With the commencement of the Oslo interim period in 1993, the international donor community pledged $2.4 billion for the reconstruction of Palestinian society as part of its effort to promote the peace process. Additional contributions raised the total pledged to $3.4 billion (Khadr, 1999). The period of political transition can therefore be viewed as one in which the Israeli occupation was not fully removed but was instead replaced by a complex system consisting of three actors: Israel, the Palestinian National Authority (PNA) and Western donors of international aid (Beck, 2000).

We will examine how donor assistance affected processes of rent-seeking that in turn impacted on the reconstruction of Palestinian social and political structures and the state-building process from 1994 until the eruption of the second intifada in 2000. Undoubtedly, aid significantly contributed to the consolidation of the PNA, with donors providing both initial start-up costs and recurrent budget expenses. In addition, donor assistance also reinvigorated the declining Palestinian NGOs. At the same time, awareness of administrative and political corruption in the PNA raised questions about the quality of monitoring and whether better practices could have been promoted. Secondly, inconsistencies were identified between the stated aims of donors to promote civil society and democracy and the changes taking place on the ground. While donors sought to empower Palestinian society, the outcome was that this society, already weakened by the occupation, became even more fragmented during this period.

We identify a number of factors that are important for explaining these outcomes. First, donor agendas, commitments, and organizational constraints are important and should be closely considered. Secondly, NGOs have themselves been changing with a
restructuring of the aid industry, and a new emphasis on professionalization and ‘scaling up’ that has produced very large NGOs. Finally, the circulation of knowledge within aid channels and the emergence of a ‘development discourse’ have created new terms of legitimacy for local NGOs. Despite the language of participation and empowerment, we observe that only a narrow educated elite can effectively participate in this discourse and thereby control resources. We refer to this group as a “globalized elite” and we observe that they dominate the Palestinian NGO (PNGO) sector. The fragmentation of Palestinian society cannot be analysed without acknowledging these difficult challenges that NGOs face.

Globalization, the Restructuring of Aid and the Supra-National Donor.

The peace-building assistance provided by the international community to the Palestinian people must be understood against the changes that have taken place in Western development assistance over the last two decades. Development aid has been restructured through an expansion of the scope of aid, the rise of new development partners and new policy agendas. Since the end of the Cold War, Western governments have increased their involvement in conflict areas, either as part of humanitarian relief operations during conflicts, or as part of reconstruction efforts after the cessation of hostilities. This has altered forms of development assistance, with short-term relief and post-conflict reconstruction efforts expanding the scope and function of aid. This has meant that a growing share of bilateral aid has gone towards short-term relief. At the same time, as Brynen explains, new peace-building efforts have been devised which not only entail diplomacy and military peacekeeping, “but also a variety of social and economic objectives and instrumentalities, underpinned by substantial commitments of financial support” (Brynen, 2000: 6-7). As the Palestinian case reveals, donor involvement in “post-conflict” reconstruction projects fuse developmentally oriented initiatives with overarching political objectives. Donor support for the Palestinian-Israeli peace process and their concern for political stability in the region have buttressed a wide range of interventions, including supporting the start-up costs of the Palestinian National Authority, infrastructure projects and a range of social as well as economic initiatives.
In addition to this, over the past two to three decades there has been an increase in the number of professional development actors and a change in the way aid is disbursed. Whereas it was previously common for Southern grassroots organizations to receive financial assistance and solidarity support from a number of different private voluntary organizations in the West, today Northern NGOs (NNGOs) have become more dependent on government funding and have taken on greater responsibility in distributing bilateral aid. Moreover, Western governments are entering into their own bilateral relations with organizations and governments in the South. As a consequence, aid recipients in non-Western societies are now able to apply for funding from a range of NNGO and Government organizations (GO) grant bodies, but there are increased reporting requirements and new relations of accountability. These changes have therefore resulted in a greater professionalization and rationalization of the distribution of Western development assistance.

Finally, overlapping with these changes, since the end of Cold War the policies of Western donor agencies have come to be dominated by new priorities that centre on an affirmation of the benefits of both economic and political liberalization. These changes in the pattern of Western development assistance correspond with and have been reinforced by an overall transformation in the international system following the end of the Cold War. Globalization is producing new relations between states, international organizations and capital. Similarly, reconstituted aid channels are creating new, overlapping, forms of development cooperation between Southern and Northern organizations that cut across borders.

Aid, like any other public resource, can be misused in the absence of proper regulations (Maipose, 2000). Do the new relations adequately address the question of transparent and accountable governance? This is a common problem faced by all types of supra-national aid. In Europe a debate has been waging about the problem of allocation of funds by supra-national institutions such as the European Union (the EU). Usually the capacity of the EU to monitor the actual usage of funds by recipients is limited. Moreover, the ability of the national government to oversee the activities and monitor the finances of aid recipients is also limited, nor does it have the same incentive to monitor the use of money coming from outside. Even in an advanced country like France, crises have frequently erupted, with critics charging the French
State with a failure to monitor and control projects funded by the European Union. Some have gone so far as to suggest that this supra-national institution inadvertently supports and favours an elite which is not necessarily elected by the people nor sufficiently embedded in accountability mechanisms that allow public oversight. This example clearly suggests that the way in which aid is being distributed today raises new questions about ‘responsibility’ and ‘accountability’. Whose responsibility is it to monitor the practices of aid recipients: the donor, the national authority or the public? What mechanisms are donors using to promote transparent practices among recipients at either the governmental or non-governmental level and what factors constrain donors from developing and using effective monitoring systems?

This brings us to one of the central issues of the paper. What is the relationship between aid and rent-seeking: both in the manner that aid structures the opportunity for rent-seeking behaviour, and in the way donor programmes can support efforts to inhibit and restrict corruption? During the Cold War, donors were disinclined to raise or tackle the issue of corruption among aid recipients. But since the 1990s, instances of corruption in Western Europe, Latin America and Africa, as well as the concern for organized crime in Eastern Europe and the former Soviet Union have dislodged donor reluctance to address this issue. Today, all bilateral donors and international organizations have developed policies on corruption. However, as some have suggested, a coherent strategy and clear enforcement mechanisms to prevent corruption is still a long way off. Both the UN Global Programme Against Corruption and the World Bank Anti-Corruption Action Plan are still at an incipient stage (Amundsen, 1999: 23). In order to elucidate the issues at stake in the relationship between aid and rent-seeking it is essential to turn to the debate on conditionality.

**Donor Assistance, Rent-Seeking and Conditionality.**

Donors have a variety of means available to them to respond to corrupt behaviour among aid recipients. The debate on conditionality is interesting because it illustrates the interrelated set of factors that have a bearing on the capacity of donors to shape recipient practices. Of importance here is that analysts have critiqued the way conditionality has been used by donors. They have argued that conditionality has been ineffective in inducing policy reforms because generally donors do not provide
significant rewards or punishments to promote a change in performance (Gwin and Nelson, 1997). The implicit message underlying this argument is that aid is not a single transaction, but a complex relationship embedded in and shaped by multiple, overlapping interests, agendas, and practical considerations.

This being the case, we suggest that there are three main issues that determine the way donors endeavour to promote reform among aid recipients:

1. What are the donor’s interests and commitments? Can the donor withdraw the aid?
2. What instruments are available to provide incentives for reform or to impose punishment for poor performance?
3. What monitoring mechanisms is the donor using?

Donor Interests and Commitments

One the central reasons why donors often fail to provide sufficient incentives for reform is that they are motivated by larger interests and commitments. This has historically been the case, for instance, in Africa, Western donors and institutions continued to provide foreign aid, grants and concessional loans to Zaire, whilst being fully aware of the extreme forms of corruption engaged in by its leader, Mobutu. In this instance, the donors’ actions were motivated by overriding political concerns (Maipose, 2000: 94). Similarly, multilateral institutions have sometimes avoided using conditionality due to internal considerations and the fear that such action will cause the recipient to default on their loans. In the Palestinian case, the donors’ commitment to the peace process is the anchor that shapes the way the donors intervene in the society. This inevitably has an impact on the incentives or penalties that donors can provide to encourage better conduct among Palestinian recipients.

Instruments to Reward or Punish

At times, however, it is not a matter of interests or donor commitments, but whether instruments are available that enable the donor to affect the recipient’s performance. Our research suggests that donors can spend time and effort identifying corruption among aid recipients, but may be constrained by their own incapacity to punish. The case of one of the Palestinian NGOs provides a good example: information emerged about the mismanagement of funds and the corruption of the leader of this NGO who
was implementing a project with the support of USAID. The agency suspended the project, investigated the organization with a local audit and then sent an investigator from Washington. After much evidence of dishonest practices was discovered, USAID was not able to go any further than stopping the project. While the process of investigation continued over three years, a USAID officer informed us that it was difficult to take the measures enacted against this NGO seriously. Generally, donors and international organizations do not have adequate mechanisms to verify recipient practices as presented on paper, and the local governing authorities find it hard to oversee practices among organizations like NGOs without seeming to exert an authoritarian hand.

Monitoring Mechanisms

It is also the case that the donors’ own organizational constraints, including strict timetables and pressures to move money, serve to inhibit a reliance on rigorous monitoring mechanisms. As Amundsen (1999: 24) points out, “some international aid and donor agencies have their particular concerns, agendas and timetables, and are willing to pay for their (swift) implementation”. Each of these factors can help to explain the specific effects of aid on rent-seeking in particular contexts.

Donor Assistance to the PNA

In Palestine as elsewhere, the aid industry has often served to create rents that can be captured by well-placed NGOs and state bureaucrats. In the case of donor assistance to Palestine, it is evident that aid was often not given judiciously or in a targeted manner. Moreover, in the Palestinian case, aid was part of a broader set of obligations and objectives, and a political agenda of peace-building. Donor assistance to the Palestinians thus had two broader objectives:

a) To allow the PNA to expand its bureaucracy and its patronage network as way of stabilizing the regime.

b) To maintain and extend the space for Palestinian NGOs (PNGOs) by reconstituting the structure of rents these NGOs could capture.
With respect to the support provided to the PNA, while the donors tried to reduce the opportunities for rent-seeking, this had at best a moderating affect, due to the priority given to peace-building assistance, practical considerations and the donors’ own overlapping interests. To begin with, donor assistance to the Palestinians arrived at a very critical moment. State institutions were being set up for the first time. One cannot ignore that this was also an extremely complicated and difficult period. The Palestinians were faced with the challenge of building state agencies from scratch, and were confronted with a flood of new tasks from the most rudimentary ones of acquiring office equipment to the complex matter of delineating bureaucratic responsibilities.

The donors played a vital role in this regard by providing financial and technical assistance. Initial plans for the sequence and disbursement of aid were based on long-term development schemes but were modified in practice to take into account immediate political and economic requirements, and in particular the start-up costs of the PNA.

In 1994, 40% of total disbursements went to cover the PNA’s budget and its set-up expenses (Frisch and Hofnung, 1997: 1250). In the same year, the Holst Fund was established under the World Bank to support the PNA’s recurrent budget expenses over the short-term. Viewed as short-term measures, the direct funding of the Authority was not expected to be required beyond 1994. However, donor funding became a sizable source of external rent, which the Authority came to depend from the very beginning of the state-building project. Even in 1996, 30% of the Authority’s budget was provided by external rents, in the form of direct transfers from the donors (Beck 2000: 53).

What were the implications of this influx of external rents for state building, and what were the affects on the state formation process? Some authors have argued that the Authority’s reliance on external rents had a negative impact on political developments that left a long-term legacy. At issue here is the fact that rents represent a particular type of income which gives the quasi-state power without responsibility (Beck 2000: 52). A steady inflow of external rents enhanced the autonomy of the political elite, and increased the propensity for regime consolidation through a dispensation of
patronage. This can not only create problems of rent-seeking and corruption, but it can also lead to a system in which social forces are subordinated to the emerging state through a strategy of co-optation. Overall, society is weakened and this reduces the prospects for the development of democratic structures that can hold the political elite accountable to society.

Not surprisingly, aid has often been “misused”. There have also been reports about administrative and political corruption. Furthermore, the bureaucracy has expanded and employment-creation has functioned as a form of patronage that has stabilized the regime. These characteristics of the PNA’s form of rule have been examined in greater detail in the chapter by Hilal and Khan. Our contribution examines the role of monitoring mechanisms, policies and conceptions of donor assistance. Could the donors have made the granting of political rents conditional on the development of democratic norms and good governance (Beck 2000)? In raising this question we reiterate that donors do not determine a recipient’s conduct. The uncertainties of political transitions, the weakness of institutions and the reconstitution of elite roles all create opportunities and incentives for corrupt practices. Furthermore, as Nasr and other contributors in this book have argued, some of the rent-seeking practices of the PNA, in particular the creation of monopolies, were strategies to overcome the constraints imposed by Israel. With this in mind let us turn to examine the role of the donors.

**The Commitments to Peace-Building**

It is generally recognized that institutional capacity-building is one area where donors can intervene to promote better government performance. Efficient and well organized state structures, supported by meritocratic recruitment, are necessary for creating state agencies that can develop and implement effective policies. However, institution-building is often hampered by patronage, public sector job-creation to absorb the unemployed middle class and politicized appointments to technocratic posts. All of these processes were going on in the PNA. As a result, observers began to argue that having supported the Authority to centralize its power, it was also necessary for donors to support institutional capacity-building and promoting accountable government (Frisch and Hofnung, 1997).
The donors were of course aware of the importance of institutional capacity-building. But this issue was complicated in the Palestinian case because the expansion of the PNA’s bureaucracy was a function of regime consolidation and seen as part of an attempt to ease unemployment under the impact of Israeli closure policies and restrictions on the Palestinian economy. In April 1995 a Tripartite Action Plan (TAP) was negotiated between the donors, the Palestinian National Authority and Israel. It contained a commitment by the PNA that it would improve revenue collection, reduce civil service hiring and clarify the division of responsibilities between its institutions. It also contained a commitment from Israel that it would allow a safe passage of goods between the West Bank and Gaza and from both to the outside world by effectively lifting the closures (Brynen et al. 2000). Another TAP was negotiated in January 1996. However, many of the commitments made by both sides were not fulfilled. An important component of the problem here was that the donors lacked the ability or the willingness to exercise leverage on the Israelis and Palestinians. In particular, with the decline of the Palestinian economy the donors did not want to stop the aid for fear of the implications this would have on the peace process (Brynen et al, 2000). But neither were they willing to impose sanctions on Israel for its violations of agreements despite Israel itself being a major aid recipient. Therefore, whilst the TAPs were meant to enhance the performance of the PNA, the donors did not provide sufficient incentives or penalties to alter the behaviour of either the PNA or the Israelis.

This brings us to the central concern of this paper, namely the ways in which donor commitments shape rent-seeking behaviour. This issue is quite well explained in the World Bank report on aid effectiveness. This report explains that the aid provided to the Palestinians is both buffeted by the ‘pressures of diplomatic negotiations’ and has the ‘fundamental political purpose’ of consolidating the peace process (World Bank 1999: 2). In other words, donor assistance operates within the horizon of the interim arrangement and all of its constraints, and its aim is the furtherance of peace-building. The practical implication of this is that political and socio-economic agendas are connected but not always complementary. At times peace-building goes hand in hand with long-term development. “At other times, however, they may be in tension; programs that promote immediate improvements in living conditions, for example,
may be of greater political utility than those that foster long term improvements” (World Bank 1999: 5).

In the context of the restrictions on the Palestinian economy and the harsh effects of the closure policy, donors have found themselves supporting employment-generation and providing assistance to keep the PNA afloat, both as part of the effort to address immediate political and economic priorities (Khadr 1999: 149). It was the PNA’s growing bureaucracy, police and security forces that created the most jobs (Brynen, 1996b: 81-82). In this regard, the short-term political concerns for regime stability and the overarching concern to show peace dividends to the public converged. The result was that donor assistance unwittingly allowed for the bloating of the bureaucracy and the formation of mechanisms that created opportunities for rent-seeking and patronage.

**Strategic Interests, Organizational Constraints and Monitoring Mechanisms**

Apart from the constraints of peace-building, a number of other factors affected the ways in which donors distributed aid. These include donors’ strategic interests, their organizational constraints and the types of monitoring mechanisms used. Each will be briefly considered in turn.

With regard to strategic interests, it is clear that political considerations and foreign policy agendas play a role in the way donors intervene. In particular, there is a tension between the political objective of supporting the peace process (and specifically the concern for a strong authority capable of clamping down on opposition) and donor willingness to use conditionality to promote transparency. This is supported by a number of observations. During the elections to the legislative council, the PLC, the head of the European Observers sent by the European Commission received an order not to report publicly any infractions committed by the Palestinian National Authority. Moreover, reviewing donor support for civil society in Palestine and Egypt, Brouwer argues that Western donor countries have more far-reaching objectives than simply promoting civil society and democracy. As he explains, the US, EU, and most European governments’ highest priorities include the security of Israel; ensuring Palestinian support for the peace process; providing a solution that is
acceptable to the majority of Palestinians; and further economic liberalization (Brouwer 2000: 29). These strategic interests have had an impact on how aid has been channelled.

Concerning organizational constraints, a number of factors are relevant. First, an insufficient knowledge of the local context and a lack of understanding of the political roots of some forms of corruption often prevents donors from identifying problems correctly. Furthermore, the pressure to move money quickly often impacts on the quality of outcomes. Thus, while it is true that donors generally follow lengthy project assessment and procurement procedures, at other times oversight of projects is lacking. For example, one of the Palestinian Ministries received a grant from the German Government with the supervision of the GTZ to set up a computer network in its offices. A contract evaluated at $1 million was allocated to a local computer company without a bidding process. Ironically, this would have been impossible if the money came from the Palestinian treasury.

Finally, turning to limitations in the monitoring of aid, two observations can be made. Firstly some donors, in particular the World Bank, approach rent-seeking and political corruption solely through the lens of liberal economics. According to this approach, liberalization will reduce the need for monitoring since the state will be doing less. As a result, the World Bank and the IMF have called upon the PNA to close down monopolies, withdraw from its involvement in the private sector, privatize the public sector, and focus on strengthening the PNA’s fiscal management. The limitations of such an approach have been examined in other chapters. This approach typically downplays the critical area of monitoring which requires the development of administrative capacity. Figures from the World Bank show that even towards the end of this period, donors were still not allocating funds to develop state administrative capacity (World Bank Annual Report 1999: 178, 185; World Bank Group 2000: 17-18).

Secondly, it is evident that instead of using conditionality and linking aid to improvements in performance, donors formed their own linkages with PNA ministries. This was reinforced by an initial period of competition between the ministries to approach the donors separately. Some donors have been arranging
projects with the ministries that were most amenable to them. Nevertheless, if a ministry is inefficient or there are problems of corruption donors have been deterred from cooperating with it (Brynen et al. 2000). Thus, in the absence of proper system to monitor and promote transparency, an ad-hoc system has emerged, with donors committing their assistance to the more competent institutions. This however reinforced a pattern of uneven institutional development.

**NGO Leadership as an Emerging Elite**

In this section we will study the type of elites reinforced by foreign assistance, and the manner in which external assistance unwittingly reinforced the fragmentation of Palestinian society. In the Palestinian case, the structure of rents available to the NGO sector was not used to re-consolidate an old elite, as in the case of Lebanon (Kingston 2001), but served to strengthen a new emerging elite. The advent of this elite can be traced back to the first *intifada* and the rise of new middle class actors that led the party structures of the national movement in the West Bank and Gaza.

In the 1970s, during the period of direct Israeli military rule, a new generation of Palestinian activists emerged. Characterized by some as new middle class actors, these individuals were educated in local universities and provided with opportunities for upward mobility through the channels of the political parties. Creating a new infrastructure of mass organizations through the national movement, this generation of activists extended the existing array of social organizations, including the voluntary charitable societies- the oldest types of NGO in Palestine. Popular organizations were formed, including women’s committees, labour unions, student organizations and voluntary initiatives. This was followed by the creation of developmental NGOs providing services in areas like health and agriculture (Barghouthi 1994). These Palestinian grassroots committees and mass organizations performed two pivotal functions: they established an alternative system of service provision to that of the Israeli occupier. But they also mobilized the grassroots under the banner of the national movement, forming an institutional network that enabled resistance against Israeli rule and sustained the first *intifada* for its first two years.

Over time, the national movement and the Palestinian society as a whole were weakened by harsh Israeli crackdowns and counter-insurgency measures. The
Palestinian left also suffered its own crisis after the demise of the former Soviet Union. Within this context, many Palestinian organizations took on a more narrowly defined developmental role, evolving into professionalized institutions. However, these organizations remained the mantle for former political activists and in particular leftist actors. Rema Hammami describes how, with the retreat of the nationalist movement, political activist began to withdraw from the public sphere at a moment in which the only remaining edifice of the national movement were nascent NGO formations that had evolved out of earlier organizing initiatives. She states: “mass popular organizing ceased to exist and all that remained in most cases were the leadership structures and the standing projects or professional staff (such as daycare centers, offices and clinics). Many of these professionalized development centers became the sole political base for the intellectuals and activists from the left parties” (Hammami 1995: 58).

The evolution of Palestinian NGOs into their contemporary form was shaped by this local context. Equally important, however, was the arrival of new forms of international support buttressed by an aid paradigm that privileged the role of NGOs in development processes. With the increased availability of Western donor funding, a new type of elite began to emerge in Palestinian society. A process of competition for organizational continuance is occurring, in which the middle class intelligentsia and former political actors are overturning the old elite of the voluntary charitable societies, as will be shown below.

The historical evolution of Palestinian NGOs (PNGOs) must be understood against a backdrop of shifting funding patterns. Initially, funds available to political factions through the PLO in the mid-1980s first enabled the nascent institution-building process led by the political committees. However, it is also true that PNGOs followed different funding patterns. For instance, the Communist Party was not a member of the PLO, and was oriented towards Western sources of funding much earlier than the other factions. They were pioneers in searching for funding, focusing primarily but not exclusively on France and Germany. In this regard organizations like the Medical Relief Committees, PARC and LAW not only have accumulated experience in fundraising but also have formed long-term relationships with international NGOs (INGOs). INGOs, mainly solidarity groups with leftist
backgrounds, provided much support to leftist local organizations. At the same time, Islamist NGOs which also emerged in the 1980s, raised most of their funds locally, while also drawing on their own external networks, with aid being provided from the Palestinian diaspora but also from foreign, primarily Arab states.

In general one can chart the trajectory of funding available to NGOs as follows. During the first intifada, in addition to the funding available from the PLO, significant aid began to be provided from Arab and Western sources. One can characterize the period up to the Gulf war of 1991 as one in which there was a diversity of funding sources. At the Baghdad summit of the Arab League in 1979, Arab support was pledged at $150 million per year (Brynen 2000: 47). The actual support provided by Arab states is estimated at having been approximately $30-100 million yearly, until 1991 (Clark and Balaj 1996). At the same time, the zakat organizations and charitable societies were mobilizing approximately $30 million locally (Clark and Balaj 1996). Some trace Western aid to PNGOs as far back as the 1970s (Brynen 2000: 44). But it is necessary to qualify this. During the first few years of the first intifada PNGOs received a significant amount of solidarity funding from leftist oriented INGOs. Over time, solidarity funds were supplanted by formal development assistance, which is not only organized according to its own thematic areas of concern but also underpinned by its own conceptual and theoretical vision.

After the Gulf war, Arab funding dropped substantially, and PLO funding steadily declined. At the same time, Western donor funding continued and since the 1990s, this became the main source of assistance for PNGOs. Nevertheless, many observers agree that from the early 1990s to the present, funding to PNGOs has been cut in half. While receiving $170-240 million yearly in the early 1990s, (Brynen 2000: 187) it is estimated that in the late 1990s, PNGOs received approximately $60-90 million per annum (Hanafi 1999). This is due to the effects of the Gulf war on Palestinian-Arab relations, as well as to the establishment of the Palestinian National Authority. The latter is taking on greater responsibility for services, including a shift towards large-scale development projects not easily implemented by NGOs. Finally, the peace process and the Oslo accords have ushered in a new funding trend, with very large and significant amounts of aid being dumped in the Palestinian territories as part of
This brief review reveals that in the period following the Gulf war there was a quantitative shift in the types of funding with Western assistance becoming the main source of funding for PNGOs. Indeed this shift in the source of funding produced effects in the local context much earlier than its pronounced phase in the post-Gulf war period. In this regard, two factors stand out as important. Firstly, Western donor assistance constructed the PNGO as an entity that is independent from political parties. This is reflected in donor discourses as well as in donor conditionalities (Shawa 2003). Secondly, two processes have accompanied the increased reliance of PNGOs on Western sources of funding. On the one hand, the charitable societies and the non-professionalized committees lost many of their own sources of funding including from Arab countries. At the same time, Western donor funding criteria established a hierarchy among organizations, resulting in the societies and committees very often being marginalized in terms of access to funding. Clark and Balaj summarize these two processes noting that since the Gulf war, the charitable societies’ external support has been halved, and the committees have lost even more funding. Furthermore they note, “in spite of the large number of NGOs it is estimated that 30-40 of them receive up to 70 percent or 80 of total NGO funding” (Clark and Balaj 1996: 3). In other words, while there has been an overall contraction in funding to the NGO sphere, a large number of organizations have been marginalized and a minority began to acquire a large share of the funding. These trends illustrate a new type of competition within the NGO sphere that centred on organizational survival. New middle class actors began overturning the old elite of the voluntary charitable societies and began to represent an emerging social force.

PNA – PNGO Relations

In 1994, when the Palestinian National Authority was set-up, the PNGO sector comprised a network of institutions and service providers with the capacity to establish a foundation for the emerging state. At the time, the PNGO sector was responsible for 60% of primary healthcare, 49% of secondary and tertiary care, and 100% of daycare services (Barhoumthi, 1994). However, the PNA did not use this infrastructure and chose to create its own separate ministries and institutions,
declaring itself the ‘only legitimate development authority’ and asking donors to channel funds to its ministries (Abdul Hadi 1999). This not only created tensions between the two sectors, but also fuelled distrust at a time when the responsibilities of each sphere needed to be addressed and clearly delineated. Subsequently, antagonism gave way to cooperation in the delivery of services, particularly in the health and education sectors. Nevertheless, an element of competition remained a feature of the relationship between the PNA and PNGOs.

The amount of funding that PNGOs receive casts them in competition with the state elite. Together, the donor community contributed annually more than $62 million to the NGO sector, and a total of US$ 248 million during the four years 1995-1998.\(^4\) This contribution constitutes an estimated 10-20% of the total international assistance dispensed to the Palestinian people. (See Table 1. For the distribution of NGO activities by sector see table 2.)

Thus, one can suggest that in the past eight years since the PNA was initially set-up, the donor community participated in the empowering of the NGOs and disempowering of the PNA, but the correlation between these two trends is not direct. Furthermore it is crucial to recognize that while there is competition between the two sectors, this occurs within certain parameters, one must not ignore that the aid industry looks to NGOs to perform two roles: to complement service delivery and to promote the accountability of state actors.

Looking at PNA – PNGOs relations in the context of state formation it is clear that since the Palestinian state-building project began, we have witnessed the consolidation of three spheres, each with its own separate structure of rents: the Fateh-dominated PNA, the predominantly leftist NGO sphere, and the Islamists, which oversee a network of grassroots social services. While the autonomy of the NGO sector is not in question, we argue that Palestinian society, weakened by the Israeli occupation, has become further fragmented today. Some suggest that the Palestinian NGOs have contributed to this, for thus far they have demonstrated that whilst they will not collude with the Authority, they are also not prepared to antagonize it. How does one explain the role of the PNGOs in light of the overall fragmentation of Palestinian society? Two observations are necessary to address this issue.
Firstly, we have suggested that donor assistance reinforced the emergence of a so-called ‘progressive’ elite within the NGO sector (particularly at the level of the leadership of these organizations), comprised of middle class actors, including former political activists and intellectuals. Comparatively, across the Arab world but also in relation to other regions, the Palestinian NGOs are relatively strong. PNGOs not only include many vibrant institutions, they have secured their independence, and they are led by charismatic, politically skilled individuals. To appreciate the significance of this one only has to look at other post-conflict cases. In Vietnam, for instance, establishing an NGO remains a highly restricted and controlled process. In the Vietnamese case, almost all NGOs have been formed by well connected individuals, with government contacts, for the state seeks to control the growth of NGOs by determining who gains access to external resources. Moreover, although Vietnamese NGOs have been forming since 1990, there is still no formal law governing the operation of these groups (Gray 1999: 698). The relative strength of PNGOs is illustrated by their ability to ‘negotiate’ a legal framework to regulate their work with the PNA. Here an analogy can be drawn between the way a new (state) capitalist class, which has emerged through the mechanism of rent-seeking or corruption, seeks to consolidate its status and gains. As Robinson explains, “as growth takes place-pressure for a legal system to regulate exchange may result from new elites wanting to secure their resources” (1998: 6). A similar process may account for why the PNGOs as a new type of elite have demanded a regulatory framework to secure their rights.

Secondly, starting from our premise that PNGOs represent an emerging social force, we submit that in order to grasp the increased fragmentation of Palestinian society one must consider the structural aspects of the aid industry, in particular we highlight two important features. Firstly, there is an emphasis, within aid channels, on ‘scaling up’ which is producing very large NGOs. Secondly, the emergence of a new development discourse within the aid industry has created new terms on which the legitimacy of NGOs are based, requiring in turn a re-negotiation of local sources of support.
Monopolistic Mega-NGOs

The fragmentation of Palestinian society and the role of PNGOs in this context cannot be analysed without paying attention to the emphasis within the aid system on ‘scaling up’ and the effect this has on local organizations. In Palestine, donor aid policies have pushed and supported the creation of mega-NGOs, such as the Palestinian Medical Relief Committee, Palestinian Agricultural Relief Committee (PARC) and the Palestinian human rights organization LAW. This phenomenon is not restricted to Palestine and has been observed in other contexts. The rise of colossal NGOs is primarily driven by the aid system’s emphasis on efficiency. It also feeds on a scarcity of resources and the competition between NGOs. The creation of very large NGOs not only creates inequalities between civil society organizations, and a monopolisation of resources by certain entities, but it can damage the role and mandate of these civil society organizations.

The case of Bangladesh illustrates the factors behind the creation of mega-NGOs. Here donors provided very large block grants, over USS 1 million, to a few organizations to enable a scaling up of services in areas of health, education and micro-finance. This resulted in the creation of a two-tier NGO sector, with about 30 NGOs receiving about 80% of all donor funding (INTRAC 1998: 18-27). One implication of this as these authors suggest is that scale turns into an end in itself, and becomes a new measure of success as organizations begin to compete to provide services (INTRAC 1998: 28).

In addition to an emphasis on efficiency and competent service delivery, the rise of very large NGOs is also fuelled by a prioritization of the administrative capacity of NGOs. Research in Kenya has found that donors have over-funded a small group of credible NGOs because of the weak capacity of many existing organizations (INTRAC 1998: 69). Personal contacts between NGOs and donors also play a role. Donors admit that the reputation of the leader of the NGO is a factor in the funding decision. Moreover, some donors recognize that they feed the rise of pro-state or elitist NGOs, but they argue that they do not have the capacity to run national grants programmes (Maina 1998:158-159). In an extreme example this author notes that one
Kenyan NGO received one quarter of a single donor’s civil society program for a two year period (Maina 1998:158).

In the Palestinian case, donors have become very strict about dispersing funds to organizations without sufficiently developed administrative capacity. This has marginalized many organizations. One example illustrates this. ANERA, an American NGO is now working largely on a contracting basis, with much of its funding coming from USAID. In the past ANERA had more freedom in determining its projects, including whom to disperse funds to. According to the Women’s Charitable Society of Hebron, in the past ANERA provided it with 70,000 Jordanian Dinars (about $80,000) to purchase land and build a daycare centre. Today, the same Palestinian organization is unable to acquire funding from ANERA. The rise of logical frames and contracting relations, which is driven by increasing market type logic and the attempt to impose control over an uncertain process, has led to the prioritization of administrative capacity. This in turn supports some elites and marginalizes smaller organizations. One USAID officer we interviewed acknowledged the marginalization of grassroots organizations (GROs) in Palestine, but he suggested that the GROs themselves were simply unable to keep up because of weak administrative capacity. Thus the USAID sends out consultants to audit and evaluate the structure of the candidates for grants, to ensure that the organization meets or comes close to international standards of administrative and financial management. Yet a focus on organizational ability is not necessarily a good indicator of an NGO’s work on the ground or its contribution to development processes.

The monopolistic position of mega-NGOs contradicts the fundamental raison-d’être of NGOs theorized by Salamon (1999). He argues that the increasing importance of NGOs responds to the diversity of demand, that is to say, NGOs are apart of and reflect a diversity of providers of different types of social goods. According to his account, society has changed, it does not have one hegemonic demand: society is made up of groups that want different types of medical services and they want to be able to choose. Moreover, government macro planning does not fit modern society. Contrary to this account however, it has been argued that donor funding increases the prominence of large Southern NGOs (SNGOs) and crowds out smaller SNGOs: thus distorting the mandate of SNGOs so that they increasingly reflect donor concerns
rather than the NGO’s initial mission (Bebbington & Riddell 1997: 125). Secondly, given the role of NGOs as civil society organizations, it is expected that at times they will challenge the state in order to promote social justice. However as NGOs become large institutions with their own organizational interests, their ability and willingness to be advocates of social agendas may become circumscribed, especially as they are brought into a system of state supervised delivery of public goods.

Our own observations of PNGOs suggest that as the mega-NGOs take on increased responsibility for service delivery and contribute to policy making, they do not necessarily advance questions of social justice. For instance, in the health sector in the West Bank and Gaza, it is widely acknowledged that the development of a health insurance system is of vital importance to the future of the healthcare system and its overall sustainability. However, we discovered that large health NGOs did not wish to play an advocacy role, even though they recognized the importance of the insurance issue. As the literature suggests, through the concept of ‘neo-liberal paradox’, there is a tension between NGOs taking on a role as sub-contracting service delivery agents, and their character as organizations with a social philosophy and vision of empowerment. At times this tension is difficult to reconcile.

New Bases of Legitimacy and Rent-Seeking in the NGO Sector

The capture of donor support is a form of rent-capture on the part of NGOs. However, rent-seeking in the NGO sector increasingly requires the adoption of discourses defined by donors and this in turn determines which elites can participate in this rent-seeking. To begin with, it is necessary to highlight two aspects of NGO financing that have implications for NGO rent-seeking. First, NGOs have proved incapable of procuring funds independently of the donors. Moreover, the absence of the endowment funds often results in necessary over-budgeting of activities in order to secure organizational resources for the future. Some of the Palestinian NGOs declared to us that they produce fake receipts for expenditures to the tune of the entire budget in the initial proposal. Usually this money does not go to the pocket of the director or the financial officer but is used for other activities. Secondly, corruption is encouraged by the phenomenon of aid recipients paying themselves high salaries. The high salaries are themselves an aspect of the process through which the new elite has
emerged, and demonstrates the importance of these institutions locally and internationally and the exclusive system the actors have entered. The donors obviously play a role in sustaining this process. Donors, especially USAID, insist on high employee wages. For example, the salary of a director of a PNGO that accepted funds from USAID rose from $1800 to $3500 a month, because USAID set the director’s salary. Such high salaries inevitably create incentives for rent-seeking activities as the new elite competes to capture these positions.

There are two ways of conceptualizing rent-seeking in the NGO sector. The first approach builds on Sogg and Zadek’s notion of ‘margin’ and it views rent-seeking in the NGO sector as attempts to capture money which is not officially accounted for. Sogg and Zadek, explain the concept of ‘margin’ as the difference between the income that an NGO receives and the expenditures of a project. They argue that the margin may be used as a way to gain funds for recurring or discretionary expenses but it could also be a source of personal gain. The authors argue that “the drive to gain wide margins resembles rent-seeking, in that revenues gained through margins are independent of the quality or effectiveness of the activity” (Sogg and Zadek 1996: 88). The first type of rent-seeking then focuses on the conscious intention of the actors involved. Actors within NGOs, facing structural constraints may consciously manipulate budgets, for example using ‘creative accounting’ to manage their ongoing costs. In some cases, donors may be aware of the over-budgeting or the extra perks and incentives afforded the director of an NGO, and continue to support the organization for political and pragmatic reasons.

A second conceptualization of rent-seeking draws on political economy approaches. These focus on the outcomes of rent-seeking and emphasise differences in the political, economic and organizational abilities and powers of groups to explain different types of rent capture and their economic and social implications (Khan and Jomo 2000: 5, Robinson, 1998: 5). The outcomes of this broader conceptualization of rent-seeking are open. The rent-seeking involved can be legal or illegal and more important, the rents captured may vary widely and have very different implications for development. This broader approach can be used to examine how rent-seeking changes the behaviour of individuals in ways that are sanctioned by the norms of the rent-givers. This can be very significant because the ability to play this game may be
unevenly distributed, meaning that some elites rather than others will benefit. The social and economic outcome will depend on the identity of this elite, the rents they want, and the effects of this rent-seeking for social organization more widely. The self-selection that NGO rent-seeking involves has been recognized by observers. Thus Carapico points out that “some activists decline subsidies from Western or Arab sources entirely, pointing to a new kind of dependency: NGO rent-seeking. These critics call attention to the class dimension of criteria for qualifying for international loans, grants or programs - such as preferences for those who speak English, understand spreadsheets, or dress in appropriate business attire” (2000: 14). Other NGO behaviour that is often sanctioned by donors includes the exercise of personal power inside the NGO, strong informal relations with donors which keep the lines of patronage open and accessible, as well as manipulation of margins and personal aggrandizement. We submit that NGO rent-seeking in not just about manipulating margins, or personal profit, but it is also about the practices and behaviour that are approved by donors in the process of competing for and maintaining rents.

**The Emergence of NGO-leaders as a new Globalized Elite**

In line with the political economy approach, our focus is on the dynamics of power and agency rather than individual self-interest (Hutchcroft 1997: 228). We concur with those who have suggested (Scott 1999) that at times the impact of corruption is a counter-hegemonic one insofar as it promotes the entry of new forces into the social arena. Certainly the aid industry promotes this counter-hegemonic influence by reinforcing NGO actors as a new and emerging elite. With regard to Palestinian NGO actors, they constitute a new elite by virtue of their strategic institutions, and by implication their influence and decision-making authority in social, economic and political circles. An elite can be defined as a group that holds strategic positions in powerful organizations, and which is able to affect national political outcomes regularly and significantly (Dogan and Higley 1998: 15). There is also the possibility of a ‘shadow elite’ who occupy prominent institutions and are able to influence political decisions intermittently (Dogan and Higley 1998: 15). On the basis of these definitions, it is evident that the PNGO leaders constitute an emerging elite, or at the very least a ‘shadow elite’, by virtue of their decision-making sway in national or municipal levels in a range of sectors. It is also important to reiterate that the NGOs in
Palestinian territories were taken over by disenfranchised and leftist sections of the middle classes. This space not only provided them with room to affect social development but also gave them status and influence over decision-making. The availability of external rents and the terms of the rent-seeking that gave them privileged access are fundamental components of this process.

Sogge and Zadek (1996) identify the central dynamic that underpins NGO survival and organizational continuity in the modern aid industry. They suggest that NGOs are engaged in an ongoing process of anticipating and responding to new policy concerns, new development themes and trends, and a continuously expanding ‘oeuvre’ of knowledge and concepts. The NGO ‘economy’ is a non-productive economy which depends on the inflow of external aid. A central part of this process is the circulation of knowledge and a development discourse upon which cooperation between NGOs and donors often depends. The appropriation and use of this system of new knowledge by the local actors enables them to participate in this system of rent distribution. In the case of Palestinian NGOs it is clear that what starts as material power, leads to symbolic power and ultimately to the emergence of a local “globalized elite” (Hanafi & Tabar 2002). This new elite has overturned older elites (including the leaders of older voluntary charitable societies or in some cases the elite in the rural areas) through a process of competition for resources. In the remainder of this paper we will suggest that having entered the aid system, PNGOs have acquired a new basis of power but we also highlight the challenges they face in re-negotiating their local sources of support and legitimacy.

The term globalized elite is not unproblematic since concepts like ‘global’ and ‘local’ become markers used by the same actors interchangeably depending on the context. It is clear however that despite the adoption of a leftist discourse, the emerging elite is often parochial, factionalized and conservative, and it seeks to maintain its rents. In contrast to its leftist discourse and claims of promoting democracy and civil society, it is in large part an inward oriented elite, and in the main only interested in entering into accommodation politics with the PNA. Moreover, this elite is not only a tiny fraction of society, we suggest that this erstwhile leftist elite is also a small fraction of traditional Palestinian elites.
A number of characteristics of this elite are relevant for understanding the implications of this pattern of rent-seeking in the Palestinian context. First, this elite finds itself closer to the INGOs and Northern allies than its own society. In describing them as a globalized elite, we mean that these actors are informed by global agendas and may be closely aligned with internationally endorsed development paradigms. They move within the space occupied by donors and INGOs, attending global conferences and forming their own relations with international organizations. Thus a globalized elite does not mean that these individuals are part of a global elite but that their power derives from their access to global actors, mainly international NGOs and donors. Secondly, by its very nature, this access is personalized and based on command of a specific language and discourse. This in turn means that PNGOs are based on strong personalities who command this access, and the pattern of clientelism and privilege is reproduced within the organization.

A third feature of the globalized elite is particular to the Palestinian context; this elite is distinguished by its position on the peace process. The elite supports the peace process or at least believes in the importance of giving this process and the PNA sufficient time without exercising violence against the Israeli occupation. In this regard, this elite is strikingly different from the Nationalist-Islamist one, and this also explains why it has a comparative advantage in engaging in the globalized discourse on the “peace process”.

Finally, it is a professionalized elite: Palestinian NGO actors are no longer the activists of the first intifada, they are either former activists with a technical bent or they are technocrats who never had a connection with the national movement. The absorption of donor ideas and norms has had implications not only for methods but also for personnel. There is now a predominance of English-speaking graduates, and financial skills are becoming increasingly important. Some PNGOs ask for English as a mother tongue when soliciting applications for positions such as fundraiser or proposal writer. This not only privileges the non-Palestinian, but it also sheds light on the fundraising process. This process is no longer about local individuals in local organizations interacting with partner INGOs, but a relationship between professional bodies. Here professional skills refer to the capacity of the NGO applicants to meet the reporting needs of the international partner.
One implication of these characteristics is that the allocation of rents to NGOs is likely to reflect the location and interests of NGO leaders and their command over the dominant discourses. It is therefore not surprising that when we look at the geographical distribution of funding for NGOs projects, we see not only an imbalance between centre and periphery, and between urban and rural areas, but also an imbalance between cities with high and low population densities. Some districts with a high density receive a small percentage of funding. According to the Welfare Association Survey (1999), the distribution of projects\(^6\) was found to be extremely lopsided between the Gaza Strip and West Bank, with $26.4 million for Gaza (only 19%) and $111.5 million for the West Bank (81%). This is disproportionate both in terms of population and in terms of needs. According to the latest census figures, the population of the Gaza Strip is 1,022,207 (35% of the Palestinian population) and Gaza has a far higher poverty and unemployment rate than the West Bank. This imbalance in funding may be explained partly by the historical weakness of the PNGO sector in Gaza compared to that of the West Bank.\(^7\) But partly it must be explained by the concentration of the leftist middle classes of donor agencies in the West Bank. Jerusalem and Ramallah alone accounted for 45% of the Palestinian NGOs (respectively 208 and 130 NGOs), according to the same survey. This percentage increases to 57% if Bethlehem is added (with more than 90 NGOs).\(^8\)

Finally, as we have already seen, while the NGOs are generally led by individuals who support the peace process, these individuals are increasingly marginal in terms of contemporary Palestinian politics. Those who came from a leftist political background have long since lost their local political constituencies nor have they acquired any alternative ones. Thus if aid has assisted the peace process, it has primarily been through the job creation and political stabilization achieved through the PNA, to some extent as a result of the service-delivery achieved by the NGOs, but not directly through the economic empowerment of ex-leftist NGO leaders. If anything, the absence of any political constituency for these leaders and their growing competition for rents resulted in a political fragmentation of civil society together with a recognition on the part of the NGOs that their best political strategy was to work with the PNA and to desist from too many overt criticisms of PNA performance.
Table 1: Donors Assistance to the Palestinian National Authority and PNGOs

($ million)

<table>
<thead>
<tr>
<th>Total Contribution</th>
<th>1996</th>
<th>1997</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor aid to the PNA and NGOs from government agencies</td>
<td>549.414</td>
<td>432.259</td>
</tr>
<tr>
<td>MOPIC's Report: Donor Aid to NGOs from government agencies</td>
<td>58.069</td>
<td>45.995</td>
</tr>
<tr>
<td>Percentage to NGOs (MOPIC)</td>
<td>10%</td>
<td>11%</td>
</tr>
<tr>
<td>Welfare Survey: Donor Aid to PNGOs from governments and INGOs</td>
<td>54.804</td>
<td>76.897</td>
</tr>
<tr>
<td>Percentage to NGOs (Welfare Survey)</td>
<td>10%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Source: (Hanafi, 1999)
<table>
<thead>
<tr>
<th>Sector</th>
<th>Funding In 1995</th>
<th>% 1995</th>
<th>Funding In 1996</th>
<th>% 1996</th>
<th>Funding In 1997</th>
<th>% 1997</th>
<th>Funding In 1998</th>
<th>% 1998</th>
<th>Total</th>
<th>Total Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>3936.2</td>
<td>6.5%</td>
<td>5717.8</td>
<td>10.5%</td>
<td>4603.8</td>
<td>5.9%</td>
<td>3843.7</td>
<td>6.7%</td>
<td>18101.5</td>
<td>7.4%</td>
</tr>
<tr>
<td>Culture</td>
<td>2899.4</td>
<td>4.8%</td>
<td>3074.4</td>
<td>5.7%</td>
<td>7054.3</td>
<td>9.0%</td>
<td>7579.9</td>
<td>13.2%</td>
<td>20608.0</td>
<td>8.2%</td>
</tr>
<tr>
<td>Democracy</td>
<td>331.0</td>
<td>0.5%</td>
<td>146.0</td>
<td>0.3%</td>
<td>1741.0</td>
<td>2.2%</td>
<td>1800.0</td>
<td>3.1%</td>
<td>4018.0</td>
<td>1.5%</td>
</tr>
<tr>
<td>Education</td>
<td>12206.2</td>
<td>20.2%</td>
<td>14321.0</td>
<td>26.4%</td>
<td>16771.4</td>
<td>21.5%</td>
<td>14340.8</td>
<td>25.0%</td>
<td>57639.5</td>
<td>23.3%</td>
</tr>
<tr>
<td>Environment</td>
<td>653.9</td>
<td>1.1%</td>
<td>2035.6</td>
<td>3.8%</td>
<td>2367.6</td>
<td>3.0%</td>
<td>2138.4</td>
<td>3.7%</td>
<td>7195.5</td>
<td>2.9%</td>
</tr>
<tr>
<td>Health</td>
<td>9710.6</td>
<td>16.1%</td>
<td>10621.6</td>
<td>19.6%</td>
<td>18230.2</td>
<td>23.4%</td>
<td>11202.1</td>
<td>19.5%</td>
<td>49764.5</td>
<td>19.6%</td>
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<tr>
<td>Human Rights</td>
<td>301.9</td>
<td>0.5%</td>
<td>537.4</td>
<td>1.0%</td>
<td>2891.9</td>
<td>3.7%</td>
<td>3682.8</td>
<td>6.4%</td>
<td>7414.0</td>
<td>2.9%</td>
</tr>
<tr>
<td>Infrastructure (except water)</td>
<td>2000.0</td>
<td>3.3%</td>
<td>2106.0</td>
<td>3.9%</td>
<td>2937.0</td>
<td>3.8%</td>
<td>193.3</td>
<td>0.3%</td>
<td>7236.3</td>
<td>2.8%</td>
</tr>
<tr>
<td>Institution Building</td>
<td>6527.5</td>
<td>10.8%</td>
<td>3343.5</td>
<td>6.2%</td>
<td>1796.5</td>
<td>2.3%</td>
<td>1838.0</td>
<td>3.2%</td>
<td>13505.5</td>
<td>5.6%</td>
</tr>
<tr>
<td>Micro Credit</td>
<td>3389.2</td>
<td>5.6%</td>
<td>1960.5</td>
<td>3.6%</td>
<td>2402.5</td>
<td>3.1%</td>
<td>1817.0</td>
<td>3.2%</td>
<td>9569.2</td>
<td>3.9%</td>
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<tr>
<td>Multi-sectoral</td>
<td>12446.9</td>
<td>20.6%</td>
<td>533.9</td>
<td>1.0%</td>
<td>567.7</td>
<td>0.7%</td>
<td>1156.0</td>
<td>2.0%</td>
<td>14704.5</td>
<td>6.1%</td>
</tr>
<tr>
<td>Relief</td>
<td>352.3</td>
<td>0.6%</td>
<td>352.3</td>
<td>0.6%</td>
<td>1066.0</td>
<td>1.4%</td>
<td>699.0</td>
<td>1.2%</td>
<td>2469.7</td>
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<td>Research</td>
<td>661.5</td>
<td>1.1%</td>
<td>923.8</td>
<td>1.7%</td>
<td>1338.6</td>
<td>1.7%</td>
<td>1685.1</td>
<td>2.9%</td>
<td>4609.0</td>
<td>1.9%</td>
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<td>Social Services</td>
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<td>3.8%</td>
<td>4826.4</td>
<td>8.9%</td>
<td>8390.9</td>
<td>10.7%</td>
<td>3700.4</td>
<td>6.4%</td>
<td>19242.5</td>
<td>7.5%</td>
</tr>
<tr>
<td>Tourism</td>
<td>33.0</td>
<td>0.1%</td>
<td>60.0</td>
<td>0.1%</td>
<td>67.0</td>
<td>0.1%</td>
<td>880.0</td>
<td>1.5%</td>
<td>1040.0</td>
<td>0.4%</td>
</tr>
<tr>
<td>Trade &amp; Industry</td>
<td>1813.0</td>
<td>3.0%</td>
<td>1820.0</td>
<td>3.4%</td>
<td>4197.0</td>
<td>5.4%</td>
<td>235.4</td>
<td>0.4%</td>
<td>8065.4</td>
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</tr>
<tr>
<td>Vocational/Technical Training</td>
<td>868.8</td>
<td>1.4%</td>
<td>1898.8</td>
<td>3.5%</td>
<td>1634.5</td>
<td>2.1%</td>
<td>656.8</td>
<td>1.1%</td>
<td>5059.0</td>
<td>2.0%</td>
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<tr>
<td>Grand Total</td>
<td>60456.3</td>
<td>100.0</td>
<td>54279.1</td>
<td>100.0</td>
<td>78057.9</td>
<td>100.0</td>
<td>57448.7</td>
<td>100.0</td>
<td>250242.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: (Hanafi, 1999)
References


Carapico, S. 2000. NGOs, INGOs, GO-NGOs and DO-NGOs: Making Sense of Non-Governmental Organizations, *Middle East Report*, No. 214, 30 (1).


Endnotes

1 Since the start of the second intifada donors have responded to the crisis confronting Palestinian society in different ways. Most prominent among the emergency assistance being provided are the employment generation schemes. In April 2001, the UNDP set aside $22 million for employment generating projects throughout the West Bank. These projects target skilled and semi-skilled laborers denied entry to the Israel
labor market. They receive a third of their former daily wage to engage in temporary labor intensive projects in the West Bank. Donor assistance has also been provided in the form of loans. Most recently, in March 2002, the World Bank announced a $20 million credit to support basic social services in the West Bank and Gaza.

2 The main reason the donors supported the Authority to centralize its power was the emphasis placed by Israel and the international community on security. The Declaration of Principles stipulated that there should be a strong Palestinian police force and it should maintain ‘public order’ and ‘internal security’, and it was agreed that this would be partially financed by the donors (Milton-Edwards 1998: 96). In 1994, the donors disbursed $40.9 million to fund the establishment of the Palestinian police force and have provided subsequent financial and technical support, particularly training.

3 Robert Zimmerman has made the same observation concerning USAID policies in Egypt (1998).

4 This amount is based on Welfare Association survey conducted by Sari Hanafi (Hanafi, 1999). The survey gathered information from about 100 organizations. Despite the reluctance of a few organizations to release detailed information, generally, the information obtained provides a sound basis for a database on PNGO projects funded by donor agencies and international NGOs.

5 He reports: ‘We have two activities through which we work on this issue, first we work with the PNGO’s Network on insurance law. The role of health bodies and the rights of citizens need to be spelled out clearly. The law has been approved in its second reading. Second, we have a dialogue with the Ministry of Health, together with insurance representatives and NGOs to try and reformulate the insurance systems. Thus we are pushing for insurance system in these two ways. Two points need to be stated: firstly, we need an independent insurance body. Secondly the ministry’s budget must remain under its own control and not under that of the Ministry of Finance, in order to avoid unnecessary loss of funds.’
6 The categorization of projects by localities concerns the *project location* and not that of the head office of the PNGO, or the implementing agency. When accurate data was not available on the geographical distribution of funds, the funds were considered as distributed for all Palestine. If the implementing agency or beneficiary operates only in the Gaza Strip or only in the West Bank, their projects were considered to be located only in that area, lacking further detailed information.

7 PNGOs were legally recognized in Gaza only after 1967. Previously, the Egyptian military authorities simply banned the formation and registration of local organizations and professionals unions, with the sole exception of the Lawyers' Union. Currently, according to the Welfare Association Consortium survey (Ayed, 1998), 25% of Palestinian NGOs (186 NGOs) are located in the Gaza Strip.

8 This percentage figure does not increase much when one factors in the Northern region of the West Bank, which includes Nablus, Tulkarem and Jenin, therefore revealing the unbalanced distribution of the NGOs between centers and peripheral areas (see table 7). It is also true, however, that some donors hold the view that the PNA invests proportionately more in Gaza than in the West Bank (although this is not verified by statistics on funding), and chose to compensate for this by directing more funding to NGOs in the West Bank.