

Problems of Governance in the NGO Sector: The Way Out

Executive Summary

INTRODUCTION

Bangladesh has a strong tradition of private philanthropic initiatives for humanistic and voluntary works for people's welfare. Many schools, colleges, hospitals and other voluntary initiatives for public service have their origin in the philanthropic values of caring and sharing.

It is with the same spirit of caring and sharing that after the Liberation War in 1971 many dedicated individuals took initiatives for people's welfare, at the beginning in the form of relief and rehabilitation, which subsequently transformed into NGOs working in wide ranging areas of development and social change. As a complimentary force to the state sector, NGOs have made great contributions to public welfare, in many cases becoming national and international models which are being replicated in many countries of the world. Micro-finance, women empowerment, education, health, environment, rights-based awareness and demand creation are only a few examples of the whole range of areas in which NGOs are actively and commendably involved in Bangladesh.

NGOs in Bangladesh are engaged in diverse activities . the same NGO may be involved in multiple areas of operation. Micro-credit is one of most common and increasingly popular type of operation of NGOs because of the success of the model in reaching the poor, especially women, but also for the reason that it has also become a legally endorsed income generating activity helping development and sustainability of the NGOs themselves. Other popular programs include education, health, family planning, environment, human rights, women and children welfare, etc.

Most NGOs rely upon funds received from foreign sources. International NGOs, development partners, foreign private organizations, and multinational organizations provide such fund. A World Bank Report (2003-04) informs that 34.10% of the foreign aid (US\$ 379.4 million) received by Bangladesh was allocated for the NGO sector. There are no estimates of funds from other sources that are involved in this ever growing sector. The NGO sector is also an important employment-generating sector. There is no estimate of the number of people employed in the sector, but BRAC, for example, the second largest employer after the government, employed 93,843 people as of June 2006.

RATIONALE

It is against the backdrop of the robust growth of the NGO sector in Bangladesh in terms of both size and influence that TIB undertook this study on "Problems of Governance in the NGO Sector: The Way Out". TIB's rationale in undertaking this study stems from a realization that it is in the interest of the sector itself, its continued success, credibility and sustainability that issues related to governance and corruption, if any, should be confronted head on. Much before the study was planned there have been reports and complains of some NGOs moving away from the values of volunteerism and self-less service to the poor and needy. There have been allegations that while NGO intervention has helped significantly facilitated uplift of the poor, it is only a relatively much lesser portion of the resources that reach the real target group.

OBJECTIVES

This study was undertaken to bring out an overall picture of the nature, extent and process of governance failure, irregularities and corruption in the NGO sector. It also puts forward certain recommendations as a way out for promoting accountability, transparency and good governance in the sector. The main objective is to bring into focus the importance of soul searching within the sector and to sensitize all the stakeholders with particular emphasis on self-regulation of NGOs.

METHODOLOGY

This is a qualitative study combining desk research with field work and fact finding on selected NGOs. Indirect sources of information included review of research reports, relevant published documents including books, project documents, evaluation reports, audit reports, monitoring reports and website. Direct sources of included check-list based interviews with chief executive and/or senior officials, other employees and key informants; Focused Group Discussion with the NGO staff using check-list. Key-informants for the study included chief executive or senior officials, Project Officers in charge of government funded projects, Officers of the NGOAB, Officials of the local administration and district and upazila level, consultants, chartered accountants, officials of donor organizations, human rights organizations, media persons, directors of NGO apex bodies, researchers, scholars, economists, journalists and local level civil society individuals.

20 NGOs were selected on the basis of type, geographical distribution, and nature of activities to analyze qualitative data on problems of good governance. Seven of them have staff strength of less than 200 employees and seven have 201 to 400 employees, five have 801 or more employees. All these NGOs are registered with the Government. A few NGOs are registered under more than one registration authority. 17 are registered under the NGOAB.

The NGOs operating at national level have the highest number of stakeholders. They have a countrywide working area. The NGOs included under this study have more than 3,11,000 stakeholders. The main activities that these NGOs are involved are micro-credit, education, health, agriculture/forestry, and human rights.

These NGOs mainly work with the support of foreign donors. Major donors are the Asian Development Bank, the US Agency for International Development (USAID), Canadian International Development Agency (CIDA), Save the Children, Department for International Development (DFID, UK), UNICEF, World Bank, Oxfam, World Food Program etc.

KEY FINDINGS

Challenges facing NGOs

NGOs in Bangladesh work under many constraints and challenges. Some of these challenges are: (a) lack of financial sustainability; (b) shortage of efficient employees and high employee attrition; (c) inadequate infrastructure; (d) undue interference and control by the government; (e) lengthy fund release process; (f) low level of inter-sectoral cooperation; (g) inadequate training and low level of true professionalism among employees often aggravated by lack of job security; (h) lack of information and relevant research; (i) religious conservatism and militancy, and threat of terrorism; (j) political pressure and political instability; k) Unfavourable tax regime; and (l) natural calamities.

NGO Registration

NGOs in Bangladesh are registered under different Acts. These are (1) The Societies Registration Act, 1860; (2) The Trust Act, 1882; (3) Voluntary Social Welfare Agencies (Regulation and Control) Ordinance 1961; (4) Co-operative Societies Act, 1925 and (5) The Companies Act, 1913 (amended in 1914). NGOs registered under these above mentioned acts are controlled in accordance with (1)

The Voluntary Social Welfare Agencies (Regulation and Control) Ordinance 1961; (2) The Foreign Donation (voluntary activities) Regulation Ordinance, 1978 (amended in 1982) and (3) The Foreign Contribution (Regulation) Ordinance, 1982. The highest number of NGOs is registered under The Societies Registration Act, 1980.

NGOs covered under this study are mainly those which are registered under the NGO Affairs Bureau (NGOAB) attached to the office of the Prime Minister/Chief Adviser. As in April 2007, the NGOAB has 2,156 NGOs registered with it. These NGOs have so far implemented 13,016 development programs, for which the NGOAB has approved release of approximately US\$ 3,996,021,961. The Bureau suffers from many shortcomings which create opportunities for irregularities and corruption in the sector. It has an acute shortage of human resource and logistic support. It has 60 employees against 67 allocated staff, which is too insufficient to effectively play its facilitating and monitoring role.

The largest number of registered NGOs is registered with the Directorate of Social Welfare. Many government organizations register NGOs as their associate in order to implement their projects. Such NGOs have to submit their program report to the concerned government office, who are mandated to monitor and evaluate its assigned NGO(s) to ensure accountability. In reality, the registration-providing government offices cannot efficiently monitor these NGOs. Research has shown that registration often takes place allegedly without due process in exchange of bribes of Tk 5,000 to 10,000 many NGOs have got registration from government offices such as Social Welfare Directorate, and Women and Children Welfare Directorate.

At the local level the Upazila and District administration authority is responsible for monitoring the activities of NGO in their respective areas and send report to the NGOAB. The research shows that because of heavy workload they have no time nor resources to do so except holding of monthly meetings, which also do not take place on a regular basis.

Problems of Governance

Analyzing the information received from NGO workers and key-informants, the overall scenario of the problems of governance in NGO sector has been summarized in the table below.

Problems in the Internal Governance System	NGO			Number (%)
	International	National	Local	20 (100%)
Role of the Governing Body				
Relatives of the executive head exist in the governing body.	-	6	11	17 (85)
Regular meeting of the governing body is not held.	-	8	11	19 (95)
Members of the governing body are not informed about the current programs of the organization.	1	7	10	18 (90)
Most of the members do not visit the NGO except participating in meetings.	1	8	11	20 (100)
Decision Making Process				
Executive head takes decisions unilaterally.	1	5	11	17 (85)
Decisions are not taken through meetings.	-	5	9	14 (70)
The original proceedings of the meeting are not recorded.	-	5	9	14 (70)
There is no scope of giving opinion by general staff.	-	6	9	15 (75)
Financial Transparency				
The accountants are not independent.	-	6	11	17 (85)
Exaggerated and wrong information are provided in the audit and financial reports.	-	6	11	17 (85)
The auditor appointed for financial management is previously known and s/he is influenced.	-	7	11	18 (90)
Financial and other facilities are taken by members of the	-	4	10	14 (70)

Problems in the Internal Governance System	NGO			Number (%)
	International	National	Local	20 (100%)
executive committee.				
Irregular payment of salary and benefits.	-	2	5	7 (35)
Human Resource Development and Grievance Procedure				
There is absence of a Human Resource Policy. Even if it exists, it is not followed properly.	-	6	9	15 (75)
Necessary training is not provided to the employees.	-	3	7	10 (50)
Proper evaluation process is not maintained for selecting employees training.	-	6	9	15 (75)
In many cases performance is not the basis of benefits provided to employees.	-	6	9	15 (75)
Proper staff evaluation is not done and employees are not promoted.	-	6	8	14 (14)
Grievance procedures are not properly maintained.	-	7	11	18 (90)
Employees are compelled to work extra time.	-	8	11	19 (95)
Financial benefits are not provided to employees for extra work.	-	8	11	19 (95)
No action is taken against harassment of female staff.	-	2	7	9 (45)
Accountability to Service Recipients, Donors and Government				
NGO is not accountable to service recipients.	1	8	11	20 (100)
Exaggerated reports are submitted to NGO Affairs Bureau, Donors, Local Administration, and Social Service Directorate.	-	5	11	16 (80)
Financial negotiation is done for getting government project.	-	4	9	13 (65)
Project Implementation, Supervision and Monitoring				
Many programs are not implemented properly.	-	6	8	14 (70)
There is lack of necessary supervision and evaluation in program implementation.	-	5	8	13 (65)
Progress and evaluation report are exaggerated.	-	8	11	19 (95)
Secrecy of Information				
Culture of secrecy in keeping financial and accounts information.	-	8	11	19 (95)
Consolidated information is not found.	-	6	11	17 (85)
Common people do not get information easily from the organization.	-	6	11	17 (85)
There is no website.	-	4	8	12 (60)
There is no updated information on the website.	-	1	-	1 (12.5)

Besides the above-mentioned problems, the following problems have been observed in a few NGOs.

Ineffective Governing Body

- The governing body is formed according to the choice of founding executive head.
- The governing body does not oppose the executive head's opinion and decision.
- Meetings of the governing body are held only to maintain formality.
- Meeting proceedings are prepared although a meeting is not held.
- Membership of the governing body is given to people for their social and political reputation although they are not able to give time to the organization.
- Members of the governing body often recommend for recruiting their relatives.
- No action is taken against the executive head although s/he acts against the interest and objective of the organization.

Discretion of the Executive Head in decision making process

- Organizational decision is taken only by the executive head; participation of employees is ignored.
- Many times decision is taken to promote organizational interest of that of the executive head, without considering the need of the beneficiaries/service recipients.
- Concentration of power into the hands of Chief Executive renders him/her owner of the NGO in the eyes of the employees.

Lack of Transparency in Finance

- The chief executive has unlimited discretion in financial decision.
- The chief executive has complete control over the communication with donors, preparing the project budget, the common fund of the organization and other crucial issues.
- In most cases, the employees know nothing about the chief executive's salary and other benefits.
- The employees are not given their salary and other benefits according to the project proposal or approved budget.
- A portion of the employees' salary is deducted in the name of the sustainability of the organization or increasing the common fund.

Institutional Anomalies

- The financial management system is weak in some NGOs.
- Employees are not recruited according to the project proposal.
- One employee, even if s/he works for different projects, gets salary from one project whereas salary drawn against her/him from all such projects.
- The chief executive can spend from the common fund upon his/her free will.
- There is discrimination with regard to salaries of the high, medium, and low level staff.
- Properties such as vehicle, computer, and furniture bought for the organization are often used for personal purposes.

Procurement-Related Anomalies

- At the end of the project period, unnecessary procurement is done to use up the allocated fund.
- During the procurement process, one original and two fake quotations are collected from the same vendor.
- Undue payment is collected from the vendor as a pre-condition of procurement.
- The tender procedure is not transparent.
- Per diem and travel allowances are drawn against fake vouchers.
- Fake vouchers are produced against procurement of old properties and machineries.

Usurping Employees' Salary

- Staff salary is drawn from multiple projects by showing the same employee serving more than one projects whereas the staff is paid for only one.
- The salary mentioned in the circular is often less than that as per approved project proposal. The salary as mentioned in the circular is not fully paid. Staff salary is deducted on different grounds. Salary is not paid according to the project budget, even if signatures are taken on the pay-slip. Two salary statements are often maintained to cover such irregularities.
- Income tax is deducted at source, but is not submitted to the treasury.

Bribes to the Bureau and other Government Offices

- Many NGOs provide speed money in order to get the fund released.
- Many NGOs offer bribe or gift in order to get government projects.
- The concerned government official is often bribed for getting different works done.

Avoiding Tax by NGO Officials

- Many NGO high officials avoid income tax by showing the basic salary less and other facilities high.
- The chief executive often takes salary from many projects, but does not reflect it in the accounts.
- Such irregularities take place with the connivance of tax consultants.

Institutional Management

- The NGO organogram, job description and work hour, vacations and holidays are not maintained according to the rule.
- The employees do not have job security.
- There is no provision of provident fund in many NGOs.

Employee Harassment, Complain System, and Grievance Procedure

- The higher officials often do not show proper respect to the employees.
- The employees often face mental torture, and verbal abuse.
- In some cases there are clear complaints against the chief executive and other higher officials for physical and mental abuses.
- Female employees cannot express harassments committed upon them for fear of a negative impact.
- The jobs of higher officials are secured even after the allegations of physical abuse against female employees are proven.

Corruption in Recruitment & Promotion

- Employees/consultants are recruited according to the unilateral choice of the chief executive.
- Recruitment and promotion are found to take place on the basis of nepotism and personal relationship with the chief executive. Examples of financial transaction were also evident in some recruitment.
- Selection process often lacks transparency . selection board takes place to recruit a pre-selected candidate.
- Recruitment is often influenced upon recommendations from the donor, politicians, government officials, or other influential persons.
- Many professionals including journalists are employed without maintaining the due recruitment procedure.
- In many cases retired government officials are employed, who allegedly use their connections for undue advantage.
- New position is often created for appointing people on the basis of personal relationship or recommendation.

Training and Workshop

- Shortage of initiatives for increasing the skill of the staff. In many cases there are no regular training programmes.
- Lower level employees have very limited scope to participate in training or workshop, especially if it is abroad.
- Members of governing body are sent aboard for training or workshop although the outcome is not beneficial for the organization.

Corruption in Government Projects

- Corruption prevails in many stages of awarding government projects.
- The government maintains a specific procedure to select NGOs but it is violated through corruption. Request for project proposals is published in daily newspapers with poor circulation.
- Even after corruption or irregularities are identified in government projects, donors usually do not take sufficiently strong position to avoid confrontation with the government.
- Sometimes high officials of the government form NGOs in the name of relatives, and facilitate allocation of project fund.

Exaggerated Evaluation of the Programs

- Efforts are often made to influence consultants or evaluators so that reports produced are favorable to the NGO. Inefficient consultants are appointed to evaluate the projects so that the real picture is not revealed.
- Achievements are often exaggerated in the project evaluation report to show the expected change as the outcome of the programs.
- Many times journalists are influenced to publish exaggerated reports on the success of the NGO.
- The success of one service recipient is highlighted by many NGOs.

Secrecy of Information

- NGOs are often reluctant to disclose information especially those on finance and human resource management. Employees and service recipients are not informed about the policies.
- Information on accounts are not often documented properly. Project proposals, budget, audit report, evaluation report, general fund, accounts of the organization are often treated as highly confidential.
- There is no strong initiative from donors to make the NGOs disclose their documents.

Set of Recommendations:

Recommendations	Term and Responsibility
The NGO Sector as a whole	
1. An autonomous NGO Commission should be set for monitoring of the entire NGO Sector. Under this commission, registration, monitoring, controlling and other interrelated works will be done.	Mid Term Government
2. Laws that regulate the NGO Sector are backdated. A new set of Rules or Acts should be enacted addressing diverse types of NGOs and their activities.	Mid Term Government
3. A system of Social Audits may be introduced under the proposed NGO Commission or the umbrella bodies of NGOs.	Mid Term NGO Commission, NGO, Umbrella Body
Monitoring of NGO Activities	
4. Thematic/program based umbrella bodies may be formed by the concerned NGOs for ensuring self-regulation and due diligence.	Mid Term Government, NGO Commission
5. Early steps should be taken for infrastructural improvement, logistic benefit, skill development and capacity building of the NGOAB staff backed up by sufficient resources and incentives.	Short Term Government
Role of the Governing Body	
6. Executive heads relatives must not be included in the governing body.	Short Term Umbrella Body, Donor, NGO Commission
7. Governing body should empower the chief executive to operate within the policy guidelines set up by the Board. On the other hand the Governing body members should perform their roles effectively so that the executive heads accountability is ensured. Effective check and balance system must be enforced. Specific code of conduct of governing body members should be available.	Short Term Umbrella Body, Donor, NGO Commission
8. The founder of an NGO may hold the post of Chief Executive or Chairman/Member of the governing body. In that case there should be an effective check and balance between the executive head and the governing body. The chief executive may be changed as per the governing body's decision.	Short Term Umbrella Body, Donor, NGO
Decision Making Process	
9. Decisions should not be made by the executive head unilaterally. Stakeholders and NGO workers participation must be ensured.	Short Term Donor, NGO
Financial Transparency	

Recommendations	Term and Responsibility
10. Difference of salaries between higher and lower level especially field-workers should be bridged. The information on the salary and other benefits of the employees must be open for all.	Mid Term Umbrella Body, Donor, NGO
11. The yearly budget of every program must be disclosed. In this regard stakeholders, local citizen, journalists, researchers and government officials may be informed.	Short Term Umbrella Body, Donor, NGO
12. Enlisted audit firms must conduct the internal or external audit properly. If an audit firm is found to be conniving with corrupt practices, the responsible audit firm must be brought to justice.	Short Term NGO Commission
13. Appropriate legal steps must be taken against responsible individuals in the NGO found to be involved in corruption.	Short Term Donor, NGO Commission, Government
Human Resource Development	
14. The NGO Commission may develop a standard set of policies and rules with regard to human resource, gender, accounts, working hour, competitive salary and benefits and so on. Every NGO must develop and adopt its own Code of Ethics and other policies.	Mid Term Umbrella Body, NGO Commission
15. There should be a cell to receive complaints from NGO workers and take proper actions accordingly. This complaint cell may be set up in the NGO Commission and in every umbrella body.	Short Term Donor, NGO Commission, NGO
16. A set of rules and regulations may be developed for retired government officials who intend to join an NGO.	Short Term Donor, NGO Commission, Government
Accountability to Stakeholders, Government and Donor	
17. The development partner, along with providing fund to a project, should monitor and evaluate the activities of the concerned NGO. They may stop their fund immediately if any irregularities are found.	Short Term Donor, Umbrella Body, Government
18. The development partners should adopt and implement a policy of not receiving different types of hospitality, such as food, lodging or gifts, offered by NGOs.	Short Term Donor, NGO
19. The information provided by the consultants, evaluators or auditors should be checked.	Mid Term Umbrella Body, Donor, NGO Commission, NGO
Program Implementation, Monitoring and Evaluation	
20. Monitoring should be strengthened to achieve the goals of the project.	Short Term Donor, NGO Commission
21. NGO documentation process must be further improved, so that anyone may have a look on it when necessary.	Mid Term NGO
Access to Information	
22. All information of an NGO should be made accessible to the public, especially its stakeholders. Information dissemination should be institutionalized rather than being dependent on one individual.	Short Term Umbrella Body, Donor, NGO
23. Efforts should be made to develop its own NGO website which should be updated regularly.	Short Term NGO