

# Antagonistic Cooperation: A Case Study of Nongovernmental Organizations, Government and Donors' Relationships in Income-Generating Projects in Bangladesh

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**Summary.** — The paper assesses the viability of income-generating projects in Bangladesh by analyzing the institutional context within which these projects are being implemented. By analyzing the perceptions of these projects among three key institutional actors — the government of Bangladesh, nongovernmental organizations and the international donors — the paper identifies a paradox: that despite strongly contending perceptions about the viability of these projects and about one another's roles in the design and implementation of them, the institutional actors continue to work together in implementing more of the same type of project. The paper concludes that this paradoxical outcome of both tripartite cooperation and conflict can be better explained by varying and converging institutional interests than by the theory of comparative advantage.

## 1. INTRODUCTION

Income-generating projects that provide poor families with credit and technical assistance for small businesses have become a common feature of development aid programs. These projects were first introduced in the 1970s to assist "informal sector enterprises" whose many virtues had been well documented by an International Labor Organization study (International Labor Office, 1972). Since then, the funding for these projects by donor institutions has steadily increased. This increase is due part to the stagnation — and, in some cases, absolute decline — of the formal economies of most poor nations since the early 1980s. This decline has compelled governments and the donor agencies to turn increasingly to informal sector enterprises managed by the poor as alternative sources for income and employment generation. The ascendancy of supply-side economics in the United States during that period, and its propagation worldwide by the Reagan administration, added to the reputation of these projects. They have become synonymous with private initiative, entrepreneurship, and efficient market responses, all of which are believed to be lacking in

traditional large-scale, top-down government projects such as the Food for Works programs.<sup>1</sup> To nurture these good qualities, most donors have gradually moved away from working with poor countries' governments and have sought instead the participation of nongovernmental organizations (NGOs) and private voluntary organizations (PVOs) in the design and implementation of income-generating projects. As a result, numerous NGOs and PVOs have been created all over the developing world, and have become a powerful voice in support of these projects.

The question of whether these projects are viable in the long run has already been addressed in many project evaluation reports, and even in a few academic articles.<sup>2</sup> The pattern of enquiry pursued so far, however, has been confined primarily to functional analyses of these projects, typically identifying their monetary costs and benefits. Some evaluation studies have gone beyond the calculation of monetary costs and benefits and have incorporated such intangible benefits as the contribution of these projects to community solidarity or to enhancing the self-images of the poor. Still, in essence, the mode of evaluation has remained largely within the realm

of classical project analysis which assumes that projects whose benefits exceed their costs are, in principle, viable.<sup>3</sup> Evaluations of income-generating projects usually conclude by recommending that project costs be reduced and benefits be increased by such measures as the lowering of overhead costs for loan disbursement and recovery, and by selecting market niches where the poor could get higher rates of return on their investments.

This paper takes a different approach to assessing the viability of income-generating projects. Rather than calculating the costs and benefits of these projects, I focus on the larger institutional context within which these projects are implemented and analyze the perceptions of their viability among three key institutional actors — the government, the local NGOs/PVOs who are implementing these projects, and the international donors. The evidence I rely upon in pursuing this central theme is based on a field trip to Bangladesh in 1985 to evaluate for a major international donor institution the impact of their funding approximately 30 rural income-generating projects during the last 10 years. While in Bangladesh, I met with several high-level government officials, many of the local NGO/PVO leaders, and resident representatives of major and minor donor agencies. I also reviewed several documents on income-generating projects prepared by these three sets of institutional actors. This paper is based on those interviews and my reading of the documents.

What emerged from the extended interviews was initially surprising and somewhat perplexing. The surprise was the strongly conflicting perceptions of income-generating projects among the three institutional actors: not only did they differ in their assessment of whether these projects were worthwhile and replicable, they were also quite critical of one another's roles in the design and implementation of these projects. Yet, despite their strongly contending perceptions, the three institutions continued to work together in implementing more of the same type of project. This phenomenon — of simultaneous conflict and cooperation — is the focus of this paper; it is also the theme that is captured in the somewhat contradictory term "antagonistic cooperation."

The paper is organized in four parts and a conclusion. The first three parts concern the contending perceptions of the government of Bangladesh (GOB), of NGOs, and of donors. The fourth part explores why these institutions continue to implement the income-generating projects (IG projects) when their assessments of these projects differ so widely. Bangladesh's

experience with IG projects is not unique: there is evidence in the existing literature that the three-way relationship among NGOs, governments and donors has also been problematic in other developing countries although the intensity of antagonism among them may not be as pronounced as in Bangladesh (Postgate *et al.*, 1985; Foster, 1984; Garilao, 1987; Uphoff, 1987).

This paper is based on interviews with the three principal institutional actors and their perceptions of IG projects — and about each other. One can reasonably argue that such perceptions cannot be the basis for objective assessment, and hence cannot be used as data for scholarly work. Yet, as Marris (1982) has demonstrated in another context, by understanding institutional perceptions we can often better explain institutional actions. The perceptual approach to understanding social phenomena also serves to help us "deconstruct" the meaning of IG projects and throws light on the contending interpretations of these projects.

## 2. THE GOB'S VIEW

### (a) *GOB's assessment of IG projects*

Contrary to the claim of NGOs that IG projects represent an alternative approach to rural development in Bangladesh, the GOB views these projects as merely an extension of the relief work first undertaken by volunteer groups in 1971 at the end of the civil war, and later during the famine of 1974–75. Many of the now successful NGOs in Bangladesh started during this era to provide relief work. The GOB permitted and even encouraged such activities as social work; they were never believed to be initiating "development." As the First Planning Commission report indicated, development was to be undertaken by the government agencies, aided by the political cadres of the ruling party (Ahmed, 1983, pp. 19–20).

The GOB's approach to what it considers developmental efforts has not changed even after 15 years of IG projects. Rural development is still believed to result from large-scale rural infrastructure and irrigation projects and not from the small-scale, income-generating businesses these projects encourage. The GOB continues to define rural development in terms of aggregate indicators, such as agricultural growth, total area under cultivation, and irrigation. Employment and income are expected to result from growth in these aggregate indicators. This perspective is in contrast to the IG approach, which begins with efforts at generating employment and income for the poor, and

expects such efforts to contribute to the growth of aggregate indicators.

GOB officials, when asked to comment on these contrasting approaches, did not seem to appreciate the merits of the IG approach. Instead, they claimed that the GOB was equally interested in employment generation, and that because of this interest two governmental agencies — the Bangladesh Rural Development Board (BRDB) and the Bangladesh Small and Cottage Industries Corporation (BSIC) — were created. A close inspection of these two agencies' programs, however, indicated that their principal thrust is not employment generation, and that they fund only a few token projects for that purpose. We were also told that at the Cabinet level, employment-related issues are usually referred to a committee that is chaired by the Minister of Food, thereby equating employment problems with relief works. In other words, the explicit emphasis on employment which is at the core of IG projects has not yet been adopted by the GOB even after scores of IG demonstration projects.

This reluctance on the part of GOB to pay serious attention to the IG projects is, in part, due to the low economic rate of return of these projects.<sup>4</sup> GOB officials stated repeatedly that IG projects support unproductive activities with very little market demand and, as a result, they generate too little income, often irregularly, and employ only a handful of individuals. The officials also mentioned that the IG projects require intense supervision which is not cost effective in light of their low economic return, and hence these projects cannot be replicated in large numbers.

When asked to compare the income and employment-generation potential of IG projects with that of traditional, large-scale, rural infrastructure projects, GOB officials acknowledged that the latter type of project, which they continue to support, has not done much better than IG projects. They insisted, however, that the benefits of traditional projects would eventually materialize as a certain threshold of developmental activity is reached. In the meantime, the most effective way to supplement the income of the rural poor, according to GOB officials, was through programs such as Food for Work (FFW) and the Rural Works Program (RWP), which benefited groups whose income, the officials claimed, was even below that of the IG project participants.

(b) *GOB's assessment of the NGOs*

The NGO community as a whole has fallen out

of the government's favor, particularly after President Ershad came to power in 1982. As mentioned earlier, NGOs emerged initially after the civil war in 1971 and the famine of 1974–75. At that time, they were relatively few in number and were engaged in relief work that the government could not undertake. After the assassination of Mujibar Rahaman, the first president of the country, and when President Zia-ur-Rahman came to power in 1976, there was a sharp increase in the number of NGOs, many of which expanded their activities from relief work to IG projects and similar activities (Hossain and Imbad, 1981). This increase in NGO activities may be partly explained by the withdrawal of the cadres of the Awami League — the political party of the assassinated president — from grassroots activities. Since President Zia had no intention of encouraging the Awami League's cadres to continue working at the grassroots level, he might have encouraged NGO activities.

H. M. Ershad, the third president, who also came to power through a military coup, however took a very different approach toward the NGOs. By then, the number of NGOs in Bangladesh had increased to nearly 700, and most of them were implementing IG projects, funded by external donors. Ershad's first response to this trend was to instruct the Economic Resource Division of the Ministry of Finance to scrutinize the flow of incoming funds to the NGOs. There were at least two reasons for this move. First, as some of the NGO leaders mentioned in the interviews, Ershad feared that the funds were coming from foreign nations that did not approve of his regime and were planning to undermine it by supporting anti-government groups. During this time, some NGO leaders were interrogated and harassed by Bangladeshi intelligence officials regarding their "foreign allegiances."

The second probable reason for Ershad's negative reaction was the popular perception among the GOB officials that the NGO-managed IG projects were diverting scarce resources from other, more beneficial government projects and that these scarce resources were being used to support the affluent lifestyle of the NGO leadership. The GOB officials were particularly sensitive to the issue of lifestyle because many of the NGO leaders had been their classmates in high school and college, and had secured lower grades than they did. They had been unable to compete with the GOB officials for government positions. They had since become leaders of their own NGOs, and the impression of most GOB officials was that these leaders were living a more prosperous lifestyles than some senior govern-

ment officials. It is no surprise then that the planning commission called a meeting in 1985 to develop national guidelines on the role of NGOs in the development process: this was clearly an effort to control the NGO leaders and hold them accountable to the GOB officials.

On the issue of accountability, the GOB officials I interviewed were quite explicit that NGOs must be accountable to the government, although the reason they provided was very different from that mentioned above. I was told that, aside from 5–10 large and successful NGOs, the NGO community was contributing very little to the development process. Contrary to the usual claims by NGOs that they were developing new ways of helping the rural poor, GOB officials complained that most NGOs were simply copying, often haphazardly, the ideas of the successful NGOs. The GOB officials also complained about the mismanagement of funds by NGOs and pointed out that the NGOs have refused to register themselves as cooperative societies because they do not want the government to monitor their accounts. This mismanagement, the officials said, was tolerated by the GOB only because the international donors insisted on the relative autonomy of NGOs from government control.

### (c) *GOB's perception of the donors*

Although the GOB officials were generally appreciative of the donors' support for Bangladesh's development, they were critical of the donors' role in financing IG projects for two reasons. First, the IG approach to rural development was seen as lacking in economic logic and was considered yet another of the fads that characterize Western aid. Second, GOB officials assumed that the donors were being manipulated by the NGOs in supporting IG projects, and this reduced the amount of external funding for other, large-scale, government-managed rural infrastructure projects.

When asked why the donors were funding economically nonviable projects, GOB officials pointed out that the IG projects had started in the 1970s when it became fashionable to discredit large-scale infrastructure projects, to argue that "small is beautiful," and to advocate women's rights. The IG projects satisfied all three requirements: they were small in scope, involving at most 20–25 families; they focus on producing "basic needs" items; and women could participate relatively easily in these projects. To the GOB officials in the 1970s, these projects seemed functional, but for a very different reason. In

mid-1970s, after the civil war and the devastating famine, the government was facing the terrible reality that a large number of women had been raped, tortured and expelled from their families and had become prostitutes as a last resort. Rehabilitation of these women had become a major social issue. The GOB officials initially supported IG projects with the hope that these projects would address that social concern; whether these projects were economically profitable or were conducted in a business-like manner was not discussed at that stage.

The GOB's perception of IG projects has not changed much since the mid-1970s. These projects are considered essentially social welfare projects and not models of "alternative development," as some donors would like to believe. GOB officials thus do not take very seriously the donors' concern about cost recovery and project replicability, although in face-to-face conversations with any donor they would never give that impression. They would also never tell a donor institution what they really think about its support for NGOs. One GOB official explained the donor-NGO relationship in the following way:

Many of the NGO leaders wear cotton kurtas and carry jute side bags which make them look like they get along well with the poor. They also talk in pseudo-leftish language showing their concern for poverty and injustice. Many donors get carried away by their image and talk.

## 3. THE NGOS' VIEW

### (a) *The NGOs' version of IG projects*

There are two contrasting views of the IG projects in the NGO community. The majority view is generally positive although it acknowledges that the income generated from the IG projects is rather small.<sup>7</sup> The contrasting view is held by a minority of NGOs that have deliberately decided not to implement IG projects. In the minority view, not only are IG projects believed to be generating minimal income but, more importantly, these activities and the relationships they foster between the NGOs and the poor are thought to be counterproductive to the development process.

Conceptually, both groups of NGOs begin from the same premise, that the primary objective of NGO activities should be the mobilization of the poor so that, collectively, they can be a viable economic and political force with which the state and the rural elite must reckon. The groups, however, differ in their strategies for

mobilization. The NGOs that are involved in IG projects consider such activities to be a way of mobilizing the poor. One NGO representative commented on this issue the following way. "It is very hard to organize the poor, if they do not see any immediate benefit. One cannot organize people when their stomachs are empty." These NGOs therefore make an effort to form what they call "solidarity groups," initially to channel credit and technical assistance, but with the hope that these groups will eventually serve as basic units for political mobilization. The NGOs that dislike IG projects are skeptical about this possibility. They argue that the so-called solidarity groups are created primarily to ensure loan repayment and to reduce the overhead of cost recovery. They claim that IG projects create competitiveness among the poor, who try to outsell one another, and that these projects make the poor dependent on the NGOs for various inputs and for marketing their products.

The pro-IG project NGOs concede that the income generated, so far, from the IG projects has not been particularly significant. They argue, however, that the economic return from large-scale government projects is not any higher. Moreover, they claim that the income from IG projects supplements other income the poor families may earn, and without this additional income many families would slip to the level of starvation. The NGO leadership told me that they are fully aware of the low level of income currently generated by the IG projects; hence, they are trying to introduce technological improvements to increase productivity and income. The creation of technical cells within some of the large NGOs is an indication that some efforts are being made to generate more income through technological innovations.

Whether the technological innovations materialize or not, the pro-IG NGOs argue that these projects have already contributed positively to altering the image of the poor in the GOB's eyes. First, these projects have demonstrated that the rural poor are not a credit risk and their repayment rate is higher than that of the rural elite who are the primary beneficiaries in the government-administered projects. Second, these projects have confirmed the claims of the poor that they must be given access to some form of productive assets if a steady flow of income is to be generated. Third, the IG projects have shown that development projects can be designed in such a way that their benefits are not siphoned off to nontarget groups, which is common in government projects.

The NGOs that oppose IG projects, of course, disagree with much of this interpretation. They

argue that it is not the poorest of the poor who participate in the IG projects, because these projects increase their vulnerability to the market forces over which they have the least leverage. In elaborating this point, these NGOs argue that participation in IG projects involves a major risk for the poor, who are the "price takers" in the market, both for their inputs and outputs. They argue that the poorest of the poor cannot take this risk, and they suggest that this group can only be helped by providing them access to productive assets, such as land, water and trees — assets that once belonged to them but have changed hands as capitalism has penetrated rural Bangladesh. To regain access to these assets, these NGOs propose that the poor must be brought together in a national political organization, not in small groups for repayment of loans. Toward that end, the NGO's responsibility should be to provide an alternative to the existing political parties, which are working closely with the military government.

The move to create a national political organization of the rural landless under the guidance of these NGOs has, however, failed (Hasan, 1985). The opposition to the creation of a national front did not come from the military government or the rural elite, but from other NGOs. Hence, the current strategy of these NGOs is to help organize small groups of the poor to demand from the government what it has promised for years on paper. Many donors, particularly from northern European countries, are providing generous financial assistance to these NGOs, some of which, on principle, refuse to accept North American aid.

#### (b) *The GOB in the eyes of the NGOs*

What was most notable about the NGOs' attitude toward the government is their "us versus them" approach. For example, they characterized the government as bureaucratic, lethargic, corrupt, and serving only the interests of the rural elite. They perceived themselves as possessing all the opposite qualities. These contrasting characteristics, the NGOs claimed, made the government look increasingly less attractive to the donors, who had been trying to channel a greater share of their resources to the NGOs. As a result, the GOB was retaliating by making it difficult for the NGOs to function freely. The GOB's criticisms of the NGO-administered IG projects were aimed at justifying the retaliatory measures, which ranged from delays in project approval to the more direct attempt to monitor the NGOs through the Planning Commission.

There was no factual basis to the government's criticism of IG activities, the NGOs claimed. They pointed out that at most 4% of all external aid was channeled through the NGOs — a meager amount that does not justify the hue and cry within the government about NGO activities. Moreover, the NGO-administered IG projects have a consistently better record in reaching the rural poor than the few IG projects the government had started, primarily to absorb external funding for these projects. The NGOs argued that the GOB managed its projects poorly, and that these projects were used by GOB to please the rural elite, whose political support was crucial for the survival of the authoritarian regime. That explained the embarrassingly low repayment rates in government projects, for which some project beneficiaries simply refused to repay their loans. In contrast, the NGOs had achieved loan repayment rates as high as 90%. The NGOs attributed this high loan repayment rate to their hard work and argued that the remuneration they receive for this work is no more than the salaries of bureaucrats. The NGOs argued that if all the in-kind benefits and privileges of the government employees were measured in monetary terms, their real remuneration would be much higher than that which the NGO staff members receive.

(c) *The donors in the NGO perspective*

There are two distinctly different assessments of the donors' roles in the IG projects. One view, generally positive, is held by the NGOs involved in IG projects. The contrasting view is held by the small group of NGOs that have rejected IG projects as a viable way of initiating socioeconomic changes.

In the positive view, the donors are portrayed as saviors without whose financial and political support the IG projects could not have survived. The enthusiasm with which the NGOs spoke about the donors was, however, conditioned by a few congenial "complaints" — namely, that the large donors are slow in processing grant requests, that the donors often impose implicit conditions on aid and disbursement, and that some of these conditions have been based, in the past, on changing developmental fads that typically emerge in Western countries. Some of the NGOs also mentioned that although the donors seem to be concerned about the replicability of projects, they seldom provide more than one grant to an NGO. "Self-sufficiency of IG projects can only be attained under certain circumstances," commented one NGO leader, and "till

those circumstances materialize the donors must continue to support the same projects."

The criticism of the donors was much harsher among the NGOs that opposed IG projects. They argued that the donors impose their ideological biases by encouraging profit making through individual efforts, which cannot be the remedy for increasing landlessness and poverty in rural Bangladesh. By directing the NGO activities toward profit making and cost recovery, the donors "tame" the potential of the NGOs, which could otherwise be a major force in initiating social change from below. The donors are therefore seen not in conflict but in collaboration with the government in maintaining an oppressive system of structural inequalities that is viewed as the root cause of rural poverty.

As an extension of this argument, the donors are also criticized for their generous grants which help maintain the NGO workforce in comparative comfort. The rumor is that the high salaries offered by the NGOs have helped them retain the cadres of progressive political parties who had initially joined the NGOs on a temporary basis but are now reluctant to leave their well-paying jobs. The political parties, which alone can challenge the government, are thus being deprived of their best grassroots workers. The anti-IG project NGOs claim that this situation also helps maintain the system instead of changing it.

#### 4. THE DONORS' VIEW

(a) *IG projects and the donors' dilemma*

There are nearly 250 IG projects in Bangladesh, which are funded by approximately 100 donors. Many of these projects were initiated in the late 1970s or the early 1980s. There is thus an accumulated experience in the donor community of their effectiveness in counteracting the problems of rural poverty.

The general findings that emerge from the donors' experience indicate that the IG projects lack economic effectiveness. Most donors acknowledged that the economic rate of return from these projects ranged from virtually zero in some projects to, at most, 4-5% in the best projects. These figures appear particularly unpromising in the context of the generally deteriorating trends in rural poverty. After 6-8 years of the IG projects, supported by generous grants from approximately 100 donors, rural poverty, landlessness, malnutrition and income inequality have all increased. The rural-urban migration rate which was expected to be checked by area-

based IG activities, has also increased (Hossain, Rashid and Jahan, 1986).

To be sure, the IG projects alone were never expected to counteract all the adverse trends. Complemented by other strategies for increased agricultural growth, irrigation, and rural infrastructure construction, the IG projects were to demonstrate a new approach to rural development from below. The evidence indicates that agricultural growth has indeed increased, despite the bad weather during the last two years. Total acreage under irrigation has also increased, and rural infrastructure has been extended to new areas. Yet, the problem of rural poverty has deepened. To some extent, the deepening of rural poverty can be attributed to the increase in rural population, but the donors generally agree that population increase alone does not explain the worsening trends (Hossain, Rashid and Jahan, 1986).

What would have happened to rural poverty *without* the IG projects, the donors ask. In defense of the IG projects, they point out that although their economic return may not be substantial, their social impact has been significant, particularly for rural women. Indeed, the studies of Chen (1986) and Ahmed (1985) support this assertion. Both studies indicate that as a result of the IG projects which encouraged women's participation, women's social status within their families and villages has been enhanced. Even the military government has recognized the importance of the women's issue by reactivating the Ministry of Agriculture's women's desk at the Bangladesh Academy of Rural Development.

The GOB has also become more sensitive to the plights of the rural landless, the donors claimed, as a result of IG projects which were targeted toward the rural landless. To support this claim, the donors pointed out that the GOB has recently created a special unit for the rural landless within a major governmental agency called the Bangladesh Rural Development Board. This special cell has begun to implement projects that are very similar to IG projects and for which the GOB has asked a large NGO to train government field officers.

Despite this evidence of success, the donors seemed apprehensive about the long-term economic viability of IG projects. Most of the donors acknowledged that the sustainability of these projects without external assistance remains to be demonstrated. Moreover, some donors were skeptical about the large-scale replicability of these projects. They mentioned that the IG projects may fail if they are subjected to the pressure of expansion because the small scale of

their operation is a precondition for their success. Yet without a significant upscaling of IG projects the problems of pervasive rural poverty in Bangladesh seem invincible. Faced with this dilemma and the growing magnitude of the problem, many of the donors feel at a loss.

(b) *The donors' opinion of the NGO community*

One would think that in a country with about 700 NGOs, the donors would have a range of choice in supporting NGO activities. In reality, however, the donors complained that their choice is limited to at most 10 NGOs that are truly fundable. According to the donors, these NGOs have good leaders who practice hard-nosed management and sound accounting procedures. The leadership is also conversant with the donors' practices and preferences and is able to structure funding requests in ways to which donors can easily respond. Interestingly, the NGO leaders who meet these requirements tend not to be those who one would usually associate with grassroot efforts at generating income or raising political consciousness. Most are foreign educated, belong to the upper social echelon, and are business oriented in their approach to IG projects.

In contrast, the donors complained, the other NGOs that implement IG projects are so obsessed with "conscientization" of the poor that the management and marketing aspects of these projects are often ignored. Even though "conscientization" of the poor is stressed by these NGOs, the project participants are unable to make even a small dent in the existing political process. These NGOs are therefore good neither for strengthening the business aspects of IG projects, nor for turning these projects into an effective tool for political mobilization.

Under these circumstances, the donors have little choice but to continue to fund the large, established NGOs. This limitation creates problems for the donors, most of which would prefer to fund new and innovative NGOs. The donors have recently addressed this problem by funding a new type of NGO. These new NGOs claim to be interested in IG projects but are actually in the business of assisting small enterprises geared toward production for export or for a domestic, upper-income market. They began to appear in the early 1980s when development discourse around the world was dominated by concerns for debt repayment, production efficiency, and capital accumulation as opposed to equity and basic needs fulfillment which had marked the debate in the previous decade. Some of these NGOs were

started by retired GOB officials and army generals who used the IG project format to essentially run small businesses that enjoyed tax-exempt status. These businesses operated on strict economic logic, which satisfied the donors' new concern for efficiency; whether they generated employment or improved income distribution was no longer considered important.

(c) *The donors' ambivalence about the government*

During my visit to Bangladesh, I had the opportunity to attend a donors' meeting on IG projects. The meeting was convened to discuss what the donors as a group would like the GOB to do to facilitate IG types of activities. The meeting clearly demonstrated the ambivalent attitude of the donors toward the GOB. On one hand, the donors were openly skeptical about the intention and capability of the current government to formulate a consistent and favorable policy toward IG-type activities. On the other hand, the donors recognized that without some formal institutional home within a government agency, the concerns for rural employment and income generation which are central to IG projects could not be sustained by only the NGO-administered small and isolated projects.

The skepticism about the government's ability and intentions resulted from a number of factors. First, the donors felt that the GOB perceived rural unemployment as only a "youth problem" and was content with piecemeal efforts that contained the rural youths' dissatisfaction with the present regime. In other words, the donors recognized that the GOB had not accepted the IG projects as a model for large-scale replication to alleviate rural poverty. Second, the donors assumed that the military government was very dependent on the rural elite's support; and that is why the GOB let the rural elite appropriate the benefits of many government-managed projects. The donors therefore were concerned that even if the GOB agreed to replicate IG projects nationwide, the benefits of those projects would not actually accrue to the poor.

The donors were also resentful of the GOB's hostile attitude toward the NGOs. The donors thought that this hostility resulted from misinformation about the NGO-managed projects among the senior GOB officials, many of whom previously had been supportive of NGO activities. The donors blamed the middle and lower-level bureaucrats for purposely misinforming their superiors simply because the lower-ranking bureaucrats were envious of the NGO leaders

who usually earned more than they did. As a result, news of the positive outcomes of NGO-managed IG projects rarely reached the senior officers, who almost always relied on their subordinates for information on project implementation.

What was most striking about the donors' reaction was the sense of helplessness in their realization that perhaps they did not have much leverage to influence the GOB's policies. A recent meeting convened by the donors to review and coordinate all foreign aid for the country was not attended by senior government officials. What is more, the relatively lower-ranking officials who came to the meeting did not even stay through the entire meeting. Some of the donors interpreted this as an indication of the GOB's lack of interest in the donors' policies. "Perhaps the government feels that we are hooked," one donor agency official commented. According to him, the GOB perceived these meetings as donors talking to other donors about mutual problems and differences which do not have any bearing on the level of foreign aid.

## 5. THE RATIONALE FOR ANTAGONISTIC COOPERATION

Despite the apparent differences among the GOB, NGOs and the donors regarding the merits of IG projects, they continue to work with each other in implementing more of these projects. There are at least three possible reasons for this collaboration although more data are needed to support these hypotheses.

First, it is possible that although the three institutional actors are quite vocal about their differences, the real level of antagonism among them is much less than they conveyed in the interviews. Why would they choose to highlight their differences? It is possible that by accentuating the differences with the others, each institutional actor was trying to establish its own identity in an indirect way. This is particularly true of the NGOs who felt almost compelled to appear different from the GOB. It is their differences that provide them the legitimacy as an institution independent of government. Similarly, the donors may have felt that they had to deliberately distance themselves from an authoritarian government if they were to retain their image of truly caring for liberal democratic norms. The GOB may have exaggerated its difference with the donors to simply show that it was independent of neocolonial control, commonly associated with foreign aid.

Second, it is plausible that the three institutional actors continue to implement IG projects despite their disagreements simply because they see no alternative. The donors, for example, had already funded large-scale, rural infrastructure projects for at least a decade before they shifted to funding IG projects. They have also been disappointed with the IG projects, but they do not want to simply withdraw from Bangladesh, acknowledging that nothing can be done to help 75 million people on the brink of economic disaster. The NGOs also cannot stop funding IG activities. Under current political conditions in Bangladesh, they cannot collaborate to form a political party to advocate major structural changes in the economy which would serve the same purpose as the IG projects, that is, to quickly increase the income and consumption of the rural poor. Similarly, the GOB's options are limited. The GOB lacks the evidence to convince the donors that, despite their many shortcomings, large-scale infrastructure projects may be more beneficial to the rural poor than IG projects. Moreover, the GOB may not know how to design and implement traditional infrastructure projects so that the benefits are not captured by the rural elite but accrue instead to the poor who are the current targets of IG projects.

The third reason the three institutional actors continue to implement IG projects despite their apparent disagreements is that the IG projects serve important functions for these institutions. It may also be functional for the three institutions to work with each other, in spite of their antagonism. The relationship among the three parties is reminiscent of "joint families," which are often appropriate examples of antagonistic cooperation. In joint families, it is common to have family members who are intensely hostile to each other and yet live together under the same roof because it is beneficial for them in other aspects. In many ways, the relationship among the donors, the GOB and NGOs in Bangladesh is similar in that each benefits in some ways from the IG projects, and gains something very specific by working with the others.

The situation of the GOB is one example. Despite its strong criticism of the IG projects, it benefits from the employment these projects create not only for the poor but also for middle to lower-middle class urban and rural youths who implement these projects. At present, the NGOs have employed nearly 50,000 "volunteers" to help implement the IG projects. These "volunteers" who now live in the rural areas would have surely migrated to the city and put additional pressure on the urban labor market, if their current jobs were not available. The IG projects

thus satisfy the GOB's concern for "youth unemployment."

The GOB also benefits from the role NGOs play in organizing the rural landless into small solidarity groups. The GOB prefers that the landless are organized by the NGOs than by the opposition political parties. Toward that end, the donors' funding for NGOs is helpful for the GOB even though the government would prefer that the funding be used for other large-scale, rural infrastructure projects. At this stage, the GOB can in no way pressure the donors to change their funding preferences. On the contrary, the officials are worried about the donors' resolution in the 1985 aid consortium meeting in Paris that as much as 25% of all foreign aid to Bangladesh should be channeled through the NGOs for IG projects. The GOB could not deter the donors from pushing for this change because it was afraid of losing the remaining aid if it did not accede to the donor's wishes. Although none of the donors has formally tied its aid to the GOB's approval for IG projects, the GOB officials consider the aid tied. The GOB therefore continues to work with the donors.

What about the NGOs? Why do they prefer IG projects? Why have they not created a common front against the GOB even after being harassed by government officials when they need project approval? The IG projects, because of their differences from traditional, large-scale, rural development projects, fit well with the NGO's claim that their approach to development is very different from that of the GOB. Much of the donors' funding for the NGOs is also based on this notion — the NGOs are quite aware of this perception and take every opportunity to appear different from the government.

Yet the NGOs work with the GOB in the sense that they tap into various government programs for provision of credit, for inputs or even for marketing the products of IG projects. Conversely, some of the NGOs have been used by the GOB for training purposes. When talking about this type of cooperative effort, the NGOs are usually still critical of the GOB, and complain about the many problems they face while working with the GOB. Yet, the NGOs — particularly the smaller ones — do not usually miss any opportunities to work with the government, because they are aware that ongoing government programs provide a sense of certainty to their otherwise fluctuating operations, and more importantly, they know that much of the success of the large NGOs is due to the close linkage of their leaders with top-level government bureaucrats.

The question remains of why the donors

continue to support the IG projects when they know that the rate of return from these projects is very low. There could be a number of reasons. First, the IG projects have created a distinct constituency of supporters within the donor organizations. Many of these supporters were hired in the 1970s, specifically to design and supervise IG projects. These individuals are often quite different from the other donor staff members, who are usually economists. In the 1970s, the economists had become somewhat unpopular as they were associated with the old development model, popularly known as the trickle-down approach. In the intellectual climate of the 1970s, when IG projects were first developed, economists were considered unable to create alternative models of development which required such noneconomic inputs as citizens' participation and political empowerment. A new breed of professionals joined the donor community to facilitate development from below. These individuals have a stake in defending the IG projects because it is only through this type of project that they can prove they have something unique to offer which their economist colleagues cannot provide.

Another reason for donor involvement has to do with the political possibilities of IG projects — possibilities that never materialized but continue to appeal to the donors who feel uneasy about the political trends in Bangladesh. The IG projects, when they were first introduced, were thought to be capable of generating not only economic benefits to the poor but also political benefits in terms of creating strong community groups that could not be manipulated by the government or other organized political parties. Although this political expectation was never explicitly articulated, it expressed itself in stated project objectives, such as "empowerment of the poor," "the poor gaining control over their destiny," and so on. These objectives implied that the existing political process excluded the poor from the decision-making process, and that this problem could be addressed through IG-type projects.

The current political situation in Bangladesh does not indicate that the numerous IG projects implemented have had much of a progressive effect. On the contrary, the democratic process seems to have steadily degenerated over the years. The donors' faith in the political possibilities of IG projects, however, has not waned, perhaps because these projects somewhat soothe the guilty conscience of the donor community, which has stood by the side of the GOB through the years of political regression.

There is a fourth explanation of the antagonis-

tic cooperation among the donors, the GOB and the NGOs which draws on neo-Marxist interpretations of the problems of capitalist development. Although this approach is rather crude and devoid of institutional analysis, it is appropriate to summarize its main arguments because, until recently, it had a major influence on development thinking. The neo-Marxist argument — often referred to as the political-economy approach in development literature — is based on the assumption that global capitalism in the late 20th century has failed to produce gainful employment opportunities for an increasing number of people in the peripheral capitalist countries, such as Bangladesh. This redundant labor force can no longer be supported by the state, which is currently confronted by both financial and legitimation crises (Portes and Walton, 1981; Smith *et al.*, 1984). Despite these "structural problems" of capitalist development, Western donor institutions, national capitalist states and reactionary social forces, embodied in the form of NGOs, continue to support the further expansion and penetration of the capitalist system. Such expansion, at a time of general slowing down of the global economy, requires a disciplined, low-wage labor force not dependent on state expenditure (Portes and Walton, 1981). Income-generating projects, which are also referred to as self-help projects, fit these requirements well: they do not require any structural changes in the capitalist system; they legitimize petty bourgeois aspirations on the part of unemployable workers who are really part of the "reserve army of the proletariat"; and they help transfer surplus value from peripheral to core capitalist countries by undervaluing labor in the former (Burgess, 1979).

Needless to say, the neo-Marxists argue that IG projects are not likely to improve the living conditions of the poor. Instead, like many other "bourgeois reform measures," the IG projects are likely to generate contradictions, the management of which would create intraelite conflicts of the kind occurring in Bangladesh among the donors, the GOB and the NGOs. To a neo-Marxist, these conflicts are not signs of fundamental conceptual and ideological differences among the three key institutional actors who share the common goal of capitalist development. These actors would continue to cooperate with each other despite severe managerial problems, the neo-Marxists would argue, because of the common class interest of the institutional members.

The problem with this neo-Marxist interpretation is that because it attempts to explain everything — from issues of the global economy

to the decisions of poor households involved in IG projects — it ends up by not explaining much. This is particularly true for explanations of intra- and interinstitutional relationships, which are basically ignored in the deterministic conceptual framework. Whether and why the GOB, the donors and the NGOs agree about IG projects, or if there are disagreements within each institution, are not of much relevance in the neo-Marxist approach because these institutions are lumped together as defending and propagating capitalism. The definition of institutional interests in such broad terms is not conducive to a good understanding of institutional behavior. Without such an understanding, no one, not even the most progressive thinker, can strategize about how to foster social change.

## 6. CONCLUSION

There has been a recent growing interest on the part of international institutions, such as the World Bank, to coordinate their development activities with those of the governments of poor countries and with the increasing number of nongovernmental organizations in these countries. Some reports on how to facilitate this tripartite cooperation have already been published (World Bank, 1988; Hirono, 1987). The suggestions for enhancing cooperation usually identify different "entrance points" for NGOs during the project cycle, without any reference to the larger institutional context within which the NGOs, the international institutions and the governments interact. There has been some recent discussion about the "policy environment" and how NGOs supported by the international institutions can influence this environment. These discussions are usually limited by broad generalizations about NGO-government relationships, as they are shaped by the comparative advantages and limitations of the NGOs and the government in different types of activities (Cerna, 1988).

The story of antagonistic cooperation in Bangladesh may serve as a reminder to the proponents of tripartite cooperation that the reality they intend to influence may be much more complex than they have so far assumed. Interinstitutional hostilities may be particularly sharp in Bangladesh and may not be representative of all developing countries. Yet the analysis of the situation in Bangladesh provides a general lesson: that interinstitutional behavior among NGOs, donors and government is conditioned not so much by their comparative advantages or

disadvantages in different activities as by their own institutional interests.

To understand the institutional viability of IG projects — or, for that matter, any project — we need to understand how these projects cater to the interests of the key institutions that will be involved in their design and implementation. To some extent, the interests of every institution are historically determined, as we have seen in the case of the GOB, which wholeheartedly supported IG projects at the time of national independence and even after the floods and famine of 1974. We have learned, however, that the interests of institutions evolve with changing political-economic environments, which is why a project that at one time might appear to be compatible with an institution's interests may at another time be downgraded. This dynamic cannot be well understood in the economic language of "comparative advantage"; it requires concepts such as "antagonistic cooperation," which captures the institutional reality more accurately.

The conclusions of this paper concern what the donors, the GOB and the NGOs should do about IG projects. It is assumed that institutional behavior is shaped by a number of factors, only one of which may be based on the technical understanding of the phenomenon to be influenced. It is nonetheless useful to ponder the best course for the three key institutional actors to follow, now that they have accumulated sufficient knowledge about the effectiveness of IG projects.

First, it is important that the donors acknowledge that their basic objective in implementing IG projects is poverty alleviation, and that there are a number of ways this objective can be pursued. This would make the donors reexamine some options such as funding large-scale infrastructure projects with a new wisdom gained as a result of implementing IG projects. The best approach to poverty alleviation will vary from one context to another, not only from one country to another, but from one village to another. Moreover, the appropriate approach for each context does not have to be formulated by a dualistic conceptual framework based on preference for either top-down, infrastructure projects, or bottom-up, IG projects. In some cases, a combination of the two may be quite appropriate — particularly if they are linked. A rural infrastructure project therefore may have an IG component; conversely, an IG project may include construction or maintenance of infrastructure.

Some donors are understandably concerned about influencing the policy environment, which

in some countries would require drastic changes for poverty to be eradicated. My fieldwork in Bangladesh leads me to suggest that if we are truly concerned about poverty alleviation, we must better understand how local government functions — in particular who controls local government, why certain local governments are more responsive to reform than others, and what the institutional mechanisms are by which the rural poor can influence policy deliberations in their local governments. I raise this issue because much of the current discussion on policy environment is focused on the central government which is, of course, a key actor. Policy implementation, however, is strongly influenced by local governments. In the past these local institutions often helped the local elite capture the benefits of well-intentioned infrastructure projects. The interests of these local institutions had to be taken into account in designing IG projects. How income was to be generated, by which types of activities, and in which niches of the market were strongly influenced by the economic interests of the local elite, who also controlled the local government. Therefore, if we are interested in policy reform, we must understand how to initiate reform at both the central and local level, this will enhance our understanding about the political connections between the two levels.

There is already a growing awareness in the NGO community about the limitations of IG projects. There is also a growing recognition among the NGOs, in Bangladesh and elsewhere, that if they are to be catalytic in facilitating the development of productive forces, they must be less defensive about IG projects and begin to look at a whole range of project possibilities,

some of which may require working closely with the government (Korten, 1987). This necessity creates the dilemma for the NGOs of how they are to work with government and still retain their relative autonomy from the state. They also face the problem of how they are to be influential in the developmental process and yet retain their relative autonomy from the key political institutions — in particular, the political parties, which affect, and in turn are affected by, the developmental process. These questions are central to the future of the NGO movement in the developing countries.

The IG projects did not address this dilemma. Instead, these projects created the illusion that there would be a "shortcut to progress" — a shortcut that would help bypass the lengthy and often frustrating process of dealing with the government and political parties. If there is one lesson to be learned from the implementation of IG projects, it is that there is no such bypass to progress. Further, the political shortcut approach may be counterproductive. It allows the dominant political institutions to isolate and marginalize the social forces searching for an alternative approach to development. In summary, the NGO community must acknowledge that if NGOs are to play a catalytic role in the development process, they must prepare themselves for the political fights which lie ahead.

If poverty alleviation is to be the goal of the GOB, the first prerequisite may be a change of the authoritarian regime which, for the most part, is guided by the interests of the military and the landed elite. How to bring about that change should, of course, be decided by the people of Bangladesh alone.

#### NOTES

1. Food for Work programs usually involve government-managed construction of large-scale rural infrastructure for which the laborers are paid in kind with food, in lieu of wages. This program has been used to absorb excess agricultural labor during slack seasons and during natural calamities such as floods or famine.

2. For example, see Hoskins (1988), Kilby and D'Zumura (1985), Ashe (1985), Blayney and Otero (1985).

3. There are a few exceptions to this general trend, where an institutional approach has been used for

evaluation of income generating projects. For example, see Tandler (1989), Wines (1985) and Annis (1988).

4. The low economic rate of return of IG projects is supported by a study which evaluated 50 IG projects in Bangladesh. See Momen (1983).

5. This assessment of the IG projects was agreed to by almost all individuals I interviewed in Bangladesh. Since my field trip, however, I reviewed two studies which provided evidence suggesting that the IG operations funded by the Grameen Bank were yielding high returns. See Hossain (1988) and Ghai (1984).

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