

# **THE RISE AND FUTURE OF NON-GOVERNMENTAL ORGANIZATIONS AS AN ACTOR OF PUBLIC ECONOMY<sup>1</sup>**

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## ***ABSTRACT***

Non-Governmental Organizations (NGOs), have taken on increasing importance in economic and social life. NGOs as public economy actors, arise especially in the delivery process of public goods. NGOs cover the weaknesses of the state in provision, distribution and finance of public goods and services while also they operate in activities which make the state's activities more effective. The future and more effective and widespread operation of NGOs depends on their success on finding new revenue sources.

***KEYWORDS:*** *Non-Governmental Organization, Public Economy, Modern State*

## **1. INTRODUCTION**

Non-Governmental Organizations (NGOs), have taken on increasing importance in economic and social life of many nations around the world. Furthermore, they are also increasingly important actors in international issues. Today, as distinct from traditional charities, NGOs has emerged as a component of the public economy. In addition to determination of public need, presentation and distribution of them, NGOs are undertaking significant role in public decision-making processes. Therefore, the development of state thought in historical process and the functions loaded on NGOs as a public economy actor should be analyzed more detailed.

## **2. THE APPROACHES TO NGOS IN THE PROCESS OF DEVELOPMENT OF THE MODERN STATE**

In the liberal state idea, NGOs can correct the imbalance in community by making social service delivery with philanthropy based, voluntary activities. Because of attributing a

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meaning to NGOs further to that is not possible, their activities and events are also has been limited.

Of course, the charitable and voluntary actions of thi period are far from understanding of the modern NGO. Nevertheless, these have formed the basis of today's NGOs in modern terms and they are also important in terms of showing the positive aspects of liberalism towards NGOs.

In the understanding of Keynesian welfare state, "citizen" concept as the basic element of nation state has come forward. Citizenship-based social integration, while highlighting the state of course, NGOs are undertaken functions that have remained relatively unimportant. Moreover, democratic mass organizations are the most important NGOs in this period. But, these type of organizations do not correspond to the modern concept of a NGO because they are based on protecting their members' interests. On the other hand, the perspective towards these organizations become negative due to their stress on social state economically and politically. These kind of reasons has led NGOs relatively to remain in the background in welfare state.

Public goods and services which are organized and produced by the state during 20th century became provided by market economy ,as an addition even an alternative for the state , and NGOs with 21th century. In this new situation, it has been passed to three sectored economy from two sectored economy. In three sectored model, the coordination of the relationships between the sectors has a seperate importance so as the optimal operating conditions of each sector. Services produced by government require a non profit offer by their nature. Therefore, states should take the necessary measures in the adequate production of the services that they undertake before by private sector and NGOs. Of course this could be possible by spreading voluntary behaviour and NGOs. Because the market economy does not have a sufficient motive to produce these services, , it is important for third sector which will provide non-profit and voluntary provision social welfare to show sufficient progress. With this idea, Neoliberals defend the opininon of bringing the civil society forefront by narrowing the limits of the welfare state which turned into a monster. Hence the NGOs are considered as an important actor of the new structure. They desire the transformation of the two sectored structure to a three sectored structure ,the reduction of the states scope as the first sector , and the development of the private sector and third sector instead of it.

Of course, some events faced in recent years also facilitate and accelarate the implementation of these ideas. Especially the global integration process has created a suitable ground for NGOs who both want to implement neoliberalism and stand against neoliberalism. Today, the intense activities of both views ensured NGOs to gain strenght as an important actor. Expansing cumbersome bureaucracy in welfare state intimidated citizens towards the state offering of most services; however it has beena driving force for the development of NGOs by allowing a vountary middle class and educated - organization and awereness ,which revealed by welfare expenditures. Intrnational organizations has also been a driving force for the development of NGOs. These organizations as the protagonists and routers of the globalization process include NGOs to game with nation states in new structure. They seen NGOs which meet their definition as stakeholders in the places where they do not make or trust nation states and they supported them for their policies.

There is a knowledge-based economic system is dominated today. A knowledge-based new economy is given as a reference as being an importance dimension for their self expression and importance of NGOs. Individuals constitute the foundation stone of the new economy. Information technologies have led to creation of a person-centered new economy by changing the way of the work is done. As is known, NGOs in the modern sense are

individual focused. Individuation and isolation, also provide ground for out of relationship solidarities. Information technology facilitates this kind of solidarities in remote locations. With the development of internet-based new economy, communication costs are reduced. By decrease of communication costs, NGOs have increased in number and variety. Because of convenient access to this low cost technologies in the same way, NGOs have become more organized at national and international scale.

### **3.THE INCREASING IMPORTANCE OF NGOS AS PUBLIC ECONOMY ACTORS**

NGOs as public economy actors, arise especially in the delivery process of public goods. The most important feature of this type of goods is the being in question of externalities. NGO activities generally emit positive externalities. They strengthen the social welfare and effectiveness by creating significant externalities in the creation of public goods and equitable use of them and by reducing transaction costs.

Another opinion which explains the emergence of NGOs as public economy actors is based on Trust Theory. According to Trust Theory; NGOs are shaped as the organizations which provides goods that consumers believe that both private sector and the state could not provide in sufficient quantity and/or quality due to the information asymmetry between manufacturers and consumers of these public goods. These goods are goods and services such as daily care, education and health care.

NGOs today are involved in many different processes of presentation and distribution of public goods and services. Many services traditionally carried out by the state also begun to executed by NGOs. The public services produced by NGOs generally can be considered as the goods that can not defined as public goods, that the public sector faces problems in production and financing and that are mostly substitutes or completes the public goods.

NGOs are also active in provision or consumption of merit and demerit goods and services. As is known, merit goods are the ones which have been deemed useful to society. In the same way, demerit goods are the ones that have been believed to be harmful to society. Therefore, social values are important where merit and demerit goods are in question. Here NGOs also may affect the provision and consumption of merit and demerit goods with the information flow they provide and the campaigns they make by influencing or sharpening societal values.

NGOs today provide significant contribution in the processes of determination of public needs, and the production, distribution and development of public goods and services. There are many factors that determine the effectiveness of NGOs in this process. The changes in public needs and understanding of public goods and services affect the development of contributions of NGOs in these areas. Not only in traditional public goods and services, NGOs have already begun to offer significant contribution in also new areas. For example, the concept of Global Public Goods and Services is a matter of controversy in the fiscal literature for the last years. NGOs were undertaken active duties during the stages of the introduction of concept of global public goods and services and the solution of the problem. Understanding of global public goods, raises new workspaces and opportunities for NGOs. The global scaled problems or the situations creating externalities in global scale that can not be solved by current actors makes NGOs leading actors in this regard. Indeed, a concept and awareness of global civil society is developing with globalization. Global civil society is a global public good itself as a result.

Governments in almost all countries are in serious financial support for NGOs as they emerged as public economy actor in recent years. Nevertheless, there are considerable criticism

subject to these support. Therefore, it is important to identify the logic of this support correctly.

#### **4. THE LOGIC OF STATE SUPPORTS FOR NGOS**

Because of being non-profit, NGOS sell the same goods and services at lower prices according to private sector firms. Consumers lead to more consumption because they get the same good at a lower price. Thus, the good is used in large quantities at a lower price. This also means that consumer and producer surplus is much more and so the social welfare is increasing. NGO provision is in a structure that increases social welfare if it is especially considered that this good is a collective good which creates externalities or it is a merit good, the use of which is good for the society.

If support and donations for NGOs can be deducted from the tax or the state provides fiscal support for NGO activities, in that case the contribution of NGOs to social welfare will be more. NGOs can use these subsidies to provide services to people who can not pay even for non-profit services at lower prices.

Another dimension is important in the issue of contribution of NGOs in the provision of social welfare. It is the development of institutional capacity. As NGOs are developing, they may also contribute to the development of the institutional capacity of the country. Implementation of a previously non-existent or unused capacity will make a positive contribution to social welfare in the long run. However, institutional capacity of the country will be negatively affected in the long term if in case of development of the NGOs is possible only with exclusion of the state and private sector. This may reduce social welfare. In particular, the exclusion of NGO activities on the basis of international aid will be able to make a negative impact on social welfare and institutional capacity of the state in long-term. NGOs which can be defined as the society's social conscience, need to be protected from malicious practices for an appropriate mix of welfare.

#### **5. THE FUTURE OF NGOS AS PUBLIC ECONOMY ACTORS**

NGOs are operating in many different areas. However, it is seen that the activities of the NGOs are more needed in areas where globalization and neoliberal policies withdraw the government. The fight against poverty is perhaps the best in the first place. However, NGOs can provide many services that the state can not provide sufficiently such as education, health, local development, environment, fire services social protection...vb. But especially areas of social protection and poverty alleviation, environment, local development, education and health services should be priority areas for NGOs.

The future and more effective and widespread operation of NGOs depends on their success on finding new revenue sources. For this, it is obvious that they need to compete for revenue resources. Compete for revenue sources, whether private sector or state or NGO, forces any organization in the direction of searching new markets and the seizure of a new market by another is quite likely for an organization type. So what is expected? On the one hand the state has withdrawn from public services, on the other hand the NGOs, which are expected to provide these services instead of the state, are facing serious resource problems. Into the bargain, will the NGOs be drawn into the background from the provision of public services? Or will they wrap a different shape?

A clear answer to this question, of course, does not seem possible under current conditions. But it may be put forward that the importance of NGOs in the production of public goods will increase. It can be said that the NGOs will become important in especially provision of complementary public goods according to their dominance on differentiated goods and services delivery fitting in consumer preferences. There can be new regulations

that will lead up more use of public resources without entering state mandate and new methods for this can be developed in this process. At least, it is obvious that it should be so.

NGOs with the dimension of public economy, has the potential to contribute significantly to the provision of public goods and services with especially its changing concept of public goods and services. But, in the context of their current facilities there are concerns about this issue. But, serious cooperations are developed –despite serious conflict and competition- between NGOs and state, and private sector in the developing concept of welfare mix in recent years. Provision of public goods and services will develop under this cooperation in 21th century.

## **6. CONCLUSION**

NGOs are rising actor in all countries in a way. NGO structurings which lead in each issue have become increasingly active as an actor of public economy and as a particular area. They are undertaken competitive roles in public sector, on the other hand they are undertaken complementary roles of state's activities. In short, in that sense NGOs cover the weaknesses of the state in provision, distribution and finance of public goods and services while also they operate in activities which make the state's activities more effective. In this context, states are obliged to change their traditional perspectives against NGOs. They must play a leading, encouraging and integral role for NGOs and private sector. It is required from both states and citizens to notice, take into account and determine their position and behaviour according to this. "Awareness", the prominent slogan of the 21th century also requires this.