

Tasneem Siddiqui

GROWTH AND SUSTAINABILITY OF THE NGO SECTOR IN BANGLADESH

Introduction

During the 1970s and early 1980s major intellectual enquiry on the NGO movement evolved around their perceived role in development. Some academics and also a section of NGOs theorised their role as catalyst of alternative development with the potential of bringing in social transformation through grassroots mobilisation (Haque 1977, Rahman 1981 and 1984, Tilakkaratna 1983, Wignaraja 1984). Radical left saw NGO growth as another ploy of world capitalism, thwarting autonomous, indigenous development process of underdeveloped countries (Kothari 1986, Umar 1989, Muhammad 1987). Others argued that NGOs represent alternative conduit of resource transfer to the rural poor of the underdeveloped countries, bypassing their government and bureaucracy (Korten 1981, Cernea 1988, Uphoff 1974). In case of Bangladesh by 1990, the role of mainstream NGOs has more or less taken a shape. Of course, with

Tasneem Siddiqui, Ph.D., is Associate Professor, Department of Political Science, University of Dhaka. An earlier version of the paper was presented at a seminar on "Sustainability of the NGO Sector in Bangladesh" organised by BISS on June 29, 1998 in Dhaka.

some exception, most of the well-known NGOs have streamlined their activities in providing a range of services directly to the rural and urban poor, which otherwise are not available. Such services include access to credit, training, healthcare, family planning, non-formal adult and primary education, nutrition, sanitation, legal aid, disaster management, etc. Their role in providing such services sometimes have policy relevance and been highly appreciated by other development actors such as bilateral and multilateral donors (World Bank, 1983 and 1996; ADB, 1989 and 1992; GoB, 1986). The NGO role in development has also been officially recognised by the successive Governments of Bangladesh in their five year plans and other policy statements.

Issues which gained currency in recent intellectual inquiries on NGOs centre around consequence of NGO participation in large scale development projects, new role of state *vis-a-vis* NGOs, sustaining the NGO sector, relationship of NGOs with the private sector etc. This paper makes an attempt to analyse various aspects of growth and sustainability of the NGOs in Bangladesh. Massive increase in the number of NGOs and their involvement in all kinds of development endeavours do make it essential to explore whether the NGO sector is developing its capacity to sustain its programme in the long run. Whether it is vulnerable to any external or internal factors. It explains the growth of NGOs in terms of capacity of organisations to continue their activities in an ever changing political, social and economic environment (Easton, 1959). A number of issues are related to the long term sustainability of the NGO sector in Bangladesh. This has been studied under two broad heads, financial sustainability and organisational viability of the NGO sector.

Methodology

This study is based on both primary and secondary information. Empirical data presented in the paper have been drawn from the field study of *Bangladesh: Evaluation of the Netherlands Funded NGOs 1972-1996* (1998). The field work was conducted from February to June 1996. Field level operation of fifteen NGOs have been studied in ten different locations of Bangladesh¹. The highest service managing tier of programme of the NGOs concerned constituted the empirical core of the study. Financial analysis based on field level office, group meetings (eight groups from each NGO and two federating bodies from each NGOs who pursue the policy of phasing out) individual interviews (twenty from each NGO) were undertaken for the study.

Growth of NGO Sector

History of NGOs in Bangladesh has been quite long in the making. Their existence may be traced back even during the British colonial period organising relief and welfare activities. Their transformation into agents of development is a post-independence phenomenon. NGOs are defined as autonomous association of individuals formed voluntarily to pursue some common goals, general or specific, with private or state, local or international financial support under the legal framework of a state (Siddiqui, 1994:71). Within the scope of such broad definition there are at least 25,000 NGOs operating in Bangladesh. By October 1995, 20,000

1 The NGOs are ASA, BRAC, Proshika MUK, CCDB, CARITAS, RDRS, Nijera Kori, UBINIG, Shakti Foundation, Barisal Development Society, Baitul Aman, Community Development Association, SSS, Sheba, and Shawunnoyon. Field work was conducted in Habiganj, Agoiljhara (Barisal), Kamalapur (Patuakhali), Tanore, Puthia and Bagha (Rajshahi), Dinajpur, Debiganj (Panchagarh), Dhaka and Tangail.

NGOs were registered with the Ministry of Social Welfare (Interview, Director, Social welfare Department, October, 1995).

Again, many NGOs are registered with department of education, youth affairs, ministry of forest and environment. Most of these NGOs are local initiatives, operating with small funds, in majority cases generated locally². Precise number of development oriented NGOs is not available. However, development oriented NGOs, along with some charity organisations, who receive foreign funding and whose work reached a significant scale are registered with the NGO Affairs Bureau. In December 1997, their number stood at 1132. Table 1 shows year-wise growth of foreign fund obtaining NGOs in Bangladesh. It is evident that the number of such NGOs are constantly increasing every year.

Along with the number of NGOs, the amount of resources received by them is also increasing. There are many sources of funding for the NGOs, but there is no figure available on total amount of NGO fund received from all kind of sources. The NGO Affairs Bureau of GoB (NGOAB) keeps record of all foreign funding directly channelled to the NGOs. Amount received from multilateral sources, government sources and self-generating fund etc. is not available. Table 2 indicates that NGO funding from 1990 to 1995 has steadily increased. In 1990-91 the NGOAB approved Tk.6342m. This figure rose to Tk.17628 in 1993-94 through November 1995. If one compares the grant component of ODA with NGO finance received through NGOAB, one finds that in 1990-91 NGO funds as percentage of ODA grant was 6.8. By the year 1993-94 it increased to 11% (World Bank, 1996: 45).

2 A good number of them are believed to be inactive. There is no method of discarding the inactive NGOs. Hence the total number represents all the registered NGOs, active and inactive. ADB study (1989) estimated that at least 2/3rd of the total number of NGOs is inactive.

Table 1
Year-wise Number of Foreign Fund Obtaining NGOs

Year	Indigenous	Foreign	Total
Up to 1947	7	2	9
Up to 1970	21	19	40
1975	45	56	101
1980	107	63	170
1985	157	79	236
1990-91	395	99	494
1991-92	523	111	634
1992-93	600	125	725
1993-94	683	124	807
1994-95	790	129	919
1995-96	887	132	1014
1996-97	997	135	1132
1997-98 (upto December)	1054	141	1195

Note: Information up to 1985 is gathered from Government Document of the External Resource Division, Ministry of Finance and Planning. Data from fiscal year 1990-91 up to 1997-98 is gathered from NGO Affairs Bureau, Computer Section.

NGOs have been quite successful in ensuring steady supply of resources for continuing their development programmes. This has become possible for the NGOs by constantly adapting themselves according to the demand of the donors. It is argued that in order to ensure steady flow of finance they have continuously incorporated new agenda in their programme and diversified their financial sources.

Table 2

Foreign Funded Projects Approved by NGOAB

Year	Number of Projects	Amount Approved (Million taka)			Amount Released (Million taka)
		Foreign Funds	Local Funds	Total	
1990-91	464	6113 (96)	229 (5)	6342 (100)	4265
1991-92	549	11051 (96)	433 (4)	11484 (100)	4866
1992-93	626	15760 (99)	106 (1)	15866 (100)	7828
1993-94	581	12327 (98)	233 (2)	12560 (100)	6840
1994-95	579	-	-	17627	8380
1995-96	702	-	-	14672	10372
1996-97	746	-	-	10259	10410

Note: Figures in parentheses are percentages of total.

Source: NGO Affairs Bureau, Computer Section, August 1998.

Goal Transformation :

The history of the NGO sector substantiates above statements. NGOs of Bangladesh entered the development scene through participating in the war of liberation with medical care and relief programmes. After independence, in the war devastated Bangladesh, there was a great need for relief and development activity. Huge financial support was available from donor countries and international agencies for doing relief and rehabilitation work. Along with the international NGOs a section of individuals and groups who participated in the war formed NGOs and set themselves the task of providing relief and rehabilitation of the returnees.

While being involved in relief and rehabilitation activities NGOs developed a work force and organisational mechanism for performing work at the grassroots. But years after independence the purpose they were serving (rehabilitation of the war affected people) had more or less lost its rationale. To survive as organisations they needed to incorporate new goals. It was around this time that the West was realising the negative impact of growth oriented development model and adding concepts such as growth-with-redistribution and launching poverty alleviation programmes with their mainstream activities. This coincided with NGOs redefining of their objectives in terms of development of the rural poor. Under such a dispensation, continuous access to resource was not much of a problem for the NGOs. NGO shifts from community development approach to target group oriented approach to participatory development, all can be explained in terms of NGOs organisational survivability and strengthening.

Donor Diversification :

Along with incorporation of new goals another method used by NGOs in ensuring steady flow of financial resource is diversification of donors. When NGOs first began their operation their major source of funding was international NGOs, foundations, corporations and local embassies. Church groups also make substantial contribution to the Bangladeshi NGOs. Such avenue still continue to be an important source of funding for the NGOs. Gradually with the increase in NGO size and extent of operation NGOs needed relatively larger fund, and started directly receiving funds from bilateral donors. NGO participation in multilateral donor funded large scale projects in a substantive scale, is another attempt in the process of donor diversification. Among the multilateral agencies UN bodies were the first to develop financial links with Bangladeshi

NGOs. UN agencies funded projects such as health care, family planning, water, sanitation, nutrition. Therefore, the number of NGOs working on those areas also increased. General education programme, 4th and 5th population and health programme, 3rd fisheries project, resettlement project of the Jamuna Bridge, are some of the examples where NGOs have collaborated with the government in World Bank and ADB funded projects.

NGOs have also begun to tap some funding sources within the country. Subvention fund from the government is one such fund. Larger number of NGOs, particularly the credit disbursing ones, have started borrowing from commercial banks. However, the figure of total amount borrowed by NGOs from government subvention and commercial bank is not available. In 1990 the GoB has established a quasi public agency for disbursing fund on softer terms to smaller NGOs, named the *Palli Karmo Shahayok Foundation* (PKSF). From the year 1990-91 to 1994-95 PKSF has sanctioned Tk. 663m to 113 NGOs³.

An important issue regarding NGO finance is that there is tendency of concentration of funds in a few NGOs. An undated study of PACT/Prip. mentioned that in 1992 thirty largest NGOs in Bangladesh, received 80% of the foreign fund. Again, 60% of these funds were controlled by eight of these NGOs. Another estimate reveals that ten leading national NGOs spent 68% of the total foreign fund released by NGOAB in 1993-94 (World Bank, 1996). It implies that the donors are willing to fund only the tested NGOs. From the donor's point of view, funding a few large NGOs rather than many small ones reduces their management time and administrative costs. Such policy in the long run, may interfere with

3 PKSF was formed in response to World Bank's proposal to set up a fully independent body for financing poverty alleviation programme (ADB, 1992).

the growth of smaller NGOs. In this respect, increase in international donor's funding do not reflect increasing flow of resource to the NGO sector as a whole, rather growth of funding for a few large NGOs. However, national NGO financing intermediaries, such as PKSF, may emerge as a major funding source for untested small NGOs

Financial Sustainability

Financial sustainability of NGO sector is usually seen from two angles: programme sustainability and client sustainability. In economic terms programme sustainability means that programme should be able to make profit to cover operational costs. Various studies (Khandker, Khalily & Khan 1995, Murdoch 1997 and Ray 1998) have shown that from such a definition micro-credit programmes are hardly sustainable. Rather they survive on substantial subsidy from the foreign donors. NGOs however feel that they are not only credit delivery organisations, they also provide many other services, cost of which can never be recovered.⁴ Under the circumstances, they argue that sustainability of the NGO sector should be defined in terms of their capacity to access adequate financial resource in order to pursue and expand their programme steadily.

Programme Sustainability

A major criticism against NGOs, particularly from the policy makers and government functionaries is, long term dependency of the NGOs on external donors. This is also seen by donors as a weakness of NGO programme. They would like to see that NGOs

4 For example, social sector interventions such as health, education, awareness building programmes, legal aid.

become self sustained. The yearly budgets approved by NGOAB, shows that in those years local funds accounted for a marginal share of 2-4 % (Table-2). However, this figure does not reflect the actual local contribution. Self financed activities of NGOs are not accounted for in the NGOAB statistics. A study on a select group of NGO budget done in 1990-91 also showed that 94 percent of the total budget of Tk. 189.4 million was received from foreign sources. Bhattacharya (1995) undertook another micro sample survey of the budget of 10 national NGOs of Bangladesh. It showed that 31% of the total budget of those NGOs amounting US\$119.3m was received from internal sources.⁵

The question which arises next is how the NGOs usually generate such internal funds. NGOs generate such funds in many ways. Interest on lending, service charges for training, both from their clients and other receiving NGOs, income from publication, transfer from commercial ventures, local donation, earning from investment are some of the major sources of NGOs' self generating fund. Among the above mentioned sources, interest on lending is the most common form of earning for all credit disbursing NGOs - small, medium and large. For a successful few, commercial venture is a very important method of internal income generation.

Sustainability Through Credit Operation :

The most common practice of NGOs regarding generating income internally is through charging interest on the credit disbursed to the clients. In order to understand the extent of earning of NGOs from this avenue a comparative study of ten NGOs - small, medium and big - was undertaken. Internal rate of return from NGO loans

5 BRAC's annual budget of 1995 informs that 34% of its total budget was generated from its internal sources.

have been estimated. A further calculation on actual service delivery cost of the NGOs at the field level was also undertaken. In this respect administrative and programme expense per client, administrative and programme expense/loan ratio, bad debt expense/loan ratio, interest expense/loan ratio, and finally operating expense/loan ratio were calculated⁶. The findings of the study show that a few NGO field offices have recovered or almost recovered their service delivery cost from the interest and other fees they charge. It appears that when income from credit disbursement is mixed with frugal organisational expenditure pattern, NGO programmes are sustainable at the field level. In understanding NGO income from interest, one has to take into account the real interest that the NGOs earn. For most of the NGOs, the real interest rate varies from their stated interest rate. Table 3 shows stated interest rates and real interest rates of 10 NGOs of different size on first and fifth loan. It shows that there is a significant gap between the real interest rate and stated interest rate of some of the NGOs.

There are more than one reason for the difference between stated and real interest rates. The method of calculating the interest on initial balance and indirect imposition of cost on the client by keeping their weekly savings illiquid, have been identified as the reasons for the difference in nominal and real interest rates⁷. Method of calculating interest on initial balance almost doubles the rate of interest (internal rate of return) earned by the programme. Impact of illiquid savings of the client is not evident during the first loan, but during the fifth loan, its impact is significant. Table 3 shows that

6 The calculations were done by the financial analyst of the team, Zahin Hassan.

7 Illiquid savings denote a situation where clients cannot access their savings. It is kept with the NGOs. Usually this is used by the NGOs in their revolving loan fund. Liquid savings refer to a situation where clients have access to their weekly savings.

Table 3
Stated and Real Interest Rate Charged to the Clients

Name of the NGO	Nominal Interest Rate	IRR on First Loan	IRR on Fifth Loan
ASA	12.5%	24.5%	31.5%
BRAC	15%	31%	39%*
Caritas	12%	12%	12%
CCDB	16%	18.3%	18.3%
Proshika			
Livestock	18%	18%	18%
Small Business	18%	31.7%	-
RDRS	14%	24.9%	24.9%
Shakti	20%	18%	21.3%
CDA	20%	22.3%	22.3%
Shawunnayan	15%	30.2%	NA
Seva	13%	22.1%	22.1%

* Interest on the 3rd loan

stated interest rate of ASA is 12.5%. Internal rate of return calculation shows that actually it earns 24.5% in its first loan and 31.5% in its fifth loan. BRAC officially charges 15% interest to its clients for loans other than housing. Due to initial balance calculation, illiquid savings and method of keeping countervailing balance (5%) the internal rate of return to BRAC on first loan is 31.6% and on third loan is about 39.6%. On the other hand, there is no difference between the stated and actual interest earned from Caritas' DEEDS Programme. CCDB calculates interest on loan at 16% on declining balance and clients savings are liquid. The internal rate of return of CCDB loan is 18.3%. There is a slight difference between the earned and stated interest rate because of rounding in the simplification of declining balance calculation.

The most common type of loan for Proshika is livestock and agriculture loan. Proshika calculates its interest at 18% on a constant balance. Clients' savings are completely liquid. Therefore, internal rate of return to the programme is the same. But internal rate of return from Proshika's first small business loan is 31.7%. In this case interest is calculated at initial balance but the savings remained liquid.

One can see most of the NGOs earn more from their credit and savings operation than they state and there is no common method of interest calculation. The poor NGO clients pay a very high rate of interest compared to government and private commercial banks.

Programme Operating Cost :

This section makes an attempt to understand how much of the field level service delivery operating cost of the NGOs are recoverable from their income on credit. Administrative and programme expense cost per client of last financial year of field offices of 10 NGOs has been calculated for this purpose. The most common administrative costs for delivering credit and training has been calculated. Staff training costs were not taken into account as this is expansion and management cost, not service delivery cost. Management cost of credit and training is calculated up to the organisational level which finally approves the loan and training request. NGO programmes are decentralised at various degrees. Therefore, field level administrative cost of NGOs vary a great deal. Table 4 shows the administrative costs and programme expenses per client of the 10 NGO project offices. The Table also shows their administrative expense/loan ratio, bad debt/expense loan ratio, interest/expense loan ratio, and finally, the operating cost/loan ratio. One can see from the Table that ASA is earning more interest

Table 4
Field Level Administrative and Programme Expense Cost of 10 NGOs

	Administrative & Programme Expense Per Client (In Tk.)	Administrative & Programme Expense / Loan ratio (%)	Bad Debt Expense / Loan ratio (%)	Interest Expense / Loan ratio (%)	Total Operating Expense / Loan ratio (%)
Credit Programs					
ASA	151	14	0	6	20
Shakti	321	26	1	0	27
Integrated Programs					
BRAC, RDP &RCP	480	32	3	7	42
CCDB, PPRDP	945	36	7	0	43
Proshika	230	25	27	0	52
Sheva Credit Program	264	86	0	1	87
CDA, IRDP	278	98	23	0	121
RDRS (own & bilateral)	794	229	20	0	249
Caritas DEEDS Expansion	353	286	Not Calculable	0	at least 286
Shawunnayan IDP	279	345	Not Calculable	10%	at least 355

than its field level operating costs. Its total operating expense/loan ratio is 20%, and it is already earning 24.5-31.5% as interest. ASA's administrative cost per client is the lowest, Tk. 151. Shakti and ASA, only provide credit services. Shakti Foundation operates in the urban area and its programme administrative cost is almost double in comparison to ASA. Shakti earns about 21.3% as interest. If Shakti wants to make its field offices self-sustained through credit, it needs to charge 27% as interest. BRAC's field office administrative cost per client is relatively high. Even then, it earns almost all of its field level delivery cost through interest. Its interest rate at present is only 3% lower from its total operating cost.

CCDB and RDRS have been in the development scene for a long time. It seems they failed to decentralise their credit and training decision making process. RDRS's field level administrative and programme expense per client is as high as 794. Its bad debt expense loan ratio is also high (20%). Since it receives church funding, maybe sustainability is not high in its agenda. Field level administrative and programme expense per client for Proshika is Tk. 230. Its administrative and programme expense loan ratio is 25%. Even by charging lower interest (18%), it would have earned a substantial portion of its cost. But its bad debt expense/loan ratio is very high. Therefore due to lack of programme efficiency, even after having low interest rate, and administrative cost, Proshika's field office level programme sustainability is low. Considering that the head office costs of small NGOs are also counted in case of small NGOs, their administrative and programme operation cost per client are not very high. But due to their level of operation, the administrative and programme expense loan ratio is very high. It is 86% for Sheba, 355% for Shawunnayan and 98% for CDA. Therefore, in order to become financially viable, they would need to increase their loan volume manifold.

Total operating cost including the head office cost of reaching the clients by these NGOs has not been calculated. Therefore, extent of burden of head office costs on the field operations could not be ascertained. An UNDP study (1989) found that operating cost of BRAC was Tk. 936 per client, while that of RDRS's was Tk 1962. Although the two estimates are not of same years and method of calculation may not be the same even then one can see if the head office costs are included the total operating cost of the concerned NGOs increase more than 200%. Whereas operating cost of small NGOs will remain more or less the same, for a while, as head office cost has already been included in the calculation.

It is evident that some NGOs are putting too much burden on their clients in order to achieve their own organisational sustainability. Unfortunately, some of the NGOs who are charging lower interest rate are not managing their credit programme efficiently. Again, field level administrative and programme expense costs of some NGOs are quite high and their programmes are not sustainable even at the field office level. Only one NGO with a low administrative and operating cost per client earned more than its field level cost and is in a position to bear a section of the overall organisational operating cost.

Transfer From Commercial Ventures :

Relatively large and matured NGOs have set up commercial ventures to fund their programme. BRAC is one of the large national NGOs which developed commercial ventures. More than one and a half decades ago, BRAC established cold storage and printing press as income generating avenues. The Netherlands co-financing agency, NOVIB who, for a long time was one of the largest donors of BRAC, funded these enterprises. Shopping outlets in Bangladesh and England, garments factory, dairy farm, poultry farm, internet

service, building society, etc. of BRAC are all parts of its income generation programme. Proshika has also invested in commercial projects, such as fishing trawlers, transport vehicles, garments. Many other NGOs like Shaptagram, UBINIG, Bangladesh Women's Health Coalition, have set up shopping outlets. Almost all these commercial ventures of NGOs were funded by international donors as grants. A comparative assessment of NGO commercial ventures have not yet been done and there is little information available on the success rate of these ventures. However, the dominant perception about these ventures is that a majority of them have not been able to make profit. An important issue to investigate would be the percentage of total profit transferred from commercial ventures to development activities.

A good number of NGOs do not feel comfortable with the idea of generating income through establishing commercial enterprises. They argue that commercial enterprises demand a different type of expertise and knowledge, which may not be present in the NGO organisers concerned. Too much attention on making such ventures successful may deter the NGO organisers from their grassroots development activities. They will have to be dependant on donors for those activities.

Sustainability of NGO Clients

Khandaker, Khalily and Khan (1995) in their study of Grameen Bank showed that micro-lending of Grameen is sustainable because its borrowers are viable. During field study it was found that a few of the NGOs were managing their credit operation efficiently. Apart from these NGOs, others could not provide loans on a regular basis, and a few have a default rate of 20-30%. Clients of some NGOs did not save regularly, while in some instances their savings were not managed efficiently. In that sense, financial viability of NGO

programmes from the point of client's economic viability as well varied substantially among the organisations studied.

Significant income increase is noticeable among the clients of those NGOs who could provide reasonably high amount of credit on a regular basis for a long period. It was clear that successful credit operations have tended to avoid hard core poor and concentrated on more stable households. The number of single deserted woman clients have declined. Clients who have been able to generate reasonable income came from relatively better economic footing to start with. Rise of income for this type of clients were reflected sometimes in increase in their land holding and improved condition of homestead. However, members whose economic enterprises are larger than average need more cash flow, therefore, still borrow from money lenders. Small amount of credit, up to Tk.1000, are not enough to generate income for reinvestment. There is a tendency to use such small amount in consumption. They, therefore, do not make effective contribution to sustainable income and employment generation. One may notice that such small credit perform the role of providing a temporary relief. In the urban areas, small amount of credit if disbursed regularly to the clients have been found to be viable. This is because in the urban areas opportunities for petty trading with quick return is much better. Some clients, such as the tribal people, do not have the necessary environment for self-employment and income generation. In their case credit could not create meaningful income.

An important issue regarding sustainability of NGO clients is whether they would eventually be able to sustain their improved level of income without gaining further access to NGO credit. Clients felt that NGO credit had enabled them to continue with their income generating activities but the idea of them attaining self-reliance through NGO credit was a far fetched proposition. A section

of clients of successful credit delivery NGO have developed the capacity to handle larger amount of credit. Although their number is very low NGOs have been able to groom some entrepreneurs who have the potential to graduate from handling micro-credit to relatively bigger loans for running enterprises. However, there is yet to emerge any trend toward linking them with larger formal credit market. The urban NGO, Shakti Foundaiton, is running a programme of linking their successful clients with formal bank.

Organisational Sustainability :

Many issues are important in assessing the trends in organisational sustainability of the NGO sector. Important among them are, institutional capacity of the NGO sector, state-NGO relationship, relationships among NGOs and organisaitonal self-reliance of the NGO clients.

Institutional Capacity :

NGOs are rapidly increasing their programme coverage. Accordingly, they are also increasing their staff strength. The need for professional management emerges as organisations grow. Donors of successful credit operating NGOs have insisted on high quality advisory facilities being utilised by NGOs who are managing bigger funds. Some studies have suggested that a high degree of professionalism has emerged among a few of the large credit delivery NGOs. Their management capacity is reflected in decentralised service delivery decision-making. In case of ASA all decisions regarding credit disbursement is taken at the lowest level organisational tier. Such practice has enabled ASA to keep its delivery cost substantially low. However, low salary and poor living condition of the field staff of ASA were not seen congenial for long-term sustenance of staff. Management evaluation study of BRAC

(1994) noted that from the very beginning the organisation has invested in institutional capacity building and its grassroots programme is decentralised in such a manner that expansion of BRAC programme can continue smoothly without incurring any stress to the organisation. From 1994 to 1997, BRAC pursued a policy of not expanding its programme in new target areas. Even then it maintained its expansion target by increasing membership in the existing work areas. Such practice reduced its administrative costs. However, the study pointed out that mid-level staff of BRAC is overworked and their communication with senior management was inadequate. Growth of senior management staff of BRAC could not keep pace with rapid programme expansion and turnover rate of its female staff was very high. Finally, its inter-programme co-ordination was poor.

High turnover rate of field staff seem to be a problem for the NGO sector as a whole. Even in the most successful NGOs, field staff do not see much career opportunity. Some of the large NGOs, do not possess decentralised organisation structure. It is for this reason the cost of delivery of services for these organisations tends to be high.

There is a huge gap in the institutional capacity level of large, medium and small NGOs. Small NGOs at the grassroots level, usually manage their programme smoothly, as the senior leadership is very much involved in micro-management. They usually operate at a low cost and make maximum use of locally available resources. But these NGOs face difficulties in expanding their programme coverage. One of the major difficulties they face is management capacity. Because of small scale operation their total operating costs/loan ratio remains very high and therefore unsustainable. Small NGOs need to learn from the experience of the successful NGOs. But so far the large successful NGOs have failed to take up the

leadership role in developing programmes for increasing efficiency of small and medium NGOs. Donors do not appear to be interested to fund efforts for institutional strengthening of the small NGOs⁸.

Thus, one may suggest that some of the large NGOs have been successful in developing their institutional capacity for managing their programme. This was possible due to major investment of donors in technical assistance. Most of the small and medium NGOs lack opportunity to develop as professional organisations.

State of Co-ordination among NGOs

Effective co-ordination among large and small NGOs is an important element in the process of sustainable growth of the NGO sector. There remains a serious lack of co-ordination among NGOs working in the same area. During field work it was found that many NGOs were operating in the same area. The highest incidence of NGO presence was found to be in Agoiljhara union of Barisal. In this union, 31 NGOs were operating at the time of the study. 12 of the 31 NGOs were foreign fund obtaining. In Tanore thana of Rajshahi, 14 NGOs were operating, including most of the large NGOs such as CCDB, CARITAS, BRAC, ASA and Grameen. Under these conditions, the need for co-ordination of NGOs cannot be overstated. A common result of lack of co-ordination in those areas is overlapping of NGO membership. In most of the locations, NGO clients were found to be keeping simultaneous membership of different NGOs. For example, in Habiganj BRAC members overlapped with ASA, at Tanore CCDB members overlapped with

8 USAID recently designed a 5-year project which among other things will provide technical assistance to training to relatively small NGOs. But ironically they chose intermediary partner NGOs whose own credit operations has not been professionalised yet

BRAC and in Agoiljhara BDS members overlapped with Proshika, CHCP, World Vision, Grameen Bank, CCDB etc.

Overlapping of NGO membership is not a problem if the clients are taking different types of services from different NGOs. All the incidence of overlapping is in credit operation. Overlapping in some cases resulted in regular servicing of credit of one NGO, at the cost of defaulting in others. Such overlapping in credit operation has affected most severely the small NGOs. Small NGOs felt that the big NGOs, instead of helping them to develop their capacity forced them to an uneven competition. Small NGOs strongly voiced that the big NGOs instead of encroaching into their areas of operation should collaborate with the smaller ones and come to a working relationship whereby the bigger ones can channel credit through the like-minded smaller ones. The big NGOs also can help ensure quality by providing monitoring services to the smaller ones. This will enable a healthy growth of NGO sector. It will also help reach larger number of clients in need of credit.

The field study also noted that some of the most remote areas, where poverty is likely to be most acute, are served only by small local NGOs with insufficient resources. Larger NGOs did not show interest to serve those remote areas.

State-NGO relationship

At present, there are two major external actors which influence the nature and growth of the NGO sector. These are, the state, and international donors. Influence of international donors in sustaining NGO movement is amply demonstrated in the discussion of the financial section. Role of state is also very important in this respect. NGOs operate under the legal framework of the state. It may ensure relative autonomy to the NGOs to become innovative and

experimental at the grass roots or it may try to guide the NGO sector to follow its (state) own development path.

History shows that state-NGO relation in Bangladesh has come a long way since independence. When NGO work reached a significant scale, the state reacted with the attitude of controlling the sector through promulgation of various rules and regulations.⁹ It involved its various regulating apparatus such as the home ministry, special branch, national security intelligence for monitoring NGO activities. While officially recognising the role of development oriented NGOs in poverty alleviation and rural development programmes, the state, with a perceived notion of responsibility of ensuring accountability, took such measures. Though government measures failed to ensure accountability, they increased bureaucratic red-tapism and made NGO operation difficult. Controlling attitude of the government reached its peak in the late 1980s¹⁰ and gradually moved towards increasing efficiency of its regulating system. Establishment of NGO Affairs Bureau was a major step in this direction. The Bureau was established in 1990 as a one-stop service which enabled the NGOs to obtain registration, clearance, approval and permission within a given time-frame. However, major improvement in State-NGO relationship have taken place through activities such as collaboration of state with NGOs in large scale development projects and setting up the PKSF for funding NGOs. State-NGO relations reached its present state through continuous intervention of bilateral and multilateral donors. According to Cernea, (1988), World Bank played a significant role in streamlining the administrative and legal framework of the NGOs. ADB has

9 Foreign Donation (voluntary agencies) Regulation Ordinance 1978, Foreign Contribution (regulation Ordinance 1982, February and June circulars of 1988.

10 Constraints of NGO operation was reflected in various documents which showed that in the financial year 1988, none of the project proposals of the NGOs, except for disaster relief, received government approval.

recently provided technical assistance grant for strengthening government-NGO co-operation. A government-NGO consultative council has been set up with the aim of providing a forum for dialogue between government and NGO and development of mutual understanding.

However, the NGO leaders would like to see the NGO sector as deregulated private sector organisations. They want the government to allow them to function under a policy of self-regulation. NGO co-ordinating body ADAB, would play the role of BCCI, Bangladesh Bar, Press and Medical Councils.¹¹ Government functionaries however think that NGO co-ordinating body have not matured enough to ensure a NGO code of ethics.

From the discussion above it may be argued that government attitude towards NGO is gradually shifting from regulation to accommodation. State now provides more space to NGOs than before. This is a positive sign for the long-term sustainability of the NGO sector.

Some recent programmes of NGOs have been seen as actions which may affect the process of gradual improvement of State-NGO relationship. NGOs have participated in various programmes which are geared towards democratisation of the state; this includes voter education programme, election monitoring programme and participation in political movements. The first two programmes were designed by donors and they encouraged NGO participation in implementing such programmes as members of civil society.

Election Monitoring: In the national elections of 1996, the Fair Election Monitoring Alliance deployed monitors in 25,000 voting

11 Joint meeting with ADAB members including present and past Chairpersons of ADAB, Dhaka, 8 June 1995.

centres of all 300 constituencies. Besides another 13 NGOs were also involved in election monitoring independently.¹² Participation of NGOs in election monitoring under the Alliance has major implications. Such role of NGOs have made them controversial to the politicians. It has contributed to a perception that NGOs were not able to maintain their neutrality in election monitoring. A recent unpublished study¹³ surveyed fifty members of the current Parliament to assess the legislators' reaction to NGO involvement in election monitoring.¹⁴ The response of the legislators was sharply divided along party lines. MPs belonging to the opposition parties (BNP, *Jatiya Party* and *Jamaat*) expressed major concern on the role of the alliance in election monitoring. BNP legislators stated that in some instances the alliance observers worked in favour of a particular political party during the elections. They further claimed that in many constituencies, their party registered complaint against election malpractice with the Alliance, which were not entertained. One of the opposition legislators pointed out that newspaper reports on ADAB election of November 1997 poses serious questions about NGOs own commitment to democratic practice¹⁵. On the other hand, the ruling party legislators viewed that the Alliance played a positive

12 NGOs got involved in election monitoring process from the 1990 general elections. In 1993, with the formation of an election monitoring alliance this role was formalised. 174 NGOs formed the alliance with a budget of Tk. 2.55 crore. The ODA, UNDP, the Asia Foundation and the Japanese Embassy provided support to the initiative.

13 Md. Fakhruddin, 'Role of NGOs in Participatory Political Process in Bangladesh', M.Phil Thesis (Draft), Dept of Political Science, University of Dhaka.

14 Interviewees were selected based on the proportion of representation of their respective political parties.

15 Some ADAB members through circulars alleged others of compromising electoral norms by registering new members and holding workshop a day prior to the elections with the aim of influencing the election outcome. This allegation, however, was rejected by the other group.

role in election monitoring. Interestingly, members of both the treasury and opposition benches expressed their concern about NGOs continuing such role in the future. They stated that through participating in such activities NGOs may wield influence over the politicians.

The legislators felt that election monitoring by independent observers is important but such work should not be performed by NGO alliances only. It should have a broad base, representing other sections of the civil society as well.

Voters' Education Programme: Prior to the 1996 elections a voters' education programme was undertaken by ADAB. It covered 10m voters in the rural areas. 14,000 volunteers from more than 100 NGOs were involved in the programme. It was supported by the donors on the assumption that the rural poor may not be able to exercise their voting rights independently. In that context, NGO awareness programme would likely to increase their ability to vote independently. This on the one hand raises questions about the effectiveness of the mainstream NGO programmes which in any case should increase people's confidence to take independent decisions on various issues. On the other, this belittles the rural people by questioning their ability to judge candidates. Experiences have shown that people of Bangladesh are quite aware about the implications of voting¹⁶. High level of political awareness of the

16 This is broadly reflected in the major election results of the past. One finds no major difference between the voting behaviour of the educated elite and the illiterate people. In the referendum of 1947, people of all strata supported the Pakistan movement. Ninety eight percent of the vote from this area was cast in favour of Pakistan. Again in the newly formed Pakistan, the same voters rejected the Muslim League (the party which was responsible for leading independence movement) and voted for the United Front in the 1954 elections. The same trend is evident in the 1970 elections when Awami league won a landslide victory.

rural people is attributed to their past history of participating in various peasant movements (Umar, 1994).

The legislators showed concern about NGO organised voters' education programme on the ground that there remains a possibility of influencing voting behaviour in favour of their own preferred candidates. During the fieldwork, incidents were found, where NGO clients stated that NGO workers have attempted to influence them to vote for persons of their (NGO workers') preference. They felt obliged towards the NGO workers since the latter provided them access to various services including credit. Some of the clients of course had their own party preferences and stated that they would vote according to their own choice. The legislators felt strongly that if at all voters' education programme is undertaken then it should be done through other means such as radio, television, posters, which do not leave any scope for individual guidance.

Participation in Mass Movement: Bangladesh was governed by dictatorial regimes for a long time. Under such circumstances on many occasions NGOs have participated in mass movements against those dictatorial regimes. For example, senior NGO leaders were members of citizen's committee which took part in 1981 presidential elections. They have taken an active role in the 1990 mass movement against the Ershad regime. Such a role of NGOs were more or less appreciated by various sections of the society. However, NGO participation in 1996 mass movement under the auspices of their co-ordinating body created a major concern, which to an extent, affected NGO credibility as neutral force outside party politics. The controversy has been created not because of their participation in the movement, rather, because of the nature of their participation. It is felt by many that co-ordinating body could not maintain neutrality while participating in the movement. Allegation has been voiced that the NGO body had participated in the

movement in favour of a particular political party. Many from within the NGO community felt that NGO activists are free to take part in party political process but should desist involving co-ordinating body.

NGOs' participation in election monitoring, voters' education programme and partisan movements may, in the long run, make NGOs controversial and impede their legitimacy to do development work in the minds of the legislators, their own workers and clients, and also among other sections of the civil society.

Organizational Self Reliance of the NGO Clients

A section of NGOs who do not support various activities undertaken by NGOs for their own financial sustainability define the term in the context of clients' own organisational self-reliance. During the initial phase of NGO work, development of the self reliant organisation of the poor was seen by almost all the NGOs as one of their most important goals. The underlying belief behind helping the process of developing such organisation was to withdraw NGO programme after a certain period. The rural poor's organisation was meant to continue the programme in the absence of the parent NGO (Rahman, 1985). Various types of federating structures were developed by most of the national NGOs in this regard. Usually the village level groups were the lowest tier of the rural poor's organisation and were planned to be federated at different tiers, such as union, thana and district. Most of the credit delivery NGOs still try to develop network among their clients but no longer uphold the concept of phasing out. In their case, village, union or thana level federating bodies mostly serve the purpose of ensuring recovery of loans.

Among the NGOs studied, RDRS and CARITAS still pursue the objective of sustainable people's organisation development and accordingly, phase out their groups after four and five years respectively. Both the organisations phase out their groups along with the revolving loan fund and other assets. CARITAS tries to register its phased out federations as independent NGOs. In the field areas of RDRS and CARITAS it appeared that development of independent peoples' organisation is a difficult proposition. The phased out groups have difficulty in continuing the programmes that have been undertaken by the parent organisation, specially scope of continuing credit programme was very bleak. Usually, members of the phased out group take up membership of another NGO. On some occasions they become part of a new group under their same parent NGO. Therefore one can see NGOs are yet to become successful to develop an effective mechanism for ensuring growth of sustainable people's organisation.

Conclusions

This paper attempted to understand the growth and sustainability of the NGO sector in Bangladesh. It has been seen that over the decades, the number of NGOs, their area of operation and their range of activities have increased at a rapid pace. NGOs have been successful in mobilising, and even increasing, resources by continuously transforming their goals and diversifying their funding sources.

Financial sustainability of the NGO sector has been seen at two levels: programme sustainability and sustainability of the clients. From programme sustainability point NGOs were not sustainable. By charging higher interest rate, increasing their volume of loan and individual loan size, and by reducing administrative costs some NGOs have been successful to meet a fair share of their field level

service delivery cost. Overall organisational administrative costs of those NGOs makes the field level service delivery unsustainable. Only a handful of national NGOs have been successful in generating income from commercial ventures. But as information is not available on transfer of resources from commercial ventures to development programmes, it is not possible to ascertain its strength. However, for most of the NGOs, such ventures have not proved to be commercially viable.

Programmes of some of the NGOs studied, are highly sustainable from the point of view of client's viability. The number of their clients are increasing and repayment rate is high. Again, a section of their clients income who have continuous access to credit over a long period of time have improved. For other NGOs, their programme are not sustainable in terms of clients' viability. Overlapping of NGO clients may be interpreted as a result of saturation of viable NGO clients who can borrow at such high interest rate.

In case of organisational sustainability large NGOs have undertaken various steps towards institutional capacity building, specially in terms of credit operation. There is a lack of organised sharing of such capacity with small and medium NGOs. On some occasions big NGOs hinder the growth of small NGOs. NGO concept of clients' organisational self-reliance through forming federation is yet to produce desired results.

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