

# **Evaluating NGO Service Delivery in South Asia: Lessons for Afghanistan**

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Prepared for a select group  
of U.S. government agencies interested in South Asia

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## **List of Acronyms**

<b>BAVS:</b>	Bangladesh Association for Voluntary Sterilization
<b>BINP:</b>	Bangladesh Integrate Nutrition Project
<b>BPHS:</b>	Basic Package Health Services
<b>BRAC:</b>	Bangladesh Rural Advancement Committee
<b>BRCS:</b>	Bangladesh Red Crescent Society
<b>MFI:</b>	Microfinance Institution
<b>NGO:</b>	Non-Governmental Organization
<b>NSP:</b>	Nepal School Projects
<b>NYOF:</b>	Nepalese Youth Opportunity Foundation
<b>PPA:</b>	Performance-based Partnership Agreement
<b>WHO:</b>	World Health Organization

## Foreword

In today's world, global policymaking has become essential. From climate change and avian influenza to currency crises and nuclear proliferation, key policy problems refuse to be confined within the territorial jurisdiction of a single country or region of the world. No longer do policymakers or policy analysts have the luxury of approaching policy design and implementation one nation at a time.

This report addresses one of the most significant policy challenges facing global leaders—how to best deliver services in the wake of failed states and civil conflict. The report's focus is on Afghanistan, Bangladesh, and Nepal and the potential role for non-governmental organizations in providing public services. The project is the result of collaboration among students in the La Follette School and a select group of U.S. government agencies interested in issues of South Asia.

The Master of International Public Affairs program in the Robert M. La Follette School of Public Affairs at the University of Wisconsin–Madison prepares students for careers addressing challenging problems such as this one. Students develop skills in policy analysis, public management, economic and statistical research, and data interpretation and presentation—as well as the knowledge and understanding to apply these skills to emerging transnational and global problems.

The authors of this report are enrolled in Public Affairs 860: Workshop in Public Affairs, International Issues, the capstone course in the international public affairs program. The workshop provides students with practical experience applying the tools of analysis they have acquired in three semesters of coursework to examine real-world problems, to contribute useful knowledge, and (where relevant) to propose feasible solutions to clients in the public, non-governmental, or private sector.

Most of the semester is spent *doing* analysis in the form of projects that culminate in reports such as this one. While acquiring a set of analytical skills is important, it is no substitute for learning by doing. To be sure, the opinions and judgments in this report do not represent the views, official or unofficial, of either the La Follette School or of the client organization for which the report was prepared.

I am grateful to Wilbur R. Voigt whose generous gift to the La Follette School supports the school's workshop projects in which reports like this are produced. With his support, we are able to finance the production of the final reports, plus other expenses associated with the projects.

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## Executive summary

This report examines the benefits and drawbacks of Non-Governmental Organization (NGO) service provision in South Asia with respect to Afghanistan.

**1. Based on our analysis, we conclude that NGOs should continue to be encouraged to provide public services in Afghanistan.** The advantages NGOs bring to service delivery are significant, particularly in countries like Afghanistan where the government has a serious lack of capacity to supply comparable services. An examination of the influence of NGOs in Bangladesh and Nepal, which have experienced similar problems in the health, education, and rural and small business development sectors, offers lessons for how NGOs may influence the development of Afghanistan. In Bangladesh and Nepal, NGOs have contributed resources to significantly improve child and maternal health, increase female enrollment and access to education, and equip people with the means to make livings from legitimate products. We find that NGOs have had the most success when they cooperate with the government.

- **Recommendation:** NGO-government relationships should be strengthened so that both institutions can share information and resources to provide better services more efficiently to the Afghan population.

**2. Although we encourage NGOs to continue providing public services, we acknowledge that these organizations have not been free of problems.** In Bangladesh and Nepal, NGOs have experienced problems with accountability, transparency, and sustainability. The governments in these countries lack the necessary resources to regulate NGO activity. For example, in the health sector of Bangladesh, we find that in the absence of legal boundaries the accountability of NGOs is limited since they may omit program failures in self-evaluations. There have also been allegations that the bidding process lacks transparency (World Bank 2005c). Furthermore, uncertain funding and a lack of sustainability limit the effectiveness of certain NGOs within the country.

- **Recommendation:** Since most disagreements between NGOs and government arise from suspicion about financial and management issues, NGOs should be accountable for their transparency and management of operations to the government. They also should be accountable to the beneficiaries of their services and donors. NGOs should be regulated by the government and trained to keep uniform records of their activities and funding. Organizations with a record for transparency and good management practices should be awarded with service contracts.

3. **To address these concerns, we recommend that significant efforts be made to expand NGO-government relations.** In particular, we recommend the following actions:

- **Recommendation:** To prevent an imbalanced relationship where NGOs could overtake the government's role in service provision, efforts should be taken to make sure that the government and NGOs expand at the same rate. At present, the government of Afghanistan receives only 22 percent of foreign international aid, while the rest is directed toward NGOs (Integrated Regional Information Network 2006a). This imbalance of funding should be corrected to ensure that the government eventually serves as a regulative counterpart to NGO programs.
- **Recommendation:** A legal framework for contracts should be established to clarify expectations of the role of NGOs and the government in service delivery, to identify common goals, and to create monitoring and evaluation mechanisms. The government should further work to establish legal norms to support the goals of service delivery.
- **Recommendation:** The government should create rural offices to facilitate cooperation with NGOs outside of central cities. Small field offices dedicated to NGO monitoring, cooperation, and evaluation should be established to extend the delivery of services to underserved and hard-to-reach areas.

## **1. Introduction**

This report evaluates the effectiveness of non-governmental organizations (NGOs) in delivering essential public services in South Asia, with the objective of drawing lessons for U.S. policy in Afghanistan. Afghanistan faces problems providing essential services to its citizens. These difficulties are caused by factors such as geographical remoteness, civil instability, the over-centralization of government, a lack of infrastructure such as transportation systems, and a lack of government resources, among others.

These obstacles present similar problems in other South Asian countries such as Bangladesh and Nepal, where governments are also incapable of providing public services in many areas. In Nepal and Bangladesh, NGOs have emerged as alternate providers of public services, particularly within poor and rural communities. These NGOs serve as proxies for understanding the potential role for NGOs to supply this service in Afghanistan. Through case studies, this report explores how NGOs have attempted to overcome limited capacity and resources in order to improve public services in Nepal and Bangladesh. We focus on three key sectors of public service: health, education, and rural and small business development.

In evaluating the ability of NGOs to provide public services in these sectors, we apply several criteria, including effectiveness, cost, transparency, sustainability, and transferability. Based on these criteria, we conclude that disadvantaged communities in Afghanistan would be best served by a strong program of local NGO initiatives in health, education, and microfinance carried out in partnership with the Afghan government and international organizations. Although a mixed blessing, NGOs are uniquely suited to overcome many of the obstacles to providing public services in the difficult social, economic, and geographic contexts of South Asia.

## **2. Problem analysis**

The key problem for U.S. policy in Afghanistan is whether to support an expansion of the NGO sector in response to the overwhelming absence of public service delivery in the country. Some NGO activity is already supported, but it does not come close to meeting the needs of the Afghan people for public services, nor does it appear that the government is capable of meeting these needs. This paper will explore the question of whether NGOs should be encouraged to fill this gap by significantly expanding their presence as public service deliverers.

### **2.1 Lack of services in Afghanistan**

Many people in Afghanistan, a country of more than 31 million, do not receive sufficient basic public services (Central Intelligence Agency 2006). While public service provision has been a problem in this country for many years, the distribution of existing services has become increasingly skewed in favor of urban centers. As the new government strives to assume the duties of a central, authoritative government, it is presently incapable of meeting the challenge of public service provision, particularly in rural regions, where warlords control resources and are unaccustomed to and perhaps unwelcoming of a governmental presence.

#### **Health challenges**

A tragic combination of historic poverty, geographic remoteness, conflict, and natural disaster has left the Afghan health system in shambles. Physical and administrative infrastructures have been destroyed with unprecedented impacts on the Afghan people. The country has one of the worst child mortality rates in the world. The under-age-5 mortality rate is estimated at 257 per 1,000 births (United Nations Children's Fund 2004a). This indicates that a quarter of Afghan children die before reaching their fifth birthday (Bryer 2004). Likewise, the maternal mortality rate in Afghanistan is one of the highest in the world. Seven out of 100 women die of pregnancy-related problems. Seventy-eight percent of maternal deaths and about 60 percent of deaths of children younger than 5 are preventable (World Bank 2005a). The high fertility rate of Afghanistan is estimated at 6.8 children per woman, which contributes to high maternal and child mortality rates (Pavignani & Colombo 2002).

In addition, there is a high prevalence of diarrhea and acute respiratory infection, the main causes of children's deaths. The burden of disease on the Afghan population is accentuated by the presence of endemic diseases such as tuberculosis and malaria. Tuberculosis is considered an important health problem in Afghanistan not only because it claims approximately 20,000 lives annually, but also because its high rate of propagation is exacerbated by prevalent poverty and malnutrition (Pavignani & Colombo 2002). Not only is the health status of Afghans low by international standards, it is also unequally distributed. In rural areas, the infant mortality rate is estimated to be three times higher than in Kabul.

The maternal mortality rate is estimated to be five to 15 times higher in remote areas than in Kabul (World Bank 2005a).

### **Educational shortfalls**

The educational infrastructure within Afghanistan is considerably weak. Afghanistan has the largest population of school-age children in the world, but only half attend school. Only 34 percent of enrollees are female, partly because under Taliban rule, girls were banished from school. During the 23 years of war in Afghanistan, 80 percent of school buildings have been damaged or destroyed (Asian Development Bank 2003). Although the government constructed 3,000 schools between 2002 and 2004, it supplied a standard school structure irrespective of available resources in communities.<sup>1</sup> Most qualified teachers have fled Afghanistan or were killed during the conflict (Asian Development Bank 2003).

Afghanistan honors its signatory status to the Convention on the Rights of the Child, and not only provides free primary compulsory education, but funds students' educational fees up to grade 9. However, there are direct costs that impede a child's ability to go to school, including those for uniforms, notebooks, and pencils, all of which increase with each year of education (Oxfam 2004).

Afghanistan has an estimated 25,000-30,000 former child soldiers who can use education to find another means of subsistence, rather than resorting to combat or banditry (Asian Development Bank 2003). Further, Afghan schools, students, and teachers are being attacked, particularly in the former Taliban stronghold of the south. Two hundred schools in the south were closed and militants burned down three new schools in January and February 2006 (Integrated Regional Information Network 2006c).

### **Lack of rural and small business development**

Years of conflict have devastated Afghanistan's rural population, and the government has been unable to administer the business services necessary to reinvigorate this group. Due to the 1979 Soviet invasion, much of the rural population fled to Pakistan and Iran. This migration along with military attacks led to the destruction of a substantial amount of agricultural infrastructure and the loss of livestock. Additionally, continued fighting in the country eventually caused power, transportation, and telecommunications infrastructure to collapse. Because of the country's conflict-ridden history, its economy largely depends on subsistence agriculture, specifically in wheat and livestock, as well as fruit and cotton in fertile areas (Marsden 2003). A June 2003 World Bank report estimates that 80 percent of the rural population currently depends on subsistence level jobs now (Bryer 2004).

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<sup>1</sup> The standard design is eight to 10 classrooms that are meant to be attended by children from several different villages. The school constructed in Badghis Province had 10 classrooms for 220 students with only three teachers (Oxfam 2004).

Lack of small and rural business development is compounded by a lack of international investment (Marsden 2003). When the government does not provide services that facilitate rural and small business development, opportunities for rural villagers are reduced. This has caused people to begin relying more heavily on the informal economic sector and illegal activities like poppy cultivation for opium production (World Bank 2005b).

Evidence of a lack of business services can be seen by the rising production of opium in Afghanistan. Opium has been an attractive crop to farmers because of its high price, guaranteed market, and the availability of credit from traffickers, which can partially explain the growth of the opium economy (World Bank 2005b). Therefore, rural development can be an essential tool to reducing opium production within Afghanistan, but the government has not been able to provide adequate services.

## **2.2 Emerging role of NGOs**

The vast majority of the Afghan population lives in rural areas outside of the capital city. These tribal, family-based communities inhabit areas with dangerous and rough terrain, often subject to the rule of local warlords. Under the repressive Taliban regime, the NGO sector in Afghanistan did not exist. The number of NGOs has surged in the years following the fall of the Taliban regime, but they have only limited capacity outside the capital city of Kabul. For this reason, government contracts for public services have been given almost solely to international private contractors rather than local organizations (Center for Public Integrity 2006).

NGOs have an important role to play in the provision of public services in areas where local conditions prevent government and private entities from providing these essential needs. Factors that determine NGO involvement in the distribution of services such as clean water, medical care, education, or local business development include: political willingness to invest resources in the health and well-being of the population, geographical barriers such as mountains or floodplains, availability of local expertise, and adequate infrastructure to deliver services. Although problems such as corruption and inefficiency are difficult to measure, there are relatively few reports of scandal in the NGO sector, even as there is increased emphasis placed on financial accountability and governance (World Bank 2005c).

NGOs have many qualities that set them apart from government service providers. Tasked with the establishment of a minimum level of services needed to pursue social goals, local NGOs are generally small, flexible, and decentralized. Their structure allows for decision-making at the grass roots level and enhances their

ability to provide public services. NGOs are typically staffed by groups with shared goals in some area of social improvement, under the assumption that these goals are more important than profit. Under the appropriate circumstances, NGOs have the potential to satisfy the needs of previously underserved groups, create partnerships among local organizations, and foster innovative problem-solving at relatively low cost. If NGOs employ local staff and create culturally compatible, locally driven projects, those on the receiving end of public services may become invested in the success and continuation of the projects.

Donors have poured aid money into Afghanistan in recent years. The bulk of funding has been directed towards NGOs rather than the government. Many donors are unwilling to channel funding through the government, for fear of corruption and inefficiency. This is rapidly changing, however. During much of the past four years, the government portion consisted of only 22 percent of foreign aid money. This number is expected to rise to 60 percent in the near future (Integrated Regional Information Network 2006a).

### **2.3 Concerns raised about NGOs**

However, in the context of social and political transition, civil instability, and extreme centralization, NGOs face a number of problems providing public services. NGOs in South Asia have a mixed history with the governments of the countries that they serve. Governments have the ability to facilitate or obstruct NGO operations within their borders. The level of cooperation between NGOs and governments therefore indicates how successfully public services will be administered in the region. In countries with a history of bureaucratic authoritarianism, there may be mutual suspicion between governments and non-state actors. An atmosphere of distrust between government and civil society will interfere with their ability to work together effectively. In more extreme cases, governments may choose to create legislation that limits the autonomy of NGOs. If NGOs are to function effectively as a stopgap for public services, they must be able to operate unhindered by government interests. The NGO sector's independence from government enables it to supply services to underserved areas. If NGOs are forced to take a political stance, then their credibility as altruistic, unbiased entities able to serve diverse communities will be compromised.

The NGO sector in Afghanistan has become inundated with "briefcase NGOs" hoping to benefit from the influx of international funding. These NGOs may consist of few people with few resources who infrequently participate in civil society. The Ministry of Economy deregistered 1,620 NGOs so the ministry could re-evaluate the criterion for NGO status. The ministry then streamlined and reorganized the registration process. Some have complained that the government did not provide the time and support needed to finish the registration process. However, the re-examination of the NGO sector could become a first step toward

establishing productive NGO-government partnerships. (Integrated Regional Information Network 2006a)

Other potential drawbacks to employing the NGO sector to provide essential public services include the relatively small size of local NGOs and an uncertain flow of funding. These problems limit the potential of local NGOs to create programs that supply services throughout the entire country, or sustain them indefinitely. For these reasons, some believe that local NGOs will always rely on government and donor agencies for resources.

### 3. Research design

To evaluate the ability of NGOs to administer services in Afghanistan and to analyze possible problems associated with their work, we examine two case studies of service delivery in Bangladesh and Nepal, which are similar to Afghanistan but have much more extensive histories of NGO service delivery. The experience of NGO service provision in these countries offers a proxy for understanding the potential advantages and disadvantages of expanded future NGO provision in Afghanistan.

Specifically, we evaluate NGO service provision in the health, education, and rural and small business development sectors of Bangladesh and Nepal. These sectors determine a minimum standard of living in developing countries and are thus considered essential for human well-being.

#### 3.1 Selection of case studies

With respect to service provision, Afghanistan shares critical similarities with other South Asian countries, particularly Bangladesh and Nepal. Bangladesh has a larger population spread over a smaller area than Afghanistan. The gross domestic product of Bangladesh is more than twice that of Afghanistan, and it has a well-developed NGO sector. Nepal's population is similar to that of Bangladesh, yet it is experiencing civil instability and is supporting a population similar in size to that of Afghanistan. The NGO sector in Nepal remains small and relatively undeveloped. Both Bangladesh and Nepal share the challenge of harsh, unproductive terrain and rural populations that are hard to reach. Since Bangladesh and Nepal face similar obstacles as Afghanistan, we will evaluate the NGO sector in these countries to determine the potential of success of NGO service delivery in Afghanistan.

#### 3.2 Criteria for evaluation

We use several criteria to evaluate the involvement of NGOs in the health, education, and rural and small business development sectors in Bangladesh and Nepal:

- **Effectiveness:** refers to the success of NGO service provision in each sector. This measure includes the relative effectiveness of NGOs at providing services compared to the government and private sector.
- **Cost:** refers to the cost of NGOs providing services in each sector, relative to the cost of government provision.
- **Accountability and transparency:** refer to accountability of NGOs in each sector to government, beneficiaries of services, and donors.
- **Sustainability:** measures the potential of NGO programs to persist, including possible departure by the operating NGOs or the end of funding for programs.
- **Transferability:** considers the potential for lessons learned in each NGO sector in Bangladesh and Nepal to be applied to the problem of service provision in Afghanistan.

## **4. Research results**

### **4.1 Overview of NGO activity in Bangladesh and Nepal**

#### **Bangladesh**

NGOs have been important contributors to the delivery of public services in Bangladesh. Bangladesh is a relatively small country in terms of area and contains a population nearly five times the size of Nepali and Afghan populations. Many Bangladeshis do not have access to government services, so NGOs have stepped in to provide these services. These organizations mainly target poor, disadvantaged communities. Most NGOs have a formal organizational structure, legal registration with the government, outside funding, and professional staff (World Bank 2005c). They undertake a wide variety of public services that include microfinance, health, education, environmental protection, sanitation, and the provision of clean water. Many organizations have more than one focus.

Local NGOs have accomplished many of the most impressive results in the provision of public services. In recent years, local NGOs have created strategies to scale up small, experimental projects into nationwide projects. Public service provision is difficult in remote communities, yet NGOs have succeeded with strong donor support and patience. The three largest NGOs—the Bangladesh Rural Advancement Committee, the Association for Social Advancement, and Proshika—have multi-million dollar budgets and staff that number in the tens of thousands. International funding of NGOs has risen from 14 percent of total aid to Bangladesh to 25 percent during the past 10 years (World Bank 2005c). The expansion of the NGO sector is attributable to factors that include a relatively recent transition to democracy, an increase in foreign aid, and the country's pluralist approach to providing public services. The Bangladeshi government encourages NGO activities and cooperates with NGOs and the private sector to distribute public services.

On the other hand, the transformation of the NGO sector has created questions regarding the suitability of government regulations that were formulated when the number and scope of NGOs were far more limited. The Bangladeshi government reserves the right to determine the size and scope of NGO activities, as well as review and terminate programs. Laws related to management, taxes and financial accountability, for example, are considered weak and contradictory, creating little incentive for NGOs to audit themselves. Donor reporting requirements and accounting systems vary according to organization, resulting in a lack of consistent monitoring. There is no system in place to enforce a minimum standard of accountability.

Government officials are also becoming concerned by reports of NGOs engaging in political activity, prompting calls for improved regulation on NGO activities in politics. During the 1990s, political tension erupted when Proshika was accused of fraud and plotting to overthrow the government. Outside observers considered these accusations questionable, yet Proshika's outside funding suffered as a result of the confrontation. Many of Proshika's educational programs were cut, and its microcredit programs were reduced. At times, Bangladeshi NGOs and international NGOs have come under suspicion by the government as potential sources of alternate political power.

The robust NGO sector in Bangladesh is due partly to a well-developed system of government contracting in Bangladesh. The government is a major source of funding for several NGOs. Although the relationship of NGOs and the government enhances the long-term sustainability of NGO projects, NGO dependence on government funds may also be detrimental to their independence. NGOs may become unwilling to openly criticize the government. In addition, competition among NGOs for government contracts has encouraged a rise in unreliable, "fly-by-night" NGOs (World Bank 2005c). In summary, NGOs have played a central role in expanding public service delivery to the large population of Bangladesh. In the process, however, a number of key challenges have emerged that enhance our understanding of potential problems if large-scale delivery of services by NGOs is not managed properly.

### **Nepal**

NGOs have also been important for service delivery in Nepal, but security complications have made their work more difficult. Civil conflicts in Nepal limit government resources in the provision of public services and prevent NGOs from operating freely in the region. Maoist rebels threaten civil order by attempting to overthrow the current government. Nepalese insurgents cripple the ability of NGOs and especially the government to supply services by blocking major transportation routes and staging violent confrontations.

In addition, logistical factors complicate the provision of public services in Nepal. Nepal is approximately one-sixth the size of Bangladesh with many of the same public service needs. The population is generally poor and uneducated. Communications and transport are underdeveloped, and more than 90 percent of the population lives in rural, mountainous, or other hard-to-reach areas (Lane 1992).

The Nepali government regulates and closely monitors NGOs within its borders, which also hinders the effectiveness of public service provision. The Social Welfare Council is a government office mandated to coordinate the registration of NGOs, the approval of programs, funding, and the monitoring of progress. In 2005, the introduction of the Social Welfare Ordinance mandated the government

not only to “extend” support as legislated, but to issue directives and supervise as well (Integrated Regional Information Network 2005b). Local and international NGOs alike are concerned about the effect the Ordinance will have on their operations, giving rise to protests. Overall, the conservative and highly centralized government is ill equipped to handle public services in the mountainous and rural regions. A lack of resources and inadequate management impede NGOs in Nepal. The contracting regime is underdeveloped, and a legal framework for public, private, and NGO partnerships does not exist. Staff is generally underpaid and unskilled. Nevertheless, Nepal has a large NGO sector of approximately 10,000-15,000 registered organizations with strong local roots and a high level of public esteem (Montgomery 2002).

Public service projects frequently encounter implementation problems in Bangladesh and Nepal. Small NGOs, though enthusiastic, lack technical knowledge. Larger organizations tend to be overconfident, working quickly without consulting local people. Due to a widespread lack of education and technical experience, local workers employed by NGOs often produce shoddy results. The Nepali Social Welfare Council, as an NGO umbrella organization, is inefficient, has little training or experience in development projects, and is a weak partner for NGOs involved in public service provision (Lane 1992).

## **4.2 NGO service delivery in the health sector**

Like Afghanistan, Bangladesh and Nepal are characterized by high levels of poverty and low health indicators (Table 1 in the appendix provides a comprehensive comparison of health indicators in the three countries). One of the biggest challenges these countries face is a rapid growth in population resulting from a high fertility rate. In Bangladesh, public health challenges have become so large that the government has been unable to supply adequate health care. Less than 40 percent of the population has access to modern primary health-care services (Perry 2000). As a result, NGOs and private actors provide health services. Generally, the government and NGOs collaborate to supply health care to women, children, and poor people (Zafar et al. 2006). The role of the government is mainly limited to the policy setting. On the other hand, in Nepal, the government remains the primary provider of health services, especially in underserved rural areas, although NGOs’ share of service provision has significantly increased in recent years.

### **Bangladesh**

In Bangladesh, maternal and child health care is one of the most pressing needs. The infant mortality rate is estimated at 91 per 1,000 live births, while the maternal mortality rate is 380 per 100,000 live births (United Nations Children’s Fund-Bangladesh 2004). The high rate of malnutrition prevalent in the country has been identified as a major cause of death among pregnant women and children: Two out of three children suffer from severe malnutrition (Perry 2000).

To respond to overwhelming health challenges that the Bangladeshi population faces, the government encourages the involvement of NGOs and the private sector in health service delivery. More than 4,000 NGOs, including international organizations (such as CARE, Save the Children, and World Vision), large national NGOs (Bangladesh Rural Advancement Committee, Concerned Women for Family Planning, and the Grameen Kalyan health program), and hundreds of small and local NGOs are active in the health sector in Bangladesh (Perry 2000). With the financial support of international donors, the government has entered into agreements with NGOs, through which they collaborate to furnish basic health care. Examples of this cooperation are well illustrated by programs such as Safe Motherhood Programs, the Bangladesh Integrated Nutrition Project, and the Health and Population Sector Program. This collaboration has also been realized through capacity building, with NGOs providing training to public health workers such as nurses and midwives. In addition, NGOs have developed strategies for increasing poor people's access to maternal and child health care.

While many working partnerships exist within the NGO community in Bangladesh, the five largest health sector NGOs<sup>2</sup> represent 73 percent of total NGO health sector spending (Ahmed 2000). NGOs use village community health workers to supply door-to-door health services that mainly focus on preventive care and simple curative care targeting women and children (World Bank 2005c). The government runs an extensive network of hospitals, but the highly centralized system suffers from a shortage of resources, mismanagement, and a lack of accountability (Zafar et al. 2006). NGOs run fewer facilities compared to the government and the private sector. With the involvement of NGOs in health-care delivery and an influx of international donations, significant improvements have occurred during the past 15 years in the health status of Bangladesh. According to the World Bank (2005c), these achievements include an average cure rate of 85 percent in the tuberculosis program and a 20 percent decrease in malnutrition.

Although most of the health indicators in Bangladesh remain low even by developing country standards, the nation has achieved significant progress in recent years. With the contribution of NGOs, infant mortality has declined by 22 percent (Bangladesh Ministry of Health and Family Welfare & United Nations Population Fund 2004), the under-five mortality rate has dropped, and both the fertility ratio and maternal mortality rate have been reduced (Ahmed 2000). Immunization coverage increased from 2 percent in 1970 to 70 percent in 1997 (World Bank 2005c).

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<sup>2</sup> Four of the five largest NGOs in the health sector in Bangladesh are: Bangladesh Rural Advancement Committee (BRAC), Grameen Kalyan, Gonoshasthya Kendra, and Dhaka Community Health Trust.

## **Nepal**

The risk of dying from delivery-related causes in Nepal remains high. The maternal mortality rate is estimated at 539 per 100,000 live births and is among the highest in the world. Four percent of women receive the complete antenatal care package (Agarwal 1998). Due to the high level of poverty, the nutrition of women and children in Nepal is poor, making them vulnerable to diseases. Thus, despite recent progress, the infant mortality and under-five mortality rates are high in Nepal. One out of eight children born in Nepal dies before her or his fifth birthday (Agarwal 1998). This indicates that maternal and child health care is a pressing need in Nepal. However, universal access to basic health care is limited because of high costs and insecurity.

According to the World Health Organization, the Nepali government's finance mechanisms for health care are regressive and unfair because they apply user fees that do not account for differential health needs or the patients' ability to pay. Of total expenditures, 74 percent come from households, with the state financing only 11 percent, and the remaining 15 percent coming from donors (Devkota 2005). Health service providers in the western part of the country face the challenges of remoteness and insecurity. Since 1996, a Maoist movement has hindered delivery of essential health-care to rural areas because insurgents often view health workers as government agents and thus target them. Yet, despite a relatively low investment in health, Nepal has achieved significant progress in health indicators in recent years (Nielsen & Shrestha 2001).

NGOs play important roles in Nepal's health sector and have improved the health of women and children. For example, a consortium of NGOs has created the Safe Motherhood Network in 10 remote districts. In the past 15 years, Nepal's child mortality has been reduced by 40 percent, the fertility rate has been reduced by 20 percent, and immunization coverage has increased so that 66 percent of children are fully immunized (Klement & Silverman 2003). There is still work to be done, however, since one-third of children are not fully immunized and only 11 percent of all childbirths are attended by trained medical staff (United Nations Children's Fund-Nepal 2004).

### **Evaluation of NGOs in maternal and child health**

To better understand the impact of NGOs on the health sector in both Bangladesh and Nepal, we have evaluated maternal and child health care, based on a comparison of NGO and government performance. We base our analysis on the criteria of effectiveness, cost, accountability and transparency, and sustainability.

#### **A. Effectiveness**

NGO capacity to work at a grassroots level in Bangladesh and Nepal has given them a comparative advantage in public service delivery. In Nepal, networking within the NGO community has been the key factor of the organizations' success,

while the efficient use of community workers has been one of the factors of NGO success in Bangladesh.

### **Bangladesh**

*Higher quality service:* A comparison of the performance of NGOs and government in maternal and health care in Bangladesh reveals that NGOs have achieved better results (Huque et al. 1999). In fact, the role of NGOs in the provision of local health services has increased because of the general perception that they administer relatively high quality care at a reasonable cost, and because they have developed effective partnerships with local communities (Perry 2000). Surveys conducted in 1999 on overall user satisfaction levels show that only 38 percent of respondents rate services in government facilities as “good,” while 90 percent of NGO facility users found that they were well treated and were willing to recommend the facility to others (World Bank 2005c).

*High rates of success:* NGO intervention in Bangladesh has been decisive in curbing child and maternal mortality rates (Huque et al. 1999). An evaluation of World Vision’s Community Approach Project in the provision of maternal and child health and family planning in Dhaka, Chittagong City, and Mongla have revealed outstanding results. For example, in Patenga, 100 percent of children were fully immunized, 100 percent of children received vitamin A supplements, and 100 percent of children who had developed diarrhea had been treated with an oral rehydration solution. Furthermore, trained birth attendants assisted mothers in all deliveries (Perry 2000).

*Better outcomes:* The operation of Safe Motherhood Programs by the government and three NGOs demonstrates the greater effectiveness of NGOs because outcomes in their service areas were better. In the Barisal and Khulna district covered by the Bangladesh Red Crescent Society, for example, the maternal mortality rate fell from 410 to 230 per 1,000 live births. These rates were better than those observed in the “control” area pilot project mostly dominated by government facilities (Huque et al. 1999). Similarly, in the Rural Nutrition Services Project, malnutrition rates declined by 18 percent in NGO served areas compared to 13 percent in government-controlled areas (Loevinsohn & Harding 2004).

*Female workers:* The success of NGOs in providing health services lies partly in their effective use of community health workers. Indeed, both government and NGOs use community health workers to deliver services, but NGOs have been more successful because of their ability to use them efficiently in a door-to-door approach to deliver services in villages and remote areas. NGOs have been able to develop financial incentives to improve staff performance. For instance, Bangladesh Rural Advancement Committee (BRAC) community health workers are compensated on the basis of how well women have assimilated and used

knowledge about oral rehydration treatments that health workers taught them (World Bank 2005c). Evidence from the Safe Motherhood Programs demonstrated that the use of trained female community workers led to a dramatic decline of maternal and neonatal mortality rates (Huque et al. 1999). In fact, the use of female health workers by NGOs such as BRAC led to more women seeking health care. Women in Bangladesh, like in many Islamic societies, are reluctant to consult with male health workers, especially when a gynecological examination is required (Perry 2000). BRAC provides technical and managerial skills, as well as logistical support to female community workers known as “Shasthos Shebiska.” The profits from drugs sold to patients that Shasthos Shebiska treat belongs to the community health workers. Having local women trained as birth attendants is important, given that in Bangladesh 90 percent of all deliveries take place at home (World Health Organization-Bangladesh 2003). The poor performance observed in government health service delivery, despite the use of community health workers, is due to excessive centralization and bureaucratization that characterizes the public system in Bangladesh (Ahmed 2000).

*Capacity to scale up:* The capacity of large NGOs such as BRAC to efficiently use community health workers to expand their activities and reach remote areas has contributed to the reduction of child mortality and is one of the strengths of NGOs operating in the health sector in Bangladesh. BRAC and CARE, for instance, covered two-thirds of the country’s population with child immunization initiatives (Ahmed 2000). Through Bangladesh Nutrition Services, which served 15 million people, NGOs have demonstrated their capacity to successfully implement nutrition intervention on a large scale without losing efficiency (Loevinsohn & Harding 2004). Furthermore, through NGO collaboration and information sharing they have eliminated program duplication. However, effectiveness of NGOs and other health providers is hampered by a lack of sanitation, hygiene, and clean water, which are critical to disease prevention.

## **Nepal**

In Nepal, local NGOs play a critical role in maternal and child health care by serving the needs of targeted communities. Their successful use of local radio has enabled them to convey messages that are vital to maternal and child health care efforts. Eight to 9 million families have listened to safe motherhood messages on television and radio since 1996 (Putney 2000). NGO effectiveness is illustrated by the increase of women seeking prenatal care. However, it appears that NGOs favor areas that have adequate facilities, with the result that the main beneficiaries of NGO programs are middle-income urban families (Nielsen & Shrestha 2001).

A strength of NGOs has been their ability to work at the grassroots level, which allows them to reach the neediest communities. The government has focused its programs on improving obstetrical care at the hospital level. However, given that

92 percent of births take place at home in Nepal, government programs have had a limited impact (Putney 2000).

## **B. Costs**

Due to the lack of efficiency found in most government health services, NGOs appear to have the capacity to deliver high quality services at lower costs in both Bangladesh and Nepal. However, corruption and mismanagement characterize most government-run public health facilities in both countries. As a consequence, the real cost of services and the cost of services to patients are both higher in government facilities than those run by NGOs.

### **Bangladesh**

A World Bank study (2005c) indicates that the cost of treating three patients in an NGO facility was equal to the cost of treating two patients in a government-run facility. Through a combination of insurance schemes in rural areas and generic drug manufacturing, NGOs lowered their real costs. For example, Gonoshasthaya Kendra has launched the manufacturing of generic drugs, which have the dual advantage of reducing the high costs of medicine in Bangladesh and generating financial resources that ensure the sustainability of the service (Ahmed 2000). One way that NGOs met the challenges of cost efficiency has been through the extensive use of community health workers. BRAC, for example, uses unpaid community health workers. This significantly lowers the cost of its services.

Due to corruption in government-run facilities, patients are required not only to pay official fees, but also “unofficial” fees that can be as much as 12 times the official fees (Perry 2000). In contrast, NGOs lower the cost of their services for patients by providing subsidized maternal services so that the poorest of the poor can easily access these services.

### **Nepal**

The cost of health care is identified as a major barrier to care seeking in Nepal. Since Nepal is a very poor country, households spend a considerable amount of their income on health care (Hotchkiss et al. 1998). NGOs that run health facilities usually apply user fees for cost recovery purposes. For door-to-door services, the beneficiary pays a modest fee to the community health worker or the traditional birth attendant. It is noteworthy that this cost recovery feature of NGOs corresponds with the improvement of services. Financing reforms by NGOs such as the United Mission to Nepal have demonstrated that households are willing to pay more for higher quality services (Hotchkiss et al. 1998).

### **C. Accountability and transparency**

Monitoring by international donors has created a climate of greater accountability and transparency within the NGO community in Bangladesh and Nepal. The fear of losing the trust of their main source of funding compels NGOs to develop sound mechanisms of accountability and transparency.

#### **Bangladesh**

NGO accountability in the health sector in Bangladesh can be demonstrated in three ways: NGOs are accountable to donors, to the beneficiaries of their services, and to the government. In addition to external monitoring, NGOs such as BRAC have mechanisms that allow them to conduct in-depth evaluations of projects to strengthen their activities and publicize their findings. Many government health services, on the other hand, do not have the staff and resources needed to evaluate their activities. Public health services lack accountability and have a widespread reputation of mismanagement, corruption, and underutilization (Ahmed 2000).

NGOs have also developed a participatory approach in which they help the community become a part of the management of the health organization. Such mechanisms contribute to a greater accountability of NGOs not only to donors, but also to the communities that they serve.

However, despite many positive evaluations of NGO accountability, reports indicate some NGOs may conceal negative aspects in their self-evaluations. A lack of transparency and corruption may occur in certain NGO bidding processes (World Bank 2005c). This reinforces the view of critics who assert that the social accountability of NGOs through community participation is an exercise of voluntarism. Thus, the absence of legal boundaries does not bear any obligation for NGOs and may lead to abuses (Ahmed 2000).

#### **Nepal**

Given the reported levels of corruption in most developing countries, it appears that NGOs are important contributors to accountability and transparency in service provision. The literature suggests that NGOs are performing in a relatively more transparent fashion than equivalent government service providers. For example, an assessment of the NGO-operated Safe Motherhood Network reports “there is greater ‘transparency’ due to the systematic mapping of programs, services, resources, and activities” (Putney 2000, 23).

### **D. Sustainability**

In Bangladesh and Nepal, one of the main goals of many NGOs operating in the health sector is to ensure continuity of services through the promotion of community involvement. To accomplish this goal, NGOs have facilitated the creation of health centers administered by local communities in Bangladesh and Nepal.

## **Bangladesh.**

NGOs have undertaken a number of efforts aimed at project sustainability in Bangladesh. They have introduced cost recovery fees, which help to ensure the service continuation and the ongoing supply of medicine. The objective of partial cost recovery is to develop a sense of ownership among local community members. Localized insurance programs have been initiated to promote internal self-sufficiency and to reduce dependence on external donors. Efforts are underway to enable local communities to own and manage their own health facilities.

However, communities cannot sustain the relatively high-level salaries that NGOs pay health workers. In an effort to pay “fair” wages, they often feel obliged to pay local residents wages that are substantially greater than local wages. As a result, the international NGO salaries attract the most skilled workers from the public health sector. This not only damages the already weak public health sector, it also sets a wage precedent that is not locally sustainable.

## **Nepal**

Unlike Bangladesh, where NGOs have a long history of developing programs to ensure sustainability, NGOs in Nepal still depend on international aid. However, efforts are being made to enhance sustainability. For example, the increased involvement of community members in initiatives, such as the Safe Motherhood Network and the introduction of user fees, allow NGOs to secure funds that would guarantee the continuity of services. Likewise, the Family Plan Association in Nepal has started raising local funds at different levels and has prepared groups to manage and eventually take over programs.

### **4.3 Education sector and NGO presence**

The education systems in Bangladesh and Nepal have experienced significant gender disparity, inadequate quality, and a lack of necessary educational materials and facilities. (Table 2 of the appendix provides a cross-country comparison of education indicators.) Few girls in South Asia attend school for the following reasons:

- **Parents are fearful of sending their daughters to school that are far away because they are unsure of their safety.<sup>3</sup>**
- **There is a direct loss of income as families must pay to send their children to school and an indirect loss of income from child labor.** Poverty is the most common reason that families in South Asia do not send their children to school. For instance, poor families in Nepal spend more than 40 percent of their income to send one child to

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<sup>3</sup> Parental perception of an appropriate distance for girls to walk alone to school varies from country to country (Oxfam 2004).

primary school. There is a significant loss of income if parents send their children to school instead of to work, since girls in Bangladesh and Nepal typically work up to 10 hours a day inside and outside of the home.

- **It is considered inappropriate for girls to be taught by male teachers, due to reports of rape and harassment, and there is a shortage of female teachers.** Nepal has women teachers in only 60 percent of its schools despite a law that each government-run school is required to have a female teacher in every school.
- **The custom is for girls to marry and start families around age 12.** In Nepal, 40 percent of girls are married by age 15.
- **Girls are discouraged from attending school because of general gender bias.** There is a widespread belief in South Asia that females should be kept secluded. (Global Campaign for Education 2003).

### **Bangladesh**

NGOs' educational programs complement the government's programs and have significantly contributed to achievement in gender parity in enrollment. Bangladesh has committed itself to free and compulsory primary education since it signed the Convention on the Rights of the Child in 1990.<sup>4</sup> In 1992, Bangladesh began to offer free secondary education. The abolishment of school fees and cooperation between the government, international governmental organizations, and NGOs has produced significant results in recent years in improving the access to education for children, especially for girls. NGOs build schools, donate teaching materials, provide teaching by a significant number of female teachers, and give stipends to encourage female attendance. Eight percent or 1.4 million children are enrolled in NGO primary schools. BRAC is the primary NGO providing educational services. It began its educational work in 1985, and it now provides education to 85 percent of the children attending NGO-operated schools (Sukontamarn 2005). The government has adopted and expanded upon successful educational programs of NGOs, particularly BRAC, with funding from international donors. Most schooling supplied by NGOs is non-formal primary education to allow pre-school, drop-out, and unenrolled children or adults who have missed schooling to catch up and enroll in government secondary schools. Therefore, NGO-operated schools teach the same curriculum as government-funded schools, but they are tailored toward disadvantaged students (Bangladesh Rural Advancement Committee Education Program n.d.). NGOs and the government have worked together in several ways, sometimes aided by international donors, to increase the enrollment of females.

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<sup>4</sup> According to Article 28 of the Convention, parties "recognize the right of the child to education, and with a view to achieving this right progressively and on the basis of equal opportunity, they shall, in particular: (a) Make primary education compulsory and available free to all."

NGOs, international donors, and the government collaborate in three areas to meet the goals of increased access to education and gender parity in enrollment. First, the government shares resources from projects funded by international donors with NGOs. For instance, nearly 200 schools built by the government are run by NGOs, and NGOs sometimes construct schools in underserved regions with government resources (Bangladesh Ministry of Primary and Mass Education n.d.). Second, donors channel funds through the government for government-run and NGO-operated non-formal education programs. For example, the Asian Development Bank donated funds to the government that contracted BRAC to administer the Bangladesh General Education Project (Asian Development Bank n.d.). Third, donors fund NGO projects directly (Bangladesh Rural Advancement Committee Education Program n.d.). This makes NGOs and international donors direct stakeholders in NGO educational programs. These methods of cooperation have proved successful in achieving gender parity; however, overall government-run schools remain low in quality, causing many children to drop out.

There has been a dramatic increase in enrollment of school-aged children in Bangladesh during the past 15 years, but the quality of education has not improved. Bangladesh achieved gender parity in 2001 in primary education. Total primary enrollment is 87 percent of school-age children. Of school-age boys, 86 percent enroll in primary school, while 88 percent of female school-age girls enroll in primary school (United Nations Statistics Division 2006). However, only half of the students that enroll in primary school finish (United Nations Children's Fund 2004b).

### **Nepal**

The government has not been able to sufficiently provide education, as students have to pay substantial fees to attend school, communities are required to construct the facilities, and teachers are underpaid. Nepal charges students a fee to attend school and has not made school compulsory, despite the fact that it is a signatory of the Convention on the Rights of the Child. Households pay an average of \$25 a year on a child's education. Taking into account the average child's loss of income of \$62, sending a child to school costs a family \$87 (United Nations Educational, Scientific, and Cultural Organization 2004), while gross national income per capita is \$240 (World Bank 2003a). In addition to the recurring cost of tuition, the government requires communities to locate building materials and construct their own schools, but it supplies teachers and pays their salaries (Nepal School Projects n.d.). However, salaries are often inadequate, forcing teachers to get second jobs, which hurts their motivation and quality of teaching (Voluntary Service Overseas 2005). Due to the inability of government to provide adequate access to education, NGOs have entered Nepal to provide funding and construct facilities.

NGOs aid students and communities by providing scholarships and building schools. The primary work of NGOs in the education sector includes: constructing schools, providing scholarships that fully cover school expenses, donating teaching materials, and encouraging local activism. There is no information about the number of children served by NGO schools; however, about 1.6 million, or 40 percent of Nepal's 4 million students attend schools unaided by the government, which includes private schools and NGO-operated schools (Nepal Ministry of Education and Sports 2004a). Security concerns limit the capacity of NGOs to increase access to education.

The Maoist insurgency has hindered students' ability to learn and attend school. Maoists abduct children from school and forced them to learn Maoist principles or serve as soldiers. The government has stationed police and military officials inside school compounds, but this can exacerbate the security threat as students and teachers are caught in the crossfire. Since 1996, about 140 teachers have been killed during the insurgency: Maoists killed 84 and the army shot the rest accidentally. Maoist student union strikes caused 3,000 schools to close between January and October 2005 (Integrated Regional Information Network 2006b). Action Aid Nepal had to phase out projects in Baidati and Jajarkot due to security issues (Action Aid Nepal 2005). Clearly, the violent environment is not conducive to learning or teaching and remains a significant obstacle to education reform in Nepal. Despite the obstacle of security threats, more children are enrolling in school, including girls.

Nepal is getting closer to achieving gender parity in primary education and primary enrollment has increased, although, student retention remains a problem. The total primary enrollment rate is 71 percent. Of school-age boys, 86 percent enroll in primary school and of school-age girls, 75 percent enroll in primary school (United Nations Statistics Division 2006). However, NGOs report that drop-out rates remain high: almost half of enrollees drop out of primary school within two years of enrolling and only a quarter of students finish primary school (Integrated Regional Information Network 2006b).

### **Evaluation of NGOs' Work in the Education Sector**

To compare the effectiveness of NGO and government education administration, we evaluate the provision of education and schools in Bangladesh and the construction of schools in Nepal. In Bangladesh, NGOs and the government have increased access to education, female enrollment, and the provision of quality materials to reform the education sector. The Bangladeshi government expansion of the scholarship fund produced significant gender parity in enrollment. NGOs in Bangladesh have achieved greater success in improving female enrollment with better quality education than government-run schools. In Nepal, NGOs are the only entity that builds schools, so they are clearly more effective than the government in the provision of educational facilities.

## **A. Effectiveness**

The education reform projects undertaken by NGOs in partnership with donor funded Bangladeshi government-run programs are more successful in achieving gender parity in education than the Nepali government-run programs that did not include NGOs. The quality of education and high dropout rates in Bangladesh remain a problem. In Bangladesh, the harmonious relationship among the government, NGOs, and international donors seems to be a key aspect in the achievement of gender parity in enrollment. However, NGO-operated Bangladeshi schools have a better quality of education than government-run schools. The scholarship program initiated by NGOs and adopted by the Bangladeshi government significantly increased the enrollment rate of girls, but government schools are still of low quality. In Nepal, NGOs provide full scholarships, but they may be unable to fund all of the students in need. Most NGO work in Nepal concentrates on the provision of facilities and educational materials, so no data are available on NGO educational programs in comparison to government programs. Further, NGOs cite significant government administrative impediments to the efficiency of their projects in Nepal.

### **Bangladesh**

*Increased female enrollment:* The government adopted and expanded an NGO scholarship program to increase female enrollment at the secondary level. Five local NGOs began the Female Education Scholarship Program in the 1980s to provide scholarships and stipends to girls to attend school. The program was extremely successful at raising the female enrollment rate, so the World Bank provided funds to the government of Bangladesh to expand the program.<sup>5</sup> The World Bank labeled the outcome of the government-administered program as moderately successful at its termination in 2001. The program succeeded because female enrollment nearly doubled (World Bank 2003b). However, only 21-29 percent of scholarship recipients passed the annual examination compared to a national average of 31-42 percent (Abadzi 2003). NGOs were clearly more effective at implementing the scholarship program than the government. They have also been more successful in recruiting female teachers and providing education with greater practicality to suit local needs.

*Greater access:* Both NGOs and the government provide educational services in all 64 districts. However, NGOs, especially BRAC, seem to have better success at increasing female enrollment and improving educational quality. About 70 percent of BRAC students and nearly all of its teachers are female. Its schools are a single classroom with about 30-to-1 student-teacher ratio, compared to government schools, which have a student-teacher ratio of 50 students to one teacher. Further, the approach that BRAC takes to education is unique and attractive to both parents and students. Instead of using rote learning, teachers use

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<sup>5</sup> This stipend program was renamed the Female Secondary School Assistance Program in 1990.

interactive learning and continually introduce new material with local relevance (Bangladesh Rural Advancement Committee Education Program n.d.). Due to NGO programs that better serve the needs of children and are of a higher quality, they have produced better results than the government.

*Better outcomes:* In an independent study, seven boys and seven girls in each village were selected to take the Assessment of Basic Competencies Survey to test life skills, reading, writing, and numeracy. Girls who attended schools run by NGOs were more likely to pass the exam compared to boys, and both sexes were more likely to pass the exam if they attended an NGO-operated school. In addition, NGO education programs are more likely to attract female students than government-operated schools (Sukontamarn 2005). The sample size of this survey was clearly very small. However, BRAC also states that the quality of education of government schools is inadequate, with low completion rates and disparities between rural and urban schools. There is a significant shortage of trained and qualified teachers, and the government estimates that 58,000 of its teachers are unqualified and insufficiently trained (Bangladesh Rural Advancement Committee Education Program n.d.). This suggests that the quality of education provided by NGO schools is superior to that of government schools.

## **Nepal**

*Increased access:* NGOs provide the full cost of schooling through scholarships while the government's scholarship program is insufficient and corrupt. The government tried to alleviate students' financial burden and increase female enrollment by offering a scholarship program similar to that of Bangladesh, but without NGO assistance. The government scholarship program has been ineffective for several reasons: it targeted students who were already in school; funds were misused; recipient decisions were based on favoritism; and scholarships only covered 5 percent of school fees (United Nations Educational, Scientific, and Cultural Organization 2004). NGOs typically provide scholarships that cover the full costs of schooling. Some NGOs only provide a few scholarships, while others provide hundreds. For example, Social Educational Environmental Development Services provides scholarships to two boys and two girls (Social Educational Environmental Development Services 1998), while the Nepalese Children's Education Fund has given 80 scholarships (Nepalese Children's Education Fund 2004). The Nepalese Youth Opportunity Foundation provides 1,700 scholarships that comprehensively meet student needs. The foundation provides schooling, boarding, and medical expenses for 70 homeless children, as well as funding for uniforms and school supplies for less needy children. In addition, the group requires students to reapply for scholarships each year, and they must complete their courses to receive subsequent funding (Nepalese Youth Opportunity Foundation 2003). This requirement helps to ensure that targeted children stay in school. The scholarships that NGOs provide are more useful because they cover the full cost and encourage children to stay in school through

scholarship renewals, but they may be unable to provide as many scholarships as needed. The limitations of NGOs are further illustrated by their inability to provide educational services throughout Nepal.

*Limited geography:* NGOs do not have a presence in all districts of Nepal and their beneficiaries are concentrated primarily in the western regions. No NGOs are in six eastern districts, one district of the central region, or two districts of the western region (United Nations Nepal Information Platform 2006). There is no information that indicates why NGOs are not present in these districts; however, the government says that providing basic education to isolated areas with rough terrain is difficult (Nepal Ministry of Education and Sports 2004b). This suggests that neither NGOs nor the government are able to provide educational services to all the areas in which they are needed.

## **B. Cost**

In Bangladesh, NGOs and the government provide education free of cost to students, but the costs of NGO programs are lower than those of the government. In Nepal, students attending government schools must pay a fee, but NGO scholarship programs cover the fee for some students. NGOs in Nepal provide some materials and expertise for the construction of schools, while the government does not provide any resources.

### **Bangladesh**

Although the government and NGOs provide education free of cost, NGOs are more cost effective. NGOs provide non-formal primary education but teach the same curriculum as government-funded primary schools. BRAC estimates that its program costs \$19 per student per year, which is relatively low compared to the government's cost of \$52 per student annually (Wahid 2004). Unlike in government schools, BRAC does not provide furniture for children or require them to wear uniforms (Bangladesh Rural Advancement Committee Education Program n.d.).

### **Nepal**

Most NGOs require local voluntary labor to build schools and use locally available materials, so they are generally cost effective. Schools are constructed to be virtually maintenance free, which further reduces costs. According to Room to Read, an NGO that constructs schools in Nepal, building a school costs \$8,000. Room to Read requires the requesting community donate half of the costs in terms of resources (Room to Read 2006).

Without the assistance of NGOs, a community is responsible for locating resources and building schools on its own. The community is also expected to pay the recurring costs (Nepal Ministry of Education and Sports 2004b). However, the government provides teachers and their salaries, although these salaries are

regarded as insufficient and require many teachers to get second jobs (Nepal School Projects n.d.).

The government is also unable to provide sufficient funding to meet its obligation to provide free education, so NGOs spend more per student to increase children's access to education. The government provides an education for \$25 per student per year; but if education were free, it is likely that more students, especially girls, would attend school. NGOs provide full scholarships, so costs to students are eliminated. The Nepalese Youth Opportunity Foundation provides scholarships to private boarding schools at a cost of \$950. In rural areas, it covers the cost of uniforms, school fees, and school supplies for \$50 (Nepalese Youth Opportunity Foundation 2003). Clearly, prices for education can vary between the private and public sector, but the provision of full scholarships generally makes NGO scholarship programs more expensive.

### **C. Accountability and Transparency**

NGOs in Bangladesh are accountable to the government, community members, and international donors. NGOs in Nepal are accountable to the government and help citizens to hold the government accountable. There is little information about the transparency of NGOs in either country.

#### **Bangladesh**

NGOs in Bangladesh are accountable to the government, international donors, parents, and community officials. The government and international donors provide resources for projects to NGOs so these institutions hold NGOs directly accountable for program outcomes. The government monitors NGO-run schools and schools operated with governmental funds (Education for All 2000). BRAC also includes parents and community members in the development and management of schools so it is accountable to the communities where its schools reside. There is further participation at the community level as Ministry Officers of thanas<sup>6</sup> hold coordinating meetings with NGOs. However, NGO involvement varies from thana to thana (Asian Development Bank n.d.). BRAC hires independent agencies to perform audits, has an agency to conduct internal monitoring, and publishes its audits on the Internet. BRAC therefore appears to be transparent, but there are no data on the transparency of Bangladeshi NGOs in general.

#### **Nepal**

NGOs can play an important role in mobilizing communities to hold the government accountable for its own policies. The Society for Education and Environmental Development helped to organize a women's group in three districts that successfully advocated for free primary education for children from families with conflict victims and untouchables (Action Aid Nepal 2003a).

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<sup>6</sup> A thana is a region under the jurisdiction of a police station (Asian Development Bank n.d.).

Similarly, the Underprivileged Children's Association established child clubs to encourage children to advocate for free education. The child clubs, supported by parents, persuaded the District Education Office to establish an Educational Monitoring, Evaluation and Implementation Committee (Action Aid Nepal 2003b). Thus, NGOs appear to be aiding Nepalese people to lobby the local government to fulfill their rights to free education.

Although NGOs are accountable to the government, they do not seem to be sufficiently accountable to donors. The government requires NGOs to obtain permission to provide services in the country, so the government can deny requests if it is not satisfied with NGO program outcomes. On the other hand, fiscal accountability of NGOs to donors appears questionable. Action Aid publishes its results online, including improvements and areas where it was unable to meet its objectives, but does not publish its audits. However, it does promise to provide information on request under its open information policy. Nepal School Projects does not publish its audits, and its yearly reports do not include statistics on the number of schools built, how many children were reached, or how much it costs to build a school. Building with Books has built 50 schools, but does not list how much has been spent on them.

#### **D. Sustainability**

Since NGOs in Bangladesh incorporate communities and government in their programs, NGO programs are likely to continue if NGOs cease their operations. In Nepal, a sense of ownership fosters sustainability since community members are directly involved in school construction and advocating for their rights to free education. However, the continuing operation of schools in Nepal depends on government administration and its ability to secure schools from attacks.

#### **Bangladesh**

The BRAC Education Program achieves sustainability by directly including parents and community members in the construction and management of the school and in teaching. BRAC will only establish a school at the request of parents, who must find a location for the school, set school hours, and attend parent-teacher meetings. To date, BRAC has received requests for and has built 35,000 schools throughout Bangladesh. A few parents and a local leader are required to help with the management of the school as well (Bangladesh Rural Advancement Committee Education Program n.d.). Teachers are recruited from the community and receive training. These practices engender local ownership and responsibility for NGO educational programs.

#### **Nepal**

NGOs such as Building with Books and Nepal School Projects try to promote a sense of local ownership by training and using community members to build schools. The community must provide land and volunteer help for a school. Organizations turn over completed schools to the Nepali government to be staffed

with government-trained teachers, so sustainability depends on the government. Since NGOs have effectively mobilized people to advocate on their own behalf, the people will be more likely to hold their local governments accountable. Specifically, the sustainability of educational programs relies on the ability of the government to provide quality teachers and teaching materials and its ability to protect students, teachers, and schools from Maoist rebel attacks. Although the government has tried to secure schools by placing military officials in them, this has only enhanced the security risk. Thus, although the NGO programs appear sustainable by including community members in construction and empowering them to lobby local governments, the inability of the government to provide sufficient salaries, quality teachers, and a secure learning environment could significantly hinder the sustainability of education reform.

#### **4.4 Analysis of rural and small business development**

NGOs in Bangladesh and Nepal have been involved in various facets of rural and small business development.

In Bangladesh, large NGOs have aided rural and small business development by providing agricultural extension services to rural areas. BRAC has been involved in broad-based extension programs in all districts of Bangladesh and utilizes roughly 10,000 extension workers. These programs include vegetable cultivation, which involves more than 150,000 farmers who produce for the export market. Crop diversification programs have advised more than 500,000 medium and small farming families. The experience of extension service providers in Bangladesh further reveals that while large NGOs have been successful, small local NGOs often lack the financial support and capacity to effectively provide services (World Bank 2005a).

Also in Bangladesh, NGOs have established small-scale telecommunications systems in rural areas to help with business development. The Grameen Bank has financed cell phones for women in 3,500 rural villages. These women, known as “telephone ladies,” operate like mobile phone booths, bringing telephone service to underserved villages and providing themselves with a substantial income (Schwartz 2001). Now there are approximately 200,000 “telephone ladies” in more than 50,000 rural villages (Economist 2006). This project demonstrates how NGOs can help provide the infrastructure necessary to ensure business development in rural areas.

NGOs in Nepal cooperate with the government in the provision of rural roads to aid with rural business development (International Center For Integrated Mountain Development 1997). Local NGOs do not have the funds to undertake these programs independently, but they have been vital to the success of these projects. NGOs mobilize volunteers before road construction begins to aid the

government, which provides the funding and construction management (Rural Community Infrastructure Works Program 2003). This illustrates how NGOs can be involved in large-scale infrastructure projects that are vital to business development in rural areas.

Perhaps most importantly, NGOs, private banks, and the government can deliver microfinance services to help alleviate poverty and provide business opportunities to rural populations in Bangladesh and Nepal. Microfinance includes credit services, savings, and insurance programs to aid poor people (Center for Micro-Finance in Nepal 2003). These services are all vital to rural and small business development, so we will now evaluate the role of NGOs in this sector within Bangladesh and Nepal.

### **Bangladesh**

The microfinance sector in Bangladesh is well developed and offers numerous lessons on how NGOs can provide credit services. The microfinance sector in Bangladesh provides approximately 13 million households with microfinance services. Roughly 11.4 million of these households are served by the four largest microfinance institutions (MFIs): Grameen Bank, BRAC, the Association for Social Advancement (ASA), and Proshika. In contrast, most MFIs in Bangladesh are small, operating with less than 5,000 borrowers (Zaman 2004). The World Bank concludes that 681 NGOs, 19 government agencies and eight commercial and specialized banks provide loans in the country (2004a). These data reveal the extent that microfinance has reached the poor of Bangladesh, but NGOs were not able to accomplish this extensive outreach without help from the government.

The government has helped develop the microfinance sector and has encouraged its growth. This sector has been expanding since the 1970s, but the largest growth was seen during the early 1990s when numerous branches replicated a standard micro-credit package across the country. During the expansion of MFIs in the early 1990s, the Palli Karma-Sahayak Foundation (PKSF), a public-private body, was formed to fund and assist microfinance programs. The PKSF channels funds to MFIs across the country and has been extremely successful at expanding the availability of microfinance to the rural poor and has strengthened the capacity of existing MFIs (Zaman 2004). This government support of microfinance has been one of the reasons that NGOs have been successful at providing credit in Bangladesh.

Although the government has partially funded microfinance operations, the main revenue sources of the largest MFIs in Bangladesh have been shifting over time, which can be detrimental to their sustainability. Initially international NGOs played an important role in funding MFIs, but in recent years the increased demand for loans has caused a shift to official bilateral and multilateral agencies. Over time MFIs in Bangladesh have decreased their reliance on donors for

funding of microcredit lending (Zaman 2004). NGOs that have limited their reliance on donors are more sustainable because they can depend on their own revenue sources to fund credit operations.

## **Nepal**

The microfinance sector in Nepal is strikingly different from the one in Bangladesh because the government dominates this sector, leaving little room for NGOs to operate. Since 1998 only 43 NGOs have been given the right to provide microfinance services to the rural poor, and they provided services to roughly 29,000 people. In contrast, the government-run development banks have provided loans to almost 150,000 people (Grossmann and Hofmann 2005). Credit cooperatives, sometimes organized by NGOs, are another main source of microfinance. Although there are around 5,000 credit and multipurpose cooperatives, only 35 have obtained permission from the central bank to provide banking services; nonetheless many still operate illegally (Center for Micro-Finance in Nepal 2003). Because of the lack of microfinance NGOs, many of the rural poor have not been reached by credit services. This has led the government to promote private sector involvement in the provision of microfinance.

The government has been trying to expand the microfinance sector by establishing government banks and requiring private banks to make small loans. In 1992, the government established two banks that replicated Bangladesh's Grameen model and encouraged involvement by the private sector. A central bank directive also required commercial banks to provide a minimum of 3 percent of their total loans to the deprived sector. Seventeen commercial banks provide this 3 percent, and some offer wholesale loans to MFIs. However, even with these governmental requirements, Nepal has had limited success in providing microfinance services and for rural business development (Center for Micro-Finance in Nepal 2003).

## **Evaluation of the microfinance sector**

### **A. Effectiveness**

To determine the effectiveness of microfinance programs, we consider several factors. First, we consider the ability of both NGO and governmental microfinance programs to reach the poor. Second, where data are available, we evaluate the impact of microfinance on poor people. Finally, we examine problems with governmental and NGO microfinance programs.

This analysis reveals that compared to Nepal, Bangladesh has seen significant NGO involvement in the microfinance sector. NGOs in Bangladesh have assisted numerous people across the country and have reduced poverty. In contrast, ineffective government programs have dominated the microfinance sector in Nepal, leading to poor results and an inability for these programs to help poor households.

## **Bangladesh**

*NGO outreach:* Microfinance groups have spread across Bangladesh. Analysis of a 2003 PKSF map on the spread of microfinance organizations suggests that the expansion of microfinance has reached all districts in Bangladesh, but the greatest coverage is in the central and western districts with less coverage in the southeast and northeast (Zaman 2004). Because these finance groups are located across the country, they are able to provide services to numerous rural areas that would otherwise not have access to finance.

*Reaching the poor:* Microfinance NGOs have provided credit to numerous low-income households in response to the private sector's unwillingness to provide loans to poor populations. Approximately 60 million Bangladeshi people live below the poverty line and do not have access to formal credit markets because they are not considered creditworthy. Additionally, informal money market lenders often charge extremely high interest rates, which creates demand for an alternative source of loans (Abed 2000). Because of these problems, microfinance groups have been able to provide credit to approximately 13 million households (Zaman 2004). Without microfinance NGOs, this demand for credit would be unmet, and these households would not have access to business development services.

*Alleviating Poverty.* Research suggests that NGOs have effectively used microfinance to aid small business development and alleviate poverty. Most scholars examining microfinance programs in Bangladesh, using consumption and income as dependent variables, find that the programs have been a success. In a 1996 World Bank discussion paper, Khandker and Chowdbury report that in villages served by Grameen Bank, 57 percent of the population who had taken five or more loans were below the poverty line, in comparison to the 76 percent who have taken one or no loans that are below the line (Develtere and Huybrechts 2005). Although the causality in this research is ambiguous, most research supports the fact that microfinance is helping to alleviate poverty in Bangladesh.

*Decreasing vulnerability.* Evidence supports the claim that microfinance decreases the vulnerability of the poor. Zaman (2004) discusses research by Modruch (1998) that suggests that microfinance decreases consumption variability and smoothes consumption patterns. Zaman also cites Rahman (1995), who argues that reducing vulnerability is extremely important since seasonal deficits contribute to the high poverty level. Therefore, since microfinance NGOs play a vital role in decreasing consumption variability, they also help limit poverty in rural areas.

*Government support.* NGOs have been a main source of microfinance in Bangladesh and there appears to be a cooperative relationship between NGOs

and the government, which strengthens these credit services. Specifically, the government's establishment of the Palli Karma-Sahayak Foundation, with an autonomous board, is a signal of its support of microfinance. However, some tensions do exist with recent government accusations of party politics by some NGOs (Zaman 2004). Government and NGO collaboration in microfinance has been vital to its success in Bangladesh, even if recent tensions have slightly diminished this cooperation.

*Problems reaching the poorest households.* Although microfinance has led to numerous benefits, there have been problems with some NGO programs reaching the poorest households in Bangladesh. Specifically, some researchers suggest that microfinance NGOs in Bangladesh have not been able to reach extremely poor populations and thus cannot effectively reduce poverty for the most vulnerable people. However, this research is not conclusive (Develtere and Huybrechts 2005). Furthermore, NGO programs are making progress in reaching the poor and should not be abandoned for this reason.

*Overlapping problems.* The abundance of microfinance NGOs in Bangladesh leads to overlapping problems that can limit the effectiveness of these programs. Overlapping occurs when a microcredit borrower takes loans from more than one provider with the result that he or she is less likely to be able to pay back the debt (Rahman 2000). This problem is often attributed to a lack of resources, which limits the size of loans that some NGOs grant and causes clients to seek additional loans. Although the magnitude of this problem is unknown, it should be considered when deciding whether to support NGO microfinance operations in Afghanistan.

*Security concerns.* Security problems in Bangladesh have been limited, but they do have the potential to limit the effectiveness of microfinance NGOs. Specifically, there have been reports of Islamic fundamentalists bombing Grameen Bank branches in Bangladesh (*Economist* 2005). Although these attacks appear to be isolated incidents, they illustrate the potential for security threats to limit the success of NGO microfinance operations.

## **Nepal**

*Inability to reach poor people.* In Nepal microfinance lenders have had limited success reaching the poor people. Nepal has relatively few borrowers, an estimated 700,000, which is small compared to the approximately 10 million people living in poverty (Hochschwender and Rana 2002). This lack of outreach is partly due to the inability of credit programs to reach rural hill areas. Therefore, compared to Bangladesh, the microfinance sector has been unable to reach as many people, which suggests the failure of government-run finance programs.

*Government control.* Government control over the financial sector, including microfinance, has been a problem in Nepal. It is reported that government ownership of microfinance institutions has been plagued with weak internal governance and management and has become politicized (Center for Micro-Finance in Nepal 2003). Therefore, Nepal's experience seems to suggest that although the government can be involved in the provision of microcredit, it may not have the resources and ability to do so effectively.

*Security concerns.* Security problems have limited the effectiveness of microfinance programs in Nepal. Maoist groups have looted credit providers, specifically targeting state-owned regional development banks, which has forced these operations to withdraw from rural areas (*Economist* 2005; Grossmann and Hofmann 2005). Additionally, the Maoists have attacked private MFIs and an estimated one-third of all small farmer cooperatives, sparing only savings and credit cooperatives and informal savings and credit groups. This pattern of attacks illustrates how government-run microfinance institutions are more vulnerable to security risks, which further limits their effectiveness.

## **B. Cost**

In Bangladesh and Nepal, NGOs have been more cost effective at providing microfinance services relative to governmental programs.

### **Bangladesh**

Relative to private banks, microfinance NGOs have higher repayment rates, which give them a cost advantage in terms of providing loans. The World Bank reports that collection rates for microcredit loans are 95 to 100 percent, in contrast to the 72 percent collection rate for national and commercial banks in Bangladesh (2004a). These facts suggest that NGOs will see fewer loans default and therefore will lose less money to bad loans. Because of this, NGOs may face lower costs at providing microcredit to the rural poor of Bangladesh.

### **Nepal**

Relative to the government of Nepal, NGOs have a cost advantage in providing microfinance services. This cost advantage is rooted in the existence of low population density, which limits the effectiveness of large government programs, and the fact that the government relies on salaried employees. For example, the existence of rough terrain in the rural hills of Nepal may mean that government-run microfinance programs are unable to achieve economies of scale and thus gain a cost advantage. Additionally, the devolution of microfinance activities to community-based organizations is more cost effective because it shifts the salaried functions of banks to volunteers in the community. Savings programs of small community-based microfinance operations also have a cost advantage over government-run programs because these organizations rely on volunteer labor as

well (Hochschwender and Rana 2002). Because of these factors, local NGOs are able to provide more cost effective microfinance services to rural areas of Nepal.

### **C. Accountability and transparency**

Accountability and transparency are increasingly becoming important issues for NGOs in the microfinance sector. The situation in this sector in Bangladesh and Nepal suggests that there is room for more government oversight of NGOs.

#### **Bangladesh**

The success of MFIs is rooted in their governance, but microfinance NGOs have been plagued by poor management, which, along with weak government regulation, limits their accountability (Rahman 2000). This mismanagement is rooted in MFI supervisory boards, which often are organized based on patronage. These supervisory boards are unable to hold MFIs accountable because they lack effective enforcement mechanisms. This problem is exacerbated by the government, which has not taken adequate steps to regulate these institutions.

Along with the government, investors and donors have failed to hold MFIs accountable. Since microfinance borrowers only take small loans, they do not have incentives to hold NGOs accountable for their actions (Rahman 2000). Moreover, donors often invest in microfinance NGOs with broader social goals in mind, causing them to not hold these lenders to the same levels of accountability that they would apply to commercial banks. For these reasons the government may need to strengthen its regulations to be able to hold NGOs accountable to anyone.

#### **Nepal**

Accountability is also weak in Nepal where the government cannot effectively supervise NGOs. The central bank in Nepal does not have the resources to oversee the activities of MFIs or complete audits. Because of this lack of enforcement, accountability of NGOs to the government is limited, and the central bank is thinking of devolving these tasks to a microfinance oversight organization, an industry association, or a national cooperative bank (Hochschwender and Rana 2002). Once again, this case illustrates the need for increased government oversight of NGOs in the microfinance sector to ensure that these groups remain accountable and transparent.

### **D. Sustainability**

The relative sustainability of NGO-run microfinance programs differs between large and small NGOs in Nepal and Bangladesh. Although many of the large NGOs in Bangladesh have become less reliant on donations, smaller NGOs have limited access to resources, hindering their long-term sustainability. The situation in Nepal, however, suggests that small NGOs, although imperfect, have an advantage in terms of sustainability over government-run programs. These results

appear contradictory, but they do suggest that NGO microfinance groups of any size are more sustainable than government-run programs.

### **Bangladesh**

Small NGOs in the microfinance sector of Bangladesh face a sustainability problem. The main issue of sustainability is whether MFIs can cover the cost of managing their lending programs using profits generated from these programs (Ahmed n.d.). Although some large NGOs are accomplishing this and relying less on donations, the resource base of many smaller NGOs is still very weak and needs to be improved to ensure the continuity of NGO programs (Abed 2000). NGOs are becoming more sustainable, but outside funding is still necessary for many small NGOs to continue providing services.

### **Nepal**

NGOs and cooperatives in Nepal are more sustainable than the government programs, but the studies that support this conclusion have not been exhaustive. Several factors have made the current government-run microfinance programs unsustainable. A combination of extremely low repayment rates associated with government-supported lending programs and insufficient interest rates have made these programs unviable in the long run (Dhungel et al. 1998). In contrast, NGO-operated programs and rural cooperatives have high repayment rates and appear much more sustainable than government-run banks (Dhungel et al. 1998). These facts suggest that NGOs have an advantage over government-run programs in terms of sustainability.

## 5. Summary of Findings

Our research has led to several important findings that provide insight as to how the United States should support NGO involvement in Afghanistan.

- **Government and NGO collaboration:** In Bangladesh and Nepal, NGOs have been most effective at providing services when they collaborated with the government. This fact was seen in all three sectors that we studied. The most successful NGO programs were located in Bangladesh, where the government created legislation that provided an enabling environment where NGOs could operate unhindered.
- **The importance of outside monitoring:** Although government cooperation was important to the success of NGO programs in Bangladesh and Nepal, these countries also reveal the importance of monitoring NGOs. Their programs and operations must be transparent and they must be held accountable for the quality of their work and how they spend donor money. In this respect, beneficiaries of services and donors can be important monitors of NGO service provision. In addition, since the government must supply these services if NGOs exit, it can play a vital role in ensuring the organizations remain transparent and accountable, and that they provide services in a culturally sensitive and sustainable manner. However, lessons from Nepal suggest that over-regulation can be detrimental to the effectiveness of NGOs operating within a country.
- **NGOs ability to access hard-to-reach areas:** The governments of Bangladesh and Nepal have had little success at providing services in rural areas. This finding was consistent throughout each of the three sectors that we studied, and reveals the importance of NGOs. By exploiting their ability to use local populations to assist in service delivery, NGOs in these sectors have proven to be more effective at reaching rural areas that are inaccessible to the government, although they are still unable to reach some of the neediest populations due to security concerns.

## 6. Recommendations for Afghanistan

The findings revealed by our research lead to several recommendations for Afghanistan. These recommendations are based on evidence from Bangladesh and Nepal, as well as the potential for certain programs to be successful at addressing similar problems in Afghanistan. We provide below general and specific recommendations.

### 6.1 General recommendations

Government contracting of NGOs in developing countries is one way in which NGOs may substitute for or supplement government-provided public services. The Afghan government or international NGOs may hire other organizations to assume responsibility for existing services. NGOs may initiate service delivery where none exists, or they may submit proposals to the government or larger NGOs to meet local needs that they identify. Under a voluntary “management contract model,” government contracts an NGO to manage existing government services in a specific sector or geographic area (Loevinsohn & Harding 2004).

NGOs tasked with public service provision are likely to achieve a measure of legitimacy and community presence. Although some suspect that contracting is a path to privatization and inequality, this practice allows NGOs to utilize government resources to expand and improve services, and engage government and foster cooperation with non-state actors, some of whom may already be the primary providers of existing services. Contracting has the added advantage of formalizing contracting relationships and eliminating government service delivery systems based upon patronage and political interest.

Cooperation with government is vital to NGO success in the field to ensure quality, accountability, and sustainability. Local NGOs rely on the government for creating policy and performance standards, funding, monitoring, and evaluation. A successful initiative to provide services will consider the comparative advantages of each participant, such as: access to funding, local awareness, specialized knowledge, and global recognition. NGOs are the most successful when they retain a sense of ownership of the service they provide, foster mutual understanding with clear written agreements among project actors, divide large goals into small, manageable projects, and adapt to prevailing conditions (Lane 1992).

- **Recommendation:** The development of the NGO sector in Afghanistan should be encouraged in the form of government contracting.

In light of the results observed in Bangladesh and Nepal in the health, education, and rural and small business development sectors, NGOs are an indispensable partner. Although NGOs are able to improve the quality of life in communities

facing problems such as underdeveloped government capacity and over-centralization, service delivery entailed some difficulties and was far from perfect. Within the context of collaboration between NGOs and government, and through a system of NGO-government contracting, the NGO-government relationship may be enhanced for the benefit of service consumers in Afghanistan in a number of ways.

First, NGO and government capacity should be strengthened so they may become mutually constructive partners. Assuming governments have the will to provide essential services needed to maintain a healthy society, they may be able to function at a minimally acceptable level without a thriving NGO presence. Yet, their reach and field capability is questionable when operating unilaterally. NGO may also be unable to meet their objectives if the government is unable or unwilling to become involved in non-governmental public service projects. In Bangladesh, for example, the government is in danger of becoming overpowered by the NGO sector. The opposite is true in Nepal, where the NGO sector is less developed. In Afghanistan, both government and the NGO sector are vastly underdeveloped. When approaching the problem of public services, careful consideration should be given to the development of both the government and NGOs. Government public service contracts must be appropriately formulated and awarded to competent organizations. Both NGOs and the government of Afghanistan should be supported equally in their efforts to become involved in public service delivery. If allowed to expand simultaneously, the government and NGOs will be able to maximize their potential to deliver public services.

- **Recommendation:** Since government-NGO partnerships are necessary to maximize the potential of both as service providers, the Afghan government and NGO sector should be developed concurrently.

Under a service-delivery contract, an NGO works under stipulations of management, production infrastructure, such as personnel and equipment, and perhaps according to a timeline in which results are expected. In most cases, the provision of public services is carried out by NGOs with regional expertise, according to a design or overarching goal set by a larger local NGO, an international NGO, or the government, which may provide project management training, supervision, and other support. A public project may be funded by another NGO, international NGO, or government party, and can be carried out by local NGOs that may be able to provide labor and expertise at a reduced cost.

NGOs face competition for contracts in countries such as Bangladesh, where the NGO sector is highly developed. Contracting therefore creates incentive for efficiency among NGOs. Through contracting with government or international

organizations, NGOs, unlike government, can be held to measurable results as deemed necessary by the donor.

However, the provision of public services by NGOs also presents unique challenges. Competition and funding issues have caused many to question the management practices of development NGOs. Since contracting decisions may be contingent upon an NGO's record of successful project planning, there is an incentive for organizations to keep records that show favorable results over realities in the field. Some NGOs have attempted to reduce dependence on outside organizations and mitigate the problem of funding by engaging in for-profit activities that support NGO projects, but there is controversy surrounding this practice as some critics claim it opens the door to corruption and mismanagement.

Disagreements between the government and NGOs often arise from suspicion about financial and management issues such as record-keeping and for-profit activities. Transparency must be a priority for both government and NGOs to foster cooperation and contracting in Afghanistan. Afghan NGOs must be trained to keep uniform records of their activities and funding, and government personnel should be trained to work with NGOs without controlling them. The practice of government and international NGO contracting should be used to create a constructive, competitive atmosphere between local NGOs and government. Those organizations with a record for transparency and efficiency should be rewarded with service contracts at the local level. Contracts should be carried out by locals, whenever possible, to take advantage of local expertise, enhance sustainability, and invest a sense of ownership in beneficiary communities.

NGO and government partnerships may be enhanced through the establishment of a legal framework that serves as a basis for NGO contracts in Afghanistan. A framework for contract relationships among NGOs, international NGOs, and government will establish clear expectations with monitoring and evaluation mechanisms. From a legislative point of view, the Afghan government should strive to establish legal norms that support the work of NGOs in order to make the most of their efforts. For example, mandatory education requirements should be legislated in Afghanistan, where NGOs are attempting to educate rural children.

- **Recommendation:** The awarding of contracts should be used as an incentive to promote transparent management and accountability practices among NGOs.

Finally, government decentralization will be necessary to facilitate the provision of public services throughout Afghanistan, since the government is confined to major city centers. Small field offices dedicated to NGO monitoring, cooperation,

and evaluation should be created to facilitate the process of contracting in as many rural areas as possible. This measure would increase interest and active participation in local governance while improving financial accountability and managerial transparency among NGOs.

- **Recommendation:** A decentralized government presence is needed to facilitate contracting at the local level.

## 6.2. Health care

Health care is a highly demanded service in Afghanistan. Seventy percent of households in Afghanistan place health care at the top of their priority list (World Bank 2005a). However, the government does not have the capacity or the resources to ensure decent health coverage for all Afghan people. As a consequence, public authorities have lost the monopoly on public health service provision and now share responsibilities with NGOs. In Afghanistan, NGOs play a major role in service provision. NGOs manage or support 80 to 90 percent of all public health facilities in Afghanistan (Pavignani & Colombo 2002). The NGO community in the health sector is very large and includes international NGOs such as Medecin Sans Frontieres, Swedish Committee for Afghanistan, and the International Medical Corps (World Bank 2005a). The massive influx of international aid reinforces the predominant role of NGOs in the health-care sector. This undermines the government's stewardship role; however, the government has managed to retain control of health policy and planning (Pavignani & Colombo 2002).

In its planning capacity, the government has prioritized the delivery of basic package health services to all Afghans, concentrating on a limited set of simple yet effective preventive and curative services. The basic package includes immunization, maternal and child health care, and a tuberculosis program. The government plan focuses on the provision of health-care facilities and community workers to address rural health care. Security concerns and a lack of coordination have led to a skewed distribution of health services, with higher concentration and duplication of health facilities and services in urban and secure rural areas.

Nevertheless, since the beginning of 2004, the government has been able to assert its stewardship role over the health sector through Performance-based Partnership Agreements (PPAs) with NGOs. The government awards these agreements to NGOs and for-profit health care providers through transparent bidding (World Bank 2005a). This program allows the government to take advantage of the presence and capacity of NGOs. A recent evaluation of the PPAs revealed that in the eight provinces where they have been implemented, the number of outpatients tripled while the coverage of prenatal care increased from 4.6 percent to 31 percent (World Bank 2005a).

- **Recommendation:** The government of Afghanistan and international donors should expand the existing contracting process with NGOs. As evidence from Bangladesh indicates, in such a setting, NGOs are more efficient than the government in service provision. However, all the stakeholders must ensure that transparency and equity in the bidding process are guaranteed.

Since Afghanistan experiences similar problems as Bangladesh (poverty, low health status, and gender bias) and Nepal (poverty, low health status, insecurity and remoteness), the experience of NGOs, which are major health players in the latter countries, can be very instructive for Afghanistan. In Bangladesh, strategies such as those developed by BRAC and CARE for the provision of maternal and child health care have proven effective and can be replicated in Afghanistan (Ahmed 2000). Further, BRAC and other NGOs in the health sector in Bangladesh have a demonstrated capacity to expand their activities without reducing their efficiency (World Bank 2005a). The ability of NGOs to build on existing capacities in maternal and child health care is essential to meeting the growing demand of the Afghan populace. This has been one of the ways through which NGOs in Bangladesh and Nepal were able to ensure the sustainability of their programs.

Moreover, public and private health providers in Afghanistan have started employing more female workers. NGOs that succeeded in using female health workers in Bangladesh, such as BRAC, are now providing the same services in Afghanistan. These programs likely will succeed in Afghanistan.

- **Recommendation:** NGOs should be encouraged to develop their local capacity and expertise in Afghanistan because this increases efficiency while ensuring sustainability of programs.

Likewise, NGO programs such as the Safe Motherhood Network in Nepal are proven to be replicable in many developing countries, which indicates that networking should be promoted within the NGO community in Afghanistan because it helps to enhance performance and avoid duplication of programs. Further, the reinforcement of government stewardship is likely to lead to more equal access to health care in Afghanistan between rural and urban areas.

- **Recommendation:** Networking among NGOs should be promoted and government stewardship should be strengthened.

The experiences of international NGOs that deliver health services in remote and insecure areas of Nepal are instructive for Afghanistan. A consortium of NGOs was able to prepare basic operation guidelines accepted by both the Maoists and

the government. These guarantee NGO neutrality and prevent NGOs from becoming the subject of harassment or violence from either side (Devkota 2005). This type of agreement is critical to NGO performance in Afghanistan where security remains a major issue in health service delivery. Medecin Sans Frontieres, one of the leading NGOs in the health sector in Afghanistan, has recently suspended its activities after five of its members were killed (Integrated Regional Information Network 2004).

- **Recommendation:** To ensure a more secure environment for health provision in Afghanistan, NGOs should be encouraged to use their neutrality status to negotiate “security pacts” with warlords, as observed in Nepal. In that respect, it is important to support NGOs’ efforts to equip health workers with negotiation skills and training, so they can operate in a conflict-prone environment.

### 6.3. Education

There is excess demand for education in Afghanistan, a lack of female teachers, and inadequate schooling. The government, with assistance from international donors, is unable to meet this demand and has only provided enough schools and educational materials for one-quarter of school-age children. There is a concern that this demand will continue to rise with the influx of millions of refugees returning to their homeland. Thus, NGOs could be extremely helpful in meeting the educational demands of the Afghan people. NGOs provide schooling for one-third, or approximately 400,000, Afghan children who are enrolled in primary school (Asian Development Bank 2003).

NGOs in Afghanistan train teachers using radio programs, in an effort to reach out to rural areas and to raise the quality of education. Therefore, NGO programs in Bangladesh and Nepal that train teachers may not be applicable to the case of Afghanistan. However, NGOs in Afghanistan are also constructing and repairing schools as in the other two countries. The majority of educational programs appear to be non-formal, but they use government curricula, similar to how NGO programs operate in Bangladesh.

Aid workers building schools face security threats. The Sanayee Development Foundation reported that five of its workers were killed in 2004 (Chen 2004). These security risks greatly hinder the work of NGOs in Taliban-controlled regions of the country. In the southern provinces, where more than 60 percent of children do not attend school, there is no NGO presence (United Nations Development Group 2005, Afghanistan Information Management Service 2003). In the safer Northern and Eastern regions, NGOs support 3,600 primary schools (Asian Development Bank 2003).

Obstacles that Afghanistan faces in reforming its education sector are very similar to that of Bangladesh (low school attendance, low female enrollment, and low quality) and Nepal (security issues, low school attendance, and low female enrollment). In addition, the reasons that girls are not attending schools in these three countries are very similar (Global Campaign for Education 2003). Both cases demonstrate that NGO presence is critical to strengthening educational opportunities.

NGOs in Bangladesh were successful, due to a healthy partnership with the government and international funding. NGOs, such as BRAC, helped to increase enrollment, particularly of girls. BRAC provided non-formal education tailored to local needs by building many small schools that shortened the walking distance for girls and by increasing parental involvement in education. BRAC is implementing a similar program in Afghanistan by building one-room schools and providing non-formal education to children (Bangladesh Rural Advancement Committee Afghanistan 2005).

- **Recommendation:** NGOs in Afghanistan should continue to provide and expand on informal education programs to complement government education provision to help disadvantaged students, especially females, receive an education.

**Recommendation:** NGOs should strive to train and provide female teachers for their schools and those of the government to encourage the enrollment and retention of school-aged girls.

There are no serious initiatives underway to begin a stipend program for girls, but given that Afghan and Bangladeshi girls face the same challenges, the stipend scholarship program may also work in Afghanistan.

- **Recommendation:** NGOs and the government should also work together to provide a stipend scholarship for girls attending school. Girls should also be given a larger stipend upon completion of secondary school to encourage student retention. When the government of Afghanistan can afford the program, and if there is a gender gap, the government should continue to administer the program to ensure sustainability.

In the case of Nepal, security is an ongoing concern for which no solution has been found. Stationing military and police officials in schools increased the risk of attack. Afghanistan will be unable to maintain student attendance if insurrections continue to destroy schools and threaten students and teachers. The security of schools, students, and teachers must be a priority in reform efforts.

Further, since many schools were destroyed or damaged during conflict, many NGOs are constructing schools.

- **Recommendation:** Security must be provided to protect students, teachers, and aid workers for NGO school projects to be successful and sustainable.

#### **6.4. Rural and small business development**

The microfinance sector in Afghanistan is still in its development stage. The government of Afghanistan dissolved the state-owned Agricultural Development Bank, which was a major source of lending, thus causing rural credit to shift to traditional sources such as moneylenders, friends, and various NGOs (World Bank 2005d). Additionally, the Microfinance Investment Support Facility for Afghanistan (MISFA) was established as a microfinance apex facility and has already assisted approximately 25,000 clients. Although MISFA is saddled with extremely high operating costs, especially dealing with rural areas that have a low population density, it has established a repayment rate of 98 percent (World Bank 2005d). As of November 30, 2005, Afghanistan has had approximately 124,000 borrowers and 127,000 savings and deposit clients (*Microfinance Times* 2005).

- **Recommendation:** Based on the successful performance of microfinance NGOs in Bangladesh compared to the failure of government operated finance programs in Nepal, the government should support NGOs in the field of microfinance through funding and training and the continued expansion of MISFA.

Several important factors should be considered when evaluating the transferability of Bangladesh microfinance NGOs to Afghanistan. First, Bangladesh has a relatively stable economy, which has facilitated the effectiveness of microfinance programs in the country by keeping inflation low and creating opportunities for micro-investments (Zaman 2004). In Afghanistan, the current macroeconomic conditions appear to be stable (World Bank 2005d). Therefore, microfinance programs should be able to thrive within the country.

Another factor that differs between Bangladesh and Afghanistan is the high population density in Bangladesh. Afghanistan may more closely resemble Nepal in its low population density and hilly rural regions, which may be problematic in the provision of microfinance, as it has been in Nepal. This is important to consider when implementing similar programs in Afghanistan.

The government of Bangladesh has helped facilitate the expansion of microfinance NGOs in the country, and it has demonstrated a balanced approach to regulating NGOs, which has been important to the flexibility of NGOs there

(Zaman 2004). This cooperation between the government and NGOs in Afghanistan will also be a key to the success of rural and small business development.

- **Recommendation:** The Afghan government must play a vital role in facilitating and monitoring microfinance NGOs. This can be accomplished through the expansion of the Microfinance Investment Support Facility for Afghanistan, to include monitoring accountability and transparency.

Finally, security is a vital concern for microfinance organizations in Afghanistan. In Afghanistan, drug lords may resist microfinance operations because they give poor farmers the opportunity to pursue alternative crops. This may cause these drug lords to take action against borrowers. The murder of a microfinance group leader may have been the result of these tensions (*Economist* 2005).

In terms of general rural and small business development in Afghanistan, the government is going through a massive round of reconstruction. Similar to the cases of Bangladesh and Nepal, the government of Afghanistan must work with international donors and local NGOs to continue to support these development projects throughout the country.

- **Recommendation:** The government should cooperate with local NGOs in other rural development programs, such as the construction of rural roads, the development of telecommunications, and the creation of agricultural extension services, which rely on NGOs for social mobilization and training.

**Recommendation:** The government should continue consulting international NGOs and multilateral donors for the establishment of large-scale rural development projects.

## 7. Works cited

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## 8. Appendix

**Table 1**  
**Comparative health indicators**  
**for Afghanistan, Bangladesh, and Nepal**

	<b>Afghanistan</b>	<b>Bangladesh</b>	<b>Nepal</b>
<b>Maternal mortality rate</b>	1700 per 100,000 live births	380 per 100,000	500 per 100,000
<b>Infant mortality rate</b>	165 per 1,000 live births	65 per 1,000	64.2 per 1,000
<b>Younger than 5 mortality rate</b>	257 per 1,000 live birth	69 per 1,000	91 per 1,000
<b>Life expectancy</b>	42.9	62	54
<b>Total fertility rate</b>	6.8	3.1	4.1
<b>Percentage of children who are stunting</b>	54%	51%	54.1%
<b>Child full immunization</b>	-----	70%	66%
<b>Tuberculosis incidence</b>	278/100,000	101/100,000	107/100,000

Sources: United Nations Children's Fund 2004. Julie Klement and Barry Siverman. 2003. "Primary Health Care Services in Nepal: Program Options in Response to Conflict" U.S. Agency for International Development Working Document. Washington D.C.: U.S. Agency for International Development, February 2003. E. Pavignani and S. Colombo. 2002. "Afghanistan Health Sector Profile," Washington, D.C.: World Bank.

**Table 2**  
**Comparative Education Indicators**  
**for Afghanistan, Bangladesh, and Nepal**

Gross enrollment rate is the “total number of children (girls) officially enrolled in a particular year expressed as a percentage of the total number of children (girls) who should be attending primary school.”			
<b>Measurement as percentage of total population</b>	<b>Afghanistan</b>	<b>Bangladesh</b>	<b>Nepal</b>
Total Literacy Rate	36 (1999)	43 (2003)	45 (2003)
Male Literacy Rate	51 (1999)	54 (2003)	63 (2003)
Female Literacy Rate	21 (1999)	32 (2003)	28 (2003)
Total Primary Enrollment Rate	53 (1996-2004)	87	71
Male Primary Enrollment Rate	Not available	86	86
Female Primary Enrollment Rate	34	88	75
Total Primary Gross Enrollment Rate	Not available	Not available	Not available
Male Primary Gross Enrollment Rate	29 (2000)	100 (2000)	128 (2000)
Female Primary Gross Enrollment Rate	0 (2000)	101 (2000)	108 (2000)
Total Primary Completion Rate	Not available	73	74
Male Primary Completion Rate	Not available	71	80
Female Primary Completion Rate	Not available	75	67
Total Secondary Enrollment Rate	Not available	44	Not available
Male Secondary Enrollment Rate	Not available	Not available	24
Female Secondary Enrollment Rate	9	Not available	16
Total Secondary Gross Enrollment Rate	Not available	Not available	Not available
Male Secondary Gross Enrollment Rate	32 (1996)	47 (2000)	58 (2000)
Female Secondary Gross Enrollment Rate	12 (1996)	45 (2000)	43 (2000)

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