

“The NGO Scramble:
Organizational Insecurity and the Political Economy of Transnational Action”

International Security

(forthcoming, Volume 27, Number 1, 2002)

Alexander Cooley
and

James Ron

14346 WORDS

Alexander Cooley is Assistant Professor of Political Science at Barnard College, Columbia University.

James Ron is Canada Research Chair in Conflict and Human Rights, Department of Sociology, McGill University.

Acknowledgements: A version of this article was presented at the annual meeting of the International Studies Association, New Orleans, Louisiana, March 24-27, 2002. We are grateful for comments by Peter Andreas, Mark Blyth, Daniel Deudney, Elisabeth Jay Friedman, Kevin Hartigan, Patrick Jackson, Paula Duarte Lopes, Larry Minear, Dominique Morel, Emma Naughton, Hendrik Spruyt, Jacques Stroun, Kellee Tsai, Peter Uvin, members of the nongovernmental organization community who have chosen to remain anonymous, and three anonymous reviewers for *International Security*.

Scholarly assessments of transnational actors are largely optimistic, suggesting they herald an emerging global civil society comprising local civic groups, international organizations (IOs), and international nongovernmental organizations (INGOs). This new civil society, moreover, is widely assumed to rest upon shared liberal norms and values that motivate INGO action and explain their supposedly benign influence on international relations.¹

Although not entirely misplaced, this view does not adequately address the organizational insecurity, competitive pressures, and fiscal uncertainty that characterize the transnational sector. Powerful institutional imperatives can subvert IO and INGO efforts, prolong inappropriate aid projects, or promote destructive competition among well-meaning

1 For recent works, see John Boli and George M. Thomas, eds., *Constructing World Culture: International Nongovernmental Organizations since 1875* (Stanford, Calif.: Stanford University Press, 1999); Ann Marie Clark, *Diplomacy of Conscience: Amnesty International and Changing Human Rights Norms* (Princeton, N.J.: Princeton University Press, 2001); Martha Finnemore, *National Interests in International Society* (Ithaca, N.Y.: Cornell University Press, 1996); Margaret E. Keck and Kathryn Sikkink, *Activists beyond Borders: Advocacy Networks in International Politics* (Ithaca, N.Y.: Cornell University Press, 1998); Audie Klotz, *Norms in International Relations: The Struggle against Apartheid* (Ithaca, N.Y.: Cornell University Press, 1996); David Holloran Lumsdaine, *Moral Vision in International Politics: The Foreign Aid Regime, 1949-1989* (Princeton, N.J.: Princeton University Press, 1993); Thomas Risse, Stephen C. Ropp, and Kathryn Sikkink, *The Power of Human Rights: International Norms and Domestic Change* (New York: Cambridge University Press, 1999); Paul Kevin Wapner, *Environmental Activism and World Civic Politics* (Buffalo: State University of New York Press, 1995); and Paul Kevin Wapner, "The Normative Promise of Nonstate Actors: A Theoretical Account of Global Civil Society," in Wapner, Lester Edwin Ruiz, and Richard A. Falk, eds., *Principled World Politics: The Challenge of Normative International Relations* (Lanham : Rowman and Littlefield, 2000).

Other scholars do not dispute the normative motivations of IOs and INGOs, but provide critical analysis of their emergence, strategies, and effectiveness. See, for example, Ann Marie Clark, Elisabeth J. Friedman, and Kathryn Hochstetler, "The Sovereign Limits of Global Civil Society: A Comparison of NGO Participation in UN World Conferences on the Environment, Human Rights, and Women," *World Politics*, Vol. 51, No. 1 (October 1998), pp. 1-35; Michael Edwards and David Hulme, eds., *Beyond the Magic Bullet: NGO Performance and Accountability in the Post Cold War World* (West Hartford, Conn.: Kumarian, 1996); Chaim D. Kaufman and Robert A. Pape, "Explaining Costly International Moral Action: Britain's Sixty-Year Campaign against the Atlantic Slave Trade," *International Organization*, Vol. 53, No. 4 (Autumn 1999), pp. 631-668; James Ron, "Changing Methods of State Violence," *International Organization*, Vol. 51, No. 2 (Spring 1997), pp. 275-300; and Jack Snyder and Karen Ballentine, "Nationalism and the Marketplace of Ideas," *International Security*, Vol. 21, No. 2 (Fall 1996), pp. 5-40.

transnational actors. Attempts by IOs or INGOs to reconcile material pressures with normative motivations often produce outcomes dramatically at odds with liberal expectations.

This article develops a political economy approach to the study of contemporary transnational networks. We argue that many aspects of IO and INGO behavior can be explained by materialist analysis and an examination of the incentives and constraints produced by the transnational sector's institutional environment. We advance two theoretical propositions. First, the growing number of IOs and INGOs within a given transnational sector increases uncertainty, competition, and insecurity for all organizations in that sector. This proposition disputes the liberal view that INGO proliferation is, in and of itself, evidence of a robust global civil society. Second, we suggest that the marketization of many IO and INGO activities – particularly the use of competitive tenders and renewable contracting – generates incentives that produce dysfunctional project outcomes. This claim disputes the popular assumption that market-based institutions in the transnational sector increase INGO efficiency and effectiveness.

In advancing these arguments, we do not criticize the normative agendas, moral character, or nominal goals of individual transnational groups. Rather we suggest that dysfunctional organizational behavior is likely to be a rational response to systematic and predictable institutional pressures. In many cases, uncooperative local actors or project targets will take advantage of the transnational sector's perverse incentives to further their own opportunistic agendas.

In making our argument, we draw on the New Economics of Organization (NEO), a body of theory that focuses on the incentives and institutional outcomes generated by contractual relations, incomplete information, transaction costs, and property rights.² By applying these

2

Thráinn Eggertsson, *Economic Behavior and Institutions* (New York: Cambridge University Press, 1990); Geoffrey M. Hodgson, *Economics and Institutions: A Manifesto for a Modern Institutional Economics* (Philadelphia: University of Pennsylvania Press, 1988); Douglass North, *Institutions, Institutional Change, and Economic Performance* (New York: Cambridge

concepts to the environment in which contemporary transnational actors operate, we identify sources of organizational insecurity and explain patterns of behavior that liberal theories of transnationalism either fail to acknowledge or cannot address conceptually. INGOs compete to raise money and secure contracts. These contracts, moreover, are often performance based, renewable and short term, creating counterproductive incentives and acute principal-agent problems. Opportunism and dysfunctional outcomes are particularly rife when groups seek control over the same project, a phenomenon known as the “multiple principals problem.” Indeed we find that nonprofit INGOs respond to contractual incentives and organizational pressures much like firms do in markets.

To test our model, we examine three cases of transnational assistance. Although our theory is broadly rationalist, our method is necessarily qualitative and case-based. Because we seek to go beyond the images, public documents, and prepared statements of IOs and INGOs, our three studies draw on in-depth interviews that seek to uncover hidden behavioral imperatives. The first case is based on more than thirty discussions with for-profit corporations operating in Kyrgyzstan under contracts from Western governments, international financial

University Press, 1990); and Oliver Williamson, *The Economic Institutions of Capitalism: Firms, Markets, and Relational Contracting* (New York: Free Press, 1985). A rich literature applies the NEO to international institutions and organization. Here we extend those insights to explain relations among international aid donors, INGO contractors, and aid recipients.

For NEO applications to international relations, see Alexander Cooley, “Imperial Wreckage: Property Rights, Sovereignty, and Security in the Post-Soviet Space,” *International Security*, Vol. 25, No. 3 (Winter 2000/01), pp. 100-127; Jeffrey Frieden, “International Investment and Colonial Control: A New Interpretation,” *International Organization*, Vol. 48, No. 4 (Autumn 1994), pp. 559-593; David A. Lake *Entangling Relations: American Foreign Policy in Its Century* (Princeton, N.J.: Princeton University Press, 1999); Lisa L. Martin, *Democratic Commitments: Legislatures and International Cooperation* (Princeton, N.J.: Princeton University Press, 2000); Helen V. Milner, *Interests, Institutions, and Information: Domestic Politics and International Relations* (Princeton, N.J.: Princeton University Press, 1997); Hendrik Spruyt, *The Sovereign State and Its Competitors* (Princeton, N.J.: Princeton University Press, 1994); Roland Vaubel, “A Public Choice View of International Organizations,” in Vaubel and Thomas Willett, eds., *The Political Economy of International Organizations* (Boulder, C.O.: Westview Press, 1991); Celeste A. Wallander, “Institutional Assets and Adaptability: NATO after the Cold War,” *International Organization*, Vol. 54, No. 4 (Autumn 2000), pp. 705-735; and Beth V. Yarbrough and Robert M. Yarbrough, *Cooperation and Governance in International Trade: A Strategic Organizational Approach* (Princeton, N.J.: Princeton University Press, 1992).

institutions, and the United Nations (UN). The case shows how reliance on one-year renewable contracts by Western donors created incentives for contracting INGOs to downplay government subversion of economic reforms, withhold information about ineffective projects, and tolerate bureaucratic opportunism. Our second case shows how inter-INGO competition in Goma, Democratic Republic of Congo (former Zaire), undercut the collective action necessary to protest misuse of refugee aid. This case draws on thirty-five discussions with staffers from Refugee Help, a respected non-profit organization with a budget in the tens of millions of dollars.³ The final case draws upon events in wartime Bosnia, showing how inter-IO and INGO competition empowered local military commanders seeking to resist international POW-protection efforts. Here, we make use of some 100 interviews with members of the International Committee of the Red Cross (ICRC), the UN, INGOs, and Bosnian military officers.⁴

Although three qualitative cases cannot provide a definitive test of our claims, they fulfill important criteria of social inquiry and suggest a global trend. First, our cases include both for-profit and nonprofit transnational actors, providing a “most likely” and “least likely” test of our claims. Second, each case is drawn from a different geographic region, allowing us to control for local cultural factors, identity-based action, and other potential regional idiosyncrasies. Finally, each case involves a different sector of the transnational world: economic technical assistance, humanitarian aid/refugee relief, and POW monitoring. Controlling for for-profit status, geographical setting, and issue area, we observe dynamics consistent with a political economy approach.

3 James Ron, *Human Rights vs. Humanitarian Relief in the Goma Refugee Camps* (Refugee Help, 1999). Permission to use the material was conditioned on Refugee Help’s anonymity.

4 James Ron, *Compete or Collaborate? The ICRC and Other Protection-Related Agencies in the Former Yugoslavia* (Geneva: ICRC, 1996). Permission to use the interviews was conditioned on informants’ anonymity.

Some INGOs may resist material pressures, either because of idiosyncratic funding patterns, unique organizational cultures, or remarkable leaders or coalitions. Others may even define themselves in opposition to the mainstream, condemning their rivals' marketized or "corporate" mentalities. For sure, normative aspirations may sometimes overcome material constraints. As a general rule, however, the transnational environment is pushing INGOs and IOs toward greater competition, regardless of their normative starting points or orientations. By identifying these institutional pressures and imperatives, we hope to encourage scholars and policymakers to think theoretically and systematically about the transnational world's political economy. This is particularly important given the enormous relief and reconstruction efforts currently underway in Afghanistan, as well as the mass influx of IOs and INGOs into Central Asia. It is vital that we devise workable solutions to the "NGO scramble."

The next section examines the conventional wisdom espoused by analysts of transnationalism and global civil society. We then build on insights from NEO theory to examine how the tender process, renewable contracts, and the presence of multiple contractors create self-interested and competitive incentives antithetical to liberal expectations. After presenting our three empirical cases, we conclude with a theoretical summary and discussion of policy implications.

A "Civil" Global Society? Organizational Density and Marketization

Liberal scholars and Western aid donors view two key trends in transnational activity – increasing organizational density and marketization – as important contributions to a global civil society. Because they assume that transnational behavior is shaped chiefly by liberal norms, they believe that the more IOs and INGOs exist, the better. Moreover, marketization of aid funding, through the creation of competitive project tenders, is supposed to boost efficiency. Competition cuts waste and curbs corruption, and allows new INGOs to become

transnational players. We question the optimism embedded in both propositions, suggesting that more is not always better and that marketization can produce dysfunctional incentives and results.

The notion that growth in the transnational sector heralds a more benign global civil society is fast achieving doctrinal status. An influential article by Jessica Mathews, for example, charts the rise of a liberal world polity based on transnational NGOs and argues that this deepens global democracy by “disrupt[ing] hierarchies” and spreading “power among more people and groups,” promoting an unprecedented “power shift” from states to liberal private organizations. NGOs “breed new ideas; advocate, protest, and mobilize public support,” Mathews says, and “shape, implement, monitor and enforce national and international commitments.”⁵ P. J. Simmons is similarly upbeat, noting that “unprecedented levels” of INGO activity have produced startling liberal triumphs, including agreement on the international ban on land mines and greater World Bank accountability.⁶ And in a widely acclaimed study of transnational activism, Margaret Keck and Kathryn Sikkink argue that world politics have been fundamentally transformed by liberal transnational networks that “multiply the channels of access to the international system,” most notably in the environmental and human rights fields.⁷

There is little doubt that the transnational world is increasingly dense. Between 1960 and 1996, for example, the number of INGOs grew from 1,000 to 5,500.⁸ This growth is particularly dramatic in the transnational aid sector, as private aid agencies expanded their

5 Jessica T. Mathews, “Power Shift,” *Foreign Affairs*, Vol. 76, No. 1 (January/February 1997), pp. 50-66.

6 P.J. Simmons, “Learning to Live with NGOs,” *Foreign Policy*, No. 112 (Fall 1998), pp. 82-96. On the land mine issue, see also Richard Price, “Reversing the Gun Sights: Transnational Civil Society Targets Land Mines,” *International Organization*, Vol. 52, No. 3 (Summer 1998), pp. 613-644.

7 Keck and Sikkink, *Activists Beyond Borders*, p. 1.

8 Taken from the *Yearbook of International Organizations, 1996*, as cited in Simmons, “Learning to Live with NGOs,” p. 89.

operations by 150 percent from 1985 to 1995, affecting the lives of 250 million people worldwide.⁹ In 1992 the total amount of assistance to the developing world channeled through INGOs was \$8 billion, representing 13 percent of all development assistance.¹⁰ War-related relief in particular is growing rapidly. In 1989 the U.S. Agency for International Development (USAID) spent \$297 million on humanitarian relief, a figure that rose to \$1.2 billion four years later, in large part due to the relief effort in Bosnia.¹¹ Increasing organizational density is also evident from the number of INGOs operating near or within zones of armed conflict. In 1980, for example, there were 37 foreign relief agencies in a major Cambodian refugee camp along the Thai border. By 1995, more than 200 INGOs were present in Goma and in 1996, 240 INGOs were active in Bosnia,¹² requiring some thirty coordination meetings per week.¹³ In our interviews, most professional aid officials expressed concern with this trend, viewing it as indication of the relief market's low barriers to entry.

The explosion in INGO numbers stems in part from shifts in donor strategies, which increasingly rely on private transnational groups as contractors and intermediaries.¹⁴ USAID, for example, disburses 25-30 percent of its budget through private groups, as do the

9

This United Nations Development Program (UNDP) estimate is cited in Roger Charlton and Roy May, "NGOs, Politics, Projects, and Probity: A Policy Implementation Perspective," *Third World Quarterly*, Vol. 16, No. 2 (June 1995), p. 240.

10

Simmons, "Learning to Live with NGOs," p. 87.

11

Andrew S. Natsios, "NGOs and the UN System in Complex Humanitarian Emergencies: Conflict or Cooperation," *Third World Quarterly*, Vol. 16, No. 3 (June 1995), p. 406.

12

Ian Smillie, *Relief and Development: The Search for Synergy* (Providence, R.I.: War and Humanitarianism Project, Brown University, 1998), p. 42, and interviews with Refugee Help officials, August-November 1998.

13

Interview with ICRC head of office, Sarajevo, April 12, 1996.

14

For background and analysis, see Ruben Berrios, *Contracting for Development: The Role of For-Profit Contractors in U.S. Foreign Development Assistance* (Westport, Conn.: Praeger, 2000).

governments of Sweden, Switzerland, Norway, and the European Union (EU).¹⁵ In 2000, the UN High Commission for Refugees' (UNHCR) budget was \$1 billion, most of which was disbursed through competitive INGO contracts.¹⁶ "Willy nilly," Simmons notes, "the UN and nation-states are depending more on NGOs to get things done."¹⁷ This increased reliance on competitive contract tenders has stimulated further INGO growth, because as the number of tenders increase, so do contractors' ranks.¹⁸

The growing reliance on INGOs and the marketization of transnationalism is propelled by searing critiques of project failures, demands for accountability by domestic politicians, and broad neo-liberal agendas.¹⁹ Western, Japanese and other aid donors are increasingly issuing

15

Ian Smillie, "NGOs and Development Assistance: A Change in Mind-Set?" *Third World Quarterly*, Vol. 18, No. 3 (June 1997), p. 564.

16 Philippe Rekacewicz, "How the Burden of the World's Refugees Fall on the South," *Le Monde Diplomatique* [English version], (April 2001), p.19.

17 Simmons, "Learning to Live with NGOs," p. 87. On the growing influence of NGOs on UN activities, see also Kathryn Hochstetler, Ann Marie Clark, Elisabeth J. Friedman, "Sovereignty in the Balance: Claims and Bargains at the UN Conferences on the Environment, Human Rights, and Women," *International Studies Quarterly*, Vol. 44, No. 4 (December 2000), pp. 591-614; Natsios, "NGOs and the UN System"; Peter Willets, "From 'Consultative Arrangements' to 'Partnership': The Changing Status of NGOs in Diplomacy at the UN," *Global Governance*, Vol. 6, No. 2 (April-June 2000), pp. 191-212; and Thomas George Weiss and Leon Gordenker, eds., *NGOs, the United Nations, and Global Governance* (Boulder, Colo.: Lynne Rienner, 1996)..

18 Although some transnational sectors have assumed oligopolistic qualities, the increase in tenders has boosted overall INGO numbers for several reasons. First, there are often low barriers to entry in the humanitarian market, which has no binding set of regulatory agencies or rules. Moreover, because many donors are governments, they tend to give preference to INGOs from their own countries, spurring greater growth. Thus, for example, major aid groups such as Save the Children are often divided into multiple and independent national branches. Specific countries also have greater connections to conflicts for historical reasons. For instance, Portuguese aid groups are particularly active in Angola, a former colony. Finally, the individual country offices of INGOs continue to press for financial self-sufficiency. Thus each country branch of the same NGO behaves as an autonomous entity, and these subunits may actually vie over the same contracts.

19 Recent critiques of humanitarian, relief, and human rights groups include Ben Barber, "Feeding Refugees, or War? The Dilemma of Humanitarian Aid," *Foreign Affairs*, Vol. 76, No. 4 (July/August 1997), pp. 8-14; Edward N. Luttwak, "Give War a Chance," *Foreign Affairs*, Vol. 78, No. 4 (July/August 1999), pp. 36-44; Snyder and Ballentine, "Nationalism and the Marketplace of Ideas;" and Alex de Waal, *Famine Crimes: Politics and the Disaster Relief*

short-term, renewable contracts for discrete aid projects, requiring aid contractors to bid competitively and demonstrate concrete results.²⁰ As one study of Bosnian assistance noted, for example, “virtually all donor grant mechanisms had a time frame of one year or less. Some were for six months or even three.”²¹ Donors, moreover, seek to fund projects, not administrative overhead, hoping that this will push INGO contractors to rationalize procedures, demonstrate effectiveness, and slash overhead. They view marketization as a way to curb waste, improve professionalism, and enhance project implementation.²² Marketization can also generate support within donor countries by reassuring skeptical legislators that foreign assistance is being spent responsibly and efficiently.

The proliferation of IOs and INGOs operating in the same sector, along with the marketization of their activities, is radically transforming certain sectors of the humanitarian relief world. The UN system itself has become increasingly complex, with four major agencies – the UNDP, the United Nations Children’s Fund (UNICEF), the World Food Programme (WFP), and UNHCR – operating independently with separate budgets and staffs. These are joined by at least 40 large aid and relief INGOs and two separate Red Cross groupings, the ICRC and the International Federation of Red Cross and Red Crescent Societies.²³ In addition,

Industry in Africa (Bloomington: James Currey and Indiana University Press, 1997). For a critique of the development sector, see Peter Uvin, *Aiding Violence: The Development Enterprise in Rwanda* (West Hartford, Conn.: Kumarian, 1998). For two sensationalist critiques, see Graham Hancock, *The Lords of Poverty: The Power, Prestige, and Corruption of the International Aid Business* (New York: Atlantic Monthly Press, 1989); and Michael Maren, *The Road to Hell: The Ravaging Effects of Foreign Aid and International Charity* (New York: Free Press, 1997).

20

On the marketization of humanitarian relief, see Smillie, *Relief and Development*, pp. 35-51; and Ian Smillie, *The Alms Bazaar* (London: IT Publications, 1995).

21 Ian Smillie and Goran Todorovic, “Reconstructing Bosnia, Constructing Civil Society,” in Smillie, ed., *Patronage or Partnership: Local Capacity Building in Humanitarian Crises* (Bloomfield, Conn.: Kumarian, 2001), p. 31.

22 Charlton and May, “NGOs, Politics, Projects, and Probity” p. 244. See also Berrios, *Contracting for Development*, pp. 23-34.

23

Natsios, “NGOs and the UN System,” p. 416.

hundreds of smaller INGOs are seeking entry to the aid and relief market, hoping to raise funds for future work by raising their flag in media-saturated humanitarian “hot spots.” Although the global INGO relief market is dominated by eight agencies, each of their country offices is forced to compete heavily for individual contracts in particular conflict settings.²⁴

Western technical assistance efforts in Eastern Europe and the former socialist states is also an increasingly lucrative, crowded, and marketized transnational sector. Cumulative technical assistance from the EU to the former Soviet states totaled \$2.804 billion in 1991- 96; U.S. assistance from 1992 to 1997 totaled \$10.967 billion.²⁵ Most of these disbursements funded projects implemented by well-known for-profit multinationals. In 1995 alone, contracts worth \$476 million were awarded to just four corporations – KPMG/Peat Marwick, Arthur Anderson, Booz Allen and Hamilton, and Chemonics -- for economic restructuring efforts.²⁶ Indeed, the annual value of technical assistance and INGO projects to many post-Soviet states exceeds that of financial assistance from established multilateral lenders such as the International Monetary Fund (IMF).²⁷

24 The eight large relief INGOs include CARE, World Vision, Oxfam, Médecins sans Frontières, Save the Children, Eurostep, CIDSE (Cooperation internationale pour le développement et la solidarite), and APDOVE (Association of Protestant Development Organizations in Europe). Each of them controls a budget of more than \$500 million. Together, they account for over half of the world’s relief market. Simmons, “Learning to Live with NGOs,” p. 92.

25

Janine Wedel, *Collision and Collusion: The Strange Case of Western Aid to Eastern Europe* (New York: St. Martin’s, 1998), pp. 203-204.

26

Nancy Lubin, “U.S. Assistance to the Newly Independent States: When Good Things Come in Smaller Packages,” in Bruce Parrott and Karen Dawisha, eds. *The International Dimension of Post-Communist Transitions in Russia and the New States of Eurasia* (Armonk: M.E. Sharpe, 1997), p. 351.

27

For comparative data, see Alexander Cooley, “International Aid to the Former Soviet States: Agent of Reform or Guardian of the Status Quo?” *Problems of Post-Communism*, Vol. 47, No. 4 (July/August 2000), p. 38. It is becoming increasingly difficult to disentangle the value of monetary and non-monetary dispersals, given that many developmental and restructuring credits granted by organizations such as the World Bank and the Asian Development Bank are now accompanied by mandatory technical assistance projects.

INGO and IO insiders are increasingly concerned by this growth of actors and marketization. According to a recent UN-commissioned study, for example, coordination efforts among war-relief IOs and INGOs are being systematically undermined by the growing number of humanitarian groups vying for contracts.²⁸ “Competitiveness,” the report states, is “built into the system” of war-related aid . . . , while competition within the UN relief system, according to one senior UN official, is even fiercer than in the private sector. The results have been deeply corrosive.²⁹

Our research on transnational aid of all kinds reveals dysfunctions beyond coordination failure, however, including disincentives to protest aid diversion and empowerment of uncooperative aid recipients. Density and marketization have created new relationships and incentives between transnational and local actors, but analysts have largely relegated these endogenous sources of dysfunctional IO and INGO behavior to industry-specific literatures.³⁰

Organizational Environments, Contracting and NGO Incentives

When an organization’s survival depends on strategic choices in a market environment characterized by uncertainty, its interests will be shaped, often unintentionally, by material incentives. We assume that IOs and INGOs behave similarly to other organizations, internalizing the values, goals, and methods of their institutional environment through imitation and isomorphism.³¹ The more nonprofit groups attempt to secure and maintain contracts under

28 Nicola Reindorp and Peter Wiles, *Humanitarian Coordination: Lessons from Recent Field Experience* (London: Overseas Development Institute, 2001). The study was commissioned by the UN’s Office for the Coordination of Humanitarian Affairs.

29 Ibid., p. 9.

30

For a rare exception, see Michael N. Barnett and Martha Finnemore, “The Politics, Power, and Pathologies of International Organizations,” *International Organization*, Vol. 53, No. 4 (Autumn 1999), pp. 699-732.

31 James G. March and Johan P. Olsen, *Rediscovering Institutions: The Organizational Basis of Politics* (New York: Free Press, 1989); Walter W. Powell and Paul J. DiMaggio, eds., *The New Institutionalism in Organizational Analysis* (Chicago: University of Chicago Press, 1991); and

market-generated pressures, the more they will copy the structures, interests, and procedures of their for-profit counterparts.³² The influence of material incentives is further bolstered by the organizational structures of aid INGOs emulating private-sector models. Most large non-profit groups have developed elaborate structures for handling public relations, fund-raising, internal audits and accounting, human resources, and the like. Thus, as a theory created to study organizational behavior under market conditions, the NEO is particularly suited to today's transnational setting. Because IOs and INGOs engage in competitive and contractual relations, we analyze their behavior with tools specifically developed for that purpose.

Transnational organizations are embedded in market-based institutions created by contracts between donors and INGO contractors, or between contractors and recipients. Donors typically seek the effective implementation of their projects; contractors are tacitly preoccupied with organizational survival.³³ In unstable or competitive markets, aid contractors cannot take their survival as a given.³⁴ INGOs are in the business of implementing programs. Securing new contracts -- or renewing existing ones -- is the best way to remain solvent.³⁵ In this respect, the dependence of major U.S. relief groups on short-term, renewable government contracts is

Richard W. Scott, *Organizations: Rational, Natural, and Open Systems* (New York: Prentice Hall, 1997).

32

For institutional isomorphism, see Powell and DiMaggio, *The New Institutionalism*. For applications to U.S. corporations, see Neil Fligstein, *The Transformation of Corporate Control* (Cambridge, Mass.: Harvard University Press, 1990); Chinese firms, Doug Guthrie, *Dragon in a Three-Piece Suit* (Princeton, N.J.: Princeton University Press, 1999); and political organizations, Hendrik Spruyt, *The Sovereign State and Its Competitors*.

33

We recognize that implementing projects may not always rank highest in the list of donor's preferences. Other factors are clearly at work, including international profile, organizational prestige, and even fiscal survival, depending on the donor's funding sources. As a simplifying assumption, however, we believe that the project implementation motive is a reasonable assumption for generating hypotheses about behavior.

34 Contractors' predicament differs from that of most donors, which tend to be permanent international organizations or part of a donor state's bureaucracy.

35

David C. Korten, *Getting to the Twenty-First Century* (West Hartford, Conn.: Kumarian, 1996), p. 102.

notable. In 1995, for instance, U.S. government contracts constituted 62 percent of CARE-USA's total revenue and 54 percent for Save the Children-USA.³⁶ In turn, principal-agent problems, competitive contract tenders, and the presence of multiple principals exacerbate INGO insecurity and create organizational imperatives promoting self-interested action, inter-INGO competition, and poor project implementation.

PRINCIPAL-AGENT PROBLEMS

Short-term contracting can lead to acute agency problems. Relations between donors, contractors, and recipients can be modeled as a double set of "principal-agent" problems wherein the donor is a "principal" and contractors are "agents." At the lower half of the hierarchy, the contractor functions as the principal and the aid recipient is the agent.³⁷ As in all relations of authority, an agent's fulfillment of a principal's directives cannot be taken for granted,³⁸ and donor-principals face the problems of hidden action and information.³⁹ Because contractor-agents often have de facto control over a project's resources, they will try and guide the project so that it promotes their own goals, which may or may not be identical to those of

36

Data are from USAID, cited in Smillie, *Relief and Development*, p. 43.

37

Terry M. Moe, "The New Economics of Organization," *American Journal of Political Science*, Vol. 28, No. 4 (November 1984), p. 756. On the dynamics of more complex, multileveled hierarchies, see Steven Solnick, *Stealing the State: Control and Collapse in Soviet Institutions* (Cambridge, Mass.: Harvard University Press, 1998).

38

For overview of agency theory, see Kathleen M. Eisenhardt, "Agency Theory: An Assessment and Review," *Academy of Management Review*, Vol. 14, No. 1 (January 1989), pp. 57-74; Gary Miller, *Managerial Dilemmas: The Political Economy of Hierarchy* (New York: Cambridge University Press, 1992); and John W. Pratt and Richard J. Zeckhauser, *Principals and Agents: The Structure of Business* (Boston, Mass.: Harvard Business School Press, 1985). Many of the monitoring mechanisms employed by donors endogenize agency problems. For instance, all USAID contractors must compile detailed monthly reports that list their activities and, at the end of year, present a list of "objectives accomplished." In both cases, USAID must rely extensively on information exclusively provided by contractors.

39 Miller, *Managerial Dilemmas*, especially pp. 138-178.

the donor.⁴⁰ If the project is not going according to the donor's plan, contractors or recipients – or possibly both -- may conceal, withhold, or distort information harmful to their interests.⁴¹ More important most projects are renewed after an initial evaluation, giving contractor-agents little incentive to report failing or inappropriate projects. If contractor-agents were to be entirely truthful about implementation problems, they might hurt their chances of contract renewal and threaten their own organizational survival.

Relations between contractors and project recipients are also characterized by agency problems. It is more difficult, however, to a priori impute a project recipient's preferences than it is those of the contractor. Recipients may genuinely welcome all project support and use aid resources for the purposes for which they were intended. On the other hand, without adequate monitoring, recipients may appropriate the contractor's resources for opportunistic gain. One of our key hypotheses is that when faced with pressure to renew existing contracts, aid contractors will be reluctant to report recipients' opportunistic behavior unless donors can credibly guarantee that they will not terminate or reduce funding for the project.⁴² Two other institutional features can exacerbate these agency problems: competitive bidding and multiple principals.

COMPETITIVE BIDDING

The competitive nature of short-term contracts acts as a powerful institutional constraint on IO and INGO contractors. Donors initiate projects with a semipublic tender, which contractors

40 David Sappington, "Incentives in Principal-Agent Relationships," *Journal of Economic Perspectives*, Vol. 5, No. 2 (Spring 1991), pp. 45-66.

41 This is especially true in remote locations, where contractors acquire specialized information typically unavailable to the donor. North, *Institutions, Institutional Change, and Economic Performance*, pp. 54-60; and Hendrik Spruyt, "Oversight, Control and Resistance in Translocal Organizations," paper presented at the annual meeting of the International Studies Association, San Diego, California, April 16-20, 1996.

42 This is a variant of the "ratchet problem." See Solnick, *Stealing the State*, pp. 27-29.

then bid on.⁴³ In war-related relief, three- to six- month contracts are the norm, with contractors constantly facing threats of layoffs, cutbacks, and capacity reductions. Contractors incur significant start-up costs to service a new contract -- hiring staff, renting offices, and leasing new equipment -- and can recoup their expenses only by securing additional contracts. Because alternative contractors threaten to appropriate projects, INGOs are under constant pressure to renew, extend or win new contracts, regardless of the project's overall utility. Some INGO headquarters order their country offices to become financially self-sufficient, exacerbating the competitive dynamic. Securing new funding is an ever-expanding part of the INGO's function, pushing other concerns - such as ethics, project efficacy, or self-criticism - to the margins.⁴⁴

THE MULTIPLE-PRINCIPALS PROBLEM

A final institutional constraint arises when multiple donors or contractors compete for the same project. If IOs and INGO were members of a purely normatively driven and robust global civil society, we might expect them to cooperate, pool resources, and share information. There are good theoretical reasons, however, to believe that the opposite may occur due to the multiple-principals problem. The more contractors there are, the more each organization's position within the market seems insecure.⁴⁵ As a result, some organizations may seek to undermine

43

The process is not entirely open or fully competitive, of course. Large aid contractors with strong reputations and connections have a better chance of securing contracts than small or little-known rivals. See Berrios, *Contracting for Development*, pp. 35-51.

44

Contracts, moreover, generate economies of scale, creating incentives for acquiring and maintaining large projects. Staff, materials, and logistics are expensive but fixed costs, while overhead, or "administrative recovery," is calculated as a fixed percentage of the contract's value. As non-earmarked funds, administrative recovery is a significant source of revenue. As the contract's value increases, fixed costs decline while the administrative recovery percentage remains constant. Overhead fees, in other words, are rents of increasing return generated by project size and continuity. On rents and rent seeking, see James M. Buchanan, Robert D. Tollison, and Gordon Tullock, eds., *Toward a Theory of the Rent-Seeking Society* (College Station: Texas A & M University Press, 1980).

45

competitors, conceal information, and act unilaterally. Rather than burden- and cost-sharing, this generates project-duplication, waste, incompatible goals, and collective inefficiencies.⁴⁶ In addition, competing multiple contractors often dilute the coherence of their collective project goals, advice and strategies.

The presence of multiple contractors also increases recipients' ability to play contractors and donors off against one another. Recipients can use cross-cutting advice and strategies offered by multiple principals to pick and choose among the project elements they most like, disregarding projects that are more disruptive. This is especially likely when recipients seek concessions or pay-offs from one or more principals and can threaten to withdraw their cooperation as a bargaining tactic.

Calls for IO and INGO coordination are ubiquitous in the humanitarian aid literature, prompting periodic creation of new UN coordination studies and agencies.⁴⁷ Recurring coordination problems, however, are not caused solely by poor communication, lack of professionalism, or a dearth of coordinating bodies. They are also - and perhaps chiefly - produced by a crowded and highly competitive aid market in which multiple organizations

For the multiple principals problems in matrix organizations, see Stanley Davis and Paul Lawrence, *Matrix* (Reading, Mass.: Addison-Wesley, 1979). On multiple principals and bureaucratic appointments, see Pablo Spiller and Santiago Urbiztondo, "Political Appointees vs. Career Civil Servants: A Multiple Principals Theory of Political Bureaucracies," *European Journal of Political Economy*, Vol. 10, No. 3 (October 1994), pp. 465-497. For an application of the concept to defense appropriations, see Deborah Avant, *Political Institutions and Military Change* (Ithaca, N.Y.: Cornell University Press, 1994).

46

Philippe Aghion and Jean Tirole, "Formal and Real Authority in Organizations," *Journal of Political Economy*, Vol. 105, No. 1 (February 1997), pp. 20-22. See also Jean Tirole, "The Internal Organization of Government," *Oxford Economic Papers*, Vol. 46, No. 1 (January 1994), pp. 1-29.

47

See, for example, Natsios, "NGOs and the UN System"; Reindorp and Wiles, "Humanitarian Coordination"; Cyril Ritchie, "Coordinate? Cooperate? Harmonize? NGO Policy and Operational Coalitions," *Third World Quarterly*, Vol. 16, No. 3 (June 1995), pp. 513-524; and Marc Sommers, *The Dynamics of Coordination* (Providence, R.I.: War and Humanitarianism Institute, Brown University, 2000).

compete for contracts from the same donors. Interorganizational discord is a predictable outcome of existing material incentives.

In sum, our analysis draws on the NEO to identify the political economy of relations among transnational actors. Agency problems, competitive contracts, and multiple-principals generate incentives promoting self-interested behavior, intense competition, and poor project implementation. Our cases illustrate these claims in practice.

Case Study #1: Technical Assistance in Kyrgyzstan

In Kyrgyzstan, both the multiple-principal problem and competitive bidding constrained aid INGOs, empowering recipient bureaucracies to evade reforms promoted by donors and preventing contractors from publicly protesting these evasions. This case might be considered a relatively easy test of our assumptions, because the INGOs involved were Western for-profit corporations, not non-profit groups.

TECHNICAL ASSISTANCE

Since the collapse of the Soviet Union, international donors have assisted former Soviet-bloc countries with their economic, political and social transitions. Although much of this effort has been monetary, the last decade has also seen an explosion in funding INGO's via the establishment of technical assistance programs by (TAPs). Broadly speaking, most TAPs target state agencies and seek to introduce parliamentary legislation that will strengthen institutional capacity, increase bureaucratic transparency, formalize accountability procedures, and routinize decisionmaking procedures. Prominent donors in this sector include USAID, the EU, UNDP, World Bank, and the Asian Development Bank (ADB).

TAPs have been at the heart of external efforts to assist building market-based economies. Contracted technical assistance providers are typically established for-profit corporations with expertise in the legalities and logistics of capitalist institutions. Projects include designing privatization programs and constructing capital markets, standardizing trade and exchange rate regimes, enacting banking reforms, formulating property laws, introducing international accounting standards and commercial laws, reforming tax codes, and redesigning entitlements programs. As a result, donors expect that state institutions will be better equipped to manage and govern the nascent market economy.

PROJECTS IN KYRGYZSTAN

Kyrgyzstan portrays itself as one of the most liberalizing of the former Soviet republics and is often touted by multilateral organizations as a model of successful reform.⁴⁸ Since 1994 the small Central Asian state has received \$80-120 million annually (5-10 percent of annual gross domestic product) in technical assistance, along with substantial financial assistance from multilateral lenders. Per capita, Kyrgyzstan has received the second-most USAID technical assistance of all the post-Soviet states, with disbursements totaling \$42 million in 1997, \$36.5 million in 1998, and \$30 million in the years since.⁴⁹ Other major donors include the EU through the Technical Assistance to the Commonwealth of Independent States (TACIS)

48 For examples of these generally optimistic assessments made by the international community, see International Monetary Fund, *Kyrgyz Republic: Recent Economic Developments*, IMF Staff Country Report No. 98/8 (Washington, D.C.: IMF, 1998), and World Bank, *From Plan to Market: World Development Report, 1996* (Washington D.C.: Oxford University Press 1996). More recent assessments are less upbeat.

49

Of the \$36.5 million allocated for technical assistance in 1998, \$1.5 million was earmarked for fiscal reform, \$14.5 million for private enterprise and corporate governance institution building, \$4 million for citizens' initiatives, democracy and civil society promotion, \$3 million for financial reform, \$2 million for local government, \$3 million for the social sector, and another \$8.5 million for "cross-cutting initiatives. Full details of USAID project disbursements can be found at http://www.usaid.gov/regions/europe_eurasia/car/kgpage.html.

program (providing ECU 28 million up to 1996 and 40 million ECU in 1997 alone),⁵⁰ and UNDP (\$15m between 1994 and 1997).⁵¹

At first glance, this plethora of assistance seems to have had an unprecedented impact on Kyrgyz legislation. 55 percent of bills under consideration in the spring of 1998 were either formulated or drafted by IOs and INGOs acting as technical assistance providers. In the area of economic policy, foreign specialists sponsored 65 percent of all bills relating to tax reform, the budget, privatization, finance, business, banking and trade.⁵²

ACTUAL RESULTS: INCOMPLETE INSTITUTIONAL REFORM

Yet while the volume of legislation seems impressive, the bills' final text diverges significantly from the original donor-drafted versions. Kyrgyz parliamentary committees, the assembly, the president's office or some combination thereof have all modified and amended the reform laws to protect their interests. The substance and wording of final bills dealing with land reform, budgetary laws, new tax codes, and other issues bear little resemblance to the original, INGO-formulated drafts.

The "modernizing" tax code of 1996, for example, produced by Barents Group (the USAID-contracted INGO), the World Bank, and the EU, is littered with exemptions inserted to

50

European Commission, *Evropeiskaya Kommissiya: Programma TACIS Godovoi Otchet za 1996 god* [European Commission: TACIS Program annual report for 1996] (Brussels: European Community, 1997), p. 24.

51

UNDP internal memo provided by central office in Bishkek, Kyrgyzstan.

52

Among the donors involved were the USAID contractors Barents Group, Booz Allen Hamilton, CARANA Corporation, International Business & Technical Consultants, Inc., International City/County Management Association, KPMG and Pragma Corporation. In addition, contractors from GTZ, The World Bank, ADB and TACIS also formulated the original versions of some bills. Parliament of the Kyrgyz Republic (Jogorku Kanesh), "Bills under Consideration," (Bishkek, Kyrgyzstan: Jogorku Kanesh, 1998). A comprehensive list of the donors responsible for each article of legislation can be found in Alexander Cooley, "Depending Fortunes: Aid, Oil, and the Formation of the Post-Soviet States," Ph.D. dissertation, Columbia University, 1999, pp. 174-177.

safeguard the interests of regional administrators, prominent social factions, and organized crime. Indeed the code finally adopted in 1996 was substantially altered after eighteen months of circulation in government circles from the Barents Group-proposed version. One major change was the addition of several new rates of personal taxation. Whereas the original draft proposed a two-tiered taxation rate, the final legislation delineates six different brackets of taxation rates, scaled progressively according to income level, but with a host of new deductions.⁵³ Other changes include permission for parliament to exempt politically loyal regions from taxation and ambiguous additions to the foreign investment laws.⁵⁴ As a result of these and other loopholes, tax revenues actually decreased after the code's adoption.⁵⁵ Despite the tax initiative's failure, however, fiscal reform projects are an ongoing part of Western donor efforts in the country. In 2001 USAID renewed the Barents Group project on fiscal reform for the eighth consecutive year.

As with the issue of taxes, the extent of donor involvement in promoting changemay seem high because of the volume of donor-sponsored legislation. The actual legislation, however, diverges frequently from donor intent, and many of the laws passed have not produced the intended institutional changes.⁵⁶ Contrary to public proclamations by the Kyrgyz

53

The Tax Law of the Kyrgyz Republic. Bishkek: April 14, 1997 (amended version); and interviews with relevant TAP officials, March-April 1998, Bishkek, Kyrgyzstan.

54

Scott Horton and Temirbek Kenenbaev, "Kyrgyzstan Struggles to Modernize its Tax Law," *Central Asia Monitor*, Vol. 5, No. 2 (1997), pp. 26-30.

55

As the IMF noted, "...an increasing number of discretionary tax exemptions to value added tax (VAT), customs, and excise duties has eroded the tax base following the introduction of the new tax code on July 1, 1996." IMF, *Kyrgyz Republic: Recent Economic Developments*, p. 14. VAT areas granted subsequent exemptions included organized gambling, financial services and selected agricultural producers. The more politically motivated amendments for exemptions from the income tax include income derived from the extraction of precious metals, inheritances and interest income as well as "income from the sale of apartments, houses, cars, jewelry and artwork." *Ibid.*, pp. 83, 87. Contrast these IMF observations with the optimism with which USAID describes the project and its selective use of performance indicators, USAID site, <http://www.usaid.gov/country/ee/kg/116-012.html>.

56

government and donors, and INGOs, institutional change has not been rapidly forthcoming. Instead, entrenched state and social interests have drained most substance from these reform initiatives.

CONTRACTOR INCENTIVES FOR TOLERATING OPPORTUNISM

While uncooperative Kyrgyz bureaucracies and political factions are responsible for the watering down of TAPs, their continuation is explained by the institutional environment in which INGO contractors and recipients operate. The contracting system forces INGOs to tolerate legislative backsliding. Because donors often ask recipients whether the contractor's project should be renewed, contractors are likely to permit and even conceal recipient obstructions so as to curry favor with recipients.⁵⁷ Among the dozens of projects initiated through 1999, we uncovered only one project voluntarily terminated by contractors for recipient noncompliance.⁵⁸ The short-term contract renewal requirement, coupled with the contractor's desire to survive, trumps most other concerns, including effective project implementation and frank discussion of project problems.

Contractors also provide recipients with perks to maintain good relations. TAPs do not offer cash payments, but they do provide scarce assets to resource-strapped bureaucracies. Office computers, vehicles, and telecommunications are included in most TAP budgets, but the equipment is frequently embezzled by recipients or resold on the black market. Many TAPs also offer their recipients foreign trips, justifying these

On the similar weakening of USAID legislative initiatives in the case of post-Soviet Georgia, see Charles King, "Potemkin Democracy: Four Myths about Post-Soviet Georgia," *National Interest*, No. 64 (Spring 2001), pp. 98-100.

57

For an insider's account of how contractors collude with bureaucracies to renew ineffective projects in Kazakhstan, see Mathew Bivens, "Aboard the Gravy Train: In Kazakhstan, the Farce that is USAID," *Harper's*, August, 1997, pp. 69-76.

58

The project was the TACIS project on Civil Service Reform, subcontracted to the legal firm Eurostar.

expenditures as “institutional instruction.” In 1997, for example, Kyrgyz judges were flown to Paris and Riga, parliamentarians to Washington, privatization officials to New York, health care administrators to Denmark, and oblast administrators to Switzerland. The cost of such a trip can exceed \$100,000 each, while some seminars can top \$30,000.⁵⁹ One contractor acknowledged that these were de facto bribes, saying, “the trips are a very good bargain for us ... allowing us to continue [the project] with the co-operation of important ministry members.”⁶⁰ Contractors also budget money for “local operating costs” or “local consulting services” -- work often that is given to groups with strong ties to officials involved in the project, some of whom then collect a hefty premium for their recommendations.⁶¹ Both recipients and INGO contractors, however, conceal these and other project problems from donors in order to renew the project contract.⁶²

MULTIPLE PRINCIPALS: INSTITUTIONAL REFORM STALLED

The presence of several donors in the same sector also precipitated multiple-principals problems. Project implementation has often been delayed or halted as a result of inter-donor and INGO competition. This lack of coordination is not a product of ill will or poor organizational culture. Rather, it is generated by an increasingly marketized aid environment in which IOs and INGOs feel required to demonstrate their ability to spend monies and win influence, regardless of broader project outcomes.

⁵⁹

Interviews with TAP contractors, Bishkek, Kyrgyzstan. March and April 1998.

⁶⁰

Interview with a director of a capital market formation TAP, Bishkek, Kyrgyzstan, March 17, 1998.

⁶¹

See also Bivens, “Aboard the Gravy Train,” pp. 72-75.

⁶² In fact, most INGOs are explicitly instructed by management at home to submit all project-related memos and evaluations to their home office for clearance before forwarding them to their relevant USAID or EU country directors.

For instance, during discussions over how to restructure the state-owned energy company, KyrgyzEnergo, IOs and INGOs submitted contradictory proposals. Whereas USAID preferred to completely dismantle the state monopoly and privatize by function, TACIS and the European Bank for Reconstruction and Development (EBRD) wanted to keep the company intact and find a foreign partner to help it initiate gradual reforms.⁶³ Unsure of its position, the World Bank shifted support from USAID to the European donors. Although the first proposals for KyrgyzEnergo reform were drafted in 1995, legislation on the matter was not finalized until 2000, in part because Kyrgyz officials stalled as donors vied for influence.⁶⁴ Similar confusion is evident in agriculture, where efforts to reform farmer cooperatives stalled as contractors for Swiss Aid, TACIS, the World Bank, and German Technical Cooperation (GTZ) each independently tried to implement a strikingly different program.⁶⁵ In land reform, a World Bank plan to lease property to peasants was halted by a disagreement with TACIS over basic monitoring and statistical gathering procedures.⁶⁶

In other cases, donors simply refused to meet with each other, duplicating work and wasting valuable time, resources, and opportunities for cooperation. For example, in the area of pension reform, the contractors for USAID, the World Bank, and ADB all drafted separate proposals. These IOs and INGOs were operating on renewable, one-year contracts, and as one

63

Interviews with foreign staff members of TAPs, March and April 1998, and various TAP reports on energy reform. See the reform options discussed in Haglar Bailey, *International Experiences with Privatization and Restructuring in the Energy Sector and Alternatives for the Kyrgyz Republic* (Bishkek, Kyrgyzstan: USAID, 1996).

64

Although even as of Winter 2002, the planned denationalization and restructuring had yet to be implemented.

65

World Bank, *Kyrgyz Republic: Agricultural Support Services Project*, Report No. 17312-KG (Washington, D.C.: World Bank, 1998), pp. 9-10; and Gennady Zhalkubayev, "Agricultural Reform: Not a Step Without the World Bank," *Central Asian Post*, April 20, 1998, p. 3. For details, see Cooley, "Depending Fortunes," p. 194.

66

TACIS, *Policy and Agro-Business Support Projects: Addendum Report on Land Reform and Agricultural Legislation* (Bishkek: TACIS Office Kyrgyzstan, 1996), p. 5.

TAP official acknowledged, it would have been better to have pooled resources and coordinated efforts rather than to have each spent six months gathering data and drawing up individual action plans.⁶⁷ The same dysfunctions characterized the budget reform process.⁶⁸

Aid specialists often discuss coordination failures, but many of these studies do not acknowledge the systematic bias towards inter-organizational competition. Although aid donors and contractors are rhetorically committed to cooperation and broadly shared goals, they are pushed into competition by their institutional environment, which pits actors within similar sectors against one another in a struggle for survival and contract renewal.

INSTITUTIONAL INCENTIVES AND INGO OPERATIONS IN KYRGYZSTAN

Kyrgyzstan's technical assistance projects have largely been ineffective. Although the roots of project failure may lie within the Kyrgyz state and its uncooperative or "predatory" tendencies, the issue of why projects continue to receive international funding is best explained by the political economy of the donor-contractor-recipient relationship.⁶⁹ With organizational survival depending on contract renewal, TAP contractors have little incentive to protest abuse of donor resources, to discontinue ineffective projects, or to cooperate with one another. Indeed the more they conceal abuses and failures, the more likely they are to receive renewed contracts.

Contrary to the expectations of global civil society scholars, the evidence from Kyrgyzstan does not suggest that transnational NGOs have successfully promoted liberalization and reform in Central Asia.⁷⁰ Despite the enormous amount of ongoing IO and INGO activity,

⁶⁷

Interview with foreign staff member of a TAP working on a fiscal reform TAP in the ministry of finance. Bishkek, April 16, 1998.

⁶⁸

Cooley, "Depending Fortunes," pp. 199-204.

⁶⁹

On predatory states and corrupt bureaucracies, see Peter Evans, "The State As Problem and As Solution: Predation, Embedded Autonomy, and Structural Change," in Stephen Haggard and Robert Kaufman, eds., *The Politics of Economic Adjustment* (Princeton, N.J.: Princeton University Press, 1992).

⁷⁰

the Kyrgyz Republic is widely seen to have moved backward on promoting economic and political liberalization.⁷¹ These findings are consistent with observations made by other scholars studying the transnational sector's shortcomings in multiple postsocialist states.⁷²

The Kyrgyz case provides a relatively easy test of our assumptions, because the INGO contractors involved are for-profit corporations. We might expect for-profit groups to seek to promote their own interests, even at the expense of a donor's overall goals. What is surprising, however, is the tendency of nonprofit groups to behave similarly, despite their different normative orientation. In situations, INGOs will act like their for-profit counterparts as long as their financial survival is at stake. The following two cases of humanitarian relief and POW monitoring provide evidence for this claim.

On this point, see also Fiona Adamson, "International Democracy Assistance in Uzbekistan and Kyrgyzstan: Building Civil Society from the Outside?" in Sarah E. Mendelson and John K. Glenn, eds., *The Power and Limits of NGOs: Transnational Networks and Post-Communist Societies* (New York: Columbia University Press, 2002); and Michael Dobbs, "Investment in Freedom Is Flush with Peril: From Kazakhstan, a Cautionary Tale," *Washington Post*, January 25, 2001, p. A1. On the problems of environmental NGOs in Central Asia, see Pauline Jones Luong and Erika Weinthal, "The NGO Paradox: Democratic Goals and Non-Democratic Outcomes in Kazakhstan," *Europe-Asia Studies*, Vol. 51, No. 7 (November 1999), pp. 1267-1284.

71

For instance, the Freedom House indicator for economic and political freedom in Kyrgyzstan has dropped from 4.4 (1995-98) to 5.5 (1998-2000), its lowest level since independence. See Freedom House Country Ratings, available at [www. freedomhouse.org/ratings](http://www.freedomhouse.org/ratings)

72 See Nancy Lubin, "U.S. Assistance;" and Nancy Lubin and Monica Ware, *Aid to the Former Soviet Union: When Less is More* (New York: JNA Associates, 1996). For a critical, but highly provocative, view of Western INGO involvement in the economic reform process in Russia and Ukraine, see Wedel, *Collision and Collusion*. Even scholars who are generally supportive of INGO efforts have pointed to mixed results. For instance, for candid assessments of the state of democracy promotion in post-Socialist countries, see Thomas Carothers, *Aiding Democracy Abroad: The Learning Curve* (Washington, D.C.: Carnegie Endowment for International Peace, 1999); Thomas Carothers, *Assessing Democracy Assistance: The Case of Romania* (Washington D.C.: Carnegie Endowment for International Peace, 1996); Sarah E. Mendelson and John K. Glenn, eds. *The Power and Limits of NGOs*; Sarah E. Mendelson, "Democracy Assistance and Political Transition in Russia: Between Success and Failure," *International Security*, Vol. 25, No. 4 (Summer 2001), pp. 68-106; and Jack Snyder, *From Voting to Violence: Democratization and Nationalist Conflict* (New York: Norton, 2001), pp. 189-264. See also Gideon Rose, "Democracy Promotion and American Foreign Policy: A Review Essay," *International Security* (Winter 2000/01), pp. 186-203.

Competitive Bidding and Refugee Relief in Goma

Competition and an over-abundance of organizations helped cause a myriad of problems during refugee relief operations around Goma, a town in the Democratic Republic of Congo, formerly known as Zaire. From 1994 to 1996, representatives from over 200 relief organizations traveled to Goma to secure UN contracts seeking to aid desperate Rwandan refugees. Contrary to the “more is better” hypothesis, however, the presence of multiple international aid groups did not produce optimal outcomes. In particular, competitive contract bidding created powerful disincentives for Refugee Help, a respected private Western relief organization, to strongly protest aid diversion by Hutu militants and suspected war criminals. Refugee Help’s reluctance in this respect is particularly striking, given its stated commitment to a deeply ethical view of global affairs.

HUMANITARIAN AID IN GOMA

In the summer of 1994, 1.5 million Rwandans of ethnic Hutu origin fled to Tanzania and eastern Zaire.⁷³ In April, extremist Hutu groups had launched a deadly campaign of genocide against ethnic Tutsis, but a reversal of military fortunes pushed Hutu soldiers and civilians alike into exile. NGOs, including Refugee Help, moved quickly to provide refugee relief in four major Zairean and Tanzanian camp complexes, often working on relief contracts provided by

73

Gérard Prunier, *The Rwandan Crisis: History of a Genocide* (New York: Columbia University Press, 1997). For broader discussions of war and refugees, see Alan Dowty and Gil Loescher, “Refugee Flows as Grounds for International Action,” *International Security*, Vol. 21, No. 1 (Summer 1996), pp. 43-71; Barry R. Posen, “Military Responses to Refugee Disasters,” *Ibid.*, pp. 72-111; and Myron Weiner, “Bad Neighbors, Bad Neighborhoods: An Inquiry in to the Causes of Refugee Flows,” *Ibid.*, pp.5-42.

the United Nations High Commission for Refugees.⁷⁴ UNHCR representatives extended dozens of tenders for short-term contracts dealing with food distribution, camp administration, airport off-loading, transportation, warehousing, medical and sanitation services.

Conditions were particularly atrocious in and around Goma, where a series of camps housed 800,000 ill and malnourished refugees, making it one of the largest-ever concentrations of human misery.⁷⁵ As a result of the genocide and mass civilian flight, Goma attracted unprecedented press and Western and international donor interest.⁷⁶ Two hundred NGOs made their way to Goma in 1994 and 1995, competing for over \$1 billion in relief-related contracts, making the Goma relief operation one of the highest profile and best-funded relief operations in history.⁷⁷ Established NGOs specializing in general camp administration and food distribution were joined by dozens of intermediate and smaller groups specializing in niche activities such as public health education, sanitation, firewood provision, community development, psychological counseling, and unaccompanied child protection.

GOMA'S HYPER COMPETITIVE RELIEF MARKET

The combination of vast sums of donor money, short-term contracts, and an overabundance of NGOs created an unstable and competitive environment for Refugee Help and others. NGOs constantly renegotiated old contracts whose due dates were fast approaching, while competitors

⁷⁴ David Millwood, ed., *The International Response to Conflict and Genocide: Lessons from the Rwanda Experience* (Copenhagen: Steering Committee of the Joint Evaluation of Emergency Assistance to Rwanda, 1996), especially Vol. 3.

⁷⁵ The intense suffering experienced by refugees in Goma was captured in multiple media reports, including Steve Fainaru, "When Death Becomes Casual: Defying Solutions, Rwandan Tragedy Overwhelms the Senses," *Boston Globe*, July 31, 1994, p. 1.

⁷⁶ Contrary to the initial impression given by some Western media reports, the Goma refugees were not victims of the Rwandan genocide, which had chiefly targeted persons of Tutsi ethnicity. Rather, the refugees were largely of Hutu origin, and had fled when the Hutu-led Rwandan government and militia allies were defeated by the predominantly Tutsi Rwandan Patriotic Front (RPF).

⁷⁷ International donors spent \$1.4 billion on relief contracts for Goma from April to December 1994 alone. Millwood, *The International Response to Conflict and Genocide*, Vol. 3, pp. 24-45.

kept lobbying the UNHCR for new contracts. “It’s perhaps embarrassing to admit,” one midlevel Refugee Help manager recalled, “but much of the discussion between headquarters and the field focused on contracts: securing them, maintaining them, and increasing them. The pressure was on: ‘Get more contracts!’”⁷⁸ When headquarters staff visited the field, another manager recalled, “They mostly asked about contracts. How many did we have? When were they up? What were the chances that they would be renewed? Were there any competitors?”⁷⁹ “Contract fever” was in the air, and most of the international relief groups found themselves slipping into a deeply competitive frame of mind.

Refugee Help was by no means the only Goma-based NGO to react this way. As one journalist noted after a 1995 visit, Goma had become a “three-ring circus of financial self-interest, political abuse and incompetence” where aid had become “big, big money,” and any NGO “worth its salt...recognized that it had to be in Rwanda.”⁸⁰ As a result, he said, aid INGOs “parachuted” by the hundreds into Goma, creating “chaos and madness.”⁸¹ Another Western reporter described Goma as an “aid agency supermarket” in which aid groups “blare[d] out their names and logos like soft drink manufacturers,” plastering everything from water pumps to T-shirts with advertisements.⁸² Competition was fierce, he wrote, and aid

78

Interview in North America with former senior Refugee Help staffer, October 1, 1998. Precise interview locations and NGO informant names have been withheld to protect anonymity.

79

Telephone interview with former Refugee Help camp manager, October 8, 1998.

80

John Vidal, “Blood Money,” *Guardian*, April 5, 1995, p. T2.

81 Vidal, “Blood Money.”

82 Richard Dowden, “Battle of Logos and T-Shirts Rages in Refugee Camps: Aid Agencies Scramble for Cash,” *Independent*, September 4, 1994, p. 11. See also Chris McGreal, “Aid With Biblical Strings Attached,” *Guardian*, December 17, 1994, p. 11; and Colin Smith, “Aid Agencies Feud as Rwandans Die,” *Sunday Times*, August 7, 1994.

groups were desperate to be involved in the Goma relief so that they could bolster their fund-raising capacities back home.⁸³

There is no doubt that Refugee Help and other like-minded groups sincerely wanted to provide relief to needy refugees. The human needs were tremendous, and the NGOs were able to do much good. Normative considerations aside, however, Refugee Help's material stakes were also high; at the peak of the crisis, some 13 percent of Refugee Help's European headquarters costs were funded by Goma-related administrative recovery. No major organization concerned about self-preservation could risk losing such an important source of funding, and Refugee Help was no different. In addition, a major presence in Goma created a foothold for future work in the country and allowed for the possible expansion of Refugee Help's global capacities. This latter consideration was particularly important; if Refugee Help could secure more contracts in Goma, it could then deepen its reservoir of trained staff, purchase relief hardware (such as trucks and radios), and expand its stocks of emergency material, allowing Refugee Help to respond quickly to emergencies elsewhere. Typically, major relief contracts were secured only after a NGO first demonstrated a significant field presence. Refugee Help's long-term prospects, therefore, depended on its ability to use current contracts to boost capacity for future operations. Goma, in other words, was important both for the enormity of the suffering Refugee Help could alleviate, and for its boost to Refugee Help's competitiveness in the global relief market.

AID DIVERSION AND ETHICAL DILEMMAS

Although relief groups were saving lives in Goma, their efforts soon drew harsh criticism from Western human rights groups and the new Rwandan government.⁸⁴ Hutu armed forces

83 Dowden, "Battle of Logos and T-Shirts Rages in Refugee Camps," and Luttwak, "Give War a Chance," p. 43.

84

Barber, "Feeding Refugees or War?"; Phillip Gourevitch, *We Wish to Inform You That Tomorrow We Will Be Killed with Our Families: Stories from Rwanda* (New York: Picador,

responsible for the genocide had regrouped near Goma, recruiting among the refugees, importing weapons and organizing military training. Soon the number of armed Hutu militants swelled to more than 50,000.⁸⁵ Over time, the refugee camps became de-facto safe havens for Hutu fighters, some of whom were suspected war criminals. They also came to serve as rear bases for cross-border guerrilla operations against Tutsi civilians and the Tutsi-led Rwandan government. The fighters diverted some relief items for sale on the open market and used the camp population as a source of political legitimacy. Critics increasingly accused the UNHCR and its aid contractors of indirectly fueling the conflict and unwittingly aiding Hutu war criminals.⁸⁶ As a relatively important component of Goma's international relief machinery, Refugee Help found itself implicated in an acute ethical dilemma.

WEAK PROTEST AND COLLECTIVE ACTION

Given the competitive nature of Goma's INGO environment, Refugee Help headquarters was reluctant to encourage self-critical analysis or to publicly protest aid diversions. Refugee Help managers who fended off competitors, renewed UNHCR contracts, and ensured smooth delivery systems were valued for their work. Those interested in exploring the potentially unethical byproducts of Refugee Help's relief activities, however, received little encouragement. "Nobody told me to stop looking into that kind of thing," one former Refugee

1999); Rakiya Omar, *Death, Despair, and Defiance* (London: African Rights, 1995); and Prunier, *The Rwandan Crisis*.

85

Human Rights Watch/Arms Project, *Rearming with Impunity: International Support for the Perpetrators of the Rwandan Genocide* (New York: Human Rights Watch, 1995).

86 See Gourevitch, *We Wish to Inform You That Tomorrow We Will Be Killed with Our Families*; Prunier, *The Rwandan Crisis*; and newspaper reports, including Robert Block, "Wolves Lie Down with the Lambs: Killers Are on the Loose among the Refugee Camps in Zaire," *Independent*, July 24, 1994, p. 14; Chris McGreal, "Hutu Extremist Holds UN and Refugees to Ransom," *Guardian*, December 5, 1994, p. 11; and Paul Jelinek, "Foreign Aid Fattens Exiled Hutu Regime: Agencies Aghast as Rwandans Plot Return to Power," *Toronto Star*, December 4, 1994, p. A18;

Help emergency manager said, “but I was never asked to work on it either.”⁸⁷ Competition created incentives for contract renewal and growth, not self-reflection or protest.

In the camps, NGO staffers were frustrated with the UNHCR and Zairean government’s refusal to crack down on Hutu militants. Although there was little the UNHCR could do without Zairean cooperation or a UN-supplied military force, its representatives might have launched a stronger and more public advocacy effort. Specifically, UNHCR representatives might have pressed the issue with greater public vigor in the media, the UN Security Council, and interested publics. The UNHCR, however, was eager to ensure a smooth, problem-free relief operation and was not keen to do anything that might jeopardize its contracts, or undermine broader international support for the Goma aid effort. A vigorous and public UNHCR protest against Hutu militants living in the refugee camps would have reduced international support for relief efforts, and might have transformed Goma into an unmanageable, even dangerous, quagmire. The UNHCR thus quietly lobbied the UN Security Council, but dared not raise its voice too loudly. As a result, Hutu militants continued to use the camps for their own purposes.

Although many Refugee Help staffers recognized the ethical dilemmas involved in the Goma aid effort, the organization as a whole made few systematic efforts to address the problem. Refugee Help never convened an internal conference or debate on the issue, and never wrote an internal position paper probing the dilemma. When asked, relief officials attributed this in part to the frantic pace of work, including Goma’s prevailing “contract fever,” concern about losing aid contracts, and fear of inspiring a violent reaction by Hutu extremists.

Even if it had launched an introspective effort, Refugee Help might have still chosen to continue in Goma, as it was helping thousands of refugees. Were it not for Goma’s highly competitive environment, however, Refugee Help might have taken steps to address the urgent

ethical concerns. In addition to conducting an internal analysis, the group might have tried to push the UNHCR or Western powers into a more publicly principled stand. Given the multitude of potential NGO competitors already in Goma, however, Refugee Help staffers felt they had to exercise caution. After all, if Refugee Help earned a reputation as a loud-mouthed troublemaker, the UNHCR might push it aside and award lucrative relief contracts to less vocal aid groups. This was especially true given the eagerness of other aid contractors in Goma to offer similar relief services at similar or lower cost.

Competition among international relief groups also undercut the potential for Refugee Help-led collective action. For example, Refugee Help might have tried to organize a protest coalition with other groups, threatening to temporarily cease food distributions if the Zairean government or international agencies did not drive the militias out. Given inter-NGO competition, however, Refugee Help could not be sure that other relief groups would join in. Some might have agreed to protest, but others might not have, preferring instead to take over Refugee Help's contracts. In fact, during a security crisis in one of the Goma camps, another Western relief group did signal its willingness to immediately take over Refugee Help's contract if the latter so much as temporarily ceased aid distribution.

Finally, competition and the ready presence of rival NGOs made Refugee Help feel powerless. Given that many other groups were able and willing to assume Refugee Help's aid contracts, what difference would it make if the group withdrew in protest? Refugee Help was not irreplaceable, and it therefore had little bargaining power. As one staffer opined, "No one would have paid any attention if we left. They would have just carried on without us."⁸⁸ Given the presence of multiple competitors, withdrawal - the ultimate act of protest by a high-profile relief organization - seemed an empty gesture.

Comparing today's multitude of relief NGOs to previous eras, one expert notes a decline in NGOs' ability to resist Goma-like problems of aid diversion. "Competition for turf and difficulties of coordination...make [today's] humanitarian actors easy targets for political actors seeking access to the scarce resources they control."⁸⁹ When there were only a few aid providers in a war zone, NGOs could vigorously protest recipient opportunism. Today, NGOs are more cautious, fearing they might be pushed aside by rival groups.

Organizational survival was a particularly pressing concern for NGOs situated in Goma's competitive and uncertain environment. Individual Refugee Help officials realized Goma's ethical dilemmas, but the organization kept its eyes firmly fixed on securing and renewing contracts. Had competitive pressures not been so heavy, Refugee Help might have publicly protested, vigorously lobbied, openly organized, and even threatened to withdraw.

Not all NGOs allowed themselves to be caught up in Goma's contract fever, including the Belgian chapter of Medecins Sans Frontiers (MSF), which resolved to avoid competition and forego Goma-related revenue, refusing to bid on new Goma contracts and replacing its relief operations with an advocacy campaign pushing for limits on the Hutu militant camp presence.⁹⁰ According to MSF's secretary-general, "food represents power, and camp leaders [in Goma] who control its distribution divert considerable quantities towards war preparations," as well as "skim off a percentage of the wages earned by the thousands of refugees employed by relief agencies."⁹¹ The majority of aid groups, however, chose to stay on. Indeed, MSF's experience is the exception that proves the rule: it was able to protest aid abuse only by opting out of the Goma

⁸⁹ Neil MacFarlane, *Politics and Humanitarian Action* (Providence, R.I.: War and Humanitarianism Project, Brown University, 2000), p. 45.

⁹⁰

Mark Frohardt, Diane Paul and Larry Minear, *Protecting Human Rights: The Challenge to Humanitarian Organizations* (Providence, R.I.: War and Humanitarianism Project, Brown University, 2000), pp. 72-73.

⁹¹ MSF Secretary-General Alain Destexhe, quoted in Patrick Bishop, "Aid Workers Pull Out of Refugee Camps," *Daily Telegraph*, February 14, 1995, p. 13.

contract system altogether. As long as relief groups remained embedded in Goma's competitive humanitarian market, institutional pressures forced them to tone down their criticism. These dynamics were not unique to Goma, but are present in other war zones where donor interest attracts multiple relief groups.

In Afghanistan, for example, a similarly competitive NGO environment evolved in the town of Herat, when Taliban forces banned women from schools in 1996. Development and relief NGOs were unable to develop a common response, largely due to inter-NGO competition. Two leading aid groups suspended their education programs in the area, but the Taliban were not deterred, according to journalist Ahmed Rashid, because they realized that "other UN agencies were not prepared to take a stand against them on the gender issue," and because IOs and INGOs in Herat could not mount a sustained negotiating effort. "As each UN agency tried to cut its own deal with the Taliban," Rashid writes, "the UN compromised its principles, while Taliban restrictions on women only escalated."⁹² As had been true in Goma, intra-NGO competition hindered collective protest and empowered local armed forces.

More broadly, the Goma case, like that of Kyrgyzstan, highlights the role of material struggles within the transnational world, rather than the harmonious and liberalizing civil society of globalization theory. What is striking, however, is that as a result of institutional conditions, nonprofit humanitarian groups were pushed to behave like their for-profit counterparts in the technical assistance sector.

Multiple Principals and Bosnia's POWs

Competition also created uncertainty among IOs and INGOs in the former Yugoslavia, and again empowered uncooperative local recipients.⁹³ Instead of technical assistance or

⁹² Ahmed Rashid, *Taliban: Militant Islam, Oil, and Fundamentalism in Central Asia* (New Haven, Conn.: Yale University Press, 2001), p. 113.

⁹³

For two very different perspectives on the causes of war in the former Yugoslavia, see VP Gagnon Jr., "Ethnic Nationalism and International Conflict: The Case of Serbia," *International*

refugee care, however, this case involves the promotion of international humanitarian law, with specific reference to the protection of POWs.⁹⁴

From 1992 to 1995, the ICRC saw its position as the lead international guarantor of POW rights eroded by competition from UN forces and European Community monitors, both of which sought to protect Bosnian POWs. These multiple principals unduly empowered Bosnian Serb, Croat, and Muslim military commanders, helping them to evade international prisoner monitoring by playing the three international groups off one against the other.⁹⁵

POW MONITORING IN BOSNIA

The ICRC's lead role in prisoner monitoring was established by the Fourth Geneva Convention, which entrusted the Swiss group with responsibility for implementation of international humanitarian law.⁹⁶ The convention stipulates that warring parties must permit ICRC delegates to register and privately interview all war prisoners and to transmit messages from them to their families. Private, one-on-one prisoner interviews and prisoner tracking help to protect prisoners from abuse, disappearance or murder.⁹⁷ If ICRC delegates learn of abusive

Security, Vol. 19, No. 3 (Winter 1994/95), pp. 130-166; and Susan Woodward, *Balkan Tragedy: Crisis and Dissolution after the Cold War* (Washington, D.C.: Brookings, 1995).

94

For the laws of war, see Frits Kalshoven, *Constraints on the Waging of War* (Geneva: International Committee of the Red Cross, 1991); and Theodor Meron, *Human Rights and Humanitarian Norms As Customary Law* (New York: Oxford University Press, 1989).

95 Strictly speaking, there was less of a monetized "market" in Bosnia than in Goma, where all relief operations were generated through competitive contract tenders. With the exception of the ICRC, IOs did not receive funds explicitly for prisoner of war visitation, although their funding overall was tied to their usefulness and productivity. That, in turn, required that they demonstrate engagement with key humanitarian issues, including prisoner protection.

96 David P. Forsythe, *Humanitarian Politics: The International Committee of the Red Cross* (Baltimore: Johns Hopkins University Press, 1977).

97

See International Committee of the Red Cross (ICRC), *ICRC Action on Behalf of Prisoners* (Geneva: ICRC, 1997).

conditions during their interviews, they are obligated to confide their findings to prison commanders, local authorities, and senior state officials.⁹⁸

ICRC delegates collect information on prison commanders, evaluating their compliance with the Fourth Geneva Convention. The ICRC's relationship with warring states is highly legalistic, including the signing of an agreement granting the organization the right to visit prisons in accordance with convention and internal ICRC guidelines. Because the ICRC cannot certify compliance with the Geneva Convention without physically inspecting prisons, access is required.

When fighting began in Croatia during the summer of 1991, the ICRC was recognized by combatants, IOs, and Western powers as the sole agency responsible for safeguarding war prisoner rights. To ensure its leading role, the ICRC signed an agreement with Croatian republican authorities, the Yugoslav federal army, Bosnian republican authorities, and other combatants.⁹⁹ Although the ICRC did not gain access to all Bosnian prisons, it initially faced no rivals in the monitoring business. Other IOs and NGOs engaged in humanitarian relief work, but none dealt with POWs.

When the fighting in Bosnia began in 1992, however, the UN Protection Force (UNPROFOR) initially sent to protect aid convoys, gradually began to conduct their own inspections of POW camps.¹⁰⁰ The UN soldiers were stationed throughout the Bosnian Croat and Muslim enclaves and were aware of intense international concern for Bosnian POWs, especially following reports of Bosnian Serb prison camp atrocities.¹⁰¹ UNPROFOR officers

⁹⁸ In extreme cases, the ICRC may break confidentiality.

⁹⁹

For ICRC operations in the former Yugoslavia, including its signed agreements with Bosnian military and militia officers, see Michel Mercier, *Crimes without Punishment: Humanitarian Action in Former Yugoslavia* (London: Pluto, 1995).

¹⁰⁰

The UN Peace Forces were sent to Croatia in 1991, but became the UN Protection Force (UNPROFOR) in 1992. In 1995 the contingent was split into UNCRO (UN Confidence Restoration Operation) for Croatia and UNPROFOR for Bosnia.

¹⁰¹

Roy Gutman, *Witness to Genocide* (New York: Macmillan, 1993).

were eager to ensure that similar abuses did not occur in their zones of responsibility and hoped to show skeptical donors that they were effective protectors of POWs. After being heavily criticized for not blocking Bosnian ethnic cleansing early on, UN officers were eager to show journalists, Western publics, donor governments, and other significant audiences that they could protect Bosnia's war victims.¹⁰² The agency's normative agenda was thus joined by concern for its image and survival.

A second international organization, the European Community Monitoring Mission (ECMM), was also increasingly keen to protect POWs. The ECMM was an observer mission funded by the European Community, with a vague mission to monitor and reduce violence in the former Yugoslavia. Like its UN counterpart, the ECMM was searching for high visibility opportunities to prevent human rights abuses. The ICRC had a clear mandate under the Geneva Convention, and UNPROFOR was in Bosnia because of a UN Security Council resolution. The ECMM, by contrast, had been sent there only on the European Community's say so, and thus had less international legal backing. Originally designed by European mediators seeking to monitor long-failed cease-fires, the ECMM was verging on irrelevance. Continued fighting in Bosnia and elsewhere made its work virtually irrelevant, while UNPROFOR's overwhelming presence threatened to marginalize it. POW camp inspections, the ECMM hoped, might justify its existence, enhance its credibility with donors, and secure future funding.

Theorists of global civil society would expect multiple international monitors with similar principled beliefs to cooperate and enhance Bosnian prisoner welfare. Our model, however, suggests the opposite: more organizations would create multiple-principals problems, empowering local military commanders to subvert external monitoring. This is ultimately what happened.

102

David Rieff, *Slaughterhouse: Bosnia and the Failure of the West* (New York: Simon and Schuster, 1995).

Before the UN and ECMM interventions, Bosnian military commanders had relied exclusively on the ICRC for certification of their Geneva Convention compliance. ICRC certification, however, was often burdensome to POW prison commanders, as its inspection procedures required unimpeded access to all prison areas and detainees, and private, one-on-one interviews with prisoners, allowing ICRC representatives to obtain accurate information from persons who might otherwise fear to speak out. ICRC delegates were also trained to conduct thorough evaluations of prisoners' mental and physical condition. The art of ICRC prison inspection had been developed over decades, and was closely monitored by internal supervisors.

The UN and ECMM inspectors, by contrast, were poorly trained, rendering their efforts far less effective. Neither organization provided specialized prison inspection training, and neither regarded prison visits as a core function. UN and ECMM staffers typically did not insist on full access and confidential interviews, and thus could not guarantee that the information they received was accurate or that prisoners would not suffer retaliation. More important, the UN and ECMM did not register the prisoners they interviewed, and thus could not track detainees as they were released or transferred. As a result, the UN and ECMM could not know if a prisoner was killed or tortured for speaking freely. Prisoners meeting with the ICRC, conversely, were registered and tracked until their release, upon which they were re-interviewed about their experiences.

The presence of multiple international monitors threatened the welfare of POWs by empowering POW prison commanders to resist proper inspections. Prison authorities preferred the UN and ECMM visits to those of the ICRC, because the latter were more intrusive. Openness to international monitoring was a public relations gain, but UN or ECMM visits were quicker, simpler, and less likely to provoke difficult questions about the fate of individual prisoners, or the conditions in which POWs were held. With three organizations eager to act as

principals for the international community, Bosnian commanders, as agents, could pick and choose.

The three-way competition for prison inspections also helped Bosnian commanders to play one IO off against another. When ICRC representatives demanded access to a POW camp, commanders often balked, saying that they had already been visited by the UN or ECMM. Indeed some prison commanders made that argument even if the UN or ECMM had not visited the prison. In the chaos of war and with high turnover rates among international aid personnel, the “prior visitation” argument was plausible.

All three international groups identified themselves to Bosnian commanders as international community representatives seeking to promote humanitarian law. Publicly, all three had normative and complementary agendas. Their organizational environment and interests, however, made cooperation difficult. Here, more organizations did not generate higher rates of prisoner welfare, and competitive pressures did not enhance the efficiency of POW monitoring. Instead of leading to greater POW protection, the multiplicity of concerned transnational organizations empowered prison authorities seeking to evade the requirements of international humanitarian law.

The competitive aid market in Bosnia was not restricted to POW monitoring, however, and INGO competition in Bosnia created other dysfunctions following the 1995 Dayton peace accords.¹⁰³ According to one source, local humanitarian NGOs were “quick to fall into competition with each other, vying for donor attention and funding,” chasing whatever new donor funds and priorities emerged in a desperate “search for security and employment.” Although many Bosnian groups originally were concerned with helping war victims overcome psychological trauma, they shifted their attention to reconstruction and public infrastructure following the reordering of international donor priorities. “Because funding was drying up in

103 The following quotes are drawn from Smillie and Todarovic, “Reconstructing Bosnia,” pp. 28-31.

one programming area,” they argue, “NGOs, in order to survive, were being drawn to new areas where they had no special expertise and little interest.” Contrary to the expectations of liberal globalization theorists, the transnational market for aid in Bosnia led to opportunism and poor project implementation, despite the normative inclinations of local NGO staffers.

Conclusion

Scholars need to rethink their approach to the emerging world of transnational action. To date, most theorists have seen transnational groups as harbingers of a new, liberal, and robust civil society, but our theory and case studies suggest that this view may be overly optimistic. The evidence we have compiled suggests that scholars should also analyze the transnational world with tools drawn from political economy. We should recognize the powerful, if often unacknowledged, role of material incentives, competitive struggles, and tacit collusion with uncooperative government officials or local militias. Given the structure of today’s transnational world, organizations may find financial considerations more pressing than liberal norms.

Relying on insights from New Economics of Organization, a body of theory that examines the incentives generated by market institutions and contractual relations, we uncovered a tacit system of material constraints that shaped INGO actions and, on occasion, subverted nominal agendas. Focusing on the diverse world of transnational aid, we found that across the board, competitive environments create institutions that systematically shape the behavior of donors, INGO contractors, and recipients, and inhibit cooperation.

There is no doubt that many of today’s INGOs are motivated by normative agendas. Insecurity and competition, however, often pushes them to behave in rational and rent-seeking ways. As scholars of institutional isomorphism have long suspected, organizational

environments have powerfully homogenizing effects on their constituent units.¹⁰⁴ When placed in competitive, market-like settings, nonprofit groups are likely to behave like their for-profit counterparts. Consequently, there should be little disagreement over whether our approach is ontologically appropriate, given that the transnational actors in question are responding to actual market incentives. Donors, INGO contractors, and recipients behave in manners consistent with agency theory precisely because they have entered into contractual relations and, consequently, have disparate preferences.

The transnational sector has opened new channels for political access and action, but its dynamics are often inconsistent with the views of scholars who argue that growing number of INGOs will create a liberal and normatively driven transnational civil society. In fact, organizational density and marketization pose a formidable challenge to the consolidation of such a transnational civil society. More is not always better, tenders do not always promote efficiency, and competition does not solely reduce waste. As the volume and intensity of transnationalism grows, scholars should pay as much attention to the tacit material relations among transnational actors as they do to their nominal liberal agendas.

More studies are needed across regions and sectors to test the generalizability of our propositions. It is likely that different conflicts create different types of humanitarian markets, and that different markets will lead to variations in organizational behavior. In some cases, conflicts may take place near or within strong states capable of creating barriers to entry, limiting the penetration of transnational actors, and reducing interorganizational competition. Elsewhere, competition could be reduced by declining donor interest or tacit donor agreements to divide the aid market. In still other cases, a single donor or aid contractor may dominate the aid market for historical or political reasons, crowding rivals out and creating a more stable

104 George Ritzer, *The MacDonaldisation of Society* (Newbury Park, Calif.: Pine Forge Press, 2000).

transnational hierarchy. Although our analysis is likely to hold true at the most general level, there will be important regional and sectoral variations in transnational markets.

Our analysis highlights structural contradictions within the transnational world, rather than the dispositions or morality of specific transnational actors. Opportunism may be a rational response to institutional configurations of material interests, not an inherent characteristic of individual INGOs. This is an important finding for a field marred by accusations of immorality and corruption. Although we do not ignore individual organizational responsibility, we believe that many problems within the transnational sector, including aid diversion and poor project implementation, are institutionally conditioned.

Donors and contractors can address these problems in concrete ways. INGOs, for example, can bolster their ability to resist competitive pressures by locating alternative sources of funding beyond established Western governments and IOs. Here, faith-based groups are of particular interest because of their access to less competitive funding. The relief and development group Catholic Relief Services (CRS), for example, has rejected contracts offered by Western government or UN donors when it believes the projects are misguided. More often than not, CRS country offices can do so because they have access to alternative funds from Catholic dioceses in Europe and the United States.¹⁰⁵ Lutheran World Services, World Vision, the Middle East Council of Churches, and other faith-based groups are in a similarly enviable position.

Donors can reduce organizational uncertainty and create healthier incentives by extending the length of contracts and encouraging INGOs to speak openly about their problems. Because short-term, renewable contracts create powerful agency problems, donors could provide longer-term, general-use funds for reputable INGOs who would then be free to make better choices and constructively confront failing projects.¹⁰⁶ Once released from the

¹⁰⁵ Interview in North America with a senior CRS staffer, September 17, 2001.

pressures of “contract fever,” INGOs could focus on their work, adjusting their strategies midstream or protesting aid diversion where appropriate. Most important, new structural incentives would make it easier for INGOs on the ground to cooperate, rather than to compete. If INGOs knew that their organizational survival did not depend on their rival’s failure, they would have reason to share information, pool resources, and generate broad coalitions.

Reforming the institutions underlying the “NGO scramble” is all the more pressing in light of ongoing efforts to provide humanitarian relief and reconstruction aid to Afghanistan. Our analysis suggests that a large amount of assistance does not guarantee project effectiveness, especially in uncertain and chaotic postconflict environments. If efforts to rebuild Afghanistan and aid the Afghani people are to succeed, Western donors and IOs must design humanitarian market institutions with greater care, avoid creating a competitive aid frenzy, and provide long-term contracts to respected groups with regional experience. Similarly, donors seeking to rebuild Afghanistan’s infrastructure and public institutions – a process that will inevitably be long and arduous -- should grant INGOs nonrevocable contracts so that they can publicly confront problems of aid abuse and political interference, and change ineffective project strategies without fearing for their fiscal survival.¹⁰⁷

Once established, transnationals are organizations like any other. To survive in a competitive world, they must justify their existence to donors, secure new contracts, and fend off competitors. Under specific institutional conditions, these imperatives will produce dysfunctional results. In the 1990s, scholars established the importance of transnational networks and organizations for global politics; now, we should turn our attention to the material incentives shaping their actions.

For the importance of administrative overhead see Raymond Bonner, “Post-Mortem for Charities: Compassion Wasn’t Enough in Rwanda,” *New York Times*, December 18, 1994, p. 3.

107 Alexander Cooley and James Ron, “Coming to the Aid of the Afghan People,” *Toronto Star*, October 29, 2001, p. A19; Alexander Cooley and James Ron “Afghan Relief Business Bears Watching,” *Baltimore Sun*, October 15, 2001, p. A11; and Barnett Rubin, “Putting an End to Warlord Government,” *New York Times*, January 15, 2002, p. A21.

