

**ACCOUNTABILITY AND CONTROL IN NON-GOVERNMENTAL
ORGANISATIONS (NGOS) – A CASE OF BANGLADESH**

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ABSTRACT

Non-governmental Organisations (NGOs) perform an important role in the economic development of developing countries by providing services to society through welfare works for community development, assistance in national disasters, sustainable system development, and popular movements. In recent years, funding constraints, calls for accountability, media exposure and the development of a contract culture have brought demands for increased performance measurement and control within the development sector. As a consequence, NGOs are currently under pressure to undertake increased monitoring and evaluation and present measurable indicators of output, impact and capacity. Many NGOs command significant economic resources yet the accounting literature has largely ignored this sector. Consequently knowledge of the effectiveness and efficiency of these organizations is poor. There is a need to study their control and accountability especially as there are widespread beliefs that conventional wisdom in accounting and control textbooks is not widely used. This study attempts to fill this lacuna by studying accountability and control systems in a large local indigenous NGO. It examines how control systems relate to accountability and transparency of NGOs of developing countries like Bangladesh, and the efficiency and effectiveness of these types of organizations in delivering services.

INTRODUCTION

Non-governmental Organisations (NGOs) perform an important role in the economic development of developing countries. They provide services to society through welfare works for community development, assistance in national disasters, sustainable system development, and popular movements. NGOs working in development have achieved a significant profile during the past fifteen years or so. As a consequence, NGOs are attracting increased attention and recognition among academics and practitioners of development and development assistance. Many researchers support NGOs' activities because of their proximity to remote communities and to the poor (Lovell, 1992; Haque, 1997; Goetz & Gupta, 1994 & 1996), their efficiency and low cost of operations e.g., micro-credit programs (Mask, 1995; Hulme & Moseley, 1996; USAID, 1996), their promotion of sustainable system development (Korten, 1990; Smillie, 1995), and their potential role for organizing and representative bodies in civil societies (Brown and Korten, 1991; Carroll, 1992). The rapid growth of NGOs is also seen as a consequence of governments' failure to alleviate poverty, growing levels of bureaucracy and corruption and a lack of accountability of government (Booth, 1994; Fisher, 1998; Nelson, 1995; Clarke, 1998, Lewis, 2001).

NGOs' activities do not meet acclaim from all corners of academia. Many academics criticize the activities and 'mushroom growth' of NGOs. Turner and Hulme (1997) call NGOs a '*Janus-like*' like organization; Temple (1997) sees NGOs as a continuation of the missionary tradition and as handmaidens of capitalist change; Vivian and Maseko (1994) point out that evidence on NGO performance is scanty. Other critics note the role of NGOs as resource brokers rather than change agents (McGregor 1989; Hashemi 1989); as palliatives to real structural change (Arellano-Lopez and Petras, 1994); as producing too much overlapping of vested interests among donors, NGOs and states to allow sound analysis of issues (Sanyal 1991; Hanlon 1991); not producing long term effectiveness of projects (Abdel Ati, 1993; de Waal and Omaar, 1993); financial corruption and drifting from NGOs' original mission (Hellinger *et al.*1988). Riddell and Robinson (1995) also express concerns about the lack of independent information on how NGOs work in practice and the reasons for their rapid growth. This underlies a concern that the management and/or promoters of NGOs are using this organizational form to use donated resources for furtherance of their own interest¹.

In recent years, funding constraints, calls for accountability, media exposure and the development of a contract culture have brought demands for increased performance measurement within the development sector. Donors place greater emphasis on effectiveness and sustainability. As a consequence, NGOs are currently under pressure to undertake increased monitoring and evaluation and present measurable indicators of output, impact and capacity (Edwards, 1999; Lewis, 2001; Hailey, 2000; 2003). Thus, in general, greater attention has been given to the management challenges NGOs face. Many NGOs command significant economic resources yet the accounting literature has largely ignored this sector. Consequently knowledge of the effectiveness and efficiency of these organizations is poor. This study attempts to fill this lacuna by studying control systems in an NGO.

¹ In the Philippines, substantial Western aid was channelled to brutal military rulers of various developing industries, including NGOs. Recently it has been found that at least 30 percent of the funds cannot be traced (Kenety, 2000).

PRIOR RESEARCHES

NGOs are not a new phenomenon. The concept of 'philanthropy', which can be defined as the ethical notions of giving and serving those beyond one's immediate family, has existed in different forms in most cultures through-out history, often driven by religious tradition. The term NGO was officially brought into being with the passing of Resolution 288 (X) by the United Nations Economic and Social Council on the 27th February 1950. It referred to *officially recognized organizations with no governmental affiliation that had consultative status with the United Nations* (Vakil, 1997). But local third sector organizations of various types have worked relatively unnoticed in most societies for generations through religious organizations, community groups and organized self-help ventures in villages and towns. The colonization by European powers of much of the South² brought missionary groups whose activities can be seen as prototypical NGO ventures in education, health service provision and agricultural development. They included both 'welfarist' and 'empowerment' approaches to community work (Fernando and Heston, 1997). Until the 1980's, NGOs got little or no attention from government, policy makers and researchers. Since then NGOs have become an integral part of nearly all developing countries. The growing involvement of NGOs in development problems has precipitated a rapid increase in the research literature on NGOs.

However the lack of consensus on how to define and classify NGOs remains a confusing dilemma. (Salmon and Anheier, 1992, 2000; McCarthy, 1992; Agbola, 1994; Charlton and May, 1995; Gordenker and Wesis, 1995; Smillie, 1995; Najam, 1996b; Vakil, 1997; Holloway, 1998; Lewis, 2001). The problem of defining and classifying NGOs is notoriously vexed and gelatinous. Practitioners tend to classify NGOs to increase the status of their respective organizations and/or discredit that of other organizations (Devine 1999). For the purpose of this study, NGOs are defined as *a formal (professionalized) independent societal organisation³ whose primary aim is to promote common goals⁴ at the national or international levels* (Martens, 2002). Often these goals involve the promotion of full stakeholder participation, mutual learning, accountability and transparency, local self-governance, long-term sustainability, and, perhaps above all, a people-centred approach (Korten, 1990; Hailey, 2000).

Conventionally, management control systems are seen as formal tools used by management to establish the goals of the organization and ensure that these goals are pursued by organizational members (Merchant, 1985; Hofstede; 1968; Anthony, 1965; Horngren, 1972). Traditional, somewhat mechanistic depictions of control systems have been criticised by many researchers (Burchell et al., 1980; Tinker, 1980; Macintosh, 1994; Otley, 1995). They argue that traditional systems ignore their relationship to the context in which they operate. Contemporary accounting researchers give greater attention to understanding the social, political and organizational contexts of management control systems (Uddin & Hopper 2001; Hoque & Hopper, 1994, 1997; Otley, 1995, 1999; Macintosh, 1994).

² In the NGO literature, North is understood as 'Developed Countries' and South as 'Developing Countries'. In effect, Northern NGOs (NNGOs) mean development country originated NGOs, and Southern NGO (SNGOs) are meant developing country originated NGOs (see Fowler, 1997, 2000a, 2000b; Smillie & Hailiey, 2001; Lewis, 2001).

³ NGOs are societal actors because they originate from the private sphere. Their members are individuals, or local, regional, national branches of an association and do not (or only to a limited extent) include official members, such as governments, govt. representatives, or govt. institutions (Martens, 2002).

⁴ NGOs promote common goals because they work for the promotion of public goods, from which their members and/or public gains (Martens, 2002)

Research on NGO's control systems is in its infancy. No comprehensive study has been carried out on this issue. A number of studies have been undertaken in developed countries, mainly in USA and EU. These explore the complex nature of Nongovernmental/Non-profit organizational processes and their interaction with wider socio-political and socio-economic issues (Hofstede, 1981; Abdug & Webb, 1999; Lewis, 2001, 2002; Sawhill & Williamson, 2001; Young, 2001; Bruce, 1995; Thayer & Fine, 2001; Najam, 1999, 2000; Alexander & Weiner, 1998; Kaplan, 2001; Lindenberg, 2001; Baraldi, 1998). But few studies have considered developing countries. Exceptions are Smillie & Hailey's work on nine South Asian NGOs, Devine's (1999) work on Bangladesh, and Najam's (1999) work on Pakistan. None of these examine control issues to any depth. However, controls used by Western organisations are not easily transferable to developing countries, because the socio-political contexts can be very different. Indeed, social, cultural and political factors may vary considerably between developing countries (see Hoque, 1993; Wickramasinghe & Hopper, 2000; Uddin, 1997). Bangladesh has been prominent in many discussions since it now contains some of the largest indigenous development NGOs anywhere in the world. Furthermore, many of the world's most renowned NGOs have their origin in Bangladesh. Around 85 percent of its villages have dealings with NGOs.

Studies examining why such 'NGOs' (mainly NPOs rather than NGOs) need control systems have identified both internal and external pressures to do so. NPOs/NGOs need control mechanisms in order to improve decision making and service provision (Talbot and Sharp, 1994; Paton and Foot, 1996; Stone and Cutcher-Gershenfeld, 2001), to promote organizational learning (Paton and Payne, 1997; Buckmaster, 1999b, Hailey, 2000; Lewis, 2001), to acquit accountability in general (AAA, 1989; Talbot and Sharp, 1994; Paton and Payne, 1997; Stone and Cutcher-Gershenfeld, 2001; Parker, 2003), to acquit particular accountabilities to funders (Brace et al., 1980), to meet requirements of regulators (Brace et al., 1980; AAA, 1989), to enhance legitimacy (Paton and Payne, 1997), to allow comparisons between NGOs (Paton and Payne, 1997), and in response to the influence of professional bodies (Brace et al., 1980).

However, management controls in NGOs and for-profit organizations do not automatically follow similar paths, as the objectives of NGOs are more diverse. Common problems faced by NGOs are: the tendency for vague organizational objectives, difficulties of monitoring performance effectively, the need to balance multiple accountabilities of a range of stakeholders inside and outside the organization, the evolution of intricate management structures designed to do this, the centrality of the difficult concept of 'voluntarism', and the need to maintain organizational 'values' over time whilst demonstrating effective actions.

RESEARCH METHODS

Given the lack of prior research on control in NGOs, the research approach was deliberately evolutionary with regard to developing theory and important issues. A case study research method was adopted. Case studies are increasingly used in social sciences not as a data collection tactic but a comprehensive research strategy. The scope of case studies can be extensive ranging from the individual to the state (Yin, 1994; Remenyi et al, 1998; Denzin and Lincoln, 1998; Ryan et al. 2002). Ontologically, the researcher observed the social processes through an understanding of the participants' action and interaction. Through the interpretation of day-to-day activities of participants, the researcher tried to understand and explain how events, action and meanings were shaped by the interaction of the parties involved in the organizations. This idea of acquiring an "inside" understanding – the actors'

definition of the situation – is a powerful central concept for understanding the purpose of qualitative inquiry (Schwandt, 2000). Data was gathered from various sources. Firstly, semi-structured interviews were conducted to gain insights into participants' perceptions and opinions on management accounting practices and the social setting (Janestick, 2000). The researcher used purposeful sampling to select interviewees (Patton, 1990, Weiss, 1994). People who were expert in an area or were privileged witnesses to events were concentrated upon. Purposeful sampling was used to ensure that the participants selected were representative. Interviews with key informants in the organization were important sources of empirical evidence. Considerable conflicting information about procedures, rules and regulations were extracted from documents to confirm the interview data. The interviews involved: asking various semi-structured questions; analysing tape recorded answers; and then following them up with further questions on issues of interest, or confusion. Access to internal meetings was granted. Observations were made and notes were taken on the activities and issues discussed, and how participants interacted. The aim was to get first hand knowledge of processes. Past records were examined to ensure the validity and reliability of the information. The research was conducted in an iterative manner. The iterative process gave leads to new informants (participants), observations and documents. In order to check the validity of understandings and explanations, a report was feedback to top management for comments.

As this study was context-specific, the research did not aim to produce generalizations. Rather, it provides holistic, rich contextual data and an in-depth understanding of the particular case within a specific time period to offer new perspectives, observations and thorough interpretations of control practices in a large multi-disciplinary NGO.

THEORETICAL FRAMEWORK

Theory helps to organise and communicate information acquired through various means by presenting them in a useful and understandable format. Theory creates interest, inquiry, and research into areas that have not been fully explained or improperly organised. Humphrey and Scapens (1996, p.8) argued that a theoretical framework is an essential starting point for any case study and it should be capable of being challenged and refined as a result of the research process.

Two possible theoretical frameworks for this study are decision-based or accountability-based (Ijiri, 1983, p. 75). A decision-based framework is centred on the users of information. A framework developed upon *accountability*, on the other hand, focuses on the relationship between the provider and the users of information. A framework which is decision based has a relatively restricted scope for examining the information provided and utilised because it assumes that user groups' information requirements are somewhat pre-specified (e.g. by law and other regulatory bodies). An accountability-based framework, on the other hand, has a wider scope for it does not restrict itself to specific users or their information needs (Chowdhury, 1997). Therefore, the accountability-based framework is better suited for researching organizations whose services affect a wide range of people with both financial and non-financial interests in the organization. According to Gray et al (1996): "We continue to believe that the accountability framework is the most useful one for analysing accounting information transmission in general..."

In the NGO sector, the relationship between the provider and users of information is not clearly defined. NGO managers have reporting responsibility to their donors and

Governments in most cases, concerning the discharge of resources provided. The developmental and service oriented nature of NGO operations mean that management must to report on both financial and non-financial aspects of operations. It means the accountability of the NGO sector is potentially widespread and complex. Accountability must weigh the interests of provider and users and is bi-directional rather than unidirectional (Ijiri, 1983, p. 75).

Accountability in its broadest sense refers to the giving and demanding of reasons for conduct (Roberts, 1991; Roberts and Scapens, 1985). In this sense, accountability is "a chronic feature of daily conduct" (Giddens, 1979, p.57). Edwards and Hulme (1995) define accountability as "...the means by which individuals and organizations report to a recognised authority (or authorities) and are held responsible for their actions". Gray et al. (1996) define accountability as: *"The duty to provide an account (by no means necessarily a financial account) or reckoning of those actions for which one is held responsible."*

From the definitions above, the following aspects of accountability are prominent. First, the acceptance of stewardship of resources; second, to undertake (or refrain from taking) actions to protect resources; and, finally, to provide an account of these actions (for success and failure) and to be held responsible for these. Accountability, therefore, involves two major elements - to account and being held to account (Stewart, 1984, pp. 15-18). For accountability to be clear and enforceable, the relationship between the accounter and accountee must be explicit.

Concerns have been expressed on accountability issues (Gray et al, 1987; Tinker, 1991; Tower, 1993). For example, Why is accountability necessary? How is accountability determined? To whom is accountability due? How are control systems linked to accountability? What information should be communicated for accountability purpose? These issues in relation to NGOs are discussed below:

Accountability is seen as a pre-condition for responsible behaviour in business, government or any other major centre of power. The conventional view of accountability is essentially legalistic; it states that accountability is necessary because of the separation that exists between principals and their agents. A frequent feature of an economic entity either in the public/nonprofit or private sector is the separation of the power of owners of the resources from the management group entrusted by the owners to manage these resources on their behalf. This separation of ownership and control gives rise to the possibility of the mismanagement of resources by management at the expense of the owners' interest. Therefore, the owners/trustees tend to scrutinize the management operations to assure themselves of the continuing custodianship of their resources. So, the responsibility of management to account for the effective utilisation of resources is not optional but an obligation one and failure to do so will entail sanctions. Lee (1993, p. 28) views accountability as a societal control mechanism to hold individuals or organisations in society accountable for their actions. His view echoes the common concern about the welfare of the society in general and the individual parties in particular. Much earlier, Patillo (1965, p. 13) emphasized social stewardship and accountability by arguing: "in accepting control over the resources combined in an enterprise, whether privately or publicly owned, management also accepts a stewardship responsibility to utilise the resources effectively and to protect them from waste and inefficiency. This is a matter of general social concern because any society, regardless of its political, economic, religious or other philosophies is affected by the way in which resources are utilised".

How is it determined? Formal channels of accountability are established through relevant Acts, governing Ordinances and Parliamentary procedures. Normally, the public's legal rights to information should determine accountability. NGOs have special legal and operational privileges and hence should act in accordance with the norms of their community (Birkett, 1988). Normally communities or donors should receive periodic assurances from the recipients on the use and effect of such resources.

Najam (1996a) identifies three main groups to whom NGOs are accountable to: patrons (who provide the NGO with goods and services), clients (to whom NGOs provide goods or services), and NGOs themselves (to employees). Control systems can meet demands for two principal types of accountability; short term functional accountability, (such as accounting for resources, resource use and immediate impacts); and strategic accountability (accounting for the impact of NGO actions in society and on other organizations) (see Leat, 1988; Najam, 1996a, 1996b; Edwards & Hulme, 1995; Kramer, 1981; Tandler, 1982; Clark, 1991; Cernea, 1998). Highly unstable political situations, social disorder, religious strife, and economic malaise may lead to mismanagement of resources in some developing countries. The role of control in this context is significant and has been described as a tool for advancing accountability (Gray et al 1996; Roberts, 1991). NGO sector accountability is complex as operations involve the attainment of non-financial and financial objectives.

An important feature of accountability is the distribution of information to all users on an equitable basis. Tower (1993, p. 65) argues that people should have equal access to information. Tower quotes Merino and Neimark (1982) who argue for all market participants having equal access to information. The equitable distribution of information has been advanced from a social, moral, and economic viewpoint. What to communicate to selected groups is also an important aspect of accountability. Bloom and Heymann (1986, p. 167) with respect to the private sector state: "...rather than measuring only an individual firm's contribution to the shareholders' wealth, emphasis should also be placed on measuring an individual firm's contribution to society and the quality of life". However, critics argue that such accounts could reduce accountability by switching the attention of the reader to the irrelevant either deliberately or inadvertently.

BANGLADESH: A COUNTRY OF NGOS

Bangladesh is a densely populated least developed country of 56,000 square miles with a population of 130 million. Bangladesh is beset with poverty, hunger, unemployment, malnutrition, illiteracy, diseases and environmental degradation. Bangladesh has a per capita income of \$380, an adult literacy rate of 59%, a human development index (HDI) rank of 144 (out of a total of 175 countries) and approximately 36 percent of the population live in absolute poverty (World Development Report, 2002). About 85 percent of people live in villages.

India was partitioned in 1947 when the British departed, between India and Pakistan. What is now Bangladesh was known as East Bengal and then as East Pakistan. As a part of Pakistan, East Pakistan was subject to military non-democratic rule, centralization of administrative power and non-equitable access to development resources and investment in modernization. This resulted in the liberation war of 1971 and the establishment of a new independent country, Bangladesh. Since independence, Bangladesh has been subject to recurrent famines, non-democratic political rule, and natural disasters. The newly independent country sought participatory development for growth and prosperity but bureaucrats and politicians neglected

development processes, despite then being the responsibility of government (Stalker, 1996). The resumption of democratic government since 1991 has helped civil society and NGOs to become better organized and demand the establishment of social, economic and political rights for all citizens in a just, tolerant and democratic state.

The growth of the NGO sector is a product of government failure to handle the development needs of the country (Bhattacharya and Ahmed, 1995; Holloway, 1998; Rahman and Shafiullah, 2001). Scholars have argued that the activities of NGOs are superior and they concentrate more on the poor and the landless than governments. NGOs were attractive as an alternative sector for delivering services to disadvantaged people, not least to frustrated donors. Over the past quarter century, Bangladesh has a unique record of innovative NGO achievement (World Bank, 1998). Significant developments in Bangladesh rural finance is a direct contribution of NGOs dispensing micro-credit for non-farm activities, building socio-economic infrastructures, and instilling financial discipline among poor people (Lovell, 1992; Amin, 1997; Chowdhury, 1996; Ahmad, 1999). Bangladesh currently has nearly fifty thousand NGOs of different types (Ahmed & Jahan, 2002). They range from big national NGOs to branches of international NGOs, and numerous small national and local organizations of which less than 50 percent are registered. About 16,000 NGOs are registered as “voluntary societies” with the Ministry of Social Welfare. Another 1400 or so, with some duplication with Ministry of Social Welfare registrations, are registered with the NGO Affairs Bureau (NGOAB). NGOs seeking foreign funding must register with NGOAB. A third category that overlap with the previous groups of registered NGOs, register with other competent authorities, including the Ministry of Health and Family Planning, Ministry of Women Affairs, Ministry of Education, Ministry of Cooperatives, Ministry of Commerce and Register of Trust (Ahmed & Jahan, 2002,p.21). The dominant position of NGOs in Bangladesh’s development effort is confirmed by grass-roots surveys that reveal that NGOs’ activities cover at least 85 percent of the villages (ESCAP, 1998). Furthermore, the world’s most renowned NGOs like, BRAC, Proshika, Association for Social Advancement (ASA) and Grameen Bank⁴ have their origin in Bangladesh.

NGO ACCOUNTABILITY IN BANGLADESH

In Bangladesh NGOs are at a crucial stage. The heart of the debate lies in issues of legitimacy and accountability. The successes of NGOs in reaching the rural poor and empowering them through micro finance is widely known and accepted. Their work in non-formal education, health education, non-traditional agricultural extension, development of appropriate irrigation technologies, targeting women as beneficiaries, and access to common property resources have significantly contributed to government's three- pronged poverty-alleviation strategy i.e. a faster growth process, human resources development and targeted development for the poor (World Bank, 1998: 10-13).

Accountability mechanisms of NGOs to the government and donors are operating. The major problem is accountability to beneficiaries, i.e. the poor. In policy matters directly concerning the poor this is perfunctory. Assessing the opinion and views of the poor and then attempting to accommodate them into policy is no substitute for their direct participation. Consultation of NGO functionaries with beneficiaries about programmes at the grassroots levels is a useful step but it does not automatically lead to meaningful participation of the rural poor in policy.

The increasing involvement of NGOs in important economic, social and political issues has created tensions with the government and some segments of the population. It is increasingly

argued that NGOs act as intermediaries between donors and intended beneficiaries thereby cutting out the role of the government. Conservative sections of the population are also suspicious about the intention of some NGOs who are challenging many ingrained religions and cultural customs and practices. Elected local representatives and career civil servants must constantly compete with NGO operatives in terms of cost and efficiency of services provided to the poor. NGOs with resources, and well-paid trained staff tend to out match their governmental counterparts. Hence bitterness develops amongst local political institutions who see themselves as neglected as parallel power centres develop.

The critical issue reappearing again and again is to whom are NGOs accountable? Many questions have yet to be satisfactorily answered. Is it sufficient for NGOs to be accountable to the government and donors? Are the mechanisms of accountability foolproof? There is a widespread perception in Bangladesh that NGOs especially the big ones are not accountable. This negative perception has been reinforced by the lavish life style of top executives (Khan, 2002). In recent years fundamentalist elements have alleged that NGOs conduct activities that are anti-state and anti-Islam. The huge donor funds at the disposal of big NGOs have also led government's to try to control and monitor their activities. Accountability of NGOs in Bangladesh can be analysed from internal and external standpoints. Internal accountability includes mechanisms in a particular NGO to monitor and evaluate activities, and external accountability covers mechanisms for outsiders of an NGO.

Internal Accountability

Every NGO, irrespective of size and of operations, has a governing body and an executive committee to which its management is accountable. Many NGOs also have constitutions that specify goals and activities to hold NGOs accountable. But in reality especially regarding strategic decisions, NGOs usually do not 'listen' to their clients/ beneficiaries. They tend to consult with governing bodies assuming that they have superior skills and qualifications compared to beneficiaries. A prominent NGO specialist commented that NGOs have never developed a countervailing system of downward accountability to the poor (Hashemi, 1995: 107), so participation of beneficiaries in key decisions does not take place. Rather, it is the members of governing bodies with assistance from top management that take key decisions. As Hashemi says 'beneficiaries are seldom allowed to make decisions on programs or budgets or even to participate in monitoring and evaluation rather their participation is limited to a relatively inconsequential areas of decision making ' (1995: 107). It is now increasingly felt that NGOs have become a new 'patron' for the poor (beneficiaries) but not necessarily a partner.

External Accountability

Most NGOs are almost solely dependent on foreign funds. From 1988-89 to 1992-93 donors increased funding from 162 NGOs to 986. The amount allocated to NGOs increased from TK 280 crores to TK. 783 crores during that period (Hashemi, 1995: 108). The increasing financial dependence of NGOs on donors has had two consequences. Most NGOs have made little attempt to mobilize funds from within. Their agendas have become donor-driven. This has critical implications for accountability. NGOs, as a part of aid conditionality, must submit regular audited reports to funding agencies. Consultants selected by donors evaluate their activities. Thus NGOs policies may come to reflect donor priorities rather than their clients' needs and aspirations.

Successive governments have monitored and controlled the activities and funding of NGOs through laws, rules and procedures. The laws governing NGOs are two types: laws under

which voluntary, non-governmental associations are incorporated and given a legal identity, and laws regulating relations of such associations with the government (World Bank, 1998: 21). Laws for incorporation include the Societies Registration Act of 1861, the Trust Act of 1882, Cooperative Societies Act of 1925, and the Companies Act of 1913 as amended in 1994. Development NGOs must register under these laws. Laws that determine an NGO's relationship with the government include the Voluntary Social Welfare Agencies (Regulation and Control) Ordinance of 1961, the Foreign Donations (Voluntary Activities) Regulation Ordinance of 1978 (as amended in 1982), and the Foreign Contributions (Regulation) Ordinance 1982. In 1990 the government established a Non-Government Affairs Bureau (NGOAB) under the 1978 Ordinance (as amended in 1982) to register and regulate all NGOs seeking or receiving foreign funds. To register with NGOAB an NGO must obtain clearance from the Ministry of Home Affairs, prepare a five-year plan of action and a project proposal, and demonstrate promises of funding from foreign donors. When reviewing the laws governing incorporation and receipt of foreign funds by NGOs, several deficiencies were found (World Bank, 1998: 24-25). These included: discrepancy between ordinance rules and types of activities, lack of relevance of ordinances to work programs of NGOs; and differential treatment of private business and NGOs. Many NGOs, especially large ones, easily bypass so-called tough government rules and regulations, and go their own way. The increasing involvement of big NGOs in purely profit making ventures and partisan politics not only demonstrates the futility of government rules and regulations but also raises a question mark as to the future nature of governance in Bangladesh NGOs.

Donors control the finances of most of big NGOs, and they protect and promote the interests of NGOs. In some cases donors have intervened when governments have attempted to bring NGOs under stricter supervision and control. Donors have a big stake in the future of NGOs, and they are in a stronger position to monitor, review and evaluate NGO activities and achievements than governments. Donors make NGOs accountable through consultation and continuous evaluation, half-yearly performance reports, annual activity reports, and audit reports.

BRAC – THE CASE

“A just, enlightened, healthy and democratic Bangladesh free from hunger, poverty, environmental degradation and all forms of exploitation based on age, sex, religion and ethnicity” – BRAC’s Vision Statement

BRAC, a national private development voluntary organization (commonly known as NGO) was established in 1972 by Mr. Fazle Hasan Abed to resettle refugees returning from India after the War of Independence in 1971. When this task was over, BRAC turned its focus to poverty alleviation and empowerment of the poor, especially women, in Bangladesh’s rural areas. BRAC (an acronym for Bangladesh Rural Advancement Committee) owes its identity to working for the poor and marginalized. It is now the world’s largest national NGO. Its operations are diverse and employ over 27,000 regular staff and 34,000 part time teachers, working in 61,924 villages in all 64 districts of Bangladesh. BRAC has progressed by learning from experience and through a responsive and inductive process (BRAC, 2003). It does not pursue any rigid development model but adjusts its strategy to prevailing circumstances. BRAC diagnoses poverty in human terms. Women facing social, cultural, technological and structural constraints have been able to become contributors not only to their families’ well being but also to national production and development by increased access to economic and social resources gained with BRAC’s assistance. Currently, BRAC promotes income generation and social development of the poor, mostly landless rural people

of Bangladesh, through micro-credit, health, education and training programs. To deal with a complex syndrome like poverty BRAC applies a holistic approach encouraging innovative interventions through three core program areas, *Economic Development, Health and Education*.

Economic Development Program (EDP) has so far organized over 3.53 million poor landless people, mostly women, into 113,756 Village Organizations (VOs), each having 30-40 members. These groups serve as forums where the poor can collectively address the principal structural impediments to their development or supply credit. BRAC's credit program, initiated in 1974, has disbursed US\$ 1.80 billion (Tk.8,661 crore) through the VO members to enhance their income generating capacities. Disbursement for the year 2002 was US\$ 294 million (Tk. 1,707 crore). Access to credit comes with encouragement to save regularly. Savings deposited with BRAC now stand at US\$ 85 million (Tk. 498 crore). Whilst BRAC believes that micro-credit is important for breaking the cycle of poverty, it places equal emphasis on training its members in income generating activities and facilitating their linkages with consumer markets. BRAC also runs several social development initiatives designed to increase members' awareness of their rights and responsibilities, and to address issues of discrimination in their villages and region. BRAC continuously challenges itself to question its own assumptions, implicit and explicit, and reviews them in the light of unfolding reality and experiences.

Health, Nutrition and Population Program takes a broad approach to the health needs of poor. It provides basic curative and preventive services to more than 31 million people. Trained health workers and female health volunteers (Shastho Shebika) raise awareness amongst the rural poor of health issues that impact their lives and families. It seeks to reduce maternal and child mortality and reduce vulnerability to common diseases. Services are offered to control infectious diseases such as tuberculosis, acute respiratory infections and diarrhoea. The program also provides services to pregnant women to improve their health and nutrition. Reproductive health needs of the community in general, with a particular focus on BRAC members, are addressed in programs for family life education, contraception, STD/RTI control, and awareness of HIV/AIDS. BRAC encourages rural people to use safe water and hygienic sanitation for health and environmental reasons. The Nutrition Facilitation Program is a partner with the Bangladesh Government's health initiative.

Education program consists of both formal and informal education, training and research. In 1985, BRAC initiated the Non-Formal Primary Education (NFPE) Program. It sets up 22 one-room schools to provide basic education to the children of poor landless families. This program has grown to 34,000 one-room schools providing education to 1.1 million children. BRAC places a special emphasis on girls' education and the involvement of families in their children's school life. As a result, over 65% of NFPE's students are girls. The importance of maintaining literacy outside the school setting has been addressed with BRAC's community based libraries. The adolescent Development Program (ADP) is a new initiative to train adolescent BRAC School graduate girls and boys in different skills, and health awareness including reproductive health and leadership. The BRAC school model has been adapted in other developing countries. BRAC supports these three core areas through various support programs.

The Training Division is involved in staff and VO members' training, be it poultry rearing or developmental management. It has established twelve residential Training and Resource Centres (TARC) and two BRAC Centres for Development Management (BCDM) to achieve

its objectives. To promote gender equality throughout the organization and within the community, BRAC has initiated a Gender Quality Action Learning (GQAL) program. The Research and Evaluation Division (RED), Monitoring, Publications, Public Affairs and Communications, Human Rights and Advocacy, and Construction and Logistics departments support the core programs.

To link poor rural producers with expanding urban markets, BRAC has undertaken some *commercial projects*, such as Aarong (retail handicraft stores chain) which links artisans to markets. Such ventures help fund its core development programs. BRAC Dairy was commissioned in 1998. It is the second largest liquid milk plant in Bangladesh and has an integrated system of milk procurement from rural dairy farmers to the production of quality dairy products. Six Poultry Farms and three Poultry Feed Mills have been set up to meet the increasing demand for healthy chicks and quality feed in rural areas, and to provide access to supply to women trained in poultry rearing. BRAC Printers, a Cold Storage, 15 Grainage and Reeling Centres (Sericulture), 12 Fish and Prawn Hatcheries and a Bull Station are also among its program support enterprises. BRAC has a Tissue Culture Laboratory, two Seed Processing Plants, and agricultural farms to make new agricultural technology available to its members and the farming community at large.

BRAC has implemented a new program in January 2002, focusing on development of the ultra poor. People who live below the poverty line have generally been neglected by poverty alleviation efforts. The program “Challenging the Frontiers of Poverty Reduction (CFPR)” covers asset transfer, social empowerment, training, and essential health care to 1,345,000 ultra poor. The program is being piloted in the northern districts of Rangpur, Kurigram, and Nilphamari districts for 5,000 ultra poor people.

BRAC has worked with the Organization of Rural Associations for Progress (ORAP) in Zimbabwe and the School for International Training (SIT) in the United States to create the Global Partnership Program which offers a post-graduate diploma in ‘NGO Leadership and Management’. The courses prepare students for careers in development at home and abroad. BRAC University was inaugurated in 2001 to foster national development by creating a center of excellence for higher education that is responsive to society’s needs, able to develop creative leaders and actively contribute to learning and creation of knowledge. BRAC is also concerned with providing training in Information Technology (IT) through the BRAC Information Technology Institute which is part of BRAC University.

Recent events in Afghanistan opened a door for reconstruction of the country. Bangladesh is empathetic to the plight of the Afghan people. Considering the situation BRAC believed its experience as a catalyst in the development of Bangladesh could be shared with Afghanistan. Since June 2002 BRAC is involved in implementing livelihood, education and health programs in Afghanistan.

Since inception, it has extensively covered most part of the country. BRAC has several number of program support commercial enterprise like shops, printers, cold storage, hotel, food and dairy project, poultry firms, poultry feed mills, seed processing plant, sericulture, fish and pawn hatchery, bull station. BRAC Bank, established in 2001, is a full-fledged commercial bank focusing on providing financial services to small and medium enterprises and intends to expand nationwide to provide services to this client group in particular. Recently, BRAC has started a university on its own. It has recently opened a commercial

bank. The number of BRAC personnel today stand at 58,892 of which 24,709 are full-time staff and the rest 34,044 are part-time workers.

The top layer of governance structure includes a governing body, an executive director, an advisor, three deputy executive directors and five directors. The actual expenditure of BRAC for 2002 was US\$ 161 million. Donor contribution accounted for 20% of that amount. The projected budget for BRAC for 2003 is US\$174 million of which donor contributions account for 18%. Over the years the percentage of donor contribution to its budget has been decreasing significantly. In 1994 donor contribution stood at 28% of BRAC's total budget.

ACCOUNTABILITY AND CONTROL MECHANISMS IN BRAC

Accountability mechanisms in BRAC are comprehensive and encompass internal and external domains of the organization. Transparency in its activities is considered a key element in accountability arrangement (Abed, 2003). BRAC's governing body generally ensures internal accountability. The board consists of seven members six of whom are non-executives. They are individuals who have made significant contributions in different aspects of national life. The ex-officio member of the board is the founding executive chairman of BRAC. A top official of the organization acts as its member-secretary. The board is chosen / elected by twenty- members of the general body. There are some staff members in this body. The board sits three / four times a year. Its principal activities are: approval of projects, audit reports and annual budget. Policy- making is the domain of the board. The organization chart of BRAC is shown in figure 1. As an organization of about 60,000 employees BRAC has features of a bureaucratic organisation but managers at different level enjoy autonomy and freedom to take quick decisions. In many cases, head office give instant directions over phone which reduces time to implement the outcome. The job turnover rate is very low *circa* 5%. Gratuity and provident fund benefits are offered to employees, who enjoy job security. The organisation norm is *'you may not loose your job if you perform poorly, we will train you. But you must leave the organization if you commit fraud and manipulation'*.

The Finance & Accounts department and internal audit departments, along with a separate monitoring department, and research and evaluation division play key roles in maintaining financial and program accountability of the organization. Finance & accounts division have the key responsibly to prepare annual budgets. Usually, they consult with different program heads before finalizing budgets. Budgets are prepared mainly by programs. Then annual budgets are segmented into monthly periods to facilitate close monitoring and control. Head office Accounts and Finance division act as the record keeper. Individual program heads mainly held responsible for attaining budget targets. Field office accountants report to program-heads, not to head office Accounts and Finance department directly.

An independent internal audit department has been set up to perform audit throughout the year. It is accountable to the Director Internal Audit & Monitoring, not to the Head of Finance. This creates a check and balance system within the organisation. The monitoring department mainly examines the operational effectiveness of projects to help improve their quality. The Research and evaluation Department (RED) also does independent do research on ongoing projects and gives outlines for future strategies. RED is an internationally recognized research institute and has highly skilled research personnel. RED regularly holds dissemination meetings, organized in divisional cities and attended by journalists, academics, political leaders, local government officials and NGO leaders. They are used as forums to present and discuss at length BRACs' activities. Participants are encouraged to ask questions

and senior officials of BRAC respond to such queries. The intention is to make cross segments of the population aware of BRACs' activities and thereby ensure transparency in activities.

Accountability to beneficiaries (in BRAC's word 'participants') is ensured by improved services and transparency in its activities. There is a strong belief within the organization that there is no substitute for excellent service. Involvement of beneficiaries in BRAC's programs is encouraged. As mentioned earlier, BRAC is accountable to both the government and donors. For all projects it is a statutory requirement that prior approval is obtained from NGO Affairs Bureau (NGOAB). Also eleven foreign donation (FD) forms need to be filled. There are separate forms for registration, fund release, fund utilization, auditor's report, foreign contribution account, project proposal approval, emergency disaster program and donation to meet non-development activities. To receive a one-time grant both donors and BRAC must complete two other forms. The government's rationale for imposing such stringent control mechanisms is to ensure that all NGOs programs including that of BRAC's are complementary to national plans and policies. The Auditor-General's office also audits selected projects of BRAC.

Because BRAC receives funds from several donors, a donor consortium has been set up to coordinate their activities vis-à-vis BRAC. BRAC's accountability is to this consortium. Receipt of funds involves several steps. Submission of project proposals to fund disbursement usually takes one to two years. The process includes negotiation, appraisal, suggestions, adjustment and approval. Once a project is approved, a donor consortium meeting is held in every six-months to review its financial, statistical and normative aspects. In the annual meeting the same routine is repeated. Sometimes special reviews take place to audit and monitor the status of a funded project. Funded projects are audited both by reputed international auditing firms and government-approved local outside firms. The audited reports are submitted to the donors as well as to NGOAB.

CONCLUSION

NGOs are apolitical, professional, accountable to foreigners, and often very large and wealthy relative to other civil society actors. They naturally arouse the suspicion of many elites. Political parties distrust them since they will not offer their loyalty; radicals have historically opposed them because they are eager to work with hegemonic actors; conservatives are threatened by them because their progressivism disturbs the social status quo, and the private sectors see them as market rivals – particularly as they increasingly invest large sums in low-cost production for fund raising purposes. On the other hand, NGOs are civil society actors that provide services beyond the purview of the state, they advocate for the poor and facilitate their mobilization, promote freedom in politics and the market, and help to make the state more accountable. Donors have almost compelled them to accept an apolitical, pro-market approach (Ahmad, 2000; Pearce, 1997). The outcome of this is a strong tendency for NGOs to divorce themselves from civil society while at the same time taking on its mantle in principle.

Though NGOs are defined according to different dimensions, their main characteristic is a consistent to development activities. Thus, their accountability is both top-up (donors, governments) and bottom-up (civil society, grassroots members). NGOs have become seen as highly ambiguous and professional organizations within the various moral and political frameworks of development policy and practice. Thus they can often display a dual character,

alternating between theoretical and activist discourse, between identities of public and private, professionalism and amateurishness, market and non-market values, radicalism and pluralism, modernity and tradition, and ultimately perhaps, good and evil.

BRAC has created an example for both Government and the private sector by providing welfare services and creating a healthy competition. The successful control mechanisms, learning, trusts, visionary leadership quality and dynamisms help BRAC to ensure accountability and transparency to its fullest extent. Though using only one case generalization should not be worthwhile, the NGO sector might look forward to a day when the business community develops a deeper social consciousness and begins to provide support to non-profit organisations and Governments. If the relationship is poisoned at an early stage, this development will likely never occur.

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BRAC ORGANIZATION CHART (Figure 1)

