditures rose steadily, an even greater growth occurred in social programs; comprising of income transfers (mainly pensions and social security benefits) and public services (education, health care, housing, etc.) In the West, the UK, France and West Germany surpass the US redistribution of income.

It has been argued, however, that the immense increase in expenditures yielded little, if any, results. This, rather disturbing, fact has been attributed to "low productivity growth in the public sector...In addition, strong public-sector unionism increased labor costs more than in the private sector, where regular productivity improvements could be expected." ⁽¹⁷⁾ The growth of public expenditure colliding with electoral, largely middle-class, opposition to higher taxes, seems to have been the prime reason for the "NGO revolution." This phenomenon was represented mainly by the establishment of a diverse network of NGOs operating parallel to the political institutions of the state. The NGO revolution which has occurred both in developed and developing countries, created a major change in the social and political fabric of the twentieth century international environment. It has been characterized by an outermost diversity of NGOs objectives, strategies, tactics, resources and capabilities.

The diversity of NGOs exhibits itself in their modus operandi. "NGOs have performed at least four roles with respect to international conflict: they provide technical advice and assistance to governments; they serve as advocates and witnesses for human rights abuses; they initiate and sustain humanitarian aid operations; and they function as unofficial mediators. NGOs also...provide early warning, offer area expertise needed by governments, and help parties to interact." ⁽¹⁸⁾

Recently, the World Bank has adopted this approach assuming that the demand for the services that NGOs provide is increasing. In the case of the Palestinians, "the PA has neither the fiscal nor the organizational capacity to meet all of the population needs; nor does it wish to supplant NGOs from areas of their comparative advantage." ⁽¹⁹⁾ The

main impediment has been the mistrust of the donors in the Palestinian governing institutions, following reports of corruption and mismanagement. Since the PA has not been an effective governing institution, the PNGOs have been providing dependable and manageable responses to social needs. With the blessing of the donor countries, the PNGOs took over the dispensing of most public services.⁽²⁰⁾ The PNGOs have proved to possess a unique capability to provide alternative form of politics, although their operations constituted a direct intervention in domestic affairs. Thus, the PNGOs have helped to achieve a limited success in the Palestinian transition from aid to sustainable development..

Although the PNGOs are assumed to act objectively, professionally and to be removed from politics, the study shows that this has not always been the case.

Accountability. Because NGOs are autonomous and independent organizations in their finances and bureaucracies, and they are often managed by organizations exoteric to their area of operation, accountability to the clients is often lacking. Moreover, NGOs regulatory mechanisms could be rudimentary, lacking the necessary bureaucratic and administrative procedures. Indeed, some PNGOs reported passing through a variety of organizational and professional deficiencies. The assumption that NGOs could provide more effective, efficient, professional services usually results in friction with the local government. The Carnegie report found that "The government-NGO relationship has been an uneasy one."⁽²¹⁾ In addition to a perception of a threat to their legitimacy and sovereignty, governments often have genuine differences of opinions with NGOs operating within their boundaries. Such differences could pertain to economic and social priorities, the planning of programs and mainly, long-term vs. short-term projects. "Some observers have argued that these emergencies have caused a shift of increasingly scarce resources away from sustainable development to life-saving humanitarian interventions...In 1989 the office of Foreign Disaster Assistance (OFDA) and Food for Peace (FFP) both US aid offices, provided \$297 million in cash and food for humanitarian relief; by 1993 that had increased to \$1.2 billion."⁽²²⁾ While some large NGOs like Oxfam, Save the Children, Catholic Relief, etc., have development programs and staff to run them, the Ethiopian famine of 1985 changed the NGOs practices, strategies and tactics. "A quiet revolution has taken place in doctrine and practice between relief and development."⁽²³⁾ While NGOs strive to balance relief programs with development, in the best possible scenario, they reach a 50% ratio. Often, this is not the case. Thus, NGOs and governments often clash on the issues of delivery of services and the NGOs short-term quick-fix programs that do not promote or advance sustainable development.

The nature, extension, intensity, and vigor of NGOs operations are determined by their resources, contacts with governments or international organizations and their management experience and skills. "As much as 90% of financing emanates from governments. The World Bank has entered into numerous partnerships with DONGOs (donor organized NGOs)."⁽²⁴⁾ NGOs are assumed to act as providers of services for governments, in a contractual manner. They offer governments and donors in developing countries the opportunity to pursue economic development efficiently, effectively and with transparency and accountability. However, these relationships among the three partners, namely, the government, the donors and the NGOs are often an uneasy relationship. The NGO is simultaneously, a provider and a recipient of assistance and services. The government is simultaneously a receiver of assistance and a contracting agency, and the donors are often faced with a multitude of actors, competing with each other for the scarce resources and duplicating their activities.

A contract establishes separation. Public contracts broadly fall into two categories: (a) contracts to provide services that do not involve social services (infra structure, construction of hospitals and schools, water systems, industrial parks, etc.), and (b) social services par excellence (education, health care, etc.). One of the major problems involving NGOs contractual activities is lack of definition. A contract specification is often either lacking, vague, or ambivalent in terms of its objectives and modus operandi. The conditions for successful NGO contracting require a mutual understanding of the objectives of the service, the specific terms of the contract, resource allocated, manpower, timetable, as well as control mechanism, feedback, accountability and transparency.

Several major problems often inhibit the success of contracting procedures. First, It is often difficult to estimate correctly and accurately the amount and nature of the needed resources. Thus, often NGOs realize that pledged resources were not available, or that pledges did not reflect the needs. Second, many projects are short-term, since the donors and the NGOs expect the project to be executed and completed within unrealistic, wishful-thinking time framework.

Another major problem is regulation and control of NGOs activities. The donors and the governments of developing countries suffer from two important handicaps: (a) they often lack the legal framework for controlling NGOs; indeed the laws regulating NGOs activities are yet to be completed and universalized, and (b) NGOs serve as important interest groups viewed by the people as grass root organizations, promoting the interest of the recipients of services while confronting both the governments and the international organizations. Indeed, in Ireland, for example, NGOs serve as

employment agencies, serving "community employment schemes (CES), whereby long-term unemployed are being 'allocated' to voluntary organizations for periods varying from one to three years."⁽²⁵⁾ Ireland advise such NGOs to incorporate as a company limited by guarantees. The board of a company could be paid staff, however, the board of a charitable organization must consist of volunteers only. While most NGOs have close ties to governments for funding and other resources, development NGOs keep close ties with IGOs, especially the Bretton Woods institutions.

NGOs and IGOs: an uneasy mutual dependence

Cooperation between NGOs and IGOs is necessary for both partners: the IGOs play the role of benevolent donors, while the NGOs are expected to be the grateful recipients. The NGOs are dependent upon the IGOs for funds, while the IGOs are dependent upon the NGOs for the execution of the programs. However, after many decades of cooperation and mutual dependence, the relationship proves to be, at best, trying. A recent review of Palestinian NGOs relationships with IGOs reveals "multiple sets of potential contradictions." For example, the donors insisted on "applying professional standards pertaining to the projects they were funding." These standards were a product of "progressive, and politically aware background and experiences in their home locals" that were often alien to the culture, tradition and norms of the Palestinian communities.⁽²⁶⁾ The report, however, acknowledges the fact that the conflicts were not a result of "malicious intentions or pre-designed schemes...They were structural in nature."⁽²⁷⁾

NGO-government cooperation in developed countries was not a success either. The community empowerment vision has been controversial from its inception. In 1994, Nicholas Lemann reviewed the program as it has been applied in the US and came to the conclusion that community development (via NGOs) was an erroneous idea. "It sounds good to conservatives and liberals alike. But history shows that of all possible solutions to the crisis in the ghettos, it's the one most likely to fail."⁽²⁸⁾ Lemann reviewed community empowerment programs from president Linden Johnson to Bill Clinton. His pessimistic conclusions stated that community empowerment programs must fail because, first, "poor neighborhoods are usually transitional rather than being stable, self-sufficient communities". Second, "the more the government claims it's going to revitalize them, the harder it becomes politically to take on the problem in the future." Third, "the people who know the most about the needs of poor neighborhoods are the residents; therefore, poverty programs should be designed and implemented by them, not imposed from above by mayors, members of Congress, social workers, intellectuals, Federal bureaucrats or other authority figures."⁽²⁹⁾ Lemann claims that

NGOs have been major players in the economic revitalization programs, thus they should take most of the blame for its failure. "(F)oundations wield great power...within their orbit, what they do matters tremendously...Most enclaves devoted to devising solutions to the problems of ghettos are dominated by foundation people, and they usually end with ringing endorsements of economic revitalization."⁽³⁰⁾

As the Irish experience shows, control and oversight of NGOs activities is very ineffective. "Board members are so poorly prepared that they do not know about their position and what it implies to be on the board."⁽³¹⁾ While NGOs are almost completely dependent on IGO and governments for funding, they try to maintain operational autonomy. This autonomy, however, often manifests itself in a lack of transparency, accountability and control. It is unclear why states find it hard to control NGOs activities. Some scholars attribute this weakness to the fact that "governments are social organs made up of people who have complex relationships with other parts of their own and other societies."⁽³²⁾ This conforms with the Palestinian NGO network definition of NGOs: " independent juridical entities, and have conferred upon them all the rights, duties, powers, and immunities necessary to accomplish philanthropic, charitable, and humanitarian objectives while maintaining their autonomy."⁽³³⁾

Procedures and operations

An evaluation of the effect of NGOs activities on economic performance is neither clear nor easy. It concerns itself principally with the impact of NGO operations on GNP growth and economic productivity, however, it avoids the broader aspects of development and social change which are long-term, often slow advancing processes. It is especially difficult to evaluate whether NGOs operations helped to increase the recipients levels of economic output, or in what manner did the output become sustainable? Between 1986 and 1989 official economic aid from all sources averaged \$53 billion a year. "Of that over \$10 billion was in the form of technical cooperation; roughly \$4 billion was food aid; the rest was financial assistance, divided between project and program aid."⁽³⁴⁾ Cassen argues that no simple correlation can be established between economic aid and economic development. First, the time framework is complex and it varies with each project, thus, any generalization would be incorrect. Second, economic aid can not be translated into development in any direct manner. For example, in the case of the Palestinian NGOs, the movement toward meaningful delivery of services for a society did not begin until 1982, when the PLO was expelled from Lebanon. The change resulted in "the establishment of various Palestinian grassroots organizations, such as agriculture, health, women,

workers, students and peasants committees. These organizations are considered as extended bodies to the PLO, and which suggested a different alternative from the traditional organizations which existed prior to these committees, e.g. charitable organizations."⁽³⁵⁾

A recent report sponsored and published by the World Bank confirms the argument that states, not NGOs are the main components effecting economic growth.

"Government's enormous impact on development is well illustrated by contrasting economic performance of developing countries in Sub-Saharan Africa and East Asia. In 1960 incomes per capita in much of East Asia were only a little higher than in Africa. Governments in the two regions were also similar in size, although not in composition...By the mid-1990, however, incomes in East Asia were more than five times those in Africa."⁽³⁶⁾ The study argues that " a country with as average income per capita of \$600 in 1965, with distorted policies and weak institutional capability, would after thirty years have reached an average income of only about \$678 at 1965 prices."⁽³⁷⁾ Thus a simple correlation between aid and economic performance has obvious weaknesses. The traditional model, as it is applied for example, in the Palestinian case, is that the recipient has a list of projects in descending order of importance, and that donors review this list and help the recipient to expand its resources and execute not only the projects that are at the top of the list, but also those at the bottom. NGOs, it is assumed, are helpful in carrying out projects neglected by the formal authorities. Cassen argues that this model is flawed. "Over time, the presence of aid in significant amounts does not simply allow a country to pick more projects off a static list. It permits the list itself to be expanded."⁽³⁸⁾ Moreover, complex projects, if they are financed, require expertise and technical knowledge above and beyond the recipient's capabilities. However, aid programs often do not allow for a long-term follow-up. These projects could become "white elephants," never operational, thus frustrating both the donors and the recipients. A modern, expensive hospital built and completed by the European Commission in the Han Yunis refugee camp in the Gaza Strip, is a case in point.⁽³⁹⁾ Also, Cassen argued very convincingly that economic development as a historical process that has to take its course. It involves factors such as improvements in the supply of "non-capital inputs, improvements in the quality of inputs such as labor skills, and general improvements in the ability to use resources productively. In short, growth is best explained in terms of increases in total factor inputs, and total factor productivity."⁽⁴⁰⁾ Supporters of aid operations are thus advised to scale down their expectations to more realistic levels. It should not be assumed, says Cassen, that " has historically taken a long time to achieve is expected to come about in a couple of 'development decades."⁽⁴¹⁾ And because aid in general constitutes only a small percentage of the developing countries GNP, the scaling down of expectations and operations should not hurt the recipients.

On the contrary, it may increase their economic and social independence and provide an incentive for development. "Even if every dollar of aid were without strings and were well-spent, which is not the case, there has not been enough of it to alter significantly the picture of absolute poverty in poor countries."⁽⁴²⁾ Furthermore, the general trends has been a reduction in the amount and quality of aid. Thus we should not expect aid to perform a development miracle.

Conclusions

While a review of the theory and practice of economic assistance reveals important weaknesses in the politics and processes of aid operations, some developments have been promising. First, after many decades of vagueness and uncertainty, the donor community has defines "human development," and has even established a "Human Development Index."⁽⁴³⁾ Human development is defined in terms of human rights, namely, the right to live long, healthy and productive life, enjoy equal access to education, have the right to participate in the community affairs, share all the essential resources, and last but not least, a right to a clean and healthy environment. ⁽⁴⁴⁾The "human development Index" (or HDI) uses this definition to measure three factors: (a) GDP per capita (b) life expectancy at birth, and (c) educational achievements. It can be helpful, however, to use additional factors such as: living conditions, consumption of energy, computers per capita, appliances per capita, etc.

However, the donor community will err if it will ignore the HDI weaknesses. First, the HDI neglects qualitative factors such as: democratic institutions, cultural environment, arts, etc. Second, the HDI could be misleading because it uses the same parameters to measure different communities in different stages of development. In the case of the Palestinians, the HDI has to include political problems, physical drawbacks, such as closure of borders, and lack of a strong central government. Moreover, the PA opposes the NGOs intervention in their affairs, thus, reliable data is either unavailable or unreliable. Consequently, it has been decided by the donors to give up any hope of establishing HDI and to create a "development Report," instead. "The structure of the Palestinian Human Development Profile is modeled on the format used in UNDP human development reports and benefits from experiences and expertise of other countries...The Profile serves local and international development institutions in their endeavors to rationalize the development process. ..It (also) provides concepts, arguments, and tools which can help to enrich the evaluation, planning, and implementation of sustainable human development."⁽⁴⁵⁾

Clearly, the efforts to institutionalize and conceptualize the role of NGOs in sustainable development are hardly successful. In an environment where governments, international organizations and NGOs operate simultaneously, the latter are perhaps the most complex and the least governable. While most NGOs are not involved in short-term relief operations, their effect on economic development, job creation, education and technical development is controversial. On the one hand, many NGOs clearly provide important services. "In the Netherlands, public services are mainly delivered by private nonprofit organizations." ⁽⁴⁶⁾ However, the nonprofit organizations were financed mainly by the Dutch government, which allowed the Dutch government to become extensively involved, and almost controlled the organizational matters of private nonprofit. "Through their legitimate power position government was able to influence societal missions of private nonprofit." ⁽⁴⁷⁾ While prior to WWII, about "7500 private organizations in the Netherlands concerned themselves with the welfare of the power class." These organizations were "initiated and managed by upper-class citizens...the Dutch government scarcely interfered in the nonprofit service system". ⁽⁴⁸⁾ This is no longer the case. In the developed world NGOs resources originate mainly in the government. "US law requires an NGO to raise at least 20% of its aggregate resources privately to be eligible to apply for government funding." ⁽⁴⁹⁾ This allows NGOs to get 80% of their funds from the government. This fact resulted in the State-Dependency thesis, which argues that "nonprofit organizations, dependent on public funds, become more 'government-like' in their operations." ⁽⁵⁰⁾ It should be expected that due to this dependency NGOs will develop orientation toward the state in problem assessments, strategies and implementation of policies. The higher the dependency, the greater the accommodation to the state agenda and priorities. While NGOs might see government support as inadequate, and view their dependency as problematic, they are less likely to find private financing in the required amounts. Thus, NGOs will spend time and resources lobbying, making the right contacts, and "in this respect...we view nonprofit managers as essentially political actors, rather than economic entrepreneurs." ⁽⁵¹⁾

Notes

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2. Leon Gordenker and Thomas G Weiss, "Pluralizing Global Governance: Analytical Approaches and Dimensions," in Weiss and Gordenker (eds.) NGOs The UN, & Global Governance, (Boulder: Lynne Rienner, 1996), p. 17

3. Kim R. Holmes & Thomas G. Moore, Restoring American Leadership, (Washington D.C.: The Heritage Foundation, 1996), p.120
4. In Thomas Weiss & Gordenker, " Pluralizing Global Governance", in: NGOs, the UN & Global Governance, p. 19
5. Chadwick F. Alger, "NGOs and the UN System: On Road from Article 71 to 'We the People', unpublished paper, 1995, p.4
6. Anheier and Priller, 1995, quoted in Anheier, "Exploring the State-Dependency Thesis", p.3
7. Anheier, "Exploring the State-Dependency Thesis," p. 4
- 8.
9. See the PNGO By-Laws, approved 2 November 1995 published in the : "Documents of the PNGO Network", Jerusalem, June 1996.
10. World Bank, "The Palestinian NGO Report," July 15, 1997
11. Christopher D. Foster and Francis J. Plowden, The State Under Stress, (Bristol PA: Open University Press, 1996), p. 1
12. "Indonesia asked the World Bank and the IMF today for help in overcoming an emerging financial crisis as economic problems continue to spread through Southeast Asia...In Thailand, a group of nations led by the IMF put together a \$17 billion bailout." The New York Times, October 9, 1997. P. D1
13. The New York Times International edition, February 7, 1997, p. A10
14. In this paper the term "non-territorial governments" denotes public institutions that assume responsibility for providing public services for a community commonly provided by national or local governments.
15. In this paper the term "functional sovereignty" denotes a condition when NGOs assume autonomous control over a particular issue-area concerning public services and civil society.
16. Christopher Foster The State Under Stress, p. 3
17. Ibid., p. 7.

18. A report of the commission on preventing deadly conflict, Carnegie Corporation of New York, July 1996, p. 15
19. The World Bank Public Discussion Paper, "The Palestinian NGO project," 15 July 1997, p.2
20. For details about the work of PNGOs see documents published by the PNGO network, Jerusalem, March-June, 1995
21. Carnegie Corporation Report, p. 15
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23. Ibid., p. 69
24. Ibid., p. 31
25. Gwen Jaffro, "Insights into the boards of Irish voluntary organizations," unpublished paper, presented at the Aston International Research Symposium, September 11-12, 1997
26. Khalill Nakhleh, "A Palestinian Perspective on Future Partnership: Towards a Paradigm of Effective PNGOs-INGOs Cooperation," Jerusalem: unpublished paper, March 1995, p. 3
27. Ibid., p. 3
28. Nicholas Lemann, "The Myth of Community Development," The New York Times magazine, January 9, 1994, p. 27
29. Ibid., p. 29
30. Ibid., p. 30
31. Gwen Jaffro, "Insights into the boards of Irish voluntary organizations", p.8
32. Weiss and Gordenker, p. 30
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34. Robert Cassen, Does Aid Work, (New York: Oxford University Press, 1994), p. 15

35. Izzat Abdul-Hadi, "Palestinian Non-governmental organizations crowded agenda," unpublished paper, no date.
36. World Development Report, 1997, (New York: Oxford University Press, 1997), p. 32
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38. Cassen, p.17
39. The hospital was built by the EC, was completed by the end of 1996, but was never operational for lack of funds for equipment and personnel.
40. Cassen, p. 18
41. Ibid., p. 19
42. Ibid., p. 40
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46. C.P.M. Wilderom, "High-quality Management of Private Nonprofit in the Netherlands in the 21st Century," unpublished paper, 1997
47. Ibid., p.2
48. Ibid., p.2
49. Weiss and Gordenker, p. 69
50. Helmut Anheier, p. 4
51. Ibid., p. 13