



# Bangladesh

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## **GROWTH AND IMPORTANCE OF THE NONPROFIT SECTOR**

The nonprofit sector (NPS)<sup>1</sup> has been playing an important role in development and social change in Bangladesh since the early days of independence. The growth of the sector in general and nongovernmental organizations (NGOs) in particular is owed to the gap between the developmental needs and aspirations of the citizens on the one hand and the limited capacity and performance of the government on the other. Not only have the nonprofits bridged the gap, they have done so efficiently and effectively.

There has been robust growth among nonprofits in Bangladesh, some of which—in programmatic areas such as micro-credit, women’s empowerment, population control, non-formal primary education, environment, and human rights—have become successful models by global standards. The number of nonprofit organizations in Bangladesh is difficult to specify. To be sure, the term nonprofit sector implies a broad range of organizations and entities. It is understood to encompass NGOs, civil society organizations (CSOs), private voluntary development organizations (PVDs), community-based organizations (CBOs), religious institutions, trade unions, political parties, social movements, local community organizations, neighbourhood groups and so on. NPS is also referred to as the third sector, as distinct from the two other sectors of the economy, the government and the commercial sector.

The Bangladesh Bureau of Statistics conducted a survey of private nonprofit institutions during the period 1996-97. The resulting report, published in 1999, classified nonprofits in Bangladesh into following categories: professional associations, trade unions, employees associations, non-governmental organizations

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<sup>1</sup> The term nonprofit sector has a wide and rather unspecific meaning in the context of Bangladesh. In this paper, by “nonprofits” we refer mainly to NGOs, which include private voluntary social welfare organizations, civil society organizations, private development organizations, community-based organizations, etc.

(NGOs), voluntary organizations, religious institutions, clubs, cultural institutions and others. According to the survey, the number of nonprofits in Bangladesh was 206,142, of which the largest number—189,309—were religious institutions<sup>2</sup>. The report does not elaborate on religious institutions, but it is understood that they are organizations primarily engaged in religious education and faith-based philanthropic activities such as orphanages and *waqfs*<sup>3</sup>, etc.

In this paper NPS refers mainly to NGOs, many of which would prefer to be known as private development organizations (PVDs), community-based organizations (CBOs), and civil society organizations (CSOs), etc. In our understanding, the defining characteristics of nonprofits are that they work for the public good, but are private and not public (or governmental); and as distinct from the corporate or commercial sector they operate on a nonprofit basis. As distinct from political parties or organizations, they are non-partisan, and they do not work toward achieving public office or governmental prerogatives.

It should be mentioned that far from being synonymous with the nonprofit sector as a whole, NGOs comprise only one of the many constituents of the nonprofit sector, though they are clearly the most visible and influential. Equally, NGOs are not to be considered synonymous with civil society, of which they are one among many other components. Nevertheless, in terms of active programs, scale of operations, level of employment, income generation, amount of resources (both local and foreign), and the extent of outcomes and impacts involved, NGOs form the core of any discussion on the NPS.

According to an official of the Ministry of Social Affairs there were nearly 27,000 NGOs registered with the Directorate of Social Services up to the end of April 2003. The number of NGOs receiving foreign donations, which are registered with the NGO Affairs Bureau (NGOAB) of the Government, was quoted to be 1591.<sup>4</sup> Since registration is not mandatory for voluntary or social welfare organizations, the number of such organizations that are not registered is not known. Equally, there is no specific data on the number of people working in the sector, nor has its

<sup>2</sup> Bangladesh Bureau of Statistics, *Report on Survey of Private Nonprofit Institutions in Bangladesh 1996-97*, Dhaka, January 1999.

<sup>3</sup> More on *waqf* in the next section.

<sup>4</sup> Minister of Local Government, Rural Development and Cooperatives, Abdul Mannan Bhuiyan, quoted in *The Daily Star*, May 14, 2003. For a detailed overview of the size, growth and range of programs covered by the sector, see Mohiuddin Ahmad, *An Introduction to the Nonprofit Sector in Bangladesh*, a report published by Bangladesh Freedom Foundation and Allavida, Dhaka and London 2002.

contribution to the economy been quantifiably measured. However, there is no doubt that it has emerged as a vital sector of the economy, especially if implications of NGO activities in terms of employment and income generation are counted. For instance, the number of full-time staff in the 572 NGOs engaged in microcredit programs in the year 2000 was nearly 82,000, when the total number of beneficiaries served by these NGOs was 10.2 million.<sup>5</sup> As an indicator of the financial resources involved in the sector, one can refer to the amount of foreign funds flowing into the sector. In the decade from 1990/91-2000/01 the total amount of foreign grants approved by the NGO Affairs Bureau was \$3.4 billion. The NGO share of the total flow of foreign economic assistance in Bangladesh has been significant over the years, ranging from 6 to nearly 18 percent of total aid (grants plus loans) and 12 to 41 percent of grants received.<sup>6</sup> The size of individual NGOs in Bangladesh vary considerably, ranging from tiny community-based outfits involving a handful of people at the local level to huge national organizations such as BRAC, Proshika and ASA, which employ tens of thousands of employees.

Activities of these organizations cover a broad range of areas, from poverty reduction, family planning, education, health, employment, human rights, women's and child rights, minority issues, and feminism to ecology, environment, etc. To be sure, Bangladesh has a rich history and tradition of citizens' movements. Civil society activism always played a vibrant, often decisive, role in the country's socioeconomic and political development. However, the evolution of informal citizen's groups or initiatives into more formal NGOs with specific institutional and programmatic identities is essentially a post-independence phenomenon. Bangladesh achieved independence after a nine-month liberation war in 1971 that left the economy in ruins, the infrastructure destroyed, and the people in widespread poverty. Several NGOs emerged at that stage with the primary objective to help alleviate the suffering of the war-ravaged people primarily through relief and rehabilitation efforts. In fact, many NGO initiatives were motivated by the spirit of the liberation war – the dream of establishing a democratic and pluralist society that would ensure social, political and economic emancipation of the masses. From the initial charity-cum-relief approach of providing food, clothing and medicine etc., they gradually became active in programs for social transformation, challenging the existing rural power structure in an attempt to reduce the dependence of the poor on the rural elite. As the NGO movement started to grow further, they started to provide specific services

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<sup>5</sup> Credit and Development Forum, quoted in Mohiuddin Ahmad, *op.cit.*, p. 23.

<sup>6</sup> NGO Affairs Bureau data quoted in *ibid*, pp. 39-40.



- f. mobilize resources for participatory community development from within and outside, and facilitate access to the poor;
- g. act as a partner for catalyzing greater effectiveness of the government and other development efforts; and above all
- h. operate cost-effectively.<sup>9</sup>

The growth and success of the sector have led to increasingly active discourse and debate on various issues related to the role, contributions and impact of the sector, especially recently. Many of these discussions have been prompted by the need to learn and share experiences for replication within and outside the country, while others stem from the growing expectation that the sector will and should perform even better in the future. While the government continues to fail to perform up to the level of expectations, the need for nonprofits to take on the role of the catalyst more actively has grown over the years. There is also an increasing realization that long-term sustainability and effectiveness in the NPS in Bangladesh, like anywhere else, is dependent on organizational credibility, internal self-regulation and good governance.

While the importance and legitimacy of the nonprofit sector are widely acknowledged, discussions and debates on governance and organizational effectiveness of the sector have been few and far between. Of particular concern are issues of internal governance and accountability as sine qua non for their credibility and sustainability. This paper is intended to fill this gap and to hopefully lead to further systematic studies and discourse on the subject.

The paper draws on secondary literature on issues related to the subject as well as a close review of publicly available organizational information on a large number of nonprofits in their brochures, reports and other materials. Some of the analyses are based on the author’s impressions from interactions with these organizations during the past four years of his association with Bangladesh Freedom Foundation. It also reflects the experience of his work with about 40 grantee organizations of Bangladesh Freedom Foundation. Finally, this paper benefited considerably from a roundtable discussion attended by a cross-section of relevant experts and individuals engaged in the field.

Governance and organizational effectiveness are gray areas with respect to the nonprofit sector in Bangladesh. In contrast with the other two sectors in the economy, there is practically no sufficient and universally acceptable accountability mechanism within the nonprofit sector except moral obligation. The government

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<sup>9</sup> *Ibid.* Adapted from pp 71-2.

and its agencies are accountable through various institutional arrangements, not least through the elected representatives, who are themselves accountable to the public through the electoral process. At least they are bound to go back to the people during elections. Profit-making business organizations are answerable to their board of directors who have vested stakes in the performance of the organization. They are also in effect accountable to consumers who always have the choice of embracing or abandoning their products or services. For nonprofits, the main instrument for accountability is their trustworthiness. The underlying assumption is that since nonprofits do not generate profits for distribution to individuals involved, the chief executive and senior management can be expected to act in the best interest of the organization and especially of the people they are created to serve. Typically, as will be described below, nonprofit boards do not have much incentive to measure performance, and hence the likelihood of board supervision is not too high. As a result, nonprofits lack the kinds of accountability mechanisms applicable to the other two sectors.

Nevertheless, in analyzing NPS governance and organizational effectiveness, two main sets of accountability relationships can be taken into account. The first is external, concerning accountability to the government, which provides legal status to nonprofits, and determines the framework and environment in which the sector operates. The NPS has to pay heed to this relationship, both to maintain its legal status, as well as to be an effective partner in serving the public good. The second relationship refers to the internal governance and self-regulation of nonprofits themselves as well as certain issues of wider public interest, to which we shall return later.

## **THE GOVERNMENT AND NONPROFIT GOVERNANCE**

There is a range of statutory and administrative regulations through which the Government directs, oversees, regulates and controls the operations of the NPS in Bangladesh. The legal framework with respect to the NPS falls into two main categories: a) laws under which these organizations are incorporated and given legal status, and b) laws governing their relationships with the government.<sup>10</sup> Taken together, these laws define the permissible framework and methods of operation,

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<sup>10</sup> This discussion on legal issues is drawn heavily from: Sumaiya Khair and Saira Rahman Khan, "Philanthropy and Law in Bangladesh" in a forthcoming volume on *Philanthropy and Law in South Asia*, sponsored by Asia-Pacific Philanthropy Consortium (APPC) in collaboration with Bangladesh Freedom Foundation; and World Bank, *Bangladesh: Pursuing Common Goals: Strengthening Relations Between Government and Development NGOs*, UPL, Dhaka 1996, pp. 21-27.

governance, management and financial control for nonprofit organizations. Although these laws are supposed to facilitate smooth functioning and healthy growth for the organizations, they are often viewed more as instruments for regulation and control. One reason for the regulatory overtone of the laws is that the government is keen to monitor the flow and use of funds, especially from foreign sources. It is not mandatory for an NGO or association to register under any of the laws so long as they do not seek legal status or solicit any assistance from the government or from external sources. In reality, however, most NGOs seek legal incorporation, even if they consider some of the provisions of the laws unfavourable.<sup>11</sup>

**Laws for Registration/Incorporation**

*The Societies Registration Act of 1861*—under which civil associations or charitable societies engaged in social advancement may be set up, registered and managed—is the oldest and most commonly used law of nonprofit incorporation in Bangladesh. It also sets out ways in which accounts of registered societies should be controlled. Registration under the act provides recognition as a legal entity with resultant rights and obligations. The law covers societies or associations for the promotion of sciences, fine arts and literature, education, knowledge, libraries, reading rooms, medical services, etc. The Registrar of Societies operating within the Ministry of Commerce administers the act, under which some of the oldest NGOs in Bangladesh are registered.

*The Trusts Act of 1882* lends legitimacy to a private charitable trust and creates an obligation for trustees to manage the trust fund or property toward the fulfillment of the objectives specified in the trust deed. Trusts may be set up for variety of purposes, to benefit children, for religious purposes, or for other public good. The act remains valid today, and is used by development NGOs as one of the easiest ways to obtain legal status. Administered by the registrar of trust or a magistrate, registration takes place without involving any government department. It also provides autonomy to the registering organization as long as the terms and conditions specified in the trust deed are observed. The act does not specify the nature and scope of coverage, thus leaving open the possibility of its applicability to a wide variety of situations.

*The Waqf Ordinance of 1962* allows a Muslim to settle his/her property for the use of beneficiaries in perpetuity. A property becomes a *waqf* upon a declaration made to that effect by the owner who is known as the *waqif*. *Waqf* property must be

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<sup>11</sup> World Bank, op.cit., p. 22.



*The Foreign Donations (Voluntary Activities) Regulation Ordinance of 1978* (amended in 1982): Enacted by the then-martial law regime, this ordinance is designed to monitor and control the flow of foreign funds to the voluntary sector. The ordinance was originally motivated by the belief among the ruling regime that some political parties and/or their front organizations were receiving foreign funding. Thanks to this ordinance no person or organization can receive any foreign donation for any voluntary activity without prior approval of the government. To obtain such approval, the organization must first be registered with the authority (NGO Affairs Bureau), then obtain separate approval prior to receiving every foreign donation. Individuals or organizations who operate nonprofit activities with foreign funds in contravention of this ordinance or any rules made thereunder, shall be liable to cancellation of registration, a penalty of double the amount of the donation received, or imprisonment for up to three years.

*The Foreign Contributions (Regulation) Ordinance of 1982*: This was an amendment to the Foreign Donations Regulation Ordinance of 1978, designed essentially to expand the scope of the ordinance to cover all kinds of contributions from abroad. According to this ordinance no citizen or organization is permitted to receive any foreign contribution without prior approval of the government. Similarly, no foreign government, organization or citizen can make any donation, grant or assistance, whether in cash or in kind, to any citizen or organization in Bangladesh without prior permission of the government.<sup>12</sup>

Notably, although promulgated under martial law, provisions of both these ordinances were incorporated in the constitution by successive amendments. While the overt objective of these regulatory ordinances was to monitor the flow of foreign aid to nonprofit organizations, it is also widely believed that there was a political dimension to them, such that the government retained the capacity to regulate and control the flow of such funds and, if necessary, prevent them from reaching groups or organizations whose activities were perceived to be detrimental to the interests of the regime.

**The Role of the NGO Affairs Bureau**

The NGO Affairs Bureau was set up in 1990 as one-stop authority to ensure implementation of the regulatory laws. As mentioned above, all NGOs seeking or receiving foreign funds are required to register with the bureau and must obtain

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<sup>12</sup> The restriction with regard to foreign travel was subsequently relaxed, and it is understood that although NGO staff are still required to inform the NGOAB about their foreign travel, the authority usually takes a lenient view of the matter.



the nonprofit sector and define obligations thereof. As the sector expanded over the years, and especially when funds began flowing from foreign sources, successive governments became more inclined towards regulation of the sector rather than facilitation. Ordinances of control introduced by the military government were conveniently incorporated in the constitution. As a result, the environment in which nonprofits operate in Bangladesh remains far from fully conducive to realizing the potential of the sector.

**PUBLIC ATTITUDES AND INTERNAL GOVERNANCE ISSUES**

The role and importance of the nonprofit sector in Bangladesh are recognized by the society at large. There is also an ever-increasing need and expectation that nonprofits share with the Government the burden of addressing the enormity of socio-economic challenges in the country. On the supply side, civil society leaders, activists and others who serve and help the needy have been joined by those with resources, skills and capacities from both within and outside the country.

Public attitude towards nonprofit initiatives in Bangladesh is generally positive. There is a growing recognition of the sector’s important contribution to development, especially for the poor, vulnerable and disadvantaged sections of the society. This is partly because of the overall success of the NGOs and partly because of the realization that development and poverty alleviation objectives cannot be met by the government alone. In fact, it is widely believed that in many areas of development, NGOs can perform better and more effectively than the government. NGOs are viewed to have made significant contributions to the lives of the poor through access to information, awareness, education, resources, and empowerment. The other reason for greater public acknowledgement and often commendation of NGO work is the important role that they play in relation to policy advocacy. In a large number of issue areas of public interest, nonprofits in Bangladesh together with other civil society partners have played decisive roles in policy changes affecting the lives of common people. These include the rights of women and children, problems of the disabled, environmental protection, literacy, population control, etc. In general, members of the public would like to see the sector grow and take on a more active role.

Similar views are also found in the media – both print and electronic. The print media usually publicizes the good work of NGOs, including the relatively smaller ones at local levels. Most newspapers devote sizeable space in covering NGO work. Of course the larger, capital-based, national-level NGOs have easier access to the media. The electronic media, especially the private TV channels are also keen to







There is a general concern that the impact of the sector on poverty alleviation and social change may not be as impressive as claimed to be. One common critique is that the hard-core poor may have been to a great extent left out of the coverage of NGO intervention.<sup>15</sup> Even those who are benefiting may also be destined to remain within a certain limit beyond which they have little chance of upward mobility. There is a perception that while the poor have benefited to some extent, in many cases the NGOs themselves have benefited more by the expansion of the sector. Some are criticized for what is commonly referred to as “Pajero culture”, because the NGO staff often use expensive vehicles for their field activities. From time to time there are also reports of fake NGOs exploiting people and misappropriating donor funds in the name of serving the poor.<sup>16</sup>

A growing area of critique and concern for many is an erosion of values among nonprofits, which needs to be viewed in the context of a similar trend in the society as a whole. Historically, nonprofits were motivated by strong philanthropic values and puritan ethics. Many of them were guided by the motto of developing the human being as the number one asset of the society, where people had the courage and commitment to take the risks of serving the people in exchange for nothing. According to many, these lofty visions have been severely eroded over the years by commercialization of the sector, as nonprofits have entered into commercial ventures and have been exposed to various ways of promoting self-interest. The proliferation and expansion of NGOs in Bangladesh – both horizontally and vertically – has much to do with generating employment and income for those who can gain access or who are more efficient in wealth making than others. Obviously, they are no more or less beholden to society than any government servant or corporate staff. Another view is that nonprofits cannot be considered in isolation. They are an integral part of the whole society, and hence their character and role would also be influenced by a complex set of historical and social dynamics.

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<sup>15</sup> A number of important studies have been recently carried out around this theme. See for instance, Kamal Siddiqui, *Poverty and Social Change in Rural Bangladesh: Jagatpur 1977-97*, UPL Dhaka 2000; Hossain Zillur Rahman, Mahbub Hussain and Binayek Sen, *The Dynamics of Rural Poverty in Bangladesh*, 1996. Ahmed Kamal also presents an interesting review on the problem in a conference paper on “Kinship Strikes Back: The Poor and the NGO Process in Bangladesh”, Yale University, New Haven, 12-13 May 2000.

<sup>16</sup> See for example, “Fake NGOs cheat people in Amtali upazila”, *The Independent*, 29 December 2001, and a report on an NGO abandoning the minority indigenous community after making money out of their plight, *The Daily Janakantha*, 20 August 2002. Also see, *The Daily Jugantor*, 10 April, 2003. In a recent such case of financial impropriety and misuse of fund the Bangladesh Freedom Foundation black-listed one of its grantee organizations.



which led to the resignation of a number of member organizations (many of them highly influential) citing “controversial decisions, unconstitutional steps and undemocratic practices”<sup>21</sup>. This group eventually went on to form a new umbrella body called the Federation of NGOs in Bangladesh (FNB). The situation is still evolving<sup>22</sup> and it remains to be seen how the leading NGOs and their heads confront this complex challenge. Failure to resolve the differences is bound to be detrimental to the future of the sector.

***Alleged Involvement in Partisan Politics***

NGOs are expected to be non-political. They are supposed to distance themselves from partisan politics, and refrain from subscribing to the ideology or political philosophy of any political party. They are also expected to be secular in nature. However, NGO work that is based on mobilization of the poor through group formations, leadership, and institutional development for democratic transformation at the grassroots levels, can be perceived to have political implications. In fact promoting values of secularism, pluralism, human rights and even empowerment of women can have significant political implications, which may be viewed to be against the interest of one political camp and conversely to promote that of another. As a result the dividing line can be very thin. NGOs are often criticized as being involved in partisan politics or even financing activities with political implications. As mentioned above, this problem came into sharp focus in the wake of the 2001 parliamentary elections when a number of relatively large and influential organizations were alleged to have used their programs and organizational strength to influence the voting pattern to the detriment of the alliance that came to power. It drew fierce reactions from the government, but also within the NGO sector. Polarization in the NGO sector became sharper than ever as the incumbent head of

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<sup>20</sup> The number of ADAB members as of late 2002 was 1286. NGOs in Bangladesh are also grouped or networked around particular sub-sector of their work, e.g., health, sanitation, micro-credit, environment, women’s issues, child rights, disability issues, etc. Such networks or forums facilitate information and experience sharing, training, advocacy programs, etc within each sub-sector.

<sup>21</sup> Heads of NGOs quitting ADAB in a statement accused its leaders of using the forum for personal benefits, undemocratic attitude, stubbornness and lack of transparency. They also alleged that ADAB was serving the narrow interests of few individuals at the cost of collective interest of the NGO community. See for details, *The Daily Star*, December 24, 2002. On the other hand, the head of ADAB filed a defamation suit against a leader of his rival group for making derogatory comments about him including allegations of financial impropriety. *The Daily Star*, December 25, 2002. Also reported in *Prothom Alo* (Vernacular Daily), December 25, 2002.

<sup>22</sup> The newly formed NFN is led by highly influential NGO leaders such as BRAC and Gonoshasthya Kendro, Nijera Kori, CAMPE, who are also believed to have close links with the present Government whereas those leading ADAB with the main opposition party.

the ADAB was reportedly the most prominent among the group.

Another criticism of a political nature comes from leftist political parties who criticize NGOs for taking funds from western donors that are perceived to be against their brand of social revolution. At another end is critique against NGOs having religious links or receiving funds from religious organizations. Programs of such organizations are accused of promoting proselytism and conversion. This stems from the notion that NGOs receiving funds from Christian organizations are necessarily engaged in the same activities as missionary organizations. The other perennial source of political criticism is the natural NGO-antipathy for a group of religious conservatives, who are not comfortable with the secular values (cultural pluralism, women's empowerment, etc.) that the sector is generally committed to.<sup>23</sup>

## Government Response

As already indicated, the Bangladeshi Government has generally been supportive to the nonprofit sector. Acknowledgement of the sector's contribution is evident in the government's development strategy and policy statements. NGOs are also engaged for the implementation of government-sponsored projects in many areas of development. The government also attaches considerable importance to the advocacy work of NGOs, as reflected in the many recent legal and policy reforms in areas such as women's empowerment, children's rights, rights of the disabled, environmental issues, etc. On several occasions the government has also stood beside NGOs when their work was threatened by anti-social and/or conservative groups. In one such event in 1993, when several NGO-run schools and health clinics came under attack, the government issued a strong statement reiterating its commitment to utilize NGOs in national development. This not only helped stop the attacks quickly, but also gave added legitimacy to the sector as a whole.

However, government-NGO relations have not always been free from mistrust. For instance, Government reaction to the alleged partisan political role of a group of NGOs during the 2001 elections was sharp, especially as the alleged NGO support went against the interests of the ruling coalition. Actions were then initiated against NGOs that were alleged to be involved. At the same time, new laws were being considered that many feared would affect the sector as a whole. The government also tightened its grip on certain leading NGOs suspected of being sympathetic to

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<sup>23</sup> In one such example of conservative backlash 170 non-formal primary education centers of BRAC were damaged. F.H. Abed, in an interview with *Prothom Alo*, 20 April, 2003. For an interesting study of religious backlash see, Mohammad Rafi and AMR Chowdhury, "Human Rights and Religious Backlash: The Experience of a Bangladeshi NGO", in Deborah Eade (ed), *Development and Advocacy*, Oxfam GB (UK) 2002, pp. 47-61.

the opposition, blocking the clearance of funds. This resulted in the stalling of activities of some 1000 small organizations who were dependent on cash flow from those NGOs.<sup>24</sup> More than 100 NGOs, including five large ones, had to wait for several months<sup>25</sup> to obtain permission from the NGO Affairs Bureau to receive funds.

Scrutiny of these NGOs has also included investigation by security agencies. In the process, volumes of documents from five leading NGOs were also seized. The National Board of Revenue (NBR) opened files on persons heading these organizations and launched an inquiry into accounts of these organizations. Reportedly, the NBR discovered substantial tax evasion by those heading the NGOs.<sup>26</sup>

In November 2001, the government instituted a cabinet committee comprising six ministers to work on a draft policy to guide NGOs operating in the country. The committee has reportedly drafted recommendations, which were discussed with NGO representatives before being forwarded to the prime minister. Details of recommendations are not known, but a member of the committee was reported to have said that the government didn't believe in controlling the NGOs, but that a policy was required for the government to help make NGO activities dynamic.<sup>27</sup> The new policy will enable the government to guide the mode of NGO activities, select their areas of operation, monitor their funding and their microcredit schemes. "The policy would restrict NGOs from being politically influenced, and has suggested action against any NGO that shows political bias", said a source in the committee.<sup>28</sup> A new requirement was also proposed for NGOs to seek prior government approval for such mundane matters as inviting foreigners, arranging field visits and organizing meetings and seminars.<sup>29</sup> It has also been indicated that that the new regulations could also include restrictions on the business operations of NGOs and include a ban on their political activities.<sup>30</sup>

As described earlier, there is a range of statutory and administrative regulations that direct, oversee, and often control the operations of the NPS in Bangladesh. However, one major problem with laws pertaining to the NPS in Bangladesh is that they do not conform to contemporary realities. For one, the political context is quite

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<sup>24</sup> *The Daily Star*, 25 May 2002.

<sup>25</sup> The normal clearance time as per rules is a maximum of 45 days.

<sup>26</sup> *The Daily Star*, 25 May 2002.

<sup>27</sup> Minister for Local Government and Rural Development, a senior member of the Cabinet, Mr. Abdul Mannan Bhuiyan, quoted in *The Daily Star*, December 22, 2002.

<sup>28</sup> Quoted in *Ibid*

<sup>29</sup> *The Daily Star*, 4 January 2003.

different today than it was in the pre-independence era. Nor is Bangladesh under military rule any more. But the laws and legal framework have not kept pace with the democratic transition in the country, and hence, maintain the old framework of control rather than facilitation. In addition, the laws do not reflect the transformation in the nature and approach of NGO work in contemporary Bangladesh. The scope of work of Bangladeshi NGOs is not limited to conventional relief and welfare-oriented activities. They are now engaged in much deeper and wider areas of development, which were not known when these laws and ordinances came into being. Therefore, a revamping of the whole legal framework is long overdue. It is clear that the new piecemeal regulatory measures will not serve the purpose. The basic objective should be to create a more enabling environment, which is possible only through engaging all stakeholders.

Differing perspectives on laws and regulations also impede healthy NPS-government relations. The creation of the NGO Affairs Bureau under the office of the Prime Minister was partly motivated by the need to overcome this difference in perspectives and provide one-stop service with regard to both incorporation and regulation. However, in practice, the bureau is seen as facilitating greater government control over nonprofits, further complicating the government-NGO relationship.

A notable innovation was the Government-NGO Consultative Council (GNCC) formed in 1996 to provide a forum for open dialogue between the government and NGOs on wide-ranging issues of common interest, including ways to improve the enabling environment for NGO activities and to ensure accountability and transparency for development assistance funds.<sup>31</sup> Although there were high expectations for the GNCC among all concerned, unfortunately nothing practical has happened to commence work of the council.

## Response of the Sector

As NGOs continue to grow in terms of areas of operations as well as influence in nearly every aspect of public life, they have also exposed themselves to new challenges, especially on issues of self-governance, financial transparency and

<sup>30</sup> Abdul Mannan Bhuiyan speaking to the Parliament, quoted in *The Daily Star*, May 14, 2003.

<sup>31</sup> The Council was to compose of 23 members, including a Chairman nominated by the Government, Director General of the NGOAB functioning as member-secretary, six other Government representatives, eight representatives of ADAB, four representatives of organizations outside ADAB, one representative each from Grameen Bank and Palli Karma Shahyak Foundation and one position to be filled up by a person of proven record of community service. See for details, "Schedule 1: Terms of Reference for the GNCC" *Bangladesh Gazette*, October 17, 1996, pp. 328-9.

accountability. The key indicators of good NGO performance, such as innovation, efficiency, cost-effectiveness, and the ability to engage common citizens and the poor, are being increasingly questioned within and outside the sector. The rapid growth and higher visibility of NGOs in campaigns and their advocacy on some policy issues that have political undertones are also often viewed to have contentious implications. NGO response to criticism, frequently reported in the media, is usually defensive. Instead of attempting to promote transparency, they usually seek various means of collusion to contain the criticisms. On the other hand, there is no sector-wide recognized code of ethics or best practices for the NGOs to follow, nor are there any clear guidelines to determine in what circumstances work of NGOs should be considered to have political leanings.

ADAB is a membership organization and is organized by district-level networks for technical and advocacy support, especially to smaller NGOs. These networks have been acknowledged as one of the significant achievements of ADAB.<sup>32</sup> The main program areas of ADAB are: NGO-NGO relations, government-NGO relations, donor-NGO relations, and intersectoral and internetwork relations within the NPS. It also engages in advocacy, policy lobbying, linkages and communication, with specific emphasis on sectoral and general public interest advocacy. Ideally, ADAB as an apex organization of NGOs was expected to facilitate contact and healthy relations with the government, the business sector and the society at large. It was also expected to be a watchdog body to ensure the credibility of the sector as a whole. While ADAB has been relatively successful in its advocacy work in selected areas, it has been much less effective with regard to emerging issues of NGO performance, especially issues of governance, accountability and internal self-regulation.

In 1994, ADAB adopted a Code of Ethics prepared in consultation with its members, which at that stage was viewed as a positive response to many of the problems confronting the sector. The code is an excellent innovation, providing a detailed framework of NPS ethics defined at five levels in relation to the poor people for whom the NPS works, the government and the state, other PVDOs in Bangladesh, development partners (or donors), and NGO staff. In terms of commitment, the document promises high standards and practices including self-regulation, efficiency, transparency, and accountability. It also speaks of checks against political influences, factionalism and divisiveness within the sector. The code also commits the sector to strong collaboration with the government, and an independent and transparent relationship with donors.<sup>33</sup>

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<sup>32</sup> World Bank, op.cit., p. 33.

However, there are no means of ensuring compliance with all these lofty ideals and goals. There is no incentive system within the sector to encourage good practices, nor any mechanism to prevent non-compliance. Any prospect of introducing effective measures to implement such instruments to promote internal self-governance has suffered a serious setback as leading member organizations of the sector have now been practically divided into two separate forums.

## **CHALLENGES AHEAD**

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The nonprofit sector has made remarkable progress in Bangladesh. NGOs are an important player and partner with the government and with business. They contribute significantly to development and social change, and to national policy formulation and policy change. The nonprofit sector is also a great proponent of public accountability of the government, many of them engaged in activities aimed at promoting good governance by the government at both national and local levels. However, the need for application of these same principles of good governance to nonprofits themselves is hardly ever publicly debated by nonprofits.

In seeking to strengthen and sustain the nonprofit sector in Bangladesh, an important challenge, therefore, is to ensure democratic internal governance and self-regulation. One key actor in this regard could be the nonprofit boards, which have so far remained ceremonial at best, and in most cases are ineffective or uninterested in playing their due role as the custodian of public trust, and as the bridge between the organization and community at large. Nonprofit boards should be able to establish a competent and accountable structure of internal self-governance, define the organization's mission and strategy, determine key policy directions, and above all exercise fiduciary responsibility to ensure transparent use of the organization's resources in accordance with its mission.

The second challenge is that of information and disclosure. To ensure credibility, nonprofits have to improve the practice of informing their constituencies and other members of the public fully and accurately about their work—especially program outcomes, benefits to constituencies and organizations, and most importantly matters of finance and accounts. Organizations need to move beyond simply publishing annual reports, and try new and non-conventional methods and instruments of communication, such as the internet.

A major challenge for the sector in Bangladesh is to build a strong and united self-image commensurate with the commendable work it is doing. Recent

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<sup>33</sup> A copy of the code is annexed.

developments that suggest division and disunity among the NGO community do not serve the interest of anyone in the sector. Internal feuding and polarization will increasingly limit the space of democratic freedom available to the NPS in Bangladesh. It is the sector as such and the society at large, especially the poor and underprivileged who are going to suffer as a result of this conflict situation. As long as they remain divided, the apex bodies – both ADAB and FNB - will have less and less legitimacy and strength in protecting the interests of the sector as well as ensuring a sustained government-NPS dialogue. The divisiveness has not only prevented the full realization of the true potential of the sector, but also rendered significant recent innovations fruitless, such as the Code of Ethics adopted by ADAB and the potential of GNCC. As the sector grows and assumes greater responsibilities it requires more confidence, more credibility and more transparency in conformity with its avowed commitment to the cause of development and social change.

A standing mechanism such as a regular roundtable of ADAB, FNB and other stakeholders—especially in sub-sectoral forums—could help reestablish a sustainable working relationship, and promote conflict management and collaboration for pursuing shared goals and interests. In the absence of any realistic prospect of a merger of the two bodies in the foreseeable future, there are several areas of critical concern on which they could work together for minimum common goals. These include relations with the government through a revamped GNCC; relations with other stakeholders, especially private sector and development partners such as donor groups; ensuring adherence to the Code of Ethics; and strategies for moving towards greater financial independence and sustainability. Another challenge is to strengthen the various programmatic sub-sectoral forums to enhance performance, effectiveness and self-regulation within each sub-sector.

Bangladesh presents an interesting case of an active and vibrant nonprofit sector working within a policy framework that is more regulatory than enabling. There is a tendency to translate the meaning of nonprofit accountability automatically as a need for control. This is particularly relevant at the present stage when the channels and framework of government-NGO collaboration have been severely distorted. Hence while there is a growing awareness of the need to debate on issues of governance, internal self-regulation and accountability of nonprofits, there is also an inertia caused by fear of possible backlash in the form of further government control. The sooner such inertia can be overcome the better for the sector.



**ANNEX**

**BANGLADESH PRIVATE VOLUNTARY DEVELOPMENT ORGANIZATIONS (PVDO):**

*Declaration Regarding Definition, Statement of Purpose and Code of Ethics\**

**Definition**

Private Voluntary Development Organizations (PVDOs) have generally been known as NGOs (Non-government Organizations). This definition is not acceptable on two grounds:

- a. There are many kinds of organizations which are non-government-ranging from clubs to commercial enterprises. PVDOs are nonprofit organizations committed to the development of the underprivileged and the underserved.
- b. We are part of the private sector-but the nonprofit sector of the private sector. No member of the initiating group receives profit from our work, but our organizations/ associations are set up privately, on the initiative of individuals/group.

Therefore, organizations which subscribe to the following Statement of Purpose and Code of Ethics, are henceforth calling themselves Private Voluntary development Organizations, and are seeking to organize, and regulate themselves in relations to the poor, the Government of Bangladesh, other PVDOs, international development partners and their own staff.

**Statement of Purpose**

We, the private, nonprofit, non-government voluntary development organizations working in Bangladesh, both national and international, have, as our focus, sustainable development of the poor in Bangladesh.

We work with the poor and for the poor with the objectives of alleviating their poverty, developing their skills and institutions, raising their consciousness, and encouraging their participation in the productive activities of the nation. Based on our experience, we believe that we have to direct our activities specifically at the

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\* Unofficial copy, taken from, World Bank, op.cit., pp. 77-80

poor in order to have an impact on solving the problems of the poor. In the light of above realities, we adopt and implement the following activities:

group formation, education particularly mass literacy, values education, leadership development, training, credit delivery, employment and income generation, agriculture, irrigation, sericulture, apiculture, fisheries, environmental protection, social forestry, women’s development, rehabilitation of the disabled, promotion of human rights, family planning, health, nutrition, water and sanitation, disaster preparedness, and — when disaster strikes, emergency relief and rehabilitation.

Through this work with poor we intend to raise their standard of living and to help them become worthy citizens of the Bangladesh — more conscious, more self-reliant, and more able to build and sustain the democratic process at the grass-roots.

We are prepared to accept resources and services from the public in Bangladesh, from the Government of Bangladesh, from the business community, and from external development partners for carrying out our work. We are also trying to generate resources for our work through our own efforts. The funds given by others or created by ourselves have to be used for the development of the poor through our organizations, and these are never to be used to raise personal profit.

***Code of Ethics***

In order to ensure a high standard of professionalism within the Private Voluntary Development Organizations, and for achieving the goals of self-regulatory practices and norms, we voluntarily subscribe to the following Code of Ethics:

- a. In relation to the poor for whom we work
  - We seek to build up solidarity amongst the poor through encouraging groups or organizations of the poor, as a first step in our development programs. We seek especially to build up organizations of poor women since they are usually the poorest and are often the victims of multifarious discrimination.
  - We seek to encourage democratic leadership in such groups of organizations.
  - We seek to encourage such groups or organizations to become self-reliant and independent of our organizations over time, and we will offer a variety of services to such groups in order to help this process.
  - We seek to work with people’s organizations who are not directly linked with political parties irrespective of caste, creed, religion and gender.

- We shall be cautious about any negative influence that may be cast by the image of any political figure linked with PVDOS on the development activities of our organizations aimed at people's welfare.
- We seek to make ensure the efficient use of funds given to us or created by us for the development of the poor.

b. In relation to the Government of Bangladesh, and the State in which we and the poor live:

- We seek to contribute to the development of the people of Bangladesh, extending in some cases the work of the Government, and in other cases complementing it.
- As recipients of funds given for the development of the people of Bangladesh we seek to be transparent in our use of these funds so that the Government knows that the funds are well spent. We seek to clearly show what work is carried out with such funds, and to account for the receipt and the expenditure of these funds to the government, and to the people.
- We seek to engage in a constructive dialogue with the government at both national and local levels to inform them of what we are doing, and to hear what they are doing. We encourage the creation of a forum and extend our cooperation for the purpose.
- We seek a relationship of mutual openness and respect between the PVDOS and the Government, recognizing that we are both concerned and committed to the development of the poor in Bangladesh.
- We seek to collaborate with the Government in issues and areas where we have experience and expertise to offer and we seek to work together with the Government on programs to help the poor where there are mutually agreed objectives and methodologies.

c. In relation to other PVDOS in Bangladesh:

- We seek to encourage dialogue and sharing of resources, information, expertise and experience.
- We seek to professionalize the work of PVDOS, reduce inefficiencies and incompetencies and we seek to promote the highest standard of transparency and honesty.
- We seek to ensure that the PVDOS subscribe to this Code of Ethics and that the PVDOS regulate themselves in accordance with the rules laid down in this Code.



- We strive towards solidarity amongst PVDOs, avoiding factionalism and divisiveness, especially those resulting from personal differences, as well as the attempt by any one member organization to dominate another.
  - We seek to be conscious of other organizations working on issues and areas in which we work or intend to work and seek to avoid duplication or overlapping. In cases where we are unable to agree, we shall seek arbitration through ADAB, first at the chapter level and then, if necessary, at the central level.
  - We seek to enhance mutual respect recognizing that PVDOs are partners, not competitors in the areas of people’s development, and, as such, have a stake in each other’s growth.
- d. In relation to our Development Partners who have chosen to support the work of PVDOs in Bangladesh:
- We shall endeavor to present our own vision and goal for our work and welcome their assistance to help us to achieve our goal.
  - We shall endeavor to understand the realities that impinge upon the sponsors’ work which influence what programs they want to support in Bangladesh, and how - while at the same time specifying what are our needs, and what help we are seeking.
  - We shall ensure transparency as per standard norms and practices.
  - We are prepared to provide both the information on our work that is formally agreed between us, and information on the situation of the poor in Bangladesh and efforts to overcome that poverty so that we can educate the constituents of our development partners about the work that is being funded.
- e. In relation to our staff, through whom our organizations are implementing the programs.
- We will ensure due wages to our staff and promote their rights and welfare.
  - We will keep the staff informed of the progress of the organization.
  - We will provide means for individual growth and development of our staff.
  - We will encourage a lifestyle consistent with an organization committed to the development of the poor.
  - We will strive for upholding the ideals of a participatory and democratic management irrespective of groups, views, relation, caste and gender.

## List of Participants

### Roundtable Discussion on Governance & Organizational Effectiveness of Nonprofit Sector in Bangladesh (*Bangladesh Freedom Foundation, Dhaka, May 24, 2003*)

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