

NGOs of Bangladesh Funded by Foreign Donations: *Governance Challenges and Way Forward*

Executive Summary

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I. Introduction

Non-Government Organisations (NGOs), popularly known as the third sector or development sector or differently termed as, or part of, civil society organisations (CSOs), have outstanding reputation for their participatory and empowering approaches to development. NGO activities in Bangladesh have been developed by following different models of development, needs and priorities of global and local contexts. After the independence of Bangladesh, NGO activities emerged through relief and rehabilitation and direct service delivery to the poor and marginalised. Gradually, the NGOs in Bangladesh started contributing to the areas of poverty alleviation, women empowerment, social justice, good governance, education, human rights, child rights, microcredit, healthcare and nutrition, climate change and disaster management, vocational training, livelihood, agriculture and food security, water, sanitation and hygiene, renewable energy, legal aid, environmental conservation, land rights, labour rights, social justice, etc.

Currently the number of NGOs registered under the NGO Affairs Bureau (NGOAB) of Bangladesh is 2,625. However, there are questions over effective existence and operation of 480 NGOs as the NGOAB cancelled their registration on account of not renewing their registration for a long time even after the expiry of registration (NGOAB, 2018). This situation indicates that NGOs getting registered once upon a time might have reached in a state that they are no more likely to mobilise external funds and continue their operations.

Transparency International Bangladesh (TIB) conducted a study on Governance in NGO Sector of Bangladesh in 2007 and found substantial gaps in the internal governance of the NGOs selected under that study. The study indicates the prevalence of severe anomalies in the processes and systems of transparency, accountability and integrity. However, TIB's National Household Surveys conducted bi-annually revealed that the rate of corruption that people directly experience with NGOs is decreasing day by day, from 10.1% in 2010 to 5.0% in 2012 to 3% in 2015 (TIB, 2015)¹. In spite of this decreasing trend of corruption that people directly experience with NGOs Transparency International's (TI) National Integrity System Assessment Bangladesh 2014 identified that the NGOs working in Bangladesh have serious governance deficits in their internal systems and processes, which should be reflected for solution for the greater interest of this highly reputed third sector. These studies came up with a number of concrete recommendations based on the study findings, consultation with relevant stakeholders and it was expected that NGOs working in Bangladesh would well accept the findings and work for the improvement of their internal governance systems and processes based on the recommendations.

Through this current study TIB aims to follow up the improvements taken place over the years in the governance systems and processes of the NGOs working in Bangladesh. The main objective of this study is to assess existing governance situation of the NGOs of Bangladesh funded by foreign donations. To meet the objective following research questions have been used for inquiry:

¹ The overall experience of the selected households is that 67.8% households face corruption in attaining services from different service sectors (National Household Survey 2015, TIB).

- How do the NGOs of Bangladesh funded by foreign donations practice the main values of governance within their organisations?
- What are the challenges of effective governance for the NGOs funded by foreign donations?
- What are the ways forward to overcome the existing governance challenges of this sector?

In this study, a purview of the internal governance situation of the selected foreign donations receiving NGOs has been captured. A representative number of local, national and international NGOs registered under the NGOAB and received foreign donations have been studied. In this study, some implications of the funding agencies and regulatory authorities of the government have been essentially reflected; however, this research does not indicate their wider governance challenges as a whole—this research does not target to demystify their governance practices as such. Moreover, the findings of this research are not equally applicable to all NGOs operating in Bangladesh with support from foreign donations; however, it provides an indication on the current governance situation of the NGOs in Bangladesh funded by foreign donations.

2. Methodology

This is mainly a qualitative research. However, quantitative method and information were used in some applicable areas. A total of 50 NGOs were selected for this study. The NGOs were selected from a list of 781 NGOs those received foreign donations during 2014-2015 and the list was collected from the NGOAB. In order to ensure proper representation of selected NGOs, the list of NGOs was divided into different categories. For example, local, national, and international by the origin of NGOs; and small, medium, and large by the amount of donation they received. The NGOs were selected through application of systematic random sampling procedure. During the data collection, two NGOs regretted to provide information. Therefore, this study provides an analysis of 48 NGOs—among them, 24 are national, nine international, and 15 local NGOs.

Both primary and secondary sources of data were considered for this study. Data collection techniques applied for this study include key informant interviews (KIIs) with NGO related stakeholders, in-depth interview with governing board members, senior management team members of the selected NGOs, group discussion with employees of the selected NGOs, focus group discussion (FGDs) with beneficiaries of the selected NGOs, semi-structured format and documents and literature review. This study follows a comprehensive analytical framework that considered four broad aspects of NGO governance: organisational capacity and performance; transparency and integrity; representativeness and participation; and accountability. Corroboration of data was checked at different stages—during data collection and after getting feedback from TIB research team and higher management. Moreover, two validation meetings were organised with the leaders of NGO coordination groups of Bangladesh as well as some representatives from different national and international NGOs working in Bangladesh.

The period of data collection for this research is October 2016 - May 2017. This study considered the governance situation of the selected NGOs prevailed during 2014-2016.

3. Major findings

3.1 Major steps towards strengthening good governance in NGO sector

Government of Bangladesh (GoB) has taken some remarkable steps to strengthen good governance in NGO sector particularly for those that receive foreign donations. The steps include Formulation of the Foreign Donation Regulation Act, 2016; Drafting the Foreign Donation Regulation Rules; Inclusion of NGOs and civil society as institutions under the National Integrity Strategy, 2012;

Monitoring of action plans of the NGOAB formulated as part of implementing the National Integrity Strategy, 2012; Formation of Ethics Committee in the NGOAB; Inclusion of NGOs as an entity for information disclosure under the Right to Information Act, 2009; Supervision, monitoring and coordination of NGO activities by the district and upazila administrations; Cancellation of registrations of the NGOs for failing to renew their registrations; Introduction of different formats to track NGO activities and monitoring of activities of the faith based NGOs to control the financing in terrorism; Formulation Anti Money Laundering Act, 2012 and its application in ensuring the use of legal sources of foreign donations.

3.2 Limitations of laws and policies

The Foreign Donations (Voluntary Activities) Regulation Act, 2016 includes some clauses to hold the NGOs more accountable. However, there remain a few gaps in this Act, which are as follows:

- Article 6 states about the timeframe for approving emergency support projects; however, there is no timeframe set in the law that defines how long should it take to provide an approval to any development project. This clause is likely to create delay in project approval process.
- According to the sub-article 6.3, NGOs are instructed to submit application directly to the director general of NGOAB where there is no requirement to get any testimonial from the district level authorities. However, the sub-article provides that the NGOs working in the CHTs must consult with the Ministry of CHT Affairs before submitting any application to the NGOAB. This clause is discriminatory for the NGOs operating in the CHTs alongside it is prone to create more delay in project approval process.
- Sub-article 6.4 states that if any ministry raises objection against any project, Prime Minister's Office will be referred for proceeding with next step. This clause is also likely to create delay in project approval and fund release.
- According to the sub-article 10.7 and 10.8, local administrations are assigned for coordinating NGO activities in all districts except the CHTs; the law provides that a designated committee will be formed for coordinating NGO activities in the CHTs but does not spell out the committee formation process². This clause is also discriminatory for the NGOs operating in the CHTs.
- Article 11 of the Act provides that the constitution of NGOs must include the formation of their executive board and general board. However, it does not provide any direction on whether any country level parallel accountability mechanism is applicable for the international NGOs operating in Bangladesh.
- According to the article 14 of the Act, making "malicious" or "derogatory" statements by any NGO or civil society member against the constitution and constitutional bodies of Bangladesh is a punishable offence. However, this does not provide any clear interpretation on these terms.

A Rules of this Act has been drafted but has not yet been enacted. This Rules is expected to provide sufficient interpretation of the ambiguous clauses. Moreover, there is no institutional and legal arrangement in place to track and evaluate NGOs' expected role and progress of their promises to act as an institution mentioned in the National Integrity Strategy 2012.

² TIB received an interpretation from the NGO Affairs Bureau (as of 16 September 2018) after the release of the report, which states that the formation of monitoring committee in the CHT has been spelt out in the Prime Minister Office's Circular of 2012, which is still applicable, though not mentioned in the Act of 2016. An amendment has also been made through another circular of 14th June 2018 that has brought that respective Additional Deputy Commissioner will replace the respective Deputy Commissioner to act as member secretary of the committee.

3.3 Organisational capacity and performance

Policies and guidelines: All the selected NGOs are enriched with some necessary policies and guidelines. The policy and guidelines include financial policy or guidelines, HR policy, gender policy, etc. However, there are some gaps in the implementation of policies. It was found in most of the cases that the policies are written in English; not in Bengali – staff do not understand what are written in there. Moreover, there are some examples of breaching the policies. For example, a few local and national NGOs do not permit maternity leave with pay. The NGOs having such practices argued that they need to hire short term staff to cover the maternity leave and they do not afford double payment to two staff for a position at a time.

Performance appraisal: 35 NGOs among the selected ones claimed that they maintain systematic procedure for the performance appraisal of their staff. These NGOs make use of the performance appraisals in making decisions on promotion and increment. On the contrary, a significant number of NGOs (13) do not follow any formal performance appraisal mechanism.

Capacity building of the staff: Some national and international NGOs (25) claimed that they provide training to their staff to build their capacity. However, many of the selected NGOs (23) have limited scope to provide skill development training and incentives to their staff.

Project implementation: A significant number of NGOs (19) apply their visionary standpoints and design long term projects under their regular programmes with a view to bringing about sustainable changes in the lives of the poor by implementing activities in an integrated manner. This number indicates that it is a common reality that most of the NGOs do not afford to design long term projects. Rather they can manage to implement short-term projects due to their incessant dependency on external funds.

3.4 Transparency and integrity

Proactive information disclosure: Most of the NGOs (36) maintain websites and they disclose their ongoing programme and projects, annual report, audit report, success story, job advertisement, and profile of governing board members through the webpages. However, among them a significant number of NGOs (19) do not update their information on the webpages. Moreover, 12 NGOs do not have their own websites. This is mention worthy that three national NGOs publish their audited annual financial statements and programme coverage through national dailies.

Recruitment: Most of the NGOs (38 NGOs) circulate job opening through newspaper and or job portal and maintain some competitive processes for fair recruitment. However, only a few NGOs mention the amount of salary in the job circular. It is alleged that some NGOs entertain external influences in the recruitment process—sometimes deliberately for the sake of mutual benefits and sometimes by force from local influential groups including political leaders.

Staff payment: Almost all the selected NGOs (43) pay salaries to their staff through bank account. However, there are a many NGOs among them those do not make other transactions through bank account. For example, many NGOs do not practice of paying bills to the staff through bank account. There are also allegations in few cases that they pay direct cash to the staff and maintain two ledger books. It is also against a few national NGOs that they engage staff in different programmes and projects. However, such staffs are not given extra allowances for their extra involvements, though their salaries are charged from the projects they are shown for.

Procurement: Most of the NGOs (43 NGOs out of 48) across the levels have their fixed purchase committees to ensure integrity in procurement. However, a few local NGOs (five) do not form any

procurement committees. Chief Executives of those organisations make all procurement related decisions. Moreover, there are allegations against a few NGOs—despite they form procurement committees, their chief executives influence their decisions. Most of the NGOs (30) maintain and update vendor lists and carry out their procurement through enlisted vendors. It means that a many NGOs (18) do not have any specific vendor lists for procurement. It is also alleged that despite a many NGOs maintain vendor list, there works a tendency for selecting vendors having even conflict of interest and in some cases they apply unfair means in the process for mere personal gains. There are also allegations against some NGOs of embezzlement and they do it by making fake purchase vouchers.

Integrity: There are allegations against a few NGOs of serious embezzlement of project money. Moreover, there are allegations against the top officials especially the chief executives of some of the selected NGOs of capturing unauthorised benefits from their NGOs by using their position.

3.5 Representativeness and Participation

Selection of working areas and beneficiaries: This is mention worthy that two international NGOs select their working areas and beneficiaries by maintaining coordination with different NGOs working in same regions. However, there exists a tendency in many of the selected NGOs to claim their sole successes when there are even contributions from some other NGOs or agencies to the same beneficiaries. The tendency to include same beneficiaries in different projects is also prevalent. They tend to make it as they find it easy to show socio-economic up-gradation of the poor i.e. achievements against their targets. This tendency is particularly seen the most in microcredit and livelihoods programmes.

Most of the selected NGOs (32) claimed that they consult with community people or local stakeholders before planning their activities or at least chalk out the beneficiaries through survey or consultation in communities. However, it is not maintained in reality in most of the cases – in many cases, project staff select beneficiaries with advices and influences from local influential persons. This creates such an influence that the deserving people are excluded from the project benefits. As per the existing laws, the NGOs operating microcredit programmes are supposed to provide loans and other services to the people living in poverty and most preferably to those living in extreme poverty. However, field data suggest that in many cases, beneficiaries are selected through personal judgement of the NGO staff. In selecting beneficiaries, they tend to give preference to the households having some capacity to repay instalments. The field staff tend to apply some techniques to avoid the real poor as they face pressure from their office when they fail to collect instalments. Field data also show that in many cases community people are not engaged in the planning process of NGOs i.e. in the needs assessment or problem and priority selection for a project.

Formation of governing board: In many of the selected NGOs, governing boards are found to be formed with qualified and accepted persons. However, in many NGOs especially at local level board members are taken from relatives and friends of the chief executives. In that case, such board members do not feel the need to participate actively in the board meetings. In some cases, policy decisions are made in a reverse order. For example, in some cases chief executives of the NGOs make policy decisions without consultation in board meeting. However, they get their decisions approved by approaching the board members individually and through an informal procedure.

Community representation in governing board: Although the NGOs implement their projects and programmes at the community level, only 14 NGOs informed that their governing boards have membered some of their beneficiaries or community people who they work with.

Women's representation in governing board: A significant number of selected NGOs have provided membership to some women in their governing board. However, there is a strong observation over

the active participation of women board members in the NGO activities and board meetings especially at the local level.

3.6 Accountability

Accountability to funding agencies and regulatory authorities: All the selected NGOs are sincere to meet formal accountability requirements to the funding agencies and regulatory authorities. However, this is limited to the submission of reports and attending coordination meetings with district and sub-district administrations. The common tendency among the NGOs is to highlight and even exaggerate their strong points in reporting and hide gaps or failures. They also make their funding agencies visit their successful cases. Moreover, the reporting formats provided by the funding agencies do not require qualitative data to be captured from communities. Therefore, the real accountability by means of exposing real qualitative changes does not take place in most of the cases.

Accountability to the beneficiaries: Only nine NGOs have claimed that they collect feedback from their beneficiaries most preferably through participatory monitoring. This means that most of the NGOs (39) do not engage their beneficiaries in their programme monitoring and through any kind of feedback mechanisms. This scenario indicates that there is a huge gap in NGOs' downward accountability routes where they do not feel the need to be accountable to their constituencies i.e. the beneficiaries. However, a positive example is that three national and international NGOs have introduced hotline numbers in their project areas to receive complaints and feedback from communities.

Internal control and accountability system: Most of the NGOs (25) have their separate monitoring and evaluation units or at least designated M&E staff. Most of the selected NGOs (36) are also enriched with internal audit system. Besides, a many NGOs (23) have introduced complaint redress mechanism. The other side of the coin shows that a significant numbers of NGOs (25) do not have any formal complaint redress mechanism. There are allegations of not attending to the complaints in many cases. There are also examples of redressing complaints and even mediating sexual harassment cases without making any punishment. Moreover, in many NGOs (23 NGOs) where there is no separate M&E unit, project or programme staff usually prepare their monitoring report.

3.7 Corruption and irregularities in concerned institutions and stakeholders

Some NGOs have allegations against the funding agencies, officials of NGOAB and local influential people on influencing their recruitment process that they cannot avoid by any means. They do it for the sake of maintaining good relations with funding agencies, NGOAB and local influential persons. Most of the NGOs informed that they are bound to bribe for getting their funds released from the NGOAB. Almost all local and national NGOs informed that local authorities collect money from NGOs as subscriptions for the observance of different national and international days. Some NGOs also complained that they are forced to bribe local authorities for getting testimonial required for getting project approval from the NGOAB.

There are allegations against some officials of NGOAB who take illicit supports from the NGOs, especially during their visits. Some NGOs informed that some NGOAB officials prefer to visit NGOs located in tourist areas. A few NGO officials informed that they had to provide vehicle support on demand to the NGOAB officials when they were even visiting their areas on personal tour. It was also informed that those officials also claimed lodging support in their guest houses. It was also alleged that a few NGOAB officials also visit NGOs for the purpose of providing orientation on the NGOAB

formats required for project and fund approval. The hidden objective of the orientation in most of the cases remains to claim honorarium from the NGOs for the orientation.

Many of the selected NGOs informed that they are bound to bribe to NGOAB officials in every single step of getting project fund approval. This experience is almost common among the local and national NGOs. According to the existing law, NGOs working in the CHTs have to go through more rigorous process and get testimonials from some additional authorities; therefore, their experience of being victims of corruption is worse than the NGOs working in other areas.

3.8 Causes and consequences of poor governance in the selected NGOs

Causes	Consequences	Impacts
<ul style="list-style-type: none"> Discriminatory and obscure clauses in relevant laws and policies Irregularities and corruption in project and fund approval process Formation of weak governing board Gaps in monitoring, evaluation and audit of NGO activities by regulatory authorities and funding agencies Coordination gaps among local level stakeholders Gaps in effective participation of beneficiaries and implementation of projects without local needs assessment Undue influence of local powerful people Donation and project based NGO activities Institutional capacity deficiency 	<ul style="list-style-type: none"> Delay of project and fund approval by concerned authorities Use of project money in fund approval and reduction of programme cost Exercise of absolute authority by the chief executives and deficiencies in accountability Non-transparent and non-compliant procedures: recruitment, procurement, payment of salary-allowance etc. Improper programme and beneficiary selection Overlapping and duplication of NGO activities Deficiency in taking sufficient measures for ensuring good governance 	<ul style="list-style-type: none"> Risk of not achieving the expected results from NGO activities Risk of decreasing reputation and trustworthiness of NGO activities Potential risk of undue control and interference from the regulatory authorities

3.9 Comparison between 2007 and 2017

Here is a brief comparison between the governance scenario of NGOs captured by two reports of TIB between 2007 and 2017.

Indicators	Remarkable Progress	Partial Progress	No Progress
Organisational capacity and performance	Compliance of Human Resources Policy	Initiatives for staff's capacity development	-
	Practice of staff's performance evaluation systems		
	Policy and practice of gender sensitivity		
	Proper implementation of project		

Transparency and integrity	Disclosure of accounts and audit information	Information sharing in communities at expected level	Undue influence to accounts department
		Updated information in the webpages	
		Fair audit system and reporting procedure	
Representativeness and participation	-	Formation of governing boards with the proficient members	Absolute authority of chief executives in decision making
		Well informed governing board members about NGO activities	Partial sharing of board meeting minutes with staff
Accountability	Supervision and monitoring system	Accountability towards community	Irregular meeting of governing boards and meeting-centred involvement with NGOs
	Grievance lodging and redress mechanism	Submission of result-based progress and evaluation report to donors	

4. Conclusion

In most of the cases governance situations in selected NGOs have improved to a great extent compared to the situation reflected in 2007. For example, there is a significant progress in the realms of openness of information, internal control, and accountability towards regulatory authorities of the government and funding agencies. Moreover, there are some positive examples evident in most of the NGOs, which are formulation of necessary policies and guidelines, and development of systems for internal control and accountability. However, still there are some governance challenges and improvement areas prevalent in the foreign donation receiving NGO sector. The improvement areas include the strengthening of accountability relations between management and governing board, ensuring internal control and accountability, maintaining transparency and integrity in recruitment, procurement, and the process of providing salaries and benefits to the staff, etc. Limitations of relevant policies and laws, deficiencies in quality monitoring, evaluation, audit and coordination of NGO activities, unauthorised dealings by some NGOAB officials, undue influence from local powerful people and administration, formation of weak governing body are some key impediments to strengthening good governance in foreign donation depending NGO sector of Bangladesh. NGOs of Bangladesh have remarkable reputation and achievement especially in the areas of poverty eradication and establishing rights of the poor and marginalised. If the prevailing governance challenges are addressed, there will be created a potential trade-off to strengthen the reputation and credibility of this sector.

5. Recommendations

Given the identified governance challenges prevailing in the selected NGOs, TIB proposes the following recommendations for addressing the improvement areas of this sector where the major stakeholders have much role to play.

Recommendations	Responsibility
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1. Engage local communities and beneficiaries in the planning and monitoring of NGO activities especially of the service delivery related projects	NGOs
2. Strengthen internal control mechanism—strong M&E and internal audit systems and application of accountability principles against corruption and irregularities	
3. Stop one-person centric authoritative management system--consult with staff and reflect their opinions in decisions; establish a balanced accountability relation between the executive management and governing board	
4. Formulate and implement code of conduct and inclusive human resources policy	
5. Ensure transparent and competitive process in recruitment, transfer, promotion, skill development, incentives for the staff, etc.	
6. Ensure the formation of functional governing board with the members free from conflict of interest and having strong reputation and acceptance in society as civil society member	
7. Ensure functional accountability of the chief executives towards governing boards	
8. Appoint Ombudsman for minimising gaps between staff and management, grievance management, and holding the senior management accountable	
9. Apply social audit on NGO activities by involving local communities in applicable cases	
10. Take disciplinary action against the corrupt NGO officials	
11. Take actions against corrupt officials of NGOAB involved in corruption, irregularities and harassment of NGOs in the name of providing training, visiting NGO offices, and in the process of NGO registration and project approval	NGO Affairs Bureau
12. Amend the discriminatory and obscure clause of the Foreign Donations Regulation Act, 2016 and formulate rules	
13. Introduce online system to reduce corruption in project approval and fund release process	
14. Minimise overlapping and duplication of NGO activities by strengthening coordination among the NGOs working in same areas	
15. Finalise, approve and implement the draft action plan for NGOs formulated for implementing National Integrity Strategy, 2012.	
16. Allocate funds to the local administrations for day observance in order to reduce undue burden on the NGOs	Concerned Ministry
17. Stop harassment and unauthorised financial burdens imposed by local administrations and relevant intelligence agencies in the process of NGO registration and project approval from NGOAB	

18. Keep a 'governance component' in every project funded by foreign donations and allocate budget for its implementation alongside take initiative to strengthen NGOs' internal governance and capacity	Funding Agencies
19. Stop undue influence in the recruitment process of partner NGOs	