Non-governmental organizations are an integral part of the development process of Bangladesh. They have emerged as significant actors in the development scene only in the 1970s. During the course of the last quarter of a century, their number, organizational membership, area and programme coverage have multiplied in manifold. In the 1990s some of the major NGOs extended their programmes into countries of Asia and Africa. It is recognized that the emergence of NGOs in Bangladesh has its country specific roots which is linked to the experience and spirit of the Independence War of 1971 (Rahman 1985). However, international donors had played a major role in the massive proliferation of NGOs in Bangladesh. The aim of this paper is to highlight various aspects of donor policy and its impact on the development of the NGO sector in Bangladesh in general, and its influence on establishment of a
relatively favourable public policy framework for NGOs, in particular.

This paper is divided into four sections. Section 1 sets the context of growth and proliferation of NGOs in Bangladesh, flow of external resource through this sector and identifies the donors and their policy regarding NGOs. The second section provides a historical account on how bilateral and multilateral donors attempted to influence the successive governments of Bangladesh to recognize the NGOs as an important agent of resource transfer at the grassroots. Section 3 identifies how donors, particularly the multilateral agencies, influenced the emerging public policy framework regarding the NGOs. Section 4 highlights various aspects of donors' influence on the NGOs which they felt necessary in increasing NGO acceptability to the government.

II

NGOS IN BANGLADESH AND THEIR DONOR COMMUNITY

1. Extent of NGO Proliferation

Non-governmental organization is a term which denotes all kinds of organizations, ranging from small and medium scale cooperatives, clubs, a host of voluntary activities at the local level, working in areas such as credit, health care, nutrition, sanitation, family planning, education, agriculture, human rights and legal aid organizations, research and documentation networks, lobby groups, etc. Within the scope of such a broad definition, there are at least 25,000 NGOs operating in Bangladesh. By October 1995, 20,000 of them
were registered with the Ministry of Social Welfare. Again, there are NGOs that are registered with the Departments of Education, Youth Affairs and Ministry of Forest and Environment. However, most of these NGOs are local initiatives, operating with small funds, in majority cases, generated locally.

Table 1: Year-wise Number of Foreign Fund Obtaining NGOs

<table>
<thead>
<tr>
<th>Year</th>
<th>Indigenous</th>
<th>Foreign</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 1947</td>
<td>7</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>Up to 1970</td>
<td>21</td>
<td>19</td>
<td>40</td>
</tr>
<tr>
<td>1975</td>
<td>45</td>
<td>56</td>
<td>101</td>
</tr>
<tr>
<td>1980</td>
<td>107</td>
<td>63</td>
<td>170</td>
</tr>
<tr>
<td>1985</td>
<td>157</td>
<td>79</td>
<td>236</td>
</tr>
<tr>
<td>1990-91</td>
<td>395</td>
<td>99</td>
<td>494</td>
</tr>
<tr>
<td>1991-92</td>
<td>523</td>
<td>111</td>
<td>634</td>
</tr>
<tr>
<td>1992-93</td>
<td>600</td>
<td>125</td>
<td>725</td>
</tr>
<tr>
<td>1993-94</td>
<td>683</td>
<td>124</td>
<td>807</td>
</tr>
<tr>
<td>1994-95</td>
<td>790</td>
<td>129</td>
<td>919</td>
</tr>
<tr>
<td>1995-96</td>
<td>882</td>
<td>132</td>
<td>1014</td>
</tr>
<tr>
<td>1996-97 (up to December)</td>
<td>997</td>
<td>135</td>
<td>1132</td>
</tr>
<tr>
<td>1997-98 (up to December)</td>
<td>1054</td>
<td>141</td>
<td>1195</td>
</tr>
</tbody>
</table>

Note: Information up to 1985 is gathered from the government document of the External Resource Division of the Ministry of Finance and Planning. Data from fiscal year 1990-91 up to 1997-98 has been collected from the NGO Affairs Bureau.

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1 Interview with the Director of the Department of Social Welfare of the Government of Bangladesh, 8 October 1995.
There is no way of knowing the actual number of development oriented NGOs in Bangladesh. However, development NGOs along with human rights and charity organizations, that receive foreign funding are registered with the NGO Affairs Bureau of Bangladesh (NGOAB). Table 1 shows the year-wise growth of the registered foreign fund obtaining NGOs. In 1970, there were only 40 NGOs in Bangladesh who operated with foreign donations. Their number has increased steadily since then. In December 1998 the number stood at 1195. Up to 1975, the number of foreign NGOs was either equal or more compared to the indigenous ones. Since then the number of foreign NGOs did not increase the way indigenous NGOs did. This might have been the outcome of policy decisions of international NGOs of not getting enveloped in implementation programme at the grassroots, rather help the growth process of indigenous NGOs.

2. Financial Flow Through the NGO Sector

The NGO Affairs Bureau also keeps record of all foreign funds directly channeled through the NGOs mentioned above. Table 2 indicates that in 1990-91 the NGOAB approved Tk 6342m. This figure rose to Tk.17628m in 1994-95. In other words, the figure almost tripled during the period. This amount is quite significant if compared with the annual aid flow to Bangladesh. According to World Bank estimate (1996:45) in 1993-94 NGO finance received through NGOAB was 11% of the annual aid flow. In addition to funds received through NGOAB, NGOs have access to other types of funds. NGOs participate in various projects of the government, funded by
bilateral and multilateral agencies. Such funding is channelled through the Economic Relations Division (ERD) and is not accounted in the figures provided by NGOAB. Besides, they also have some self-generating fund. The total amount of foreign funds managed by the NGOs is quite substantial. Again only 2 to 4% of the funds stated above is NGO self-generated fund. The rest is provided by external donors. Therefore, it is only natural that donors will have a major influence over utilisation of such resources.

Table-2: Foreign Funded Project Approved by NGOAB

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Project</th>
<th>Foreign Funds</th>
<th>Local Funds</th>
<th>Total</th>
<th>Amount Released (Million Taka)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91</td>
<td>464</td>
<td>6113 (96)</td>
<td>229 (4)</td>
<td>6342 (100)</td>
<td>4265</td>
</tr>
<tr>
<td>1991-92</td>
<td>549</td>
<td>11051 (96)</td>
<td>433 (4)</td>
<td>11484 (100)</td>
<td>4866</td>
</tr>
<tr>
<td>1992-93</td>
<td>626</td>
<td>15760 (99)</td>
<td>106 (1)</td>
<td>15866 (100)</td>
<td>7828</td>
</tr>
<tr>
<td>1993-94</td>
<td>581</td>
<td>12327 (98)</td>
<td>233 (2)</td>
<td>12560 (100)</td>
<td>6840</td>
</tr>
<tr>
<td>1994-95</td>
<td>570</td>
<td>-</td>
<td>-</td>
<td>17627</td>
<td>8380</td>
</tr>
<tr>
<td>1995-96</td>
<td>702</td>
<td>-</td>
<td>-</td>
<td>14672</td>
<td>10372</td>
</tr>
<tr>
<td>1996-97</td>
<td>746</td>
<td>-</td>
<td>-</td>
<td>10259</td>
<td>10410</td>
</tr>
</tbody>
</table>

Note: Figures in parentheses are percentages of total
Source: NGO Affairs Bureau, August 1998 (Mimeo)

3. Donors and their Policies Towards NGOs

Funding sources of NGOs are quite diversified. International NGOs, foundations, churches, foreign governments, multilateral financial institutions, UN bodies,
local banks, intermediary financial institutions are some of the sources of NGO funds. Historically, one of the principal funding source of Bangladeshi NGOs has been international NGOs\(^2\). OXFAM of UK and USA, Novib, ECCO, CEBEMO of the Netherlands, Church World Service, Freedom from Hunger Campaign, Christian Relief Service, War on Want are some of the examples of fund disbursing NGOs. For quite sometime, a large number of international NGOs do not directly involve themselves in development related activities at the grassroots. Rather, they respond to the needs of underdeveloped countries by providing financial and other support services to their NGO counterpart of those countries. NGOs of the North pursue a policy where they want to help the growth of indigenous NGOs as one of their objectives and treat them as partners in grassroots development. On the basis of knowledge gathered through grassroots intervention of the indigenous NGOs, international donor NGOs prefer to engage themselves in policy advocacy work with their respective governments on behalf of the poor. Although a significant portion of fund generated by the international NGOs are matching grants provided by their concerned governments, they (the international NGOs) do not necessarily have to follow their respective governments' policy while pursuing development goals.

There are some basic differences between the policy of international NGOs and bilateral and multilateral donors. While understanding bilateral and multilateral donor policy on NGOs, it is important to know what interests do such donors have

\(^2\) International donor NGOs are also known as co-financing agencies.
regarding NGOs. The donors, both bilateral and multilateral, came to realise that the policies they prescribed to the developing countries in the 1950s and 1960s, have also created massive landlessness and pauperisation along with growth. Therefore, in order to offset some of the ill effects, specific programmes are to be geared towards satisfying the specific needs of the poor. For implementation of such programmes if the donors depend on the government then they would have to rely on the same bureaucracy, whom they identified to be a part of the problem in the first place (Hassan, 1985). Since they are well aware of the structural constraints inherent in the system, donors preferred NGOs to implement programmes targeted towards the poor. The attempt to bypass the bureaucracies of the developing countries and to offer help directly to the rural poor using the NGOs as alternative conduit of resource transfer has been seen by some as "a reflection of the spirit of western liberal democracy" (Hassan, 1985:65). Disbursing funds through the NGOs is also seen as consonant with the West’s ideological preference for a pluralistic system (Drabek, 1987:vii). Almost all the bilateral and multilateral donors credit the NGOs with certain values. These include, NGOs

- are geared specifically to the needs of the poor
- can ensure beneficiary participation in development
- are relatively free from bureaucratic hierarchy, and
- are flexible and innovative in their approaches.

Donor policy on Bangladeshi NGOs is based on such an understanding. For example, one bilateral donor, DANIDA,
stated that the NGOs of Bangladesh is an important institutional option compared to the government for implementation of Danish project assistance. It perceived that government did not have a good record in effective service delivery of reaching the rural poor whereas NGOs are successful in reaching the poor at the same time they also play a special role in gap filling and demand generation in public service delivery. (ADB, 1989:17-18). "The NGOs in Bangladesh", observes another donor, "have an important role in widespread but small scale economic development, through providing of cheap credit and offering skills and training for employment generation". The USAID policy on NGOs in Bangladesh is particularly framed on the basis of voluntarism, pluralism and efficiency of service delivery. The Agency also views that NGOs match the USAID’s strategic plan priority for Bangladesh. The German government also emphasises role of NGOs in development. Before the last general election the Green Party and the Social Democrats came to an agreement that if elected they would ensure wider participation of civil society in decision making processes. The head of German Overseas Cooperation in Bangladesh particularly underscores the role of Bangladeshi NGOs in human resource development and poverty alleviation.

From the mid-1980s on the basis of such analysis of NGO role, donors have played a proactive role and influenced the government in various ways for providing a wider space for the NGOs in the development process of the country. In the

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3 The British High Commissioner, quoted in Huq and Abrar, 1999:28.
following section an attempt will be made to identify the processes through which donors influenced government regarding NGOs and its outcome.

III

ENSURING GOB RECOGNITION OF NGOS AS PARTNERS

In the Bangladesh case it is relatively easy for the donors to influence the government because of the country's dependence on external aid. Faaland stated quite some time ago, "the opportunity of aid givers to impose their views on Bangladesh was made all too clear when it became the accepted view that Bangladesh simply could not manage her economy without the assurance that large amount of aid would be forthcoming" (1981:179). From this advantageous situation, donors on many occasions have exercised their power and made their position clear to the government. Concerted effort of donors for changing government policies on NGOs began in the early 1980s.

In the mid-1980s at the successive Aid Consortium meetings while evaluating the utilisation of aid for the previous year and deciding on future disbursement, both bilateral and multilateral donors advised the government to use NGOs as partners in implementing development projects. The UK expressed its position on NGOs by stating

NGOs can play an important role in the development effort of Bangladesh, particularly in the area of human resource development, which is one of the major themes of the Third Five Year Plan. (GoB,1986:7)
Canada stressed the issue of better cooperation between government and NGOs, both local and foreign, in the context of poverty alleviation (GoB, 1986:9). Australia, on the other hand stated,

NGOs have played an important role and are likely to continue to do so in the future development efforts of Bangladesh. Nevertheless, a clear policy on NGOs is still absent. It was desirable that the Government of Bangladesh reviews the role of NGOs and establish a clear policy thereon (GoB, 1986:13).

The Netherlands pointed to the Bangladesh government’s inadequate capability in project and programme implementation at the micro level, and said that

The Netherlands would support poverty focused and target oriented projects / programs, which would expand access to the poor people to resource equalizing opportunities, encourage NGOs to play a greater role, expand the role of women in the development process and allow freedom of self organization of people at the grass roots level (GoB, 1986:14).

Switzerland stated The relationship with Government and NGOs also needs to be examined with a view to provide clear policy guidelines for a more effective role for NGOs and better coordination / cooperation between the government and NGOs (GoB, 1986:16)

From the statements above, it is clear that during the mid 1980s donors spent a lot of time in influencing government in favour of the NGOs using various techniques such as persuasion, encouragement, pressure, etc. Donor’s insistence
contributed to shaping the government's response to NGOs. The government's response was reflected in its actions. In the Aid Consortium Meetings of the subsequent years, the GoB officially accepted the NGOs as partners in development. It stated that, the government was interested in "constructive dialogue" with the NGOs for optimal use of resources for the benefit of common man (GoB 1987:73). Granting permission to the ever increasing number of NGOs was also cited as an indication of pragmatic government policy with respect to the NGO sector in the same meeting. This position was reiterated in the following year's meeting as well. There the government highlighted the NGOs' ability to mobilise additional resources (GoB, 1988:129). The 1989 Aid Memorandum went a little further. It stated that the government would take into consideration the innovative ideas and experiences of NGOs in design and implementation of their own projects aimed at poverty alleviation and employment/income generation for the poor (GoB, 1989:141).

Subsequently, in the Third Five Year Plan, the government extended its recognition to the NGOs as supplementary institutions for development. February 1988 Circular of the Government acknowledged a policy of collaboration with NGOs in development projects (GoB, 1988:1). Of course, it reserved its prerogative to control NGO activities if they were perceived to be anti-state. Another indication of recognition to the NGOs was the then President's inauguration of an NGO organised conference. Moreover, in 1989, President Ershad handed over the International Family Planning Award (which was awarded to him) to the NGOs as a recognition of NGO
work in that sector. However, it needs to be stated here, while at the policy level the government started accepting NGOs with apparent ease, at operational level NGOs faced immense difficulties in coping with ever increasing bureaucratic red-tapism and rules and regulations.

Therefore, from the discussion above it is quite clear that donors played a crucial role in influencing the government to recognise NGO role in development and to consider them as partners in its (the government's) development efforts.

IV

TOWARDS DEVELOPING A PUBLIC POLICY FRAMEWORK FOR NGOS

The World Bank and the Asian Development Bank are the two major multilateral donor agencies in Bangladesh. Both these agencies have shown keen interest in NGOs. As early as 1983 the World Bank emphasised the importance of NGOs in the creation of rural employment generation and urged the Bangladesh government to utilise the NGO experience when it stated,

A large number of non-governmental organisations have gained considerable experience in assisting the rural poor in employment and income generation activities. It is therefore important to investigate how the experience of these organisations can also be brought to bear in developing strategy for non-farm rural development and how capacities available with some of the NGOs can be utilised in the context of governments overall rural development strategy and policies. In fact, there is a
need to explore how the capacities of some of the selected successful NGOs can be expanded in order to supplement government efforts in accelerating the pace of rural development in Bangladesh (World Bank, 1983: 90)

World Bank interest in NGOs has not been unique to Bangladesh. It is in effect part of implementation of their worldwide strategy regarding NGOs. In World Bank literature NGOs have been referred to as the ‘third sector’ of development. The state and state-owned organisations being the first sector, and market, i.e., private, commercially-oriented organisations being the second sector. The NGOs were seen as “new agents” with a capacity and commitment to make up for the shortcomings of the state and market in reducing poverty (Paul and Israel, 1991, 2 & 19). After Preston became the President of the World Bank, a new handbook was published, stating the agenda to be pursued during his time. It mentioned that NGOs repeatedly have shown that their programmes can reach the poor, often more effectively, than public sector managed programmes can (World Bank, 1992). Another World Bank document (1991) stated that it was within the purview of the World Bank's staff to advise the concerned governments for providing NGOs with more supportive political environment and less regulative framework.

In case of Bangladesh, the country office of the World Bank did play a proactive role in encouraging the government to develop liberal laws with the goal of creating enabling environment for the NGOs. Various rules under which NGOs had operated, and to some extent, still operate, were essentially geared towards control and regulation. From 1987
the World Bank along with other donors took initiative of urging the government to streamline and simplify rules and regulations pertaining to NGOs (Cemea, 1988:39). In response to such request and demands from NGOs in 1990 the GoB created the NGOAB and made some changes in the procedure for project approval of NGOs. This has enabled the NGOs of Bangladesh to obtain necessary government clearance for their programmes from a single agency within a given time frame.

In 1990 the government established a semi-government micro-credit financing institution, the Palli Karmo Shahayok Foundation (PKSF). The Foundation acts as a conduit for soft-term loan to the rural poor through the NGOs. The Foundation was created on the initiative of World Bank which provided International Development Agency (IDA) loan to fund the project (ADB, 1992). In 1996 the World Bank published another study which elaborated strategies to bring about shift in the role of Bangladesh state from that of monitoring and control of NGOs to wider policy formulation. In that study as well various measures were suggested to further streamline the rules and regulations on NGOs.

The Asian Development Bank is also playing an important role in influencing the government of Bangladesh to provide a wider space for the NGOs in its overall development process. ADB policy on Bangladeshi NGOs is also part of the Bank's overall policy on NGOs. The post-evaluation office of ADB in the late eighties pointed out that ADB financed projects, specially in the area of agriculture, rural development and social sector have failed to take into account beneficiary needs
public policy towards the NGos

and lacks beneficiary participation in design and implementation of projects. This realisation has led to some structural changes within the Bank, leading to formulation of the Social Dimension Unit at the head office. The Social Dimension Unit saw in the NGOs potential role of local intermediary who have the capacity to mobilise people to participate in the Bank financed projects.

In 1989 ADB commissioned a study on NGOs in Bangladesh as a part of a seven-country exercise. A few years later a follow-up study was undertaken by ADB (1992) which identified 23 NGOs who "by virtue of their size, experience and competence and attitude have the potential to collaborate" in Bank financed future projects. Since ADB cannot fund the NGOs directly the study suggested the Bank to enter into a policy dialogue with the GoB to create a working modality of such collaboration. ADB has also funded a project entitled Institutional Strengthening for Government NGO Cooperation: Technical Assistance Project. The Project was designed to achieve an improved policy and institutional environment for government-NGO collaboration by, (a) establishing effective mechanism for government-NGO cooperation, (b) strengthening the NGOAB, and (c) providing training assistance to NGOs.

As an outcome of such policy the Bangladeshi NGOs are becoming more and more involved in World Bank and ADB financed large scale development projects. Some of the major projects where NGOs have participated as partners of the government are: General Education Project, Third Fisheries Project, Fourth Population and Health Project, Jamuna

One can see that through relationship with donors NGOs have successfully influenced the government for a relatively better public policy framework. Such a framework is conducive to lesser control of the government. Acceptability of NGOs to the government has also increased due to donors’ intervention. NGOs gained access to a larger pool of fund with their participation in government projects, funded by multilateral donors. Some of the large NGOs felt that over the years, they have built up their institutional capability to handle large scale development projects. When NGOs are small in size, funding from international NGOs can satisfy their needs. Gradually with the increase in their areas of operation they needed access to bilateral funding. Some of the NGOs have expanded at such a scale that they required large amount of funds which made them participate in multilateral donor funded projects.5

V

DONOR INFLUENCE IN SHAPING NGO AGENDA

Until now the main attention of the paper has been on how the donor community influenced the macro-level policies for creating a congenial environment for NGO operation.

5 K Faruq Ahmed (Chair, ADAB) and Khushi Kabir, 8 June 1995, meeting with the World Bank Study Team on Government-NGO Relations.
However, the donors also have influence over the NGOs. In this section an attempt will be made to understand the role of donors in shaping the development agenda of the NGOs in Bangladesh. There are many issues which are important in this respect. For example, donors can influence NGOs with relative ease through setting of priority areas for funding. It is natural that NGOs would have to apply for funding for those types of programmes which fit in well with donors' priority areas. Besides, the growth of mega-NGOs can be attributed to donors' preference of funding a few tested NGOs.

Here I would like to focus on the issue of donors' preoccupation with the concept of sustainability of the NGO sector. For quite sometime most of the donors, be they international NGOs, bilateral or multilateral, are putting a lot of stress on sustainability. A major criticism that the donors encounter from the policy makers and government functionaries is that NGOs are heavily dependent on external donors. Donors themselves also perceived this as a weakness of NGO programmes. They want the NGOs to become self-sustained. Most of the donors insist that the proposed projects have clear indication how over the years they would become self sustained. Therefore, NGOs applying for funding have to show ways through which it would attempt to generate some funds on its own and gradually increase its share.

Over the years, many methods have emerged aiming towards sustainability. Interest on lending, service charges on 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 these sources, interest on lending is the most common form of earning for all credit disbursing NGOs – small, medium or large.

When NGOs began their development activities at grassroots some of them saw credit as one of the important element of making rural poor self-reliant. In providing access to credit, some NGOs charged interest, others did not. But over the years, as part of cost recovery or becoming organisationally sustainable, NGOs started enhancing interest rates. But the gradual rise in interest rate at present has created a situation where NGO clients who are poor are paying much higher interest on credit compared to the upper and middle class people, who can access formal credit institutions. In other words, NGOs are charging much higher interest rates than private and commercial banks.

IOB study (1988) made some calculations on interest rate charged by a number of NGOs to their members. Table 3 shows the interest that some of the large NGOs earn by disbursing credit as calculated in the IOB study. It was found that ASA earns 24.5% as interest on its first loan from a client. By the time it provides loan to the same client for the fifth time, it earns 31.5% as interest. From disbursement of first loan BRAC earns 31% interest and from the third loan 39%. When

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6 IOB study estimated internal rate of return from lending of ten NGOs. It was done by calculating the difference between stated and real interest earned by the NGOs. It showed that the method of calculating interest on initial balance almost doubles the rate of interest (internal rate of return). Illiquid status of weekly savings have been identified as another cause for the difference in nominal and real interest rates.
Proshika lends for small business it earns 31.7% interest from its first loan.

Table 3 also shows that there is a major difference between stated interest and real interest charged. Stated interest rate for ASA loan is 12.5%, for BRAC 15%, for CCDB 16%, Proshika’s small business loan 18% and for RORS 14%. The gap between the two interest rates is confusing for the clients, who in majority cases, are either illiterate or have very little education. Therefore, one may argue that this represents a lack of transparency on the part of NGOs to their clients.

Table: 3 Stated and Real Interest Rate Charged to the Clients

<table>
<thead>
<tr>
<th>Name of the NGO</th>
<th>Nominal Interest Rate</th>
<th>IRR on First Loan</th>
<th>IRR on Fifth Loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASA</td>
<td>12.5%</td>
<td>24.5%</td>
<td>31.5%</td>
</tr>
<tr>
<td>BRAC</td>
<td>15%</td>
<td>31%</td>
<td>39%*</td>
</tr>
<tr>
<td>CCDB</td>
<td>16%</td>
<td>18.3%</td>
<td>18.3%</td>
</tr>
<tr>
<td>Proshika Livestock</td>
<td>18%</td>
<td>18%</td>
<td>18%</td>
</tr>
<tr>
<td>Proshika Small Business</td>
<td>18%</td>
<td>31.7%</td>
<td>-</td>
</tr>
<tr>
<td>RDRS</td>
<td>14%</td>
<td>24.9%</td>
<td>24.9%</td>
</tr>
<tr>
<td>Shawunnayan</td>
<td>15%</td>
<td>30.2%</td>
<td>NA</td>
</tr>
<tr>
<td>Sheba</td>
<td>13%</td>
<td>22.1%</td>
<td>22.1%</td>
</tr>
</tbody>
</table>

- Interest on the 3rd loan

ASA justifies its policy of charging higher interest rates on ground of attaining sustainability. BRAC argues that its credit operation involves door to door service. Cost of delivering such service is much higher than normal bank. Therefore, those who avail such service would have to pay more.
NGO participation in development is rationalised on the basis that NGOs would provide access to resource and other support services to those who have been left out by the mainstream institutions. In that case, one may justify charging of standard rate of interest, but in no way higher than that. The success of BRAC and ASA in charging high interest rate provided instance for the donors to encourage other small NGOs to introduce such high interest rates as a means to achieve sustainability. The recent trend has been increase in number of NGOs who are following BRAC, ASA and Grameen model of interest calculation.

Donors push towards sustainability has become part of public policy framework on NGOs in Bangladesh. The officials of NGOAB who are in charge of project approval and monitoring perceive NGO role mainly that of credit disburser. They only want to approve those projects which have credit programmes with built in sustainability component. This has created a situation where most of the NGOs now think in terms of credit programmes when they apply for registration.

VI

CONCLUSION

This paper has mainly highlighted various aspects of donor policy regarding NGOs and its impact on the NGO movement in Bangladesh. It was seen that the donor community has provided a major support to the NGOs of Bangladesh. They not only provided access to huge financial resource, but also played a very proactive role in creating a wider space for the
NGO participation in the overall development of Bangladesh. This paper has traced the roots of donors’ influence on the government regarding NGOs which ultimately resulted in a favourable policy framework for the latter and the creation of a bureau directly under the Prime Minister for providing one stop service.

During the 1990s, multilateral donors have succeeded in establishing an operational framework through which they have been able to ensure NGO participation in almost all large-scale development projects, as implementing partners of the government. However, donor support for the NGO sector also brought with it, dependence. This was reflected on the activities that the donor undertakes in micromanaging individual NGOs. In this respect, influence of donors on NGOs for following a particular course of action for becoming organizationally self sustained, has been discussed in detail. It was argued that the majority of NGOs have chosen to place the burden of their administrative cost on their poor clients by charging higher than standard rate of interest on credit. While doing so, these NGOs have violated the basic right of their clients to access services at equal price.

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