

The Strategic Choices of NGOs: Location Decisions in Rural Bangladesh¹

ANNA FRUTTERO and VARUN GAURI

Non-governmental organisations (NGOs) play an increasingly important role in the delivery of public services in developing countries, but little systematic evidence is available about their strategic choices. We develop two stylised accounts of NGO strategies: one in which pragmatic and organisational concerns determine location decisions, and another in which charitable motivations are the principal determinants. We then use data from the 1995 and 2000 rounds of the Bangladesh Household and Income and Expenditure Survey to analyse location decisions of NGO programmes established between those two sample years. Whether disaggregated by sector of work or mother organisation, the data show that the net change in NGO programmes in a community was not related to indicators of community need, that NGOs established new programmes where they themselves had no programmes previously, and that they did not avoid duplicating the efforts of other NGOs. Overall, the analysis is consistent with an account of NGO choices in which a concern for broad coverage significantly affects NGO choices.

Anna Fruttero, Department of Economics, New York University, 269 Mercer Street, New York, NY 10003. E-mail: anna.fruttero@nyu.edu. Varun Gauri, The World Bank, MSN MC 3-311, 1818 H St. NW, Washington DC 20433. E-mail: vgauri@worldbank.org.

The authors thank William Easterly, Luca Flabbi, Eliana La Ferrara, Jonathan Morduch, Rohini Pande, Debraj Ray, Jakob Svensson, participants at the NEUDC 2002 conference in Williamstown and an anonymous referee for helpful comments. Elena Glinskaya and Salman Zaidi gave helpful advice on the Bangladeshi institutional context and the analytic design of the article. The findings, interpretations, and conclusions expressed in this article are those of the authors and do not necessarily represent the views of the World Bank, its Executive Directors, or the governments they represent.

The Journal of Development Studies, Vol.41, No.5, July 2005, pp.759–787
ISSN 0022-0388 print/1743-9140 online
DOI: 10.1080/00220380500145289 © 2005 Taylor & Francis Group Ltd

I. INTRODUCTION

Over the past 20 years there has been a dramatic shift in the provision of basic services in many developing countries. Services in health care, education, and rural credit, once largely the province of government ministries and other public entities, are increasingly being provided by non-governmental organisations (NGOs). This is attributable, in part, to the increasing role of NGOs in development assistance. Whereas 20 per cent of World Bank-financed projects approved in 1989 included some NGO or community-based organisation (CBO) involvement, that figure was 47 per cent in 1997. A survey of World Bank projects approved between 1985 and 1997 found that the institution channelled \$1.3 billion of development assistance through NGOs in seven countries alone [Gibbs, Fumo, and Kuby, 1999]. Even well-known sceptics of foreign aid are supportive of NGO work: former US Senator Jesse Helms advocated raising the US foreign aid budget provided that 'charities' became the recipients [NY Times, 12 January, 2001]. In the same article, a USAID spokesman reported that 37 per cent of the agency's bilateral development assistance went through non-governmental groups.

Yet, despite this widespread interest and a large number of case studies, there has been little systematic and quantitative analysis of NGOs in developing countries and their strategic choices.¹ This article investigates the location decisions of NGO programmes in rural Bangladesh. An understanding of this issue is important for at least two reasons. First, identifying where NGOs go is relevant for policy effectiveness. In designing their strategies, donors and developing countries policy makers need to know whether NGOs actually target the poorest villages and neediest communities, and hence represent valuable partners in the effort to eradicate poverty. Second, a clearer understanding of location choices is useful for developing an account of NGO incentives, which in turn could help donors and governments specify better contracts. This article shows how, against a background of incomplete information, the dependence of NGOs on external funding might drive a wedge between organisational imperatives and charitable objectives. Even when a donor and an NGO share benevolent motivations, there might be incentives for the NGO to undertake actions that seem to prioritise pragmatic, organisational concerns.

Development NGOs are non-profit organisations that usually draw on the charitable inclinations of their founders and staff. As a result, one would expect that the factors that affect their location decisions might differ from those that influence firms or banks, which rely on an explicit evaluation of the present value of future returns and the costs of operating. A quick review of the stated objectives of two Bangladeshi NGOs in their brochures reveals this: 'Grameen Bank provides credit to the poorest of the poor in rural

Bangladesh without any collateral. At Grameen Bank, credit is a cost effective weapon to fight poverty and it serves as a catalyst in the overall socio-economic development'; and 'Poverty reduction programmes undertaken so far have bypassed many of the poorest. In this context one of BRAC's main focuses is the ultra poor. With multifaceted development interventions, BRAC strives to bring about changes in the quality of life of these people'.² Consequently, one would expect indicators of poverty or other measures of community wellbeing to be among the main determinants of the location decisions of these organisations.

Additional considerations, however, can affect NGO location decisions, perhaps predominantly so. Because NGOs, unlike firms and government agencies, often rely significantly on external funding,³ their resources depend on how potential donors, looking for demonstrable results, react to their perceived success or failure. The contract, explicit or implicit, between a donor and an NGO can affect the NGO's incentives and location choices, and can create a conflict if the incentives to reduce poverty and/or support socio-economic development differ from the organisational imperative to secure funding. For instance, if locating in an area in which other NGOs are already present reduces the ability of the NGO's donor to determine whom to blame and whom to congratulate for development outcomes, and if as a result failure is not linked to a curtailment of funding from the donor, we might observe a tendency for several NGO programmes to concentrate in the same location.⁴

As a heuristic device, we outline a stylised model that highlights the role of pragmatic and organisational concerns, particularly the need to secure donor funding, on NGOs' decision making and their location choices. We subsequently show how without the need for external funding, and motivated by charitable inclinations alone, NGOs' choices might be different. In fact, most if not all NGOs are motivated by both factors. In other words, NGOs might be pragmatic and charitable at the same time. For example, they might choose to locate in some poor areas, but not primarily in poor areas, because in the latter case the risk of a failure is so high that it could jeopardise the flow of funding from donors.

Using data from the 1995 and 2000 Household Income and Expenditure Surveys (HIES) and the Community Information Schedule of the Bangladesh Bureau of Statistics (BBS), we estimate the determinants of location decisions for NGO programmes in Bangladesh. The objective of the analysis is to assess whether NGOs were mainly targeting poorer areas, or whether the need to signal their achievements to donors significantly influenced their location choices. Our article is closely related to Zeller *et al.* [2001], who use thana-level data from the 1994 Statistical Yearbook of Bangladesh to identify the determinants of branch placement for group-based lending institutions,

particularly BRAC, ASA and Proshika. They conduct their analysis at the thana, or sub-district level, and use cross-sectional regressions without addressing the endogeneity of placement choices. In our article, we use a narrower unit of observation, the community, and we exploit time series information to account for location decisions.⁵

This article is structured as follows. Section II presents the different views of NGOs in the development literature and the context in which Bangladeshi NGOs operate. Section III describes the data and presents descriptive statistics. Section IV characterises NGO behaviour under different assumptions. Section V discusses the empirical findings in light of the predictions derived in the previous section. Section VI concludes.

II. PERCEPTIONS OF NGOS AND COUNTRY CONTEXT

Varying Perceptions

Perceptions of non-governmental organisations in development have tended to be polarised. On the one hand, some have argued that they are flexible, innovative, and efficient vehicles for the delivery of basic services and for poverty alleviation, that they reach poor communities and remote areas at lower cost than governments, that they identify genuine local needs, and that they promote participation and transfer appropriate technologies – they are the ‘magic bullets’ of development [*Vivian, 1994*]. On the other hand, others have argued that most NGOs are started and controlled by charismatic individuals who necessarily limit participatory decision-making [*Wood, 1997*], and that any evidence of NGO effectiveness remains weak [*Edwards and Hulme, 1995*]. In South Asia, Grameen Bank built a worldwide reputation for its work and now has operations in a number of other countries. It claims that its credit programmes for poor rural women in Bangladesh attain repayment rates consistently over 90 per cent [*Khandker, Khalily and Khan, 1996*] and that they are entirely self-financed.⁶ At the same time there are stories of opportunism and corruption in the field, including that of a Pakistani wit who said that while dowries once consisted of cash and livestock, they now include cash, livestock, and an NGO [*Smillie and Hailey, 2001*].

There are two main reasons why perceptions of NGOs differ so. Most obviously, the term encompasses an enormous variety of different organisations. Development NGOs vary in size and sector of activity, religious orientation, their function (service providers, social movements, networks, or apex organisations), their relationships to governments and donors, and other factors. The same NGO, moreover, can evolve substantially over its lifetime. Characterisations of the life of a typical NGO generally describe an evolution from volunteerism, political activity, ‘conscientisation’,

and small-scale pilots toward professional staff, expansion in size and scale, report-writing and evaluation, contracting with donors and government, and involvement in profit-generating activities [Sooryamoorthy and Gangrade, 2001; Wood, 1997]. At different points in time, the same NGO can appear to be both original and foreign-directed, selfless and self-promoting, haphazard and efficient, giving credence to various charges of hypocrisy or 'selling out'.

The second reason that judgments of NGOs tend to be polarised is that they are usually defined in relation to what they are not. Unlike government, NGOs are supposed to be innovative and to respond flexibly to their clients; unlike firms, NGOs are supposed to prioritise the poor and to serve public, rather than private, purposes. The problem with these negative definitions is that the same economic, social, and political pressures that influence public sector and firm behaviour eventually affect NGOs. Some of the prominent NGOs in Bangladesh arose during the Liberation struggle in the early 1970s, when self-interest was set aside for national reconstruction, and gained further prominence in relief efforts following disastrous floods in 1988 and the cyclone in 1991, times when human needs were obvious and not significantly contested. But after the emergency receded, the NGOs resumed conducting the day-to-day task of helping to articulate and respond to community demands in the traditional Bangladeshi manner – by prioritising personal relationships, bestowing largesse in the form of access or favours, playing the role of 'officer' to rural folk [White, 1999].

The Country Context

Bangladesh makes a good case study because NGOs are unusually concentrated and influential in that country.⁷ Their influence in Bangladesh dates to the civil war that led to the nation's independence, in which one million people died and ten million others were displaced, as well as to the disastrous cyclones of 1972, which overwhelmed the capacities of the newly established government in Dhaka. The international agencies and Northern NGOs that offered the government assistance also funded a number of local voluntary organisations that sprung up to help in the reconstruction effort. As conditions became more stable, many of these NGOs expanded their activities to include not only disaster relief, but poverty alleviation more broadly, as well as 'consciousness raising', [Hashemi, 1996]. Donors continued to send resources because the needs were obvious, the absence of ideological or federal divisions in government reduced potential rivals, and a religiously and ethnically homogenous society was receptive [Smillie and Hailey, 2001]. These initial conditions set the stage for the rapid expansion of Bangladeshi NGOs in the coming years.

Over the last decade foreign donors have increased the share of their support that is channelled through Bangladeshi NGOs. The official funds available to

the NGOs went from about 8 per cent of Overseas Development Assistance in 1991–92 to 14 per cent in 1994–95 and 18 per cent in 1999 [Holloway, 1998; *The World Bank, 1996; Ahmad 2002*]. Some of the more prominent NGOs, such as BRAC and Proshika, have negotiated \$50 million assistance packages with foreign donors [Hulme and Edwards, 1997]. NGOs and civil society organisations of varying types, including community organisations, membership organisations, private voluntary development groups, and religious institutions, are involved in a sizeable fraction of development activity in the country. The credit activities of Grameen Bank alone reached over 2 million borrowers, and NGOs as a whole accounted for 65 per cent of all rural credit in the country [Holcombe, 1995; *World Bank, 1996*].

Interviews with NGO managers in Bangladesh confirmed the tension between pragmatic and charitable considerations in branch location decisions.⁸ Managers at Proshika explained that since branches were encouraged to cover their own operating costs, and since micro-finance lending was the main revenue driver, the existence of a borrower pool able to repay investment loans over several months influenced branch location choices. At BRAC, some 600 of 1,100 or so branches were self-financing, and managers at all BRAC branches had incentives to avoid excessively risky operations because branch surpluses were one element in determining promotions within the organisation. Similarly, Grameen Bank evaluated branch managers on criteria that included average repayment rates (also included were more subjective criteria such as how they responded to calamities). A manager at ASA noted that all branches and regions of branches in his organisation need not be self-sustaining, and that the goal of ASA was broad national coverage of operations with ‘a little surplus’. A manager at Caritas stated that the organisation avoided areas in which other NGOs were working. One NGO manager stated that no major NGO, including Grameen Bank, Proshika, ASA, and BRAC, would establish a branch in which there were fewer than 2,000 potential borrowers. The ASA Manual illustrates the tension between humanitarian and pragmatic motives by listing a maximum income and a preference for the ‘socially and economically weak’ in the definition of landless loan recipients, while at the same time disqualifying deaf mutes and the chronically diseased as micro-finance group members. (ASA 2001: 5)

III. DATA AND A DESCRIPTION OF NGO LOCATION IN BANGLADESH

Data

The data used in the analysis are taken from the Bangladesh Bureau of Statistics Household Income and Expenditure Surveys (HIES) of 1995–96

and of 2000. In rural areas, which accounted for 80 per cent of the population in 1998, the HIES included both household and community questionnaires. The latter inquired about the existence and types of NGO programmes in the sampled rural communities. A total of 252 communities were sampled in each survey. For 248 of them we have observations in both surveys, which allows for the creation of a panel data set. Missing values for the selected variables reduced the sample size about 20 per cent in each of the regressions estimated.⁹ Up to three NGO programmes could be listed in the 1995–96 survey, and up to ten in the 2000 survey. Although the difference in the number of allowable listings might bias the analysis, only 26 communities (10 per cent) in 1995–96 used all three allowed slots for NGO programmes, suggesting that the problem of truncation is not large.

The 1995–96 questionnaire asked if the NGO programme in question belonged to one of four major NGOs (Grameen Bank, BRAC, Proshika, and Caritas), and the 2000 questionnaire also inquired about a fifth specific NGO, ASA. In order to analyse the behavioural characteristics of distinct types of NGOs, if an NGO programme was named as one of the four identified in the 1995–96 questionnaire, it was called a ‘brand NGO’; otherwise it was a ‘non-brand NGO’.¹⁰ Both questionnaires also asked for the type of activity conducted in each NGO programme, with choices that included credit, education, skills training, health and family planning, tree plantation, water and sanitation, and other. There were small differences between the two questionnaires in the language used to characterise these activities, but they did not appear to be substantial enough to lead the same NGO programme to be characterised differently in the two surveys.

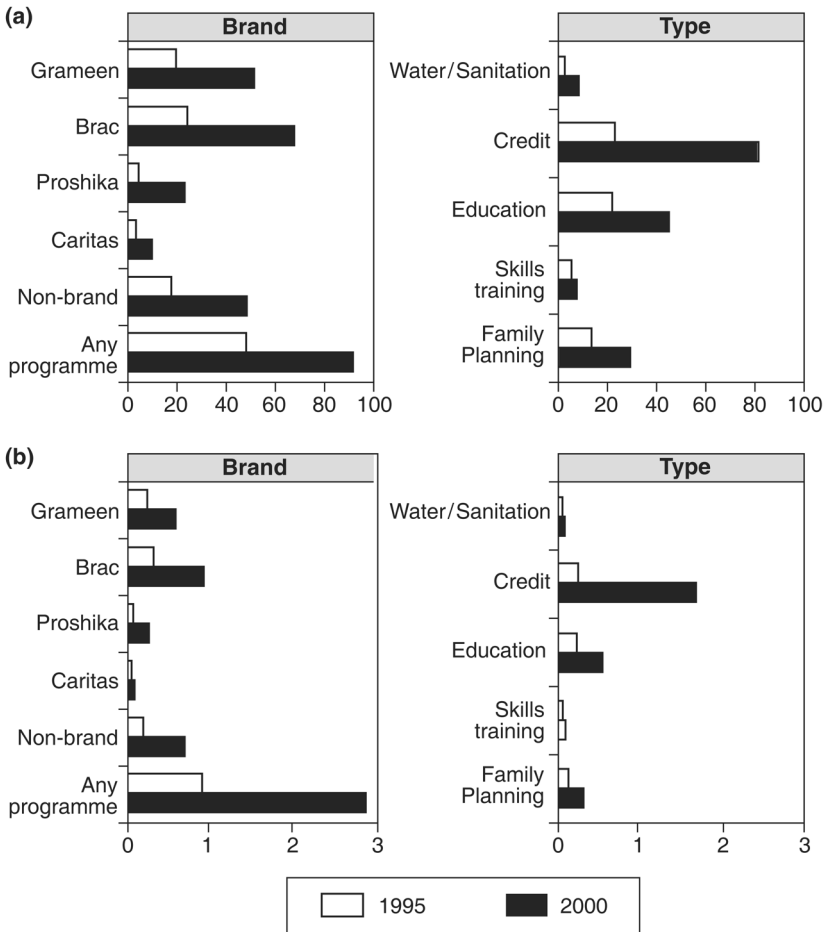
A variable for the number of government programmes was constructed by simply adding extant government programmes reported in each community. A measure of the remoteness of the community was constructed by adding the reported travel time from the community to both the *thana* and the district headquarters. Community-level estimates for poverty and literacy were constructed by matching the household and community questionnaires. Household data, along with regional and temporal deflators, were used in the calculation of several measures of poverty. We constructed the head count ratio using the lower poverty line, which indicates the very poor, but performed robustness checks using the upper poverty line, and other indicators, like Foster-Greer-Thorbecke index. A measure of local political influence was devised by adding one point to a score if a member, the secretary, or the chair of the local thana council resided in the community, resulting in a score for political influence that ranged from 0 to 3. In order to control further for the role of political factors in NGO location decisions, we created a variable for the ratio of votes received by the winner and the runner-up in the Seventh Parliamentary Elections, as well as an indicator variable

equal to one if the winning party in the local constituency was the same as the party that won nationally.¹¹

Description of NGO Location in Bangladesh

Figures 1a and 1b report the coverage and intensity of NGO programmes in 1995 and 2000. The graphs show that there was a marked increase in the

FIGURE 1A
PROGRAMME COVERAGE: PERCENTAGE OF COMMUNITIES WITH ANY NGO PROGRAMME, 1995 AND 2000
FIGURE 1B
PROGRAMME INTENSITY AVERAGE NUMBER OF NGO PROGRAMS, 1995 AND 2000



presence of development NGOs in Bangladesh in the late 1990s, across organisations and sectors of activity. The percentage of rural Bangladeshi communities with at least one NGO programme went from 48 per cent in 1995–96 to 91 per cent in 2000. For brand NGOs, the coverage rate more than doubled, going from 39 per cent to 84 per cent; for non-brand NGOs it nearly tripled, going from 18 per cent to 48 per cent.

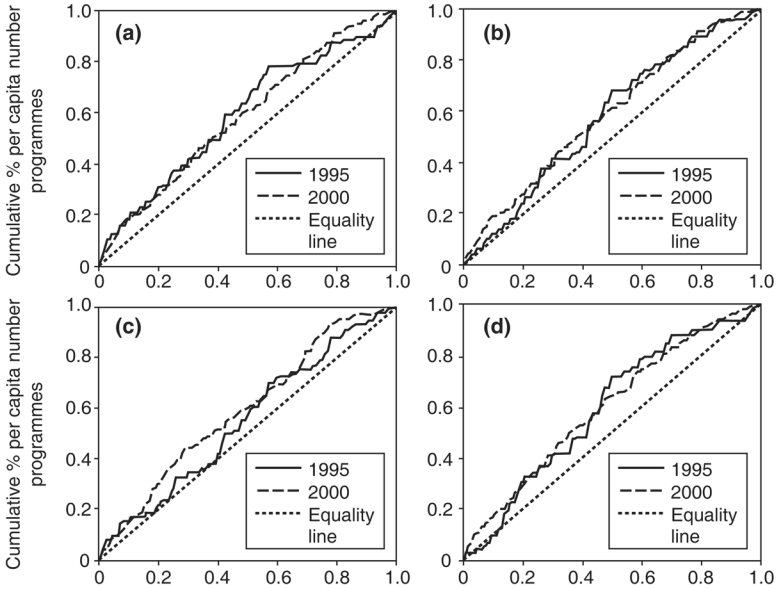
The intensity of NGO programmes within communities also increased. For all NGOs the average number of programmes in 1995–96 was 0.9; in 2000 it was 2.8. The share of those programmes that brand NGOs operated declined from 71 per cent to 63 per cent: although brand NGOs continued to predominate, the number of non-brand NGOs grew faster over the period. Credit and education programmes drastically increased their presence across and within communities, with an average of more than one credit programme per community in 2000. BRAC and Grameen were the NGOs with the widest scale of operations: in 2000 each was present in more than half the rural communities in the country, and BRAC was approaching an average of nearly one programme per rural community.

Figures 2a–2d show the concentration curves for Grameen, BRAC, Credit and Education programmes, in 1995 and 2000. Communities are ordered by income on the horizontal axis and NGO programmes per capita on the vertical axis; the concentration curves plot the cumulative percentage of total NGO programmes on the vertical axis and the cumulative percentage of total income on the horizontal axis. The graphs show that in both years NGO programmes were more concentrated in poorer communities and that there were no major changes between 1995 and 2000, with the possible exception of credit programmes, which in 2000 were more concentrated in poorer communities than they were in 1995.

Table 1 illustrates, for each sector, the number of programmes run by each of the brand and non-brand NGOs. In 1995, Grameen Bank ran more than 50 per cent of credit programmes in rural Bangladesh; but in 2000 this percentage had fallen to 29 per cent, and BRAC's had risen to 21.5 per cent. In 1995, BRAC was engaged primarily in education programmes and only secondarily in credit and health/family planning, but in 2000 the number of BRAC credit programmes had increased sevenfold and was larger than the number of its education programmes, which themselves had more than doubled.

BRAC and non-brand NGOs were responsible for almost all of the increase in NGO education programmes. The increases in non-brand NGO programmes were concentrated in the credit sector. The number of BRAC health/family planning programmes doubled; by the year 2000 they represented more than 10 per cent of all BRAC programmes. Interestingly, the share of programmes managed by non-brand NGOs increased in every sector, suggesting growing diversification in NGO providers.

FIGURE 2A
CONCENTRATION CURVES FOR GRAMEEN PROGRAMMES
FIGURE 2B
CONCENTRATION CURVES FOR BRAC PROGRAMMES
FIGURE 2C
CONCENTRATION CURVES FOR CREDIT PROGRAMMES
FIGURE 2D
CONCENTRATION CURVES FOR EDUCATION PROGRAMMES



It is clear that the presence and intensity of NGOs at the community level increased on average over the five-year period, but from the graphs above it is not possible to say anything about the communities in which NGOs located new programmes, and, in particular, whether they sought out underserved areas. Figure 3 compares the average number of programmes in the year 2000, for communities that did and did not have NGO programmes in 1995. In almost every type and brand, communities that did not have an NGO programme in 1995 had virtually caught up with communities that did have at least one programme in 1995, suggesting an evening out of programmes across communities. For some categories (Caritas, credit, and skills training), the average number of programmes in communities that were not served by NGOs in 1995 had by 2000 in fact exceeded concentrations in communities that already had some NGO programmes in 1995.

Table 2 addresses a slightly different question. For every NGO brand and sector, it shows the net change in number of programmes in communities that

TABLE 1
NGO AND TYPE OF ACTIVITY PERFORMED, 1995-96 AND 2000

	Grameen		BRAC		Proshika		Caritas		Non-brand		Total*	
	1995	2000	1995	2000	1995	2000	1995	2000	1995	2000	1995	2000
Credit	33	119	12	87	2	33	1	11	11	155	60	405
Skill training	2		2	11	2	3	1	1	1	4	17	21
Education	4	1	36	86	2	6	1	4	3	26	49	126
Health/Fam plan	2	4	11	24	1	9	2	7	13	34	30	78
Water supply	1	3	3	2	0	1	1	0	1	12	6	18
Tree plantation	2	2	1	6	4	7	3	1	7	13	20	29
Other	4	1	4		6		1		8		24	
Missing	2	3	2	1	1	3	0	0	1	6	6	13
	50	133	71	217	18	62	10	24	45	200	212	691

*This number includes the programmes that were not attributed to brand or non-brand NGO.

FIGURE 3
AVERAGE NUMBER OF NGO PROGRAMMES IN 2000

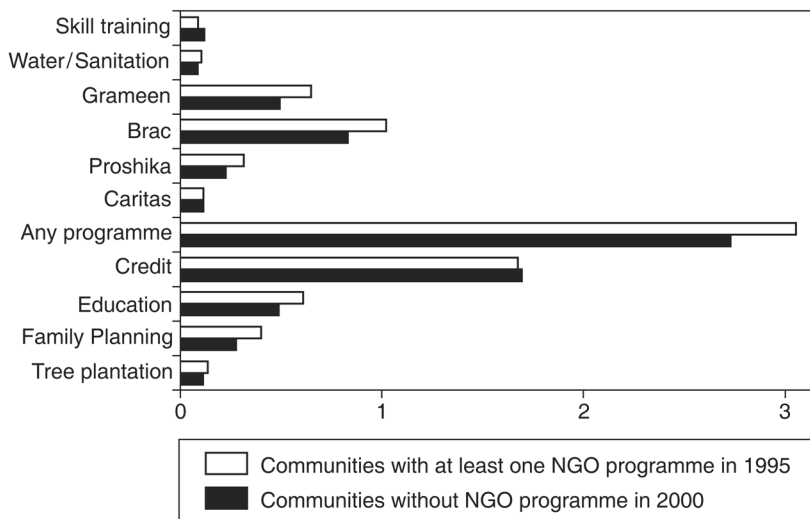


TABLE 2
AVERAGE CHANGE IN THE NUMBER OF PROGRAMMES

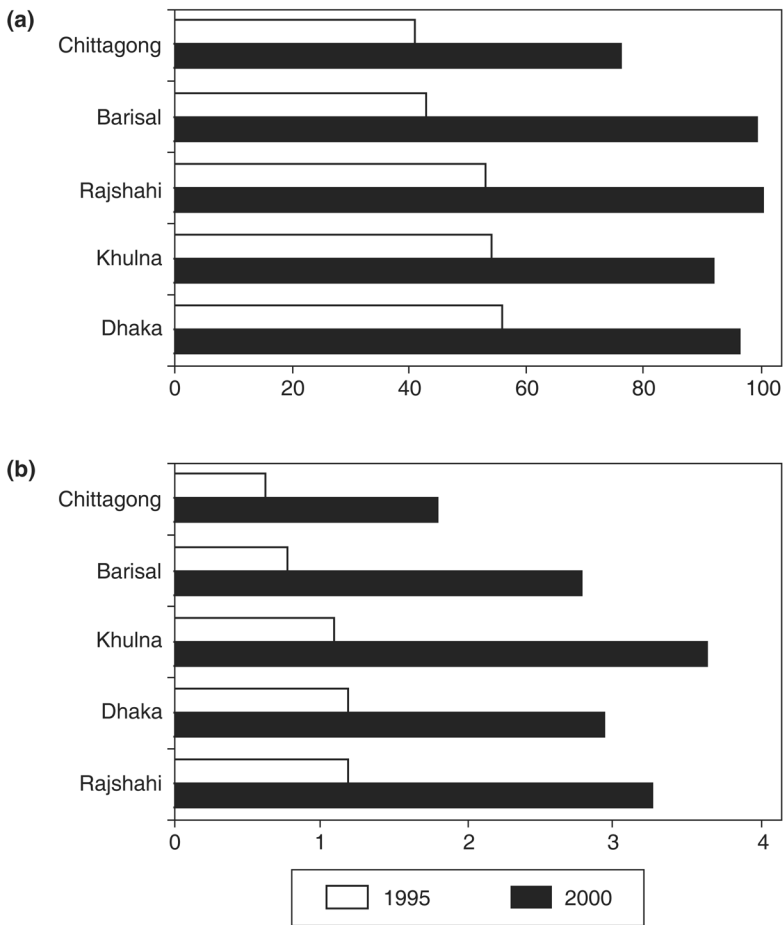
Programme X	Communities with at least one programme X in 1995	Communities without programme X in 1995
Any NGO programme	1.16 (1.70)	2.72(1.94)
Government	2.83 (2.15)	3.78 (2.02)
Grameen	- 0.26 (0.61)	0.48 (0.57)
BRAC	- 0.2 (0.86)	0.83 (0.84)
Proshika	- 0.55 (1.13)	0.23 (0.49)
Caritas	- 0.63 (0.92)	0.09 (0.31)
Small	- 0.48 (0.82)	0.68 (1.07)
Credit	0.86 (1.70)	1.57 (1.31)
Education	- 0.21 (1.03)	0.45 (0.59)
Family planning	- 0.53 (0.51)	0.29 (0.53)
Skill training	- 1.42 (0.79)	0.09 (0.38)
Water supply	- 0.83 (0.41)	0.08 (0.30)
Tree plantation	- 0.89 (0.32)	0.12 (0.36)

had at least one NGO programme of that brand or sector in 1995, and the net change in communities that had no programmes of that brand or sector in 1995. In most cases, the programme intensity decreased in communities in which they were already operating in 1995 and increased in communities in

which they were not. The major exception is credit programmes, which increased in intensity in communities in which they were present in 1995 (though not as much as they did in communities in which they were not present).

Figures 4a and 4b show that NGOs were not moving to a particular region of the country. All five divisions experienced similar increases in NGO programme coverage and intensity during this period. Along with Figure 1,

FIGURE 4A
 PERCENTAGE OF COMMUNITIES WITH AT LEAST ONE NGO PROGRAMME
 FIGURE 4B
 AVERAGE NUMBER OF NGO PROGRAMMES PER COMMUNITY BY REGION



this graph documents the spatial variation in NGO concentrations across the country, variation that we exploit in the analysis of NGO location in Section V.

To summarise the discussion so far, there are two distinct (though possibly related) findings. First, Figure 3 shows that every sector and brand of NGO increased its presence more in communities that had no NGO programmes in 1995 than in communities that already had programmes. Second, Table 2 shows that between 1995 and 2000 almost every NGO brand and sector increased programmes in communities where they were not operating. Before turning to the estimations, however, the next section sharpens the account of NGO motivation with a simple model of behaviour.

IV. ALTERNATIVE ACCOUNTS OF NGO STRATEGIC CHOICES

This section examines how the dependence of an NGO on external funding might affect its location choice. It is important to emphasise that it is possible for a completely benevolent agent (that is, an agent whose objective function includes only arguments related to the amount it spends on 'charitable' activities) to find it optimal to invest some money on a non-humanitarian activity if the latter is needed to guarantee its operations in the future. This can easily be shown. Consider a two-period model in which an NGO can invest in either a benevolent or a pragmatic activity. The latter only affects the probability of receiving funds, and hence being able to operate, in the second period, without any effect on the current objective function of the NGO:

$$\begin{aligned} & \max_{x_1, x_2, p} u(x_1) + \beta[\pi(p)u(x_2)] \\ & \text{subject to} \\ & x_1 + p \leq F_1 \\ & x_2 \leq F_2 \end{aligned}$$

where x_i is the amount spent in the humanitarian activity in period i ; F_i is the total amount of fund available in period i ; $\pi(\bullet)$ is the probability of receiving funds in period 2, that is the probability that the NGO is still operating; and p is the amount spent in the so-called pragmatic activity in period 1.¹² Note that the NGO is completely benevolent: its utility depends on the amount of money it spends on the humanitarian activity. Indeed in the second period the total amount of funds available are spent on the humanitarian activity. However, in the first period a positive amount of money is spent on the pragmatic activity. This is because the NGO wants to guarantee its survival (for benevolent reasons), and to do so it has to direct

some of the funds away from the humanitarian activity. This result can be interpreted as a conflict between long- and short- term objectives: in the long term the NGO wants to invest as much as possible in the humanitarian activity; however, to ensure this, it has to guarantee its survival.

We want to concentrate on a particular interpretation of p . We argue that in presence of incomplete information, an NGO might have to undertake pragmatic actions (that is, actions that increase the probability of survival, but that would not be undertaken were the NGO independent of external funding). These results are not driven by a divergence in the preference of donor and NGO, but simply by incomplete information on the part of the donor.

The Pragmatic Approach

Suppose that there are two villages, and two NGOs. One of them is operating in one of the villages; the other has to decide in which village to start its programme. Assume that the NGOs depend on external funding. The donor looks at a certain outcome variable and decides whether to give the NGOs money and how much. The contract specifies a payment of x in case of success and y in case of failure, where $x > y$. When there is only one NGO operating in a village, it is easier for the donor to determine the contribution of the NGO towards the outcome; however, if there is more than one NGO, the donor cannot assess the contribution of each to the outcome, in which case, for simplicity, we assume the donor gives a lump sum payment z to each NGO operating in the community, where $x > z > y$. Let p be the probability of success and $(1-p)$ the probability of failure, where p is a measure of the ability of the NGO, which is private information. Given this contract, the objective function of the NGO in the case where it acts alone is:

$$U(\text{alone}) = pu(x) + (1 - p)u(y)$$

If instead the NGO goes to a community where there is already another NGO then its objective function is:

$$U(\text{joint}) = u(z)$$

An NGO will choose to start the programme in the village without one, if the following condition holds:

$$U(\text{alone}) > U(\text{joint});$$

that is:

$$u(x) - u(y) > \frac{[u(z) - u(y)]}{p}, \quad (1)$$

which tells us that the NGOs that decide to go alone are the ones with an ability such that:

$$p^* = \frac{[u(z) - u(y)]}{[u(x) - u(y)]} \quad (2)$$

The rate of change in this ability cut-off with respect to the rate of change the contract (reward level) is:

$$\partial p^* / \partial x = \frac{u(y) - u(0)}{[u(x) - u(y)]^2} * u'(x) > 0;$$

that is, the cut-off point decreases as the reward increases. That means that as the reward in case of success increases, the cut-off in ability decreases; hence, NGOs with lower ability will want to work alone. Also, we have:

$$\partial p^* / \partial y = \frac{u(0) - u(x)}{[u(x) - u(y)]^2} * u'(y) > 0,$$

which implies that as the punishment gets harsher (y decreases), the cut-off in ability goes up: the likelihood of success has to increase if the NGO is to act alone. Only the very able ones will go in communities with no other NGOs.

Two extreme cases help to clarify the model. Suppose that we have a contract in which the agent is rewarded in the event of a positive outcome, but is not punished in the event of a negative one. This means that $y = z$. Then condition (1) can be rewritten as:

$$u(x) > u(y)$$

which is always true by definition. Hence, in the case where there is no punishment for a negative outcome, all agents have an incentive to take risky action and start a programme where others are not active. On the other hand if $x = z$ (there is no reward for a positive outcome), then:

$$u(y) > u(x),$$

which is never true. Hence, if there is punishment in the event of a negative outcome and no reward in case of a positive outcome, the entrant NGO would

start programmes in communities that already had them. More generally, equation (2) shows that the higher (lower) the reward for success, relative to the punishment from failure, the more (less) likely an NGO is to go alone. We have illustrated an extreme case with only two NGOs, but we could generalise the results to the case of more NGOs and the results would not change as long as we maintained the crucial assumption: incomplete information on the part of the donor. As long as the ability of the donor to reward an NGO based on its ability decreases as the number of NGOs active in a community increases, we would have a tendency for some NGOs to choose areas in which the number of existing programmes is higher.

This simple example shows that the contract specification can affect the location decisions of NGOs. If operating in areas with other NGOs reduced the variability of sources of funding, this could represent an incentive to pool and go to areas where there are other programmes already in place. This could also have differential effects depending on the NGOs: less established NGOs, which face less downside risk to their reputations than established NGOs, may actually have more of an incentive to distinguish themselves by going into a village where their work is more easily observed by donors. On the other hand, NGOs with more established reputations might have more to lose from failure and might therefore prefer to pool.

Another way to think of this is that principal-agent contracts are sub-optimal when outcomes are unobservable (or difficult to measure), and that as a result agents skew their efforts towards low return, observable outputs and away from high return, unobservable ones. Donor dependence would push NGOs to expand their coverage as much as possible if donors did not observe actual outcomes (since they are difficult to measure) and instead used other indicators of effort, such as widespread presence on the territory or 'coverage', to evaluate NGOs. In that case, pragmatic NGOs would locate new programmes in regions where they were not located in the previous time period, but they would be less sensitive to the number of other NGOs in the communities in which they located and insensitive to poverty levels.

The Humanitarian Approach

Now we examine the case in which NGOs are not unconcerned with external funding and locate in communities in which they can maximise their impact; that is, those in which the marginal product of their programmes is highest. To accomplish that, in addition to locating on the basis of village characteristics, NGOs will take into account possible interactions with existing organisations. In particular, in choosing NGOs will a village incorporate information on whether existing programmes are complementary to or substitutes for their own programmes.

Suppose that the change in poverty or in any other outcome of interest were to depend on the initial level of poverty, p , and the number of programmes in the village. A purely humanitarian NGO would set the number of its own programmes in a community to maximise the desired outcome (poverty reduction, for example). The problem for NGO i is to:

$$\max_{n_i} y = f(n_i, n_{-i}; p)$$

where y represents poverty reduction or another outcome of interest, n_i is the number of programmes of NGO i in the village, n_{-i} is the number of programmes by other NGOs, and p is the existing level of poverty. The optimal number of programmes in a village for an NGO would then depend on the interaction between its own programmes and the existing programmes of other NGOs, for a given level of poverty. If

$$\frac{\partial^2 f}{\partial n_i \partial n_i} > 0$$

then programmes of other NGOs are complementary, and, for a given level of poverty, the higher the number of programmes of other NGOs already in the village, the more programmes that NGO i would want to place in the community. On the other hand, if other types of programmes were substitutes, then one would expect to see the existence of other types of NGO programmes to be negatively related to the likelihood of the NGO to place a new programme in the village. Again, these results hold for a given level of poverty: other factors being equal, a purely humanitarian NGO would go to a community with a higher level of poverty, where its marginal product would likely be higher. On this line of thinking, what really matters for NGO location is whether two programmes are substitutes or complements, irrespective of who owns the programmes. For illustration, it seems reasonable to think that an NGO would not want to start a credit programme in a community in which there are other credit programmes in place since the marginal effect of an extra one, *ceteris paribus*, is small. Rather, it might prefer to start the credit programme where there is an existing education programme if education programmes combined with credit programmes are the best formula for bringing people out of poverty.

V. EMPIRICAL SPECIFICATION AND MAIN FINDINGS

Specification

Our estimates of the determinants of NGO programme location are based on the following regression model:

$$N_{ij(t+5)} - N_{ijt} = \beta_0 + \beta_1 N_{ijt} + \beta_2 N_{i(-j)t} + \beta_3 Y_{it} + \sum_k \beta_k W_{ikt} + \sum_h \beta_h X_{iht} + \mu_g + \epsilon_{ijt}$$

where N_{ijt} is the per capita number of programmes j in community i in year t ; $N_{i(-j)t}$ is the number of per capita NGO programmes excluding those of type j in community i in year t , W_{it} is a vector of community characteristics in year t in community i (remoteness, number of government programmes, literacy, population, political variables), X_{it} is a set of measures of poverty or need in the community i at time t (log of per capita consumption, poverty gap, agricultural wage for males) and μ_g represents a geographical-level¹³ fixed effect that captures omitted or unobservable location-specific factors. The variables for number of programmes are estimated in per capita terms because it seems more likely that NGOs will take into account the population of the community in which they decide to locate. The per capita numbers also normalise the variables, allowing for greater variation and more precise estimates; but the substantive results do not change if absolute numbers of programmes is used instead. Note also that the left-hand side variable is the change in the number of programmes in each community, which is a result of both entry and exit decisions on the part of NGOs. We interpret entry and exit decisions in the same light – both reflect the NGOs' choices on where to prioritise programme strength. We estimate the regression by standard ordinary least squares.¹⁴

Main Findings

We have three sets of results, divided in terms of the level of aggregation. We start at the highest level of aggregation. We look at the change in the total number of NGO programmes in the community, irrespective of the sector of programme or identity of the NGO running them; the total number of so-called brand NGO (Grameen Bank, BRAC, Proshika and Caritas); and the non-brand NGO programmes, that is those not belonging to the previous group. We then look at the results of the location decision for each brand NGO and for each sector (credit, education, health/family planning, tree plantation, skill training). In the last part of this section we present the results for the location decision for some sectoral programmes of specific brands: that is, we consider Grameen Bank credit programmes, BRAC credit programmes, BRAC education programmes, and a few other specifications for which we have sufficient data available.

Total NGOs, Brand and Non-brand. The results for this case can be seen in Table 3. In all three regressions, the coefficients on the per capita number of NGO programmes of the same kind extant in 1995 are significant and negative. This indicates a dispersion effect: NGOs of all sizes entered areas in

TABLE 3
NGOS AND GOVERNMENT PROGRAMMES

	NGO	Brand NGOs	Non-brand NGOs
Per capita number of NGO programmes in 1995	- 0.821*** (0.170)		
Per capita number of government programmes	0.162** (0.081)	0.128** (0.053)	0.031 (0.040)
Per capita number of non-brand programmes		- 0.092 (0.333)	- 1.245*** (0.177)
Per capita number of brand programmes		- 0.656*** (0.126)	- 0.017 (0.104)
Poverty	- 1.340 (1.591)	- 0.352 (1.004)	- 0.342 (0.625)
Cost	- 0.020 (0.043)	- 0.023 (0.025)	- 0.022 (0.025)
Per capita consumption	- 0.125 (0.403)	- 0.001 (0.278)	- 0.080 (0.135)
Percentage of landless	0.091 (0.380)	0.142 (0.234)	0.207 (0.169)
Literacy	- 0.001 (0.004)	- 0.002 (0.003)	- 0.003* (0.002)
Constant	1.878 (2.689)	0.553 (1.800)	0.783 (0.922)
Political control	Yes	Yes	Yes
Geographical fixed effect	Yes	Yes	Yes
N	206	205	205
R squared	0.302	0.280	0.316

which they were not present and/or left communities in which they were already working. This suggests a tendency to expand coverage that is consistent with the kind of donor-dependence in which able NGOs start new programmes in communities without other programmes. However, it is also consistent with the humanitarian model in which NGOs locate in communities where their impact is highest. Indicators of community wellbeing, including poverty, have no effect on programme location in any of the regressions, suggesting that aggregate poverty levels were not a significant factor in NGO programme location decisions. We cannot rule out that NGOs were targeting the poorest individuals within the selected communities; however, with our data we could not test that possibility. Brand and non-brand NGOs differed in one area. The regressions showed that brand NGO programmes were moving to the same places as new government programmes, and that non-brand NGO programmes were not. Brand NGOs, in other words, were not substituting for government programmes but instead following them. This is consistent with a reputation-building story for new NGOs. Brand NGOs that have established a reputation of high ability have

more to lose in choosing areas without other programmes. Hence their decision may be driven by the desire to minimise the risk. On the other hand, non-brand NGOs, which need to single themselves out, go to areas in which they can show their ability.

Brand NGOs and Sector of Programmes. While the previous results pooled several kinds of programmes and organisations, Table 4 presents results from regressions that disaggregate NGOs by sector, and Table 5 presents results that disaggregate by brand, in order to analyse the choices of different programme sectors and brands, which might be influenced by different factors. In Table 4, which analyses six sectors of programmes – credit, education, health/family planning, skill training, water supply and tree plantation – the coefficients on the per capita number of programmes of the

TABLE 4
RESULTS BY SECTOR OF PROGRAMME

	Credit	Education	Family planning	Skill training	Water supply	Tree plantation
Per capita number of same type of programme in 1995	-0.954*** (0.290)	-0.638*** (0.150)	-0.869*** (0.162)	-1.077*** (0.036)	-1.032*** (0.144)	-0.998*** (0.039)
Per capita number of other types of programmes in 1995	0.012 (0.166)	0.041 (0.058)	0.026 (0.052)	-0.024 (0.022)	0.002 (0.023)	0.000 (0.000)
Per capita number of government programmes	0.158** (0.069)	-0.029* (0.020)	0.021 (0.026)	0.005 (0.012)	0.008 (0.012)	0.000 (0.000)
Poverty	-1.020 (1.536)	0.207 (0.379)	-0.304 (0.304)	-0.244* (0.132)	0.043 (0.163)	0.000 (0.00)
Cost	-0.018 (0.034)	-0.024** (0.012)	0.020* (0.012)	-0.004 (0.004)	0.006 (0.005)	0.000 (0.000)
Per capita consumption	-0.018 (0.313)	0.082 (0.110)	-0.091 (0.091)	-0.093** (0.041)	0.002 (0.037)	0.000* (0.000)
Percentage of landless	-0.065 (0.330)	0.014 (0.080)	0.120* (0.073)	-0.114 (0.073)	0.077* (0.040)	0.000* (0.000)
Literacy	0.001 (0.003)	-0.000 (0.001)	-0.000 (0.001)	0.000 (0.000)	-0.001 (0.001)	-0.000 (0.000)
Constant	0.916 (2.171)	-0.363 (0.715)	0.568 (0.572)	0.665 (0.269)	-0.018 (0.233)	-0.002 (0.001)
Political control	Yes	Yes	Yes	Yes	Yes	Yes
Geographical fixed effect	Yes	Yes	Yes	Yes	Yes	Yes
N	206	205	205	207	205	204
R squared	0.250	0.290	0.329	0.435	0.175	0.678

Robust standard errors in parentheses; * significant at 10%; ** significant at 5%; *** significant at 1%

TABLE 5
BRAND SPECIFIC RESULTS

	Grameen	BRAC	Proshika	Caritas
Per capita number of own programme in 1995	- 0.620*** (0.134)	- 0.783*** (0.123)	- 1.061*** (0.115)	- 0.841*** (0.188)
Per capita number of other programmes in 1995	0.011 (0.075)	0.159 (0.154)	- 0.015 (0.030)	- 0.036 (0.021)
Per capita number of government programmes	0.122*** (0.038)	- 0.031 (0.036)	0.000 (0.016)	0.047 (0.030)
Poverty	- 0.429 (0.458)	0.345 (0.668)	- 0.360 (0.269)	0.048 (0.172)
Cost	- 0.011 (0.012)	- 0.018 (0.016)	0.001 (0.008)	0.000 (0.006)
Per capita consumption	0.013 (0.120)	0.060 (0.182)	- 0.094 (0.070)	- 0.036 (0.045)
Percentage of landless	- 0.119 (0.118)	0.005 (0.127)	- 0.014 (0.072)	- 0.011 (0.033)
Literacy	0.001 (0.001)	- 0.000 (0.002)	0.002 (0.001)	0.001 (0.001)
Constant	0.275 (0.789)	- 0.094 (1.157)	0.675 (0.473)	0.219 (0.289)
Political control	Yes	Yes	yes	Yes
Geographical fixed effect	Yes	Yes	yes	No
N	205	205	197	205
R squared	0.309	0.304	0.290	0.228

Robust standard errors in parentheses; * significant at 10%; ** significant at 5%; *** significant at 1%

same sector in 1995 are always highly significant and negative. At the same time, none of the coefficients on the numbers of NGO programmes of other sectors is significant. Although the first finding is consistent with the account of purely humanitarian motive, the second is not. For the latter to be the case we would expect the number of other programmes to also be negative (in case of substitutability), or positive (in presence of complementarities). We also considered each sector of programme separately to check for possible complementarities between credit programmes and education programmes, or education programmes and family planning. The coefficients on these variables were not significant. One might argue that these results are driven by programmatic necessities: NGOs open programmes in a village, create local know-how, and then move to other villages. But while this explanation might be relevant to NGO programmes dedicated to limited projects, such as water supply and tree plantation, it is less plausible for sectors where community needs are more long-term, such as credit, education, and health/family planning. Indicators of poverty and community wellbeing are not significant for credit and education programmes, and are negative and

significant for skills training programmes. Even though there is some evidence that indicators of need mattered – the coefficients on percentage of landless are significant at 10 per cent for water supply and tree plantation programmes, and the coefficient on per capita consumption is significant at 10 per cent for health/family planning programmes – in general, the findings are somewhat more consistent with the idea of a more pragmatic motivation.

If we look at the regressions for each brand NGO in Table 5 we see that the effect of their own programmes is different from those of other NGOs. The coefficients on the per capita number of own programmes in 1995 are always negative and highly significant, suggesting that NGOs preferred to locate their programmes in communities where they were not present; but the coefficients on per capita number of other NGO programmes are never significantly different from zero, suggesting that NGOs were not concerned whether other NGO brands were already operating in a given area. This finding is consistent with a pragmatic account of NGO behaviour in which NGOs spread out to new regions because donors use coverage as an indicator of NGO effort. Table 5 also shows that the coefficients on poverty are not significantly related to NGO programme location, nor are percentage of landless and per capita consumption. The coefficient on percentage of landless is not significant in any of the regressions. Several robustness checks, including different poverty measures and tests for multi-collinearity among the indicators of wellbeing, confirmed these results.¹⁵ Again, these results show that NGOs were not targeting poor communities in location decisions. Finally, in the Grameen Bank regression there is a positive and significant coefficient on the per capita number of government programmes, but this coefficient is not significant in the other regressions.

Brand-specific Results by Sector of Programme. Up to this point, the interpretation of the results has been complicated by the need to allow for both brand-specific and sector-specific effects. Although sample sizes are smaller, the data do permit some analysis of location decisions by programme sector for some brands. Table 6 presents results for credit programmes run by BRAC, Grameen Bank, Proshika, and non-brand NGOs. In the regression for BRAC, the coefficient on the number of its own credit programmes present in 1995 is negative and highly significant; but the coefficient on the number of credit programmes run by non-brand NGOs is positive and highly significant. This result was quite surprising and suggests some kind of ‘pooling’ or jamming behaviour. If credit programmes were more likely to be substitutes for each other rather than complements, BRAC, in establishing a new programme, behaved more like donor-dependent agent. BRAC, a well-established organisation, was perhaps less in need of building a reputation and might indeed have had some incentive to take lower risks by going where

TABLE 6
RESULTS FOR CREDIT PROGRAMME RUN BY DIFFERENT NGOS

	Credit			
	BRAC	Grameen	Proshika	Non-brand
Per capita number own type and brand	- 1.176*** (0.171)	- 1.038*** (0.376)	- 1.019*** (0.353)	- 1.263*** (0.348)
Per capita number same type but other brand	0.371*** (0.151)	- 0.828 (0.845)	- 0.026 (0.047)	- 0.309** (0.148)
Poverty	0.001 (0.001)	- 0.004 (0.004)	- 0.000 (0.000)	- 0.002* (0.001)
Cost	0.000 (0.000)	- 0.000 (0.000)	0.000 (0.000)	0.0000 (0.0000)
Per capita consumption	0.001 (0.000)	- 0.000 (0.000)	0.000 (0.000)	- 0.0003 (0.0003)
Percentage of landless	0.000 (0.000)	- 0.001 (0.000)	0.000 (0.000)	- 0.0001 (0.0003)
Constant	- 0.001 (0.001)	0.003 (0.003)	0.000 (0.000)	0.0029 (0.0022)
Political control	Yes	Yes	Yes	yes
Geographical fixed effect	Yes	Yes	Yes	yes
Observations	207	207	207	209
R-squared	0.293	0.064	0.160	0.236

Robust standard errors in parentheses

credit programmes already existed. In the regression for non-brand NGOs, the coefficient on the presence of other credit programmes was negative and significant at the 5 per cent level. This is consistent with the idea that these NGOs need to distinguish their development work from the work of other NGOs, and that they do this by going to areas that do not already have programmes. This also supports the idea that less established NGOs do not have easy access to external funding and hence may be targeting areas with a large pool of potential clients. Proshika and Grameen established credit programmes where they did not already have programmes, but were not sensitive to the activities of other NGOs. Again, measures of community wellbeing do not appear to influence NGO credit programme location decisions.

Table 7 presents brand-specific results for education and health/family planning programmes run by BRAC and non-brand NGOs. (Sufficient observations were available only for these two kinds of organisations). For BRAC education programmes, the coefficient on the per capita number of BRAC's own education programmes in 1995 is significant and negative, the coefficient on the presence of education programmes run by other NGOs is not significant, the coefficients on community wellbeing and literacy are not

TABLE 7
RESULTS FOR EDUCATION AND HEALTH/FAMILY PLANNING PROGRAMMES RUN
BY DIFFERENT NGOS

	Education		Health/Family Planning	
	BRAC	Non-brand	BRAC	Non-brand
Per capita number own sector and brand	-0.828*** (0.111)	-0.994*** (0.060)	-0.832*** (0.193)	-1.035*** (0.124)
Per capita number same sector but other brand	0.027 (0.157)	0.297* (0.172)	0.141 (0.182)	-0.094 (0.049)
Poverty	0.000 (0.001)	0.000 (0.000)	0.000 (0.000)	-0.001 (0.000)
Cost	-0.000*** (0.000)	0.000 (0.000)	0.0000 (0.0000)	0.000 (0.000)
Per capita consumption	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
Percentage of landless	-0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
Literacy	0.000 (0.000)	0.000*** (0.000)	0.000 (0.000)	0.000 (0.000)
Constant	-0.000 (0.001)	0.000 (0.000)	-0.000 (0.000)	0.000 (0.000)
Political control	yes	Yes	Yes	Yes
Geographical fixed effect	yes	Yes	Yes	Yes
Observations	207	229	229	229
R-squared	0.381	0.311	0.286	0.230

Robust standard errors in parentheses; * significant at 10%; ** significant at 5%; *** significant at 1%.

significant, and the coefficient on the cost variable is negative and highly significant. With the exception of the cost variable, the regression for BRAC health and family planning programmes present similar results. These findings seem to support the idea that NGOs maximise their coverage, and the indicators of community need do not play a crucial role in the location decision. In the regressions for education and health/family planning programmes run by non-brand NGOs, the coefficients on the per capita number of the same sector programmes run by non-brand NGOs are negative and significant. The coefficient for the per capita number of education programmes run by a different NGO (that is, by Grameen Bank, BRAC, Proshika, or Caritas) is positive and significant at 10 per cent. That supports the idea of pooling for pragmatic reasons (to mask one's performance); but it should be noted that we do not have information about the kind of education programmes that existed in the communities, and it could be the case that the non-brand education NGOs located in areas in which there were education programmes to which they were complements, and not substitutes. For health and family planning

programmes the coefficient on the number of the same type of programmes run by different organisations is significant and negative, again suggesting that these NGOs were going where their impact could potentially be greater. The indicators of need had no bearing on location decisions. Overall, these findings provide support for the hypothesis that NGOs distinguish between the existence of their own types of programmes and those of other NGOs when making location decisions; and that they do not focus on community-level poverty.

VI. CONCLUSIONS

Economic theory has a simple, coherent account of firm behaviour (profit maximisation), and public choice theory and institutional economics have described a coherent, if more contested, set of stories regarding decision making and resource allocation in the public sector. An account of the behaviour of non-profit organisations, such as development NGOs, however, remains underdeveloped, largely because there have been few empirical tests of the range of objective functions that theory has offered for them. This article is an attempt to investigate the determinants of NGOs' location in Bangladesh using household and community level data. It examines three crucial elements of NGO decision making: donor funding, complementarities or substitutes with other programmes, and community need. In the presence of private information, a donor-dependent NGO might have incentives to locate in areas where other NGOs have established programmes, if in this way it can obtain higher funding than it would if going solo. It might also have an incentive to spread out geographically if donors use coverage as a measure of NGO performance.

The analysis does not find strong support for the claim that NGOs were targeting poverty, at least at the level of villages in which they chose to locate. In fact, in most regressions the coefficients on indicators of need (poverty gap, literacy, percentage of landless) are not significant. This is not to suggest that beneficence plays no role in NGO activities. There are countless individuals in Bangladesh, as in other countries, for whom volunteerism and personal sacrifice, a special concern for the poor irrespective of where programmes are located, and the appeal of a higher calling are why they work in NGOs. The point being made here is that NGOs, as organisations, are not so permeated with altruism that it is apparent in their location decisions. It is possible, of course, that the targeting of human needs other than poverty, such as social exclusion, guides their location choices; and those cannot be easily captured. The findings also, of course, do not rule out the possibility that despite the absence of targeting at the community level, there was targeting taking place within the community, although

evidence from other studies suggests that NGOs might not be targeting the 'ultra-poor.' [*Amin, Rai, and Topa, 2002; Rahman and Razaque, 2000*]

A striking result in the analysis is the fact that the presence of a programme in a community had a strong negative effect on the flow of programmes of the same sector or run by the same NGO. In fact, in all of the regressions, the coefficient on the per capita number of programmes run by the same NGO in the community had a negative and highly significant effect on the change in the number of that same programme. This result cannot be explained simply by decreasing returns to NGO programmes of the same kind. If that were the case, one would expect that the effect of an NGO's own programmes would be equal to the effect of comparable programmes run by other NGOs. However, that turned out not to be the case. At the same time, there was evidence that non-brand credit NGOs avoided pooling and went where their impact might have been greatest. In other words, there was evidence for both pragmatic and humanitarian concerns in the location choices of NGOs.

NOTES

1. Case studies on NGOs in Bangladesh include Stiles [2002], Hadi [2000], Rahman [2002], and Matin and Taher [2001]. The literature on not-for-profit organisations in rich countries is further developed. See, for instance, Galaskiewicz and Bielefeld [2001] and Glaeser [2003].
2. These descriptions are taken from <http://www.grameen-info.org> and <http://www.brac.net>. The management of Grameen Bank frequently points out that it is not legally an NGO: unlike other NGOs, which are incorporated under the Societies Registration Act of 1860 or the Companies Act of 1994, the Grameen Bank has separate incorporating legislation, the Grameen Bank Ordinance of 1983, which granted it specific benefits and exemptions. Nevertheless, the activities of Grameen Bank resemble those of several other NGOs, and the Household Income and Expenditure Surveys of 1995 and 2000, from which data for this article are taken, includes Grameen Bank in the list of specific 'NGOs' it enumerates in each community.
3. At least in principle, the government can increase revenues by raising taxes. Annual reports revealed that for the year 2002, BRAC's reliance on donor funding was 22 per cent, Proshika 25 per cent, and Caritas 80 per cent.
4. Easterly [2002] argues for the existence of this 'blame sharing effect' in the work and choices of aid agencies.
5. In the year 2000, there were 496 thanas in Bangladesh, with an average population of 230,000; but there 64,000 villages, with an average population of about 1,800.
6. For evaluations of Grameen Bank and other micro-finance lenders, see *Wall Street Journal*, 27 November 2001; Morduch [1999a]; Morduch [1999b] and Morduch [2000].
7. In March 2003, as part of a broader study of NGOs in Bangladesh, the authors conducted an enumeration of NGOs in the country. The enumeration included all NGOs officially registered with the NGO Affairs Bureau in Dhaka in addition to the registered field offices of Grameen Bank, BRAC, ASA, Proshika, and Caritas. That exercise resulted in a list of 7,643 NGOs in Bangladesh. Field enumeration was also conducted in 35 sample thanas. In those thanas, the number of NGOs based on field enumeration exceeded the number in the administrative list by 21 per cent.
8. Interviews with Azmal Kabir, Policy Research Fellow, and a Programme Director, Proshika, Munshiganj and Dhaka, 23 and 26 February, 2003; Nazrul Islam, Policy Research Fellow, S.N. Kairy, Finance Manager, Salehuddin Ahmed, Deputy Director, M. Ghulam Sattar, Manager Research and Evaluation Division, BRAC, Rajendrapur and Dhaka, 24 February,

- 2003, and 22 December, 2003; Muzammel Huq, General General Manager, Grameen Bank, Dhaka, 25 February, 2003; Bitu D'Costa, Executive Director, Shafiu Azam, Information Officer, Caritas, Dhaka, 25 February, 2003; and Shafiqul Haque Choudhury, Manager Director, Mostaq Ahmed, Deputy General Manager, ASA, 25 February, 2003. See also ASA [2001].
9. There were weak correlations between missing values and the variables of interest, suggesting that the missing values are not biasing the estimation results.
 10. ASA programmes were not included in either category because they would have to be placed in different categories in the two sample years.
 11. These election results can be found at http://www.virtualbangladesh.com/bd_elections_const.html. Two rivalrous political parties dominate Bangladeshi politics, and most civil society organizations, including many development NGOs, are allied with one or the other. The variables for political party were used in this analysis only to control for the role of political alliances in NGO location decisions and were not the main focus of the inquiry. While some political variables were significant in the estimations below, excluding them did not change the findings in any substantial way.
 12. The $\pi(\bullet)$ has the following properties: $\pi(0)=0$, $\pi'(\bullet) > 0$ and $\pi(f)=1$ with $f < F_1$.
 13. There are eight different geographical areas in which Bangladesh has been divided.
 14. To mitigate problems related to unobserved village specific effects, we ran regressions in which we controlled for the religious composition of the population, types of earning activities, quality of the roads, electrification of the village, existence of telephones, and sources of drinking water. In no case did the substantive results change.
 15. The poverty measure used in the regressions was the poverty gap based on the lower poverty line. Replacing it with the upper poverty line, the headcount ratio, and Foster-Greer-Thorbecke indices did not change the signs or significance of the coefficients. Correlations among the regressors were very low in each case except for that between poverty and the logarithm of per capita expenditure. Because multicollinearity may inflate the variances and consequently deflate all the t-values, it is harder to reject the null. Hence we tested the joint hypothesis that the coefficients on poverty, average income, landlessness and literacy be jointly zero. The F-test cannot reject the null, suggesting that the insignificance (low t-values) of the coefficients is not caused by multicollinearity. Also, we have tried slightly different specifications, like dropping one or two variables, adding them sequentially, and this did not produce big shifts in the estimated coefficients.

REFERENCES

- Ahmad, M., 2002, *An Introduction to the Non-Profit Sector in Bangladesh*, London: Allavida.
- Amin, S., Rai, A.S. and G. Topa, 2003, 'Does Microcredit Reach the Poor and Vulnerable? Evidence from Northern Bangladesh', *Journal of Development Economics* 70(1), pp.59–82.
- ASA, 2001, *ASA Manual – Sixth Edition*, Dhaka: ASA.
- Easterly, W., 2002, 'The Cartel of Good Intentions: The Problem of Bureaucracy in Foreign Aid', *The Journal of Policy Reform* 5(4), pp.223–50.
- Edwards, M. and D. Hulme, 1995, 'NGO Performance and Accountability', in M. Edwards and D. Hulme (eds.), *Beyond the Magic Bullet: NGO Performance and Accountability in the Post-Cold War World*, West Hartford, CT: Kumarian Press.
- Galaskiewicz, J. and W. Bielefeld, 2001, 'The Behaviour of Non-Profit Organisations' in H.K. Anheier (ed.) *Organisational Theory and the Non-Profit Form*, London: London School of Economics and Political Science.
- Gibbs, C., Fumo, C. and T. Kuby, 1999, 'Non-governmental Organizations in World Bank-supported Projects: A Review' World Bank Operations Evaluation Department, Washington, DC.
- Glaeser, E.L., (ed.), 2003, *The Governance of Not-for-Profit Organisations*, University of Chicago Press, Chicago, IL.

- Hadi, A., 2000, 'A Participatory Approach to Sanitation: Experience of Bangladeshi NGOs', *Health Policy and Planning* 15(3), pp.332–37.
- Hashemi, S., 1996, 'NGO Accountability in Bangladesh: Beneficiaries, Donors and the State', in *Beyond the Magic Bullet: NGO Performance Accountability in the Post-Cold War World* M. Edward and D. Hulme (eds.), West Hartford, CT.: Kumarian Press.
- Holcombe, S., 1995, *Managing to Empower: The Grameen Bank's Experience of Poverty Alleviation*, New Jersey: Zed Books.
- Holloway, R., 1998, *Supporting Citizens' Initiatives: Bangladesh's NGOs and Society* London: Intermediate Technology Publications.
- Hulme, D. and M. Edwards, 1997, *NGOs, States and Donors: Too Close for Comfort?* New York, NY: St. Martin's Press.
- Khandker, S.R., Baqui Khalily, M.A. and Z.H. Khan, 1996, *Credit Programs for the Poor: Household and Intra-household Impacts and Program Sustainability*, Dhaka, Bangladesh, Bangladesh Institute of Development Studies and World Bank.
- Matin, N. and M. Taher, 2001, 'The Changing Emphasis of Disasters in Bangladesh NGOs', *Disasters* 25(3), pp.227–39.
- Morduch, J., 1999a, 'The Role of Subsidies in Microfinance: Evidence from the Grameen Bank', *Journal of Development Economics* 60(1), pp.229–48.
- Morduch, J., 1999b, 'The Microfinance Promise', *Journal of Economic Literature* 37(4), pp.1569–1614.
- Morduch, 2000, 'The Microfinance Schism', *World Development* 28(4), pp.617–29.
- Pitt, M.M., Rosenzweig M.R. and D.M. Gibbons, 1993, 'The Determinants and Consequences of Government Programs in Indonesia', *The World Bank Economic Review* 7(3), pp.319–48.
- Rahman, A. and A. Razzaque, 2000, 'On Reaching the Hardcore Poor: Some Evidence on Social Exclusion in NGO Programmes', *The Bangladesh Development Studies* 26(1), pp.1–35.
- Rahman, M.M., 2002, 'Problems of the NGOs in Housing the Urban Poor in Bangladesh', *Habitat International* 26(1), pp.433–51.
- Ravallion, M. and Q. Wodon, 2000, 'Banking the Poor? Branch Location and Nonfarm Rural Development in Bangladesh', *Review of Development Economics* 4(2), pp.121–39.
- Rosenzweig, M.R. and K.I. Wolpin, 1986, 'Evaluating the Effect of Optimally Distributed Public Programs: Child Health and Family Planning Interventions', *The American Economic Review* 76(3), pp.470–82.
- Smillie, I. and J. Hailey, 2001, *Managing for Change: Leadership, Strategy and Management in Asian NGOs*, Sterling, VA: Earthscan Publications.
- Sooryamoorthy, R and K.D. Gangrade, 2001, *NGOs in India*, West Port, CT: Greenwood Press.
- Stiles, K., 2002, 'International Support for NGOs in Bangladesh: Some Unintended Consequences', *World Development* 30(5), pp.835–46.
- Vivian, J., 1994, 'NGOs and Sustainable Development in Zimbabwe: No Magic Bullets', *Development and Change* 25(1), pp.167–93.
- White, S., 1999, 'NGOs, Civil Society, and The State in Bangladesh: The Politics of Representing The Poor', *Development and Change* 30(2), pp.307–26.
- Wood, G.D., 1997, 'States Without Citizens: The Problem of The Franchise State' in M. Edwards and D. Hulme (eds.) *NGOs, States and Donors: Too Close for Comfort?* London: Macmillan.
- World Bank, 1996, *Pursuing Common Goals: Strengthening Relations Between Government and Development NGOs*, Dhaka: University Press.
- World Bank, 1998, *Bangladesh. From Counting to Poor to Making the Poor Count*, A World Bank Country Study, Washington, DC.
- Zeller, M., Sharma, M., Ahmed, A.U. and S. Rashid, 2001, 'Group-Based Financial Institutions for the Rural Poor in Bangladesh', International Food Policy Research Institute, Research report 120.

Copyright of Journal of Development Studies is the property of Taylor & Francis Ltd and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.

Copyright of Journal of Development Studies is the property of Routledge, Ltd.. The copyright in an individual article may be maintained by the author in certain cases. Content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.