Policy Brief

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Shifting Aid Dynamics & NGO Sustainability in Bangladesh

Trends, Impacts and Way Forward

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Global ODA Cuts

Recent projections by the OECD highlight the scale of the emerging global aid contraction

- Global ODA is projected to decline by 9–17% in 2025, following a 9% drop in 2024.
- Major donors, the US, UK, Germany, and France have simultaneously reduced aid for the first time in nearly three decades.
- ODA levels by 2027 are expected to fall back to approximately 2020 levels, despite increasing global development needs.
- Least Developed Countries may face a 13–25% decline in bilateral aid.
- Aid to health may decline by 19–33%, and humanitarian assistance by 21–36% between 2023 and 2025.
- A growing share of development financing is being channelled through loans, blended finance, and results-based instruments, reducing the availability of flexible grant funding for social sectors and civil society actors.

Declining Aid to Education and Civil Society

- Grant financing critical for education, equity-focused programs, and community-based interventions is decreasing as donors prioritize financially returnable investments, limiting support for non-revenue-generating NGO initiatives.
- ODA to education is projected to decline by 18–22%, with primary education facing a 13–26% reduction.
- Funding for governance, human rights, and civil society support may fall by 21–36%.
- Civil society organisations currently manage or receive around 13% of total ODA, meaning funding cuts directly threaten NGO sustainability.

Campaign for Popular Education (CAMPE) is the largest civil society coalition advocating for the right to education and social transformation. Established in 1990, it has evolved from a small platform into a nationwide network of around 1,000 NGOs, researchers, educators, and civil society actors. CAMPE promotes equitable, inclusive, and pro-poor education policies aligned with national priorities and global commitments.

CAMPE is the secretariat of the Education Watch Group - a civil society platform for researchers, practitioners, and activists in Bangladesh's education sector. On behalf of the Education Watch Group, CAMPE coordinates the annual research-based Education Watch report, presenting the civil society perspective on the progress and challenges in line with national and international goals and targets.

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The evolution of NGOs in Bangladesh closely mirrors the country's broader development trajectory. Emerging in the aftermath of the 1971 Liberation War to support relief, rehabilitation, and reconstruction, NGOs expanded rapidly during the 1974 famine and gradually transitioned from humanitarian assistance to long-term development engagement. As Bangladesh confronted persistent poverty, weak public service delivery, and structural inequalities, NGOs became central actors in addressing gaps in education, health, microfinance, and women's empowerment, particularly among marginalised and hard-to-reach populations.

Over the past five decades, this transition has positioned NGOs as key partners in Bangladesh's socio-economic transformation. By complementing state efforts and piloting innovative, community-based models, NGOs have significantly expanded access to non-formal and primary education, improved maternal and child health outcomes, advanced women's economic participation, promoted financial inclusion, and strengthened climate resilience and disaster risk reduction. Importantly, their role has extended beyond service delivery to include policy advocacy, research, and social accountability, contributing to national debates on education equity, governance, human rights, and social protection. This historical engagement provides important context for understanding the continued relevance of NGOs in addressing emerging development challenges, including educational exclusion among marginalised groups.

NGO Funding Mechanisms

External development assistance, particularly bilateral and multilateral donor funding-has been the dominant source of NGO financing. Over time, NGOs have diversified their resource base through microfinance operations, community contributions, philanthropic giving, and partnerships with the private sector under CSR frameworks. Social enterprises and income-generating activities have also emerged as important mechanisms for reducing dependence on aid.

- Donor Assistance – Bilateral and multilateral funding supports large-scale programs.
- Corporate Social Responsibility (CSR): Private sector partnerships under CSR guidelines.
- Local Resource Mobilisation – Community-based fundraising and social enterprises.
- Membership & Consultancy Fees – Professional networks like CAMPE and ADAB.
- Social Enterprises – Income generating ventures supporting core NGO missions.
- Microfinance – Revolving community funds provide income to sustain operations (PKSF and Bank investment).

Sectoral Contribution of NGOs (Selected Indicators)

Sector	Key Contributions	Impact Indicators	Source
Education	Non-formal education, community learning centers, policy advocacy	Literacy rate increased from 53% (2000) to 77.9% (2025)	BBS/Bangladesh Economic Review
Health	Community clinics, immunization, reproductive health, etc.	Maternal mortality reduced from 320 (2001) to 160 (2025) per 100,000 live births	DGHS, WHO
Microfinance & Livelihoods	Microcredit, skills training, SME support	27 million borrowers; USD 16 billion outstanding loans	MRA 2024
Women's Empowerment	Leadership, legal aid, gender rights, violence prevention	40% women in labor force; 20% in local governance	BBS, UN Women
Climate Change & DRR	Climate-resilient housing, renewable energy, community adaptation	12 million people reached through resilience programs	PKSF, UNDP
Economy	Employment creation, market access, social enterprise	NGOs contribute 5–6% of GDP through direct & indirect activities	CPD, BIDS

Funding Trend (2010–2025)

According to World Bank and OECD data, Official Development Assistance (ODA) increased from USD 1.4 billion in 2010 to USD 5.68 billion in 2023. However, projections for 2025 suggest a potential decline to USD 4.9 billion due to cuts by major donors such as the US, UK, and EU.

Net ODA Received by Bangladesh (2010–2025)

Year	Amount (Billion USD)	Source
2010	1.40	World Bank
2015	2.59	World Bank
2020	5.38	World Bank
2023	5.68	World Bank
2024	5.30	NGOAB
2025	4.90 (projected)	OECD, 2025

Source: https://data.worldbank.org/

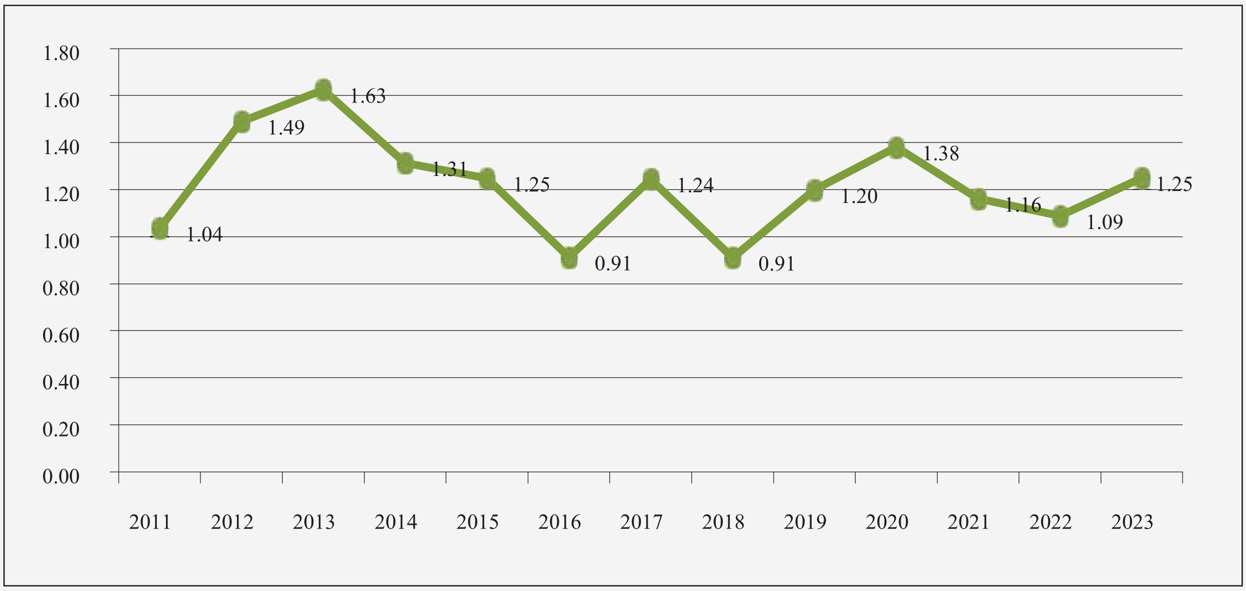
The data on Bangladesh's Official Development Assistance (ODA) shows a mixed but increasingly concerning pattern. While total net ODA inflows rose steadily from USD 1.44 billion in 2011 to USD 5.68 billion in 2023, this increase masks an important structural shift: ODA as a percentage of GNI has gradually declined, indicating that external assistance is shrinking relative to the size of Bangladesh's economy. At the same time, foreign grant flows channelled through NGOs, measured through approvals by the NGO Affairs Bureau, show signs of stagnation and decline.

Decline in Grant-Based Funding

Foreign grants released through the NGO Affairs Bureau peaked at USD 955 million in 2019 but declined to USD 655 million in 2024. Although total ODA includes loans and infrastructure financing, grant-based resources supporting social sectors are under pressure. NGOs have historically relied on concessional grants to support education, health, gender equality, climate adaptation, and community development programs that generate limited financial returns. As Bangladesh approaches LDC graduation and donors shift toward loan-based financing and geopolitical priorities, grant support for long-term development is likely to decline further.

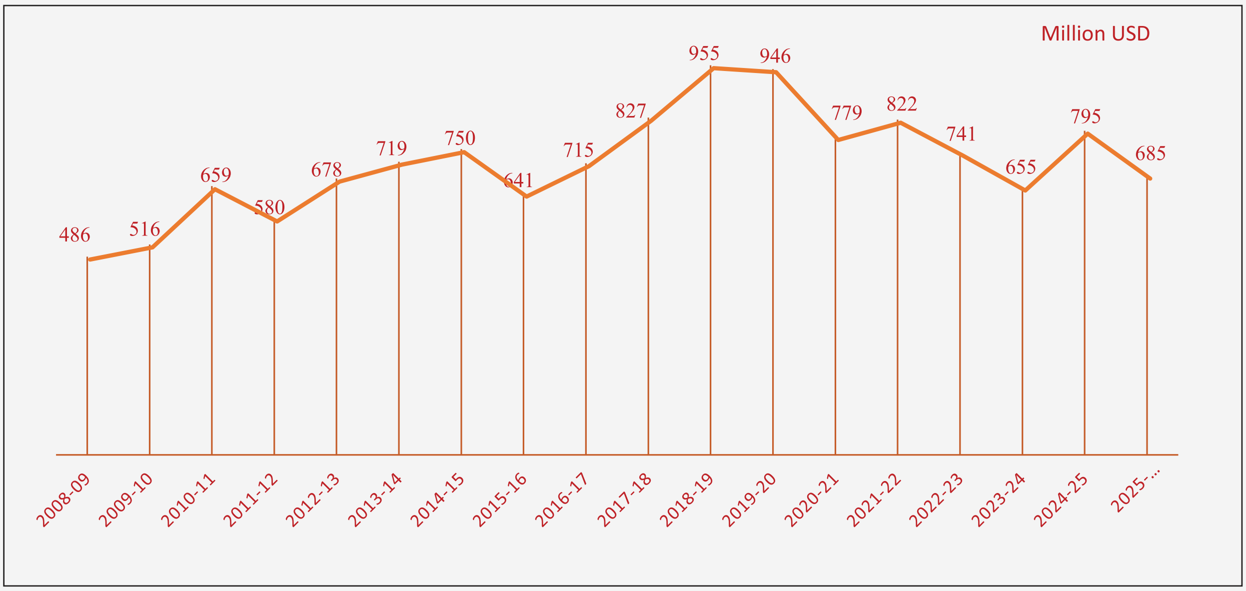
The NGO Affairs Bureau reported that 1,836 projects were approved with a fund release of USD 795 million in FY2024-25, compared to USD 955 million in 2019. While overall ODA volume remains stable, the share directed to CSOs has dropped from 13% in 2022 to around 9% in 2025 (OECD, 2025).

Net ODA Received (% of Gross National Income - GNI)- Bangladesh

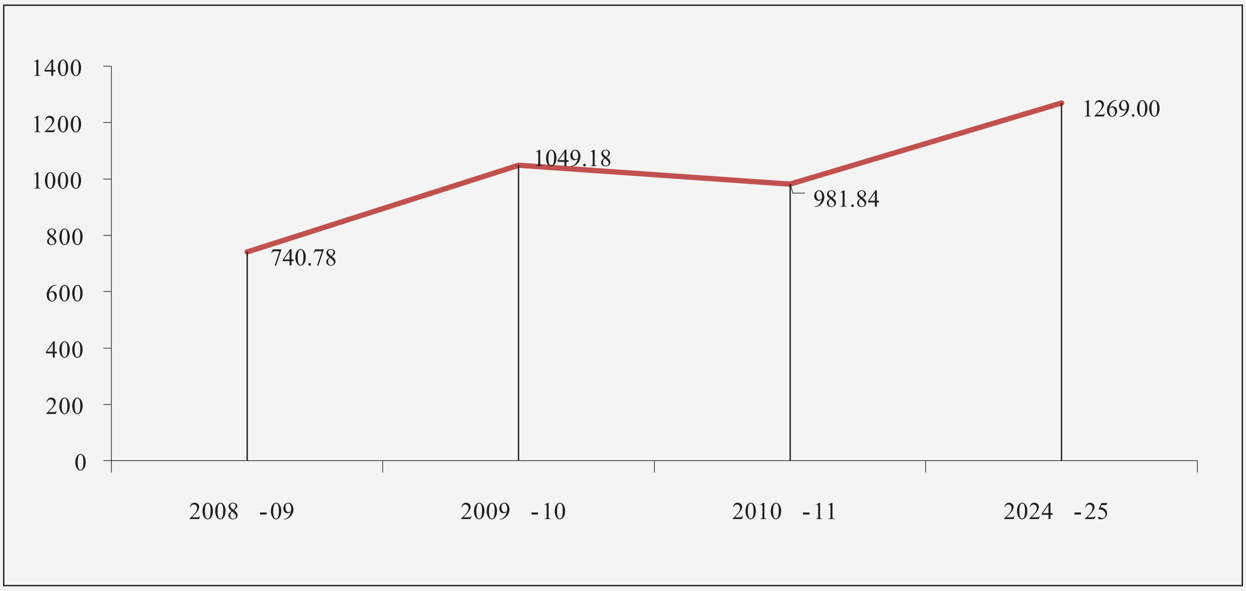


Source: https://data.worldbank.org/

NGOAB Foreign Grant Flow (Million USD)



Fund in Education through NGOAB (BDT in Crore)



The education-sector aid flows indicate a worrying trend for NGO-led education initiatives. Although overall development assistance has increased in recent years, funding directed specifically to education through NGO channels shows clear stagnation and recent decline, with fluctuations in project approvals and reductions in released funds over time. This suggests that education, particularly non-formal education, equity-focused programs, teacher support initiatives, and community learning models implemented by NGOs and coalitions like CAMPE, is receiving a shrinking share of external assistance. This decline is especially concerning because NGO-led programs play a critical role in reaching Indigenous children, urban slum learners, girls at risk of dropout, and children affected by climate shocks, groups often beyond the reach of formal systems.

Declining Donor Funding and Emerging Sustainability Risks for NGOs

Traditional bilateral and multilateral donors are increasingly reallocating resources toward fragile states, conflict zones, and global humanitarian crises. As a result, Bangladesh, despite its continued development challenges, has begun to experience a gradual decline in concessional funding and grant-based support, particularly for NGO-led development programs. This shift represents a structural change in development financing rather than a temporary fluctuation, and it raises serious concerns about the sustainability of NGO contributions in education, health, climate resilience, and social inclusion.

Key Drivers of Declining Aid to Bangladesh

Several structural and geopolitical factors are driving the reduction in traditional donor support:

- LDC Graduation and Economic Growth – As Bangladesh moves toward developing-country status, it becomes less eligible for concessional grants, even though inequality, learning gaps, climate vulnerability, and regional disparities remain significant.
- Global Geopolitical Reprioritisation – Donors such as the UK, EU, USA, and others are shifting funds toward major crises and fragile states, including Ukraine, Gaza, and parts of Africa and the Middle East.
- Changing Aid Modalities – Grant-based assistance is increasingly replaced by loans, blended finance, and results-based instruments, which are less accessible for NGOs working in non-revenue social sectors.
- Donor Fatigue in Protracted Humanitarian Contexts – Funding for long-running humanitarian responses, including the Rohingya crisis, is declining despite ongoing needs.
- Domestic Fiscal Pressure – Inflation and political shifts in donor countries reduce ODA budgets.
- Accountability and Compliance – Donors demand more transparency, limiting smaller NGOs' access.

The UK Foreign, Commonwealth & Development Office (FCDO), European Union (EU), and UN agencies are refocusing funds toward fragile states and global crises such as Ukraine and Gaza. USAID's withdrawal in 2025 resulted in the closure of 55 out of 59 projects, equivalent to a USD 700 million, which affected nearly 50,000 development professionals and workforce. The decline has also constrained funding for Rohingya humanitarian programs-from Tk. 779 crore in FY2024 to Tk. 387 crore in FY2025. This reorientation underscores the need for NGOs to pivot towards domestic resource mobilization, CSR partnerships, and regional cooperation.

Funding Disparities: Old vs. New NGOs

A visible disparity exists between traditional, long-established NGOs and newly emerging organizations. Older NGOs, while credible, often face bureaucratic limitations and slower adaptation to digital systems. In contrast, newer NGOs and social enterprises leverage data analytics, online reporting, and AI-driven monitoring tools to attract modern donors. Their projects align with global themes, climate innovation, youth entrepreneurship, and digital literacy, making them more competitive. Donors increasingly prefer agile organizations capable of demonstrating measurable results, transparency, and strong digital footprints. Innovative project models (climate-tech, EdTech, social entrepreneurship) and use of data analytics, social media, and storytelling for fundraising.

Emerging Donor Priorities and Modalities

Donor priorities are shifting toward issues of global urgency and sustainability. Key thematic areas include climate resilience, digital education, gender equality, renewable energy, and inclusive governance. Modern funding modalities include results-based financing (RBF), innovation challenges, and public-private partnerships (PPP). For example, the Green Climate Fund (GCF) and Global Partnership for Education (GPE) now allocate resources through competitive project proposals emphasizing measurable outcomes and co-financing. The trend signals a move from traditional grant aid to performance-linked and blended financing models.

Government Funding Opportunities for NGOs

Although limited, several ministries and agencies in Bangladesh provide grants or partnerships to NGOs for sectoral development. Examples include: strategically blended financing approach. Sustainability will depend not only on accessing new funding streams but also on repositioning NGOs within evolving development finance architectures.

Private Sector Engagement: Private Sector and CSR Financing offer immediate opportunities for diversification. Bangladesh's expanding banking, telecommunications, manufacturing, and technology sectors are increasingly active in Corporate Social Responsibility (CSR) initiatives aligned with national development priorities and the Sustainable Development Goals (SDGs). NGOs should proactively develop structured partnerships that focus on measurable improvements in learning quality, digital education, youth employability, and climate resilience. To unlock larger private capital flows, advocacy is needed to strengthen tax incentives for CSR contributions, introduce matching grant mechanisms, and create clearer policy guidelines encouraging long-term corporate engagement in education and social development.

Ministry/Agency	Type of Support	Key Focus Areas
Ministry of Women and Children Affairs	Grants	Gender equality, child protection, women's empowerment
Ministry of Social Welfare	Grants/Subsidies	Disability inclusion, protection and community development
Ministry of Youth and Sports	Grants	Skills development, youth leadership
Ministry of Primary and Mass Education	Grants	Several projects through BNFPE
PKSF (under Finance Division)	Loans/Grants	Microenterprise, rural livelihoods, climate adaptation
Bangladesh Climate Change Trust Fund	Grants	Environmental conservation, disaster management
Bangladesh NGO Foundation	Grants	Grassroots empowerment, operational sustainability

In recent years, PKSF and the NGOF have emerged as important intermediaries for government–NGO collaboration.

Strategic Implications for Small NGOs

Small NGOs face risks of program disruption, workforce reduction, weakened advocacy capacity, and reduced reach to marginalized communities. At the same time, donors increasingly prioritize blended finance, performance-based instruments, digital reporting systems, and measurable outcomes.

Diversifying and Transforming Funding Sources

In a context of declining concessional aid and shrinking grant windows, national NGOs in Bangladesh must transition from a predominantly donor-dependent model to a diversified and

Well-designed CSR partnerships can move beyond ad hoc donations toward outcome-oriented investment models.

Blended Finance: At the same time, blended finance and loan-based windows are becoming central features of international development financing. Multilateral institutions such as the World Bank, Islamic Development Bank and Asian Development Bank increasingly deploy concessional loans, results-based instruments, and public–private partnership frameworks to support education reform and sector-wide programs. Vertical mechanisms such as the Global

Partnership for Education (GPE) also emphasise co-financing and performance-linked funding. While these instruments are typically government-facing, civil society can influence their design to ensure dedicated implementation roles and grant components for NGOs, particularly in areas such as quality improvement, learning recovery, and community-based monitoring.

To participate effectively in such mechanisms, NGOs should adopt consortium-based approaches that combine technical expertise, financial capacity, and geographic reach. Partnerships with universities, research institutions, and private actors can strengthen proposal competitiveness and facilitate access to blended finance platforms. This shift requires NGOs to enhance internal systems for financial modelling, monitoring and evaluation, and full-cost recovery to align with performance-based disbursement frameworks.

Influencing Bilateral and Multilateral Financing strategies remains essential. Evidence-based advocacy-grounded in data on learning gaps, inequities, and marginalised populations-can help ensure that large-scale education loans incorporate components that enable civil society participation. NGOs and coalitions should engage in sector planning processes, contribute to education sector reviews, and advocate for dedicated civil society windows within loan-supported programs. Strategic engagement at policy formulation stages increases the likelihood that funding modalities accommodate community-driven innovation rather than marginalising it.

National Education Compact: A complementary and forward-looking strategy is the development of a National Education Compact. Such a framework would align government, donors, multilateral institutions, private sector actors, and civil society around shared learning quality targets and financing commitments. By establishing measurable outcomes and co-financing arrangements, an Education Compact could mobilise large-scale concessional and blended resources while safeguarding space for NGO participation in implementation, monitoring, and innovation. The Compact model would move beyond fragmented projects toward a coordinated financing architecture that balances loans, grants, and domestic contributions.

Crucially, diversification must also include strengthened domestic resource mobilisation. Structured CSR partnerships, diaspora engagement, community-based fundraising, and municipal collaboration can complement external funding and enhance long-term resilience. A gradual shift toward hybrid financing-combining domestic and international resources-will reduce vulnerability to geopolitical aid fluctuations and donor reprioritisation.

Capacity Development

Access to diversified financing demands institutional transformation. NGOs must strengthen governance systems, digital reporting capacity, and transparency standards to meet increasingly rigorous compliance expectations. Preparedness for commercial-style contracting, procurement-based delivery, and performance-linked disbursement will be essential as development programs are increasingly implemented through competitive frameworks. Investment in financial management systems, contract literacy, and risk management is no longer optional but foundational to sustainability.

Conclusion

Bangladesh's NGO sector stands at a critical juncture. As concessional grants decline and financing modalities evolve toward loans, blended instruments, and performance-based models, adaptation is imperative. Diversifying funding sources, engaging strategically with multilateral education financing, strengthening CSR partnerships, and advancing a National Education Compact can position national NGOs as indispensable partners in quality education reform.

Sustainability will depend not only on securing new resources but on building the institutional capacity required to operate within a more competitive and commercially structured development finance environment. By embracing strategic diversification and coordinated advocacy, national NGOs can continue to advance inclusive, equitable, and high-quality education in Bangladesh despite a contracting global aid landscape.

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