

Routes of funding, roots of trust? Northern NGOs, Southern NGOs, donors, and the rise of direct funding

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Introduction

Debates about the roles and importance of NGOs in promoting social change and development have grown more complex in recent years as the diversity of organisational types and contexts has become apparent. Contexts are changing rapidly. In many countries, Southern NGOs (SNGOs) now receive funds and other forms of support from many different sources including Northern NGO (NNGO) ‘partners’, international foundations, and official bilateral and multilateral donors. Donors may support SNGOs directly or indirectly through NNGOs. As SNGO competence and capacity has increased through their own efforts at professionalisation, through wider recognition and support from government, and by the provision of ‘capacity building’ partnerships with NNGOs, these Southern organisations have taken up positions within the burgeoning ‘third sectors’ of aid-recipient countries alongside the governmental and business sectors.

These changes, while proceeding at a very different pace in different parts of the world, have profound implications for the relationships between NNGOs, SNGOs, and donors. This paper sets out to address two main themes in the context of Swedish aid to NGOs in Bangladesh. Firstly, as bilateral donors provide an increasing proportion of their resources to NGOs, how can sound and responsible funding relationships be built between bilateral donors and NGOs? Secondly, how can NNGOs work usefully in contexts where the number and capacity of local SNGOs has expanded significantly?

The growth of direct funding

The recent growth in direct funding of SNGOs by official donors (as distinct from funding them through NNGO intermediaries or as participants in wider bilateral multi-agency projects) has been noted (Bebbington and Riddell 1995; Edwards 1996). For official donors such as the Swedish International Development Authority (SIDA) there are two main routes through which funds are transferred to SNGOs: the *indirect* route in which resources are provided to Swedish NGOs which then work with SNGO 'partners' in the country concerned; and the *direct* route in which funds are given directly to SNGOs via the donor's country office.

However, there are risks associated with the rush by donors to fund NGOs directly. For example, Bebbington and Riddell (1995) conclude their discussion of the changing relationships between NNGOs, SNGOs, and donors with three main issues for further consideration: (i) that donor support to NNGOs has tended to rest on a view of NNGOs as effective aid delivery mechanisms rather than as organisations capable of assisting SNGOs in the wider strengthening of 'civil society'; (ii) that there may be a danger in direct funding that SNGO agendas may be distorted to fit donor objectives; and (iii) that while the trend towards increased direct funding is sometimes perceived as a 'threat' to NNGOs, it may also be viewed as an opportunity for creative thinking about enhancing the effectiveness of donor, NNGO, and SNGO roles and relationships.

Following from the third point, Edwards (1996) has drawn attention to a potential crisis of identity and legitimacy among NNGOs, as increasingly effective SNGOs take over most of the activities previously carried out by organisations from the North. In the case of Bangladesh in the late 1990s, there may be very little a NNGO can bring to a third sector which is increasingly dominated by a range of highly professional local organisations and ideas. The changing environment in which NNGOs now operate therefore raises a set of important questions about their possible future roles.

This paper discusses issues arising during a recent SIDA study in Bangladesh, which attempted to compare direct and indirect funding routes. The study was commissioned by SIDA in order to assess whether its two forms of NGO support were complementary, and whether they were effective in contributing to SIDA's development assistance goals. Although the study was commissioned by a specific donor in relation to a particular country, we suggest that the issues raised are of wider relevance to NNGOs engaged in thinking strategically about their future roles, and to donors seeking to develop sound and equitable funding relationships with NGOs.

What criteria were used to assess the effectiveness of Swedish NGO assistance in Bangladesh? The main themes considered were: (i) the relevance of NGO activities to ongoing development efforts in Bangladesh; (ii) the sustainability of NGO activities and the extent of the 'sense of ownership' being fostered among clients and 'beneficiaries'; (iii) the feedback provided by NNGOs and the level of accountability to Northern publics; and (iv) the implications of the Swedish experience in Bangladesh for the future of NNGO development roles.

After some introductory comments on the respective histories of Swedish and national NGOs in Bangladesh, these issues are discussed in turn and illustrated with selected examples. In conclusion, the paper briefly explores the importance of building trust in the changing relationships between NNGOs, SNGOs, and donors.

NGOs in Bangladesh

Bangladeshi NGOs

Bangladesh is unusual in the scale and importance of its NGOs. The origins of many of its NGOs can be found in the aftermath of the Liberation War of 1971, particularly in the processes of national reconstruction alongside the international relief effort mobilised after the 1972 cyclone which immediately followed independence. Gradually, these organisations grew in size and in scope, and many began shifting from a relief to a development focus. In particular, Bangladeshi NGOs worked with the growing numbers of landless rural people, a target group whose needs were generally ignored by government agencies (Lewis 1993).

The largest and best-known of the Bangladeshi NGOs, such as the Bangladesh Rural Advancement Committee (BRAC), Proshika, and Gono Shahajjo Sangstha (GSS) — and to some extent Grameen Bank, a private non-profit bank which is often associated with NGO initiatives — have pioneered development approaches which seek to work with rural and, more recently urban, landless households through a combination of consciousness-raising (for example, providing information about legal rights), service provision (such as credit for income generation, education, and health care) and group formation (for building solidarity among disadvantaged households). Some NGOs have combined these with wider lobbying and advocacy for legal and policy reforms.

The two military governments which came to power in post-independence Bangladesh saw the growth of a local NGO sector as a

threat to both their access to foreign funds and to their legitimacy, especially as many NGOs began the shift from relief activities towards longer-term development work which focused on the structural causes of poverty. Much of this work was a direct response to the failure of government agencies to deliver basic services and respond to essential needs. Some of the NGO leaders were former student activists, who found comparatively sheltered arenas to work for social change within the precarious climate of authoritarian rule.

However, opposition political parties, including those on the left, looked on with alarm as NGOs began to form links with their erstwhile constituencies (the rural poor), and with suspicion as they received increasing quantities of foreign funds from official donors and from NNGOs. The availability of these foreign funds drew many NGO field workers away from the cadre ranks of political parties towards the NGOs. This process was seen by some as undermining the potential for a genuine mobilisation of the poor by focusing on the symptoms rather than the causes of poverty.

While many Bangladeshi NGOs were initially funded by international NGOs such as Svalorna (Swedish Swallows), Canadian University Service Overseas (CUSO), and Oxfam GB, there were few questions asked about their relationship with government at this time and the NGOs were largely seen by the government as general welfare agencies. However, as they grew in size, NGOs began to access funds directly from foreign donors, many of whom viewed NGOs as dynamic alternatives or complementary support to government-based assistance. By the late 1980s, a polarisation of views existed in Bangladesh about the role and the status of the NGOs, supported with very little informed public debate. Relations between NGOs and government, at least at the formal level, became generally poor.

A reaction to these problems was the establishment of an NGO Affairs Bureau by the government in 1989. The aim was to speed up processing the growing flow of NGO project proposals which required approval by government, while creating a new mechanism for the government to monitor resource flows to the NGOs and to oversee NGO activities around the country. The government felt that NGOs needed to be regulated as part of civil society rather than simply standing apart from it. Despite NGOs' misgivings about dealing with this new layer of bureaucracy, the new policy contributed to the opening up by many NGOs to the possibilities of working constructively with government. The World Bank (1996) report on NGO-government relationships is the most explicit example of

the donor view that NGOs and government can usefully complement each others' efforts. However, relations between NGOs and government may still remain highly dependent upon personalities.

Swedish NGOs

The history of Swedish NGOs in Bangladesh has firm roots in the post-1971 relief efforts. In the case of church-based organisations, a connection with Bangladesh can be traced back to missionary work dating from the nineteenth century. Swedish NGOs were found in the study to be driven by a range of domestic religious, political, and social agendas and answered to different domestic constituencies, where their roots were to be found in Swedish popular movements. For example, the Swallows developed out of the humanitarian concerns of the Emmaeus movement, which originally focused on homelessness in Europe during the 1940s. Diakonia and the Swedish Free Mission (SFM) grew from different sections of the Swedish Church. Other sections of Swedish society reflected in Swedish NGOs working overseas were the trade unions and the cooperative sector, as well as the international humanitarian federations such as The Save the Children Fund, which affiliated with Swedish counterpart agencies. Like many of the Bangladeshi NGOs, Swedish NGOs which started with a relief and welfare focus have, to varying degrees, begun moving towards a more developmental approach.

There are 12 Swedish NGOs presently working, or funding projects, in Bangladesh, a surprisingly high number given Sweden's size and the fact that there are no special historical links between the two countries. Seven Swedish NGOs came to Bangladesh immediately after independence and began implementing their own projects. A continuing preoccupation with implementation delayed links with the growing local NGO movement. However, partnership with Bangladeshi NGOs gradually developed, changing the role of some Swedish NGOs from direct implementation towards partnership and funding roles. In some cases Bangladeshi partner organisations quickly outgrew their donor NGOs and went to SIDA for direct funding. This was true for Swallows in the case of Proshika and for Diakonia with regard to BRAC and GSS.

The work of many Swedish NGOs remains influenced by this history. For example, Lutherhjälpen is still committed to work only with the Rangpur Dinajpur Rural Service (RDRS) in northern Bangladesh and the Swedish Free Mission (SFM), mainly on Bhola island, working on

initiatives established as far back as 1970. Rädga Barnen still has its Mirpur clinics and the Swallows work with Thanapara village — though interestingly, both organisations have tried to end direct implementation of these projects.

The Swedish NGOs and their partners too have a diverse set of roles in Bangladesh. These broadly mirror the national and local NGOs' efforts, though some have found themselves unable to move away from more traditional service roles, such as running local clinics. The particular opportunities for international NGOs to provide specialised support to local NGOs (aside from mere funding), and their advantageous position for internal networking and lobbying, are only beginning to be explored by most Swedish NGOs.

SIDA support to NGOs in Bangladesh

In order to receive funds, NGOs must comply with SIDA's five development assistance goals: these are (i) economic growth; (ii) economic and social equality; (iii) economic and political independence; (iv) democratic development; and (v) environmental quality. Aside from these goals, SIDA support to NGOs is guided by several other factors, although there is no formally-stated NGO policy. Swedish NGOs are required to contribute a minimum of 20 per cent towards total project costs and in order to qualify for SIDA funds NGOs must be non-profit organisations, have a democratic structure, and be able to implement planned projects. In addition, NGOs applying for Swedish funds must ensure that their activities are sustainable, and must support the strengthening of democratic processes (SIDA 1993: 34). Support to Swedish NGOs is also designed to raise awareness in Sweden in that it:

... provides a way of stimulating people's interest in development issues in Sweden. This should increase public awareness of international development trends, of the role of development cooperation, and of how worldwide changes may influence Swedish society.

How do the two modes of funding work? The direct mode of support provided by SIDA to Bangladeshi NGOs is illustrated by Figure 1 while indirect support to Swedish NGOs is shown in Figure 2. There are several types of direct funding, such as that provided through bilateral projects, including the General Education Project (GEP), to which SIDA contributes, and which has considerable NGO involvement. There is

also a separate, though far smaller, democracy and human rights funding channel, through which the electoral monitoring NGO, Bangladesh Mukto Nirbachan Andolon (BAMNA), is supported, for example. In the case of indirect funding, the Swedish NGOs may implement their own projects or be working with local partners. Some Swedish NGOs such as Swallows are also engaged in networking on an international level.

SIDA regards these two principal modes of funding as being essentially complementary forms of NGO support, with indirect funding coordinated from the SIDA NGO Division in Stockholm, while the direct funding is managed by the SIDA Development Cooperation Office (DCO) in Dhaka. However, the two modes are each intended to serve different purposes in Bangladesh within SIDA's overall aid programme. Through indirect funding, Swedish popular organisations (as Swedish NGOs, which are taken to include trade unions and cooperative societies) can be supported in their work in Bangladesh, forming links between the non-governmental sectors of both countries. Through direct funding, innovative SNGOs can be supported by SIDA in their efforts to generate experimental or pilot approaches, such as credit provision to the landless or a progressive model of primary education, which may subsequently be used within the public sector; and in activities, such as electoral monitoring or social mobilisation, which can contribute to strengthening the democratic process in Bangladesh (SIDA 1992).

In Stockholm, SIDA makes block grants to the larger Swedish NGOs or to groups of smaller NGOs. In what has become known as the 80:20 funding ratio, SIDA supplies up to 80 per cent of the funds provided the NGO contributes a minimum of 20 per cent of the project costs. In 1992–93 Swedish NGOs received a total of 21.4 million Swedish Krona (approximately US\$2.75 million) for work in Bangladesh. As we have seen, these NGOs include Rädde Barnen (Swedish Save the Children), a range of church-based NGOs, the Swedish Red Cross, the Swedish Organisation of the Handicapped (SHIA), the Swedish Swallows volunteer organisation, and the LO/TCO Swedish trade union umbrella organisation. Some of these operate their own projects but most work with local partners. The Swedish NGOs are active in various sectors including health, education, and rural development. SIDA's support to these organisations is rooted in their origins within the Swedish non-governmental sector, whose votes help to determine the Swedish parliament's allocation of aid expenditure.

Figure 1 Types of NGO assistance given by SIDA through the Development Cooperation Office [DCO] (SIDA direct support)

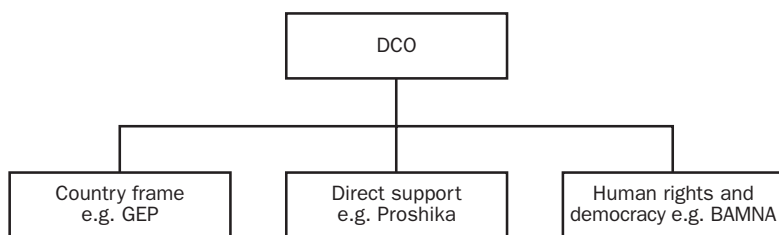
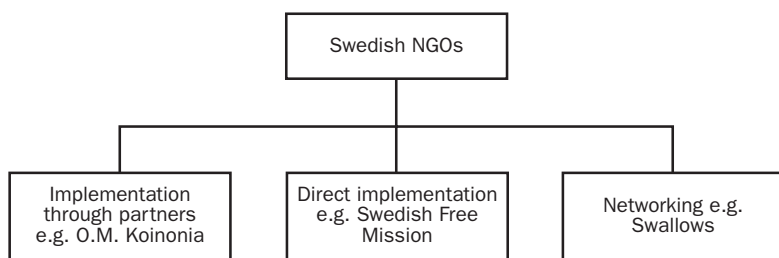


Figure 2 Swedish NGO activities in Bangladesh (SIDA indirect support)



Direct support to SNGOs is a more recent trend within the Swedish aid programme as a whole, and this only takes place in three countries in which SIDA is active — Bangladesh, India, and Sri Lanka, of which Bangladesh is by far the largest recipient. The main reason for this has been the development of an influential and innovative indigenous NGO sector in the country which, among others, includes BRAC and Proshika, two of the world's largest private development agencies, both of which have received SIDA support. In 1992–93 this brought SIDA funds worth 28.8 million Swedish Krona to Bangladesh (US\$3.7 million), or 21.4 per cent of total disbursements.

How relevant is NGO assistance?

SIDA is concerned to ensure that its NGO assistance is relevant to its own wider objectives and to local priorities. According to Lewin (1994), SIDA uses the term 'relevance' in the sense of whether or not the proposed

inputs have solved or contributed to the solution of a particular set of problems. However, the expectations of SIDA and other donors has contributed to two sets of problems for NGOs.

The first is that of conflicting pressures and expectations generated by different donors and their consultants who may fund the same organisation or programme. These pressures are illustrated by the case of SIDA support to the Comprehensive Nutrition and Blindness Prevention Programme of the Worldview International Foundation where different donors have moved the organisation away from the initial intention of carrying out a general mass campaign, towards a more specifically poverty-focused campaign (a Norwegian agency), and group formation and income generation activities (a Dutch agency). The task of managing these different donor expectations, while widening an NGO's choices, may add to its administrative burden and potentially limit its autonomy.

The second is the possibility that while support may be relevant in the narrower sense of meeting donor expectations, it may be less relevant in the wider context of Bangladesh. For example, pressure from Swedish women's organisations to earmark funds specifically for women's groups does not always fit with current SIDA policies for 'mainstreaming' gender concerns within broader SIDA activities. To give another example, SIDA's support for trade union education and training in Bangladesh has tended to assume that the Bangladesh trade unions are similar kinds of organisations with comparable roles to those found in Sweden, which in many cases they are not. One visit which we made to a major Bangladeshi trade union which was being supported in this way showed quite clearly that it was primarily an organisation of the government party and not a democratic trade union in the Swedish social democratic sense. It is also difficult for Swedish NGOs to achieve relevance given the increasing scale and effectiveness of Bangladesh's own non-governmental sector in the form of organisations such as BRAC and the Grameen Bank (Lovell 1992; Holcombe 1995).

The study found that greater relevance was more likely to be achieved by direct than by indirect funding because, true to the spirit of the Swedish NGO tradition, Swedish NGOs receive no overall coordination from SIDA in Bangladesh. They are left to situate themselves within the local context as long as they keep within the broad terms of SIDA's objectives. The SIDA office in Bangladesh on the other hand has been able to identify more relevant local NGOs for direct support, which can be coordinated within the overall country programme. In the case of gender

issues it was found that the Bangladeshi NGO supported by SIDA worked primarily with landless women and had developed local analyses of gender-based development problems. By contrast at least one of the Swedish church-based NGOs took a paternalistic view of Bangladeshi women's needs, which rested more strongly on outsider preconceptions than on local social and cultural realities.

Sometimes an ideal complementarity has been achieved between direct and indirect support. SIDA support to the education sector includes four complementary approaches: general support to NGOs participating in the GEP through the SIDA country frame with a broad impact in the education sector as a whole; direct funding of specialised education NGOs such as GSS; support to the Campaign for Mass Popular Education (CAMPE) network which seeks to bring government and NGOs together; and support to BRAC, whose education programme aims ultimately to strengthen the government system through training and innovation. However there is no Swedish NGO involvement.

Which funding route is the more efficient method of disbursing development assistance for SIDA? Within the direct route, the SIDA office in Dhaka has opted for a small number of quality relationships with NGOs, characterised by a trusting, 'hands off' approach supported by frequent contact and communication. Efficiency is perceived by NGOs and by SIDA to have been increased by donor coordination among the so-called Like-Minded Group of donors (an informal donor liaison group which includes the Nordic donors, the Dutch, and the Canadians) and by the formation of a donor consortium to coordinate the funding of larger Bangladeshi NGOs such as BRAC.

Although it was not possible to quantify this during the present study, it is likely that there are increased costs associated with the indirect funding route through Swedish NGOs, which play the role of intermediaries between SIDA and the SNGOs, thus adding an extra layer of administrative costs. Some Swedish NGOs also take a directive approach to their partners which was criticised by local NGO partners. One example was the Swedish Free Church-based NGO Diakonia, which insisted that all of its ten partner organisations seek to conform to a single strategy and approach.

On the other hand, there may be value added to the relationship by the link created by indirect funding between Bangladesh NGO partners and the Swedish public, which supports the work of Swedish NGOs internationally. The administrative burden on the SIDA office staff in Bangladesh in the direct funding links can be heavy, and considerable

local knowledge may be concentrated in personal relationships which are easily lost when expatriate staff are transferred to other countries. This has potentially negative implications for sustainability.

There are also examples of the 'hands off' policy causing confusion, such as when the Bangladeshi NGO Prodipon managed to access SIDA funds through three different funding routes without the full knowledge of the DCO staff — as a partner of Diakonia, through a legal aid partnership with the volunteer organisation Swedish Swallows, and through Rädde Barnen for work in the slums. With three separate Swedish NGOs funding the same NGO for different project components, largely without coordination either among themselves or with the SIDA office, programme cohesion and learning opportunities may be being lost.

Is the support building sustainability?

The concept of sustainability has long preoccupied SIDA and other donors, but there is a lack of clarity about its meaning. It has financial, environmental, and institutional dimensions. The definition of sustainability used by SIDA is drawn from its own evaluation manual (Lewin 1994) which states that:

... a development programme is sustainable when it is able to deliver an appropriate number of benefits for an extended period of time after major financial, managerial and technical assistance from an external donor is terminated.

However, this type of definition has led to sustainability being viewed by many NGOs primarily in financial terms but less in other forms of capacity. For example, the Swedish NGO Adventist Development and Relief Agency (ADRA) has emphasised the micro-level financial sustainability of its credit programme which manages to break even. The Young Men's Christian Association (YMCA) is building a large rentable office block in order to cover their operational costs. However, what seemed to be missing from these strategies as the realisation that unless the impact of the work of these NGOs is sustainable, then the fact that the books may balance, while obviously desirable, may be of limited relevance in development terms.

The Bangladesh Unemployed Rehabilitation Organisation (BURO Tangail) is an NGO which has begun thinking in terms of two levels of sustainability. The first level is the more familiar financial one, and

involves charging an appropriate fee to users for credit delivery in order to cover the NGO's costs. The second is that of local capacity-building at the grassroots, through training and organisation building and strengthening, in order to sustain new ideas and structures emerging from current experience.

Another key to sustainability in Bangladesh lies in the ability of NGOs to link their efforts with wider government policy in order to secure lasting improvements in services. This has been taken up more successfully by directly-funded NGOs such as BRAC and Proshika, which are active in attempting to influence policy in the education and the forestry sectors respectively, than by Swedish NGOs and their partners who may hand over a project such as a clinic to the government even when there are few public resources with which to keep it running.

The question of ownership refers to the relative strength of voice between the NGO and the beneficiaries or target group. Here there were no straightforward generalisations possible between the two funding routes. Rädde Barnen was engaged in moving out of its traditional operational role, in which it implemented projects, towards a new niche involving low-profile support to local NGO partners in combination with an advocacy agenda in the area of child rights. While this work has sometimes brought the NGO into politically sensitive and difficult areas of activity, it was felt that the chances of playing a role in securing wider, longer-term change was greatly increased. However, there is no straightforward solution for the problem of handing over the Mirpur clinic which the NGO has been operating for many years to a local organisation or to the government, and there is presently much discussion on this topic. Many other Swedish NGOs have remained primarily operational and traditional (e.g. running clinics or schools) in their approaches. These findings were also born out more widely in SIDA's NGO assistance in a later evaluation across four countries in which it was noted that overall Swedish NGOs have found it difficult to build processes of resource-generation among the poor, or maintain sustainable local service delivery which continues after the initial SIDA-funded intervention (Riddell et al. 1994).

Questions of sustainability also remain difficult ones for Bangladeshi NGOs funded through the direct route. There are as yet few real examples from which to learn of NGOs withdrawing support from their beneficiary groups and leaving behind sustainable structures to carry on development activities. The case of RDRS is interesting in this regard because it is currently engaged in the process of transforming itself from

an international body into a national NGO, as well as from an implementing agency into a sponsoring organisation. By creating an advisory board consisting of appointed Bangladeshis drawn from a broad representation from civil society, the first stage has been taken towards the eventual aim of establishing an executive board with additional representation from staff and beneficiaries.

Feedback and accountability to a Northern public

This section briefly considers how well SIDA and the NGOs are learning from the experiences of funding NGO activities in Bangladesh. Perhaps ironically, the SIDA office in Bangladesh appears to know far more about the directly funded NGOs than it does about the indirectly funded ones. In keeping with the spirit of Swedish aid and the autonomous Swedish NGO sector, the Swedish NGOs are free to play autonomous roles and need have no formal relationship with the SIDA office in Dhaka. In contrast with the constant feedback of information which emerges from directly-funded NGOs to the SIDA office, there is no systematic linkage with the Swedish NGOs working in Bangladesh. This is largely an outcome of SIDA's strategy of seeking to preserve the independence of the Swedish NGOs.

All project information relating to SIDA block grant allocations (i.e. those made by SIDA for indirect funding) is a matter between the NGO Division of SIDA in Stockholm and the headquarters of the Swedish NGOs. While the indirectly funded NGOs are required to keep the Dhaka office informed of their activities, not all of them actually do in practice. Few of the Swedish NGOs have felt the need to make external evaluations of their work in Bangladesh, nor has SIDA requested that such evaluations should take place. By contrast, detailed project applications and reports are received under the direct NGO support arrangements. The Bangladeshi NGOs which receive direct SIDA support are monitored by SIDA locally. The formal or informal funding consortia in which SIDA participates have initiated a number of external evaluations and a considerable amount of knowledge has been brought back to SIDA. There are very few links constructed between the experiences drawn from SIDA direct support in Bangladesh and the indirect support by the Swedish NGOs. The information potential of the Swedish organisations may therefore be under-utilised when it comes to their own project involvement in Bangladesh, but it is totally untapped as regards SIDA's direct NGO support.

As a government agency, SIDA cannot reach out with information about development to Swedish civil society with the same effectiveness as the Swedish NGOs, because these are popular organisations with their roots in Swedish public life. One of the important motivations for SIDA's funding of Swedish organisations is the role they can play in promoting understanding of Swedish development aid and improving SIDA's accountability to the Swedish public. Swedish NGOs have, over the years, built up valuable experience, which can be used for campaigning, development education, advocacy, networking, and the promotion of North-South dialogue.

Swedish NGOs pool their information within Sweden for development education and awareness-raising purposes through the umbrella NGO BIFO based in Sweden. Bistandsinformation (BIFO), which has 60 Swedish NGO members, works with NGOs to strengthen Swedish public awareness of development issues. Information is also sent back to SIDA about the directly-funded NGO work, and while there is evidence of institutional learning, it would appear that the system facilitates more specialisation than integration, where information is sometimes lost between the NGO division, sectoral departments, and the human rights and democracy office.

Does the transfer of knowledge between the Swedish NGOs and the public actually take place? There have been a number of activities undertaken successfully in the past, such as a Diakonia Bangladesh exhibition which has been used in churches since the 1980s. Swedish Swallows have made information work a major priority in recent years, and they have campaigned in Bangladesh and Sweden over environmental issues, such as the controversial Flood Action Plan. However, the indications from discussions with Swedish NGOs and with SIDA are that, in practice, very little new or challenging information about Bangladesh presently reaches the Swedish public. This is partly because Bangladesh is not usually considered newsworthy in Sweden unless there happens to be a disaster, and also because many Swedish NGOs have larger operations underway in other parts of the world which take precedence in their publicity.

An added constraint is the poor 'fit' which often exists between the views of NGO supporters in Sweden and other Northern countries, particularly those with a more traditional welfarist outlook, and more radical NGO initiatives in Bangladesh. Diakonia, in its recent efforts to develop a more activist approach in Bangladesh, has run the risk of becoming isolated from its traditional church-based support in Sweden. Whenever there is a mismatch between the aims and assumptions of the constituency and the

actual work carried out, the organisations's ability to communicate experience with its constituency at home will be undermined.

In the need to secure funds from the public, it is tempting for some Swedish NGOs to opt for over-simplified messages based on their work (such as their success of building and maintaining an orphanage) rather than genuine development education which shares complex, difficult, and ambiguous realities (such as the problem of strengthening child rights).

This may be the most severe limitation of relying on primarily operational organisations (such as the Swedish NGOs) to transmit educational messages on development issues. Advocacy roles for the Swedish NGOs working in Bangladesh might include the support of human rights, among them women's rights, and the democratic process in Bangladesh, and the need to change public perceptions of Bangladesh as a passive victim of disasters. With the notable exceptions of Rädta Barnen (child rights) and Swallows (environment), most Swedish NGOs working in Bangladesh did not see themselves taking advocacy role either in relation to Sweden or Bangladesh. SIDA and BIFO cooperate in Sweden on educational projects and public seminars, but this is not clearly linked with Swedish NGO experiences drawn from the indirect funding route.

Conclusion: direct funding and changing NNGO roles

Direct support has been a useful strategy for SIDA in Bangladesh. Although Bebbington and Riddell (1995) draw attention to the dangers of the distortion of SNGO agendas by direct donor funding, the present study found little evidence for this in the SIDA case. For many of the Swedish NGOs working in Bangladesh, the problem was more a lack of imagination and adjustment to changing local conditions than a problem of being 'instrumentalised' by the objectives of a donor.

By contrast, SIDA's direct support to a relatively small number of generally important Bangladeshi NGOs has made good sense in terms of SIDA's overall development assistance objectives and the objectives of the SNGOs with which it is working. However, direct funding has tended to benefit the large, well-established NGOs such as BRAC and Proshika, where economies of scale, and English-language abilities among more educated NGO leaders, make management of the funding links relatively straightforward. Smaller, less formalised local NGOs may be less equipped to access a donor directly. The direct funding approach clearly does not supersede indirect funding in any simple sense.

What are the wider implications of this study? The first is that it throws light on what constitutes effective and responsible funding relationships between bilateral donors and SNGOs. In a recent study of grant and contract funding Mowjee (1997) lists the various key factors influencing funding relationships as trust, communication, understanding, shared assumptions and values, experience, and knowledge of desk officers and the donor's institutional framework. This is a useful model for analysing funding relationships, and from the case of SIDA in Bangladesh it is clear that both local knowledge and personal trust are important ingredients in the success of direct funding.

There is now considerable interest in the social sciences about the importance of the level of trust in a society to its management of economic affairs (Fukayama 1995). One of the reasons for SIDA's apparent success with its policy of direct funding of NGOs in Bangladesh has been the culture of trust which has been built into its relationships with NGOs. This has been achieved through partnerships built by individual SIDA staff in the Dhaka office with local NGO leaders. Underpinning this relationship has been the fact that two SIDA country office staff had worked previously in the Bangladesh NGO sector as volunteers or staff members with progressive Swedish organisations.

This fact neatly underlines the potential future value of building interdependent ties of trust between donors, NNGOs, and SNGOs. Although relations of trust no doubt also exist between SIDA in Stockholm and the headquarters of the Swedish NGOs, this is a more generalised relationship which has not apparently improved the relevance of Swedish NGO activities in Bangladesh. A level of trust based on good personal relations and an understanding of each type of agency's objectives has, therefore, in this case allowed high quality relationships to develop within a coherent, locally rooted programme. Within this relationship, SIDA has not considered its growing support to Bangladeshi NGOs as an all-purpose solution to Bangladesh's development problems, but as a continuing dialogue around the issues of sustainability, relevance, NGO relationships with government, and the dangers of a possible duplication of efforts. This trust-based model of partnership may have wider implications for other donors reviewing their relationships with NGOs.

The second set of implications relates the changing role of NNGOs working in aid-recipient countries. In particular, this comparison of SIDA's two funding routes in Bangladesh raises a number of important wider questions about the future roles of NNGOs in countries in which indigenous NGO capacity is relatively strong:

- 1 NNGOs need to strengthen their capacity to adjust to changing local realities in many Southern countries. There may be little value in continuing operational roles in countries with strong NGO sectors, but NNGOs can support SNGOs with training, information, and international coalition-building where appropriate.
- 2 Partnerships between Northern and Southern NGOs can be analysed critically by both partners so that they diversify beyond funding into more reflective, dynamic relationships in which the capacity of both sides is strengthened.
- 3 NNGOs may have a comparative advantage, as well as a moral obligation, to build stronger links between their own publics at home and development issues, through development education, networking, and lobbying their own governments.
- 4 NNGOs can raise the level of accountability of official development assistance by making connections between issues which are important in both Northern and Southern contexts (such as environmental pollution, women's rights, deforestation, corruption, and the effects of privatisation).

The growth of direct funding of SNGOs by donors therefore provides a useful opportunity to rethink the form and style of funding relationships along with NNGO approaches. There is a growing responsibility for NGOs and donors to build a more genuine form of partnership, which may or may not in future include financial resource transfers, around a greater level of trust.

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