

## **Reconsidering the Relationship between the State, Donors, and NGOs in Bangladesh**

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The growth in size and significance of NGOs and particularly of Grameen Bank and the Bangladesh Rural Advancement Committee (BRAC) in Bangladesh challenges the ideal-typical relationship between the state, donors and NGOs. Such an ideal envisions a clear demarcation of roles in which NGOs compete with other NGOs for resources from the state and/or donors and one in which NGO activities and programmes are regulated or held accountable by their respective funding sources. The emergence of large multitasking NGOs in a relatively small and weak state such as Bangladesh belies this ideal. Grameen and BRAC compete with government ministries for donor funding; statal institutions designed to regulate the activities of such NGOs are functionally ineffective; and international donors face insuperable hurdles in assessing accountability.

In 1993, Lester Salamon wrote that the growth and development of Non-Governmental Organisations since the 1980s constituted “a veritable associational revolution... which may constitute as significant a social and political development of the latter Twentieth Century as the rise of the nation-state was of the Nineteenth Century.”<sup>1</sup> Even if one considers this assertion a bit extreme, there is no gainsaying the fact that the sudden proliferation of the number and importance of NGOs during the past twenty years or so is an extremely important phenomenon; and this phenomenon is global in scope. Conservatively speaking the number of NGOs has more than doubled during the past decade in the Northern states and has increased by more than a factor of four in the Southern states. The scale of operations of such organisations and their attendant resource bases have risen proportionally as well.

This phenomenon seems particularly important in South Asia. First, the number of NGOs has grown at a very rapid rate. In Nepal 220 NGOs were officially registered in 1990, by 1993 that number had grown to 1,210; in Pakistan less than 300 NGOs were registered in 1990, over 2,000 are now registered and some observers have

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<sup>1</sup>As quoted in Michael Edwards and David Hulme (eds) *Beyond the Magic Bullet: NGO Performance and Accountability in the Post-Cold War World*. Hartford, Conn.: Kumarian Press, 1996, p. 2. Professor Salamon introduced me to the term NGOs while I was a graduate student at Duke University in the late 1970s.

estimated that there are over 15,000 total NGOs in operation in the state; in Bangladesh the Association for Development Action in Bangladesh (ADAB) had 669 registered members in 1992; this number had grown to nearly 1400 by 1999. Similar rapid growth could be documented for both India and Sri Lanka as well.

Related to this increase in overall numbers has been the extraordinary growth of several large “multitasking” NGOs which provide health, education, and credit services to millions of people in thousands of communities. The growth of such “big NGOs” or “BINGOs”<sup>2</sup> as they are sometimes called is most pronounced in Bangladesh where at least three BINGOs—Bangladesh Rural Advancement Committee (BRAC), Grameen Bank, and Proshika—have full-time staffs of greater than 5,000 people, and each serves more than two million clients. But, India also has its share of BINGOs (e.g. Working Women’s Forum; Self-Employed Women’s Association) as does Sri Lanka (e.g. Sarvodaya).

Of course, such monumental institutional change raises numerous issues and questions which may ultimately demand a re-thinking of our assumptions about political and economic development.<sup>3</sup> The goal of this paper is far more modest. It will relate Bangladesh’s complex relationship with NGOs to what can be best described as “pre-theoretical” or heuristic literature that exists relevant to this issue. Even this, of course, is an extremely ambitious task. But it is an important task nonetheless. Bangladesh is perhaps unique in the sense that of all states in the world it is the most involved, perhaps most dependent, upon the operation of NGOs. If the global trend of rapid proliferation of NGOs continues in the new millennium, and all relevant signs point in that direction, it follows that one can learn much from looking at Bangladesh’s experiences. Bangladesh is truly a pathbreaker in this regard.

The paper is divided into four sections. The first discusses the policy environment; the second traces issues relevant to accountability and state interaction; the third addresses the topic of NGO-donor relations; and the last section frames NGOs in the context of globalisation. Throughout the focus of the paper will be on externally-funded NGOs;<sup>4</sup> and virtually all examples utilised in the paper and attendant arguments will have reference to Bangladesh’s two most prominent and largest NGOs—Grameen Bank and BRAC. Material for this paper was gathered over the course of the last decade; most was gathered during three periods of field research in Fall 1990, Summer 1996, and Fall 1999.

<sup>2</sup>For convenience I will use this term to refer to Bangladesh’s “big three” NGOs (BRAC, Grameen, and Proshika) throughout the paper. I borrow the term “BINGOs” from Frits Wils, “Scaling Up, Mainstreaming, and Accountability: The Challenge for NGOs” in Michael Edwards and David Hulme, pp. 67–79.

<sup>3</sup>The most important literature dealing with such developments is being published by Kumarian Press.

<sup>4</sup>In Bangladesh only organisations which receive some external funding can be categorised as “NGOs” by the Association of Development Agencies (ADAB) the peak association representing NGO interests in the state. Also, only organisations which receive external funding must be registered with the Bangladesh’s NGO Affairs Bureau.

## I. THE ENVIRONMENT

By virtually any measure NGOs have found fertile soil in Bangladesh. Using the somewhat restrictive criteria applied by the Dhaka-based Association of Development Agencies in Bangladesh (ADAB) to define NGOs (intermediary development organisations or private voluntary organisations with some external funding and registered by the NGO Affairs Bureau) there were 1370 NGOs registered (1223 local; 147 foreign) in Bangladesh in July 1999. (See Table 1) Of course, these figures exclude the thousands of local NGOs which operate in Bangladesh without external funding. The number of such organisations is usually acknowledged to exceed 10,000 although there is no definitive listing. Even using the ADAB criteria, however, the scope of such organisations is staggering. Some are very large organisations such as BRAC or Grameen Bank (with thousands of employees and annual budgets that approach 100 million dollars), but most are relatively small organisations—some of the registered organisations have no full-time employees at all. The functions of such organisations, particularly the larger NGOs, can be extraordinarily diverse. BRAC, perhaps the most diversified of all such “multitasking” NGOs, in addition to its well-known microcredit programmes runs among other things: poultry, livestock; fisheries; forestry; sericulture; vegetable; and irrigation projects. They also sponsor extensive human rights and legal education programmes. They also manage the largest private health care programme in the state (the Health and Population Programme). They are heavily involved in providing primary education through the Non-Formal Primary Education Programme; they have the largest publishing house in Bangladesh; own and manage Aarong, Bangladesh’s premier handicraft maker and distributor; and recently they have developed Bangladesh’s largest cold storage facility as well. Similarly, Grameen Bank has become synonymous worldwide with microcredit facilities which in effect have been franchised in Latin America, Africa, and North America. Grameen Check (Bangladesh’s largest Bangladesh labelled ready-made garment manufacturer) now exports to Europe and the US; and Grameen Telecom provides telecommunication capabilities to hundreds of thousands of rural Bangladeshis through the provision of cellular telephones.

Given the comparatively small resource base of Bangladesh, the scope of NGO activities in the state is even more compelling. The Table 1 discloses that during the nine year period (FY 1990–1999) over \$2.4 billion (a mean of \$267 million per year) was contributed by external sources to NGOs. This constitutes 13–20 percent of all external development assistance to the state during the decade—18 percent in 1999.<sup>5</sup> But, the latter figure underestimates the significance of this amount as the bulk of the 80-odd percent of development assistance channeled through statal institutions is tied to

<sup>5</sup>Syed M. Hashemi states that NGO foreign donor funding constituted 12 percent of total allocations to Bangladesh in 1992. This figure has expanded dramatically in the last decade. He also claims that between 70–84 percent of such funding went to Bangladesh’s largest fifteen NGOs. Syed M. Hashemi, “NGO Accountability in Bangladesh,” in Edwards and Hulme, pp. 128–9.

Table 1

*Flow of Foreign Grant Fund Through NGO Affairs Bureau: At a Glance  
Since Inception and Upto July, 1999*

Period	Approved Projects (Number)	Amount Approved (Taka)	Amount Released (Taka)	Number of NGOs Registered			Number of NGOs Canceled			Number of Active NGOs			Cumulative Amount Approved (Taka)	Cumulative Amount Released (Taka)	Cumulative Approved Projects (Number)
				Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total			
Brought Forward	8	14,892,279.00	217,169,685.00	293	89	382	0	0	0	293	89	382	14,892,279.00	\$ 217,169,685.00	8
		\$ 372,306.98	\$ 5,429,242.13										\$ 372,306.98	\$ 5,429,242.13	
F.Y. 1990-91	404	6,341,680,229.33	4,264,080,522.19	102	10	112	0	0	0	395	99	494	6,356,572,508.33	4,481,250,207.19	472
		\$ 158,542,005.73	\$ 106,602,013.05										\$ 158,914,312.71	\$ 112,031,255.18	
F.Y. 1991-92	549	11,484,379,404.67	4,885,522,844.98	129	12	141	1	0	1	523	111	634	17,840,951,913.00	9,346,773,052.17	1021
		\$ 287,109,485.12	\$ 121,638,071.12										\$ 446,023,797.83	\$ 233,669,326.30	
F.Y. 1992-93	626	15,995,368,116.77	7,828,230,680.78	77	14	91	0	0	0	600	125	725	33,836,320,029.77	17,175,003,732.95	1647
		\$ 399,884,202.92	\$ 195,705,767.02										\$ 845,908,000.74	\$ 429,375,093.32	
F.Y. 1993-94	581	12,600,960,786.60	6,840,362,530.43	106	9	115	23	10	33	683	124	807	46,437,280,816.37	24,015,366,263.38	2228
		\$ 315,024,019.67	\$ 171,009,063.26										\$ 1,160,932,020.41	\$ 600,384,156.58	
F.Y. 1994-95	579	17,627,496,279.39	8,380,189,748.61	108	5	113	1	0	1	790	129	919	64,064,777,095.76	32,395,556,011.99	2807
		\$ 440,687,406.98	\$ 209,504,743.72										\$ 1,601,619,427.39	\$ 809,888,900.30	
F.Y. 1995-96	702	14,672,397,699.40	10,372,077,588.53	92	3	95	0	0	0	882	132	1014	78,737,174,795.16	42,767,633,600.52	3509
		\$ 366,809,942.49	\$ 259,301,939.71										\$ 1,968,429,389.88	\$ 1,069,190,840.01	
F.Y. 1996-97	746	10,259,187,684.80	10,410,941,131.80	115	3	118	0	0	0	997	135	1132	88,996,362,479.96	53,178,574,732.32	4255
		\$ 246,496,580.61	\$ 250,142,747.04										\$ 2,138,307,604.04	\$ 1,277,716,836.43	
F.Y. 1997-98	705	8,524,660,229.00	9,360,719,019.00	99	8	107	0	0	0	1096	143	1239	97,521,022,708.96	62,539,293,751.32	4960
		188,390,281.30	\$ 206,866,718.65										\$ 2,155,160,722.85	\$ 1,382,083,839.81	
F.Y. 1998-99	1045	18,247,739,167.00	13,128,024,641.00	119	3	122	0	0	0	1215	146	1361	115,768,761,875.96	75,667,318,392.32	6005
		\$ 380,161,232.65	\$ 273,500,513.35										\$ 2,411,849,205.75	\$ 1,576,402,466.51	
F.Y. 1999-2000 (Upto July 99)	53	598,281,073.00	806,211,353.00	8	1	9	0	0	0	1223	147	1370	116,367,042,948.96	76,473,529,745.32	6058
		\$ 12,209,817.82	\$ 16,453,292.92										\$ 2,374,837,611.20	\$ 1,560,684,280.52	

Note: 1 US\$ @ Tk. 49.

infrastructural and non-discretionary programmes. Moreover, external assistance constitutes only a fraction of the funding which is available to NGOs. Although comprehensive data regarding the total budgets of NGOs is not available, data for the Big Three BINGOs (BRAC, Grameen, and Proshika) indicates that somewhere between 55 to 60 percent of their funding comes from external sources. It is almost certain that a smaller percentage of respective operating budgets is derived from external sources in the smaller NGOs. Conservatively speaking, then, Bangladesh-based NGOs have combined operating budgets of at least \$600 million a year and perhaps as high as \$800 million.

One could belabour such findings. But the bottom line is that NGOs in Bangladesh control extraordinary resources; their constituencies are largely external (the donors); and their operations are only partially dependent upon funding from the state.

The significance of all of this is that the traditional relationship between the state and private voluntary organisations (PVOs) has been reversed in Bangladesh. The long-standing literature on the operation of PVOs starts with the basic assumption that such private groups exist at the sufferance of the state and that their respective funding base as well as their scope of operations is limited by the state. PVOs are usually seen as operating in the margins where the state either has chosen not to expend resources and/or where the state allows the relevant operations of such private institutions to take place. Ultimately the state controls the shots. In Bangladesh the situation is fundamentally different. NGOs command resources which are not available to the state; their scale of operation is at times coequal with that of the state; and their constituencies are independent or partially independent of the state. That is, NGOs are largely autonomous in Bangladesh; and at least the largest NGOs are seen as worthy competitors to the state for access to external donor funding.

## **II. ACCOUNTABILITY AND NGO-STATE INTERACTION**

Given this situation the issue of accountability of NGOs looms especially large in NGO-state relationships in Bangladesh. NGO activities began in Bangladesh virtually consequent with the formation of the state in 1971. At first the government virtually ignored the operation of the NGOs—the state had much more pressing problems than worrying about the control of private organisations. East Pakistan had not had a particularly robust economy prior to the war, and its governing institutions had been dominated by West Pakistan. Indeed, Bangladesh inherited what could be called several “disabilities of Independence”; and emerged following the War as a near universally proclaimed “international basket case”. Such “disabilities” attracted the attention of external donors, both statal and Northern NGOs, who found it increasingly attractive to avoid direct involvement with bureaucratic structures which seemed overburdened, under-staffed, and none-too-efficient. Accordingly development assistance

was channeled increasingly to the fledgling NGOs. The three BINGOs were founded at this time—BRAC in 1972, Grameen in 1973 and Proshika in 1976. The founding documents of each of these organisations are remarkably similar. The ambitious goal of each was to wholly transform rural society by reducing poverty; increasing democratic participation in villages; reducing the influence of local notables (moneylenders are particularly targeted); providing educational opportunities; and improving the condition of human rights. Poverty was seen by each organisation as not just a result of income differentials but of the whole structure of rural society. The language of the founding documents speaks of “targeting” such structures through “consciousness-raising” so that the marginalised population of the villages could be organised into “self-reliant” groups capable of wresting control of their destinies from the oppressive class structure. That is, the state and its institutions were portrayed as the problem that must be overcome to liberate the poor.

In hindsight one has to wonder why the Bangladesh government did not try to restrict the activities of the NGOs more stringently. Usually states are reluctant to encourage their own subversion. But, the newly-emergent NGOs largely confined their activities to remote rural areas (e.g. BRAC’s almost mythical attachment to Sullá), eschewing the urban areas which were dominated by orthodox statal structures. Moreover, the new organisations were able to attract fresh sources of foreign capital; and hence were perceived as not competing with the state for scarce resources. And, at least in the early days, the NGOs themselves were very small—BRAC, Grameen, and Proshika were each started on a shoestring.

But as the NGOs prospered the points of contact and, inevitably, conflict with the state began to come into increasingly clear focus. First, the institution-building programmes of the NGOs, an integral part of their rural development strategy, came into increasing conflict with the local government programmes of Bangladesh. Given the comprehensive nature of the village organisations established by the BINGOs, villagers had more contact with, and ultimately more allegiance to the respective NGO organisation than to organisations of the state. It became meaningful to talk of “BRAC villages” or “Grameen villages”—villages dominated by their respective NGOs. Second, as the NGOs grew in size and prestige their operations extended into fields that had heretofore been reserved for the state. NGOs began to be perceived as competitors with the government for foreign donor contributions.

Things came to a head in 1992. At that time the NGO Affairs Bureau (NAB—which had been established in 1990) under the control of the Prime Minister’s secretariat issued a “secret” though widely circulated report to the newly-elected Prime Minister Khaleda Zia, that charged wholesale mismanagement of NGOs. Among other things the report asserted that: (1) NGOs had misused foreign and domestic funds; (2) that NGOs had submitted false documents to the government; (3) that NGOs were involved in anti-State activities; and (4) that “fifty NGOs” had secured foreign funds

without the permission of the government. Throughout, the report claims, that executives of the NGOs enjoyed lavish lifestyles afforded by the systematic misappropriation of funds.<sup>6</sup> On August 20, 1992, the NAB issued an order cancelling the license to operate the Association of Development Agencies (ADAB), the peak association which represents the interests of the NGOs in Bangladesh.

The issuance of this report must be seen in the context of the above discussion of institutional friction between the government and the NGOs. But, its immediate cause seems to be linked directly to the politics of the 1992 general election.

There is a generally accepted norm that NGOs or representatives of NGOs do not engage in political party activity nor stand for election. The code of ethics of ADAB prohibits NGOs from engaging in such political activity.<sup>7</sup> Of course, as mentioned above, NGOs are intensely political in other senses of the term. But, the actions of the NGOs which may lead to the “mobilisation of the masses” have been generally perceived to be acceptable to the government as such actions can also be interpreted positively as they provide literacy, employment, or credit to the rural poor.

During the 1992 election, however, a prominent NGO, the Gono Shahajjo Shangstha (GSS), put up slates of candidates in five union elections in Nilphamari district. Their goal was to unseat local notables and replace them with representatives of poor villagers. During the elections which were staggered over several days one of the GSS candidates, reportedly a day labourer, defeated a middle class incumbent. Before the electoral process was complete in the other four union elections GSS operations were targeted—GSS schools were burned down, villagers were harassed, some were attacked; and GSS members were prevented from going to the polls. The government sided with the establishment. GSS activists were forced to tone down their rhetoric and not to directly support candidates which would upset the status quo in order to continue their activities.<sup>8</sup>

Although the case of the GSS may be the most celebrated, during the period following the release of the NAB report the licenses of 33 NGOs were cancelled, many for engaging in “anti-state” (read: radical political) activity. The lesson to NGOs was clear. The Government of Bangladesh would countenance the growth and development of NGOs but would counter NGOs that engaged in “radical” or “revolutionary” activity designed to upset the status quo. The lesson has been incorporated into the official doctrine of the BINGOs. Currently, one would be hard-pressed to find anything controversial at all in the slickly-produced descriptions of programmes or the mission

<sup>6</sup>Personal interviews with relevant government and NGO officials Summer 1996. The issue was covered extensively in the Dhaka press as well. The most accessible description of this event is found in Hashemi, *Ibid.*, pp. 124–127.

<sup>7</sup>Personal interviews with ADAB officials, Summer 1996.

<sup>8</sup>There is considerable disagreement about what actually took place. Respective descriptions of the events seem to be related to whether one is a government official, a representative of a donor agency, or an NGO official. Personal interviews, Summer 1996; September 1999.

statements of Bangladesh's largest NGOs. Gone are the references to overturning the class structure or for that matter upsetting the status quo at all.<sup>9</sup>

An uneasy truce has prevailed between the government and NGOs since the mid-1990s. The government views its role as attempting to hold the NGOs accountable. But, there is a clear understanding that the capabilities of the government to perform this function are quite limited. The staff of the NGO Affairs Bureau, the government's watchdog agency has a full-time executive staff of only six officers. The officers are not empowered to make inspections (to go on tour); nor does the Bureau systematically receive reports, let alone audits of NGO activities. As of July 1999 there were 1370 registered NGOs in Bangladesh. The main function of the Bureau is to process new applications for NGO status; a status conferred in turn by being successful in attracting foreign funding. Applications are rarely, if ever, turned down.<sup>10</sup> The NGOs themselves recognise the limits of the government and seem far more motivated to demonstrate accountability to their donors or prospective donors than to the government.

But, regardless of motivation the theoretical issues related to the accountability of NGOs remain largely neglected in Bangladesh. As Edwards and Hulme argue accountability requires the consideration of five factors: (1) a clear statement of goals (e.g. rules, performance criteria, etc.); (2) transparency of decision-making; (3) the honest reporting of resource use and achievements; (4) an appraisal process for reviewing authorities to judge whether results are satisfactory; and (5) concrete mechanisms for holding the NGOs accountable.<sup>11</sup> At best, NGOs in Bangladesh only tangentially meet these standards. First, Bangladesh BINGOs are extremely reluctant to state specific goals or targets. Their literature and reports are replete with general goals (e.g. alleviating poverty, empowering women, increasing the number of villages or clients served, etc.) but rarely do they get much more specific than that—they rarely offer goals that can be tested. Second, the decision-making processes of such NGOs is notoriously murky. Indeed, the organisational structures of BRAC and Grameen seem to be almost entirely personalistic with loyalty and authority flowing upward and downward from the original founders-CEOs. Third, there is widespread acknowledgement among NGO functionaries that reporting of achievements is tailored to meet the needs of the relevant reporting authority.<sup>12</sup> Finally, the government and the

<sup>9</sup>The BINGOs produce an extraordinary amount of public relations material. The editorial content of such material is anything but controversial.

<sup>10</sup>Personal interview NAB, September 1999.

<sup>11</sup>Edwards and Hulme, pp. 8–12.

<sup>12</sup>For instance, during open discussions in the three-day "Roundtable Dialogue on NGOs" in Dhaka, which the author co-chaired with Mohammad Rashiduzzaman in August 1999, one prominent official for BRAC openly admitted that "NGOs routinely keep four sets of books—one for internal use; one for the government; one for the donors; and one for Board members". Although this remark is anecdotal, no one in the assembly which included over 50 officials from donors, NGOs, and the Government of Bangladesh took issue with the statement. Indeed, in subsequent more-private discussions audience-specific bookkeeping and reportage was often mentioned as a matter of course.

donors lack the mechanisms or procedures to systematically monitor the activities of the NGOs. The institutional weaknesses of the NAB have already been cited; the donors capabilities are also quite limited.

Moreover, these remarks do not approach the broader issue of what is often referred to in the literature as “strategic accountability.” That is, the assessment of the impacts of the actions of NGOs on the actions of other organisations and the wider environment.<sup>13</sup> Quite simply the mechanisms and information to test whether the general claims of NGO success are true or false is almost non-existent.

So, in sum the relationship between the state and NGOs and the related issue of accountability in Bangladesh is complex and confusing. But, two observations seem warranted. First, the ideal-typical relationship between the state and NGOs (a relationship in which the state regulates and oversees the actions of the NGOs) needs considerable re-thinking with regard to Bangladesh. In Bangladesh NGOs or at least the BINGOs are largely autonomous from statal institutions. Second, the state is institutionally powerless and perhaps none-too-keen to challenge this situation. This does not mean, however, that the relationship between the state and NGOs is not important as demonstrated in the earlier discussion of the 1992 general elections controversy. And, it certainly does not mean that the issue of accountability and NGOs is not highly politicised in the state.<sup>14</sup>

### III. DONORS AND NGOs

There is an oft-repeated, if malleable, proverb that seems impossible to escape when one studies NGOs in Bangladesh. The syntax of the proverb is: When a “donor agency” [insert USAID, CIDA, Care, UNICEF, NOVIB, etc.] sneezes; the “NGO” [insert BRAC, Grameen, etc.] catches a cold.<sup>15</sup> So, for instance one version of the proverb could be: “When UNICEF sneezes; BRAC catches a cold.” This is an athletic proverb it can perform many functions; describe many institutional relations; and like all good proverbs. It conveys Truth, or at least a “paradigmatic insight.” Namely,

<sup>13</sup>See J. Avina, “The Evolutionary Life Cycle of Non-Governmental Development Organisations,” *Public Administration and Development* Vol. 13, No. 5 (1993), pp. 453–474.

<sup>14</sup>For instance the Finance Minister, Shah A.M.S. Kibria, inaugurated the aforementioned roundtable on NGOs in Dhaka (see note 10) in August 1999. He made rather tame comments (the type a Finance Minister might be expected to make to kickoff an academic conference). However, the next day the Dhaka press was filled with front-page headlines signalling governmental action and threats. The *Independent* ran a banner headline stating that “Most NGOs Engaged in Banking Operation Illegally, says Kibria”; the *New Nation* heralded that a “Curb on NGOs Likely Soon”; the *Bangladesh Observer* opined that “Regulatory Brake on NGOs Likely”; the *Daily Star’s* banner stated that “Kibria Lauds Role of NGOs” but the sub-heading read: “Regulatory Brake to Ensure Accountability Likely Soon”. Finally, the *Financial Express* stated that “BB [Bangladesh Bank] to Monitor NGO Activities”.

<sup>15</sup>The origins of this proverb are obscure. Another version of it is found in Ian Smillie, “Painting Canadian Roses Red,” in Edwards and Hulme, p. 191. Here the proverb is: “When CIDA [Canadian International Development Agency] sneezes, Canadian NGOs reach for their Vitamin C”.

BINGOs (and perhaps other NGOs too) and their respective donors are mutually dependent.

Nevertheless, most of the literature on the relationship between donors (private or stata) and NGOs is based on an ideal model in which NGOs compete with other NGOs for funding from donors. The donors choose from among the applicants based upon the soundness of the proposal and the track-record of the applicant. After a grant is authorised an evaluation process is undertaken by or for the donor. On the basis of this evaluation the project is extended, revised or terminated. The relative performance of NGOs is assessed by this process; they are held accountable. This in turn will affect the likelihood of future funding of respective NGOs. That is, NGOs are at the mercy of the donors—they are dependent for their existence upon the donor and the donor judges the performance of the NGO. Ideally, NGOs succeed or fail according to how well they perform their tasks. In this model merit prevails. NGOs that perform, benefit and prosper; those that don't, wither and die.

Of course, this model also implies that donors control the shots. Or ultimately that donors determine or at least substantially affect the developmental agendas of recipient states through the NGOs. Indeed, much of the popular opposition in Bangladesh to the operation of NGOs is based on the perception that NGOs are controlled by or are dependent upon external forces; and, that the donor agenda prevails over domestic concerns.

This model is partially true; it describes part of the relationship between NGOs and the donors. But, it neglects some very important factors. Most obviously it exaggerates the level of control of donors on the NGOs. It has been argued that in Bangladesh the state is largely unable to fully hold accountable or even to meaningfully monitor the actions of the NGOs and particularly the BINGOs. This argument is even more compelling when one considers the relationship between donors and NGOs on the ground.

First, is the sheer enormity of the task of measuring the performance of NGOs. Around 600 projects which involve foreign funding are approved each year by the NGO Affairs Bureau in Dhaka. Many of these projects, around one-third, receive funding from more that one donor; some of the projects, around 10 percent, have more than one NGO recipient. Many of these projects are multi-year projects. Many involve activities in remote, still largely inaccessible village sites. Most of the large external donors sponsor numerous projects in a given year. The projects so sponsored vary in myriad ways: in size; in target; in purpose; in methodology. The larger NGOs have numerous relationships with donors.<sup>16</sup> BRAC, for instance, has received external support from around 50 different external donor agencies since its founding; and at any one time, depending on how one counts, it has between 30 and 200 ongoing projects.

<sup>16</sup>NAB documents and personal interviews, September 1999.

Second, donor field staffs in Bangladesh are none-too-impressive. Only the larger donor agencies have a permanent staff at all. And, even if such staffs exist they are typically very small; and they tend to be filled by individuals who usually have very limited experience in Bangladesh. It is rare indeed to encounter a field officer who has spent much time in the field. And, those that have tend to be gushingly supportive of NGO activities—either through idealistic personal predilections or perhaps owing to their “capture” by NGO interests. There are exceptions, of course; and this typification may be unfair or too harsh. But, there is no contest between the capabilities of the donor field staffs and the large, professional, highly-motivated, well-organised, and entirely impressive staffs of the larger NGOs in Bangladesh. In the field donors are largely at the mercy of the NGOs.

Third, the donors are interested in hearing good news. It is entirely in the institutional interest of the donor agencies for the projects which they fund to be perceived to be running smoothly and to be highly successful. The major institutional imperative of donor agencies is to spend their money within the budget cycle. The donor community likes to talk about the “absorptive capacities” of recipient agencies. Good recipients are those that have high “absorptive capacities.” This means, that good recipients are those that can spend the money that is granted to them within the specified terms of the grant (within the relevant budget cycle). Generally speaking NGOs are perceived as much better at the absorption of funds than statal agencies in Bangladesh; and larger NGOs are perceived as even better at spending money than smaller NGOs. An often heard plaint of donor field representatives in Bangladesh is that they would like to spread their projects around to smaller NGOs but that they tend to be inefficient at spending the money so distributed. Therefore, they must “reluctantly” continue to provide the lion’s share of support to the BINGOs.

The bottom-line, then, is that donors have only a murky idea of how their money is being spent. In most cases, the only information they have concerning the projects which they fund comes from the NGOs that are running the respective projects. Donors cannot rely on the Government of Bangladesh to provide such information either. But, it is in the interest of donor agencies to maintain the “fiction,” if you will, that they do have control over the performance of their funded projects. The donor’s constituencies (whether individual, private, statal, or international) need assurance that their contributions are being wisely spent. It is in the interest of the NGOs to maintain this fiction too. It is no wonder then, that BRAC maintains the largest publishing house in Bangladesh. One task of this division is to maintain a steady stream of material that extols the virtues of BRAC programmes and highlights the contributions of donor agencies. The donors need this publicity as much as BRAC.

So, as the proverb suggests the donor needs the NGO as much as the NGO needs the donor; it is a symbiotic relationship like the remora and the shark, or the aphid and the harvester ant.

This argument does not go so far as to suggest that NGOs are autonomous from the influence of donor concerns. Far from it. Rather, the argument is that the relationship between NGOs and donors is far more nuanced than a dependency model would indicate.

This relationship is best approached by a consideration of the most deeply articulated construction or perhaps “ideology” of the NGO experience in Bangladesh: that microcredit promotes development; and that gender discrimination (favouring women) in the provision of such microcredit is efficient. This ideology is well-known and is generally accepted globally. Indeed it has become known as the main contribution of Bangladesh to the development literature—sometimes termed the “Bangladesh model.” Grameen Bank has become synonymous with microcredit; Muhammad Yunus (the founder of Grameen) as having “invented” microcredit; Bangladesh is often cited as a success of development or at least women’s development as indicators of health care, fertility, infant mortality, and female literacy have improved and this improvement has been credited to NGO-inspired policies. The Bangladesh model is also often used to support the proposition that NGOs are a more efficient developmental tool than statal institutions.

Where did this ideology originate? Apologists of the BINGOs would answer that it originated with their respective founders and that the idea of targeting microcredit to poor women emerged full-blown from the fertile imaginations of, depending upon one’s source, Muhammad Yunus or Fazl H. Abed (the founder of BRAC). There is some truth to this assertion. Both Yunus and Abed were intrigued in the early 1970s with the idea of providing microcredit to the rural poor—but it is very important to note that neither considered (despite recent inventive efforts of respective NGO staff writers) that microcredit be a major component of credit programmes to the rural poor, nor that women be the sole recipient of such credit programmes. Indeed, both BRAC and Grameen originally established programmes that provided large scale credit as well as microcredit to their clients. The movement towards reliance on microcredit was gradual. Similarly neither BRAC nor Grameen originally discriminated in favour of women in the provision of credit. It is true that both NGOs did recognise quite early on that women should not be excluded from access to credit and that development programmes would benefit from the extension of credit to women. But, until the early 1980s in the case of Grameen, and the mid 1980s in the case of BRAC the majority of loans made by both organisations were to men.<sup>17</sup> The proud claims made now by both organisations that over 95 percent of loans are made to women would have sounded a discordant note with the respective founders of BRAC and Grameen at least in the 1970s.

<sup>17</sup>Derived from Table in Catherine H. Lovell, *Breaking the Poverty Cycle: The BRAC Strategy* (Dhaka: University Press Limited, 1992), p. 76.

The alternative proposition that the ideology originated with the donors and was adopted by the NGOs at first glance seems attractive. But, even though the so-called “New Policy Agenda” and the four world conferences on the status of women may have lent support to the Bangladesh model, one is hard-pressed to find a direct link between the pronouncements of such forums and NGO policy. Moreover, this author has found no direct evidence to link the Bangladesh ideology (Bangladesh model) to any specific donor source.

Let us speculate on an explanation of the dynamics of the process that led to the development of this ideology. We know the following: Bangladeshi NGOs perceive themselves to be in competition for funds with other NGOs and for that matter with the state. NGOs in Bangladesh (at least the BINGOs) are generally favourably disposed to microcredit and the targeting of women as agents of change. The international donor climate from the mid-1970s on has become increasingly disposed towards both the efficacy of microcredit and gender targeted development. Given the foregoing in the effort to secure funding the NGOs (BRAC and Grameen anyway) have tried to outbid the other for donor support. Simply put, if microcredit is good, why not emphasise microcredit at the expense of other programmes? Alternatively, if targeting women is good why not propose giving the lion’s share of development aid to women? Once the process begins the logical endpoint is the adoption of a policy that gives priority to microcredit programmes targeted wholly to women. This speculation seems more compelling if one factors in the remarkable public relations capacities of BRAC and Grameen.

In any case one would be hard-pressed to find any Bangladesh government official who would claim or even hint that microcredit works to “eliminate poverty”. Most government officials actually contend that microcredit may hurt the individual borrowers by encouraging them to become indebted. Most NGO officials contend that microcredit is largely inconsequential to the larger question of rural poverty as well. The cost of microcredit in Bangladesh is quite high. Grameen’s effective interest rate on its small individual loans (1999) is 28 percent; BRAC’s 25 percent.<sup>18</sup> Both Grameen and BRAC assert that their relatively high interest rates are justified because of the labour intensive debt servicing that both organisations employ. Of course, neither the BRAC nor the Grameen programme is a welfare programme; they are commercial lending operations and are self-supporting.

There is more evidence for the proposition that gender targeted aid is cost-efficient. Several scholarly articles have been written which demonstrate that increased financial resources for child-bearing aged women translate into disproportionate increases in the well-being of their respective children—especially

<sup>18</sup>This includes user fees, dues to respective organisations and so forth. Discussions with relevant officials at “Roundtable Dialogue on NGOs” (Dhaka, August 1999).

in terms of indicators of health and literacy.<sup>19</sup> But, there is little systematic evidence that indicates that such improved financial conditions are directly linked to women's participation in specific microcredit programmes, and none that this author has encountered that prove that alternative microcredit schemes (e.g. ones that would target only creditworthy families, or those that would be gender neutral) would not have the same effect on the well-being of relevant children.

Therefore, the relationship between donors and NGOs belies an easy explanation. Donors do affect the policies and programmes of NGOs and indirectly affect the developmental policies of recipient states. But, they do not determine such policies. Moreover, at least in Bangladesh, the NGOs are hardly powerless in this equation. Indeed, the BINGOs substantially affect the policies of the donors, at times they may even drive such policies. Moreover, in Bangladesh, donors have little, if any direct independent check on the performance of NGOs.

#### IV. NGOs AND GLOBALISATION

Globalisation is a phenomenon that can best be characterised as rapidly growing and increasingly intensive interactions and interdependencies across statal borders. What Tomlinson refers to as "complex connectivity". Increasingly, goods, capital, people, knowledge, fashions, drugs, ideas, crime, pollutants, tourists, development economists, and so forth flow across territorial boundaries. States, even if they want to, are powerless to stop this flow. The vehicles of such globalisation include the new technologies—satellite broadcasting, and the internet. Globalisation is multi-dimensional. Economic globalisation addresses the creation of a global market in which the interests of economic nationalists representing the state will ultimately fail to prevent the logic of ever-more efficient economies of scale from becoming dominant. Political globalisation refers to the decline of individual states as they are challenged from above (international and transnational organisations) and from below (non-governmental organisations). Cultural globalisation refers to the spreading of a global culture, not directly linked to the culture of any one state but increasingly reflective of what critics would refer to as the least-common denominator of Western civilisation.<sup>20</sup>

<sup>19</sup>Some of the more useful sources include: Mohammad Auwal, "Promoting Microcapitalism in the Service of the Poor: The Grameen Model and its Cross-Cultural Adaptation," *Journal of Business Communication* Vol 33 (1996), pp. 27–49; Alex Counts, *Give Us Credit* (New York: Time Books, 1996); Anne Marie Goetz and Rina Sen Gupta, "Who Takes Credit? Gender, Power, and Control over Loan Use in Rural Credit Programmes in Bangladesh," *World Development* Vol. 24 (1996), pp. 45–63; Syed M. Hashemi and Sidney Ruth Schuler, "Rural Credit Programmes and Women's Empowerment in Bangladesh," *World Development* Vol. 24 (1996), 635–653; Sidney Ruth Schuler, Syed M Hashemi and Ann P. Ripley, "The Influence of Women's Changing Roles and Status in Bangladesh's Fertility Transition," *World Development* Vol. 25 (1998), pp. 563–575; Muhammad Yunus, *Grameen Bank as I See It* (Dhaka: Grameen Bank, 1994); Shannon Poe-Kennedy, "Empowerment and Dis-empowerment in the Grameen Bank of Bangladesh," unpublished (Cornell University, 1998); and Abu NM Wahid, ed., *The Grameen Bank: Poverty Relief in Bangladesh* (Boulder: Westview Press, 1993).

<sup>20</sup>See John Tomlinson, *Globalisation and Culture* (Chicago: University of Chicago Press, 1999).

NGOs loom large in discussions of globalisation. To some they are the handmaidens of international donor agencies who have deliberately harnessed NGOs to serve their purposes by bypassing the less-efficient and much more politically difficult to control conventional state institutions. According to this view the donors have bypassed the state in order to avoid the delays associated with working with state institutions—the messiness of bureaucratic red tape, political instability, and other ills associated with governments. To others NGOs are more a symptom than a cure. They have developed because states have failed or are failing to provide the creativity needed to address global issues concerning the environment, poverty, health, and so forth. In the former view the donors have conspired (deliberately or otherwise) to limit the power of the state; in the latter view the state has abandoned the playing field.

Regardless of one's interpretive framework, however, it is obvious that states must accommodate to the rapid changes associated with globalisation. And, in more instances than not states are losing authority to NGOs, which in turn are increasingly seen as the darlings of the international donor community, if not the agents of Western economic, political and cultural imperialism.

It is in this context that one needs to view the so-called Islamic reaction to NGOs that became quite violent during the mid-1990s in Bangladesh and which still reverberates today. In late 1993, a movement began in Bogra district, led by a local pir which called for the boycott of NGOs supported by Christian groups. Of course, functionally this meant all NGOs in the state, as NGOs in Bangladesh are defined by the NAB, as we have seen, as those organisations which receive foreign funding and in turn virtually all foreign funding to NGOs comes from "Christian states". The movement had particular relevance to BRAC and Grameen both of which had extensive projects in the district. The "Bengal Anti-Christian Organisation," as this movement became known, leveled numerous charges against the NGOs including:

1. NGOs were destroying the Islamic cultural values of the state;
2. NGO operations were reminiscent of the East India Company operations, i.e. among other things colonial;
3. BRAC schools were anti-religious;
4. Members of NGOs were engaged in extra-marital sex;
5. The microcredit programmes of Grameen and BRAC were destroying the family structure of rural society;
6. NGOs were really fronts for Christian missionaries, hellbent to convert Muslims; and that
7. BRAC's and Grameen's microcredit programmes violated the ban on riba.<sup>21</sup>

<sup>21</sup>Adapted from M. Rashiduzzaman, "The Dichotomy of Islam and Development: NGOs, Women's Development and Fatawa in Bangladesh," *Contemporary South Asia* Vol 6, No. 3 (1997), p. 241.

The remedy for such ills was to drive the NGOs out of the state. This they tried to do. Accordingly, BRAC schools were targeted, and depending upon the source anywhere from a “handful” to “over fifty” schools were attacked, teaching materials were destroyed or confiscated and in some cases schools were actually burned. Some NGO workers were roughed up. BRAC and Grameen enterprises were targeted as well—reportedly mulberry trees (linked to BRAC’s sericulture projects) were uprooted; and there were charges of attacks upon BRAC supported restaurants, and poultry raising concerns.<sup>22</sup>

The state’s role in all of this was somewhat ambivalent. NGOs charged that governmental functionaries acted in a half-hearted manner to quell the riots. They also charged that some local government officials actually supported the Islamic groups. Such charges were likely true. As discussed above NGO-state relations have many points of strain, and there remained lingering animosity associated with the events that had transpired in 1992.

There is also ample evidence to support the assertion that BRAC and Grameen “played” this issue to full effect with the international donor community. The BINGOs typified the Bengal Anti-Christian Organisation’s actions as reactionary and entirely unjustified. They also exaggerated their scope. More importantly, they identified their concerns with those of the donor community. How better to prove one’s worthiness for funding than to contrast one’s projects with the “irrational” concerns of the Islamists. The attacks (particularly if they were perceived as widespread) demonstrated to donors that: (a) the NGO projects were working; (b) that they had affected meaningful change in the direction of their goals; and (c) reiterated the posture that the BINGOs were accomplishing tasks associated with modernisation and globalisation. After all, if the Islamic groups’ claims were true then the NGOs had been effective in spreading global culture.

It also attracted donor funding to the NGOs. Donor contributions to NGOs rose by 39 percent in FY 1995 from \$315 million to \$440 million. [See Table 1.] The BINGOs were the largest beneficiaries of this increase.

It seems likely to this observer that NGOs will continue to be central to the globalisation process. Evidence for this view comes from a remarkable document published in 1998 by the World Bank—*Assessing Aid: What Works, What Doesn’t and Why?*<sup>23</sup> This thin volume summarises the working papers of the World Bank’s Development Research Group, especially the work of David Dollar and Paul Collier. It signals an important departure in World Bank policy which will have a significant impact on the perceived importance of NGOs.

<sup>22</sup>There is considerable disagreement over the extent of this incident. BINGO officials claim the damage was extensive; government officials claims far less damage. Personal interviews 1996; 1999.

<sup>23</sup>World Bank, *Assessing Aid: What Works, What Doesn’t and Why?* (New York: Oxford University Press, 1998).

The report can be boiled down to five main policy implications or conclusions:

1. Aid should be targeted at low-income countries which possess sound economic management. In a sound institutional environment aid works; in a bad environment aid doesn't.
2. Conditionality programmes don't work. Conditionality only works when the state has sound economic management.
3. All aid is fungible; therefore project funding to states should be abandoned or reduced. Aid should be channeled to institutions that can manage aid. They are better able to assess needs and requirements than external donors.
4. Aid should attempt to increase public service delivery and to promote institutional capacities.
5. In states with "distorted" governmental institutions donors need to locate "pockets of reform" and support them vigorously.

The document is a virtual ode to globalisation. States wherein sound economic management resides (those that should get the bulk of aid) are states that toe the line with respect to the global agenda. Such states would have, we are told, sound macroeconomic policy; liberal trade policies; a well-established rule of law; enforced property rights; political stability; good civil servants; a low level of corruption and so forth.

Of course, this report would be quick to dismiss Bangladesh, from consideration for state-centred economic aid. Bangladesh clearly possesses "distorted governmental institutions" [not this author's terminology]. In such situations the only reasonable recourse for international donors is to target "pockets of reform". The implication of all of this is that aid should be increasingly channeled through NGOs, not statal institutions. The importance of this document has not been lost on NGOs in Bangladesh, nor the government for that matter.

## **V. CONCLUSION**

It is often argued that NGOs play an important role in Bangladesh in that they provide critical services that the government is unwilling or unable to provide and therefore that without NGO activities needed programmes and services would not be provided to Bangladeshi citizens particularly in rural areas. Therefore, the interaction between NGOs and the government can be viewed in positive-sum terms, everybody benefits.

Of course, this is partially true. But, this paper has demonstrated that such an analysis neglects or downplays the costs of NGOs. The greatest such cost is borne by the decline in the authority of the state when compared with the burgeoning authority of NGOs. Every notable success of an NGO reinforces the view that: (a) NGOs are competent while governmental institutions are not; (b) that NGOs should

be accorded even greater authority in the state; and (c) that NGOs deserve a larger share of the donor pie. In other words, the perceived successes of NGOs challenges the integrity of statal institutions.

Such a development may be welcome if it is assumed that NGOs will be better at running the affairs of the state than the existing governmental institutions. But, the logical endpoint of this consideration is untenable—the total erosion of the state. Moreover, the very success of NGOs is predicated to a large degree on their not being permanent institutions. The strength of NGOs is derived from the fact that they are *not* governmental institutions. And, there is always the issue of donor dependency, or in NGOspeak “limitations imposed by multiple stakeholder involvement”. Ultimately, NGOs are dependent upon their funding base—they must attend to their constituency. To the extent that NGOs become increasingly powerful or important to the political process of Bangladesh, the role of the donor community proportionally increases.

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## Comments

### *I.*

To begin with, I must say that the paper by Charles Kennedy is thought provoking, incisive and well-documented on a theme which is relatively virgin. My next comment relates to Lester Salamon's statement quoted in Kennedy's paper that the NGO movement "may constitute as significant a social and political development of the latter twentieth century as the rise of the nation-state was of the nineteenth century" that I consider to be premature because whereas the emergence of the nation-state, starting from the Treaty of Westphalia, has a whole history of three and half centuries, the NGO movement is barely two decades old.

My principal criticism on Professor Kennedy's paper is as follows. It raises at least seventeen questions relating to the topic of "NGOs and the state" such as these: How do NGOs interact with states? Are they a challenge to the State? Are they complementary to the state? Are they a symptom of the decline of the state? However, he fails to properly address them both through the case study and otherwise, though in the case study here and there one finds a feeble attempt to provide elements of response to some of the questions. Normally a case study is attempted to illustrate a certain viewpoint which, strangely enough, is not the case here.

The international economic orthodoxy promoted by World Bank and IMF and implementation of structural adjustment has led to increasing withdrawal of the state from the economic sphere and a de-emphasis of the state-led development strategies with the World Bank view being that the state should restrict itself to providing a "sound macro-economic and legal framework" for investment. The reduction in state activity in terms of health, education, agriculture extension, etc., has led to a large increase in NGOs resources to fill the "service delivery gap". Many academics and development practitioners believe that NGOs are essential building blocks in a "civil society" against a "predatory" and "rent-seeking" state. Some argue that NGOs could be the training ground for an "articulate and empowered middle class" essential for stable and lasting democratic politics.

The next important question is whether NGOs are a challenge to the state or are complementary to it. Unlike the private voluntary organisations of the past which worked under state control, the present day NGOs tend to act independently of the state. This is so because of the resources which are at their disposal and which at times rival or even surpass those of the state. Many of them also select areas of operation which is not much visible such as rural constituencies. The result is that though they prefer to operate in areas where the state is absent because of lack of

resources or will or interest or even consciousness, but as they start making headway and develop a constituency of their own they come to be perceived as competitor and consequently a threat to the state.

State has traditionally been a protector of the status quo in the wider sense of the term, i.e. religious, political, economic and social. It has been the backer of the vested interests. The NGOs basically propose to break the status quo, directly or indirectly, consciously or otherwise. This necessarily tends to put the two in antagonistic relationship. Even a state with a modernist agenda tends to side with partisans of status quo as it perceives threat from apparently like-minded NGOs.

Some NGOs, particularly foreign funded ones, promote values of societies of which they are products, particularly in the field of human rights, such as child labour, minority rights, gender question, etc. They are understandably perceived as “Trojan horses” of the West. This may or may not be true but following the birth of the so-called right of intervention on humanitarian grounds since early 1990s, the West has the potential to penetrate in Third World societies through the NGOs, particularly those with human rights agenda.

Finally the question as to whether NGOs are a symptom of the decline of the state, in our judgement, we do not think so despite the fact that the state is under attack from various sources, particularly from the outside through IFIs and from the inside through NGOs. What we foresee through NGOs is the transformation of the state rather than its decline as it is likely to appropriate in the future the NGO agenda in letter and spirit.

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## 2.

One welcomes Charles Kennedy into the discussion on the NGO phenomenon, as an unexpected, though very welcome critic. Unlike many other academics in the West and in our own countries, Kennedy distances himself from what has become conventional wisdom, and takes a very critical look at NGOs in general, focussing his discussion on NGOs in Bangladesh. His focus on Bangladesh is important as this country has become the worst (or best, depending on one's point of view) example of the presence and role of this third sector.

Kennedy argues that Bangladesh is perhaps the one country most dependent on NGOs receiving between \$6–800 million each year from foreign (namely western) donors. Clearly, as he argues, NGOs in Bangladesh control 'extraordinary resources', and because of foreign funding, 'NGOs are largely autonomous of the state' and 'demonstrate accountability to their donors, not to the state'. Kennedy argues that NGOs do not state specific goals or targets, that their decision-making process is 'murky' and personalistic; donors, on the other hand, are interested in hearing good news and the larger the NGO the more money it gets, with the larger NGOs in Bangladesh, in a sense, determining donor funding rather than the other way round.

One cannot but agree with Charles Kennedy about his analysis of the NGO scene in Bangladesh. What is very unfortunate, however, is that his paper while making these points, lacks much academic rigour, weakening the case that he pleads. Given the excessive bombardment of pro-NGO published material, one feels rather disappointed, that this piece by Charles Kennedy will quickly be forgotten because it is such a weak paper.

The title of the paper seems somewhat odd, for despite my searching, I could not find any substantive discussion on the state. There are a few references to the Latin American experience, some mention of other countries, but one must ask: where is the state in this analysis?

He talks about a conflict between NGOs and the state, but this argument does not really come through, except in terms of access to funds. In this assertion, which is neither documented or quantified, the underlying assumption is that the huge amounts of money which come to NGOs in Bangladesh and elsewhere, were taken away from the state. Since there is no data on the trends in aid to the Bangladeshi government or its NGOs, one does not know whether there is a trade-off between government and NGOs in terms of a competition for foreign aid. This is one of the important points which have been overlooked.

One does not know from reading this paper whether the large amounts of money coming to NGOs distorts the development process in the country. There is no analysis of the net impact of aid to NGOs, merely assertions. One does also not learn

from this paper what the donor agenda is: why are most western governments so interested in pouring in such large amounts of money to Bangladesh's NGOs? Moreover, what indeed, is the impact of such large amounts of money on NGOs? Are they corrupted and compromised in some way? Unfortunately, we do not find out from this paper.

If, as Charles Kennedy argues, the state has institutions which are 'distorted', and if NGOs are 'challenging the integrity of statal institutions', then is that not a positive development? If we have a predatory state or fascist state as we did in Latin America not long ago, is it not a positive sign that NGOs begin to threaten that authority? Because Kennedy does not have a theory of the state, these important questions are neither articulated and raised, nor addressed. Similarly, he argues that due to the powerful role of NGOs in Bangladesh, the greatest cost is borne by the decline in the authority of the state when compared with the burgeoning authority of NGOs. This important point, too, is not elaborated upon, and the nature of the 'authority' of either the state or NGOs, is never made explicit.

This paper has lacked thoroughness and rigour and has been based on what the author calls a methodology that is 'informally empirical', backed more by assertion and supposition than anything else. For this reason, this is a lost opportunity for all those who are critical of NGOs, as this paper has not provided substantive arguments on which to build upon.

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