

NGO Accountability in Bangladesh: Two Contrasting Cases

Monir Mir · Swapan Kumar Bala

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Abstract Drawing on the institutional sociology framework of coercive isomorphism, the study explores the effects of upward hierarchical accountability on the program outcomes of NGOs in Bangladesh. The study uses a qualitative case study method involving two NGOs. The findings from the case studies suggest that NGOs which depend on foreign funding spend more time and resources in fulfilling their upward hierarchical accountabilities compared to NGOs which are funded from their own sources. As a result, the accountability obligations of foreign-funded NGOs are not met as effectively as NGOs which are funded from their own sources.

Résumé S'appuyant sur le cadre institutionnel sociologique de l'isomorphisme coercitif, l'étude examine les conséquences de la responsabilité hiérarchique ascendante dans les résultats des programmes des ONG au Bangladesh. Cette étude utilise une méthode d'étude de cas qualitative portant sur deux ONG. Les résultats des études de cas indiquent que les ONG qui dépendent des financements étrangers passent plus de temps et dépensent plus de ressources pour s'acquitter de leurs responsabilités hiérarchiques ascendantes que les ONG financées par leurs propres sources. Par conséquent, les obligations de responsabilité des ONG financées par l'étranger ne sont pas satisfaites aussi efficacement que les ONG financées par leurs propres sources.

Zusammenfassung Die Studie untersucht auf der Basis des institutionellen soziologischen Rahmens der erzwungenen Isomorphie, wie sich die

M. Mir (✉)

School of Information Systems and Accounting, Faculty of Business, Government & Law,
University of Canberra, Bruce, ACT 2601, Australia
e-mail: Monir.Mir@canberra.edu.au

S. K. Bala

Department of Accounting & Information Systems, Faculty of Business Studies, University of
Dhaka, Dhaka 1000, Bangladesh
e-mail: skbala@du.ac.bd; balaswapan@gmail.com

Rechenschaftspflichten gegenüber hierarchisch höher Gestellten auf die Programmergebnisse nicht-staatlicher Organisationen in Bangladesch auswirken. Es wird eine qualitative Fallstudienmethode angewandt, die zwei nicht-staatliche Organisationen einbezieht. Die Ergebnisse der Fallstudien lassen darauf schließen, dass die nicht-staatlichen Organisationen, die auf ausländische Finanzierungen angewiesen sind, vergleichsweise mehr Zeit und Ressourcen aufbringen, um ihren Rechenschaftspflichten gegenüber hierarchisch höher Gestellten nachzukommen, als nicht-staatliche Organisationen, die sich aus eigenen Quellen finanzieren. Folglich werden die Rechenschaftspflichten der nicht-staatlichen Organisationen, die aus dem Ausland finanziert werden, nicht so effektiv erfüllt wie die der eigenfinanzierten nicht-staatlichen Organisationen.

Resumen Recurriendo al marco del isomorfismo coercitivo de la sociología institucional, el presente estudio explora los efectos de la rendición de cuentas jerárquica de arriba-abajo sobre los resultados del programa de ONG en Bangladesh. El presente estudio utiliza un método de estudio de caso cualitativo que implica a dos ONG. Los hallazgos de los estudios de casos sugieren que las ONG que dependen de la financiación extranjera dedican más tiempo y recursos a cumplir con su rendición de cuentas jerárquica de arriba-abajo en comparación a las ONG que se financian con sus propios recursos. Como resultado, las obligaciones de rendición de cuentas de las ONG financiadas externamente no son satisfechas de manera tan efectiva como las ONG que se financian con sus propios recursos.

Keywords NGO · Institutional isomorphism · Upward accountability · Downward accountability

Introduction and Background

In Bangladesh, the fragile and fragmented character of formal political institutions, coupled with the availability of donor aid, led to the emergence during the 1990s of thousands of non-government organisations (NGOs) (Ullah and Routray 2007; Lewis 2008). NGOs expanded their activities at all levels of society to meet the needs of the poor. 2,469 NGOs were registered with the NGO Affairs Bureau of Bangladesh (NGOAB) as of November 2009, compared to 461 in June 1991 (NGO Affairs Bureau of Bangladesh, 2009a). NGOs in Bangladesh contribute some 3–4 % of gross domestic product (GDP) based on an estimate of the micro-credit operations of NGOs (www.ngoab.gov.bd). The NGO share of total aid to Bangladesh rose from 14 % in the first half of the 1990s to 24 % in 2006 (World Bank 2006). Funds committed to NGOs have doubled since 2006 (NGO Affairs Bureau of Bangladesh, 2009b).

As NGOs in Bangladesh and elsewhere have grown in scale and scope, there has been a concomitant growth in debate about NGO operations, performance and accountability (Smillie 1997; Gauri and Galef 2005; Murtaza 2012). Increased dependency on foreign donors has created doubts over Bangladeshi NGOs' ability

to support a civil society acceptable to the Bangladeshi population (Lewis 2001; Clark 1991). In particular, concerns have been raised regarding NGOs' downward accountabilities, principally to beneficiaries, as NGOs are meeting what are seen as unnecessarily onerous upward accountabilities to foreign donors and to governmental regulatory authorities (Harrison 2007; Roberts et al. 2005; Hilhorst 2003; Davies 1997; Hashemi 1996; Nelson 1995).

Transparency International Bangladesh (2007) observed that 100 % of a sample of NGOs have failed to meet their accountabilities to their service recipients and also that 70 % of the NGOs from the same sampled group failed to fully implement their programs. All the sampled NGOs are registered with the NGOAB, which means that they are all funded by foreign donors. Anecdotal evidence indicates that NGOs in Bangladesh who fund their programs from locally generated funds are better at meeting their accountabilities to service recipients. Most of the existing literature on Bangladeshi NGOs provides normative discussion of NGO administration and activities without analysing the impact of multiple accountability mechanisms on NGO performance (see for example, Ullah and Routray 2007; Ahmed 2003; Ahmad 2001; Mahmud 2001; Hashemi 1996; Karim 1996). The literature has also failed to analyse the impact of donor influence on the accountability practices of NGOs (see for example, Unerman and O'Dwyer 2006a, 2007). The current study is intended to contribute to the NGO accountability literature, especially that relating to developing countries.

Against this background, the objective of the current study is to explore whether the dominance of upward hierarchical accountability to foreign donors constrains the adoption of more holistic accountability to a broader range of stakeholders, especially the beneficiaries of Bangladeshi NGOs.

We draw on institutional theory (institutional isomorphism) as elaborated by DiMaggio and Powell (1983, 1991) and others (e.g. Meyer and Rowan 1977), as a theoretical lens through which to characterise the accountability practices of Bangladeshi NGOs. The position adopted in this paper concerning NGO accountability is that the monitoring of NGO performance will be more effective if the impacts which their activities have on all stakeholders are considered (Williams and Taylor 2013; O'Dwyer and Unerman 2007, 2008; Unerman and O'Dwyer 2006b). However, as will be elaborated later in the paper, the effects of institutional isomorphism, especially coercive isomorphism (DiMaggio and Powell 1991) pressures NGOs to focus accountability on upward accountability such as to government regulators and donors (O'Dwyer and Unerman 2008).

The following section presents the research methods and data collection procedures adopted in the paper followed by a section that discusses NGO accountability frameworks in Bangladesh. The next section then explores how the overemphasis on the fulfilment of upward accountability affects the downward accountability of Bangladeshi NGOs through comparing two NGOs. The paper ends with a conclusion and recommendations to improve NGO accountability frameworks in Bangladesh and globally.

Research Methods and Data Collection

Bell and Aggleton (2012) point out that there are increasing calls to monitor NGO program processes and assess their impacts in ways which are more grounded in the realities of practice than some of the quantitative ‘results-based’ methods currently in use. Because of their emphasis on developing locally grounded explanations, qualitative methods in particular offer a potentially richer way of assessing the impact of NGO programs. The current study is based on a qualitative case study approach (Stake 2000) involving multiple data collection methods, including obtaining copies of public documents, conducting interviews, visiting sites and assisted access to NGOs’ information systems. Two large and representative NGOs were selected for investigation for this study, one from each of the following categories:

1. NGOs whose major funding is from foreign donors.
2. NGOs whose major funding is its own sources that is, NGOs whose major funding is generated mainly through their commercial activities.

We chose these two categories because most NGOs in Bangladesh fall predominantly into one or other of these groups. We expected these different funding sources to be associated with different accountability practices, both hierarchical and holistic. We hoped to be able to interpret any differences we found in terms of coercive institutional isomorphism (DiMaggio and Powell 1991). In order to maintain anonymity, the NGOs are codenamed FNGO (category 1) and INGO (category 2). Table 1 provides the distribution by source of funding for these two NGOs at the time of writing of the report.

We wrote to the senior management of the NGOs seeking access to information and materials which would enrich our study of their NGO’s accountability practices. Access was granted (conditional on maintaining the anonymity of the NGOs and their staff), and we then began collecting public and internal documents relating to both NGOs’ accountability mechanisms. Initially, data were collected in 2005 and 2006. A working paper based on that data was presented at an international conference in 2006. Additional data were collected in 2009, with follow-up data being collected in December 2010 and January 2011.

Twenty-one interviews were conducted for the study (the interviewees are listed in Table 2 in Appendix). Our strategy was to interview first the senior manager who approved our application for access to the NGO. Based on those discussions, we conducted further interviews within the NGO and with external stakeholders. While some of the interviews were conducted on NGO premises, others were conducted in the field, typically in rural locations. The average interview lasted just over 1 h. We also interviewed staff of the NGOAB, external auditors and NGO beneficiaries. Permission was obtained for all interviews to be recorded and later transcribed. We provided interviewees the opportunity to review the transcripts and make corrections. Multiple interviews were conducted with interviewees where clarification was required or the research team believed that additional insights could be obtained.

Table 1 Funding sources of the researched NGOs

NGO	Funding source			Total (%)
	Foreign donors (%)	Own sources (%)	Local donors (%)	
FNGO	78	6	14	100
INGO	10	66	24	100

The table is constructed using internal financial data of the NGOs

We performed a content analysis (Krippendorff 2003) of all documents collected, coding in particular the upward and downward accountability practices of the NGOs. Interview transcripts were analysed using the same codes. The transcript analysis involved multiple reviews of transcripts (Mason 1996). As well as capturing and comparing accountability-related themes, we traced themes across interviews until no new insights were gained (Silverman 2000).

Discussion and Analysis

NGO Accountability Framework in Bangladesh

Accountability frameworks for NGOs are rarely straightforward because they have multiple stakeholders (i.e. funders, beneficiaries and regulators) and are accountable in different ways to these different groups (Morais and Ahmad 2011; Nelson 2006; Ebrahim 2003; Brown and Kalegaonkar 2002; Edwards and Hulme 1996). NGO accountability in Bangladesh centres on beneficiaries, donors and the state. NGOs receiving foreign funding are subject to the accountability requirements of their donors. These requirements are invariably stringent, reflecting concern by foreign donors about corruption in Bangladesh (Khan 2003). This concern is well found. We understand that it is common for NGOs in Bangladesh to propose, budget and report about 10 % of expenditure as being on overheads and about 90 % as direct expenditure in support of the intended beneficiaries. The maximum allowable limit of overhead cost as set by NGOAB is 15 % (see, NGO Affairs Bureau of Bangladesh, 2009d). These reports do not tell the true story. The reality, according to our respondents, is that typically 30–40 % of the funds are actually spent on the intended beneficiaries and the remaining 60–70 % is spent on a complex melange of administration and corruption, some of which is engendered by the donors themselves.

In addition, all NGOs in Bangladesh whose projects are externally (foreign) funded are subject to government regulation. NGOs receiving foreign funds are subject to the Foreign Donations (Voluntary Activities) Regulation Ordinance, 1978 and Rules made under that Ordinance. This Ordinance and its Rules are administered by NGOAB, which is located within the Prime Minister's Office, presumably reflecting the importance which the Bangladeshi government attaches to the role of NGOs in the development of the country. On the other hand, some

researchers argue that control of NGOAB by the Prime Minister's Office has created a high level of distrust between government and NGO sectors in Bangladesh (see for example, Lewis 2008). In addition, NGOs that identify themselves as voluntary organisations are subject to the Societies Act of 1961 and Rules made under that Act. The Government's regulatory framework is concerned mainly with ensuring that NGO activities are lawful, and do not conflict with government policies (World Bank 2002). As we discuss below, this aim of the NGO regulatory framework has generated considerable controversy within Bangladesh.

Funds that are received by an NGO from foreign donors are deposited directly into NGOs' bank accounts. However, these funds cannot be lawfully drawn until NGOAB has approved the relevant project. If a bank pays out without NGOAB's approval, it is disciplined by the Bangladesh Bank (the central bank of Bangladesh) either by imposing monetary penalties and/or imposing sanctions on the NGO's operations. Regulatory control by the NGOAB is intended to ensure the legitimacy of funding sources. However, one of our interviewees, TM, an FNGO official, commented that the NGOAB often only approves projects and activities that safeguard the political interests of the ruling party. An academic (respondent RR) from the University of Dhaka who is involved with many NGOs through various advisory roles echoed the same concern was highly critical of the role of NGOAB, especially its 'I didn't see' attitude towards some privileged NGOs bypassing NGOAB regulations through other means:

NGOAB is a bureaucratic institution directly under the Prime Minister's Office and any activity that may go against the ruling political party may create serious problems. Closeness to the political party in government or, in many cases, outright bribery of bureaucrat-regulators, may provide NGOs with a significant degree of relief from compliance with the stringent regulatory requirements.

We understand that this perception is widespread within Bangladesh and reflects a serious problem with Bangladesh's regulatory framework for foreign-funded NGOs (see for example, Burger 2012). We recommend that Bangladesh should strengthen its regulatory framework for foreign-funded NGOs by removing NGOAB from the direct control of the government. The governance arrangement we envisage would be similar to that of national taxation offices in many countries and public sector broadcasters in many developed countries.

The Association of Development Agencies in Bangladesh (ADAB), a peak body of NGOs in Bangladesh, has its own code of conduct/ethics for its members. This code provides both upward and downward accountability frameworks. However, ADAB is yet to finalise arrangements to monitor compliance with the code and to agree sanctions for non-compliant members. As a result, no ADAB member has ever been disciplined for violating the ADAB code of conduct. According to NGO beneficiary B2:

I was going to see the officials of a local NGO to explore the possibilities of borrowing some money for my small poultry project. Somehow the news was out that I was looking to borrow money. All the NGOs in the locality – five of

them – approached me with their respective offers to lend that included a couple of offers of bribes to me. I realised that they just wanted to give me the money as their primary objective is to disburse the money which they have got from somewhere...none of them bothered to assess the expected outcome of my project...I accepted the most lenient of all the offers, of course.

The NGOs that offered bribes to B2 were in fact ADAB members, clearly violating ADAB's ethical code of conduct. ADAB acknowledged that these types of unethical behaviours were prevalent among ADAB members and that it did not have legal authority over its members to enforce its codes of conduct.

We consider the absence of *legal* authority to enforce ADAB's codes of conduct to be an inadequate explanation for not seeking to enforce these codes. We expect that under Article 6 the Societies Registration Act, ADAB would be able to create rules which it could enforce against its members in a court of law. By whatever means, we recommend that ADAB develop effective means of enforcing its codes of conduct.

Following an embarrassing political mess-up at national level by an ADAB executive (Lewis 2008) several large NGOs left ADAB and formed a rival body, the Federation of NGOs in Bangladesh (FNB), in 2003. However, the FNB does not yet have the capability to play a role similar to that of ADAB. Neither of the NGOs selected for this study is a member of FNB.

All NGOs involved in microcredit activities are supervised by Bangladesh Bank (the Central Bank of Bangladesh) through its Microcredit Regulatory Authority (MRA). All NGOs, including those that fund their activities internally, are required to submit annual reports to NGOAB. However, the NGOAB displays little concern for the real outcomes of projects as disclosed in annual reports.¹ On the other hand, donors demand project-based accounting and are more interested in the use of their funds than in the outcomes of the projects they fund.

As evidenced from the preceding discussion, the requirements of the existing NGO accountability frameworks in Bangladesh are skewed towards the demands of the two influential groups—the donors and the state (through NGOAB) that is, upward hierarchical accountability (O'Dwyer and Unerman 2008). It is therefore likely that any NGO in Bangladesh that has incorporated downward or holistic accountability mechanisms in its governance systems, has done so for reasons other than those of coercive institutional isomorphism (DiMaggio and Powell 1991); for example, a sense of responsibility to beneficiaries.

The next section analyses these two NGOs and explores which types of NGOs in Bangladesh were able to become accountable to their beneficiaries and why.

¹ NGOAB requires (see NGO Affairs Bureau of Bangladesh, 2009e) are simply a list of expenditure headings. Some of these headings are clearly relatable to social and economic development objectives, health, education, water, infrastructure, etc. but it seems to be all input reporting, not outputs let alone outcomes.

Case Studies

FNGO: Whose Major Funding is from Foreign Donors

FNGO operates in the remote and physically isolated north-western corner of Bangladesh. An interviewee from FNGO (TM) said that it assists the rural poor and their organisations to build the capacity and confidence to advance empowerment, and to promote opportunities through awareness and access to development resources. FNGO partners with the organised poor and other civil society actors to advocate for greater justice and opportunity for the disempowered and to advance their self-reliant development. Microfinance is a key component of FNGO's programmes. At the time of writing, FNGO had an estimated annual budget of US\$7.5 million. Its programmes cover approximately 1.5 million beneficiaries. Sixty-three percent of these beneficiaries are women.

Accountability in FNGO

FNGO is accountable to its foreign donors and as it obtains foreign funds, FNGO itself and all its foreign-funded programs are registered with NGOAB. Hence, FNGO is accountable to NGOAB. As FNGO has many projects involving microcredit activities, the Microcredit Regulatory Authority (MRA), which operates under the supervision of Bangladesh Bank, is also involved. These are all upward, hierarchical accountabilities.

Deputy Commissioners (DCs), the chief government officials in a district, are legally responsible for monitoring projects in the field. In practice, DCs monitor whether the money has been spent on the assigned project. Content analyses of various monitoring reports generated by DC's offices indicate that they do not monitor beneficiary outcomes.

FNGO submits its accounts to NGOAB twice a year for the foreign funds it receives using prescribed formats of reporting. In addition, it produces audited annual reports. According to the World Bank (2006),

The varied quality of financial reporting also stems from the many formats imposed by donors, the concentration on cash accounting rather than accruals, and a focus on specific projects without attention to what is happening to the wider institution... Clearly, several donor financial stipulations are unrealistic...

Neither of these types of report provides any accountability to FNGO's beneficiaries. An executive in a chartered accountancy firm specialising in auditing NGOs (RC) commented:

Accounting information in annual reports is meant to satisfy the requirements of the Government [of Bangladesh] and has little relevancy in upholding FNGO's accountability towards its beneficiaries because a human (unhappy) face cannot be imprinted on accounting numbers.

The FNGO reports submitted to NGOAB indicate that more than three-quarter of project expenditure is for personnel costs. In view of the abundance of cheap labour

in Bangladesh, it is surprising that personnel costs in NGOs in Bangladesh constitute such a high proportion of project expenditures. RC commented further that most of the foreign-funded NGOs in Bangladesh employ more staff (both at Head Office level and field level) than the original budgeted staff numbers in order to fulfil the upward accountability and reporting requirements of multiple foreign donors and regulatory authorities. This practice reduces the resources available for NGO beneficiaries. The FNGO simply spends an inefficiently high share of their revenues to fulfil its donors' reporting requirements (Thornton 2006).

We also observed that adverse variances (i.e. actual expenditure higher than budget) were not reported in any of FNGO's project variance analyses. An NGOAB executive we interviewed (SC) reported that this was how adverse variance problems are handled. According to another private sector auditor we interviewed (GG):

It came to my notice that sometimes the amount over the budgeted figure is jointly borne by the field level staff. They compensate by creating false documentation for expenses budgeted for group meetings of beneficiaries, or in some cases, they do not hold the budgeted number of meetings but send invoices to head office. We raise this issue in every report but I haven't seen any action taken by head office so far.

In our view, the observations in the preceding paragraphs indicate serious structural problems with the accountability and internal governance framework for NGOs in Bangladesh. The first issue is whether donors are aware that 75 % of expenditure is for personnel costs, and whether the actual proportion of costs going to personnel accords with project proposals put to donors. The second issue is NGOAB's apparent unwillingness to challenge the information it receives from FNGO and similar organisations. This unwillingness points to a structural pathology of some kind within NGOAB and/or the environment in which it is located. We have already suggested moving NGOAB outside the political realm within the Bangladesh government. Additional changes may be necessary to get the organisation to focus effectively on its responsibilities. For example, one of the most obvious ways of improving the accountability of NGOs would be to develop a mechanism by which the in-field monitoring of NGO projects by DCs and their staff could be strengthened. We recommend stronger obligations be placed on DCs, providing appropriate training, and with an Ombudsperson power of investigation where beneficiaries are dissatisfied with the quality of a DC report. In addition, one of the key questions for policy-makers designing Bangladesh's accountability framework for NGOs is to ensure that the kind of problems identified by project auditors are followed up and acted upon.

The NGOAB website shows a list of 11 regulatory functions for which it is responsible to its registered NGOs (see for example, NGO Affairs Bureau of Bangladesh, 2009c). Out of the eleven functions only one function, that is, 'inspection of field level NGO activities and examining their accounts' is to some extent related to evaluating FNGO's activities towards its beneficiaries. However, when asked about this particular function of NGOAB, TM, a respondent from FNGO, mentioned that NGOAB just needed some documentary evidence from

FNGO and that even when its staff made field visits, FNGO managed them somehow. FNGO executive (TM) further noted that,

We hold regular meetings with the beneficiaries where they normally discuss financially-oriented reports and inputs...but we do not go to the field to check the outcomes and outputs of the project.

It is understandable that FNGO staff would be heavily engaged in preparing documents for NGOAB's many requirements. If the NGOAB was fulfilling its responsibilities according to item 6 of its functions appropriately then the downward accountabilities of FNGO would be enhanced. Coston (1998) in this context argues that some forms of the regulatory controls of NGOs by governments are inevitable but it is the quality and not necessarily the quantity of regulations determines the positive ramifications. But as has been commented by respondent TM above, and as has been found through analysing various internal documents of FNGO, the NGOAB has failed to uphold these responsibilities. At the same time, it pressures FNGO to comply with NGOAB's complex reporting mechanisms. This regulatory relationship between FNGO and the NGOAB may be visualised as pointed out by Coston (1998) as 'rivalry' which formalised through government policies that range from simple regulation to mandating reporting and operational procedures that can inhibit efficient NGO operations. We have gathered evidence to prove the fact that FNGO spends significant time and human resources on NGOAB's reporting requirements, at the expense of focussing on beneficiary-oriented project outcomes.

An FNGO beneficiary (B1) provided an example combining a lack of concern by FNGO with project outcomes and what appears to be an unduly process-oriented concern for upward accountability:

We often face crisis...there may be an epidemic [so] that our poultry is dying due to disease...we need assistance for this crisis...NGOs do not come to assist us...we lose money and fail to pay back loans...NGOs give us further loan and we use part of the loan to pay back the old loan.

FNGO executive TM hinted that this 'loan trap' arose due to the extreme care with which FNGO has to fulfil its upward accountability:

We are allocated a budget to meet expenses relating to holding meetings with the beneficiaries...under no circumstances am I allowed to exceed the budget...the budgeted amount is not enough to hold a fruitful meeting to explore our outcomes with the beneficiaries...NGOs try to be in good book with their upward bosses, they only care about whether loans are recovered and that new loans budgeted by the donor are disbursed...it is fine with the donors but beneficiaries fall in the continuing loan trap.

We raised these allegations with the NGOAB. An NGOAB official (SC) said that due to a lack of trained staff, NGOAB abandoned field visits and inspections and had decided to rely instead on certificates issued by the Deputy Commissioner (DC), or the Upazila Nirbahi Officer (UNO)—the Sub-district Executive Officer—the chief government executive of a sub-district. The certificates we observed attested

to the performance of project work and that the NGOAB-appointed auditor's report was in the prescribed format.

Another aspect of FNGO's upward hierarchical accountability relates to its foreign donors. FNGO reports to its donors in ways that differ from the reporting required by NGOAB. One of FNGO's donors requires monthly reports prepared using special software. This software needs to be operated by highly skilled IT staff. These staff enjoy premium salaries due to a shortage of skilled IT professionals in Bangladesh. FNGO had to spend significant resources to buy the software and also has to pay high salaries to these skilled staff to meet the donor's requirements. As a result, it had to reshuffle its priorities to account for requirements in the donor's funding preferences. This means cutting program expenditure intended for FNGO's beneficiaries. An example of onerous reporting requirements is a Japanese donor that requires actual vouchers for all expenses. FNGO faces the continuous threat of fund withdrawal and the threat of disqualification from further funding if it does not comply with its donor's reporting requirements (see for example, Meyer and Rowan 1977; Stiles 2002; Ahmad 2006; Claeys and Jackson 2012; AbouAssi 2012; Chahim and Prakash 2014). But each foreign donor has its own reporting requirements. We analysed five of these reporting formats and noted that the donors are basically seeking assurance that the funds they donated are being spent on the project. None of the reporting formats sought information on outcomes.

The difficulties outlined in the previous paragraph are compounded when different donors fund the same project. In fact, FNGO has many projects funded by multiple donors. In these circumstances, FNGO has to report to each donor according to its required reporting format. The provision of multiple financial reports on the same financial information is time-consuming and wasteful. It is also a difficult problem in that each donor will seek to establish its own assurance arrangements in order to continue providing funds to FNGO. A step in the right direction would be for major donors to NGOs in Bangladesh, and, indeed, other developing countries, to agree as much as possible on a common set of assurance arrangements. We have in mind something like the Global Reporting Initiative (GRI)—a comprehensive sustainability reporting framework which is used by many organisations around the world (Global Reporting Initiative, 2011). The Global Reporting Initiative (GRI), founded in Boston in 1997 and having its secretariat in Amsterdam, is a leading organisation in the sustainability field that promotes the use of sustainability reporting as a way for organizations to become more sustainable and contribute to sustainable development. The framework—which includes reporting guidelines, sector guidance and other resources—enables greater organizational transparency and accountability with respect to the sustainability performance of organisations that use it. Thousands of organizations, of all sizes and sectors, have adopted GRI's reporting framework to understand and communicate their sustainability performance. The development of a global standardised assurance framework like the GRI for reporting NGO accountability outcomes has the potential to facilitate the reporting of NGOs receiving development funds around the world.

FNGO thus uses significant resources to fulfil its upward accountability requirements. However, it devotes limited resources to downward accountability. According to B4, an FNGO beneficiary:

Actually the outcome of the project is important only when we are at the verge of default. Discussion in the group meeting is focused on the loan requirements and progress in loan recovery. I maintain strict regularity in paying my instalments and I have never faced any sort of interaction in the group meeting. Once a significant part of my credit was spent for household purpose, but I did not inform that and they did not enquire also. They are happy as long as I manage to pay the instalment on time.

According to B2, another beneficiary:

I have taken a loan for the cultivation of vegetables. The land is by the side of the main road in our area. I tend to delay my loan repayments. I feel reluctant to attend the group meetings because late payments become the central theme of discussion. When I am working on my land I have regular visitors from the NGO reminding me [about] any overdue payments. The NGO field workers rarely enquire about the productivity or the marketing of the vegetables grown. I think the regular visits by the NGO workers are due to the location of my land. Although I have no direct evidence, I suspect that they would not come to see me if I was not in default even though they cross my land every time they leave their office.

An FNGO field worker (HA) was sarcastic about the role of FNGO in eradicating poverty:

Of course we should pay attention to the beneficiaries. But my performance is assessed only by disbursement of the targeted loan amount and by timely recovery of the loans. We express our satisfaction to the borrowers who are perfectly regular, because then we have more time to spend for prospective defaulters. I think the benefit of receiving loan without collateral is the only benefit the beneficiaries deserve. "Poverty eradication" and "getting the havens outside the chain of limitless scarcity of everything" are just slogans written at our head office. If the number of beneficiaries decreases through devoted care to the beneficiaries, it will be a threat to our job.

The evidence that is provided in the previous paragraphs indicates that FNGO devotes substantial resources to meeting and preparing reports for NGOAB and for its donors and insufficient resources to evaluating and assessing the outcomes of its activities. FNGO is therefore likely to be paying insufficient attention to its holistic accountability role. While exploring a similar case, O'Dwyer and Unerman (2008) and Murtaza (2012) reported that inappropriate accountability mechanisms damage rather than enhance the social benefits that many NGOs seek to deliver. Beneficiary-specific outcome assessment reports are not prepared by FNGO as they are neither required by the NGOAB nor its donors. As NGO executive KA (who has long experience working with similar organisations) said:

NGOs have no accountability to people, but there is strong internal accountability within NGOs for their own [purposes] and also to the funding

agencies and the regulators. For the NGOs' part, there is no real participation in downward accountability, rather it is manipulation or pseudo-participation.

KA has put the issue succinctly: NGOs have no accountability to people, but strong internal accountability for their own purposes. But the fundamental purpose of the NGO is to alleviate the poverty of the people and assist their social development. That is, NGOs manipulate their activities to give the appearance, but not the substance, of downward accountability, is clear evidence of institutional isomorphism. The NGOs' purpose has become the purpose of the funding agencies and the regulators. As DiMaggio and Powell (1991) argue, in cases where alternative sources of funding are either not readily available or require effort to locate, the stronger party (the donor agencies in this case) can coerce the weaker party to adopt its practices in order to accommodate the stronger party's needs (p. 154). AbouAssi (2013) argue that constructing strong ties with the donor might generate positive effects at the policy level and on the relationship with government, as long as the NGO does not chase the funding and become concerned with operational success.

In our view, this failure to adequately undertake downward accountability is not the fault of the NGOs, but reflects the pressures and environment in which they find themselves. Verbruggen et al. (2011) and Elbers and Schulpen (2013) argue that organisations that depend heavily on one or very few resource providers are likely to experience stronger constraining influences from their environment. There may well be opportunities for Bangladesh, and for many other developing countries receiving foreign aid for development, to achieve greater progress in social and economic development by more effective use of foreign aid funds. Greater effectiveness may be obtainable by reforming the accountability framework in which the NGOs operate, so that institutional isomorphism 'shapes' the NGOs in ways which support more effective use of available funds. This is a responsibility of government.

The mechanisms for reform will differ in each country. However, in Bangladesh, it is clear that the principal regulatory body for FNGO and similar organisations, NGOAB, is not operating in ways which ensure these NGOs keep to their original purpose, nor, indeed to maximise Bangladesh's social and economic development from the available funds. Our suggestions for reform of NGOAB are provided later in this paper. Thomas et al. (2010) characterised the state and domains as overlapping but with NGOs succumbing to the hegemony of state. They suggested that NGOs may exhibit 'multiple identities'—selective collaboration with state, gap-filling and posing alternatives—in the course of their interactions with the state.

INGO: Whose Major Funding is its Own Sources

INGO was established in 1972. At present, INGO promotes income generation for poor, mostly landless, rural people through micro-credit and healthcare, literacy, and education and training programmes. At inception in 1972, INGO had an annual budget of Taka 3 million (US\$250,000 based on the exchange rate in 1972). Donors (both foreign and local) supplied all of the funds at that time. However, the majority of INGO's funds (approximately 70 %) are now obtained internally.

Accountability in INGO

INGO is licenced by the Ministry of Social Welfare. Since INGO's projects are mainly microcredit projects, the organisation is upwardly accountable to the MRA. INGO's accountability to MRA is limited to submitting monthly loan disbursement and loan recovery reports.

We observed significant differences between the accountability mechanisms for FNGO and INGO. A principal reason behind these differences is that FNGO, and other foreign-funded NGOs, depend on foreign donors and so are subject to NGOAB regulations. For these foreign-funded NGOs, separate approval for all projects is required from NGOAB (Haider 2011). As a consequence, these NGOs also need to report to NGOAB about the projects separately. FNGO spends significant amount of time and resources for reporting to NGOAB for its hundreds of projects. On the other hand, INGO's foreign donor funded project is insignificant compared to its total projects (only 10 % at the time of writing this report) and whatever reporting it needs to do to NGOAB concerning its foreign-funded projects does not impact on its other internally funded projects. At the same time, INGO also spends relatively little time preparing reports for foreign donors. As we discussed, FNGO's accountability controls are heavily influenced by the organisations to which it is upwardly accountable. Barman (2008) points out that one key challenge for NGOs is that their own goals and the needs of their beneficiaries do not necessarily align with funders' intention. While FNGO is busy in establishing its internal governance systems to satisfy the needs of its foreign donors and NGOAB, INGO has developed its accountability and governance systems with little external influence. INGO has its own internal audit and monitoring division and employs external professional accountants for compliance audits. INGO's governance mechanisms are customised to deliver holistic accountability which encompasses the impacts that its actions have on all stakeholder groups, including beneficiaries. We are not arguing that the reporting requirements imposed by foreign donors and the NGOAB directly prevent FNGO undertaking downward accountability. Nor we are arguing that the foreign donors of FNGO should not have imposed their own reporting requirements for FNGO. However, FNGO has to apply significant resources to meeting its upward accountability obligations to its donors (especially when there are multiple donors with diverse reporting requirements) and the bureaucratic requirements of the NGOAB. Accordingly, INGO has a significant advantage over FNGO in terms of fulfilling its holistic accountability.

Under INGO's holistic accountability mechanisms, each field worker is responsible for monitoring the outcomes of loans to eight to ten teams of beneficiaries. Beneficiary teams consist of four or five members. INGO's field workers meet teams on a weekly basis to ensure that the microcredit loan is being spent on the intended project or activity. Each team member also monitors the activities of other team members. Team members are expected to report to the field worker if any team member's activity deviates from the intended purpose of the microcredit arrangement. Field workers prepare weekly reports which are sent to INGO Head Office through its regional offices. According to an INGO beneficiary (B5):

...you might have heard last year about a news [item] concerning a loan recovery process for INGO by [name withheld]...a field worker was accused of using excessive force to recover a loan...I know the actual facts because the beneficiary happened to be known to me...actually, the beneficiary took a loan as capital to make baskets etc. out of bamboo fibre...instead she used the money get her daughter married...the particular field worker was not happy about it as it was not the intended outcome of the loan...he simply confiscated the collective security of the whole beneficiary team against the recovery of the loan...I think the field worker did the right thing, otherwise no loans of INGO would see their intended outcomes...

One of the landmark steps taken by INGO to ensure effective downward accountability was to establish a position which exercised the functions of an Ombudsman within the organisation. Any INGO beneficiary, stakeholder, employee, or indeed, any citizen, can lodge a complaint with this person on any issue concerning administration within INGO, or any abuse of power with respect to any decision taken by INGO. According to INGO executive MA:

...the [office exercising a function similar to that of an Ombudsman] has been given a comprehensive mandate to investigate ... maladministration or misuse of power or discretion within [INGO] that affects our stakeholders and beneficiaries...the [office] has unrestricted access to INGO, including its main and field offices, personnel and documents...the [office] examines the activities of INGO and determines whether principles of fairness, equity and social responsibility are being applied by INGO...about 450 cases have been handled by the office since it was established...

Respondent MA termed the accountability-monitoring power of the office a socialising form of accountability. MA continued:

...usually, our beneficiaries do not access the [office]...most of the beneficiaries are not sophisticated enough to understand the role of [the office]...however, it often happens that a field worker complains to the office about another fieldworker's negligence...in fact, we have noticed that our field workers use the office for whistleblowing...ultimately this socialising form of accountability by our field workers helps INGO fulfil its social obligations...during administrative investigations or investigation by [the office] at field level, our beneficiaries often come into the spotlight...

Froelich (1999) argue that dependence on donor funding has been associated with NGO goal displacements as well as structure constraints. Froelich (ibid.) further argues that empirical evidence to date does not establish goal displacement as a common correlate of commercial revenue sources of NGOs. Froelich (ibid.) further points out that there are studies that have reported about the flexibility advantage of NGO funding through their own commercial activities and that the resultant ability of NGOs to support their existing and new programs and serve more clients. For example, with respect to Cambodian NGO cases, Khieng (2013) observed that funding from NGO commercial activities and other locally available resources are

more flexible and can enable NGO managers to align their programmes more closely to the needs of the communities and promote organizational autonomy, financial sustainability and self-reliance. The current study supports the arguments and the views of Froelich and Khieng. INGO does not depend to a significant degree on external or foreign donors for its social development activities. Beneficiaries or people acting on their behalf are able to exert influence over INGO, but not in FNGO, because INGO's funding comes from the surpluses created by the beneficiaries themselves. As indicated in Table 1, most of INGO's activities are related to micro-financing, and approximately 70 % of its funding is internal. Meyer and Rowan (1977) argue that organisations in search of external support and stability incorporate many incompatible structural elements, leading to lowered efficiency. However, as INGO is internally funded, it does not have to incorporate such elements and thereby has been able to take better care of its downward accountabilities.

FNGO and INGO have similar accountability standards, notwithstanding the fact that one is mostly externally funded and the other is mostly internally funded. Both FNGO and INGO are required to comply with government regulations mandating; transparency in reporting; being available for public questioning; sharing information openly with their beneficiaries; facilitating critical peer reviews by involving beneficiary community groups in NGOs' core functions; and decentralising decision-making and resources to lower levels (Jordan and van Tuijl 2006). When we compare FNGO's and INGO's performance in terms of these accountability standards, INGO has the better accountability outcome. Moreover, INGO's programs have greater impact than those of FNGO. As stated earlier, FNGO has to fulfil stringent compliance demands from its donors as well as from government regulators. While both NGOs are subject to similar accountability standards, INGO publishes an abridged version of its annual report in widely circulated daily newspapers. In addition, the full report is readily available of INGO's website. These measures provide better accessibility to information for the public and in particular, by beneficiary organisations. Further accessibility to information is provided through the office of INGO's Ombudsman. INGO is able to adopt participatory process involving beneficiary community groups to its core functions because of their financial independence in selecting programs.

Conclusion

Previous normative-based studies of Bangladeshi NGO accountability frameworks have criticised NGOs for their failure to adopt beneficiary-centred accountability systems. While this study reviewed only two NGOs, they were large and typical. The lesson to be learned from the current study is that the provision of money alone to NGOs does not guarantee the expected results. Although we presented a case of only one substantially foreign-funded NGO, it was brought into our knowledge that it is typical of NGOs in Bangladesh that depend on external sources for their funding to spend more than half their total resources satisfying their funding providers. Resources devoted to assessing and evaluating the outcomes of their

activities for beneficiaries are negligible. These NGOs are operating in accordance with the requirements of their funding providers and have little opportunity or incentive to develop beneficiary-centred governance systems. In addition, foreign-dependent NGOs spend substantial resources meeting NGOAB's reporting requirements. NGOAB rarely investigates beneficiary situations unless the political interests of the government are disturbed. On the other hand, NGOs whose main funding is internally generated have developed beneficiary-centred governance systems and do not have to spend substantial resources satisfying external funding providers.

The present study has a number of policy implications. The NGO regulatory authorities in Bangladesh need to appreciate that NGOs which meet their upward responsibilities usually do not exercise appropriate downward accountability. Hence, policy-makers should introduce and implement policies and regulations to strengthen downward or holistic accountability by NGOs. In addition, foreign-funded Bangladeshi NGOs can become more effective by improving their internal governance and developing medium- to long-term strategies to reduce their dependence on foreign donor funding. The donors (mainly Western) also have some responsibilities. In addition to relying on the traditional approach of reporting-based monitoring NGO accountability, they should also help their fund-receiving NGOs build good governance practices. We recommend that,

- the NGOAB should be removed from the political influence of the government. It should be established as an independent entity along the lines of national audit offices;
- the NGOAB should develop reporting standards along the lines of the GRI framework. These standards should then be used as the benchmark for evaluating the performance of NGOs;
- in addition to the requirement of financial audits, the NGOAB should also implement compulsory performance audits of NGOs and their programs. The NGOAB should make these performance audit reports publicly available;
- the NGOAB, as an independent oversighting body for NGO governance, should encourage NGOs to become less dependent on donations and grants and more self-reliant in order to finance worthwhile programs that are not popular among donors;
- the NGO regulatory frameworks be reviewed to modernise, rationalise and harmonise applicable laws and government agencies affecting the not-for-profit sector in order to enhance transparency, accountability, and good governance and to eliminate unnecessary cost and delay in enforcement;
- NGOs be encouraged to adopt, and rewarded for, good practice in accountability. Such rewards might include additional funding, extra publicity, media coverage, as well as through peer pressure.

Appendix

See Table 2.

Table 2 Interviewee profile

Pseudo initials of the interviewee/respondent	Organisation/affiliation	Position	Number of times interview conducted
SA	INGO	High-level executive, finance and accounting area	2
MA	INGO	Executive, finance and accounting area	1
TM	FNGO	Executive	1
HA	FNGO	Field worker	1
KA	An NGO (specialised in doing development research)	High-level executive, operational area	2
RC	An audit (chartered accountancy) firm specialised for doing NGO audit	Executive who performed audit jobs in NGOs that were selected for this study	1
GG	An audit (chartered accountancy) firm specialized for doing NGO audit	Audit staff and performed audit jobs in NGOs that were selected for this study	3
MD	An NGO involved in environmental research	Research fellow	2
RR	University of Dhaka	Professor and consultant to permit further sanctioning of fund by UNDP, USAID, and some other donor agencies; adviser and financial reviewer of Marie Stopes (a health sector NGO)	2
SC	NGOAB	High-level executive and performed fund sanctioning	1
B1	Beneficiary of FNGO	Self employed—subsistence level farmer	1
B2	Beneficiary of FNGO	Self employed—subsistence level farmer	1
B3	Beneficiary of INGO	Housewife	1
B4	Beneficiary of FNGO	Housewife	1
B5	Beneficiary of INGO	Day labourer	1

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