Volume 4
Number 1
Year 2002
ISSN 1529-0905

Journal of BANGLADESH STUDIES

BDI
Bangladesh Development Initiative

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MICROFINANCE, SELF-RELIANCE AND SUSTAINABILITY: THE CASE OF A NON-GOVERNMENTAL ORGANIZATION IN BANGLADESH

Salim Momtaz

ABSTRACT

Over the last two decades, non-governmental organizations (NGOs) have emerged as major players in the development arena of the developing nations. There have been rigorous philosophical debates as to the effectiveness and appropriateness of these organizations in terms of their replicability, geographic coverage and governance. Microfinance is increasingly seen as an effective means to address urban and rural poverty in developing countries and a model for sustainable development. However, it is also cautioned that it should not be seen as a panacea for poverty eradication. To investigate some of these issues, I conducted a study in 1998-1999 and a follow up in 2001 into the socio-economic impacts of a NGO in Bangladesh – Assistance for Social Organization and Development (ASOD). In addition to its major microcredit programs for rural women, ASOD has a number of programs addressing health, education, and social issues concerning women. The study reveals that despite the success of the microfinance programs of ASOD, the NGO is yet to go a long way to achieve sustainability at the grassroots level. The programs helped increase household income and made important contributions to women's empowerment. Money borrowed from ASOD helped many families develop ongoing income-generating activities. Yet it is not evident whether their credit dependency can be transformed into self-reliance in the near future. Uncertainty and irregularity in funding from the donor agencies and the national apex organization are affecting ASOD's program performance.

Introduction

In the past three decades, non-governmental organizations (NGOs) have emerged as a major player in the development arena in many developing countries including Bangladesh. Their evolution can be seen as a response to the shortcomings of the state and the market in providing various social development inputs and credit to the poor. It was realized that benefits of the government's major infrastructure projects did not trickle down to the poorest of the rural poor as had been expected and that an alternative channel for effective flow of resources to the grassroots level through better community participation was needed. As a result, there was a shift from state-dominated planning models to decentralized decision-making in the private sector supported by NGOs. Since its independence in 1971, Bangladesh has seen the emergence of several thousand NGOs, most of which have microcredit programs for the poor—a method thought to be most effective for pulling up the poor above the poverty line.

Some of these organizations have proved to be significantly successful in reaching the most vulnerable of the rural poor—the women. Bangladesh Rural Advancement Committee (BRAC) was established in 1972 to help resettle the victims of the war of liberation in 1971 in the northeastern part of Bangladesh. Today it is the largest NGO in Bangladesh and has numerous development programs covering 50,000 villages in the country. Similarly, Grameen Bank (GB or village bank), initiated in 1976 to experiment whether credit could be provided to the poor without physical collateral, has now turned out to be the most successful microfinance institution in Bangladesh. Some fifty-eight countries world-wide, including USA, Canada, France, the Netherlands, and Norway, have adopted this concept of microfinance as a model for poverty alleviation. A recent study shows that 48% of Grameen Bank members now live above the poverty line after a few years into the microcredit system (Yunus 1998). Similar success can be reported for a number of big NGOs in Bangladesh.

Despite the success of these organizations it has been observed that there are several hundred smaller NGOs working in different parts of the country with moderate to no tangible impact. Some individuals have exploited the formation of NGOs as a means to further their material wealth through the salaries, perks and privileges of the executives. Some authors argue that although the microfinance programs have increased the ability of poor women to participate in income-generating activities, the peer-pressure model adopted by most microfinance organizations has led to loan recycling (getting one loan to repay other) in many cases (see for example Rahman 1999). There have been debates about the coverage, replicability and governance of the NGOs (Johnson and Rogaly 1997). Also, there is no clear evidence whether the families participating in microcredit programs will achieve self-sustainability in the near future (Faraizi *et al* 1998).

The Problem

A vast body of literature can be found on the NGO movement in Bangladesh especially focusing on the successes of a few major NGOs. Substantial research has emerged on GB and BRAC (see for example Alam 1988; Bornstein 1997; Holcombe 1995; Khandker *et al* 1995; Khandker and Khalily 1996; Lovell 1992; Rahman 1986). However, it is disheartening to see the dearth of literature on smaller NGOs. There is a lack of investigation on why some NGOs do not succeed and how significant are the overall effects of the smaller NGOs in poverty alleviation. There is immense potential in their ability to reach the poorest of the rural poor more effectively as the smaller NGOs work in smaller geographic regions and with small groups. It is for this reason that the strengths of these NGOs should be examined and the constraints they confront should be researched in order to utilize their strengths towards the alleviation of extreme poverty in the country.

Research Questions

1. How successful are the smaller NGOs in poverty alleviation and in empowering women?
2. How accountable and transparent are administrative procedures of these NGOs?
3. Are these NGOs sustainable given their relationship with the government and the donor agencies?
4. Is there a role for the government in working as a complement to NGOs so as to ensure that they are successful?

This paper is the outcome of a two-month study of ASOD's development projects, its organizational structure and delivery capacity, its current organizational and financial strength and weakness, and its potential for improving the lot of economically poor Bangladeshis.

Study Methods

- Observation of the weekly meetings of major groups and informal discussions with members;
- In-depth discussions with representative families;
- Interviewing ASOD officials involved in the delivery of goods and services;
- Group discussions with the field workers of all projects;
- Examination of the official records and documents of the projects; and
- Meeting with the executive committee of ASOD.

This research employs qualitative anthropological method of information gathering and analysis to evaluate ASOD's projects.

Literature Review

The book by Khandker (1998) examines how microcredit programs of some major NGOs (and government's RD12 program) have been successful in alleviating poverty among the members of these organizations. Khandker's research has been able to establish that microcredit programs are not necessarily effective in reaching the ultra poor who do not have the ability to utilise the opportunity to invest in income-generating activities. He argues that microcredit should not be adopted as a sole means of poverty alleviation in Bangladesh - an argument which had been advocated by Johnson and Rogaly in their earlier (1997) publication *Microfinance and Poverty Reduction*. The latter's book recommends an overall approach to deciding whether, and in what ways, small-scale financial interventions can be useful and relevant to poor people in different contexts. As Professor Yunus emphasizes, "It is not microcredit alone which will end poverty. Credit is one door through which people can escape from poverty" (Yunus 1998, preface). Rahman and Razzaque's recent research (2000) investigates the extent of participation of the extreme poor in the social programs of the NGOs. They find that households in extreme poverty participate less in such programs than other groups of poor.

It may be noted here that International Labor Organization (ILO) and The World Bank made similar observations in the 1970s and 1980s which revealed that the 'ultra poor' could not take advantage of the food programs in many Asian developing countries simply because of their physical inability to get to the service delivery points (see for example ILO 1977; Lipton 1988). Both physical and political access played important roles in determining the success of the programs (Momtaz 1996).

Rahman's recent book (1999) has been written along the same vein but with a different angle. His book claims that it is the first anthropological study on GB lending to women in rural Bangladesh, presenting borrowers' accounts of lending instead of lenders'. It challenges the conventional understanding and the orthodox view of the success of major microfinance NGOs. As mentioned earlier, it focuses on how individual members under peer pressure are forced to

take one loan to repay another and how it is causing problems for the borrowers at the family level.

Holcombe's 1995 book is a departure from the norm. She focuses on how GB manages its 14,000 field workers and how the latter influence participation at village level that leads to the empowerment of the rural poor. Bornstein (1997) has successfully incorporated academic research with journalistic writing in his book *The Price of a Dream* which reveals GB's success through numerous stories of struggle and success based on his extensive field work. Rao and Kelleher (1997) and Ackerly (1997) investigate how gender issues and the notion of empowerment may be conceptualized through the examination of microcredit programs for women. But the debate remains as to the definition of empowerment and how to measure it (Kabeer, 1998).

Assistance for Social Organization and Development (ASOD): An Introduction

ASOD is a relatively small but emerging non-governmental organization. It was founded in 1986 and initiated, at its inception, a few small-scale experimental development projects in the North Western districts of Bangladesh. ASOD offers its services to the poorer and dispossessed Bangladeshis on a non-profit basis, and its projects receive funding from international development agencies, including Asia Partnership for Human Development, World Literacy of Canada, Inter Pares Canada, Overseas Development Agency of UK, European Commission, AusAID, and CARE-International, as well as the government of Bangladesh. The microfinance programs are funded by a government supported agency (wholesaler microcredit fund or apex organization) known as *Palli Karma Shahayak Foundation* (PKSF) in association with international development organizations, such as The World Bank, Asian Development Bank, EEC and various UN agencies. Currently ASOD is recognised by the NGO Affairs Bureau (a government-run organization responsible for monitoring the activities of NGOs in Bangladesh) as one of Bangladesh's national NGOs. ASOD runs some nine different projects in the areas of women's empowerment, employment and income generation through skill training, functional literacy training, rural health, and ecologically sustainable development via afforestation. Unlike many smaller NGOs, ASOD combines programs of environmental awareness, family health and hygiene, literacy, awareness of social justice and legal rights with its microfinance programs. This paper concentrates on the programs with microcredit components in order to contribute to the debate on the role and effectiveness of microfinance programs of the smaller NGOs in developing countries in poverty alleviation and empowering the rural poor. ASOD's organizational structure is illustrated in Figure 1.

The Beneficiaries of ASOD

ASOD organizes the landless and marginal people, especially women with capital of less than 2000 Takas (US$40), into various functional and productive groups (or collectives) to improve their social and economic conditions. It uses the commonly known 'target group approach'. Following the basic principle of this approach, some 20 to 25 beneficiaries are organized into small collectives. A group is formed on the basis of geographical proximity, gender, age, common economic interest, and occupational homogeneity. Groups meet once a week on a regular basis to discuss the everyday issues of their members, and what action might be taken to solve them. Until the group becomes completely self-dependent, a trained community development worker of ASOD moderates the weekly meetings.

Microcredit or Microfinance Programs

ASOD runs some five projects involving 'microfinancing'. Poor and marginal Bangladeshis, comprising over 60 percent of the rural population, do not have access to banks and other formal financial institutions. Usually they borrow funds from local moneylenders, who charge very high interest rates (often varying between 100 to 300 percent per annum). It is considered that ASOD's microfinance program would aid them in obtaining finances–as well as material goods–at a relatively low interest rate which, in turn, would enable them to be economically self-dependent. One of the major features of ASOD's microfinance program is that it combines its financial package with other services.

ASOD assists women to obtain microcredit for a number of income- and employment-generating purposes. These include kitchen gardening, poultry and duck rearing, cow fattening, paddy husking, bidi making, milk curd making (yoghurt) and various handicrafts and small trades. ASOD experimented, for a number of years, with such projects in the districts of Rangpur and Bogra. It has also become involved with a new project in collaboration with the Ministry of Women's Affairs and Bangladesh Krishi Bank (BKB) in Sreemangal Thana of the Moulavi Bazar district. At present there are 8,000 beneficiaries who have borrowed about 43 million Takas from ASOD to finance small projects.

Microcredit Program in Rangpur District

Funded by PKSF, this program commenced in 1992. This project received an amount of Tk. 128,000,000 as a refundable credit. PKSF will charge 4 percent on this amount as a service charge at the time of refund. ASOD organizes eligible women into groups or collectives. So far 4,500 women in 180 groups are organized under this program and the members received a total of Tk. 28,730,500 till December, 1997.

Success of ASOD's microcredit program in Rangpur

This is one of ASOD's most successful programs and the reason for this success is the rigorous member selection procedure and hard work of the field workers to ensure repayments of credits. Successes include:

- Credit recovery of 98.4 percent.
- Members are developing the habit of saving (the savings under this program is Tk. 2,400,000). By forcing the members to save, ASOD is laying the foundations for a secure future for them.
- Members have been able to enhance their economic and social capabilities through their involvement in the training process and their experiences with income-generating small enterprises.
- None of the members made any allegation of bribery in the credit disbursement process. This is a culture developed by most credible NGOs in Bangladesh. It should be noted that, in contrast, bribery remains an intractable problem in the governmental banking sector.
- Employer-employee relationships are viewed as healthy.
- The relationship between the provider and program recipients is also good.
- Staff and officials involved in this program seem to be satisfied with their job conditions. However, many fieldworkers complained about the irregularity in the payment of their salaries.

One noticeable aspect of this credit environment is that in some cases credit money is invested into husbands' businesses. A positive aspect of this transfer of money is that women receive respect because of their creditworthiness. If the performance of ASOD is a reflection of what is happening in the project areas of similar NGOs elsewhere in the country then it may be stated without doubt that the microcredit programs for assetless women has had a significant impact on the transformation of their status in rural Bangladesh.

Homestead Gardening Program for the Underprivileged Women in Bogra District

ASOD initiated this project on its own in 1994. The main objective was to help poor women to grow vegetables in their backyards. The researcher visited the Vhurghata Vegetable Growers Association in Shibganj, Bogra, which is a self-funded microcredit program of ASOD. Initially groups are formed and provided with training on how to grow vegetables. First-time borrowers receive Tk. 1,500 to 3,000. Up to Tk. 7,000 is now being disbursed to long-term members. Until 1997 ASOD had disbursed a total of Tk. 660,000 to 600 distressed women in 30 groups.

Success of the program

- The credit recipients now grow enough to meet the market demand.
- Some of the growers have now started making profits. The members have saved Tk.89,000 with ASOD.
- Recovery of credit in this program is nearly 99 percent.

Limitations

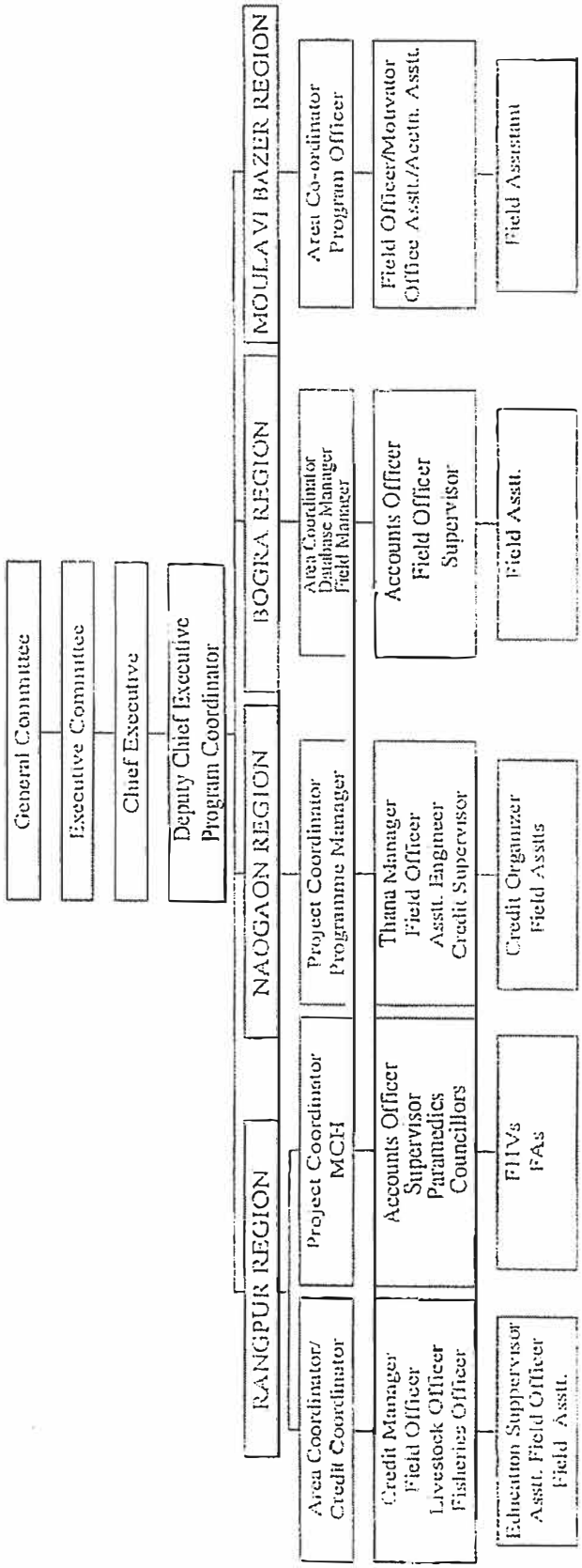
- ASOD finances this project from its general fund. Availability of funds for this project depends on the availability of money in the general fund which varies from year to year. This uncertainty creates frustration among the growers. They say that the older the program, the bigger is the size of prospective recipients, and the greater is the demand for loans. At least 50% of the members surveyed needed more money.
- In the absence of any insurance systems, crop failure is a major problem in some cases.

Integrated Adibashi Development Project, Mithapukur, Rangpur

Indigenous people in this region, known as *Adibashi*, are very poor and also socially and politically marginalized. Bengali settlers have illegally evicted many of them from their properties. Because of their lower socio-economic status they find it impossible to fight legal battles to establish their rights on their own lands. This has been the prevailing social setting for decades.

The major objective of this new program of ASOD is to make the *Adibashis* aware of their rights as members of the minority community. This program also provides microcredit to these disadvantaged people so that they can develop their own source of

Figure 1
ASOD's Organizational Structure and Projects



income for self-reliance and legal assistance to establish their land rights.

I visited two collectives of *Adibashis* during the survey. The members appreciated the program and informed me that their husbands were supportive of their participation in the program. They believe that through this program they will be able to receive much-needed cash for investment – something that would help them to improve their poor living conditions. At the same time they would learn to read and write and acquire some skills through a variety of training activities. They are also hopeful of getting back their land. Members are very much aware of health and hygiene and the environment. There is no doubt that ASOD is making some contribution in this direction. But it is a matter for a detailed study to establish how much of this is for ASOD's activities and how much can be attributed to the activities of the health and social workers from the government agencies.

The Rural Women Employment-Creation Project of Sreemongal

This project has been in operation since 1994. Approximately 1400 families are involved in this project which funds various economic activities such as rice husking, cow fattening and milking, pisciculture, rickshaw pulling, and photo framing.

Performance

The Sreemongal region is considered as a socially backward and religiously conservative area, and yet many women freely came to me to discuss their situation and problems. It is almost unheard of in this part of the country that women would take the initiative to speak with unknown male officials. Obviously, this signifies ASOD's contribution to women's empowerment within this region.

Some success stories from ASOD's projects

Maya Begum

Maya Begum is a member of *Jagorani Bittaheen Mahila Dol*, an association of ASOD's beneficiaries. She has received credit three times from ASOD. The first time she received Tk. 2,000 for beef fattening, a second time Tk. 3,000 for rice husking and beef fattening and a third time Tk. 5,000 for buying and selling of cows.

I asked her how she was benefiting by being involved in ASOD's projects and she replied, "I did not have anything before becoming a member of ASOD. But by investing credit money I became the owner of some valuable assets that are now my source of regular income". She then explained how she invested the money. She initially purchased two calves, raised them for about 18 months, and then sold them for a generous profit. After receiving credit for the second time she invested the funds in a similar fashion. In addition to beef fattening she also invested in rice husking. The third time she received Tk. 5,000. With this money her husband began purchasing cows from local villages and selling them in the village *Haat* (weekly market). From the funds obtained they can easily meet their weekly loan repayments. Rice husking remains Maya Begum's side business – something which enables them to meet weekly expenditures on groceries. Over the three years Maya saved some money out of the profits from her businesses. She purchased half an acre of land and built a house on that land.

Jarina Begum

Jarina, her husband, and a six-year-old daughter are landless. Her husband was the only wage earner and the family experienced constant hardship. They could not afford to send their daughter to school. When ASOD started the program Jarina became a member of one of the groups. Initially reluctant, her husband was convinced at last that joining the group would bring some benefits to the family.

In the first year Jarina received Tk. 2,000 through the program. Since they did not have any land of their own they had to lease a small parcel of land for growing leafy vegetables. They could repay their first loan in time and became eligible for the second. Next time, Jarina received Tk. 3,000. This extra cash helped her lease more land and produce more in the second year. Her husband became actively involved in vegetable gardening. Increased manpower helped her to generate greater output and, as a result, profits increased significantly. Later, her daughter also joined the family labor force. She is now going to school – something only made possible by the extra family income accrued from investment in vegetable farming. At the initial stage, profit was invested to raise their standard of living in the form of better food, clothing and housing. They expect that in the near future they will be able to make regular savings (besides the forced savings with the group) out of the profits. Now that Jarina and her family are skilled vegetable growers she would like to borrow more from ASOD but she says that because of limited funding she might not be able to get enough credit to expand her business further.

Most members involved in kitchen gardening are doing well because they are now skilled in their profession and there is a good demand for their products. Repayment is 99 percent. Many members said that, as a result of this program, relationship between husbands and wives improved. There is a sense of cooperation among the family members. Although this social transformation is occurring slowly its continuation is crucial to a fairer and more socially acceptable form of family interaction.

There is a huge demand for credit money among the members of the collectives, but the local banks - most of which are publicly owned - are reluctant to lend money to ASOD's beneficiaries. Part of the explanation for this is that petty jealousies prevent full cooperation. For example, the local banks recognise that similar kinds of projects to those of ASOD, funded by the Bangladesh Krishi Bank, are often failures. In contrast, the one supervised by ASOD has had one hundred percent success.

The stories above are testimony to the fact that ASOD has been successful in achieving one of the major objectives of its microcredit program, that is, making assetless women self-reliant. Because of their involvement in a microcredit program they have gained status within the family and the society, which is reflected in their ability to decide on family matters and to participate in social activities. Although microcredit does not address all the barriers to women's empowerment, microfinance programs, when properly designed, have an important contribution to make to women's empowerment. However, it is difficult to expand further the economic activities of landless women like Maya and Jarina. Such people rarely have access to space - other than their courtyards - to raise goats and poultry, and grow vegetables. Nevertheless, their conditions can at least be improved and stabilized at a level just above subsistence and, moreover, they can be assisted to become self-dependent instead of aid-dependent.

It may be noted that there were not many cases of failure among the ASOD members. Only two individuals lost their membership due to irregular repayments simply because they did not have the ability to utilize the credit money and the opportunities that came with it. These cases reveal that even microcredit cannot benefit all poor. There is a need for developing special programs for those poor individuals in the community who cannot take advantage of supervised loans.

Organizational Capacity of ASOD in Delivering Services

From the beginning of 1996 staff members of ASOD completed training on managerial capacity building. The purpose of the training was to develop skills in bookkeeping, account management, finances, staff management and staff relations. The staff members learned a great deal including staffing policies and service rules. Consequently, ASOD is practicing and maintaining better staff management and financial accounting.

ASOD has rejected the traditional top down approach to development planning. It consults with the beneficiaries before planning a project. However, as mentioned earlier, many field workers complain that their salary is not adequate to maintain their own subsistence level – and that it is not paid by ASOD on a regular basis. ASOD's management authority admits that there has been irregularity in payments, but believes it cannot solve this problem unless it receives direct funding from donor bodies.

The Relationship Between ASOD and the Donor Organization: Its Impact on Service Delivery

The involvement of NGOs with government agencies, in terms of partnership in development initiatives, is becoming a common feature of such projects. This involvement has broader implications for the NGO movement in Bangladesh in general, but it also has, in particular, serious implications in limiting capabilities of smaller NGOs such as ASOD.

Following the success of the major NGOs in Bangladesh in the 1980s and repeated failure of the government to effectively reach the rural poor through its various rural development programs, international donor organizations including various agencies of the UN, the EEC, The World Bank, The Asian Development Bank, and the IMF became convinced that development services would be better delivered through NGOs. The Bangladeshi government, one historically dependent on foreign development aid, had no choice but to accept the conditions of the donor organizations mentioned above. However, there were not many existing organizations like BRAC, GB, *Gonoshastho*, and *Proshika* to meet the demand created by the donor organizations.

Consequently, the government devised a short-cut route to receive foreign development aid as well as satisfy the donor organizations. It decided to distribute 'development tasks' – or development

projects that were designed by the government bureaucrats – to the NGOs through a competitive tendering or bidding process. A large number of NGOs sprung up virtually overnight to take advantage of the lucrative foreign aid in the 1990s. Development projects became a commodity or a franchise, a process which could be termed the 'McDonaldization of development'. However, one of the most important aspects of this McDonaldization of development in relation to our evaluation is that it has completely transformed the culture of the development movement, resulting in very negative consequences for development. McDonaldization has helped the government bureaucrats to retain financial and legal control. It has enabled the bureaucrats to continue to misappropriate public funding.

The following case study demonstrates how the new relationship between the government and the NGOs has affected the development process in Bangladesh.

A Case History

In the late 1980s the government of General Ershad received a fund from foreign donors to set up 'ideal villages', locally known as *Adarsha Gram Prokalpo*. The basic aim of the *Adarsha Gram Prokalpa* was to make village communities develop in a way which would allow all families to reach a level above subsistence, and to ensure all villagers attained good health, education, and standard of living. As appeared in the plan the imagined villages of peace and prosperity were to be constructed in two phases, each of which were to be completed in a year. The authority set up these two phases on the assumption that the 'illiterate' villagers needed (1) social preparation and (2) money/cash capital to put them on the route of development.

As with many other development projects in this country, this project also became the victim of a bureaucratic tangle. The NGOs which became the successful bidders of the project did not receive, in sufficient time, the money that the government authority promised to deliver to allow implementation of the vital activities of the project. ASOD received a large part of the bill of phase one almost at the end of the year. When it received clearance to get the loan to finance micro projects for its beneficiaries only six months were left to complete the project. The NGOs found it absurd to implement the project in half the anticipated time, a demand which was unrealistic. But the bank was ordered not to issue new loans to the NGOs and recover the loans as quickly as possible.

The consequence of this was especially grave for ASOD. When the villagers came to know that they were to repay the loan, they refused to do so. They claimed that they invested the money only recently, and it would be financially undesirable if they were forced to withdraw it. ASOD failed to recover the money from the villagers yet, in this case, was forced by *the Adarsha Gram* authority to repay about 1.6 million Takas to the authority.

Discussion

The outcomes of ASOD's microcredit projects have demonstrated conclusively that when women are provided with even minimal economic support they are capable of making good investment choices and, eventually, of providing for themselves and their families. The provision of microcredit to asset-less women is one of the success stories of ASOD. The change in status which results from this must be viewed as one of the 'quiet', but ultimately profound, catalysts in the transformation of rural Bangladesh.

Despite the social benefits, as revealed above and earlier in the paper, it must be stated that economic progress is not always matched by political progress – particularly for women (see for example Kabeer, 1998; Cheston, 2000). The point here is that women are not being *empowered* in the way that might assist them in both understanding, and changing, the social and political structures which continue to oppress and marginalize them. Also questions may be raised about the ability of microcredit programs to open up greater opportunities in life. There are not many examples where a member of a microcredit program has been able to make significant achievements in economic, social and political terms. That means, services provided by the NGOs are in many cases ensuring self-reliance, but only at a subsistence level.

ASOD has a very high dependence on both foreign and national development aid which is true for most smaller NGOs in Bangladesh. For the future, reduced reliance on such aid is likely to give microfinance organizations a much more secure basis to expand their operations. Just as they seek to promote 'self reliance' among their clients, so they should promote self-reliance within their own structures. The question is how this self-reliance might be achieved. As mentioned earlier, the big microfinance institutions like Grameen Bank and BRAC have their own profit-making ventures. They are now less dependent on external funding. Whether the smaller NGOs can seek self-reliance through a similar process is still an unexplored area in the microfinance debate.

The service delivery mechanisms through field level workers are not sustainable at its present state as many field workers are dissatisfied about their working and financial conditions. Financial success at the field level can be attributed to the hard work of honest workers. But dissatisfaction may promote dishonesty in the long run. However, the ASOD administration cannot always be blamed for the unsatisfactory work conditions. It is largely due to the fact that ASOD itself does not get loans from PKSF and donor agencies on a regular basis. As mentioned earlier, the credit disbursement process to the small NGOs are flawed and characterized by irregularity.

In order to resolve the problem of irregularity and uncertainty in funding, the donor organizations should be allowed to monitor disbursement of the fund on the basis of the progress of the project. They should also be able to circumvent the government bureaucracy if delays occur, and in situations where the donors are happy with the activities of the NGO. Accordingly, donor organizations must find a way to reduce bureaucratic control if they are genuinely concerned about implementing development projects in Bangladesh. After three decades of experience in microcredit, it is generally acknowledged that NGOs should not be seen as a substitute for the government. Rather they should be complementary to each other. Government should monitor NGO activities to ensure accountability and to uphold the rights of the citizens. Similarly, donor agencies should seek better governance and accountability from the government. In the absence of a good government, some NGOs have become very powerful in the recent past. Lack of transparency and accountability has led to corrupt practices among them.

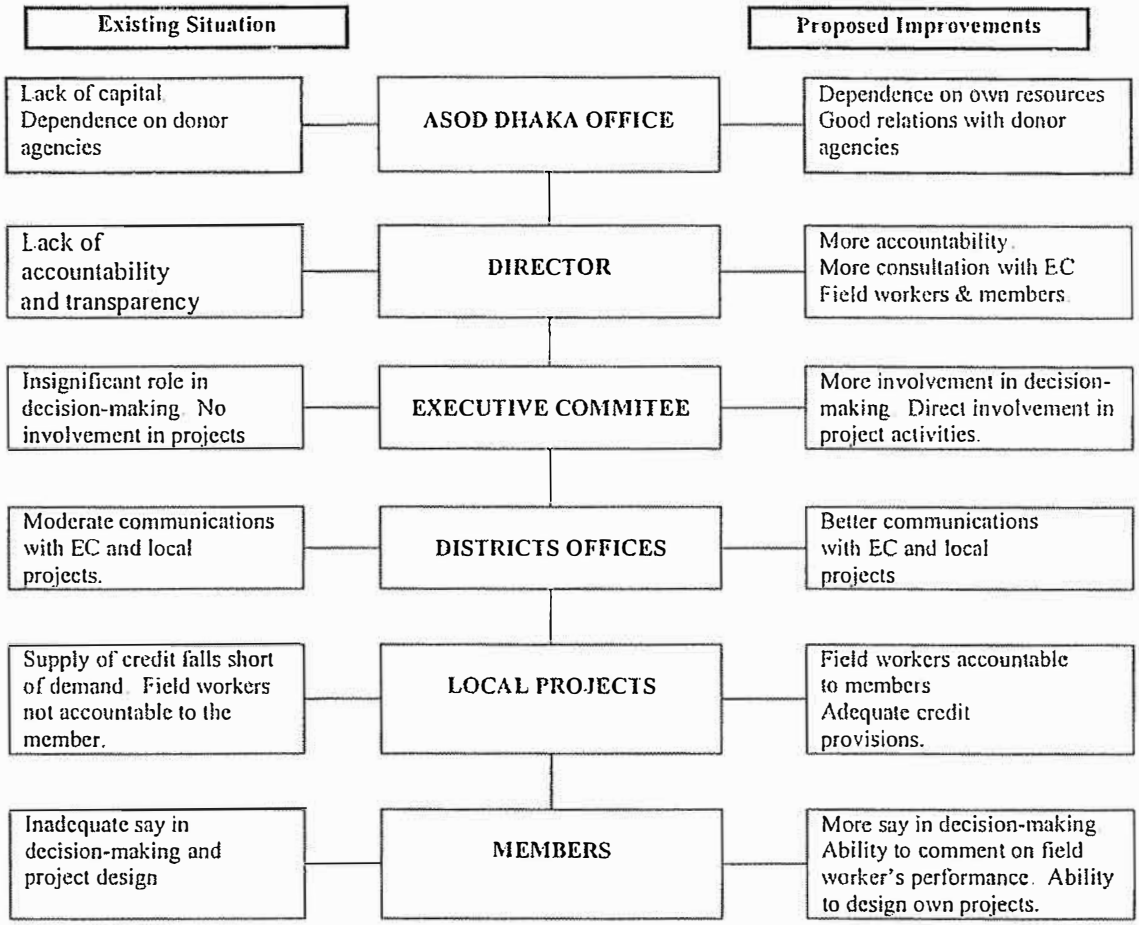
Donor agencies can take a number of initiatives in order to reach and support grassroots microfinance institutions:

- They should declare what percentage of funds going to finance small projects should actually be committed to smaller NGOs. Progress should be monitored on a regular basis.
- Streamline credit disbursement process for smaller NGOs.
- Steps should be taken to build non-governmental sustainable wholesaler microcredit funds at the local level and channel donor funds to these institutions to initiate and support local microcredit programs (Ahmed, 2000; Yunus, 2000)
- Screen and monitor smaller NGOs according to some standard criteria
- Provide incentives to successful projects.

Conclusion

Major NGOs in Bangladesh have been very successful in providing goods and services to the rural poor. Their geographic coverage is also significant. However, smaller NGOs do not necessarily share similar success and coverage. Empirical studies reveal that ASOD has achieved significant success in its microfinance projects. But whether its success is sustainable is yet to be established, for it is highly dependent on external funding, its work force is dissatisfied, and it is not capable of providing as much credit as required by its recipients. As discussed earlier, there is a need for rethinking about the government's policy on smaller NGOs and the way their funds are made available. There is also a need for further research on the status of smaller NGOs and to develop appropriate models through which their effectiveness can be enhanced (see Figure 2), so that the majority of NGOs can take the role of enabler among the rural poor.

Figure 2
A Model of Sustainable Service Delivery of ASOD



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Acknowledgement

I am grateful to the two unknown reviewers for their constructive comments on an earlier draft of this article.

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