Palestinian Health Institutions: Finding a Way Forward in the Wake of the Second Intifada

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Abstract

The strength of Hamas in Palestinian elections in early 2006 reshuffled the cards in the game of Middle East politics. Many astonished observers have sought an explanation for this political change. But the election result should not have been so surprising. Hamas has earned a reputation of clean governance and compassion for the poor, unlike the Fatah-led Palestinian Authority. Hamas has had a strong presence in the health sector which helped establish its legitimacy and popularity. This paper reviews bilateral and multilateral aid to Palestinians following the second intifada and argues that not enough was done by the international community to bolster health services of the Palestinian Authority. This left a void that Hamas and other charitable organizations have filled. The health sector remains strategic and its assimilation with the Palestinian Authority should be sought. Comprehensive policy toward the Middle East and other developing regions should integrate social welfare programs with global security interests.

KEYWORDS: Hamas, health, terrorism, Mideast peace, aid, Palestinian authority

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Introduction: Economics of Extremist Groups

The behavior of extremist groups was observed by Adam Smith who noted that extremists may become ingrained in societies where governments lack legitimacy, are weak or otherwise unable or unwilling to provide public goods (Smith, 1904). Public goods include large parts of health, education and security sectors. Extremist groups may also offer substantial psychic benefits to members with strong commitments to social, political or religious causes (Ianccone, 1992). In some cases, extremist groups are well established providers of health and other social services. Such is the case of Hamas in the West Bank and Gaza Strip.

Economists have suggested various measures to curb extremist organizations (Sandler, Tschirhart & Cauley, 1983). One approach is to increase costs to radical groups. Operations can be inhibited with targeted actions directed at infrastructure or individuals. This depends on reliable intelligence and enforcement capabilities. Another approach is to increase benefits to potential members to avoid radical groups. Public policy can be directed toward economic development and improving wage opportunities for those who might be drawn to extremists. This may entail economic liberalization to create more competitive economic conditions. Policies can be implemented to bolster health and other social services that are in short supply. Another economic approach to combating extremist groups includes measures to reduce financial resources. The United States and many European countries have endeavored to contain the financing of “terrorist” organizations (Levitt, 2006). And finally, the use of bounties to apprehend the most wanted individuals can be employed.

There is no clear relationship between poverty and terrorism but the adequate supply of public goods has long been recognized as an important source of social and political stability (Kreuger, A. and Maleckova J., 2003; O'Connor, 1973). The purpose of this paper is to explore the role of bilateral and multilateral aid in the financing of the Palestinian health sector. Health services are seen as a strategic sector of the economy and a key reason for the legitimacy of Hamas and its recent success with the Palestinian electorate. This paper provides detail on the nature and extent of international health sector aid to the Palestinians in the wake of the second intifada and suggests that increased integration of the Palestinian health sector will help facilitate a more moderate Hamas led government. It also argues that Israel should promote development of sound Palestinian institutions.

Social Services, Legitimacy and Terrorism

Social services have been used by extremist organizations to gain legitimacy for centuries. The Assassins relied on a complex and tightly knit social order that
included a wide range of services to achieve historical longevity. Social services ranging from health care to education were important elements helping to recruit, retain and motivate adherents to this sect’s ideology. Twentieth century Zionists also relied on extensive social services to underpin organizational strength and help achieve political aspirations. These included health insurance for members of the Irgun, a more assertive faction seeking establishment of a Jewish state. In Cuba, Fidel Castro emphasized health and education services as a cornerstone of socialism. This helped to bolster his legitimacy and that of the Cuban Communist Party in spite of profound weakness in the performance of other sectors of the economy. More recently, the Palestinian Islamic group, Hamas has garnered considerable popular support with its network of social services. These services offer critical access to health and education for many Palestinians, particularly from lower income groups (Qato, 2004). This has served as a foundation to pursue wider political objectives which include promoting a more Islamic orientation than propagated by the secular Palestinian Authority, and a more uncompromising stance toward Israel.

To date there has been inadequate attention focused on this basis of support for Hamas. A better understanding will help promote peace in the region, objectives sought by a wide range of local and international parties. The Fatah led Palestinian Authority has tried to minimize conflict with Hamas and persuade the organization to take a more accommodative approach with Israel. It has collaborated in an uneasy partnership in the search for peace and in the realm of domestic affairs including the provision of health and other social services. Conflict between the two has more recently jeopardized this coalition approach. Israelis have typically seen Hamas as intransigent with little prospect of becoming a good neighbor and has demanded a dismantling Hamas’s force structure as it does with Hezbollah. And in the wake of 9/11, the US and Europe took a harder line on organizations that engage in, or support terrorism, even if many of the organization’s activities are benign. The Palestinian Authority has been affected by litigation in the United States that resulted in a freezing of assets (Stockman, 2005). International efforts to curb funding have been stepped up with investigations, police actions and prosecutions of those in violation of anti-terrorist laws. This is thought to have undermined the financial strength of Hamas and led to alternative financial strategies (Rapaeli, 2003). The election of 2006 profoundly changed the landscape. It extended Hamas’s legitimacy to the international arena as a freely elected government. The option of “crushing” Hamas is no longer viable, if it ever was. The most credible option is to seek a more conciliatory posture from Hamas and hope to catalyze on its legitimacy to secure a lasting peace for the area. Palestinians often do not perceive actions against Israel as terrorism, but rather as legitimate resistance by an aggrieved people lacking any other means of defense. International efforts to seek a more
moderate Hamas posture may gain little traction among Palestinians by emphasizing the war on terrorism as a moral issue. Economic and financial sanctions directed at the Hamas led government have been employed by the United States and others. Thus far they seem to have had inadequate impact on moderating the Hamas policies that are at odds with those of the Quartet (which includes the United States, the European Union, Russia and the United Nations). These policies include a rejection of Israel’s right to exist and the use of violence. Perhaps in addition to, or instead of punitive measures, other more positive economic incentives should be implemented. Substantially greater support for infrastructure development should be considered with the health sector receiving a relative priority.

**Hamas and the Palestinian Health Sector**

Palestinian health services are not centralized under a national health service as is the case in the United Kingdom, nor are they financed under a national health insurance program as occurs in Canada (Giacaman, Abdul-Rahim & Wick, 2003). The system can be described as fragmented or perhaps pluralistic with a substantial number of providers and payers (Rafiq, 2005). Some providers are strictly commercial and are financed from fees paid directly by patients and by insurers. Other providers are from the public sector and include those of the Palestinian Authority and The United Nations (UN) which operates the United Nations Relief and Works Agency (UNRWA). UNRWA offers primary care for those classified as refugees. Yet other providers are associated with charitable organizations and rely on a mix of user fees, donations and alternative sources of finance. Hamas is a key player among charitable organizations and is deeply involved in financing and providing health services to Palestinians. Although identified as a terrorist organization by Israelis, Americans and Europeans, the origins of Hamas are religious and social. It has long sought a more pious society and has championed social services such as health care and education. It has participated in providing health services to Palestinians, especially the poor. The extent to which Israel has facilitated or undermined health services for Palestinians is controversial (Dukker, 1999; Pourgourides, 1999). But that conditions are difficult is well accepted. Hamas has been able to capitalize on these conditions. There is widespread recognition of the large role Hamas plays in the health sector, yet this has not been well quantified. The data that is available suggests that direct spending by Hamas has been less than that of the Palestinian Authority. The entire budget of Hamas, estimated at approximately $50 million in 2003 including portions for non-health purposes, was thought to amount to less than half of that of the Palestinian Ministry of Health budget, at least prior to the election of 2006 (Global Security.org, 2006).
The charitable organizations have a strong presence in hospital services. The Palestinian Ministry of Health (MOH) had only 23 (30%) of Palestinian hospitals in 2002 (Palestinian Ministry of Health, 2003). Much of the remainder was associated with charitable organizations. These organizations have a particularly strong presence in hospitals that specialize in rehabilitation and maternity care. The latter is of great significance since Palestinians have one of the highest population growth rates in the world. It is arguably the rapid growth of the Palestinian population which ultimately forced Israel to see the changing demographic facts on the ground and abandon plans for a greater Israel that would include all of the West Bank and Gaza.

The influence exerted by Hamas and other charitable organizations is not always direct and the amount of health spending attributed to the organization may understated its influence. For example, hospital governance may be nominally independent of Hamas. But members of Hamas are often prominent in the governance structure and well integrated in the fabric of Palestinian society. They have substantial indirect influence and are important to help maintain financial viability of health institutions.

**International Aid**

It has been argued that efforts should be made to displace Hamas from its influential role in the health sector with policies to better develop alternative health services, especially those of the Palestinian Authority (Hilsenrath, 2005). But confronting Hamas to displace its role in health care has been politically challenging. And for the development community, targeting specific sectors such as health services has been controversial, and there is no consensus on if, or how, this should be done as a matter of international donor policy (Buse & Walt, 1997; Hill, 2000; Schneider & Gilson, 1999; Walt, Pavignani, Gilson, & Buse, 1999). Western funding agencies have apparently shied away from this strategy in the West Bank and Gaza, at least to some extent. The latitude to exercise this option is now even more circumscribed after the 2006 Palestinian elections. Most aid is directed to other sectors.

The United Nations reported 1.057 billion dollars was provided in 1999 and 2000 to the Palestinian Authority and spread across multiple sectors (United Nations Conference on Trade and Development, 2003). This excludes the core operation of UNRWA. Bilateral and multilateral aid increased to 2.296 billion dollars for the period from 2001 through the 1st quarter of 2003. Aid dependency increased from about 12 percent in 1998 to 25 percent of gross national income (GNI) in 2003 and these numbers underestimate the importance of aid because of the multiplier effects of infusing these resources into the local economy. The near collapse of the Palestinian economy at this time resulted in part from the sharp
disassociation with Israel. For a variety of reasons including humanitarian and geopolitical, the international community stepped in with much greater levels of economic support. Such support has been vital, and contributed to relative stability in recent years. Economic and political conditions could have been much worse. By comparison, Figure 1 uses World Bank data to show that few countries exceeded Palestinians for aid as a share of GNI, and these were primarily troubled African states such as Burundi, The Democratic Republic of Congo, Eritrea, Guinea-Bissau, Liberia and Sierra Leone.

Figure 2 shows dollar contributions on a per capita basis for 2003 (World Bank, 2005). Palestinians received 289 dollars per capita. By this measure Palestinians were the most dependent on aid. More modest levels of aid in Africa constitute large shares of GNI because of relatively low levels of economic activity. Palestinians, in spite an apparent economic paralysis, have a relatively high per capita income reported at 1,110 dollars in 2003. Not shown are the Pacific states of the Marshall Islands and Micronesia, two former territories of the United States which have also been very aid dependent (Hamarna, 2004).

Figure 1: Net Official Development Assistance as a Share of GNI in 2003
Sources of AID

Funding for the Palestinian Authority came principally from the Arab League, the United States and the European Union (EU). Figures 3 and 4 show multilateral and bilateral aid directed to the Palestinian Authority for the two time periods (United Nations Conference on Trade and Development, 2003). The Arab League was the largest multilateral donor having provided 825 million dollars from 2001 to the first quarter of 2003. There was no Arab League support in 1999 and 2000. The European Union provided 333 million dollars from 2001 to early 2003, a large increase over the 69 million provided from 1999 to 2000. The other large donors for the period 2001 to early 2003 included UNRWA with an additional 238 million dollars of emergency funds and the World Bank which provided 86 million dollars.
The UN reported a total of 720 million dollars was provided in bilateral aid from 1999 to 2000 and 755 million dollars from 2001 to early 2003. Bilateral aid was dominated by contributions from the United States. American support dwarfed all other bilateral sources of aid to Palestinians. Almost 400 million
dollars came from the United States in the latter period. Controversially, the United States limited contributions directly to the Palestinian Authority fearing misappropriation of funds. Moreover, NGOs have been made subject to certification of disassociation with terrorism. Many Palestinian organizations have been less than enthusiastic about complying with this requirement the United States Agency for International Development (USAID) puts to all recipients globally.

It should be recognized that many countries prefer to donate using multilateral vehicles. Large European Union contributions explain why many European counties have had relatively low bilateral levels of support. Similarly, Saudi Arabian bilateral support fell sharply once Arab League donor support was established.

A major shift occurred in the use of donor aid in the wake of the second intifada. Substantial donor resources were redirected from development to budgetary support. The near collapse of the Palestinian economy led to a major fiscal crisis. Revenues fell with lower levels of output. In addition, Israel has withheld tax revenues owed the PA for fear of misappropriation. Budgetary assistance rose from 2 or 3 percent of aid prior to the second intifada to nearly half of all international aid after September 2000 to compensate for revenue losses and keep the Palestinian Authority from disintegration.

The composition of development support, especially to the health sector, is of primary interest. In the 1999-2000 period 5.2 percent of disbursements went to the health sector. This allocation increased to 16.3 percent in the latter period following the second intifada. It is also worth noting that definitions of the health sector vary. The United Nations takes a somewhat narrow, though common approach, and associates health spending with health service spending. But public health expenditures are of great consequence to health, especially in developing economies. Such expenditures often fall under non-health categories. The United Nations accounts separately for solid waste management and water resources services each of which may significantly contribute to public health. There was a significant increase in the allocation to water resources in the second period rising from 8.1 to 16.2 percent of the total. On the other hand, solid waste management share fell substantially, perhaps because of concern about high levels of importation and leakage from the Palestinian economy. These trends are shown in Table 1 (United Nations Conference on Trade and Development, 2003).
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<tbody>
<tr>
<td>Health</td>
<td>$48.1 million</td>
<td>5.2%</td>
<td>$99.4 million</td>
<td>16.3%</td>
</tr>
<tr>
<td>Water Resources</td>
<td>$75.3</td>
<td>8.1%</td>
<td>$98.7 million</td>
<td>16.2%</td>
</tr>
<tr>
<td>Solid Waste Management</td>
<td>$55.5 million</td>
<td>6.0%</td>
<td>$10.4 million</td>
<td>1.7%</td>
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The United Nations provides some idea of the sectoral focus of donor countries and it is of interest to see who has been prioritizing health services. Somewhat surprisingly, it is not the United States which has taken a politically aggressive stance against Hamas. The United States, which might have been expected to have sought displacement of Hamas, avoided health services and targeted water and sanitation. Neither has the EU, Australia, Canada or Japan. The only country listed by the United Nations as prioritizing the health sector was Saudi Arabia. It should be noted that under emergency conditions, such as prevailed during the second intifada, many countries came forward with temporary funds for health services as a priority including the United States, Spain, Switzerland, Italy, Greece, Japan, Jordan and Malaysia.

**Discussion**

There were 147 suicide bombings and 450 prevented suicide bombings in Israel from 2000 to 2005 (Intelligence and Terrorism Information Center at the Center for Special Studies, 2006). Not all, but much of this activity was associated with Hamas. The number of suicide bombings and attempted suicide bombings fell sharply after 2003. Some attribute targeted killings to the change in use of suicide bombings (Byman, 2006). Others point to the separation barrier, Israel’s abandonment of the Gaza Strip and internal Palestinian political considerations as explanations for the reduction in suicide bombings. But events move quickly in the Middle East and circumstances have changed.

The war between Israel and Hezbollah has hardened positions and given added leverage to Iran and Syria, countries that the United States and others have shunned in recent years. It also underscores new tensions between Shiites and Sunnis that follow in the wake of the intervention in Iraq. And Yassir Arafat and
Ariel Sharon have passed from the scene with strong new leadership yet to emerge on either side. Hamas will find it more difficult to maintain extremist positions if conditions stabilize and they govern in an environment of moderating domestic and international pressures (Berger, 2006; Teeple, 2006). The transition from resistance movement to governing authority is a large one and if successful, one that is likely to bring about transformation. A sound Palestinian government will have to provide better health services and this will entail better integration and coordination of the current fragmented system. Optimists hope that popular support for peaceful co-existence with Israel is likely to overwhelm hardliners in Hamas just as it arguably did in Arafat’s Fatah movement in a previous era. Others are more cautious and point out that history provides examples of extreme groups elected to power that chose not to moderate. The advent of a stronger and more radical Hezbollah lends support to extremists and undermines the road to peaceful coexistence with Israel (Karmon, 2003). The possibility of a dysfunctional Palestinian Authority combined with an uncompromising Hamas remains a credible long run specter (Herzog, 2006).

The priority of those seeking an accommodation between Palestinians and Israelis is to facilitate transformation of Hamas into a more moderate political force. Donor nations that assist with better integration of the Palestinian health sector will help close doors behind Hamas. A health sector with greater and better national oversight, with greater transparency and managed by those committed first and foremost to the betterment of health services instead of other political objectives, will not be as conducive a base for the perpetuation of the social legitimacy of an extremist militia.

The vision of a two state solution that underpinned the Oslo accords for stability in the Middle East still exists (World Bank, 1993). Peace and goodwill are of great importance for Palestinian economic vitality as they are for Israeli prosperity. The international community can help bring this about. Israel has a role in facilitating Palestinian economic development besides ending the occupation. It can help ease of movement of goods and services internally and externally. Israel can also help with access to key resources such as water and should court secure and robust bilateral trade that will lift economic welfare for both parties.

For all the hatred that exists, Palestinians know Israelis well and the peculiar social intimacy that exists can serve as a foundation for good economic relations once an acceptable political accommodation is found. Consider how black and white relations have changed in South Africa or the American south. Or consider the relative harmony within democratic India between Muslims and Hindus that prevails in spite of the bitter conflict that occurred at independence.
(Das, 2006). Conflict remains with Pakistan, but this can be attributed, at least in part, to the influence of extremist madrashs (Evens, 2006).

Those in academic and national security communities can also contribute with more focus on issues of institutional development including that of the health sector. The importance of health services to the legitimacy of otherwise errant regimes has been underemphasized. Social welfare aid has been conducted largely independent of political stability considerations. This needs to change to better achieve local and global policy objectives.

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