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Abbreviations

| | | |
|-------|---|---|
| ADAB | - | Association of Development Agencies in Bangladesh |
| ADB | - | Asian Development Bank (or "the Bank") |
| ASA | - | Association of Social Advancement |
| BKB | - | Bangladesh Krishi Bank |
| BRAC | - | Bangladesh rural Advancement Committee |
| BRM | - | Bangladesh Resident Mission |
| DWA | - | Department of Women's Affairs |
| EPI | - | Expanded Program of Immunization |
| FORAM | - | Forum for Regenerative Agricultural Movement |
| GK | - | Gonoshahasthaya Kendra |
| GNCC | - | Government/NGO Consultative Council |
| GO | - | government |
| IFAD | - | International Fund for Agricultural Development |
| MOEF | - | Ministry of Environment and Forest |
| NGO | - | nongovernment organization |
| PKSF | - | Palli Karma Sahayak Foundation |
| RDRS | - | Rangpur Dinajpur Rural Service |
| TNO | - | <i>Thana nirhabhi officer</i> |
| UNDP | - | United Nations Development Programme |

ADB

A Study of NGOs

Bangladesh

1999

INTRODUCTION

NGO Origin

The roots of nongovernment organizations (NGOs) in Bangladesh can be traced back to the colonial period, when private charities and philanthropic groups were formed to establish or maintain schools, hospitals, and orphanages.

While NGOs existed in the former East Pakistan, the impetus for the birth of development NGOs in Bangladesh came in the wake of the terrible cyclone of 1970 and the War of Independence in 1971. Initially, NGOs were oriented toward relief and reconstruction. They worked on a geographic area basis and helped communities recover from the floods and the war by bringing basic supplies into affected areas and distributing them. Some organizations were influenced by the Comilla Experiment of the 1960s and looked to provide a way in which poor farmers could improve their prospects through village-level cooperatives.

By the end of the 1970s, the realization that the community approach was failing to channel resources to the poorer members of the class-based village society led to the adoption of the target approach. This approach targeted assistance at the poorest members of the community.

During the 1980s, the targeted approach was refined and developed. Many NGOs felt that the poor were best helped by encouraging them to mobilize themselves around issues. Following the practices of Latin American NGOs that had developed the work of Paulo Freire, Bangladeshi NGOs adopted the approach of "conscientization" in hopes that this would empower the poor to improve their own lives by demanding justice from the State.

Four current trends in the Bangladeshi NGO community can be:

- replication by small NGOs of models developed by larger NGOs
- organizational expansion of a few NGOs with funds from aid sources
- regularization of programs
- the tendency of large, well-funded NGOs to enter into contracts with the Government for training and project implementation

Meanwhile, another transformation had been taking place in government institutions. Inefficiencies in delivery of goods and services led the Government, with support from its development partners, to take measures to break monopolies and allow the market mechanism to operate. The vacuum created by the failure of either the Government or the market to deliver services was filled by NGOs.

Significance of NGOs

Bangladeshi NGOs had a noticeable impact on society by program innovation in development efforts. The recognized success stories in microcredit, nonformal education, and primary health care, by the Grameen Bank, the Association of Social Advancement (ASA), the Bangladesh Rural Advancement Committee (BRAC), and Gonoshahasthaya Kendra (GK), are being replicated in other countries. There are three different perspectives regarding the significance of NGOs in Bangladesh:

- NGOs are a force for democracy with alternative development models and empowerment of disadvantaged groups and the community
- NGOs have particular strengths in poverty reduction and sustainable development
- NGOs enhance efficiency of public sector service delivery

NGOs in Bangladesh have concentrated their efforts in the following:

- microcredit
- employment and income generation
- formal and nonformal education of children and adults
- health, nutrition, and family planning
- establishment of effective democratic processes at the grassroots level
- women's rights
- environment
- poultry and livestock
- water supply and sanitation
- human rights and legal aid

NGOs are also becoming increasingly significant in their public policy advocacy roles. Major issues taken up so far have been drug policy, breast feeding, reproductive rights, land reform, rights of tribals, primary education, and flood action. With increasing emphasis on policy advocacy, NGOs working in these areas are showing much promise.

Types of NGOs

There are probably more NGOs in Bangladesh than in any country of comparable size. Currently more than 20,000 NGOs of various types are registered in the country. An unknown number have not registered. Registration is not mandatory unless the NGO wishes to engage in transactions with the Government.

Most NGOs are registered as voluntary agencies with the Department of Social Welfare, but significant numbers are also registered with the Registrar of Societies, with the courts as trusts, or with the Ministries of Religious Affairs; Youth and Sports; Women and Children Affairs; Cooperatives; and Health and Family Welfare. In addition to any of the above, registration with the NGO Affairs Bureau is also necessary in order to be eligible to receive foreign funds.

All types of NGOs exist in Bangladesh: organizations run by individuals, nonprofit contractors for public services, providers of services to the poor, networks, funding agencies, operational and implementing NGOs, advocacy NGOs, professional associations, religious societies, community associations, cooperatives, poor people's organizations, mass organizations, and others. These organizations operate at all levels—international, national, *thana* district, and grass roots. It is, useful, however to distinguish between membership and nonmembership organizations in the context of governance and accountability.

Membership organizations serve their own members, while nonmembership organizations help others. From a functional aspect, NGOs can be grouped as welfare, relief, research, advocacy, and development organizations. The term "NGO" is used to describe organizations that receive foreign funds and work toward development.

Growth and Funding of NGOs

As of March 1997, the number of foreign-funded NGOs registered with the NGO Affairs Bureau was 1,151.

Table 1 shows that over the past six years the number of NGOs has increased substantially. As the number increased so did the range of activities. It is estimated that NGOs currently work in about 78 percent of the villages in Bangladesh. There is no information over time on the total amount of finance handled by NGOs. Since 1991, the NGO Affairs Bureau has maintained records of only foreign-funded projects. The most commonly cited figures suggest that NGOs receive about 15 percent of the aid provided to Bangladesh each year. In fiscal year 1993/94, NGOs received some \$308 million in foreign funding, almost double the amount received by the sector in 1990/91, at \$169 million. During the last decade, about 100 NGOs disbursed an estimated \$1 billion among 3.5 million borrowers.

Table 1: Growth of Foreign-funded NGOs in Bangladesh

| Period | Number of NGOs | | |
|--------------|----------------|---------|-------|
| | Local | Foreign | Total |
| Through 1990 | 293 | 89 | 382 |
| 1990/91 | 395 | 99 | 494 |
| 1991/92 | 521 | 111 | 632 |
| 1992/93 | 596 | 126 | 722 |
| 1993/94 | 684 | 122 | 806 |
| 1994/95 | 848 | 138 | 986 |

Source: Compiled from NGO Affairs Bureau database.

NGO Coordination

Links and coordination among NGOs occur through a variety of issue-based forums. The largest coordination body for NGOs in Bangladesh is the Association of Development Agencies in Bangladesh (ADAB), which was founded in 1975 as a forum for international NGOs. ADAB itself is registered as an NGO and has now grown into a membership organization of nearly 800 NGOs, representing both international and local NGOs. Local NGOs are organized under chapter networks located in 14 greater districts of the country. Membership in ADAB is still voluntary, although the current leadership advocates membership as a prequalification for government development projects.

ADAB's mandate and membership composition make it a key organization. As an apex body of Bangladesh NGOs, ADAB performs several critical functions. It helps bring about meaningful coordination of the NGO activities, provides technical and advocacy support to small NGOs, and facilitates contacts between the Government and society at large. ADAB's role during the movement for the caretaker Government in 1996 enhanced its importance to the party in power. The World Bank study, *Pursuing Common Goals: Strengthening Relations between Government and Development NGOs*, recognized ADAB as an apex body of NGOs and this recognition strengthened ADAB's standing with the Government as an institution relevant for policy interventions. The acceptability of ADAB by the current Government is reflected by the organization's inclusion in many national committees and commissions.

The NGO Sectoral Networks

Since the explosion of NGO activities in the country, the organizations have tended to group themselves into networks around particular themes. The oldest of these networks are the Voluntary Health Services Society and the NGO Forum for Drinking Water and

Sanitation. During the last few years, NGOs have been set up representing the full range of NGO activities.

The normal functions of the networks are to organize interested NGOs together to improve their professional competence in a particular area, and to help them access resources. Besides financial resources, these resources could be training, study tours, interproject visits, or discussions. Association with such networks is voluntary. The networks can be formal and registered, or informal with a rotating secretariat. In many cases, such networks are interested in learning about government policies and practices in their fields of interest. Sometimes networks are formed to lobby the Government on such issues as environment. Sometimes a secretariat is formed, becomes an organization in its own right, and is given a mandate by its members to speak to the Government on the group's behalf. This has been the case with the Campaign for Popular Education, the Coalition of Environmental NGOs, and the NGO Forum on Water and Sanitation.

ADAB's Effectiveness

ADAB's success in performing its mandated functions of advocacy, coordination, and improvement of NGO services has been mixed. Its achievements in lobbying the Government for rationalizing NGO regulations have been noteworthy. ADAB has successfully collaborated with the Government in the preparation of the National Environmental Management Action Plan. It has effectively demonstrated that, during natural disasters, it is able to coordinate relief activities in the disaster areas. During preparation of microcredit, environment, and community forestry projects, ADAB, when requested, has played a critical role in arranging participatory discussions among local and national NGOs. It has played a major role in increasing cooperation between NGOs and strengthening the capacity of small NGOs through training programs.

The increase in the number of active members of ADAB reflects its importance to the NGO community. It is generally felt that while ADAB is on the right track on a national level, it needs to strengthen its operations at the chapter levels. Moreover, ADAB needs to address the emerging issues of NGO quality and, by implication, better government/NGO (GO/NGO) relations. ADAB is currently playing a very important role in a Bank technical assistance to strengthen GO/NGO relations. The fact that ADAB can nominate 6 of 23 members in the Government/NGO Consultative Council (GNCC) is significant in its effectiveness in influencing policy issues. However, ADAB's involvement with the Government is feared by many other NGOs as detrimental to the nature of their programs and personality. Large NGOs such as GK, ASA, and Swanirvar have decided to stay outside ADAB, raising doubts about the universal acceptability of ADAB to speak for the NGO community.

GOVERNMENT POLICY TOWARD NGOS

Rules and Regulations

Development NGOs in Bangladesh can obtain legal status and be registered under any one of four laws:

- **Societies Registration Act of 1861.** This law was introduced by the colonial administrators of the Indian Empire and some of the oldest NGOs in Bangladesh are registered under this act by the Registrar of Societies. Although the act is still valid in Bangladesh, some NGOs told a World Bank study team that the Registrar had discontinued registering NGOs under the act because it was soon to be reviewed.
- **Trust Act of 1882.** This act is still valid today and is administered by a Registrar of Trusts who registers deeds of trust without involving any government ministry. The law does not specify the nature of the deed of trust, which leaves much scope for the organization. Only a few NGOs are registered under this act.
- **Companies Act of 1913.** This act, which was amended in 1964, was intended to provide a legal form and status for private trading companies, but it also contains a provision for registering nonprofit companies. The act provides a strong legal identity and some NGOs and autonomous government bodies (e.g., Palli Karma Sahayak Foundation or PKSF) have registered under this act.
- **Cooperative Societies Ordinance of 1964.** This law was enacted specifically for cooperatives and is rarely used by NGOs, although some voluntary organizations consider their activities to fall under this category.

NGOs are also required to adhere to a number of ordinances and regulations that govern their activities. While an NGO can achieve legal status under one of the above acts, it cannot operate unless it fulfills the following requirements:

- **The Voluntary Social Welfare Agencies (Regulation and Control) Ordinance, 1961.** This ordinance requires all NGOs to register with the Department of Social Welfare, including organizations that must also register with the NGO Affairs Bureau in order to receive foreign funds. The procedures are simple but the relevance of the procedure is under question.
- **The Foreign Donation (Voluntary Activities) Regulation Ordinance, 1978.** This law was passed by the martial law Government, possibly to control the flow of foreign funds to political parties in Bangladesh.
- **The Foreign Contributions (Regulation) Ordinance, 1982.** The ordinance of 1978 was amended by the military Government in 1982 to become The Foreign Contributions (Regulation) Ordinance. The new ordinance widened its coverage by including all contributions, thus making it necessary for NGOs to seek government approval before traveling abroad on a foreign grant. Such requirements have been relaxed, but NGOs still need to inform the NGO Affairs Bureau before traveling abroad.

The need to update and unify the collection of rules and regulations has long been felt. The recent World Bank Report *Strengthening Relations between Government and Development NGOs* recommended that all existing laws and regulations be harmonized to remove inconsistencies. With this in mind, the Government initiated the drafting of a consolidated act suitable for NGO activities.

Regulatory Agencies

Two government agencies responsible for the registration and monitoring of NGOs in Bangladesh are the NGOs Affairs Bureau and the Department of Social Welfare.

NGO Affairs Bureau

The NGO Affairs Bureau, in the Secretariat of the Prime Minister, was established in 1990 with the authority to register and regulate all NGOs seeking or receiving foreign funds. In 1997, 1,112 NGOs are registered with the Bureau. Of these, about 150 have foreign origins. Prior to the formation of the Bureau, NGOs were subjected to complex sets of rules and procedures; the Bureau was established to provide a "one-stop service" for NGOs. The aim of the Bureau is to ensure quality performance of the NGO sector and its accountability to the State. The functions of the Bureau include:

- registering NGOs, processing and approving NGO project proposals, and approving disbursement of project funds

- approving appointment and tenure of services of expatriate officials and consultants
- reviewing and commenting on the reports and statements submitted by NGOs
- coordinating, monitoring, inspecting, and evaluating NGO programs
- identifying and approving chartered accountants for auditing NGO accounts
- realizing fees/service charges from NGOs
- conducting field inspections of NGO income and expenditure
- maintaining liaison with NGOs and funding agencies

Department of Social Welfare

Under the Voluntary Social Welfare Agencies Ordinance of 1961, all organizations intending to provide voluntary social welfare under any one of 15 areas specified in the ordinance had to register with the Department of Social Welfare. The regulation applies to all NGOs, including those receiving foreign funds. The procedures are simple and a large number of NGOs are registered with the department. However, it does not have the capacity to monitor the NGOs it registers, or much knowledge of or influence in the development of the NGO community.

Department of Women and Children Affairs

In addition to the NGO Affairs Bureau and the Department of Social Welfare, the Department of Women and Children Affairs takes an active interest in NGO activities in Bangladesh, especially those affecting women. The department maintains a register of NGOs and provides assistance in coordination and providing resources and skills. It also channels Bank project funds to NGOs for operating microcredit to the rural poor.

The Evolution of Policies

In the years following Independence in 1971, a large number of voluntary organizations emerged to deliver relief and reconstruction assistance, much of which was supported by foreign donations. During this period a number of political parties were also formed and it is reported that many of them received donations from abroad. The Government became concerned about the flow of foreign funds and moved to exercise control. The passing of the 1978 Foreign Donations (Voluntary Activities) Regulation Ordinance, which stipulated the necessity of government approval for the registration of an NGO, as well as government approval of their projects and budgets, was considered by many observers to reflect the Government's desire to regulate the proliferation and flow of foreign funds to NGOs.

In the 1980s, the size of NGO operations continued to grow dramatically and the government machinery through which NGO proposals and projects were administered bogged down. In 1989, NGOs urged the Government to set up an office for their relations with the Government. By this time, the Government felt that NGOs should be controlled by the same sort of regulations that its own departments had to follow. While the establishment of the NGO Affairs Bureau in July 1990 reduced the bureaucratic steps to be followed, it further formalized NGOs as organizations that needed to be regulated and controlled by the Government.

In 1990, NGOs began to narrow their focus into a range of roles quite different from those of earlier decades. NGOs anticipated the lifting of controls and growing impetus to reform and privatize the commercial sector. It was logical to wonder why these forces should not develop in the nonprofit sector. NGOs started looking at the limits of project-based development, and examining the possibilities of lobbying the Government to change its policies. NGOs also started moving from focusing on a scattered series of independent microprojects to take on work that eventually rivaled government departments in size.

NGO Sustainability and Tax Policy

Neither external funding agencies nor the Government want NGOs to remain dependent on foreign funding. Several NGOs, keen to increase their sustainability as organizations, have established commercial operations that turn a profit. NGO fund-raising activities in Bangladesh have raised new concerns about the Government's tax policies as they apply to NGOs. New policy issues raise important questions:

- Does the current tax regime in Bangladesh stifle NGO initiative or provide incentive?
- Do the taxation policies make it difficult to receive donated goods or foreign funds?
- Do the policies hinder local philanthropy or income-generating activities of NGOs?

Theoretically, all nonprofit organizations are exempt from corporate tax and few NGOs in Bangladesh are required to pay corporate income tax. Since fiscal year 1989/90, however, many large NGOs have been served with income tax assessment notices. The NGOs refused to pay and appealed to the tax tribunal. The major point of dispute relates to transfer of surplus (profit) from commercial ventures (either registered separately or operated as projects with the core program) to the institutional budget.

It is significant that the question emerged from the diversification of NGO activities in pursuit of financial sustainability.

The Policy Environment for NGOs

The GO/NGO relationship in Bangladesh has a history of varying from close cooperation to tension. Perhaps the biggest challenge, as a 1995 study by the Bank notes, is to distinguish between the underlying policy trends in government and the problems that inevitably occur in day-to-day relations. However, one can certainly affirm that GO/NGO cooperation is increasing and the overall picture is certainly optimistic.

GOVERNMENT/NGO RELATIONS

Nature of Government/NGO Relations

Effective and meaningful collaboration between the Government and NGOs has become imperative for both partners in accelerating the poverty reduction efforts currently pursued by the country.

In recent years, a number of government ministries and departments have established procedures and workable mechanisms for collaboration with development NGOs to implement projects and activities under the Perspective Plan for Bangladesh. The NGO Affairs Bureau is the focal point of GO/NGO collaboration. In the implementation and monitoring of the NGO programs, the Government follows several principles:

- Participation of NGOs in development activities will be encouraged, provided their activities do not conflict with government policy or national security.
- NGOs should not undertake any programs that arouse religious sensitivities or have any adverse affect on the culture of the country.
- NGOs should work within the national legal framework and government policies.
- Projects included in the national development plan of the Government or specific parts thereof may be implemented through the NGOs.
- NGOs should confine their activities within the projects approved by the Government.

The Government currently implements a wide range of projects and programs involving NGOs. These include health and family planning, credit, environmental protection, plantation and social afforestation, self-sustained agricultural development, distribution of seeds and fertilizer, aquaculture, mother and child health care, food-for-work programs, mass education, immunization, supply of pure drinking water and sanitation programs, rehabilitation of refugees, disaster management, and relief programs.

In the field of family planning, cooperation between government and NGOs is particularly close. In June 1994, a National Steering Committee for the Future Challenges in the Family Planning-Mother Child Health Program was established under the chairmanship of the Minister for Health and Family Welfare. The committee meets twice a year and there are 49 members, including key government representatives, all pertinent

funding agencies, and NGOs working in the field of health and family welfare. The member secretary of the committee is a representative of an international NGO, the Population Council.

The planning and coordination work of the committee is conducted through nine working groups, each in an area identified for priority action. Each group is chaired by a government official and the member secretary is a representative of an NGO or international agency. The groups are responsible for setting their own meeting schedules (usually monthly), prioritizing their own actions, and developing and overseeing detailed activity plans. Committees have also been established at the district and *thana* levels, and these committees have subcommittees to plan and monitor activities in their own areas. The structure has worked effectively over the past few years and significant progress has been made in implementing the National Action Plan for family planning in a cooperative way.

Local Government and NGOs

The *parishads* or unions are primarily involved in arbitration and mediation (*salish*) of local disputes and conflicts. They are also involved in meetings and other organizations and NGO forums at the local level. Such activities include education, health and sanitation, legal and service, and worker safety.

According to an NGO official, the *parishads* have an important role in group activities. They take the initiative in selecting sites for schools and involve themselves in social mobilization for such programs as literacy, sanitation, women's rights, and environment by participating in group meetings. The *parishads* can also play an important role in baseline surveys, in fair distribution of *khas* (government-owned or public) land, and in disaster preparedness and management activities.

Table 2 is a matrix describing the relationship between the Government of Bangladesh and NGOs.

Table 2: NGOs and the Administration System of Bangladesh

| Administration Unit | Reports to | Cooperation with NGOs |
|---|--|---|
| <p>Division 6 divisions in Bangladesh, each headed by a commissioner, e.g., Dhaka Division</p> <p>Appointment by Central Government</p> | <p>Department of Establishment</p> | <p>None</p> |
| <p>District 64 districts in Bangladesh headed by a deputy commissioner</p> <p>Appointment by Central Government</p> <p>Contain 5-10 <i>thanas</i></p> <p>Key coordinator of government services at the local level</p> <p>Chairs many local committees</p> | <p>Divisional commissioner</p> | <p>In most districts there are monthly meetings with NGOs.</p> <p>The relationship appears to vary from information sharing to a means for the Government to convey policy decisions and information on regulations.</p> |
| <p>Thana 464 <i>thanas</i> in Bangladesh, each headed by a <i>thana nirbahi</i> officer (TNO)</p> <p>Appointment by Central Government</p> <p>Contain 5-10 <i>parishads</i> or unions</p> | <p>Reports to deputy commissioner but <i>thana</i>, department, and project officers may report directly to their departments in Dhaka or through the district agriculture officer</p> | <p>The situation varies from <i>thana</i> to <i>thana</i>; TNOs often convene coordinating meetings with NGOs.</p> <p><i>Thana</i> ministry officers also convene coordinating meetings, e.g., <i>thana</i> education coordination meetings. NGO participation in these meetings also varies from <i>thana</i> to <i>thana</i>.</p> |

Source: TA 2088-BAN: *Institutional Strengthening* for Government - NGO Cooperation for \$325,000, approved on 27 April 1994.
Note: A *thana* is an area under the jurisdiction of a police station.

A Commission on Local Government has been addressing the issue of strengthening the role of local government in local development affairs. It is expected that enhanced interaction between NGOs and the local government system will be addressed. While local administrators often have limited time and resources to attend to the activities of many small and medium NGOs, future reforms in the local government structure will need to address this aspect of the relationship.

Government/NGO Consultative Council

In late 1994, the Government accepted a technical assistance from the Bank to address strengthening of GO/NGO cooperation. The objective of this project was to help achieve greater involvement of NGOs in the design and implementation of the Government's poverty reduction efforts. The project was designed to achieve this by

- establishing effective mechanisms for GO/NGO cooperation;
- strengthening the NGO Affairs Bureau; and
- providing training assistance to NGOs.

A joint working group composed of representatives from the Government and the NGOs was formed to facilitate the implementation of the project.

The key objective of this technical assistance was the formation of a Government/NGO Consultative Council (GNCC) to provide a regular forum for dialogue between the Government and NGOs on ways to increase cooperation. The joint working group proposed the following objectives for the GNCC:

- provide a forum for dialogue between the Government and the NGOs with a view to increasing mutual understanding and cooperation in efforts to reduce poverty;
- develop an improved policy and institutional environment for GO/NGO collaboration;
- formulate modalities for greater involvement of NGOs in the design and implementation of the Government's development projects; and
- improve the regulatory system governing NGOs and streamline administrative procedures.

The Council has 23 members and includes six representatives nominated by the Government from appropriate ministries and six NGO representatives nominated by ADAB. The chairperson is appointed by the Government and the Director General of NGO Affairs Bureau is the Member Secretary.

The formation of GNCC is viewed as a highly positive initiative with great potential for improving GO/NGO relations. The second meeting of GNCC was held in March 1997 and the third in June 1997. The tension and asymmetry of enthusiasm between GOs

and NGOs surfaced in the March meeting and resulted in the feeling of slight frustration among the NGO leaders. One reason for this asymmetry was the frequent change of leadership in key government positions. NGO leaders suggested that administrative personnel with knowledge of NGO activities and with a clear perspective of the complex developmental needs of the country in the present global context should be entrusted to implement the task of fostering a supportive climate for GO/NGO collaboration within the institutional framework of GNCC.

GNCC needs strengthening and will need further assistance to achieve its objectives. It is expected that both sides will make a financial commitment to enable the Council to operate. The Bank has indicated that it will not provide financial support for recurrent expenditure of GNCC meetings. The Bank has approved follow-up technical assistance to build on the achievements of the earlier project.

A range of activities have been identified as important steps to improving GO/NGO cooperation:

- **Nationwide consultation.** GO/NGO cooperation is critical at the local level, but currently the extent and nature of cooperation at the local level varies from area to area. Following the work of the Commission on Local Government, it has been proposed that a GO/NGO task force be formed to plan and implement a nationwide consultative process aimed at establishing the institutional arrangements necessary to improve local cooperation. The task force will assist the Government and NGOs in designing, developing, and implementing training programs for local Government officials and NGOs at *thana* level.
- **Poverty Foundation.** A World Bank report recommended the formation of a task force on ways to reach the poorest people and proposed that a comprehensive NGO-financing institution, perhaps called a Poverty Foundation, be established. The proposal for a task force is on the agenda for GNCC. The draft outline for the follow-up TA proposes that the Bank provide assistance for the preparation of a detailed proposal for the establishment of a Poverty Foundation. Activities proposed include a GO/NGO study tour to review similar institutions/structures elsewhere in Asia, especially the Presidential Poverty Commission in the Philippines, and funding for a comprehensive consultative process involving government, NGOs, and funding agencies in Bangladesh. It is expected that GNCC will prepare a proposal for submission to the Government recommending the establishment of a Poverty Foundation.
- **Legal framework.** The 1995 World Bank study also identified the need for a legal framework for NGOs. GNCC, which arose from the study, has agreed

to establish a legal task force to review all existing laws and regulations governing NGOs. The follow-up technical assistance includes provision of a short-term adviser to assist GNCC on legal issues in drafting legislation governing NGOs.

- **Monitoring and evaluation.** As the number and size of NGO programs in Bangladesh increases, the NGO Affairs Bureau resources are being stretched to the limit, but the Government is unable to increase the budget allocation to the bureau to increase its staff and regulatory capacity. The bureau needs to develop a monitoring and evaluation system for NGO programs based on a system of improved NGO reporting and the use of spot checks and detailed evaluations. The bureau officers will also need training in monitoring and evaluation. Cooperation of the GNCC should be sought in advising the Government on how the role of the bureau could be redefined.
- **Code of Ethics.** The growth in the number of NGOs and the size of NGO programs requires increased effort by NGOs, and particularly ADAB, to provide effective coordination. ADAB has established a code of ethics and procedures to address issues of overlap, but effective mechanisms to address NGO coordination are needed. It is recommended that the Bank provide assistance to help ADAB develop more effective mechanisms for NGO coordination and training in procedures, especially for local NGOs in the ADAB chapters.

NGO/FUNDING AGENCY COOPERATION

Bank/NGO Cooperation and Dialogue

Cooperation between the Asian Development Bank (ADB or "the Bank") and NGOs is influenced by the Bank's awareness of the need to achieve a broad consensus among stakeholders in its work. This cooperation has been evolving since the mid-1980s.

The introduction of a formal approach toward environmentally sustainable development inaugurated the cooperation phase between the Bank and the NGOs. The initial environmental examination process conducted at an early stage of project planning requires public meetings and participation on the environmental impact and mitigating measures to be adopted. Initial social analysis, which further expanded the opportunity for cooperation with NGOs, was recently added in recognition of the importance of the social aspects of the Bank's program for sustainable and people-centered development.

The Bank has made a unique contribution to improving cooperation between the Government and NGOs through the provision of a technical assistance project in 1994 that aimed to develop an improved policy and institutional environment in which both parties could collaborate more productively.

More recently, the Bank initiated projects dealing with rural development. Such projects often include an NGO microcredit financing component administered by PKSF, an autonomous and nonprofit government organization run by a group of carefully selected professionals. The goals of PKSF are to channel microcredit funds provided by the Government and funding agencies to NGOs and to monitor and supervise their operations.

The Bank has also piloted new ways to mainstream participatory development through refined feedback mechanisms during both the implementation and postevaluation stages of a project. One important demonstration of the objective has been the Bank's joining with the World Bank and Japan in technical assistance that financed an Independent Review Panel to examine the implementation progress of the resettlement and environmental action plans under the Jamuna Bridge Project. Leading NGOs are involved with the Bridge Authority Project Consultants in the process of considering the recommendations of the review panel.

World Bank/NGO Cooperation and Dialogue

In 1995, the World Bank initiated a study of NGOs in Bangladesh as one of a series of country-level studies on the policy environment for civil societies. The report, *Pursuing Common Goals: Strengthening Relations between Government and Development NGOs*, identified the potential for constructive collaboration and the necessary framework to support it. GNCC accepted the recommendations of the report as an agenda for its activities and the Government has indicated broad support for the report.

Current Modalities of Bank/NGO Cooperation

Table 3 shows the current modalities of Bank/NGO cooperation.

Table 3: Current Modalities of NGO Involvement in Bank-funded Projects

| NGO Status | NGO Role | Type of Funding | Project (Executing Agency) (Funding Source) |
|--|--|--|---|
| A. Traditional Mode | | | |
| Consultant (specialized services) primary or subcontracted (via Government or consulting firm) | Project implementation advisory (e.g., training project staff or specific technical inputs) | NGO contracted by Government under Bank loan to Government | Training and Resource Development/Integrated Rural Development (Ministry of Women and Children Affairs and Bangladesh Rural Development Board) |
| Contractor (implementation of project component) | Project implementation (e.g., beneficiary preparation and mobilization, management of health centers, accountability for small-scale water supply/sanitation projects) | NGO contracted by Government under Bank loan to Government | Bangladesh General Education Project (Bangladesh Rural Advancement Committee or BRAC, etc. to Ministry of Education) (ADB and World Bank) |
| NGO sub-contracted (via Government or consulting firm) | | | Bangladesh Third Fisheries (Caritas to Ministry of Environment and Forest or MOEF) (World Bank) Bangladesh Population 4 (Swanirvar to Ministry of Health and Family Planning) (World Bank) |

Table 3: Current Modalities of NGO Involvement in Bank-funded Projects (cont'd.)

| NGO Status | NGO Role | Type of Funding | Project (Executing Agency) (Funding Source) |
|---|---|---|--|
| Intermediary for project credit component | NGOs onlend credit to beneficiaries to support use of technical and infrastructure services offered by other components | Loan to NGO through Government or other development finance institution with grant to cover social preparation of borrowers | Bangladesh Smallholder Livestock Development (BRAC to MOEF) (International Fund for Agricultural Development or IFAD) Bangladesh Rural Women's Employment (ADB) |
| B. Sectoral Mode | | | |
| Development finance institutions (DFIs) | NGO acts like a DFI and lends either to smaller NGOs/credit cooperatives or directly to beneficiaries; performs role of credit delivery as well as savings mobilization | Loan to NGO through Government or other DFIs, with grant to cover social preparation of borrowers; equity investment | Bangladesh Grameen Bank (IFAD) Bangladesh Palli Karma Sahayak Foundation |
| C. Independent | | | |
| Collaborator | NGO program coordinated or linked with Bank-funded project, e.g., linkage of village groups to health care; however, both programs managed separately | Financing neither from Bank nor Government | Bangladesh Nonformal Primary Education (BRAC, etc.) Bangladesh Expanded Program of Immunization (EPI) (RDRS, CARE, BRAC) Bangladesh Livestock Development (BRAC, Proshika) Bangladesh Social Forestry (Proshika, Poush, BRAC to MOEF) |

Table 3: Current Modalities for NGO Involvement in Bank-funded Projects (cont'd.)

| NGO Status | NGO Role | Type of Funding | Project (Executing Agency) (Funding Source) |
|------------|--|-----------------|--|
| Advocate | Development of models for wider replication; assisting government personnel in assessment of social impact | | Bangladesh EPI (BRAC training) Bangladesh Poultry Development (BRAC) |
| Monitor | Feedback to ADB and of positive and negative social and environmental impacts of projects | | Bangladesh IPI, Health and Family Planning Program, (BRAC) Bangladesh Megna Dhonagoda Irrigation Project (Proshika) |

Source: Adapted from TA 1695-BAN: *Assessment of the Role and Impact of NGOs* for \$99,500, approved on 20 April 1992.

Government/UNDP Policy Dialogue on NGOs

The overriding objective of the dialogue between the Government and the United Nations Development Programme (UNDP) on NGOs, as reflected in UNDP's Country Programme VI CP-VI for the 1995-1998 period, is sustainable human development for the poorest and most deprived people, especially women. Under this objective, CP-VI will concentrate on five interrelated programs, which will also serve as cross-cutting themes, reflecting both the Government's national priorities and UNDP's mandate:

- poverty reduction
- environmental management
- employment generation
- women in development
- public management for good governance

These five themes will be interlinked to the extent possible, with a view to maximizing combined impact on the poor.

Through location-specific interventions, UNDP proposes to play a catalytic and facilitating role in fostering needed intersectoral relationships and partnerships between development players, with a view to providing the required enabling environment for intended beneficiaries to participate in development decisions and take action to improve their own lives. UNDP proposes to focus on groups of deprived persons, especially women, selected according to mutually agreed criteria specified in the CP-VI document. These might include, for example, unskilled women garment workers, landless peasants, marginal fisherfolk, workers in the nonformal sector in urban slums, and unemployed youth. UNDP's support would also be aimed at building the capacity of partner organizations to mobilize in ways that empower the poor and establishing needed micro-macro linkages.

National execution is recognized as the preferred and ultimate modality of management of UNDP-financed programs. National execution covers not only government execution, but also execution by NGOs (including private voluntary organizations and community-based organizations) so long as this is arranged and implemented in accordance with government policy.

Problems in NGO/Funding Agency Cooperation

A better understanding of the problems facing funding agencies/NGO cooperation is a first step in helping solve them. Since multilateral agencies provide assistance to member countries through the provision of loans to governments for development programs, closer cooperation with NGOs depends to a large extent on the policies and practices of developing country governments as regards NGOs. GO/NGO relations also vary between different ministries and departments.

The problems NGOs commonly face in the implementation phase are:

- delays in payment
- corruption
- coopting and favoritism
- lack of clear, direct funding procedures
- lack of objective selection criteria
- lack of NGO participation in designing and selection process

Delays mainly occur due to two reasons. The first concerns lengthening delays in the recruitment of consultants. The Bank feels that the delays are caused by the Government's lengthy decisions concerning recruitment of consultants. Senior government officials in Bangladesh's Forestry and Environment Department, on the other hand, have reported that they feel the bureaucracy of the Bank is responsible for the delays in recruitment of consultants. This problem is compounded, they say, by the large number of missions dispatched, even for a small project.

The second reason for delay lies in the nature of some externally funded projects that are designed to have a participatory approach. Under this approach, consultation and coordination with project beneficiaries are to be conducted prior to project implementation. It takes considerable time to field consultants and engage NGOs to engage in participatory discussions.

NGOs complain of delays arising from the specifics of loan terms. In the ADB's Coastal Greenbelt Project, for example, development NGOs were absent during the GO/NGO negotiations and were thus unable to influence the payment. NGOs also suffer from the lack of provision of advance funding. The Government cannot advance payment because the money is on loan.

Other problems faced by smaller NGOs like Thengamara Mohjila Sabuj Sangha, which would like to get involved in the Bank-funded Small-Scale Water Resource Development Project, are caused by the very nature of the contract. Small NGOs have no way to access the Bank for reimbursements and settlements in connection with project implementation. Because the Bank is distant from the project site, and because progress reports go only to the Government, a gap is created. Even executing agencies, for example, for the Rural Women Employment Project, complain about the lack of an effective monitoring system by the Bank. The absence of NGOs during the project formulation process makes NGO demands and supervision issues difficult to address.

Large NGOs, on the other hand, are able to become directly involved in the negotiating process for Bank-funded projects. BRAC, for example, was contracted to conduct the socioeconomic survey of the affected people in the project area of the Jamuna Multipurpose Bridge through this direct negotiation process.

NGOs have expectations that the Bank will help finance their own programs for long periods. While the objectives and management of NGOs making such proposals are generally sound, the Bank's policies do not currently provide for such arrangements. A wider range of opportunities such as joint executing agencies, cofinancing, and provision of funds for credit through intermediaries are needed. NGOs prefer grants to loans and would rather be a partner than a subcontractor. According to many NGOs, the cardinal point in any relationship is to support NGO flexibility and capacity to innovate. Current Bank mechanisms for cooperation with NGOs have limited flexibility.

A 1989 Bank study rightly pointed out that since many NGOs focus specifically on poverty reduction, it is unlikely that they will evince interest in projects or project components that do not focus on this target. Because project design weakness is one of the major causes of poor participation and sustainability, NGOs close to the rural poor expect to be involved at the earliest stage of any proposed collaboration. NGOs have expressed a strong preference for direct funding arrangements so as to maximize flexibility and minimize bureaucratic delays.

POTENTIAL FOR INCREASED NGO COOPERATION WITH THE BANK

NGO Expectations for Enhanced Cooperation

NGOs are generally interested in collaborating with the Bank. The reason for such strong interest in collaborating with the Bank is the desire for accessing a larger pool of funding now that bilateral contributions are declining. Large NGOs such as BRAC, ASA, and Proshika would also like to establish a collaborative relationship with the Bank.

Case Studies

Three case studies are presented to highlight the current nature of Bank/NGO cooperation.

- **Rural Women Employment Project.** Initiated as an innovative project in which most of the implementation would be conducted by NGOs, the project has been operating for several years. The case study highlights aspects of relations between the Bank and NGOs.
- **Coastal Greenbelt Project.** This project highlights the tensions that can exist in the early phases of Bank/NGO cooperation.
- **Khulna-Jessore Drainage Rehabilitation Project.** This project highlights the nature of cooperation at the very initial stage of cooperation.

Case Study 1

Rural Women Employment Project

This was an innovative Bank pilot project¹ with a number of interwoven objectives. Its primary objective was poverty reduction and creation of nonfarm income-generating activities. Its exclusive focus was poor Bangladeshi women who constitute the most disadvantaged group in society and whose productive capability can be harnessed through social training and easy access to credit. An important aim of the project was to foster GO/NGO collaboration in poverty reduction, and to harness and develop experience, skill, and flexibility of NGOs in gender empowerment and microcredit operation.

The project was designed for initial assistance for a period of three years with possible extension for a further period of three years. The original date for commencement of the project was July 1991. The project actually started in July 1992 and was scheduled for completion in June 1997. The technical assistance attached to the project was extended by two years to July 1999.

The target groups comprise 36,000 low-income women in 12 *thanas* in 12 districts.

The Department of Women's Affairs (DWA) and the Bangladesh Krishi Bank (BKB) were responsible for project implementation as the executing agencies. BKB supplied credit to target beneficiaries trained under the project through its Project Credit Department, which was provided necessary staff in each project *thana*.

Responsibilities of the NGOs under the project:

- survey of socioeconomic conditions in project areas to avoid duplication of credit programs
- identification of beneficiaries
- creation of awareness among potential beneficiaries
- assistance to poor women in forming groups of about 50 members each
- institutionalization of groups through leadership roles and creation of managerial capability
- strengthening of groups through group meetings, saving schemes
- technical support and skill training to target groups for upgrading skills and acquiring new skills

¹ Loan 1067-BAN: *Rural Women Employment Creation*, for \$8 million, approved on 13 December 1990.
Note: A *thana* is an area under the jurisdiction of a police station.

In the early stage of the project there were substantial difficulties:

- frequent staff changes
- need to refer decisions to higher levels
- lack of skilled staff
- delays, mistakes, and political interference in the selection of NGOs
- lack of cooperation between NGOs and BKB
- inadequate economic margin for NGOs to continue their activities
- separate contractual agreements with DWA and BKB, a cumbersome process that led to serious lack of coordination between the agencies and the NGOs

An independent review² found that none of the 21 NGOs selected for project implementation met the selection criteria. There was political interference in the selection of NGOs. All had three years' experience, but not all had experience in operating microcredit programs. Twelve NGOs had only limited experience in very small-scale savings generation schemes.

In many cases the selection of beneficiaries was improper. The poorest of the women, especially heads of households, were not adequately covered by the project. There were also problems in NGO performance. In Lohagora, the implementing local NGO, Palli Unnayan Procheshta, did not pay salaries to field workers over an eight-month period (May-December 1994). In Raipur another NGO did not pay salaries to field workers over a period of five months.

BKB caused serious problems in the implementation of the project. It did not appoint additional staff in any of the project *thanas* until 15 February 1995, causing delay and difficulties in credit disbursement. The disbursement was further delayed by the lack of institutional capacity in BKB. The BKB branch at Barhatta, for example, had a vault capacity of Tk80,000, while the project required Tk250,000 at any point in time. Such minor constraints affected credit delivery.

As late as 30 June 1996 no dependable relationship between the NGOs and BKB had been established. NGOs were not adequately paid for their financial services. Project supervision and monitoring deteriorated during the last year. There is also a decline in recovery rate. Chronic default occurred in some *thanas*. Some NGOs withheld money. Group meetings sometimes turned into credit collection gatherings. Beneficiaries had to wait for a year before receiving credit due to the bureaucratic procedures of BKB. NGO commitment to the project was jeopardized when their share of interest money was not enhanced.

² TA 5572-REG: *Review of Performance of WID and Poverty Reduction Efforts in Bank-Financed Projects*, for \$450,000, approved on February 1994.

Case Study 2

Coastal Greenbelt Project

This 1997-2002 project¹ aims to protect and improve the coastal environment through an expansion of the vegetation cover and reduction of local poverty through generation of new income opportunities. The executing agency is the Forest Department of the Ministry of Environment and Forest.

Project activities include embankment planting; roadside and raiiside plantations; homestead and institution plantations; experimental foreshore plantations: nursery development and upgrading; research support from the Bangladesh Agricultural Research Institute for identification and production of high-yielding seeds; training for 1,400 staff of the Forest Department in the coastal region; and public campaigns through handbooks, charts, animated videos, and dramas to raise public awareness about afforestation.

NGOs have been selected for inclusion in the project on the basis of the following criteria:

- registration with NGO Affairs Bureau
- membership in the Association of Development Agencies in Bangladesh
- experience in social forestry activities
- ties with the project area
- financial capacity
- experience and competence in group formation
- technical capacity of staff in forestry activities
- strong commitment to project activities
- compatibility with other activities of the NGO

After the shortlisted NGOs were notified by draft contract in October 1996, the Development Organization of the Rural Poor on behalf of the shortlisted NGOs, wrote in March 1997 complaining of lack of cooperation from the Forest Department, indicating that they were not even aware of the commencement date of the project. According to the NGOs, they had not received adequate information about the seven key aspects of the project from the Forest Department.

¹ Loan 1353-BAN: *Coastal Greenbelt*, for \$23.4 million, approved on 2 March 1995.

Case Study 3

Khulna-Jessore Drainage Rehabilitation Project

The project¹ aims to alleviate waterlogging caused by the Coastal Embankment Project of the 1960s and 1970s in the Khulna and Jessore region in southwestern Bangladesh. Its other objectives are to increase agricultural production and reduce poverty by providing income-generating opportunities for poor people and facilitating agro-industry through irrigation.

The project started in early 1996. By February 1997, the Emergency Action Plan of the project had undertaken drainage of two rivers, the Hari and the Hamkura, with the adverse and unexpected side-effect of inundation and waterlogging of 100,600 hectares previously unaffected by these problems, thus aggravating the initial problem.

In 1960, the Coastal Embankment Project caused massive waterlogging, reduction of biodiversity, and salinity. A number of rivers subsequently dried up. The Khulna Coastal Embankment Rehabilitation Project-I (KCERP-I) was undertaken in 1988 with a view to solving waterlogging problems of Beel Dakatia. The project was abandoned in the face of popular protest after a year. In its place a modified KCERP-II was devised. It too was abandoned.

The Khulna-Jessore Drainage Rehabilitation Project was undertaken to address the problem of waterlogging in the region and to reduce poverty. However, an appraisal of the project proposal by local NGOs has underscored several shortcomings of the project:

- No environmental impact assessment was undertaken, thus violating the Bank's environmental guidelines.
- The project is not conceptually or technically sound from an ecological perspective. There are more ecofriendly alternatives to the project.
- The project will cause silting of rivers and further waterlogging.
- The area will experience loss of soil fertility, flora, and fauna, and fish supply in the region will be decreased as a consequence of the project.

To force through their critique, NGOs have engaged in active advocacy on the matter. Responding to this criticism, the Bank undertook both environmental and social impact assessments, including explicit consideration of the concerns raised by the NGOs.

¹ TA 2012-BAN: *Khulna-Jessore Drainage Rehabilitation*, for \$920,000, approved on 14 December 1993.

Accessing NGOs

Involving small NGOs in Bank projects is fraught with difficulties. However, if small and medium NGOs are not considered for partnership, the few large ones will dominate the scene, resulting in a corporate NGO culture far removed from the innovative grass-roots development efforts the Bank wants to encourage.

A World Bank study, *Pursuing Common Goals: Strengthening Relations between Government and Development NGOs*, noted the growth of spurious small NGOs that emerged to participate in its Adarsha Gram Project, where no less than 40 of 56 contracted NGOs disappeared during the course of the project. The study cautions that in selecting NGOs for collaborative work, the Government should carefully assess each NGO's track record and status.

In accessing NGOs, the Bank should consider three issues:

- selection criteria
- mode of payment for services
- the nature of GO/NGO relations

A different issue is the perceived need for an enhanced role of the Bank's Bangladesh Resident Mission (BRM) in building links with local NGOs. It is worth noting that the BRM is critically placed in this process of finding good NGOs. Additionally, NGOs have an expectation of improved relations with the BRM.

Various practices are available for the selection of NGOs to participate in ADB projects. The consultant identified three dominant views in this regard:

- the view of the Government and its various agencies
- the ADAB view
- the view of NGOs outside ADAB

In a meeting convened by ADAB in February 1997 between NGOs and an appraisal team for the Urban Primary Health Care Project of the Bank, the ADAB Director expressed his concern over the contracting/bidding system and suggested that selection criteria could be sorted out in consultation with ADAB. This is the predominating view of the ADAB leadership.

Many large NGOs are not willing to compete for Bank-funded projects for three reasons:

- they do not want to be perceived as contractors
- the information requirements for Bank-funded projects are cumbersome and discourage them from competing
- they already have access to fund sources other than the Bank

However, obtaining the timely services of the most experienced NGOs is not usually a problem for the Bank.

The manner of recruitment depends on whether the Government or the Bank finances the NGO component.

In a technical assistance project, as opposed to a loan, it is the Bank that recruits the NGO and conducts the contract negotiations. An example is the Second Bhola Irrigation Project, for which the Bank is financing the NGO component. Interested NGOs will first be shortlisted based on experience and capacity to do the work. The next step is joint evaluation of the shortlistees' proposals by the Government and the Bank. Finally, the winning NGO is asked to submit and negotiate the financial terms of a contract. For Bank-financed activities, the NGO does not need to be a member of ADAB.

In a loan project, it is the Government that selects and contracts the NGOs. When the Government is undertaking the selection, an interested NGO must be a member of ADAB. In other respects recruitment procedures are the same. For the Jamuna Bridge Access Roads Project, for example, an NGO with previous experience in the implementation of a resettlement project was given a direct appointment. This was done to minimize delay.

Other practices have also been used. In the Bank's Rural Women's Employment Creation Project, NGOs were selected through direct contact with prospective NGOs during the first year. But in the second and third year, advertisements in the daily newspapers invited interested NGOs to bid. In order to become eligible, NGOs had to be registered with a government agency. All NGO proposals were evaluated by project staff approved by the Project Implementation Board, the Directorate of Women's Affairs, and the ministry. Separate contracts were signed with the NGOs by the directorate and BKB.

A January 1997 workshop organized by both the Ministry of Agriculture and ADAB for the recruitment of NGOs for the Forum for Regenerative Agricultural Movement (FORAM) suggested the following criteria:

- be a member of ADAB and FORAM
- have a current loan repayment rate of 95 percent
- regularly send information to the database
- have three years experience in microcredit operation
- be a legal entity
- have at least 2,000 members

For sake of transparency and to give a fair chance to all NGOs, the Government insists on selection through competitive tender. There are divergent views regarding the formation of tender committees for selection. Many government agencies are

unwilling to give ADAB full membership in the committee and non-ADAB members oppose ADAB's claim for full membership. However, most senior NGOs support preselection of NGOs using selection criteria and many proposed that the Bank be involved in the process.

A counter view is that NGO selection committees include representatives from ADAB, NGO Networks, the NGO Affairs Bureau, the Bank, and the executing agencies. However, in view of the growth in spurious local NGOs, the Bank's interest is to collaborate with NGOs who are ADAB members and encourage ADAB to develop its institutional strengthening program. The other model is to commission consultants whose terms of reference include preparing a list of potential NGOs for a specific job.

Many NGOs believe that the BRM should develop the capacity to compile a dossier on 50 NGOs and renew this list annually. As soon as an NGO is registered it should apply for accreditation with the BRM, thus helping to create a database. BRM staff may then use different criteria to select NGOs according to the size and nature of a project by convening a selection committee composed of representatives from government, ADAB, networks, the NGO Affairs Bureau, and the Bank. The Bank should be able to classify the NGOs in the database on the basis of an agreed grading system based on experience, credibility, capacity, and annual evaluation of performance in Bank-funded projects. Consultants could assist the Bank to develop this capacity. The list of potential NGO partners should be maintained at the BRM as well as at Bank Headquarters in Manila.