NGO/NPO Sector Assessment of Bangladesh

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Conducted by:
Bangladesh Financial Intelligence Unit
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NGO/NPO Sector Assessment of Bangladesh

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[Note: This report is a live document and will be reviewed periodically by Bangladesh Financial Intelligence Unit (BFIU). If anyone has comments or suggestions, please send your feedback to Md. Rashed, Deputy Director, BFIU via e-mail: md.rashed@bb.org.bd. Your feedback will be considered during next review of the document.]

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List of Abbreviations

ADC	Additional Deputy Commissioner
AHAB	Ahle Hadith Andolon Bangladesh
APG	Asia Pacific Group on Money Laundering
ASK	Ain-o-Salish Kendra
ATA	Anti Terrorism Act
DAE	Department of Agriculture Extension
DAM	Dhaka Ahsania Mission
DC	Deputy Commissioner
DD	Deputy Director
DPHE	Department of Public Health Engineering
DSS	Department of Social Services
DWA	Department of Women Affairs
FATF	Financial Action Task Force
FGD	Focus Group Discussion
GK	Gonoshastho Kendro
GoB	Government of Bangladesh
JCF	Jagorani Chakra Foundation
JMB	Jamaat-ul Mujahideen Bangladesh (a banned militant group)
ME	Mutual Evaluation
MLPA	Money Laundering Prevention Act
MRA	Microcredit Regulatory Authority
NGO	Non Government Organization
NGOAB	NGO Affairs Bureau
NPO	Non Profit Organization
RIHS	Revival of Islamic Heritage Society
RJSC&F	Registrar of Joint Stock Companies & Firms
SFDW	Shakti Foundation for Disadvantaged Women
SSO	Social Service Office (filed level office under DSS)
SSS	Society for Social Service
TIB	Transparency International Bangladesh
UNO	Upazila Nirbahi Officer

Preface

In response to the growing concern about money laundering and terrorist activities, the international community has been acting on many fronts. The United Nations (UN) was the first international organization to undertake significant actions to fight against money laundering through adopting several conventions and resolutions. Following the UN actions, the Financial Action Task Force (FATF) was formed by G-7 countries as the first inter-governmental body to combat Money Laundering (ML) and Terrorist Financing (TF). Its 40 recommendations considered as global standards for preventing ML and combating TF.

Recommendation-8 of FATF requires countries to conduct review the adequacy of laws and regulations that relate to entities that can be abused for the financing of terrorism. Non-profit organisations are particularly vulnerable, and countries should ensure that they cannot be misused: (a) by terrorist organisations posing as legitimate entities; (b) to exploit legitimate entities as conduits for terrorist financing, including for the purpose of escaping asset-freezing measures; and (c) to conceal or obscure the clandestine diversion of funds intended for legitimate purposes to terrorist organisations.

Combating financing of terrorism (CFT) is seen as an intrinsic by product of an effective regulation on the NPO sector. Regulatory oversight of the NPO sector improves transparency and accountability among the NPOs, and thus consequently deters, detects and disrupts related terrorist activities. Effective NPO regulation can also serve to complement other CFT efforts, such as law enforcement.

Being a member of APG, a FATF styled regional body, Bangladesh is highly committed to implementation of the FATF recommendations. As part of the commitment of Bangladesh, BFIU and NPO sector regulators of the country have decided to conduct an NPO Sector Assessment jointly as per recommendation of FATF and develop a long term strategy for the supervision of the sector. Three committees have been formed and all relevant stakeholders viz. NGO Affairs Bureau, Microcredit Regulatory Authority, Department of Social Services and Law Enforcement Agencies have been included. This report is the outcome of that initiative.

The findings of this assessment shall be used as policy option with a view to improving the overall monitoring of the NPO sector. Furthermore, considering the evolving nature of the terrorist financing risk, the NPO sector needs to be assessed periodically. So, this report shall be reviewed in every 3 years to address the TF risk in the NPO sector of Bangladesh.

Date: 11 October, 2015

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Head of BFIU & Deputy Governor, Bangladesh Bank

Table of Contents

Acknowledgements **3**

List of Abbreviations **4**

Preface **5**

Executive Summary **9**

Chapter 1: Assessment of NGO/NPO Sector of Bangladesh **13**

1.1 Introduction 13

1.2 Research Objectives 14

1.3 Research Methodology 14

1.4 Definition of Key Concepts 15

Chapter 2: NGO Sector Assessment in Global Perspective **17**

2.1 FATF Interpretive Note 17

2.2 Typologies Report: NPO Sector Vulnerabilities (APG) 18

2.3 NPO Sector Review in Bangladesh 23

2.4 NPO Sector Review in Philippine 27

2.5 TF Risk and Role of NPO Sector in West Africa 28

Chapter 3: Overview of the NGO Sector of Bangladesh **30**

3.1 Introduction 30

3.2 History of NGO Sector in Bangladesh 30

3.3 Types of NGO in Bangladesh 31

3.3.1 NGO-MFIs 32

3.3.2 Development NGOs 34

3.4 Financing of NGOs 36

Chapter 4: Governance & Finance of Leading NGOs **38**

4.1 Registration/Licensing 38

4.2 Programs and Activities 39

4.3 Size of the NGOs 40

4.4 Sources of Finance 41

4.5 Partnerships/Collaborations with Other Local NGOs 42

4.6 Partnerships/Collaborations with Foreign Organizations 43

4.7 Governance Structure 44

4.8 Policy Making Process 45
4.9 Monitoring by NGO Regulators 45
4.10 Monitoring by Local Administration 46
4.11 Accountability and Transparency within NGO Management 46
4.12 Monitoring of NGO Activities by Donors 47
4.13 Monitoring by the Self Regulatory Bodies 47
Chapter 5: Analysis of Legal Framework in NGO Sector 48
5.1 Voluntary Social Welfare Agencies (Registration and Control) Ordinance, 1961 & Rules, 1962 48
5.2 The Foreign Donations (Voluntary Activities) Regulation Ordinance, 1978 & Rules and Order 52
5.3 The Foreign Contributions (Regulation) Ordinance, 1982 57
5.4 The Societies Registration Act, 1860 57
5.5 Microcredit Regulatory Authority Act, 2006 & Rule, 2010 59
5.6 The Trust Act, 1882 64
5.7 Money Laundering Prevention Act, 2012 & Rules, 2013 64
5.8 Anti Terrorism Act, 2009 66
Chapter 6: Analysis of Regulatory Framework in NGO Sector 69
6.1 Legal Position of the Regulation/Registration Authorities 69
6.2 Organizational Strength of the Agencies 69
6.3 Registration/Licensing Procedures for NGOs 71
6.4 Renewal of Registration/License 74
6.5 Project Approval & Release of Foreign Fund by NGOAB 74
6.6 Statements Submitted to NGO Regulatory Agencies 74
6.7 Monitoring of NGO Activities by Regulators 75
6.8 Sanctions Imposed by Regulators for Non-compliance 75
6.9 Limitations of the Regulatory Authorities 76
6.10 Recommendations by the Regulatory Authorities 76
6.11 Role of Deputy Commissioner & Upazila Nirbahi Officer 78
6.12 Role of the District & Upazila Social Service Office 79
6.13 Monitoring of NGOs in the Hill Tracts Region 81
6.14 Opinion of the NGOs regarding NGO Regulation 83

6.15 Opinion of External Auditors on NGO Monitoring 83
Chapter 7: Policy Options and Conclusion 85
7.1 Reforms in Legal Framework 85
7.2 Reforms in Regulatory Authorities 86
References 89
Annexure 1: Foreign Aid Flows in Bangladesh 90
Annexure 2: Questionnaires 91

Executive Summary

To mitigate the risk of misuse of NPO sector by terrorist organizations, Bangladesh has decided to assess the existing regulatory framework of the country in line with the FATF Recommendation-8. Three committees were formed with the relevant officials of the NGO sector regulatory authorities, Bangladesh Bank and Bangladesh Financial Intelligence Unit (BFIU) to conduct the research. The objectives of the research were to: review of existing regulatory framework of NGO sector, Money Laundering (ML) &Terrorist Financing (TF) risk assessment and strategy for effective implementation of FATF Recommendation-8. The research methods include review of the existing laws, rules and regulation, survey and data collection, and consultation with the stakeholders.

Previously, an assessment report on the NGO sector regulation of Bangladesh was prepared by NGO Affairs Bureau in 2008 on the eve of the Mutual Evaluation of Bangladesh. World Bank also published a report; titled 'Economics and Governance of Non-governmental Organizations in Bangladesh' published in 2006 which also shortly covered assessment of the NGO sector regulation briefly. Transparency International Bangladesh (TIB) has also conducted a study, titled "Problems of Governance in the NGO Sector: The Way Out" in 2007 which also identified some weaknesses in the NGO sector regulation and put forward recommendations to enhance the regulation.

Overview of the NGO sector of Bangladesh:

Though the history of voluntary works in current Bangladesh could be traced back to the colonial past, the presence of non-governmental organizations (NGOs) in development scene is largely visualized just after the independence. The NGO sector emerged following the war of liberation to provide relief among the war thriven people. Afterwards, with assistance from foreign donor agencies, they expanded their activities to deliver food to the hungers and rehabilitation to the victims of natural disasters and famines. Innovation of micro-credit during the early eighties brought up a breakthrough in the nature and form of activities of NGOs in Bangladesh. Focus of NGOs shifted then from aid and relief driven tasks to direct financing and micro capital building schemes through micro credit disbursement among productive but destitute commons.

The activities, sizes and funding sources of the NGOs in Bangladesh are diverse in nature. Based on the nature of activities, NGOs in Bangladesh can be broadly categorized as Microcredit NGOs (NGO-MFI) and Development NGOs (NGO-Development). NGO-MFIs provide microcredit to its customers and Development NGOs implement different development projects for its beneficiaries.

The Microcredit Regulatory Authority (MRA) established in August 2006 for the regulation of the NGO-MFIs and it has issued 753 licenses as on June, 2015. The nature of activities of the NGO-MFIs is almost same: provide credit in women groups with collective responsibility and collect loan installment in weekly basis. Over 93% of the micro credit borrowers are women and loan recovery rate was 95.64% (June, 2014). But, most of the NGOs have some other development programs for their borrowers (credit plus), such as health, education,

family planning, income generating activities etc. The sector is broadly financed by the following types of sources: savings collected from clients, cumulative surplus (profit), concessional loan received from sources such as PKSF, grants received from national and international donors and commercial bank borrowing.

The primary purpose of Development NGOs is the design and implementation of social and economic development projects. Developments NGOs receive funds from international donors and provide different types of social and economic development services to their beneficiaries. In FY2014-15, NGOAB had released Tk. 57,739.36 million foreign fund against different development projects of the NGOs. Moreover, NGOs also receive fund from the government to implement development projects.

Analysis of legal framework:

Most common laws, such as Foreign Donations (Voluntary Activities) Regulation Ordinance 1978, Foreign Contributions (Regulation) Ordinance 1982, Microcredit Regulatory Authority Act 2006, Voluntary Social Welfare Agencies (Registration and Control) Ordinance 1961, The Societies Registration Act 1860, The Trust Act 1882, Money Laundering Prevention Act 2012, Anti Terrorism Act 2009, and Rules and important circulars issued under those Ordinance/Acts have been reviewed in this assessment.

Foreign fund recipient NGOs are regulated by the NGO Affairs Bureau (NGOAB) under The Foreign Donations (Voluntary Activities) Regulation Ordinance, 1978. Rules and circular have also been issued to implement the provisions of the Ordinance. NGOAB responsibilities include registration of NGOs, approval of projects, fund release and monitoring of their activities, etc. The Deputy Commissioners monitor the activities of the NGOs in their areas on behalf of the NGO Affairs Bureau and enlisted chartered accounting firms conduct auditing of accounts of the NGOs and reports are forwarded to NGOAB. There are other financial and voluntary activities related regulations which together can be considered as an integrated legal framework for foreign funded NGOs of Bangladesh.

Microcredit Regulatory Authority Act, 2006 was enacted in order to establish an authority and formulate rules for efficient regulation of microcredit programs and MFIs in Bangladesh. Microcredit Regulatory Authority (MRA) is the sole licensing agency for micro credit operation and regulation of the institutions. Formation and responsibilities of MRA, monitoring of MFIs, financial and governance related regulations for MFIs are covered under Act, 2006 and Rules, 2010. There are also provisions for sanctions for non-compliances.

Department of Social Services and Department of Women Affairs provide registration of the voluntary social welfare agencies under Voluntary Social Welfare Agencies (Registration and Control) Ordinance, 1961. The agencies can carry out voluntary activities which are mentioned in the Schedule of the Ordinance. Voluntary organizations are required to submit annual report and audited accounts to the registration authority. The authority can inspect, approve the amendment of the memorandum of association and suspend the governing body and appoint an administrator, or a caretaker body for any financial irregularity or

maladministration or compliance failure. But, the list of activities in Schedule is not up to date, there is no provision for renewal of license and punishment for non-compliance under the Ordinance does not seem to be sufficient considering the current scenario.

The Societies Registration Act, 1860 was enacted for improving the legal condition of Societies established for the promotion of literature, science, or the fine arts, or for the diffusion of useful knowledge, the diffusion of political education or for charitable purposes, the foundation or maintenance of libraries or reading rooms for general use, or public museums and galleries. Registration of the societies has to be obtained from the Registrar of Joint Stock Companies and Firms (RJSC&F). The RJSC&F or any other government agency has not been entrusted with necessary power to regulate the Societies. If any dispute arises in the Society, judicial court is the only place for settlement, which is often very complex, time consuming and costly. Moreover, financial regulation is not covered by this Act.

NGOs/NPOs have been included as the reporting organization under the Money Laundering Prevention Act, 2012 & Anti Terrorism Act, 2009. Compliance requirements for Reporting Agencies including NGOs under the Acts include maintaining KYC (beneficiaries), preserving records of transactions for at least 5(five) years, providing information and submission of Suspicious Transaction Report (STR) to BFIU; take measures to prevent financing of terrorism; issue relevant directions and ensure compliance of BFIU directions by the Board of Directors of the NPO. Rules under both of the Acts were also issued in 2013.

Analysis of regulatory framework:

Detail procedures of NGO registration under each regulatory/registration agency are delineated in the rule/circular/order of the respective agencies. Detail information and documents related to the NGO and sponsors are submitted and checked prior to granting registration/license. Activities of NGOs are monitored by local administration on behalf of NGOAB and local Social Services Office on behalf of Department of Social Services (DSS). NGOs also have to submit different reports including annual report and audited financial statements to those offices. NGOs also attend NGO Coordination Meeting headed by DC/UNO in every month and submit progress report of their activities.

The number of NGOs and volume of NGO activities have increased many folds in the last couple of years in Bangladesh, but human resources of the regulatory agencies have not been increased proportionately. The other constrains mentioned by the agencies are: shortage of office space, official vehicles, and weaknesses in the relevant law, absence of a single regulatory authority for NGO regulation and absence of legal provision/rules for coordination among regulatory agencies.

Policy Options:

Some recommendations have been suggested based on the study findings, feedback of the stakeholders and following examples of other countries:

1) The government can consider assigning an existing regulatory agency for registration of all charitable organizations in Bangladesh. National Integrity Strategy Paper (2012)

by Cabinet Division of the Government of Bangladesh also recommended establishment of a single authority for NGO registration. This will eliminate the existing regulatory complexities and will ensure better transparency in the NGO sector. Regulatory authorities should be adequately empowered and resourced to function effectively.

2) Government may otherwise consider forming an NGO Coordination Board consisting of top executives of the NGO regulatory agencies, which will be crucial step ahead in inter-agency coordination and cooperation.

3) NGO-MFIs are special types of financial institutions and they should be regulated like other financial institutions. Microcredit Regulatory Authority (MRA) is a unique innovation of Bangladesh as like the micro finance and MRA should continue its function.

4) Registration authority without regulatory power of an agency creates scope for organizations to escape regulation, as we observed the provision of The Societies Registration Act, 1860 or The Trust Act, 1882. Such old acts related with NGO sector should be amended to empower a single authority to register all NGOs.

5) There should be detail financial and governance related rules for every type of NGOs/voluntary organizations under the relevant laws/rules. The regulatory agencies should also issue governance related guidelines for NGOs and enforce them.

6) Providing adequate human resources for NGO supervision and monitoring should be one of the top priorities to mitigate the ML/TF and other risks in NGO sector.

7) An integrated database of all NGOs registered under all agencies should be developed. Online reporting for the NGOs should also be introduced and such information should be preserved in the database.

8) NGOs/voluntary organizations should be categorized according to their functions, size and spread, etc. and risk based supervision should be introduced.

9) To enhance field level monitoring of NGOs, establishment of regional offices of NGOAB and MRA should be considered.

10) The regulatory agencies may be empowered to nominate external auditors for NGO auditing in suspicious cases.

Chapter 1: Assessment of NGO/NPO Sector of Bangladesh

1.1 Introduction

Bangladesh is the breeding ground of some world renowned Non-Profit Organizations (NPO). Remarkable achievement of Bangladesh in social development is mainly credited to continuous support of the government and wide spread activism by non-profit sector of the country. Many of the pioneering models of development have been developed by the NPO sector of Bangladesh which is currently followed by the development organizations of other countries.

But, NPO sector is particularly treated as vulnerable as there are lots of scopes of misuse by terrorist organizations. Such organizations may collect fund from affluent donors in the name of charitable activities for refugees in a war torn area, but actually channel the major portion of the fund to finance militant activities. Rise of terrorism globally in recent years has drawn attention to the financial sources of terrorist organizations. Some incidents have proven that NPO sometimes has been used in disguise by terrorists to raise fund. To address the growing concern, Financial Action Task Force (FATF) Recommendation 8 states that:

> Countries should review the adequacy of laws and regulations that relate to entities that can be abused for the financing of terrorism. Non-profit organisations are particularly vulnerable, and countries should ensure that they cannot be misused: (a) by terrorist organisations posing as legitimate entities; (b) to exploit legitimate entities as conduits for terrorist financing, including for the purpose of escaping asset-freezing measures; and (c) to conceal or obscure the clandestine diversion of funds intended for legitimate purposes to terrorist organisations.

FATF suggested the following measures for the implementation of the above recommendation:

> Countries should undertake domestic reviews of their NPO sector, or have the capacity to obtain timely information on its activities, size and other relevant features. In undertaking these assessments, countries should use all available sources of information in order to identify features and types of NPOs, which, by virtue of their activities or characteristics, are at risk of being misused for terrorist financing.
> Countries should also periodically reassess the sector by reviewing new information on the sector's potential vulnerabilities to terrorist activities.

To mitigate the risk of misuse of NPO sector by terrorist organizations, Bangladesh has decided to assess the existing regulatory framework of the country and conduct the Terrorist Financing (TF) risk assessment. In line with the FATF recommendation, government of Bangladesh believes that an effective regulation of the sector is an integral part of the risk mitigation strategy.

1.2 Research Objectives

The main objective of this research project is to Review of the existing regulatory framework of NGO/NPO sector of Bangladesh as per Recommendation 8 of FATF. Effective regulation is an effective tool to combat TF in NGO/NPO sector. This sector is regulated by different government agencies. A review of the sector includes description of the existing regulatory framework, effectiveness of the framework, deficiencies and its mitigation.

NGO monitoring process analysis is a part of the regulatory framework review, which includes:

- NGO Monitoring from head office of the NGO Regulators
- Field level monitoring (role of office of the Deputy Commissioner and Upazila Nirbahi Officer, Social Service Office and others departments)

1.3 Research Methodology

- **Literature Review**

The relevant literature, specially the current legal and regulatory frameworks of the NPO sector of Bangladesh has been reviewed and critically analyzed. The literature review has also covered reports, documents, conventions, policies and best practices. These chapters focus on adequacy of existing legal and regulatory frameworks and gap analysis. Key activities under this stage are:

- Review of the size, functions, sources of finance etc. of the NPO sector of Bangladesh;
- Previous study findings on the NGO sector governance and regulation in Bangladesh;
- Review of the relevant laws, such as Societies Registration Act, 1860; Voluntary Social Welfare Agencies (Registration and Control) Ordinance, 1961; Foreign Donations (Voluntary Activities) Regulation Ordinance, 1978; Foreign Contributions (Regulation) Ordinance, 1982; Microcredit Regulatory Authority Act, 2006; The Trust Act 1882; Money Laundering Prevention Act 2012 and Anti-Terrorism Act 2009.

- **Survey and data collection:**

After the literature review, data has been collected from the NGO regulatory authorities regarding supervision and monitoring mechanism of the NGO activities, organizational strength, monitoring of NGO activities in field level, coordination among the relevant agencies etc.

Data have been collected from leading NGOs regarding their governance structure and financing, and perception on ML/TF risk in NGO sector of Bangladesh. Data has also been collected from audit firm regarding common lapses observed during auditing of NGOs.

- **Consultation:**

Workshops were organized with the stakeholders to know the perception on TF risk of the NGO sector. The stakeholders includes NGO regulators, LEAs, intelligence agencies, NGOs, civil society organizations etc.

1.4 Definition of Key Concepts

NGO/NPO:

FATF defines Non-Profit Organisation as a legal person or arrangement or organisation that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of "good works[1]".

According to Section 2(r) of MLPA, 2012 and Section 2(24) of ATA, 2009 of Bangladesh, 'Non Government Organization' (NGO) means the institutions authorized or registered under:

- Societies Registration Act, 1860 (Act No. XXI of 1860),
- Voluntary Social Welfare Agencies (Registration and Control) Ordinance, 1961 (Ordinance No. XLVI of 1961),
- Foreign Donations (Voluntary Activities) Regulation Ordinance, 1978 (Ordinance No. XLVI of 1978),
- Foreign Contributions (Regulation) Ordinance, 1982 (Ordinance No. XXXI of 1982),
- Microcredit Regulatory Authority Act, 2006 (Act No. XXXII of 2006)

which (i) receive fund (loan, grant, deposit) from local sources or provides fund to others; and/or (ii) receive any kind of foreign donation or loan or grant.

According to section 2(e) of MLPA, 2012 and section 2(23) of ATA, 2009, 'Non Profit Organization' (NPO) means any institution registered under Section 28 of the Company Act, 1994 (Act XVIII of 1994).

Money Laundering:

Money laundering is a process to disguise the illegal origin of the criminal proceeds. In other words, it is a process of whitening money that has been gained through illegitimate means. Simply put, "turning of dirty or black money into clean or white money".

[1] FATF, 2012. "International Standards on Combating Money Laundering and The Financing of Terrorism & Proliferation (2012)", page: 58. Paris.

Terrorist Financing:

According to Section 7 of ATA, 2009, (1) if any person or entity willfully provides, receives, collects or makes arrangements for money, service or any other property, whether from legitimate or illegitimate source, by any means, directly or indirectly, with the intention that, it would, in full or in part, be used (a) to carry out terrorist activity; (b) by a terrorist person or entity for any purpose, or is in the knowledge that it may be used by a terrorist person or entity; the said person or entity shall be deemed to have committed the offence of terrorist financing.

Mutual Evaluation (ME):

Mutual Evaluation is the process to assess the compliance of FATF 40 Recommendations by a country or region in respect of combating money laundering and terrorist financing. On-site and off-site inspections are conducted in the country or region by the representatives of the respective regional supervisory body and peer countries.

Chapter 2: NGO Sector Assessment in Global Perspective

The need for NGO/NPO sector assessment was emphasized by FATF in 2001 in its IX Special Recommendations on terrorist financing. It has suggested reviewing of the adequacy of laws and regulations related with the entities which can be abused for the financing of terrorism and NPO sector has been particularly considered as vulnerable. FATF special recommendations were merged with 40 recommendations in 2012. Besides, FATF and other FATF Style Regional Bodies (FSRBs) published different reports on the vulnerabilities of NPO sector and highlighted the need for special attention in this sector in different workshop/conferences. Such concerns and recommendations of the FATF and FSRBs are instrumental for the initiative of regulatory framework review and terrorist financing risk assessment by Bangladesh.

2.1 FATF Interpretive Note[2]

In addition to the Recommendation 8 as discussed in the Chapter 1, FATF has issued Interpretive Note, Best Practices on Combating the Abuses of Non-Profit Organisations (updated in 2013), and Report on Risk of Terrorist Abuse on Non-Profit Organisations (2014). The first document has been discussed briefly in this chapter and last one is in chapter 7.

Interpretive Note, an explanatory detail of the FATF Recommendation 8, has stated that protecting the NPO sector from terrorist abuse is both a critical component of the global fight against terrorism and a necessary step to preserve the integrity of NPOs. FATF has identified several factors for which NPOs may be vulnerable to abuse by terrorists. NPOs enjoy the public trust, have access to considerable sources of funds, and are often cash-intensive. Furthermore, some NPOs have a global presence that provides a framework for national and international operations and financial transactions, often within or near those areas that are most exposed to terrorist activity. Depending on the legal form of the NPO and the country, NPOs may often be subject to little or no governmental oversight (for example, registration, record keeping, reporting and monitoring), or few formalities may be required for their creation (for example, there may be no skills or starting capital required, no background checks necessary for employees). Terrorist organisations have taken advantage of these characteristics of NPOs to infiltrate the sector and misuse NPO funds and operations to cover for, or support, terrorist activity.

The approach taken to achieve the objective of the Recommendation-8 is based on the following general principles:

Past and ongoing abuse of the NPO sector by terrorists and terrorist organisations requires countries to adopt measures both: (i) to protect the sector against such abuse, and (ii) to identify and take effective action against those NPOs that either are exploited by, or actively support, terrorists or terrorist organisations.

[2] FATF, "International Standards on Combating Money Laundering and The Financing of Terrorism & Proliferation (2012)", page: 54. Paris.

FATF suggests that measures adopted by countries to protect the NPO sector from terrorist abuse should not disrupt or discourage legitimate charitable activities. Rather, such measures should promote transparency and engender greater confidence in the sector, across the donor community and with the general public, that charitable funds and services reach intended legitimate beneficiaries. Systems that promote achieving a high degree of transparency, integrity and public confidence in the management and functioning of all NPOs are integral to ensuring the sector cannot be misused for terrorist financing.

FATF has suggested countries to take steps to promote effective supervision or monitoring of their NPO sector. In this regards, NPOs should maintain information on: (1) the purpose and objectives of their stated activities; and (2) the identity of the person(s) who own, control or direct their activities, including senior officers, board members and trustees. Such information should be publicly available. NPOs should be licensed or registered. NPOs should issue annual financial statements. NPOs should have appropriate controls in place to ensure that all funds are fully accounted for, and are spent in a manner that is consistent with the purpose and objectives of the NPO's stated activities. NPOs should maintain, for a period of at least five years, records of domestic and international transactions.

NPOs should follow a "know your beneficiaries and associate NPOs" rule, which means that the NPO should make best efforts to confirm the identity, credentials and good standing of their beneficiaries and associate NPOs including the identity of their significant donors.

Appropriate authorities should monitor the compliance of NPOs with the FATF requirements and should be able to apply effective, proportionate and dissuasive sanctions for violations by NPOs or persons acting on behalf of these NPOs.

2.2 Typologies Report: NPO Sector Vulnerabilities (APG)[3]

Asia/Pacific Group on Money Laundering (APG) has adopted the above typology report at the 14th Annual Meeting in India in 2011. This report aims to assist APG members with the implementation and enforcement of the FATF Recommendation 8. This report focused on the trend of NPO sector abuse related incidents and gaps in the NPO sector regulation in different member countries.

- **Prevalence of Abuse of NPOs**

Regarding the prevalence of abuse of NPOs, it was stated in the report that the vast majority of members have received minimal numbers of Suspicious Transaction Reports (STRs) involving NPOs, and fewer still have pursued prosecutions or successfully convicted NPO board members or staff.

Many governmental authorities have, however, reported that NPOs consistently appear in investigations pertaining to terrorist activities. For example, Canada's financial intelligence unit (FIU), the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), reported in 2006 that approximately one third of all disclosures to intelligence partners

[3] Asia/Pacific Group on Money Laundering (APG), Report adopted by APG members at the 14th Annual Meeting, India, 22 July, 2011.

relating to TF or other national security threats to Canada involved NPOs[4]. In 2007, this figure was one fifth[5]. Similarly, the United Kingdom's HM Treasury has reported that "'a significant portion' of terror finance investigations included analysis of links to charities.[6]" In addition, 43 NPOs and 29 associated individuals were designated terrorist supporters by the US Treasury Department by 2006, accounting for fifteen percent of all designated supporters or financiers at the time[7].

These figures clearly demonstrate that NPOs continue to be abused by terrorists. Although statistics on terrorist abuse of NPOs may appear insignificant relative to the volume of NPOs worldwide, low incidence rates are likely attributable, at least in part, to poor detection. In all probability, the incidence of terrorist resourcing involving NPOs is higher than the figures presented above, particularly in jurisdictions in which NPO regulation is ineffective and the sector is theoretically more exploitable. Thus, the impact of terrorist abuse of NPOs may in fact be more serious than currently thought.

- **Challenges in NPO Regulation**

The report also mentioned the following challenges identified in NPO regulation in member countries that explain why the development and implementation of effective NPO regulatory systems to date have largely been inadequate:

First, NPO regulation is often considered "low-priority." Many jurisdictions have yet to incorporate the mitigation of NPO abuse into their counter-terrorism strategies[8].

Second, an efficient comprehensive regulatory mechanism also requires substantial financial and human resources. The FATF has further remarked that "low-capacity countries" are additionally burdened by a severe lack of resources and skilled workforce, overall weakness in legal institutions, dominant informal sectors and cash-based economies, poor documentation and data retention systems, and very small financial sectors[9].

Third, regulation can itself be very difficult, particularly with respect to monitoring the activities of humanitarian NPOs operating in foreign conflict zones.

Fourth, many NPOs have resisted government oversight and regulation. They argue that regulation will incur added costs on organizations that are often already struggling to survive, and that there are substantial concerns surrounding the potential for government authorities to abuse the regulation of NPOs for political purposes.

Fifth, many jurisdictions have complicated, overlapping, and/or contradictory laws and regulations for historical or cultural reasons. NPO regulatory systems vary widely across

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[4] Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). "FINTRAC Annual Report 2006," 2006.
[5] Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). "FINTRAC Annual Report 2007," 2007.
[6] HM Treasury, "Financial Challenge to Crime and Terrorism" (February 28, 2007).
[7] United States Department of Treasury. "U.S. Department of the Treasury Anti-Terrorist Financing Guidelines: Voluntary Best Practices for U.S.-Based Charities," revised 2006.
8 "Global Survey of States' Implementation of Resolution 1373: focus on the obligations to protect the non-profit sector" (presentation on behalf of the United Nations Counter-Terrorism Committee Executive Directorate (CTED) at the experts meeting, London, January 18-20, 2011).
9 Financial Action Task Force on Money Laundering (FATF). "Guidance on Capacity Building for Mutual Evaluations and Implementation of the FATF Standards within Low Capacity Countries," February 29, 2008.

APG members. The vast majority of members do not have a centralized national body responsible for regulating NPOs. Instead, responsibility is often divided between several governmental departments, depending on the nature of the NPO, making a concerted effort to identify NPOs at risk of abuse extremely difficult. As a result, developing and implementing an effective NPO regulatory system may require legal changes affecting numerous government departments and other actors.

Sixth, and most importantly, effective regulation requires an in-depth knowledge of one's NPO sector, its vulnerabilities, and the current laws and regulations affecting it, which many APG members currently lack.

- **The 9 Strategic Gaps in NPO Sector Regulation**

The APG had identified the following 9 strategic gaps in NPO sector regulation which represent conceptual weak points that each member must consider in their efforts to enhance regulation[10]. The gaps are not mutually exclusive, and often challenges in one area will exacerbate problems in another.

The report also suggested the phase of action corresponding to each gaps.

SL	Strategic Gap	Corresponding Phase of Action
01	**Information Gap**	
	A lack of knowledge concerning the characteristics and vulnerabilities of one's NPO sector	Knowing the risks: Conduct an NPO sector review and subsequent risk analysis to determine where the vulnerabilities are. The most accurate information may require consulting and coordinating with all stakeholders.
02	**Effectiveness Gap**	
	A lack of knowledge regarding the effectiveness of current laws and regulations (i.e. their capacity to address actual risks to the NPO sector).	Assessing current tools: Once a risk assessment of the NPO sector is completed, conduct a review of existing laws and regulations to determine inconsistencies with actual risks. It should ensure that classes of NPOs previously overlooked will be incorporated under the new regulatory system.
03	**Framework Gap**	
	A lack of consensus as to what strategic framework of regulation would be best suited to your sector (e.g. tax regulation, internal security, law enforcement, self-regulation, etc.). Without a clear	Defining concepts and strategies: Determine the strategic framework best suited to regulate your sector (tax regulation, internal security, law enforcement, etc.).

[10] Asia/Pacific Group on Money Laundering (APG), "Typologies Report: NPO Sector Vulnerabilities", 22 July 2011.

	consensus, legislation/ regulations cannot clearly identify the appropriate lead regulatory authority.	
04	**Legal Gap**	
	The absence of appropriate legislation relating to the regulation of NPOs, or the ineffectiveness of present statutory measures in relation to actual risks. As per Recommendation 8, the legislation must allow for supervision or monitoring of the NPO sector, as well as the ability to effectively gather information and carry out investigations.	Drafting and implementing legislation: a) Design legislation around the primary method of regulation, ensuring it addresses actual risks and gives adequate authority to the body involved b) Being mindful of the directives provided by Recommendation-8 with regard to supervision, monitoring, and investigation, will the method of regulation be passive (a registration and reporting regime), active (intelligence and auditing), or a mixture of both?
05	**Structural Gap**	
	The failure to designate a lead organization with sufficient legal authority and resources to regulate the NPO sector, which is necessary in order to centralize the information. Also the failure to define the mandates or extent of authority of other stakeholders.	Putting necessary structures in place: a) Designate a lead organization that fits the initial chosen method of regulation. For example, if regulation is to be tackled through tax enforcement, the lead agency should be a taxation body. b) Begin to define mandates or the extent of authority of other stakeholders. c) Plan for the operational implementation of regulation.
06	**Resource Gap**	
	Although a lead organization is designated, it does not have the necessary funding, personnel, data/records systems, or analytic systems in place to perform essential tasks. These tasks include sectoral analysis, risk identification, and secure data management.	Ensuring the lead organization has the necessary people and systems: a) If possible, systems for automated analysis, databases, reporting, etc. b) Training for staff in analysis, the use of systems, etc. c) Implement the operational aspects of regulation.
07	**Cooperation Gap**	
	The cooperation gap is divided into two sub-sections: Internal: Where there are insufficient measures in place for cooperation. The body responsible for NPO regulation is unable to maintain liaison and	Ensuring internal and external cooperation: a) Put in place mechanisms to ensure cooperation between the lead organization and other government stakeholders (e.g. information-sharing laws, memoranda of understanding,

	cooperation with other stakeholders, including (but not limited to) financial intelligence units, law enforcement, security services, and immigration authorities. External: Where there are insufficient measures in place for cooperation with other governments, multilateral bodies, or self-regulatory bodies.	invitations to working groups/inter-agency committees etc.). b) Ensure bilateral and multilateral engagement with lead organizations in other jurisdictions on information-sharing, strategic planning, risk management, etc.
08	**Outreach Gap**	
	Efforts to educate NPOs regarding risks posed to the sector by terrorists and the need to conduct due diligence are insufficient.	Planning and implementing outreach programs in consultation with the NPO sector: a) Inform the NPO sector about the risks of abuse from terrorists. b) Maintain donor confidence in the NPO sector through outreach programs. c) Ensure due diligence procedures form part of outreach programs.
09	**Participation Gap**	
	The failure to include the NPO sector throughout all stages of enhancing regulation.	Integrating/consulting the NPO sector: Ensure the NPO sector is included in discussions/decision-making during each phase of this framework. Experience has shown that best results are achieved when the NPO sector is continually involved and consulted.

- **Caveats for Regulation**

The report has also stated a number of caveats regarding NPO sector regulation which must be kept in mind by all jurisdictions[11]:

a) CFT is a by-product of effective regulation. Regulation should not be pursued simply for CFT purposes. Instead, it should be pursued to foster transparency and accountability among NPOs, and to thereby protect the integrity of the NPO sector. By focusing efforts solely on CFT, jurisdictions run the risk of actually aiding terrorists by shutting down or discouraging legitimate NPO work in areas of risk. Such action may then provide terrorists in these areas with opportunities to fill the void and provide much-needed humanitarian assistance, which will likely increase support for them from the local population.

[11] Asia/Pacific Group on Money Laundering (APG), "Typologies Report: NPO Sector Vulnerabilities", 22 July 2011.

b) This also touches on the need for proportionality. The design of any regulatory mechanism must be weighed against the potential costs to society. As observed at a recent United Nations meeting in London, these impacts include the "economic, human, reputational, and democratic consequences of regulatory action." A disproportionate response to the risk of terrorist abuse may affect the assistance provided by NPOs, and may in fact hurt more people than it helps.
c) Flexibility within a regulatory system is further essential. As an example, it may not be feasible to expect NPOs that respond to sudden humanitarian crises to maintain clear lines of accountability.
d) Finally, although governmental regulation appears to be the most common manifestation of oversight of the NPO sector, NPO self-regulation can also play a role. Over the past twenty years, self-regulation in the NPO sector has become increasingly popular. NPOs often sign up to codes of ethics or join umbrella associations in which they are monitored to improve good practice and governance, ensure common principles are met, and to gain the public's trust. These objectives are shared by governments seeking to improve CFT. Although accountability standards initiated by the NPO sector itself are generally voluntary and have few compliance measures, they can strongly complement governmental regulation and may save significant public resources, and should therefore be encouraged by authorities.

2.3 NPO Sector Review in Bangladesh

- **Public Sector Initiatives**

An assessment report on the NGO sector regulation of Bangladesh was prepared by **NGO Affairs Bureau** in 2008 on the eve of the Mutual Evaluation of Bangladesh. The report identified the relevant laws and mainly focused on the regulatory process of the foreign funded NGOs by NGOAB. The Assessment had identified the following laws/Acts under which charitable entities have been registered/licensed and regulated in Bangladesh:

1) The Societies Registration Act, 1860
2) The Trust Act, 1882
3) The Cooperative Societies Act, 2001
4) The Companies Act, 1994.
5) Charitable Endowment Act, 1890;
6) Wakf Ordinance, 1962;
7) Hindu Religious Welfare Trust Ordinance, 1983;
8) Christian Religious Welfare Trust Ordinance, 1983;
9) Buddhist Religious Welfare Trust Ordinance, 1983
10) The Voluntary Social Welfare Agencies (Registration & Control) Ordinance, 1961.
11) The Foreign Donations (Voluntary Activities) Regulation Ordinance 1978;
12) The Foreign Donations (Voluntary Activities) Regulation Rules, 1978 (amended in 1990)
13) The Foreign Contributions (Regulation) Ordinances, 1982
14) The Micro-credit Regulatory Authority Act, 2006.

The report had put forward the following recommendations for further action:

a) Donors should consider the priority areas of the GoB for poverty alleviation and should
have a dialogue with NGOAB before finalizing their commitments to the NGOs;
b) During the registration process of NGOs, the Ministry of Home Affairs may go for more
in-depth investigation on the aims and objectives of aspirant NGO(s);
c) The monitoring system of NGOs especially religion based NGOs at the field level should
be further strengthened by NGOAB as well as field offices of respective ministries, intelligence agencies, district and upazilla administration;
d) Evaluation teams of the donors in the NGO sector should include representatives of NGOAB and concerned ministries with a view to ensuring a balanced feedback;
e) Raising public awareness with the help of media and government machineries on NGO activities at the grass-roots level;
f) Holding coordination meeting regularly amongst all regulators of NGO/NPO sector;
g) The old dated existing laws on NPO/NGO sector have to be revised to meet challenges;
h) All NPO/NGO regulators, especially NGOAB, have to be strengthened in terms of manpower, logistic supports and ICT;
i) There should be continuous GO-NGO-Donor dialogues which would remove distrust. NGOs should make themselves more accountable and transparent;
j) There should be a consensus among the Government, Donors and NGOs on the mechanism of transparency, accountability and good governance (in the NGO sector).

- **International Initiative**

A Document of the World Bank, titled '**Economics and Governance of Non-governmental Organizations in Bangladesh**' published in 2006 is an excellent work[12] on overall assessment on the governance and finance of NGO sector of Bangladesh. The report was prepared by a team comprising researchers mainly from World Bank and DFID in consultation with the Government of Bangladesh, the NGO community, donor representatives and several academics.

The document stated that Bangladesh has made striking progress on a range of social indicators over the last 15 years, an achievement widely credited to the country's NGO sector. Notable innovations that were expanded include delivering credit to the previously "unbankable" poor, developing a non-formal education program to cater to poor children, particularly girls, and using thousands of village-based community health workers to provide doorstep services. The beauty of NGO activities is that poor women constitute a larger proportion of NGO beneficiaries. NGOs are not only confined to the delivery of social

[12] Economics and Governance of Nongovernmental Organizations in Bangladesh, Bangladesh Development Series, Paper No: 11, The World Bank Office, Dhaka, April 16 2006.

services and pro-poor advocacy, they have developed commercial ventures in order to link poor producers with input and output markets, as well as to develop a source of internally generated revenue for the organizations.

Despite significant progress made by NGOs, the rapid growth and diversification of the NGO sector has also given rise to public policy challenges and concerns. These include the viability of a regulatory framework developed when the size and scope of NGOs was far more limited, the appropriate political and commercial spaces for NGO activities, trade-offs between NGO sustainability and pro-poor orientation, the impact and quality of NGO services as they have scaled up, NGO corporate governance, and the implications of different ways of financing NGOs. The document seeks to address challenges using a public economics framework which contributes to have a better understanding of the NGO sector in Bangladesh.

- **Civil Society Initiative**

Transparency International Bangladesh (TIB) has conducted a study, titled **"Problems of Governance in the NGO Sector: The Way Out"** in 2007 to bring out an overall picture of the nature, extent and process of governance failure, irregularities and corruption in the NGO sector of Bangladesh. It also puts forward certain recommendations as a way out for promoting accountability, transparency and good governance in the sector. The findings of the study have been discussed here briefly.

The study was qualitative, combining desk research with field work and fact finding on selected NGOs. The study identified key challenges facing the NGOs of Bangladesh, which are: (a) lack of financial sustainability; (b) shortage of efficient employees and high employee attrition; (c) inadequate infrastructure; (d) undue interference and control by the government; (e) lengthy fund release process; (f) low level of inter-sectoral cooperation; (g) inadequate training and low level of true professionalism among employees often aggravated by lack of job security; (h) lack of information and relevant research; (i) religious conservatism and militancy, and threat of terrorism; (j) political pressure and political instability; k) Unfavorable tax regime; and (l) natural calamities.

The report had identified the some weaknesses in the NGO sector regulation in Bangladesh and the key points are stated below:

a) The NGO Affairs Bureau suffers from many shortcomings which create opportunities for irregularities and corruption in the sector. It has an acute shortage of human resource and logistic support.
b) The largest number of NGOs is registered with the Directorate of Social Welfare. Many government organizations register NGOs as their associate in order to implement their projects. Such NGOs have to submit their program report to the concerned government offices, which are mandated to monitor and evaluate its assigned NGO(s) to ensure accountability. In reality, the registration-providing government offices cannot efficiently monitor these NGOs.
c) At the local level the Upazila and District administration authority is responsible for monitoring the activities of NGO in their respective areas and send report to the

NGOAB. The research shows that because of heavy workload they have neither time nor resources to do so except holding of monthly meetings, which also do not take place on a regular basis.

The study of TIB has find out a list of problems in governance which are common in the NGOs of Bangladesh. The key problems observed are:

a) Relatives of the executive head exist in the governing body. Regular meeting of the governing body is not held. Most of the members do not visit the NGO except participating in meetings.

b) Executive head takes decisions unilaterally. Decisions are not taken through meetings.

c) The accountants are not independent. Exaggerated and wrong information are provided in the audit and financial reports. The auditor appointed for financial management is previously known and s/he is influenced.

d) There is absence of a Human Resource Policy. Even if it exists, it is not followed properly.

e) NGO is not accountable to service recipients. Exaggerated reports are submitted to NGO Affairs Bureau, donors, local administration, and Department of Social Services. Financial negotiation is done for getting government project.

f) There is lack of necessary supervision and evaluation in program implementation. Progress and evaluation report are sometimes exaggerated.

g) Culture of secrecy in keeping financial and accounts information. Common people do not get information easily from the organization.

The study report of the TIB has made some recommendations to improve the governance and regulation of the NGO sector in Bangladesh:

a) An autonomous NGO Commission should be set for monitoring of the entire NGO Sector. Under this commission, registration, monitoring, controlling and other interrelated works will be done.

b) Laws that regulate the NGO Sector are backdated. A new set of Rules or Acts should be enacted addressing diverse types of NGOs and their activities.

c) A system of Social Audits may be introduced under the proposed NGO Commission or the umbrella bodies of NGOs.

d) Thematic/program based umbrella bodies may be formed by the concerned NGOs for ensuring self-regulation and due diligence.

e) Executive head's relatives must not be included in the governing body

f) Effective check and balance system must be enforced. Specific code of conduct of governing body members should be available.

g) The founder of an NGO may hold the post of Chief Executive or Chairman/Member of the governing body. In that case there should be an effective check and balance

between the executive head and the governing body. The chief executive may be changed as per the governing body's decision.

h) Appropriate legal steps must be taken against responsible individuals in the NGO found to be involved in corruption.

i) The proposed NGO Commission may develop a standard set of policies and rules with regard to human resource, gender, accounts, working hour, competitive salary and benefits and so on. Every NGO must develop and adopt its own Code of Ethics and other policies.

j) There should be a cell to receive complaints from NGO workers and take proper actions accordingly. This complaint cell may be set up in the NGO Commission and in every umbrella body.

k) All information of an NGO should be made accessible to the public, especially its stakeholders. Information dissemination should be institutionalized rather than being dependent on one individual.

l) Efforts should be made by NGOs' to develop own website which should be updated regularly.

2.4 NPO Sector Review in Philippine

The **'NPO Sector Assessment: Philippine Report' (2008)** is a manifestation of the important contributions of non-government organizations (NGOs), people's organizations (POs), foundations, associations, cooperatives and other non-profit organizations (NPOs) to the well-being of Philippine society[13]. The objectives of the report included to review the existing framework of NPO regulation in the Philippines and to identify key risks to the NPO sector.

The 1987 Philippine Constitution recognizes the right to organize non-government organizations and people's organizations. There are various laws that govern the operation of different types of non-profit organizations, including the Corporation Code, the Cooperative Code, and the Labor Code. There are also government agency and local government issuances that govern the registration, accreditation and licensing of various non-profit organizations, which is required for these organizations to obtain a juridical personality and to participate in public sector-initiative programs and projects. Most NPOs are tax-exempt in Philippine. There have also been self-regulation initiatives in the NPO sector.

There were around a quarter of a million to half a million non-profit organizations in Philippine in 1997. More than half of this number was registered with national government agencies and were accredited by local government units.

The Report mentioned five types of risks that had been identified:

[13] Caucus of Development NGO Networks, "NPO Sector Assessment: Philippine Report", 2008.

a) Risks that relate to the lack of government resources (limited resources of government regulatory agencies, incidental costs of registration for small NPOs is quite large vis-à-vis their incomes and assets);
b) Risks that relate to lack of information on NPOs (unevenness of information on NPOs, in terms of dissemination and availability; lack of detailed data on non-profit organizations; lack of distinction between profit and non-profit organizations in some agency databases);
c) Risks that relate to political influence in registration and regulation of NPOs (some for- profit institutions are registered as non-profits institutions for tax purposes or as conduit of funds of politicians; NPO self regulatory initiatives are subject to political influences);
d) Risks that are related to limited awareness of regulations (NPOs' limited awareness about the regulatory measures and how they are implemented; differences in perception (between government and NPOs, and among NPOs) of 'protection' that has to be undertaken by government regulators);
e) Risks that are related to the lack of formal structures for regulation (many non-profits are not adequately regulated and supervised; limited formal structures and mechanisms for coordination among agencies in dealing with NPO matters).

The report termed the regulatory framework of Philippine in respect of registration and licensing of NPOs is very effective; and the rules are clear to most organizations. However, there is some debate on the effectiveness of rules in the areas of protecting non-profits and mitigating risks.

The main recommendations of the Report were to enhance coordination of regulatory agencies and develop and enhance structures that improve dialogue between NPOs and the government, improve proportionality in terms of regulation, develop rules that would enhance formalization of NPOs, and improve data quality and dissemination of NPO information.

2.5 TF Risk and Role of NPO Sector in West Africa

The study report 'Terrorist Financing in West Africa' jointly prepared by FATF and GIABA in 2013 is related to different issues of terrorist financing in the Economic Community of West African States (ECOWAS)[14]. The Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) is a specialized institution of ECOWAS that is responsible for strengthening the capacity of member states towards the prevention and combat of money laundering and terrorist financing in the region.

The report attempted to discover the methods used by terrorists, terrorist groups, and their supporters to collect, transfer, and utilise funds for their activities. The study states that NGOs and charities are vulnerable to exploitation by terrorist organisations. This study found that terrorist organisations are not only targeting NGOs and charities, but also the most

[14] "Terrorist Financing in West Africa", FATF and GIABA, October 2013.

vulnerable members of society (the elderly, beggar children, the infirm) in an effort to raised funds and hide their true intent;

The study report has made some recommendations among which the following are related with NPO sector:

a) Put in place an effective mechanism to implement the relevant UN and FATF provisions for countering terrorist financing; especially the generation, movement and utilisation of funds within each country.

b) Effectively monitor the activities of street beggars, fund raisers at religious sites particularly in areas known for terrorist activities.

c) Put in place effective regulatory and monitoring mechanisms to ensure effective supervision of the activities and transactions of NPOs and charities without retarding their important functions, including the adoption and implementation of standard guidelines and procedures for the monitoring and supervision of the operations of NPOs and charities, covering those operating internationally, in order to ensure that they are not being used as conduits for terrorists financing.

d) Implement measures relating to the monitoring and control of donations made to NPOs, and to better educate notaries on their AML/CFT obligations.

e) Deepen the implementation of AML/CFT measures, especially customer identification and reporting of suspicious transactions to effectively combat terrorist financing.

f) Review and amend, where necessary, legislations and regulations relating to terrorism and terrorist financing in order to ensure effective deterrence, and to provide the maximum co-operation possible to other jurisdictions in order to effectively combat the threats;

g) Involve the civil society, religious groups and the private sector more effectively in terrorist financing prevention efforts;

Chapter 3: Overview of the NGO Sector of Bangladesh

3.1 Introduction

Bangladesh is going through tremendous economic and social achievements during last four decades. On the one hand, hard-works of the marginal farmers and industrial workers, physical and intellectual offerings of small and large entrepreneurs, financial offspring from formal and informal channels collectively put up the economic growth trajectories into a take-off stage. On the other hand, intensive and consecutive policy supports by the government and international partners and extensive field-level programs by the local public officials and NGOs elevate the social advancement in Bangladesh.

3.2 History of NGO Sector in Bangladesh

Since the British era, NGOs in its traditional form have been working in Bangladesh as different religious trust-based institutions like schools, madrashas, orphanages etc. used to be established by the people either philanthropic individual or in a group. However, the presence of non-governmental organizations (NGOs) in development scene of Bangladesh is largely visualized in recent decades, the root was impeded far ago just after the independence. The NGOs sector emerged following the war of liberation to provide relief among the war thriven people. Afterwards, with assistance from foreign donor agencies, they expanded their activities to deliver food to the hungers and rehabilitation to the victims of natural disasters and famines. Innovation of micro-credit during the early eighties brought up a breakthrough in the nature and form of activities of NGOs in Bangladesh. Focus of NGOs shifted then from aid and relief driven tasks to direct financing and micro capital building schemes through micro credit disbursement among productive but destitute commons. That changes the role of NGOs from poverty alleviators to poverty annihilators. The regeneration of rural money via micro credit and change in international donor's policy from food or commodity aid to human development aid has financially empowered the NGOs further to expand their services in diversified areas. Non-governmental organizations (NGOs) are now recognized as key third actors on the landscapes of financial inclusion, social development, literacy, health care, humanitarian service, women empowerment, advocacies, policy research and many other of public action in Bangladesh. According to DFID (2005), Bangladesh has more NGOs per capita than any other developing country.

The evolution of NGOs in different points in time is produced in the **Table 3.1** adapting the ideas from DFID (2005) with modifications:

Table 3.1: Evolution in NGOs Activities in Bangladesh

Periods	Evolution in NGOs Activities
Colonial Period (British Rule)	Voluntary, Philanthropic and Informal Activities: Emergence of Christian missionary, and Hindu and Muslim philanthropy. Many educational and religious schools and orphanages were established through individual effort or with the support of colonial administrators. No organized and specific trend.

1947-1971 (East Pakistan)	Service-Oriented Charitable approach: Christian missionary focused on ethnic minorities and disadvantaged groups. Other voluntary and charitable organisations on community social service and disaster relief service.
1972-1980 (Bangladesh)	Emergence of NGOs with Expanding Focus: Post independence humanitarian aid, rehabilitation and reconstruction. Increasing flow of foreign funds to NGOs. Rural development initiatives, informal education and community level health care in small scale. Foreign donation regulatory act promulgated. Conscientious approach and early approach of social mobilization, flood control programmes, cyclone shelters. Government-NGOs joint approach in immunization and family planning. rural credit market failure. Establishment of ADAB (Association of Development Agencies of Bangladesh).
1981-1990 (Bangladesh)	Micro credit, Poverty Reduction and Advocacy: Innovation of micro credit and poverty reduction programs and rural transformation. concept of credit without collateral, but not without security by Dr. Muhammad Yunus. Women conscience development. Legal aid and human rights and democracy advocacies. Inception of Economic and Development policy research NGOs. Establishment of NGO Affairs Bureau (NGOAB).
1991-2000	Golden Age of Government-NGOs Partnership: Professionalism and credibility established. Expanding role of NGOs in rural development and credit delivery programs. High interests rate debates. NGOs became popular with donors. NGOs area expanded in election monitoring, political advocacies, public interest litigation and voter education. Corporatization of NGOs and concentration of activities in the hand of large NGOs. Commercial ventures of NGOs**.**
2000 onwards	Spilt in NGOs Community and Looming Fame: Controversy over NGOs' directs political engagements. Spilt in the spirit of NGOs communities. Split of ADAB and establishment of Federation of NGOs. Urban based NGOs programs developed. Introduction to biogases and other project to the growing areas. Fame of large NGOs and NGOs personalities fading away. Progress of NGOs workshops and conferences. International orientation of large Bangladeshi NGOs in different countries all over the world.

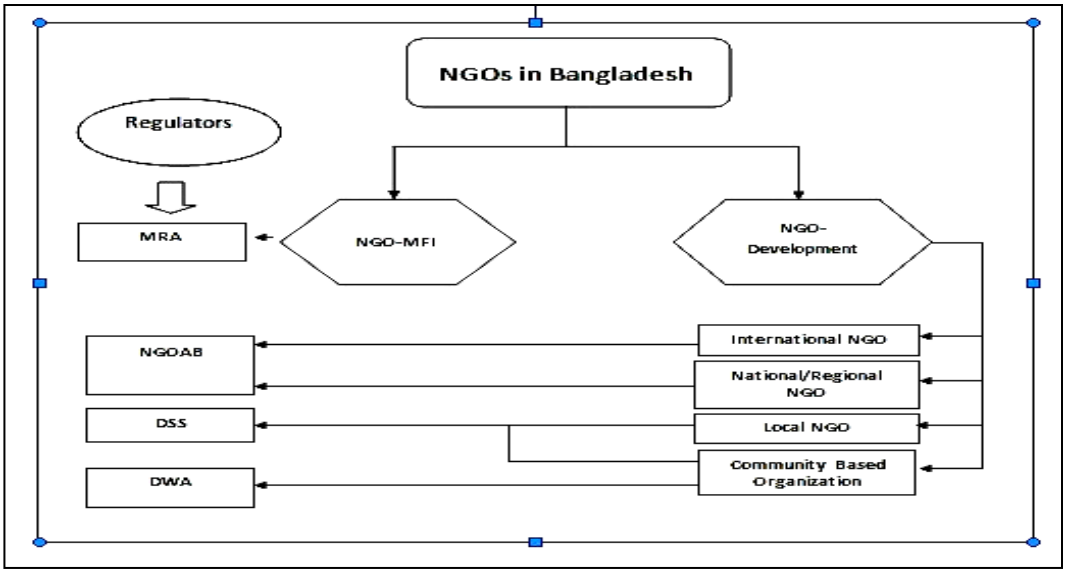
Bangladesh is now regarding as a land of NGOs endowed with a dense and neatly designed network. Because of different NGOs registration bodies and overlapping of affiliations, the exact estimate of NGOs working in Bangladesh is not computable.

3.3 Types of NGO in Bangladesh

The activities, sizes and funding sources of the NGOs in Bangladesh are diverse in nature. Based on the nature of activities, NGOs in Bangladesh can be broadly categorized as Microcredit NGOs (NGO-MFI) and Development NGOs (NGO-Development). NGO-MFIs

provide microcredit to its customers and Development NGOs implement different development projects for its beneficiaries.

Chart 3.1: Types of NGO in Bangladesh



3.3.1 NGO-MFIs

Microcredit programs in Bangladesh is implemented by NGO-MFIs, Grameen Bank, state-owned commercial banks, private commercial banks and specialized programs of some ministries of Bangladesh government. The Microcredit Regulatory Authority (MRA) established in August 2006 for the regulation of the NGO-MFIs. At the beginning, MRA received applications from 4241 NGO-MFIs for licenses which the law makes mandatory for all NGO-MFIs. MRA has stipulated certain criteria for issuing license and 753 licenses have been issued as on June, 2015. More organizations have also been issued primary approval for the operation of micro credit and those will receive license after satisfactory performance within few years.

The nature of activities of the NGO-MFIs is almost same: provide credit in women groups with collective responsibility and collect loan installment in weekly basis. Over 93% of the micro credit borrowers are women and loan recovery rate was 95.64% (June, 2014). But, most of the NGOs have some other development programs for their borrowers (credit plus), such as health, education, family planning, income generating activities etc. Functions of the NGO-MFIs are like any financial institution- take deposit from the clients and disburse loan to the customers. But the deposit and loan size are small and collected mostly in weekly basis. The credit practice is characterized by close door to door monitoring by the regular credit officers.

In the backdrop of global ‘double-dip’ recession and over-indebtedness crisis in microcredit sector in several countries, Bangladesh’s microfinance sector shows strong resilience and continues to contribute towards enhancement of macroeconomic growth. The overall growth in all aspect of micro credit shows steady progression.

TABLE 3.2: Basic Statistics of NGO-MFIs in Bangladesh							
Particulars	**06/2009**	**06/2010**	**06/2011**	**06/2012**	**06/2013**	**06/2014**	**06/2015**
No. of Licensed NGO-MFIs	419	516	576	590	649	742	753
No of Branches	16,851	17,252	18,066	17,977	14,674	14,730	16,381
No. of Employees	107,175	109,597	111,828	108,654	110,734	109,628	110,781
No. of Clients (Million)	24.85	25.28	26.08	24.64	24.60	25.11	26.00
No. of borrowers (Million)	18.89	19.21	20.65	19.31	19.27	19.42	20.35
Amount of Loan Outstanding (BDT. Billion)	143.13	145.02	173.80	211.28	257.01	282.20	342.41
Amount of Savings (BDT. Billion)	50.61	51.36	63.30	75.21	93.99	106.99	132.02
Loan Recovery Rate	97.93	97.35	95.52	97.74	97.69	95.64	--

Source: MRA-MIS Database

- **Sources of Fund of NGO-MFIs in Bangladesh**

The sector is broadly financed by the following types of sources: savings collected from clients, cumulative surplus (profit), concessional loan received from sources such as PKSF, grants received from national and international donors and commercial bank borrowing.

TABLE 3.3: Source of fund of NGO-MFIs in Bangladesh (Billion BDT)										
Source of Fund	**June '10**		**June '11**		**June '12**		**June '13**		**June, 14**	
Clients' Savings	47.44	31.15%	63.30	34.46%	74.99	32.62%	91.18	32.95%	106.99	34.4%
Loan from PKSF	24.48	16.08%	31.77	17.3%	33.58	14.61%	34.07	12.31%	34.52	11.04%
Loan from Commercial Banks	23.01	15.11%	23.58	12.84%	32.65	14.20%	42.70	15.43%	51.50	16.47%
Donors' Fund	4.11	2.7%	70.08	3.82%	7.06	3.07%	7.10	2.57%	6.86	2.19%
Cumulative Surplus	42.34	27.8%	50.30	27.38%	65.44	28.47%	83.26	30.09%	100.94	32.28%
Other Funds	10.91	7.16%	7.73	4.21%	16.17	7.03%	18.39	6.65%	11.91	3.62%
Total	**152.28**	**100%**	**183.68**	**100%**	**229.89**	**100%**	**276.71**	**100%**	**312.73**	**100%**

While the total fund increased significantly over the time, there was only a little change in terms of composition of fund. The most important source of fund turned out to be clients' savings which was the single most important fund support for the sector. The cumulative surplus was the second most important source of fund. Loans from commercial Banks turned out to be the next more important one. Loan from Palli Karma Sahayak Foundation (PKSF), a micro finance wholesale funding agency also provides a large portion of loan fund at a subsidized rate. The least important source was appeared to be grants from the donor agencies.

Source: MRA-MIS Database-2014

It is observed that the commercial banks are recently considered as a potential source of fund of microfinance, their share of the total source increased over the last three years. MRA has been putting in efforts to increase loans from commercial banks to the sector by introducing the banks to the NGO-MFIs. However, borrowing cost from commercial banks is very high – due to high interest rate charged and inflation – which discourages NGO-MFIs to avail this as a source of fund. Previously donor driven NGOs are now trying to rely more and more on local sources of fund with the decline in foreign funding, which stood at only 2.19 percent in June 2014.

- **Role of PKSF in NGO Sector Development**

The formation of the *Palli Karma Shahyak Foundation* (PKSF), in English, means "Rural Employment Support Foundation" in 1990, which acts as credit whole seller to the MFIs, drastically changed the NGO activity space. It has been working as an apex microcredit funding and capacity building organization for eradicating poverty by providing microcredit to the poor through its Partner Organizations (POs). PKSF mandate authorizes PKSF management to mobilize funds in the forms of grants, loans and contributions from a wide variety of sources which include the Government of Bangladesh (GOB), private individuals and organizations, foreign governments, international donors and lending agencies and capital markets.

PKSF, a long-term wholesale portfolio lender, receive large volumes of funding, repackage it into smaller amounts, and pass it as loans, grants, or technical assistance to retail MFIs. Most MFIs, like their poor clientele, are not taken seriously or are seen as uneconomic by domestic and international financial markets. They often are unlicensed and not permitted to mobilize savings, are unaware of or unable to implement rapidly developing microfinance technologies, and are thus limited in outreach potential and ability to achieve the economies of scale and other requisites of eventual self sustainability. PKSF thus created to serve as the intermediaries between the few large sources of financing and the potentially large number of small users.

PKSF has prepared a number of policy guidelines and standards for its POs and for the microcredit sector involving the practitioners of PKSF, POs and others concerned. PKSF reviews its policies and programs continuously and adjusts them to meet the changing requirements. The guidelines and monitoring mechanism of PKSF plays a crucial role in organizational development and sustainability of its partner NGO-MFIs, especially for small ones.

The recent creation of the NGO Foundation, Social Development Foundation and the endowment it has received from the government reflect official willingness to support NGOs and acknowledge their strength. Government included NGOs in its Poverty Reduction Strategies Paper (PRSP) and Sixth Five year providing opportunity to develop partnership contributions to NGOs.

3.3.2 Development NGOs

The primary purpose of Development NGOs is the design and implementation of social and economic development projects. Developments NGO- receive funds from international

donors and provide different types of social and economic development services to their beneficiaries. There are four broad categories of development NGOs in Bangladesh based on their sources of fund and scale of operation. **International NGOs**, which are typically headquartered in developed countries and carry out operations in developing countries, implement development projects through local partner NGOs. Few international NGOs implement projects by their own human resources. Some **National and Regional NGOs** of Bangladesh receive fund directly from international NGOs and donor agencies for implementing specific projects.

An important feature of NGOs in Bangladesh is the existence of a large number of regional NGOs side by side with large national NGOs that cover the country. Regional NGOs are medium sized and operate in a limited area comprising several Upazilas in a few districts. They receive funds from various sources and act as partners of large national NGOs. There are many examples of regional NGOs becoming national NGOs, extending their programs to several districts and a large number of Upazilas. National NGOs are large and work in almost all districts of Bangladesh. They get large amounts of fund from a number of donors. National NGOs are supported by donor consortia and also mobilized funds for different commercial activities.

Table 3.4: Numbers of Foreign Funded NGOs in Bangladesh

Period	Local NGOs	Foreign NGOs	Total NGOs
1947	7	2	9
1970	21	19	40
1975	45	56	101
1980	107	63	170
1985	157	79	236
1990-91	368	93	461
1995-96	880	137	1017
2000-01	1448	173	1621
2005-06	1870	190	2060
2010-11	1861	200	2061
31/12/2014	2115	240	2355
June, 2015	2143	245	2388

Source: NGO Affairs Bureau (NGOAB), Government of Bangladesh

There are also many **Local NGOs** in the regional and district level which partnered with larger national and regional NGOs for the implementation of development projects on sub-contract basis. These local NGOs often have few offices in one or two districts.

There are also **Community Based Organizations (CBOs)**, which serve a specific population in a narrow geographical area. CBOs are usually membership organizations whose purpose is to advance the interests of their members. There are many CBOs such as club, community library, community association, women self help group, neighborhood welfare association etc. which have very limited functions and depend on members' donation.

All the NGOs which receives foreign fund directly, need to take registration from the NGO Affairs Bureau. Moreover, they required to take approval against each project proposal and submit audited financial statement after end of the financial year. All international NGOs and most national and regional NGOs take registration from the NGO Affairs Bureau, as they are recipient of foreign fund. Local NGOs and CBOs take registration from the local office of the Department of Social Services. These organizations often do not receive foreign fund directly. Some CBOs focus on development of women folk and those take registration from the Department of Women Affairs.

3.4 Financing of NGOs

Sources of NGOs financing in Bangladesh can be decomposed into two broad heads:

a) Domestic sources consists of NGO-MFIs funding streams which have been discussed earlier, transfers from commercial ventures of the NGOs and other earnings, e.g. earning from investments and endowment funds and donations, direct allocation and project partnership with government, etc.

b) Foreign sources consist of aid/grants coming through bi-and multilateral aid agencies via international NGOs, foreign private donations, contract research, embassy discretionary funds and so on. There are number of ways by which donors provide funds to NGOs in Bangladesh. The most common is funding for specific projects. Where financing needs are large, donor funds may be pooled and a donor-liaison function introduced to coordinate support and reduce transaction costs for the NGO. In some instances, donors have financed the whole range of NGO activities, and in a few of these cases, the institution develops into a different legal entity by the end of the funding period. In recent years, the recognition that partnerships with smaller NGOs carry high transaction costs has increased reliance on wholesale vehicles, in which an agency manages a pool of money for which smaller NGOs compete.

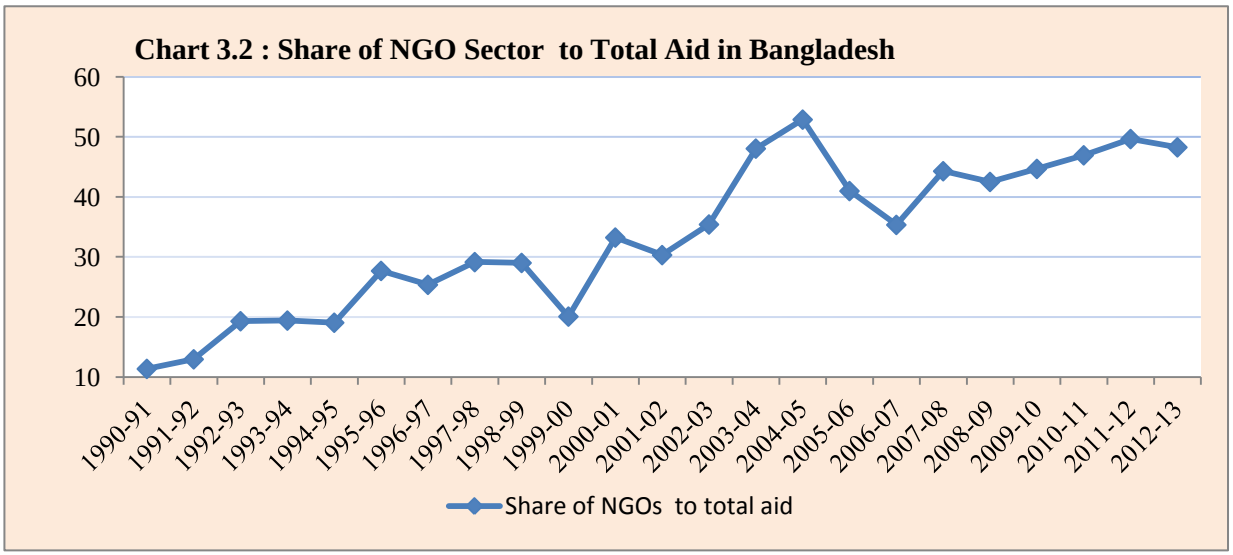
Table 3.5: Sector-wise Foreign Fund Released by NGOAB in 2013-2015

Sl. No.	Sector	**Amount Released** (Million Taka)	
		2013-2014	**2014-2015**
1.	Education	1,5189.46	9507.62
2.	Health	1,6665.47	1,5898.68
3.	Local Government	5534.82	2405.53
4.	Agriculture, Fisheries Livestock	2045.59	2669.15
5.	Relief, Housing and Disaster	1587.91	957.58
6.	Information and Technology	170.71	173.11
7.	Environment Protection and Development	359.12	314.991
8.	Other Sectors	1,3810.87	2,5812.71
	Total :	**55,363.94**	**57,739.36**

Source: NGOAB Statistics

The share of aid going to NGOs has risen sharply with little fall in some financial years. Table in Annexure-1 and Chart 3.2 depicts that total aid to NGO sector rose from about 11.4 percent to 48.3 percent of total aid to Bangladesh from FY1990-91 to FY 2012-13 with a maximum of 52.3 percent during FY2004-05. However, these figures do not include the share of credit funds disbursed by lending agencies that flow through NGOs, as this is not recorded by the NGO Affairs Bureau and is therefore harder to estimate. An estimate from Hassan et.al (2006) indicates that around $82 million has been channeled annually to development NGOs from concessional loan sources.

The dynamics within the NGOs, the incentives of donors and the pressure from government, all shape the scope and character of NGO activities and their contribution to the development process in Bangladesh. In Bangladesh, NGOs have transformed themselves by adopting new goals and instruments in order to face the challenges, which were thrown upon them from the process in Bangladesh. In Bangladesh, NGOs have transformed themselves by adopting new goals and instruments in order to face the challenges, which were thrown upon them from the environment in which they operate.



Chapter 4: Governance & Finance of Leading NGOs

NGOs are a powerful vehicle of social development in developing countries. This is especially true in Bangladesh case. There are several large NGOs of Bangladesh which have reached to all corners of the country. These NGOs have many types of programs focused on the well being of the vulnerable population. The governance and finance of the large and prominent NGOs of Bangladesh have been analyzed in this chapter, as these NGOs hold the major portion of assets of the sector and other NGOs follow them to attain organizational sustainability. While selecting NGOs to be analyzed, local NGOs were given priority, as their governance and financing originated and evolved in indigenous circumstances and thousands of smaller local NGOs follow these prominent NGOs.

Data have been collected through a questionnaire from the NGOs and the collected data have been summarized in this chapter. The NGOs under the analysis are: BRAC, Shakti Foundation for Disadvantaged Women (SFDW), Society for Social Service (SSS), Jagorani Chakra Foundation (JCF), Transparency International Bangladesh (TIB), Gonoshastho Kendro (GK), RDRS Bangladesh, Buro Bangladesh, Ain-o-Salish Kendra (ASK), TMSS, ASA and Dhaka Ahsania Mission (DAM).

4.1 Registration/Licensing

All respondent NGOs received registration/license from more than one agency to start/continue their activities as charitable organization. All the micro credit NGOs received license from Microcredit Regulatory Authority (MRA) under the Microcredit Regulatory Authority Act, 2006, while 10 NGOs out of 12 interviewed received registration from NGO Affairs Bureau (NGOAB) under The Foreign Donations (Voluntary Activities) Regulation Ordinance, 1978. Nine (9) NGOs received registration from Registrar of Joint Stock Companies & Firms (RJSC&F) under The Societies Registration Act, 1860. Only 5 NGOs received registration from Department of Social Services (DSS), the primary registration authority under the Voluntary Social Welfare Agencies (Registration and Control) Ordinance, 1961.

Two of the NGOs are registered under The Trust Act, 1882 and the trust deeds are registered at the Sub-Registrar Office where the head offices of the NGOs are situated. Foundations, Trust and such charitable organizations get registration under this Act and there is no regulatory authority mentioned in the law to regulate such organizations.

One of the NGOs, Gonoshastho Kendro (GK) received registration from Department of Women Affairs under the Voluntary Social Welfare Agencies (Registration and Control) Ordinance, 1961 along with Microcredit Regulatory Authority Act, 2006 and The Trust Act, 1882. NGOs which wish to operate projects for women well being need registration from Department of Women Affairs.

Table 4.1: Registration/License Information of the NGOs under Survey:

Regulators	ASK	SFDW	SSS	JCF	TIB	GK	RDRS	BURO	BRAC	TMSS	ASA	DAM
MRA		√	√	√		√	√	√	√	√	√	√
DSS			√					√		√	√	√
NGOAB	√	√	√		√		√	√	√	√	√	√
RJSC&F	√	√		√			√	√	√	√	√	√
Others					Trust Act	Trust Act, DWA						

4.2 Programs and Activities

Among the 12 NGOs requested to response, 10 NGOs have micro credit programs. Because of the shrinking of foreign donations in the development sector over the last few years, NGOs are shifting their focus to micro credit as a source of finance of their social development projects. Almost every micro credit NGOs has programs on health & nutrition, formal & non-formal education, water & sanitation, training & capacity building and economic development/livelihood programs. Eight (8) NGOs have human rights & advocacy program, whereas 5 organizations operate family planning & welfare projects. Four organizations each have commercial ventures and legal aid projects. NGOs have some other projects on agricultural development, environment, infrastructure development, disaster management, good governance etc.

Table 4.2: Programs and Activities of Leading NGOs (Y2014):

Sl	Programs & Activities	ASK	SFDW	SSS	JCF	TIB	GK	RDRS	BURO	BRAC	TMSS	ASA	DAM
01	Micro Credit		√	√	√		√	√	√	√	√	√	√
02	Health & nutrition		√	√	√		√	√	√	√	√	√	√
03	Human rights & advocacy	√			√	√	√	√		√	√		√
04	Training & capacity building	√		√	√	√	√	√	√	√	√	√	√
05	Formal & non-formal education	√		√	√		√	√	√	√	√	√	√
06	Family planning & welfare			√			√		√	√	√		
07	Water & sanitation			√	√		√	√	√	√	√	√	√
08	Infrastructure development						√				√		
09	Legal aid	√						√		√	√		
10	Economic development/ livelihood			√	√		√	√	√	√	√	√	√

11	Religious faith based										√		
12	Environmental				√			√			√		
13	Agricultural			√				√				√	
14	Commercial Venture				√		√			√	√		
15	Disaster management			√							√		
16	Others (Please specify)			*		**							

***** Child development; fisheries, poultry and livestock development; relief and rehabilitation.

****** Good governance & anti-corruption.

4.3 Size of the NGOs

Among the 12 respondent NGOs, BRAC has highest number of branches (2039) throughout Bangladesh followed by ASA (2931) and BURO Bangladesh (634). Most of the large NGOs of Bangladesh operate micro credit program, as it is characterized by close field level supervision to ensure proper utilization of credit and realization of installments from the customers. Almost in all cases, loan supervisors of NGOs visit every customer, often weekly, in their home and collect installments. Such closed supervision ultimately reduces the risk of money laundering or terrorist financing.

NGOs which do not operate micro credit programs have less number of branches. There NGOs mainly rely on foreign funding for their project finance. Two NGOs under our survey, ASK and TIB, are focused on advocacy programs.

Table 4.3: No. of Branch Offices of Leading NGO in Bangladesh (Y2014):

Name of NGO	ASK	SFDW	SSS	JCF	TIB	GK	RDRS	BURO	BRAC	TMSS	ASA	DAM
No. of Branches	--	442	233	285	45	45	164	634	2039	915	2931	140

There are both full time and part time staffs in the NGO sector of Bangladesh. Among the 12 NGOs under the survey, BRAC has a maximum numbers of staffs in both full time (45633) and part time (63563) categories. In fact, BRAC is the largest NGO in the world in respect of total number of staffs. BRAC International, which is registered in The Netherlands, has operations in 10 countries of Asia, Africa and South America.

The other big employers in the NGO sectors are TMSS (28836), ASA (26162) and Dhaka Ahsania Mission (6984). There are some project tasks which do not require a full time employment. In such cases, NGOs resort to part time employment.

Table 4.4: Human Resource Information of the NGOs under Survey (Y2014):

Types of Employ-ment	ASK	SFDW	SSS	JCF	TIB	GK	RDRS	BURO	BRAC	TMSS	ASA	DAM
Full time	208	2894	3048	4048	260	2015	3211	5569	45633	14836	21477	3158
Part time	26	--	--	550	51	--	--	--	63563	14000	4685	3826
TOTAL	234	2894	3048	4598	311	2015	3211	5569	109196	28836	26162	6984

4.4 Sources of Finance

Both local and foreign sources are composed of annual budget of large NGOs. Some NGOs are mostly dependent on local sources only. NGOs having micro credit programs are mainly based on their own sources of fund. Their earnings from credit and customers deposit are used for organizational expansion and financing of the social development programs. On the other hand, few NGOs are fully or partly dependent on foreign sources. As we see in Table 4.5, two advocacy focused NGOs, ASK and TIB, are almost entirely funded by foreign sources. Some NGOs are used as a fund distribution channel for foreign government sponsored development activities and foreign non government development organizations. Some NGOs have commercial ventures and profit from the enterprises is channeled to charitable purposes.

BRAC, the largest NGO of the world, have many foreign donors including foreign government agencies, foundations and charitable organizations. BRAC also have some successful and large commercial enterprises, such as bank, financial institution, clothing and handicraft outlet etc. Such commercial enterprises reduce the dependence of the NGOs from the donors and NGOs are trying to achieve self reliance.

Non-government sources for micro credit NGOs include members savings deposit, members security deposit, loan insurance fund, debt management reserve; loan from PKSF, ADB and commercial bank; and other fund.

Table 4.5: Sources of Finance of the NGOs

(in crore taka)

Name of NGOs	Financial Year	Amount of local fund					Amount of foreign fund				
		Govt. sources	Non-govt. sources	Own source	Total local Fund	As % of total fund	Foreign Govt./ UN agencies	Other Sources	Total foreign fund	As % of total fund	Grand Total
ASK	2014	0.00	0.06	0.00	0.06	0.29%	0.00	19.97	19.97	99.71%	20.03
	2013	0.00	0.03	0.00	0.03	0.22%	0.00	15.49	15.49	99.78%	15.53
SSS	2014	0.00	0.00	2.95	2.95	48.69%	3.11	0.00	3.11	51.31%	6.05

Name of NGOs	Financial Year	Amount of local fund					Amount of foreign fund				
		Govt. sources	Non-govt. sources	Own source	Total local Fund	As % of total fund	Foreign Govt./ UN agencies	Other Sources	Total foreign fund	As % of total fund	Grand Total
	2013	0.00	0.00	2.79	2.79	58.37%	1.98	0.01	1.99	41.63%	4.78
JCF	2014	0.00	575.35	172.49	747.84	97.45%	3.09	16.47	19.56	2.55%	767.40
	2013	0.11	585.18	134.73	720.02	98.16%	2.00	11.50	13.50	1.84%	733.52
TIB	2014	0.00	0.00	0.00	0.00	0.00%	46.73	0.74	47.47	100%	47.47
	2013	0.00	0.00	0.00	0.00	0.00%	28.70	0.00	28.70	100%	28.70
GK	2014	0.00	0.00	1.74	1.74	43.14%	0.00	2.29	2.29	56.86%	4.03
	2013	0.00	0.00	2.24	2.24	34.24%	0.00	4.29	4.29	65.76%	6.53
RDRS	2014	3.12	0.18	6.81	10.11	12.11%	0.29	73.06	73.35	87.89%	83.46
	2013	8.06	47.75	58.56	114.37	58.15%	2.09	80.22	82.31	41.85%	196.68
BURO	2014	0.00	1405.97	202.31	1608.28	99.98%	0.00	0.26	0.26	0.02%	1608.54
	2013	0.00	1297.71	134.95	1432.66	99.95%	0.00	0.70	0.70	0.05%	1433.36
BRAC	2014	0.00	0.00	3646.00	3646.00	70.01%	34.00	1528.00	1562.00	29.99%	5208.00
	2013	0.00	0.00	3235.00	3235.00	65.91%	38.00	1635.00	1673.00	34.09%	4908.00
TMSS	2014	170.73	427.58	74.48	672.79	99.48%	0.00	3.49	3.49	0.52%	676.28
	2013	140.36	234.21	61.79	436.36	99.68%	0.00	1.42	1.42	0.32%	437.78
Dhaka Ahsania Mission	2014	21.57	2.4	0.00	23.97	20.96%	2.95	87.46	90.41	79.04%	114.38
	2013	16.16	1.99	0.00	18.15	20.45%	2.50	68.1	70.60	79.55%	88.75
ASA	2014	--	4086.97	5446.37	9533.34	100.0%	--	--	--	0.00%	9533.34
	2013	--	3454.41	4591.45	8045.86	100.0%	--	--	--	0.00%	8045.86

4.5 Partnerships/Collaborations with Other Local NGOs

Most of the time large NGOs have partnership with some other local partner NGOs. They work together by maintaining coalition with other NGOs to achieve a common goal. Partners may be of different forms. Some work as the fund provider while some work as the fund distribution channel and others implement the activities. Some NGOs supervise the activity on behalf of the donors. Some NGOs just use the manpower of other NGOs for the implementation of projects. Among the NGOs under the survey, BRAC has 468 local partner NGOs to implement various development projects. ASA have 16, ASK has 23 and Dhaka Ahsania Mission (DAM) has 11 local partner NGOs which collaborate them to implement different projects. Other NGOs implement development projects by their own staffs.

There are some locally registered NGOs which play as foreign funding channel for other local NGOs. Local chapter of international NGOs also implement many projects in

collaboration with local NGOs. Government of Bangladesh also partnered with local NGOs to implement various development projects.

4.6 Partnerships/Collaborations with Foreign Organizations

A number of foreign NGOs, UN organizations, foreign embassies and development organizations on behalf of their governments are the main source of foreign fund for the NGOs of Bangladesh. Some foreign NGOs have local office in Bangladesh. They either implement projects independently or in collaboration with local partner NGOs. Some work as the network member for the local NGOs while running various projects.

Table 4.5: Donors of the Leading NGOs

SL	NGOs	Donor Organizations
01	ASK	Royal Norwegian Embassy (RNE), Embassy of Sweden, Oxfam Novib, Royal Danish Embassy, NETZ-Germany, Embassy of Switzerland, Save the Children International, ICCO Cooperation, ZUBAAN.
02	SFDW	International Donor: None Local Funding source: PKSF
03	SSS	Terre des Hommes Netherlands (TdH-NL)
04	JCF	International Donors: NETZ – Germany, Heifer International, Solidaridad Network Asia, CYMMIT, IRRI, WorldFish, Helvetas Swiss Intercooparation, Save the Children, Bill & Melinda Gates Foundation, EPRC, UNICEF and The Asia Foundation. Local Funding source: PKSF, IDCOL and commercial banks.
05	TIB	DFID, SDC, DANIDA SIDA, ADB, FK Norway, UNDP, TI Secretariat & WIN Secretariat, Berlin
06	GK	International Donor: None Local funding sources: Government of Bangladesh (Ministry of: Health & Family Planning, Education, Women & Child Affairs etc.).
07	RDRS	*International Donors:* Save the Children International (SCI), GIZ, Stromme Foundation (SF), World Food Programme (WFP), USAID, DFID, UNESCO, European Union (EU), ICCO Cooperation-The Netherlands, Bread for the World (BftW), Church of Sweden (CoS), Evangelical Lutheran Church in America (ELCA), Dan Church Aid (DCA), CORDAID-The Netherlands. *Local Funding source:* Government of Bangladesh (Ministry of: Women & Child Affairs, Education, Health, Home Affairs, Law & Justice), PKSF, Water Aid Bangladesh, Manusher Jonno Foundation, Practical Action BD, Acid Survivors Foundation.
08	BURO Bangladesh	Stromme Foundation (SF), Water.org, Master card worldwide, Rockfeller Foundation
09	BRAC	International Donors: DFID, CIDA, AusAID, AKN, BRAC USA, EC, NOVIB, The Global Fund, Bill & Melinda Gates Foundation, GAIN, Family Health International, Rockfeller Foundation and Women Win

		Local Funding source: Social Marketing Company, ICDDR,B.
10	ASA	ADB loan Local Funding source: loan from PKSF and commercial banks.
11	DAM	International Donors: European Union, USAID, UNICEF, EACI-Qatar, Aga Khan Foundation, Plan International, CARE Bangladesh, Winrock International, ILO, CORDAID-The Netherlands, Oxfam-GB, Save the Children, ACCU, CAFOD-UK, IUCN, Comic Relief UK, WaterAid Bangladesh, MAX Foundation, HYSAWA, EMF (Echological Management Foundation), Concern Universal, Manusher Jonno Foundation (MJF), Gueldenpfennig, GIZ, International Reading Association, kindernothilfe, Knights Apperal (American Buyer), Swisscontact, CTFK (Campaign for Tobacco Free Kids), RGVN (Assam, India), KNH- Germany, Arranyak Foundation

4.7 Governance Structure

The largest NGO of the world, BRAC maintains a 28 member General Body as per their Memorandum of Association. A person of any nationality can be a General Body member, if s/he is recommended by two existing General Body member and approved by the Governing Body. The 10 member Governing Body is elected by the General Body and it consists of distinguished professionals, activists and entrepreneurs of excellent repute. The Governing Body elects the Chairperson and appoints the Executive Director.

Some other NGOs, like Dhaka Ahsania Mission also maintains corporate governance structure with a General Body and Executive Committee. The General Body elects the Executive Committee and the Chairman. The Governing Body appoints the Executive Director of the NGO. Some other NGOs have Governing Body instead of Executive Committee with same types of responsibilities. ASA, TMSS, JCF, Shakti Foundation, SSS, BURO Bangladesh have the General Body and Governing Body. Both committees are elected for a specific period. SSS has a 3 members' Advisory Body in addition to General Body and Governing Body.

ASK has a Governing Body, highest policy making authority, consists 9 members including ex-officio Executive Director. TIB maintains an 11 member Board of Trustees which elect the Chairperson, Treasurer and Secretary General. Executive Director, who is the executive head of TIB and appointed by the Board of Trustees, functions as ex-officio Member Secretary of the Board.

Most of the NGOs' general body and governing body are formed of very distinguished people of the society such as, social workers, retired government officials, businessmen, teachers, lawyers, cultural activists etc. In most cases, the governing body or board of trustees is the highest policy making authority which appoints the chief executive and ensure accountability of the management.

None of the NGOs under the survey has two board members or executive committee members who have family relation. Some NGOs even maintain strict policy for not to

appoint family members as board members or executive committee members in the organization.

4.8 Policy Making Process

Key policy decisions are generally taken by the Executive Committee of the NGOs. The performance of the NGO is reviewed and crucial decisions are taken during the AGM of the General Committee. Role of General Body and Governing Body has been defined in the Societies Registration Act, 1860 and Microcredit Regulatory Authority Rules, 2010.

Major responsibilities of General Body include

a) Approval of memorandum and articles of association,
b) Approval of annual planning and budget,
c) Approval of audited financial report and appointment of auditor
d) Election of Governing Body members, etc.

Roles of Governing Body include:

a) To propose amendments of memorandum and articles of association to the General Body, if necessary;
b) To propose annual planning and budget to the General Body;
c) Approve programs including salaries and benefits;
d) Review and approve all policies and procedures of the organization, etc.

Some NGOs which are registered under the Trust Act 1882, the Board of Trustees is responsible for the key decisions (e.g. TIB). Key policies are taken in accordance with the governing manual, service rules and accounting manual. The chief executive is held responsible to the Executive Committee or the Board of Trustees of the organization. In most of the NGOs, management committee consisting of top executives is responsible for executing the key decisions approved by Executive Committee or the Board of Trustees.

4.9 Monitoring by NGO Regulators

NGOs have to report regulatory bodies periodically. Regulatory bodies set the frequency and pattern of reporting according to the law/rules and NGOs have to comply with the reporting requirements. NGOs have to report both to head office of the regulators and to the local authorities.

NGOs submit the audited financial statements to NGOAB annually. Furthermore, new projects have to be approved by NGOAB. NGOs have to take approval from NGOAB for release of fund every year for each project on the basis of the satisfactory completion of the previous year plan. It can also ask for any kind of information and report to a licensed NGO. NGOAB vested the responsibility of on-site monitoring of NGOs to local administration as it has no manpower in the field level.

NGOs involved in micro credit programs have to take license from MRA. Micro Finance Institutions (MFI) have to report about their credit activity once in a year. But, depending on the volume of credit disbursement, some NGOs have to report MRA twice in a year. MRA conducts on-site and off-site supervision on the MFIs regularly.

Societies have to inform about formation of new executive committee of the organization to RJSC&F. While starting a new project, sometimes NGOs have to take approval from concern ministries and have to report the progress of the project periodically. NGOs have to report some other government offices like PKSF, National Board of Revenue, DSS etc. occasionally.

4.10 Monitoring by Local Administration

Field level projects of NGOs are mainly monitored by local administration. All NGOs with a branch in local areas have to report local authorities like office of the Deputy Commissioner (DC) and Upazilla Nirbahi Officer (UNO). They submit report to NGO Coordination Committee on implementation of development activities and credit activities on a monthly basis. They have to submit their annual report to the authority once in a year. Small NGOs registered in local Social Service Office (SSO) have to submit annual report to the respective SSO.

Officers of the local administration also visit the project activities of NGOs occasionally. Moreover, NGOs have to be present in different social awareness programs organized by the local administration and Social Service Office. Some projects required approval from concern ministries and such projects are also monitored by those ministries. Regulatory authorities monitor NGOs in a periodical basis or when deemed necessary.

4.11 Accountability and Transparency within NGO Management

Decisions are taken according to the rules and regulations as approved by the governing committee of the NGO. Before taking any critical decision it is discussed in appropriate forum of the organization. Notices, minutes, reports and decisions are circulated among the concern staffs. Easy access to information ensures organizational accountability and transparency. Each and every employee of the organizations is provided with specific terms of reference (ToR). The performance of the employees is assessed on the basis of the ToR. Moreover, the accountability is also ensured through periodical audit and inspection.

Operations of the NGOs are generally guided by different policy procedures, which include 1) Governance Manual 2) Code of Ethics, 3) Information Disclosure Policy, 4) HR Manual, 5) Operations Manual including: i) Finance Manual for Head Office & Field Offices, Budget Manual, Procurement Manual, and Transport Manual, 6) Delegation of Authority, 7) Gender Policy, 8) Partnership Policy, 9) Internal Audit Policy etc. There is Board Finance and Audit Committee in some of the large NGOs. Most of the NGOs have internal audit department and project specific monitoring unit. Conducting external audit by certified audit firms are a mandatory regulatory obligation. BRAC has established the office of the Ombudsperson with a comprehensive mandate to investigate any incident of misadministration and misuse of power within the organization.

Most of the NGOs use similar tools to monitor their projects. Regular visit and inspection of the internal audit team, keeping proper records, visiting partner NGOs' activities, interviews of beneficiaries, sudden and periodical field visits, up to date MIS etc. are some tools used to monitor the projects and other activities.

4.12 Monitoring of NGO Activities by Donors

Generally NGOs have to submit half yearly and/or yearly project reports on the activities to the donors. These reports include activity report, annual budget, audited financial statement etc. Usually annual financial statement is audited by a chartered accountancy firm nominated by the donor agency. Donors also conduct on-site visit of the funded projects periodically or suddenly. Some donors nominate their country representative to monitor their funded activities. Some donors provide funds to local NGOs through other international NGOs, which monitor the project activities on behalf of the donor agency.

4.13 Monitoring by the Self Regulatory Bodies

There are some NGO sector associations, such as Association of Development Agencies of Bangladesh (ADAB), Federation of NGOs of Bangladesh (FNB) and International NGO Network etc. There are also some networks and alliances which work together for a common cause. These associations/networks/alliances issue best practice guidelines, code of conduct etc. and arrange capacity building programs, seminar, and conferences for its members. They also cooperate and negotiate with the regulatory agencies and government for the development of the sector. Their role is important in NGO sector development and regulation.

Chapter 5: Analysis of Legal Framework in NGO Sector

There are several Acts for registration and regulation of the different types of charitable organizations in Bangladesh. In some cases, one NGO is registered under several authorities and regulated under those laws. Most common laws relevant with the NGO sector of Bangladesh have been reviewed in this chapter.

5.1 Voluntary Social Welfare Agencies (Registration and Control) Ordinance, 1961 & Rules, 1962

Voluntary Social Welfare Agencies (Registration and Control) Ordinance (Ordinance no. XLVI of 1961) was enacted on 2nd December, 1961 and amended in 1973. The words 'Government', 'Bangladesh' and 'taka' was substituted for the words 'Provincial Government', 'Pakistan' and 'rupee' respectively in the amendment. It was only the change of few words/phrases and no significant changes have been brought yet.

Purpose of the law: In the preamble of the Law, the purpose of the Ordinance is described to provide the registration and control of voluntary social welfare agencies. The term "Voluntary social welfare agency" is defined as an organization, association or undertaking established by persons of their own free will for the purpose of rendering welfare services in any one or more of the fields mentioned in the Schedule and depending for its resources on public subscription, donations or Government aid [Section 2(f)].

At the end of the Ordinance, the Schedule mentioned the activities to be undertaken by the voluntary social welfare agencies are: child welfare, youth welfare, women's welfare, welfare of the physically and mentally handicapped, family planning, recreational programmes intended to keep people away from anti-social activities, social education, that is, education of adults aimed at developing sense of civic responsibility, welfare and rehabilitation of released prisoners, welfare of juvenile delinquents, welfare of the socially handicapped, welfare of the beggars and destitute, welfare and rehabilitation of patients, welfare of the aged and infirm, training in social work and co-ordination of social welfare agencies. Microcredit is not included in the Schedule, though many NGOs operate microcredit after getting primary registration under this law. After the establishment of MRA in 2006, NGOs required to get license from it to continue their microcredit program.

Registration Authority:

According to the Ordinance, Registration Authority means an officer authorized by the Government, by notification in the official Gazette, to exercise all or any of the powers of the Registration Authority under this Ordinance [Section 2(e)]. Government has empowered Department of Social Services and Department of Women Affairs by gazette notification to provide registration of the voluntary social welfare agencies. Certain regulatory obligations have been stipulated for the registered agencies and the Registration Authorities are authorized to supervise the compliance of the agencies.

The responsibilities of the Registration Authority under the Ordinance are:

a) Registration of voluntary organizations [Section 4(1)];

b) Receive annual report and audited accounts from the registered organizations [Section 7(1)];
c) Issue regulation to voluntary organizations regarding maintenance of books of accounts, other records [Section 7(1)(d)]
d) The Registration Authority, or any officer duly authorised by it in this behalf, may at all reasonable times inspect the books of account and other records of the agency, the securities, cash and other properties held by the agency, and all documents relating thereto [Section 7(2)].
e) No amendment of the constitution of a registered agency shall be valid unless it has been approved by the Registration Authority [Section 8(1)].
f) The Registration Authority may, by order in writing, suspend the governing body if any registered agency has been responsible for any irregularity in respect of its funds or for any maladministration in the conduct of its affairs or has failed to comply with the provisions of this Ordinance or the rules [Section 9(1)].
g) Where a governing body is suspended, the Registration Authority shall appoint an administrator, or a caretaker body consisting of not more than five persons, who shall have all the authority and powers of the governing body under the constitution of the agency [Section 9(2)].
h) The Registration Authority may make a report to the Government if a registered agency is acting in contravention of its constitution, or contrary to any of the provisions of this Ordinance or the rules, or in a manner prejudicial to the interests of the public, it may, after giving such opportunity to the agency [Section 10(1)].
i) The Government, if satisfied after considering the report that it is necessary or proper to do so, may order that the agency shall stand dissolved on and from such date as may be specified in the order [Section 10(2)].
j) No court shall take cognizance of an offence under this Ordinance except upon complaint in writing made by the Registration Authority, or by an officer authorized by it in this behalf [Section 14(3)].

Financial Regulations:

The following financial rules have been stated in the Ordinance to be followed by the voluntary agencies [Section 7]:

a) Maintain audited accounts in the manner laid down by the Registration Authority;
b) Submit its Annual Report and audited accounts to the Registration Authority and publish the same for public information; at such time and in such manner as may be prescribed;
c) Pay all moneys received by it into a separate account kept in its name at such bank or banks as may be approved by the Registration Authority;
d) Furnish to the Registration Authority such particulars with regard to accounts and other records as the Registration Authority may from time to time require.

Under Voluntary Social Welfare Agencies (Registration and Control) Rules, 1962 books of accounts have to be prepared by the registered organizations at the end of every financial year

and shall be audited by chartered accountant/s enlisted by the Registration Authority and shall be submitted to the said Authority within six months of the expiry of financial year. Organizations also require maintaining cash book, ledger, members' register, meeting minutes register, visitors' book, etc. [Section 9].

Governance Regulations:

a) No amendment of the constitution of a registered agency shall be valid unless it has been approved by the Registration Authority, for which purpose a copy of the amendment shall be forwarded to the Registration Authority [Section 8(1)].
b) If the Registration Authority is satisfied that any amendment of the constitution is not contrary to any of the provisions of this Ordinance or the rules made there under, it may, if it thinks fit, approve the amendment [Section 8(2)].
c) Where the Registration Authority approves an amendment of the constitution, it shall issue to the agency a copy of the amendment certified by it, which shall be conclusive evidence that the same is duly approved [Section 8(3)].
d) More than three-fifth members of any registered agency may apply to the Government to dissolve it. The Government, if satisfied after considering the application that it is proper to do so, may order that the agency shall stand dissolved on [Section 11].

Under Voluntary Social Welfare Agencies (Registration and Control) Rules, 1962,

a) Voluntary organizations are required to submit annual report to registration authority containing information related with management, activities conducted in the year, annual plan of next year and audited financial statement [Section 10]; and
b) required to furnish information such as aims and objectives, proposed areas of operation, name, profession and address of the members, financial sources and account opening bank in the Memorandum of Association. The organizations are also required to maintain registers containing information related with members and staffs of the organization also [Schedule 1].

Sanctions for non-compliance:

a) The Registration Authority may suspend the governing body of any registered agency [Section 9(1)] and appoint an administrator, or a caretaker body [Section 9(2)] in certain circumstances which has been discussed under Responsibilities of Registration Authority.
b) Every order of suspension shall be placed by the Registration Authority before a Board, consisting of not more than five persons, constituted by the Government for the purpose, which shall have the power to make such order as to the re-instatement, or the dissolution and reconstitution, of the governing body, as it may think fit [Section 9(3)].
c) The governing body against whom an order of dissolution and reconstitution is made may appeal to the Government, within thirty days from the date of such order, and the decision of the Government shall be final and shall not be called in question in any court [Section 9(4)].

d) If the Registration Authority rejects an application for registration, the applicant may, within thirty days from the date of the order of the Registration Authority, prefer an appeal to the Government, and the order passed by the Government shall be final and given effect to by the Registration Authority [Section 6].
e) Any person who contravenes any of the provisions of this Ordinance, or any rule or order made thereunder; or makes any false statement or false representation to the Registration Authority or publish for general information shall be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to two thousand taka, or with both [Section 14(1)].
f) Where a company, or other body corporate, or an association of persons, every director, manager, secretary and other officer thereof shall, unless be proves that the offence was committed without his knowledge or consent, be deemed to be guilty of such offence.

Assessment of the Ordinance and Rule:

a) There is no renewal system of the registration of voluntary agencies. If the agencies do not comply with the regulations, the Authority has not sufficient financial or administrative sanction for enforcement. If agencies come for renewal of the registration, the Authority can enforce compliance as a precondition for renewal of license.
b) There is no provision in the Ordinance for taking approval of the governing body of the voluntary agencies from the registration authority. If an agency elects a person with previous criminal record, the Registration Authority has no scope to raise an objection.
c) There is no provision to stop or suspend any specific activities of the registered voluntary agencies, if the Registration Authority identifies an activity is contrary to the public interest.
d) There is no provision laid down in this Ordinance to hear the agency if any allegation is under consideration of the regulatory authority.
e) The punishment stated under the Ordinance [Section 14] for contravention of the Ordinance seems negligible considering the multi-million dollar budget and multi dimensional activities of the NGO sector.
f) The activities of the voluntary agencies have become multi dimensional in the last few decades. So, the Schedule of the Ordinance should be amended to include the new types of activities to meet the need to the present time.
g) There is no provision to sue the voluntary organization or the governing body if the organization plunders the project fund or the public deposit (in case of MFI).
h) There is no provision of providing training/capacity building program by the regulatory authority to the voluntary organizations.
i) There is no provision to inform/request other regulatory authorities to take action against an organization registration of which has been cancelled by an Authority.

j) There is no rule regarding the sale of the property of the agencies. As a result, after change in the governing body, complexity arises when the agency need to sale any property for genuine purpose of the agency.

5.2 The Foreign Donations (Voluntary Activities) Regulation Ordinance, 1978 & Rules and Order

The Ordinance was enacted for proper regulation of the foreign donations received by any voluntary organizations or persons of Bangladesh. The Ordinance was further amended in 1982. The Foreign Donations (Voluntary Activities) Regulation Rules, 1978 was issued following the provision of section 7 of the Ordinance to enforce it. The said Rules were amended in 1982, 1984, and 1990.

Objectives of the Ordinance: In the preamble of the Foreign Donations (Voluntary Activities) Regulation Ordinance, 1978 the objective was described to regulate receipts and expenditure of foreign donations for voluntary activities.

Under the Ordinance, *"Foreign donation"* means a donation, contribution or grant of any kind made for any voluntary activity in Bangladesh by any foreign Government or organisation or a citizen of a foreign State and includes, except in the case of a donation made for such charity as the Government may specify any donation made for any voluntary activity in Bangladesh by a Bangladeshi citizen living or working abroad [Section 2].

Under the Ordinance *"Voluntary activity"* means an activity undertaken or carried on partially or entirely with external assistance by any person or organisation of his or its own free will to render agricultural, relief, missionary, educational, cultural, vocational, social welfare and developmental services and shall include any such activity as the Government may, from time to time, specify to be a voluntary activity [Section 2].

Registration/Regulatory Authority:

The Ordinance stated that the Government may by notification in the official Gazette, make rules to curry out the purpose of the Ordinance [Section 7]. The government has made the Foreign Donations (Voluntary Activities) Regulation Rules, 1978 and specified Director General of NGO Affairs Bureau (NGOAB) as Registration Authority [Rule 3].

Prime Minister's Office (PMO) also issues circular describing working procedure for foreign and foreign-assisted Bangladeshi NGOs working in Bangladesh. The latest such circular was issued by PMO on 22 April, 2012 by which all responsibilities delegated under the Foreign Donations (Voluntary Activities) Regulation Rules, 1978 and the Foreign Contributions (Regulation) Ordinance, 1982 were vested onNGO Affairs Bureau, which is under the Prime Minister's Office [Para. 1].

As per the PMO circular, 2012 responsibilities of NGO Affairs Bureau (NGOAB) are [para. 2]:

a) Providing one stop service to NGOs for their registration and processing of project proposals.

b) Approval of NGO projects, fund releases, permission for appointment of foreign officials and consultants and fixing of their tenure.
c) Examination and evaluation of reports and returns submitted by the NGOs.
d) Coordination, monitoring, evaluation and inspection of NGO activities.
e) Collection of fees/service charges levied by the government.
f) Inspection of field level NGO activities and examining their income and expenditure.
g) Liaison with the donors and the NGOs.
h) Preparation of reports on NGO activities and taking appropriate steps based on the reports.
i) Enlisting of Chartered Accounting Firms for auditing of accounts of the NGO.
j) Approval of one-time grants of NGOs.
k) All other issues relating to the NGO affairs.

There are several other provisions in the PMO Circular, 2012 related with the procedures of NGO activities monitoring:

a) The Bureau shall also be responsible for maintaining communication with concerned ministries/agencies for obtaining opinions on aforementioned subjects when required. The concerned ministries/divisions and their subordinate departments/directorates and Divisional Commissioners and Deputy Commissioners will provide necessary support and cooperation to the NGO Affairs Bureau for carrying its responsibilities [para. 3].
b) All ministries/divisions of the government and their subordinate offices shall consult the NGO Affairs Bureau before entering into any agreement or memorandum of understanding with any foreign or foreign-assisted NGOs in Bangladesh [para. 4].
c) In the districts under the Chittagong Hill Tracts, the NGOs shall show respect and give importance to ethnic features, education, culture, environment and religion and tradition of the areas under their activities, and shall not undertake any campaign or activities that can hurt these rather they shall conduct their activities by adjusting with these norms [para. 5(e)].
d) The ministries and divisions concerned shall examine the proposed project design and any objection or suggestion should be informed to NGOAB [para. 5(f)].
e) The Chittagong Hill Tracts Regional Council shall oversee the overall coordination of the activities of the NGOs working in the CHT districts. The NGO Affairs Bureau, or the concerned division/department of the government and the Ministry of Chittagong Hill Tracts Affairs shall assess the activities of the NGOs in the region periodically or after the completion of the project [para. 5(g)].
f) There should be a committee at the district level to supervise and assess the activities of the NGOs in the Chittagong Hill Tracts. Chairman of the concerned CHT District Council shall be the Convener and the Deputy Commissioner shall be the member secretary of the committee. The committee shall meet at least once in two months. The NGOs shall regularly submit their progress and assessment reports of their activities to the convener of the committee. [para. 5(h, i)].
g) The Divisional Commissioners shall monitor and coordinate the activities of the NGOs operating in their divisions [para. 5(j)].

h) The Deputy Commissioners shall monitor the activities of the NGOs in their areas on behalf of the NGO Affairs Bureau. Except the Chittagong Hill Tracts districts, the Deputy Commissioners (DC) of other districts shall review the activities of the NGOs in the monthly coordination meeting at the district level [para. 5(k)]. The DC and the Superintendent of Police shall be the Chairman and Vice-Chairman of the meeting. Other members are Civil Surgeon, all Upazila Chairmen, all Upazila Nirbahi Officers, ADC (education), high level officers of most government departments and representatives of all NGOAB registered NGOs under the district [para. 5(k)].
i) Detail procedures of NGO registration, renewal of registration and conditions to be fulfilled to provide funds to partner NGOs are described in para. 6.
j) Detail procedures of approval of foreign funded projects are described in para. 7 of PMO circular.
k) The NGOAB shall prepare a list of chartered accountants and NGOs shall get their accounts audited by the listed chartered accountants within two months after the end of the financial year. The auditors, who will fail to perform audit properly, shall be withdrawn from the auditors' list of the Bureau, and actions shall be taken against them under conventional laws of the country [para. 10].

Financial Regulations:

There are some financial rules for NGOs which have been stated in the Ordinance:

a) Every person or organisation have to provide a declaration showing the amount of foreign donation received by them, the source from which it has been received and the manner in which it has been utilised and at any time specified by the government [Section 3(3)].
b) Every person and organisation shall maintain his or its accounts in such manner and form as the Government may specify [Section 5(1)].
c) The accounts of every such person or organisation shall be audited by such person or persons as the Government may direct and two copies of the accounts so audited shall be furnished to the Government within two months after the financial year to which the accounts relate [Section 5(2)].

There are some other financial regulations which are mentioned in the Rules, 1978:

a) All declarations of foreign donations and its utilization, to be submitted to NGOAB [Rule 5(2)].
b) Only one bank account shall be maintained by every person or organisation authorised under the rules for receiving foreign donations if such funds are originated abroad in foreign exchange and received in local currency [Rule 4(4)]. Separate bank accounts for separate projects may be maintained for internal transactions after the donations have been received through the only bank accounts [Rule 7].
c) Scheduled Bank will submit statements of such funds to the Bangladesh Bank and Bangladesh Bank will submit consolidate statements of the funds so received to the Economic Relation Division and the NGOAB in June and December every year [Rule 4(5)].

d) Every registered person or organisation has to maintain books of accounts on a half-yearly basis. Books of accounts maintained to be audited by a Chartered Accountant and audit reports shall have to be forwarded to NGOAB, External Resources Division and Ministry concern [Rule 6].

As per the PMO circular, 2012:

a) No bank shall be allowed to release foreign donation to any NGO without the approval letter of fund disbursement from the NGO Affairs Bureau [para. 5(n)].
b) Any expenditure over Tk 10,000 (ten thousand) must be paid through bank check. The salaries and allowances of the staff must be paid through bank accounts [para. 5(p)].
c) Detail procedures of receiving and using foreign donation are described in para. 8 & 9.
d) The vouchers of the expenditures must be preserved in the office of the organization for five years. The field-level offices shall preserve the copies of the vouchers of expenditures for five years [para. 8(2)(c)].

Regulations for voluntary activity under the Ordinance:

a) No person or organisation shall undertake or carry on any voluntary activity without prior approval of the Government nor shall any person or organisation receive or operate, except with prior permission of the Government, any foreign donation for the purpose of undertaking or carrying on any voluntary activity [Section 3(1)].
b) A person or organisation receiving or operating any foreign donation for the purpose of undertaking or carrying on any voluntary activity shall register himself or itself with such authority and in such manner as the Government may specify [Section 3(2)].
c) The Government may, at any time, for reason to be recorded in writing, cause an inspection to be made of the books of accounts and other documents of any organisation and, where necessary, direct all such books of accounts and other documents to be seized [Section 4(1)].
d) Every such person or organisation shall produce books of accounts and other documents and furnish such statements and information to inspection officer(s) [Section 4(2)].

There are some other compliance requirements as stated in the Rules, 1978:

a) Any person or organization shall apply to Director General (DG) of NGOAB for registration in specific form and the DG may call for additional information. Prior approval of the Ministry of Home Affairs is necessary for registration or renewal of registration [Rule 3].
b) Unless earlier cancelled, the registration of an NGO will remain valid for five years. No person or organization shall carry on any voluntary activity after expiry of the his/its registration [Rule 3].
c) No person or organization registered under Rules shall receive or operate any foreign donation without prior approval or permission of the Government vis-à-vis NGOAB [Rule 4].

d) Every project on voluntary activities along with plan of its operation showing the estimated cost, expected receipts, source of receipts, purpose and objects and duration thereof to be submitted to the NGOAB on or before the 31st March preceding the financial year in which such project is to commence [Rule 5A(1)].
e) Each foreign national engaged in voluntary activity shall submit his particulars with reference to nationality, period of stay in Bangladesh, remuneration, the agency under whose supervision he is undertaking or carrying on voluntary activity, etc. to NGOAB and the Ministry of Home Affairs (Rule 5A(2)].
f) Each NGO has to submit a yearly statement to NGOAB and Home Ministry showing all relevant particulars relating to age, qualification, nationality, tenure and remuneration etc. of persons employed to it [Rule 5A(3)].
g) Each NGO requires prior clearance of the NGOAB and Home Ministry to recruit foreign staffs [Rule 5A(4)].
h) Person or organisation registered to submit an annual report on his or its activities to NGOAB with copies to the administrative Ministry, the Ministry of Home Affairs and the External Resources Division [Rule 5B].

As per the PMO circular, 2012:

a) The foreign-assisted NGOs shall limit their activities within the government-approved projects [para. 5(d)].
b) The NGOs shall prepare the annual report of their activities within three months after each financial year and shall send its copies to the NGO Affairs Bureau, the Economic Relations Division, the ministry concerned, Bangladesh Bank, and the Divisional and Deputy Commissioners concerned. The report should contain separate description of each project, list of all movable/immovable assets, sources of income and expenditure, description of investment, fund arrangement for each projects, details of officers [para. 11].

Sanction for non-compliance (under the Ordinance):

a) Failure to produce any books of accounts or other documents or to furnish any statement or information required while inspection shall be deemed to be contravention of the provisions of this Ordinance [Section 4(3)].
b) Government can cancel the registration of such person or organisation; or stop any voluntary activity undertaken or carried on by such person or organisation as a penalty for no or false declaration on foreign donation or contravention of any provision of this Ordinance [Section 6(1)].
c) Whoever receives or operates any foreign donation without registration is destined to pay a penalty of double the amount or value of the donation received or operated, or to imprisonment for a term up to three years, or both [Section 6(2)].
d) No court can take cognizance of an offence under this Ordinance except on a complaint made by the Government [Section 6A].

As per the PMO circular, 2012:

a) If any complaint of misappropriation of fund, misuse of fund and unauthorized activities are proved against any organization, proper legal actions as per the law of the land shall be taken against that organization, and the donor agency concerned shall be apprised of the matter [para. 5(o)].
b) The authority mentioned in sections 6(1) and 6 (2) of The Foreign Donations (Voluntary Activities) Regulation Ordinance, 1978 should remain with the Director General of NGO Affairs Bureau. A Director of the Bureau, upon receiving approval from the Director General, shall cancel registration, stop the activities of a project and file case in court [para. 12(a)].
c) The Bureau, with the approval of the government, shall cancel the registration of an organization if it is involved in activities that go against the law of the country [para. 12(b)].

5.3 The Foreign Contributions (Regulation) Ordinance, 1982

The government of Bangladesh had enacted the aforesaid Ordinance to prohibit any citizen of, or organization in, Bangladesh to receive any foreign contribution without the prior permission of the Government.

No Government, organization or citizen of a foreign state shall make any donation, grant or assistance, whether in cash or in kind, including a ticket for journey abroad, to any citizen of, or organization in, Bangladesh without the prior permission of the Government.

Sanction for non-compliance: Imprisonment for a term no more than six months, or fine not exceeding two times the amount or value of the contribution, or with both.

Assessment of the Foreign Donation Acts, Rules & Circular:

Compared with other laws applicable for the NGO sector the Foreign Donations (Voluntary Activities) Regulation Ordinance, 1978 and relevant Rules and Circular are more detail as they contain the provisions of financial and other related regulations. The purpose of promulgating The Foreign Contributions (Regulation) Ordinance, 1982 is not clear. The legal provision stated in the Ordinance can be incorporated in The Foreign Donations (Voluntary Activities) Regulation Ordinance, 1978 by amending the Ordinance. The government has already approved a draft law amalgamating both the Ordinances and incorporating some provisions from the Rules and incorporating new provisions also.

5.4 The Societies Registration Act, 1860

The Societies Registration Act (Act no. XXI of 1860) was enacted in 1860. Subsequent amendments were made in 1973 and 1978 to incorporate the provisions of written certification of registration by the Registrar, intimation to the Registrar regarding any changes in name, address or directors/members of the governing body of the Society. The schedule of different fees was also amended in 2013.

Purpose of the Act:

In the introduction of the Act, the purpose was described as to make the provisions for improving the legal condition of Societies established for the promotion of literature, science, or the fine arts, or for the diffusion of useful knowledge, the diffusion of political education or for charitable purposes. Other functions of the Societies registered under this Act may be the foundation or maintenance of libraries or reading rooms for general use, or public museums and galleries of painting and other works or art, collections of natural history, mechanical and philosophical inventions, instruments, or designs.

Registration Authority:

Registration of the societies has to be obtained from the Registrar of Joint Stock Companies and Firms (RJSC&F). But there is no regulatory responsibilities assigned to the RJSC&F or any other government agencies under this Act.

Governance related regulation for Societies:

a) A list of the names, addresses and occupations of the governor, council, directors, committee or other governing body shall be filed with RJSC&F annually. Governing body of the society shall be the governor, council, directors, committee, trustees or other body to whom the management is entrusted.
b) If a governing body wants to alter, extend or abridge any purpose or purposes of establishment of a society or to amalgamate the society either wholly or partially with any other society, the proposition shall have been agreed to or by the votes of three-fifth of the members and confirmed by the votes of three-fifths of the members in second special general meeting. Any such changes shall be informed to the registrar within 21 days from the date of such action.
c) Dissolution of a society may be determined by not less than three-fifth of the members.
d) While dissolution, the property shall not be distributed among the members of the said society, but shall be given to some other society.
e) Members whose subscription have been arrear for a period exceeding 3 months will no longer be entitle to vote or to be counted as a member.

Financial rules: There is no financial regulation described in this Act which is applicable for any Society.

Sanctioning for non-compliance:

The registration authority or any other government agency has not been entrusted with necessary power to regulate the Societies. If any dispute arises in the Society, anyone has to go to the judicial court and file case to get judgment on the dispute. Some of the judicial procedures stated in the Act are:

a) Society may or may be sued in the name of the president, chairman, principal secretary, trustees of the Society.
b) Dying of a member or ceasing the post of any member who sued or was sued in the name of the society shall not abate or discontinue any suit or proceeding, but it shall be continued in the name of or against the successor of such person.

c) If a judgment is recovered against the person or officer named on behalf of the society, such judgment shall not be put in force against the property or against the body of such person or officer, but against the property of the society.
d) If any member of the Society is convicted for doing harm to the society for steal, purloin or embezzle any money or other property, or willfully and maliciously destroy or injure any property, or forge any deed, bond, security for money, receipt or other instrument shall be punished in like a manner as any person not a member of the society.
e) Any member who may be in arrear of a subscription that he is bound to pay, or who shall possess himself of or detain any property of the society in a manner or for a time contrary to such rules, or shall injure or destroy any property of the society, may be sued for such arrear or for the damage accruing from such detention, injury or destruction of property. But if the defendant shall be successful in any suit or other proceeding brought against him, he may proceed to recover the cost from the Society.

Assessment of the Act:

a) The RJSC&F or any other government agency has not been entrusted with necessary power to regulate the Societies. If any dispute arises in the Society, judicial court is the only place for settlement, which is often very complex, time consuming and costly.
b) There is not financial regulation described in the law to be applicable for the Societies.
c) There is no requirement for submission of any statement to RJSC&F except intimation to the registrar regarding any changes in name, address or directors/members of the governing body.

We can conclude that there is not enough provision for regulation of charitable organizations registered under The Societies Registration Act, 1860 and the registration authority has not been empowered for regulation of the Societies either. In fact, the Act was enacted long ago when there were no other regulatory authorities for charitable organizations in this region. But, the situation has changed over time. There are some other laws exist in the country having better provisions for registration and regulation of the charitable organizations and there are regulatory authorities also with better regulatory capacity as well. So, government can consider changing the provision of registration of charitable organizations to RJSC&F under the Societies Act, 1860 and can entrust the responsibility to any one of the existing NGO regulatory authorities for better regulation of the sector. At the same time, the Act should be amended to overcome the weaknesses discussed earlier.

5.5 Microcredit Regulatory Authority Act, 2006 & Rule, 2010

Microcredit Regulatory Authority Act was enacted in 2006. The Act has not been amended afterward.

Purposes of the Act: The law has been enacted in order to establish an authority and formulate rules on related matters for efficient regulation of microcredit programs ensuring

transparency and accountability in the activities of micro credit organizations operating in Bangladesh [Preamble of the Act].

Registration/Regulatory Authority: Licensing of MFIs in Bangladesh is to be done under the Microcredit Regulatory Authority (MRA) Act. Without the certificate of the Authority, no microfinance organization shall run any micro credit program [Section 15(1)].

The responsibilities and activities of the Authority are as following [Section 9]:

a) Issue certificates for running micro credit organization to alleviate poverty of the country's poor people and their overall welfare. Cancellation of certificate;
b) Preserve, examine and analyze the data on establishment of micro credit organization and their field level supervision;
c) Merge of micro credit organization;
d) Take necessary steps for auditing of the accounts of the micro credit organization at the request of the financing agency;
e) Send information as sought by the financing agency;
f) Formulate policy;
g) Take any step to perform the responsibilities as mentioned above.

Other responsibilities of MRA under the Act are:

h) The Authority shall form and maintain a fund to be called Deposit Security Fund in order to secure the depositors of the micro credit institution [Section 19].
i) The Authority shall make public through a government gazette notification the list of micro credit organizations providing their names, addresses and local jurisdictions. The Authority shall publish the information related to the suspension or scrapping of certificates of micro credit institutions in national or, if necessary, in local dailies [Section 21].
j) The Act also described detail rules for establishment (general management, office locations, formation & functions of the Board of Directors, meeting, responsibilities and activities of the Authority, appointment of Executive Vice-Chairman and officers-employees, etc.) and financial matters (fund of the Authority, annual budget, accounting & auditing) of the MRA in Chapter 2 & 3.

Under the Microcredit Regulatory Rules, 2010 the following issues related with Authority have also been covered:

a) Licensing procedure [Rule 3-6];
b) Inspection, investigation and audit of the activities of MFIs [Rule 38];
c) Procedure of notification for imposition of administrative fines [Rule 49];

Financial Regulations for MFIs as per MRA Act, 2006:

a) All MFIs have to maintain their accounts in a prescribed manner directed by the MRA [Section 22(1)].
b) All MFIs have to prepare their budget or annual financial description ahead of the end of every fiscal for the next fiscal year and prepare their annual profit and loss

accounts and balance sheet in a prescribed manner and submit a copy of those to the MRA [Section 22(2)].

c) Each of MFI has to follow the directives to be issued by MRA from time to time about their financial activity [Section 22(3)].
d) MFI cannot use the amount of loan or grants received from the financing agency in any head or purpose other than the pledged head or purpose [Section 23(a)].
e) According to the demand of the financing agency, MFIs have to submit report to the financing agency within the time frame following the format to be prescribed by the financing agency and cooperate for inspection of area and examination of any record or document related to any loan or grant provided [Section 23(b)].
f) The main task of all micro credit institutions shall be to run micro credit program under the conditions laid down in MRA Act. Each institution shall have the authority and responsibility to provide loan supports to poor people, to provide them advice and support, accept deposit from members, receive loan or grant, invest the surplus fund, receive service charge, offer insurance service to loan recipients and members. Without the approval of the Authority, no micro credit institution shall undertake any program or enter into any transaction contrary to the provision or objectives of this clause, run businesses or offer any other service [Section 24].
g) Every MFI has to have a reserve fund and the fund has to be operated in a resolved manner and no amount can be spent from that reserved fund without prior approval of MRA [Section 30].
h) No MFI can offer any dividend without prior approval of MRA. No MFI, whose tax was exempted by the government or if it receives any other financial assistance from the government can distribute any dividend [Section 31].
i) No MFI can receive any deposit from anybody other than its members. When deposit is received from a member, he has to be given instantly the acknowledgement with proper entry in the passbooks and issue receipt [Section 32(1),(2)].
j) No MFI shall invest the deposit other than the heads resolved by the MRA, or can use or invest the members' deposit in any head linked to individual interest [Section 32 (3),(4)].

Under the Microcredit Regulatory Rules, 2010 the following financial regulations have been covered:

a) Maintenance of accounts and other procedures [Rule 13];
b) Sources of the fund and restrictions on uses of funds of the MFI [Rule 18-19];
c) Rules for Reserve Fund & usage of surplus income [Rule 20-21];
d) Acquisition of moveable and immovable assets by the MFI [Rule 22];
e) Heads of income and expenditure of the MFI [Rule 23];
f) Procedures for disbursement and realization of microcredit loans [Rule 24];
g) Insurance service for clients [Rule 25];
h) Rule for service charges on loans [Rule 26];
i) Regulations for customers' deposit [Rule 27-35];
j) Rules of preservation of records and confidentiality of information [Rule 36-37];

k) Rules related to the budget, financial and management aspects of MFI [Rule 39];
l) Classification of accounts and maintenance of registers and record books [Rule 40-41];
m) General rules in preparation of financial statements [Rule 43];
n) Classification of loans and provisioning [Rule 44];
o) Assets of MFI, etc. [Rule 45];
p) Internal audit and external audit [Rule 46-47];
q) Submission of statements, reports, returns etc. [Rule 48].

Governance related Regulations for MFIs as per MRA Act, 2006:

a) The license from the MRA or the ownership achieved under it is not transferable either completely or partially. Any such activity shall be void [Section 17(2)].
b) No MFI can change, amend, extend or scrap its constitution without prior approval of the MRA [Section 20].
c) If any MFI is declared bankrupt, the Bankruptcy Act, 1997 shall be applicable for the case [Section 25].
d) The shutting of a MFI can be done by the order of the High Court Division on the basis of a petition by MRA, if the license of the institution is cancelled, the institution become unable to pay for its liabilities, or the institution receives punishment for violating any provision of this act [Section 26].
e) There must be a chief executive who shall be appointed by the Board of Directors of the institution. He will act as the secretary of the Board of Directors. No paid official or employee can be a member of the general body or Board of Directors [Section 27].
f) No person who has been declared bankrupt or once was a bankrupt or was punished by a criminal court for any offence of moral turpitude or for misappropriation of fund or if the MRA becomes satisfied that the person had been removed from his responsibility for any of these reasons, the person concerned will not be able to be or remain as chairman or member of Board of Directors or Chief Executive, or Chief Finance Officer of the institution [Section 28(1)].
g) The Chairman of the EC or chief executive or any other person involved directly with the management of any MFI which has declared closed cannot be able to be in any post of any institution requiring direct involvement in its management without prior approval of MRA. No person can simultaneously be a paid official of more than one MFI [Section 28(2),(3)].

Under the Microcredit Regulatory Rules, 2010 the following management related regulations have been covered:

a) Formation of the general body and its functions [Rule 7];
b) Formation of the Council of Directors and its functions [Rule 8];
c) Appointment and responsibilities of Chief Executive Officer [Rule 9];
d) Restrictions for the Chairman and CEO [Rule 10];
e) Procedures of the General Body and the Council of Directors meetings [Rule 11];
f) Management and organogram of the MFI [Rule 12];
g) Head office and branch opening procedure [Rule 14];

h) Rights and duties of the clients [Rule 16-17].

Sanctions for non-compliance as per MRA Act, 2006:

a) If MRA becomes satisfied that the chairman or any member of the Board of Directors or the chief executive officer of a MFI is needed to be removed to prevent any harmful activity against the clients and depositors of the institution or for ensuring appropriate management of the institution, it can remove them from their post by an order at any time, writing down the reason behind the action [Section 29].
b) According to Section 35 of the Act, if any person is convicted for operating micro credit program without license or after cancellation of license; or provide false or dubious information during license; or failed to comply with conditions stated in license; or continue operation violating rules of the Act or order of the Authority; or abuse of power for person gain; or creating disturbance in the operation of MFI, the said person may be punishable with imprisonment not more than one year, or penalty no exceeding taka 5 lakh, or both.
c) During any inspection, investigation or auditing under this act, if any official or employee of a MFI make restrictions in questioning or provide false information, after giving him scopes of show cause, MRA can take action by fining an amount not exceeding his/her 1 month's salary.
d) If any person violates this act or any rule framed under it, instead of filing criminal cases, MRA may impose administrative fine up to an amount of taka 5 lakh.
e) MRA can conduct any investigation in any MFI if it realizes any suspicious activity in it. It can carry out searches and seize relevant documents, files, books of accounts and records entering into any premise from where such activities are being run.

Assessment of the Act and Rule:

The Act has been promulgated only a few years ago under a democracy regime in consultation with the stakeholders and after few years exercise. As a result, the Act covers almost every aspect of the micro credit operations by the MFIs. The Act has stipulated to establish a regulatory organization and stated regulatory requirements for the MFIs. The Rules also described detail procedure of almost every task of the MRA and MFIs. There are also provisions for punishment for non-compliances. However, the following provisions need to be reviewed for further improvement of the Act:

a) In section 35, the amount of financial penalty and punishment seems to be very low and seems not sufficient to restrain criminals from misusing MFIs in ill motives. Allegation has been found from local administration and Social Service Office during the field survey of this study that some small voluntary organizations start micro credit program without the license of the MRA and collect deposit from the poor people. They promise to give loan after certain amount of deposit collected from each depositor. But, after collecting deposit from a large number of people, they close down their offices and flee away. There should be sufficient punishment and simplified procedure of application of that to combat such kind of fraud under the Act.

b) Under Section 29 of the Act, MRA can remove Chairman/members of Executive Committee or CEO of any MFI, if there are reasonable grounds to be satisfied that the said person is engaged with harmful act which is against the interest of its customers, depositors or it is necessary for the proper management of the institution or the public interest. But, MRA has no authority to appoint another person as Chairman/member of Executive Committee or CEO in place of removed one;
c) Absence of legal provision not to allow siblings or members of same family or relatives, who are the beneficiaries by virtue, to be the members of executive committee/board of directors to foster good governance in this sector.

5.6 The Trust Act, 1882

'A trust may be created for any lawful purpose' including charitable activity. The trustees are responsible to look after/management of the trust property to achieve the purposes as stated in the trust deed. A Trust can be created by interested persons, legal or natural, with certain property or fund for the purpose of welfare of the community. Some important features of the Trust Act, 1882 are:

a) A trust can be formed for any lawful purpose;
b) Every person competent to contract can create a Trust;
c) Trust may be created on both moveable or immoveable property;
d) The author of the trust has to indicate with reasonable certainty his intension to create the trust, the purpose of the trust, the beneficiary, the trust-property and transfers the trust-property to the trustee.
e) Every person capable of holding property may be a trustee or beneficiary;
f) A trustee is bound to deal with the trust property with prudence, as if it were his property;
g) A trustee is bound to keep clear and accurate accounts of the trust-property and to furnish the beneficiary with full and accurate information of the said property.

Registration of trust deed in the local Sub-Registry Office is the sole means for creation of a Trust. Some charitable organizations are registered under this law, but the exact number of the organizations is not available, as such trust deeds for charitable purposes are not separated from other deeds during registration. Moreover, there is no regulatory authority to which charitable trusts need to report. But, in almost every cases charitable organizations, including Trusts take registration/license from other NPO sector regulatory/registration authorities for their smooth functioning. In such cases, Trusts have to report to that authority under the respective law.

5.7 Money Laundering Prevention Act, 2012 & Rules, 2013

NGOs/NPOs have been included as the reporting organization under the Money Laundering Prevention Act in 30/09/2010. According to Section 2(r) of MLPA, 2012 'Non Government Organization' (NGO) means the institutions authorized or registered under The Societies Registration Act, 1860; Voluntary Social Welfare Agencies (Registration and Control) Ordinance, 1961; Foreign Donations (Voluntary Activities) Regulation Ordinance, 1978; Foreign Contributions (Regulation) Ordinance, 1982; Microcredit Regulatory Authority Act,

2006 which (i) receive fund (loan, grant, deposit) from local sources or provides with fund to others; and/or (ii) receive any kind of foreign donation or loan or grant.

According to section 2(e) of MLPA, 2012 and section 2(23) of ATA, 2009, 'Non Profit Organization' (NPO) means any institution registered under section 28 of the Company Act, 1994.

Compliance Requirements for Reporting Agencies including NGOs and NPOs under MLPA, 2012 are:

a) Maintaining complete and correct information of customers (i.e. KYC);
b) Preservation of records of transactions for at least 5(five) years after closure of the relationship;
c) Providing information to BFIU on demand; and
d) Submission of Suspicious Transaction Report (STR) to BFIU.

Money Laundering Prevention Rules, 2013

Money Laundering Prevention Rules, 2013 have been issued under the Act describing detail procedures for the proper implementation of the Acts. Sector wise instructions have also been issued by these Rules.

Under the Money Laundering Prevention Rules, 2013 each NPO/NGO shall [Rule 27]:

a) preserve information relating to their goals, objectives and functions in details;
b) collect and preserve the correct and complete information of identification of those who control or direct the activities of the organization and such information shall be made publicly available;
c) preserve details information relating to the functions of their foreign branches (where applicable) and also preserve the updated information of the officers/staff working there;
d) collect and verify the identification information, relevant experience and other involvements of the selected candidates before recruitment.
e) collect correct and complete information of identification with supporting documents of the customers [any person, group of people, other NPOs/NGOs or any other organization] and preserve records of transactions for at least 5(five) years from the date of closure of the relationship with the customer.
f) preserve the audited annual financial statement with supporting documents at least for 5(five) years.
g) Financial transactions shall have to be routed through banking channel.
h) The senior management, members of the Board of Directors, Executive Committee, Trustee Board and others (where applicable) shall ensure that all funds are spent in a manner that is consistent with the stated goals, objectives and activities of the NPO/NGO Annual Independent Audit shall have to be conducted in this regard.
i) The senior management or the Board of Directors (where applicable) shall conduct a quarterly meeting with the officers of their organization on combating money laundering and financing of terrorism and also arrange training program for all of

their officers. They shall maintain the record of the meeting and the training conducted.

j) No NPO/NGO functioning in Bangladesh shall receive any fund from any person or organization listed under the resolutions of United Nations Security Council (all other resolutions including UNSCR-1267 and UNSCR-1373).

k) While receiving funds from any country or any person or organization of country under the Public Statement of Financial Action Task Force (FATF), Enhanced Due Diligence (EDD) shall have to be ensured considering the risk.

l) NPO/NGO shall collect the correct and complete identification information and supporting documents of their donors.

m) Every NPO/NGO having foreign aid/grant/donation/loan shall receive the clearance document from the appropriate authority, preserve the clearance document and would not return any amount to the donor without the prior approval of the appropriate authority.

n) Each NPO/NGO shall:

   i. ensure appropriate monitoring system to ascertain that the fund given to their customers are not used for the purpose of money laundering and financing of terrorism. NPOs/NGOs shall report immediately to the BFIU if any incident or transaction identified/appears suspicious to them according to the instruction of BFIU;

   ii. report to the BFIU immediately if there is any suspicion or request by any donor in using them for such activities as are contrary to the existing AML/CFT regime

o) Each NPO/NGO shall provide such information and any other papers/documents as may be asked for by the Bangladesh Bank.

5.8 Anti Terrorism Act, 2009

NGOs/NPOs have been included as the reporting organization under the Anti-Terrorism Act in 17/01/2012. The legal definition of 'Non Profit Organization' and 'Non Government Organization' under Section 2 (23) and 2(24) of ATA, 2009 are as same as Section 2(e) and 2(r) of MLPA, 2012 respectively.

Compliance Requirements for Reporting Agencies including NGOs and NPOs under ATA, 2009 (Amendment in 2013) are:

a) To take necessary measures and responsibility to prevent financing of terrorism;

b) Submit Suspicious Transaction Report (STR) spontaneously to BFIU;

c) The Board of Directors or Appropriate Authority shall issue directions regarding duties of its officers; and

d) The Board of Directors shall ascertain the compliance of BFIU directions.

Anti Terrorism Rules, 2013 have also been issued describing detail procedures for the proper implementation of the Act. No additional instruction has been issued for NGO/NPO sector specifically under the AT Rules, 2013.

Assessment of the MLP Act, 2012 and ATA, 2009:

a) In the definition of the both Acts, 'Non Government Organization (NGO)' means the institutions authorized or registered under Foreign Contributions (Regulation) Ordinance, 1982 along with other Acts/Ordinances. But, there is no provision of authorization or registration of institutions under the said Ordinance. The government of Bangladesh had enacted the aforesaid Ordinance to prohibit any citizen of, or organization in, Bangladesh to receive any foreign contribution without the prior permission of the Government.

b) In the definition of the both Acts, Non Profit Organization (NPO) means any institution registered under section 28 of the Company Act, 1994. There are 1001 trade organizations which are registered as NPO in RJSC&F as on June, 2015. Social Marketing Company, a prominent company which markets public health related medicine and birth control materials, is also registered as NPO. As per information obtained from RJSC&F, organizations registered as NPOs are not engaged in 'charitable activities' as defined in FATF Recommendation-8 and its Interpretive Note.

   In line with FATF recommendations, non-profit organizations were included as reporting organization in MLPA, 2012 and ATA, 2009 of Bangladesh. As organizations registered as NPOs in RJSC&F are totally different in nature/activities from FATF definition and not involved in financial transaction and do not receive or disburse charitable fund, such organizations should be excluded from the definition of NPO under MLPA, 2012 and ATA, 2009.

c) Place of worship, religious education institutions and orphanages also receive fund from local and foreign sources. Those institutions have to register as NGO in NGOAB for receiving fund directly from abroad. Alternatively, those receive foreign fund through any registered NGOs under NGOAB. So, there is an effective monitoring system for receiving foreign fund by those institutions. But, those institutions are not considered as NGO/NPO by any law of Bangladesh if they receive local fund. Their functions are consistent with the definition of NPO by FATF. So, Bangladesh should review the current regulatory regime in line with FATF requirements in this regard.

d) It has been observed that some charitable organizations of Bangladesh are registered under The Trust Act, 1882 and there is no regulatory authority for those organizations. If those organizations do not take registration/license from any of the regulatory authorities under other laws, such organizations will be outside of any regulation including AML/CFT. So, charitable organizations registered under The Trust Act, 1882 should be regulated by an existing regulatory agency and be included under the legal definition of MLPA and ATA.

Recent Development in Legal Reform:

An initiative has been taken from the government to enact a new law for regulation of the foreign funded NGOs of Bangladesh. The draft law has been prepared by taking feedback

from different stakeholders. The cabinet of the Government of Bangladesh has already approved the Act. But the law has not been passed by the parliament yet. However, different civil society organizations are opposing some provisions of the proposed law as they think that those provisions will increase compliance burden and give excess control to the government.

Chapter 6: Analysis of Regulatory Framework in NGO Sector

The NGO sector of Bangladesh is being regulated by different government agencies under different laws. NGOs have to take registration/license from those government agencies for their smooth functioning. As part of this study, data have been collected from the head offices of the regulatory agencies regarding monitoring mechanism and different problems faced by the agencies in this regard. Data were also collected from the field offices/local administration regarding monitoring of NGO activities and this has been discussed in the next chapter.

6.1 Legal Position of the Regulation/Registration Authorities

Local voluntary organizations apply to Upazila Social Service Office (SSO) for registration for commencing voluntary activities. After preliminary screening, Upazilla SSO forwards the application to the District Social Service Office with necessary documents. The district office has the authority to issue the registration under the Voluntary Social Welfare Agencies (Registration and Control) Ordinance, 1961. The Social Service Offices are under the Department of Social Services which is a directorate under the Ministry of Social Welfare. Department of Social Services is situated in Dhaka and its responsibilities include operating various social benefit schemes of the government and issuing registration of voluntary organizations.

Department of Women Affairs (DWA), under the Ministry of Women & Children Affairs, is also a registrar of voluntary organizations that work for women and children welfare under the same Ordinance as DSS does. Its organizational structure is also similar to that of DSS.

NGO Affairs Bureau (NGOAB) is under the Prime Minister's Office with its only office in Dhaka. It provides registration to foreign donation receiving charitable organizations and persons under The Foreign Donations (Voluntary Activities) Regulation Ordinance, 1978. NGOAB also approves project proposals involved with foreign donation and gives clearance for the project fund disbursement every year. NGOAB has no field office and for this reason local administration monitors the activities of registered NGOs on behalf of NGOAB. Almost all officers of the Bureau are in deputation from public administration.

Microcredit Regulatory Authority (MRA) provides license to MFIs under Microcredit Regulatory Authority Act, 2006. The only office of the Authority is located in Dhaka and is under the Bank and Financial Institutions Division of the Ministry of Finance.

Registrar of Joint Stock Companies & Firms (RJSC&F) gives registration to Societies under The Societies Registration Act, 1860. Its head quarter is in Dhaka with three other divisional offices. The RJSC&F is under the Ministry of Commerce and register companies and trade organizations under Companies Act 1994, Societies under Societies Registration Act 1860 and partnership firms under Partnership Act, 1932.

6.2 Organizational Strength of the Agencies

The number of NGOs and volume of NGO activities have increased many folds in the last couple of years. Even some NGOs of Bangladesh have become international and operating

their programs in different countries of the world. But, the organizational strength of the regulatory agencies has not been increased at that rate. One of the major problems for all agencies is the shortage of manpower. The NGOAB has given registration to 2333 (August 2014) NGOs which have network in all 64 districts covering almost 450 Upazilas. But the sanctioned manpower strength for NGOAB is only 84 including support and service staffs, while the existing manpower strength is only 58. The number of existing executive level first class officer in NGOAB is 10 against the sanction strength of 23 (43%). Total number of project approved by NGOAB in 2013-14 is 1116. Any project approval requires proper checking of project proposal and other relevant documents. But it is quite impossible to check properly such a large number of project documents with such a small manpower.

On the other hand, MRA has given license to 697 (30/05/2014) MFIs which also have network in all over the country. In addition to that, MRA has given primary permission to 92 new NGO-MFIs to start microfinance program. MRA is authorized to supervise micro credit activities of all these NGO-MFIs. The sanctioned strength of manpower of MRA is 87 and among them 43 are executive level 1st class officer. The shortage of manpower against the sanctioned strength in this category is 5 (11.6%). The monitoring mechanisms followed by MRA are onsite inspection and offsite monitoring and supervision through collecting and analyzing half-yearly MIS and yearly audited financial statements of NGO-MFIs. MRA usually conducts onsite inspections of Top-20 MFIs at least once in each year, medium size MFIs once in every two years and others once in every 3 years. Therefore, most of the MFIs remain out of on-site inspection for 2/3 years which in turn lack in required field supervision.

Table 6.1: Human Resources in NGO Regulatory Agencies:

Sl	Regulatory Agency	No. of NGOs (June, 2015)	HR Position/ level	Sanction strength	Existing strength	Shortage/ surplus	Per cent Shortage/ surplus
1.	NGOAB	2388	Executive Level*	23	10	-13	- 56.5%
			Support staff	61	48	-13	-21.3%
2.	MRA	753	Executive Level	43	38	-05	-11.6%
			Support staff	44	42	-02	-04.5%
3.	DSS	62773	Executive Level	1368	884	-484	-35.4%
			Support staff	10355	9414	-941	-09.09%
4.	RJSC&F**	NPO: 1001 Societies:14550	Executive Level	12	11	-01	-08.3%
		Company: 200000(approx.)	Support staff	66	45	-21	-31.8%

**1st and 2nd class offices included. **RJSC&F issue registration to NPOs and Societies (along with all companies), but have no regulatory/supervisory roles.*

It may be noted that in most cases Senior Assistant Directors (SADs) and Assistant Directors (ADs) conduct on-site inspection; therefore it is not possible to carry out need base inspection of about 700 NGO-MFIs operating all over the country by such a little number of inspectors (24 no. in 2014). In addition, off-site monitoring and supervision are also carried out by the same officers.

During the field visit which was part of this study, the researchers receive some complain from the local NGO supervision related government offices that some small NGOs start micro credit in the villages without the license of MRA. They start collecting deposits from the poor people promising to provide credit after a certain level of deposit. But they disappear after few days with the depositors' money. Then the victims complain local administration and police to take action against the fraudsters. MRA does not have any field office to get information and take action against such fraud beforehand. However, MRA has submitted an expanded organogram of proposed 265 personnel with 6 regional offices to the concerned ministry for approval.

Department of Social Service (DSS) also mentioned that there are nearly 50 types of activities of DSS now including NGO registration and monitoring. Activities of DSS has increased many folds in the last few years, especially after the introduction of government social safety net programs, but the manpower of the organization has not increased at all. There are one position of Director General and three positions of Director in DSS. Director (Program) supervises all types of social benefit schemes along with voluntary organization registration. In fact, one Deputy Director (Registration) is the highest officer who is responsible for registration and monitoring of voluntary organizations. A position of Officer (Registration) was also seen in some of the District level SSOs in 8 districts, though most of them were found vacant.

Department of Women Affairs (DWA) provided registration to 17,693 women self help groups as on June, 2015. These groups mostly work as community based organization for the development of their members and receive little assistance from the DWA occasionally.

6.3 Registration/Licensing Procedures for NGOs

Registration/licensing authorities of the NGO sector have different rules and conditions for issuing registration/license. NGOAB, MRA and RJSC&F issue registration/license from their head office, while Department of Social Services and Department of Women Affairs issue registration to voluntary organizations from their district offices. The latter two Departments have similarities in issuing registration as both of them issue registrations under the same Act. The registration/licensing process by the NGOAB, MRA, DSS and RJSC&F have been discussed here.

Microcredit Regulatory Authority:

Any organization registered under the Societies Registration Act, 1860; The Trust Act, 1882; The Voluntary Social Welfare Agencies (Registration and Control) Ordinance, 1961; Cooperative Societies Act, 2001 and Company Act, 1994 can apply to MRA for license to operate micro credit program under the Microcredit Regulatory Authority Act, 2006 [Section 2(21), MRA Act, 2006].

The organization have to furnish the information such as name, address, registration from other agencies, financial information; i.e. bank account, sources of fund, proposed deposit, loan and branch location; plan of microcredit activities, head office, management and employee information etc. in the application form. After verification of the information and documents, MRA issues the license for micro credit operation to the NGOs. The aspirant organizations have to submit the following documents along with the application for license [Annex A, MRA Rules, 2010]:

1) Copy of Resolution of the General Body of the organization;
2) Attested Certificate of Incorporation or Registration Certificate, as the case may be, with Articles of Association and Memorandum of Association;
3) Declaration stating that the constitution of the organization does not include any legislation contradictory to the Microcredit Regulatory Authority Act, 2006 or any related rules, regulations or directives;
4) Attested copy of the Constitution of the organization;
5) Bio-data of the members of the General Body according to the prescribed format duly signed, along with 1 (one) copy of attested photograph not more than 6 (six) months old;
6) Attested copies of National ID Card of the members of the General Body having Bangladeshi nationality, and attested copies of the passport of the members having foreign nationality;
7) List of active members of the General Body approved by the Authority;
8) List of active members of the Council of Directors approved by the Authority;
9) Organogram of the organization;
10) Copy of the rental agreement or ownership deed of the Head Office;
11) Copy of the existing branch expansion policy, if any;
12) If the organization has been audited before, copies of audited consolidated financial reports of all Programs for the past 3 (three) years;
13) Projected statements of income and expenditure and balance sheet for the first 3 (three) years of operation of the microfinance activities;
14) If funds provided by an entrepreneur or any other individual, copy of the agreement between the entrepreneur or individual and the organization;
15) Declaration by the entrepreneurs that the loan or grant provided for the microcredit organization has been from their legal sources of income.

- **Department of Social Services (DSS):**

Registration of voluntary organizations is issued from the district level offices of DSS. It has issued a detail procedure for registration of voluntary organizations in 2008. Any educational institutions or foreign organizations cannot be registered under this Ordinance. Voluntary organizations have to apply for clearance with three proposed names for their organization to the SSO. The SSO selects a name for the organization and issues a clearance. Voluntary organizations are required to submit following documents/information to Social Service Offices for registration:

1) Submission of application for registration in prescribed format (Form B);

2) Clearance of name of the organization;
3) Treasury Challan receipt of taka 5000.00 as government fee;
4) Memorandum of Association in prescribed format and signed by President and General Secretary;
5) The list of members (must be in odd number) of the executive committee mentioning the name, profession, designation and present address;
6) Attested copy of the meeting minutes approving executive committee and memorandum of association;
7) Attested photo of President, General Secretary and Treasurer of the executive committee;
8) List of General Committee members with name, parent's name, spouse name, occupation, present and permanent address dully signed by President and General Secretary;
9) List of activities and methods of implementation of the proposed organization;
10) List of furniture in the office of the organization;
11) Sources of fund related information;
12) Copy of deed of the office premises;
13) The probable budget with income and expenditure;
14) Recommendation letter from Union Council/Ward Commissioner; and
15) Certification by President and General Secretary that the members of executive committee are not from the same family.

Deputy Director of the District SSO himself or any officer nominated by him will make an enquiry on the aspirant organization and file a report based on the findings. Then the District SSO shall issue the registration certificate with a letter containing conditions of registration.

Registrar of Joint Stock Companies & Firms (RJSC&F):

Under the Societies Registration Act, 1860 any organization has to take clearance for name from the RJSC&F at first. Then the organization has to apply with the Memorandum of Association and Clearance letter for registration. RJSC&F also take clearance from the intelligence agency regarding the activities and previous records of the aspirant organization and the individuals involved.

NGO Affairs Bureau:

Any person or an organization wishing to carry out voluntary activities by receiving and utilizing foreign donations shall have to apply for registration to the Director General of NGOAB in a prescribed format (namely FD -1 Form). The constitution of the organization, list of executive committee members with their full details, plan of operation, location/area of operation and letter of intent of the donor agency must be submitted along with the application [PMO Circular, 2012, para. 6.1].

While assessing the applications for registration, Bureau gets it cleared by the Ministry of Home Affairs so that profiles of the aspirant NGO and individual concerned are primarily scrutinized and verified in the process of registration. The Ministry of Home Affairs, in turn, gets antecedents and other information verified through intelligent departments. If there is no

adverse report found, NGOAB issues the registration. If the outline of the activities of the organization, its objectives, constitution and report of the activities give any impression that the activities of the organization are not "voluntary activities", then the Bureau shall reject the registration application of the organization.

After each five years, NGOs need to renew their registration. Before renewal, the Bureau verifies the applicant NGO's performance in the last five years. If activities of last 5 years are found satisfactory and if no adverse report is found during last 5 years from any quarter, NGOAB gives renewal.

6.4 Renewal of Registration/License

Registration of NGOs under NGOAB remains valid for five years. While renewal of registration, NGOAB examines NGOs' compliance to relevant laws and regulations, commitment letter of fund from donor agencies and satisfactory records of their previous activities.

Although there is no covenant for renewal of license issued by MRA to NGO-MFIs, there is a condition of paying yearly fees by the licensed NGO-MFIs, failure of which may result in revoking license. So, usually by paying yearly fees on time licenses are validated for year to year.

RJSC&F renews the license of NPOs by examining their submitted balance sheet but there is no provision for renewal of license of the Societies. Voluntary organizations registered under DSS or DWA do not require renewing the registration.

6.5 Project Approval & Release of Foreign Fund by NGOAB

During the project approval, the Bureau takes opinion of the concerned Ministry and evaluates the earlier performance of the applicant NGOs before granting permission to receive the project fund. If the concerned Ministries give any sort of negative opinion on the NGO's project proposal or if any sort of bad performance of the applicant NGO is noticed, the Bureau does not approve the project proposal and does not allow receiving fund. In addition, the Bureau also keeps in touch with the concerned bank wherein NGOs open its bank account in this regard. Without the approval of the NGOAB no bank shall release any foreign fund in favour of an NGO.

6.6 Statements Submitted to NGO Regulatory Agencies

NGOs submit annual report, audit report and clearance certificate received from Deputy Commissioners (DC)/Upazilla *Nirbahi* Officers (UNO) of their area of operations to NGOAB. NGO-MFIs submit audited financial statement to MRA yearly and certain statistical information of their activities, used for MIS, half yearly.

Non Profit Organizations (NPOs) submit their balance sheet annually to the RJSC&F, whereas Societies submit their executive committee list whenever there is any change. Voluntary organizations registered under DSS and DWA submit annual report and audited financial statements.

6.7 Monitoring of NGO Activities by Regulators

NGOAB supervises and monitors NGO activities through several mechanism. Divisional Commissioners of Public Administration monitor NGO activities in Division level and Deputy Commissioners at the district level. There is an NGO coordination committee headed by Deputy Commissioners in all districts. The committee sits once in every month and discusses the activities of NGOs and takes decisions. Moreover, every NGO has to conduct yearly audit by an NGOAB enlisted audit firm and submit the report to NGOAB. Line ministries also monitor implementation of project activities relevant to it i.e. health project by Ministry of Health, education project by Ministry of Education.

NGOAB approves projects based on some criteria. The project must have a relation with government plan, program and policies. Priorities are given on poverty alleviation, education, health, disaster and relief, creation of employment opportunities and climate change related projects. Lower administrative cost, maximum welfare of the beneficiaries and organizational transparency of the NGO are also considered.

Table 6.2: The number of project approvals & fund released by NGOAB in 2009-2015:

Year	Total approved projects	Fund Released (Million US$)
2014-15	1035	532.13
2013-14	1116	818.62
2012-13	1048	639.83
2011-12	1077	939.29
2010-11	1120	725.59
2009-10	1172	681.38

The monitoring mechanisms followed by MRA are on-site inspection and offsite monitoring through collecting and analyzing half-yearly MIS and yearly audited financial statements of NGO-MFIs. MRA usually conducts on-site inspections of Top-20 MFIs at least once in a year, medium size MFIs once in every two years and others once in every 3 years.

Voluntary organizations registered under DSS and DWA submit annual report and audited accounts. Whenever any complain is found against an organization, the concerned area office investigates the complain, visit the office of the organization and send report to the local administration and Head Office for necessary action.

RJSC&F has not been empowered to monitor the activities of the NPOs and Societies under the relevant laws. It can only issue registration.

6.8 Sanctions Imposed by Regulators for Non-compliance

NGOAB has some sanction authority to punish the non-compliance. It can ask the NGOs to revise the project appraisal, can withhold any project if major irregularities are detected, can deny renewal of license or cancel license of NGOs. It can also lodge criminal case in the court against the NGO. In 2013-14, NGOAB called explanation from 50 NGOs, warned 44 NGOs and cancelled license of 09 NGOs. License of total 307 NGOs has been cancelled by NGOAB during the period of 2009-2014.

MRA can penalize any official or employee of an NGO-MFI not exceeding one month salary for one instance of noncooperation or providing false statement during inspection,

investigation or audit, can revoke the license, can remove the chairperson or the chief executive officer and can suspend/withhold the license of the MFIs for non-compliance or irregularities.

DSS can cancel the registration of any organization or suspend executive body of the organization in case of severe violation of law or regulation. Registration of 10827 voluntary organizations has been cancelled till 2014 by DSS mainly due to the non-functioning of the registered organizations. The procedures followed by DSS are:

Table 6.3: The sanction imposed by MRA during 2009-2014

Year	Explanation	License cancelled
2013-14	235	16
2012-13	309	11
2011-12	345	17
2010-11	242	1
2009-10	131	-

Receive allegation →Inquiry of the allegation→ Hearing of the complainant→ Action taken→ Appeal by the complainant→ Review of the action.

NGOAB, MRA and DSS give the alleged person(s) or organization(s) reasonable opportunity for self defense through notifying for show cause/explanation.

6.9 Limitations of the Regulatory Authorities

The obstacles as mentioned by NGOAB are: shortage of human resources, office space and official vehicles. Head office of NGOAB located in a rented floor of Fisheries Department. It has no regional or field offices. So, it depends on the local administration for monitoring of NGOs.

Constraints faced by MRA are: absence of certain sanction authority which has been discussed in legal review, shortage of human resources, illiteracy and lack of awareness of the clients of the MFIs.

The problems stated by the DSS in proper monitoring of voluntary organizations are: the weaknesses in the relevant law which has been discussed in the earlier chapter, insufficient human resources, absence of a single regulatory authority for NGO regulation and absence of legal provision/rules for coordination among regulatory agencies.

6.10 Recommendations by the Regulatory Authorities

The NGO regulatory agencies suggested the following steps to strengthen the regulation of the NGO sector:

1) By empowering MRA in full scale through making a comprehensive amendment to the present laws & rules of MRA and regular update of the same;
2) Empowering local administration under Mobile Court Act in enforcing MRA Act and Rules.
3) Regulatory authorities should be sufficiently staffed.
4) NGOAB's own office building for head office is essential.
5) NGOAB suggested vehicle facilities to be increased for field level inspection and monitoring.

6) Creation of NGOAB and MRA field level office is suggested.
7) GO-NGO coordination should be strengthened.
8) Hence NPOs registered in RJSC&F under Company Act, 1994 are not involved with charitable activities, those should be excluded from the reporting agency in MLPA, 2012 and ATA, 2009.
9) RJSC&F suggested fixing up only one regulatory authority for registration and monitoring of Societies.
10) DSS suggested a single regulatory authority for NGO regulation.
11) DSS also suggested legal provision/rules for coordination among regulatory agencies.
12) NGOAB does not think the present regulatory authority is sufficient for effective regulation of the NGO Sector. A new law is now in final stage which will empower the NGOAB to regulate the sector more effectively.
13) MRA considers the current regulatory authority is mostly sufficient, except in few cases. MRA requires authority to appoint an administrator after removing the CEO of any MFI. In this regard, a proposal has been submitted to the government and it is under consideration of the concern ministry.
14) Societies registered in RJSC&F are involved in charitable activities. But, there is no provision for monitoring of the Societies by RJSC&F or any other agencies. RJSC&F does not have the human resource to monitor the Societies either. So, government can consider giving the responsibility of registration and monitoring of Societies to an existing NGO regulatory agency.

NGO Monitoring in Local Level

To assess monitoring mechanism of the NGO sector of Bangladesh, the research team has visited 8 selected districts and one Upazila under every district. Deputy Commissioner and District Social Services offices under each district, and Nirbahi Officer (UNO) and Social Service offices under each Upazila have been visited with questionnaires to observe the role of local administration in NGO activities monitoring. The district (and upazila) under the field level survey are: Barisal (Uzirpur), Chuadanga (Damurhuda), Cox's Bazar (Ramu), Natore (Gurudaspur), Rangamati (Sadar Upazila), Sunamganj (Jagannathpur), Tangail (Basail) and Thakurgaon (Baliadangi). Apart from these, Chittagong Hill Tracts Regional Council and Rangamati Hill Tracts District Council have also been surveyed to capture

Table 6.5: Total Registered NGOs under the Social Service Offices Surveyed

District	District & Upazila	No. of registered NGOs
Barisal	District	1,569
	Uzirpur	143
Chuadanga	District	539
	Damurhuda	118
Cox's Bazar	District	264
	Ramu	49
Natore	District	580
	Gurudaspur	61
Rangamati	District	264
	Sadar Upazila	11
Sunamganj	District	894
	Jagannathpur	75
Tangail	District	2,320
	Basail	97
Thakurgaon	District	574
	Baliadangi	64
Total (in 8 districts)		7004

Source: Field level survey of Assessment of NGO/NPO Sector of Bangladesh (2014).

role of local administrations in the hill tracts region.

6.11 Role of Deputy Commissioner & Upazila Nirbahi Officer

The NGO activities monitoring by the local administration, especially by the offices of the Deputy Commissioner and Upazila Nirbahi Officer (UNO), is assigned by the NGO Affairs Bureau under the Prime Minister's Office. The summary of the findings of the role of the offices of the Deputy Commissioner or Upazila Nirbahi Officer (UNO) are discussed in this section.

Local administration of Bangladesh monitors the activities of NGOs through different methods, such as NGO Coordination Meeting, issuance of certificate to NGOs regarding their project activities in the respective areas, enquiry of allegation if found against any NGO and involving NGOs in development activities of the government, etc. The NGO monitoring mechanism by local administration has been discussed briefly.

- **NGO Coordination Meeting**

The functions and composition of the NGO coordination meetings has been discussed in Chapter 5. The study team reviewed the minutes of the NGO coordination meetings and found that several law enforcement and administration related issues have been discussed. The topic includes discussion on the order/references made by the higher authorities of respective NGOs, successes and achievements of NGOs, presentation by at least two NGOs on their activities, etc. Responsibilities also assigned to different concern government departments, such as to inspect an NGO or to investigate any irregularity or to restrain the activities of an NGO which does not have registration/license from respective authority.

- **Other Methods of NGO Monitoring by Local Administration**

NGOAB has made a rule to submit a clearance letter from the local UNO regarding project implementation in an area for disbursement of project fund for the next fiscal year. The UNO himself/herself, or assigned an officer of his office, or the Social Services Officer visits the project of the NGO and issue the clearance letter based on the information collected. It was also observed that, in some cases, NGO Affairs Bureau request the Deputy Commissioner (DC) to provide information regarding implementation of an NGO project. In such cases, DC himself visits the NGO project for enquiry sometimes. Sometimes, annual plan and budget are also collected from NGOs to get idea about their planned activities, so that proper use of fund or violation of rules can be identified.

- **Course of Action in Case of Violation of Rules & Regulations**

If a complaint is received against any NGO from any sources, steps are taken immediately to verify the complain. If the complain is found valid, the enquiry report is sent to the respective department's district office and also to NGO Affairs Bureau, MRA or Department of Social Services, as appropriate, for taking necessary actions.

When situation seems grave and there is risk of deterioration of law and order, or risk of more financial losses to general people due to fraud of any NGO, the local administration requests the police to take immediate action under the existing law of the land. Sometimes, offices of

the accused NGOs need to be closed down and their documents which seem to be necessary for prosecution need to be seized. Case is also filed against the responsible person and the NGO. Verbal warnings are made during coordination meetings in case of minor violation of regulations.

- **Observations on Local Administration Monitoring**

It is observed that district level coordination meeting helds regularly in each month and the meeting minutes are sent to NGO Affairs Bureau. But, officers of the other government departments who are not directly involved with NGO activities are sometimes a bit reluctant to be present in the meeting. Moreover, there are more than hundred committee meetings in the district in every month where Deputy Commissioner has to preside over. District administration is also tasked with various types of functions and NGO activities monitoring by regular inspection or review of financial/program report is hardly possible. Some NGOs opined that presenting progress report of project implementation in every month is troublesome as they usually prepare such reports quarterly, half yearly and yearly. It was also observed that Upazilla level coordination meeting does not held regularly in everywhere. The meeting minutes are sent to the Deputy Commissioner's office in every month.

6.12 Role of the District & Upazila Social Service Office

District or Upazila Social Service Offices and field level offices under the Department of Social Services, are also playing an important role in monitoring the NGO sector of Bangladesh. There is Social Service office in every upazila of Bangladesh and Social Service Department has 62773 (as on 31/12/2014) registered voluntary organizations all over the country. These local voluntary organizations are registered under Voluntary Social Welfare Agencies (Registration and Control) Ordinance, 1961. As part of this study, Social Service Offices in 8 districts and 8 upalizas have been visited to collect information about NGO monitoring. There are 7004 voluntary organizations registered under these 8 district level SSOs.

- **Functions/activities of the Social Service Office**

The major functions of the Social Service Offices are: distribution of allowance to poor and vulnerable population under various social safety net programs of the government, disbursement of micro credit to vulnerable groups, conduct life skill training for women and poor population, registration and monitoring of voluntary organizations, operation of government orphanages, implementation of various development projects targeting the vulnerable groups, financial assistance to helpless patients, rehabilitation of adolescent criminals under the governmental shelter homes, etc.

- **NGO Monitoring by SSO**

On-site and off-site monitoring methods are used for monitoring the voluntary organizations by the Social Service Offices. The off-site measures include analysis of annual report and audited financial statement of the organizations under its jurisdiction. As part of on-site supervision, surprise visits from Social Service Offices are conducted in the offices of NGOs. Visits of respective offices of NGOs also become necessary whenever any complaint is

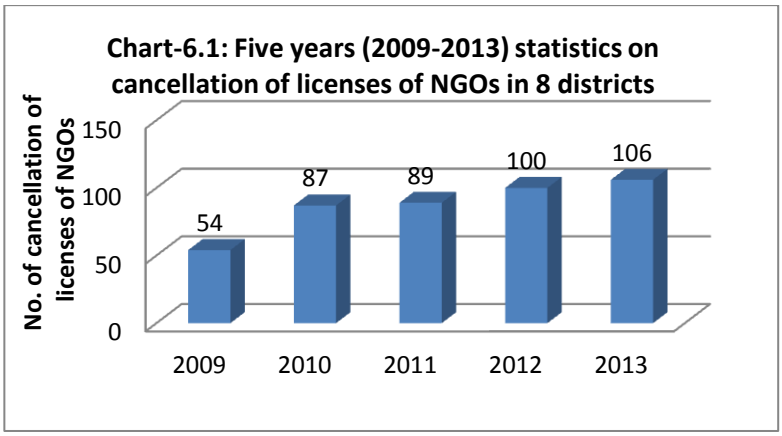
received. Monthly visit of at least one Upazila from District Social Service office to see the NGOs activities is another mentionable technique of supervision.

- **Nature of Non-Compliance by NGOs**

Conducting credit program without approval/license from MRA, deposit collection without license and misuse of fund by giving false information to clients etc. are some common types of non-compliance observed during the monitoring process of NGO activities. Voluntary organizations often do not submit their annual and audit reports in a timely manner. In some cases, voluntary organizations change their executive committee without the approval of the SSO. Some small organizations become inactive due to shortage of project/fund and close down their offices; but, they do not inform anything to SSO.

- **Measures Taken for Non-compliance**

The survey teams of this study have not found any information on gross violation of rules and regulations by the NGOs from SSO of 8 districts. That is probably because of the low occurrence or giving less priority by SSOs, or passive role of SSO as defined in the law in NGO monitoring or lack of proper record keeping. However, the Social Service Offices under survey have informed that licenses of some voluntary organizations have been cancelled in last few years. This is mainly because of the NGOs closing their operation. Five years (2009-2013) statistics on cancellation of licenses of NGOs are shown in Chart-6.1.



Source: Field survey (2014).

- **Limitations of SSO in NGO Monitoring**

The study team conducted FGD with the officials of Social Service offices to know the problems/obstacles they face in monitoring process of NGOs. The officials of SSO shared some of their observation with the study team.

1) Since Social Service Offices have to implement many social safety programs as well, they cannot properly monitor such a large sector like NGO. Therefore, they suggested for establishing separate monitoring cell for NGOs.
2) Presence of different rules and regulations from different regulatory authorities and departments are creating confusion in identifying the violation of rules and regulations properly. The NGOs are also facing similar types of problem.

3) Political involvement of the executive committee members of the NGOs also creates problems while monitoring NGO activities. Such local NGOs become active when favorable political party come to state power and try to secure contract of social development projects of the government. They go to hibernation if their opposition party comes to state power and other such NGOs take the realm.
4) Large NGOs neither keep contact with nor submit any report to Social Service Offices. They keep contact with NGOAB and MRA as their regulators. So, Upazila or District Social Service Offices are often placed in a situation where they can not undertake any supervision of those large NGOs.
5) Most of the officials reported shortage of manpower as the main problem. They also reported that due to lack of office transport, proper monitoring in field level is hindered.

- **Recommendations of SSOs for Enhancing NGO Monitoring**

In the FGD, the officials of SSO provided the following suggestions for enhancing the efficiency of monitoring of NGOs:

1) To bring more transparency in the monitoring process of NGOs, the officials of Social Service offices emphasized on empowering Deputy Commissioners and District Social Service Offices by revising the existing rules and regulations.
2) There should be rules for formation of executive committee of NGOs by election so that more accountability can be ensured. There should be rules if any NGO does not renew its executive committee, their registration could be treated as void.
3) Uniform rules and regulations for NGOs are needed, so that different rules from different departments of the government do not create confusion.
4) There should be rules for renewing the registration of NGOs after every 5 years interval.
5) Proper co-ordination is necessary among office of the DC, UNO, District Social Service Office, District Women Affairs Office, Youth Development Office, MRA and NGO Affairs Bureau for proper monitoring of NGOs.
6) Training programs organized by National Social Welfare Council, Dhaka should be organized regularly for the capacity building of the NGOs.
7) Political influence hinders the monitoring of NGOs. There should be rule that no politically involved person can be a member of the governing body/executive committee of any NGO.
8) The Voluntary Social Welfare Agencies (Registration and Control) Ordinance, 1961 seemed to be obsolete now-a-days. This law should be revised for effective supervision of the sector.

6.13 Monitoring of NGOs in the Hill Tracts Region

To analyze the role of the local administration in monitoring of NGO activities monitoring in the hill tracts region, the survey team visited Chittagong Hill Tracts Regional Council and Rangamati Hill District Council. The government of Bangladesh has enacted special laws for 3 south-eastern hill districts considering the special cultural and historical background of the

region and formed three Hill District Councils and one Chittagong Hill Tracts Regional Council. There is also a Ministry of Hill Tract Affairs dedicated for the region.

A government circular issued by Prime Minister's Office in 12 April, 2012 stated that the NGO Coordination Meeting other than 3 hilly districts will be formed headed by the Deputy Commissioner of the respective districts. Chairman of the concerned CHT District Council shall be the Convener and the Deputy Commissioner shall be the member secretary of the committee in the 3 districts. The committee shall meet at least once in two months. However, the circular has mentioned the role of Ministry of Hill Tract Affairs in monitoring the NGO activities in that area.

Hill Tract Districts Councils have been formed few years ago and are still in transformational stage. So, the monitoring activities of the Chittagong Hill Tracts Regional Council and 3 Hill Tract District Councils are still pre-mature compared to the role of local administration in other districts of Bangladesh. However, recently these councils are able to show some glimpse of their regulatory power in monitoring the NGO activities in the hill region. The survey findings in Rangamati Hill District are briefly discussed below:

- **NGO Coordination Meeting**

The coordination meetings consisting of the officials from NGOs and local administration take place on bi-monthly basis in Rangamati Hill District Council. Coordinating the functions of different NGOs, monitoring the bi-monthly progress of projects/schemes, microcredit programs etc. are the main agenda of the NGO coordination meetings in the hill tracts region.

Meeting minutes of the coordination meetings of Rangamati Hill District Council had been reviewed. Some key issues of discussion were: activities of microcredit NGOs and their interest rates, sector-wise review of NGO activities, activities of few unregistered NGOs especially microcredit programs, complaints and problems of NGOs.

- **Other Modes of NGO Monitoring**

The monitoring is mainly done through the NGO coordination meeting. Due to shortage of manpower, field level monitoring of NGO activities are not being taken by District/Regional Council. However, in some cases, the disputes within/among NGOs were solved through district councils.

Hill tracts regional councils are not yet empowered to take any legislative measures against violation of rules by any NGO. But, in some cases, the council informs the respective ministry about the violation of rules. Issuance of written warning, cancellation of projects/fund distribution and cancellation of no objection certificates (NOC) are other measures taken by the Councils. Separate Monitoring Cell has been formed by the Ministry of CHT Affairs to oversee the NGOs of Chittagong Hill Tract districts.

It has been observed that there is ambiguity about the role of Hill District Councils and Deputy Commissioner's office in NGO activities monitoring. Absence of clear role definition is creating problem between the two units of local administration.

In case of providing registration of NGOs in hill tracts region, regional council has opined that NGO Affairs Bureau should consult with them as per Chittagong Regional Council Act, 1998.

6.14 Opinion of the NGOs regarding NGO Regulation

As part of this study, 12 large and prominent NGOs of Bangladesh were asked for opinion on the NGO sector regulation in Bangladesh. Most of the NGOs consider that the existing law/regulations are adequate for the NGO sector of Bangladesh. They opined that NGOAB along with Ministry of Home Affairs keeps detailed monetary transactions by the NGOs. As per existing law, no NGO can withdraw the money of foreign donations without the approval of NGOAB. They also opined that if the existing laws are implemented properly, all the activities by NGOs can be regulated efficiently.

However, some NGOs opined that these regulations should be more positive and facilitative rather than control oriented. The commendable role played by the sector over the years can be further flourished and sustained ensuring a right balance of independence and accountability. Some NGOs has complained that some co-operative societies are conducting their questionable activities in the name of NGOs and the blame is going upon NGO sector.

- **Recommendations by NGOs for Strengthening NGO Sector Regulation**

Some NGOs suggested the regulatory authorities should be equipped with enough skilled and competent personnel to regulate such a large sector. Few NGOs consider regulations are not NGO friendly. NGOs need to have opportunity to mobilize their fund locally for the sake of their sustainability. Legal and policy structure should ensure conducive space for further growth of the sector without the scope of arbitrary restriction and control, so that NGOs can continue to play the supportive role to the public sector. Some NGOs has suggested for enhancing the coordination among the regulatory authorities.

6.15 Opinion of External Auditors on NGO Monitoring

NGOAB issues a list of chartered accountant firms which are eligible to conduct audit in NGOs registered under NGOAB. Governing body of NGO selects a chartered accountant firm every year from the list as external auditor. The audit report has to be submitted to NGOAB every year. As part of the data collection for the research, a questionnaire has been send to some commercial audit firms who are experienced in auditing of NGOs. The audit firms replied the questions based on their experience.

Bangladesh Standards of Auditing (BSA) is followed while auditing NGOs. NGOs of Bangladesh follow the accounting procedure prescribed by NGO Affairs Bureau (NGOAB) and MRA while preparing their financial statements. NGOAB and MRA have directed NGOs to conduct external audit annually. Both the regulators have issued Terms of Reference (TOR) for external auditors to be followed while conducting audit in NGOs.

The common accounting violations observed are: NGOs do not deduct VAT/Tax where applicable and do not submit withholding tax return and income tax return in due time. RJSC&F registered NGOs (Societies) do not submit their annual returns regularly. Book of

accounts of most NGOs are not software based and the accountants are not aware enough about the audit requirements. So, they should be provided adequate training.

Utilization of fund as approved by regulatory authority is also audited by the audit firm. They check the fund transfer dates and amount and whether these match with the donor agreement. Compliance of AML/CFT requirements is also checked in recent times as per direction of the regulatory authorities.

Chapter 7: Policy Options and Conclusion

There are several laws for NGO registration/licenses and different government agencies are responsible for registration and regulation. The regulatory requirements are also different from agency to agency. But, most of the NGOs have to take registration/license from NGOAB, MRA or DSS for their smooth functioning. Local administration has also a crucial role in monitoring of NGO activities in field level. Regulation of NGOs by multiple agencies gives little scope to abuse the NGOs. On the other hand, duplication of regulation creates extra burden and the regulatory agencies are not well resourced to manage the large sector. For the integrity and robustness of the NGO sector and maintaining confidence of the stakeholders, there are scopes to improve the existing regulations. Here some recommendations have been suggested based on the study findings, feedback of the stakeholders and following examples of the other countries:

7.1 Reforms in Legal Framework

1) The government can consider assigning an existing regulatory agency for registration of all charitable organizations in Bangladesh. National Integrity Strategy Paper (2012) by Cabinet Division of the Government of Bangladesh also recommended establishment of a single authority for NGO registration. This will eliminate the existing regulatory complexities and will ensure better transparency in the NGO sector. The scope of NGO Affairs Bureau may be widen to register all charitable organizations, but to regulate international, national, regional and local NGOs. NGOAB should also continue to regulate foreign fund in charitable activities as well. Community based organizations (CBO) may be regulated by local authorities or DSS. Licensing requirement of NGOs for the operation of micro finance from Microcredit Regulatory Authority (MRA) should be continued. Regulatory authorities should be adequately empowered and resourced to function effectively.

2) Government may otherwise consider forming an NGO Coordination Board/Council consisting of top executives of the NGO regulatory agencies, which will be crucial step ahead in inter-agency coordination and cooperation. Registration authority of all kinds of voluntary organizations/NGOs can be assigned to only an agency and specific purpose regulation may be continued by other agencies. The proposed Board/Council should be adequately empowered.

3) NGO-MFIs are special types of financial institutions and they should be regulated like other financial institutions. Microcredit Regulatory Authority (MRA) is a unique innovation of Bangladesh as like the micro finance and MRA should continue its function. MRA should be a part of proposed NGO Coordination Board/Council.

4) Registration authority without regulatory power of an agency creates scope for organizations to escape regulation, as we observed the provision of The Societies Registration Act, 1860 or The Trust Act, 1882. In fact, these Acts were promulgated

long ago when NGO regulatory authorities were absent. Such old acts related with NGO sector should be amended to empower a single authority to register all NGOs.

5) Foreign Contributions (Regulation) Ordinance, 1982 should be omitted from the definition of 'Non Government Organization (NGO)' under MLPA, 2012 and ATA, 2009' as there is no provision of registration of NGOs under the Ordinance. As organizations registered as NPOs in RJSC&F are totally different in nature/activities from FATF's definition of NPO and do not receive or disburse charitable fund, so such organizations should be excluded from the definition of NGOs under MLPA, 2012 and ATA, 2009.

6) Punishments and penalty for non-compliance should be proportional to the severity of the crime. Government should consider updating the relevant provisions of the Acts and there should also be transparent and implementable procedures to deal with non-compliance.

7) There should be provision of renewal of registration/license of NGOs from the regulatory agencies after a time interval. The renewal system provides an effective tool for the regulators to enforce compliance. Such provision should be incorporated in the Voluntary Social Welfare Agencies (Registration and Control) Ordinance, 1961.

8) There should be detail financial and governance related rules for every type of NGOs/voluntary organizations under the relevant laws/rules. The regulatory agencies should also issue governance related guidelines for NGOs and enforce them.

7.2 Reforms in Regulatory Authorities

The review of the existing NGO sector regulatory framework reveals that there are lots of scopes for improvements. Among the NGO regulatory agencies, NGOAB and MRA are fully focused on NGO sector. They supervise partial function (foreign aid and microcredit) of the whole sector, though both of the functions together covers major activities of the large and medium size NGOs. Both the organizations have no field level office to monitor NGO activities. Local administration monitors the activities of NGOs on behalf of the NGOAB, which is mainly confined in NGO Coordination Meeting. On the other hand, DSS and DWA provide primary registration to voluntary organizations. Both the organizations have field level office in every upazila and even workers in union level. Both organizations implement social benefit schemes of the government and NGO activities monitoring is a less priority area to them, as observed in the field survey. All these authorities are under different ministries.

In this backdrop, enhanced coordination among the agencies, sharing the existing resources and providing adequate resources can be better solutions. Some of the specific recommendations are presented here for consideration:

1) Adequate human resources is very necessary for effective monitoring of such a large sector. Severe crisis of human resources has been observed in every regulatory organizations. NGOAB, which approves project proposals involving foreign donation, releases fund after verification of financial statements in every 6 months and registers foreign funded NGOs, has a head office in a rented building and has only 10 executive level officers. Total 56.5% of its sanctioned executive level officers' positions were vacant in 2014, even though the sanction strength is not also enough to successfully complete the growing volume of work. NGOAB has approved 1116 projects in 2013-14 and each project needs approval for fund release in every six months. Total registered NGOs under NGOAB were 2333 in 2014. Monitoring of the NGOs and its projects are simply impossible with such a small workforce. So, assessing the need of the regulatory agencies and providing adequate human resources for NGO supervision and monitoring should be one of the top priorities to mitigate the ML/TF and other risks in NGO sector.
2) An integrated database of all NGOs registered under all agencies should be developed. FATF Recommendation-8 suggests that countries should have the capacity to obtain timely information on activities, size and other relevant features of the NPO sector. But such information cannot be made available with the current registration system without a database. Each regulatory and registration authority should have access and facility to preserve data of the registered NGOs in the database and can share data with other authorities. If field level officers of the authorities can get the whole picture of an NGO, then the monitoring becomes easier and best use of the existing resources can be ensured. Online reporting for the NGOs should also be introduced and such information should be preserved in the database.
3) Risk based supervision should be introduced by the regulatory agencies. Availability of information of all NGOs will give the supervisors greater flexibility in designing supervision strategy and the ultimate benefits will go to the sector as a whole.
4) To enhance field level monitoring of NGOs, establishment of regional offices of NGOAB and MRA should be considered.
5) Creation of a position of Director (NGO Monitoring) in DSS should also be considered with necessary staffing under the position.
6) The regulatory agencies may be empowered to nominate external auditors for NGO auditing in suspicious cases. When external auditor is nominated by the organization itself and audit fee also depends on the satisfaction of the organization, it is unlikely that the auditor would identify major management irregularities and report those to the same management. On the other hand, NGO regulatory agencies have no

sufficient and expertise manpower for auditing. Hiring external auditors may be the best solution to overcome the shortcoming. There must be a transparent system for nomination of the external auditors by the regulatory agencies.

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Annexure 1: Foreign Aid Flows in Bangladesh

(in Million US$)

Period	ODA to Central Government			Grant to NGOs	Total aid to Bangladesh	Share of NGOs to total aid (%)
	Grant	Loan	Total			
(i)	(ii)	(iii)	(iv)=(ii)+(iii)	(v)	(vi)=(ii)+(v)	(vii)=(v)/(vi)
1990-91	831.5	901.1	1732.6	106.6	938.1	11.4
1991-92	817.3	794.2	1611.5	121.64	938.94	13.0
1992-93	818.3	856.7	1675.0	195.71	1014.01	19.3
1993-94	710.1	848.5	1558.6	171.01	881.11	19.4
1994-95	890.1	849	1739.1	209.50	1099.6	19.1
1995-96	677.5	766.3	1443.8	259.30	936.8	27.7
1996-97	736.1	745.1	1481.2	250.14	986.24	25.4
1997-98	502.9	748.5	1251.4	206.87	709.77	29.1
1998-99	669.4	866.7	1536.1	273.50	942.9	29.0
1999-00	726.1	861.9	1588.0	182.35	908.45	20.1
2000-01	504.1	864.7	1368.8	250.9	755.0	33.2
2001-02	478.8	963.4	1442.2	208.28	687.08	30.3
2002-03	510.1	1074.9	1585.0	279.64	789.74	35.4
2003-04	338.5	695.0	1033.4	313.07	651.57	48.0
2004-05	244.2	1244.2	1488.4	274.02	518.22	52.9
2005-06	500.5	1067.1	1567.6	347.53	848.03	41.0
2006-07	590.2	1040.4	1630.6	322.61	912.81	35.3
2007-08	658.1	1403.4	2061.5	523.11	1181.21	44.3
2008-09	657.8	1189.5	1847.3	486.19	1143.99	42.5
2009-10	639.2	1588.6	2227.8	516.03	1155.23	44.7
2010-11	745.1	1031.6	1776.7	658.94	1404.04	46.9
2011-12	588	1538.5	2126.5	579.64	1167.64	49.6
2012-13	726.3	2084.7	2811	677.51	1403.81	48.3
2013-14	680.73	2403.66	3084.39	719.01	1399.74	51.37
2014-15	--	--	--	749.8	--	--

Source: Flow of External Resources into Bangladesh, ERD, Ministry of Finance

*= NGOs Affairs Bureau; - = not available

Annexure 2: Questionnaires

A study on

NGO Sector Assessment

[This study is being jointly conducted by NGO Affairs Bureau, Dept. of Social Services, Microcredit Regulatory Authority and Bangladesh Financial Intelligence Unit. The answer of the following questions will not be used for any purpose other than this study.]

Checklist for the Head Office of Regulators of NGO Sector

1. Name of the Regulator:
2. Contact Address (including location, phone no. & e-mail):
3. Contact Person's Name & Designation (including phone, e-mail and fax no.):
4. Man power (full time):

Sl no.	Position/level	Sanction strength	Existing strength	Shortage/ surplus
	Total			

5. Do you think the existing manpower is sufficient to monitor the activities of NGOs?
   a) Yes b) No
   Please explain why you think so.
6. No. of licensed/registered NGOs:
7. What are the considerations/conditions for renewal of license of NGOs (briefly explain):
8. Have you ever cancelled license of NGOs? a) Yes b) No
   If yes, please provide data in the following table:

Year	Total no. of cancelled licenses
2013-14	
2012-13	
2011-12	
2010-11	
2009-10	

9. Do you provide project approval of NGOs? a) Yes b) No

10. No. of project approvals (year wise data)

Year	Total no. of approved projects	Sector wise project approval: a)Health, b) Education, c) Economic dev., d) Credit, e) Advocacy, f) Infrastructure, g) Others
2013-14		
2012-13		
2011-12		
2010-11		
2009-10		

11. What are the criteria considered by you while providing the project approval? (please explain briefly)
12. What kind of tools/techniques do you employ for project monitoring of NGOs?
13. Statements submitted by NGOs

Sl no.	Type/name of statement	Frequency: A) Monthly B) Quarterly C) Half-yearly D) Yearly

14. What types of sanction authority does your organization have?
15. Please provide statistics of sanction imposed in last 5 years?

Sl	Year	Explanation	Warning	License cancel	
	2013-14				
	2012-13				
	2011-12				
	2010-11				
	2009-10				

16. What are the procedures for imposing sanctions?
17. Is the regulatory authority of your organization is sufficient for effective regulation of the NGO sector?
18. What are the obstacles you are facing in regulating the NGO sector?
19. What might be the ways to overcome such obstacle?

A study on

NGO Sector Assessment

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Checklist for Field Monitoring

Part 1: Role of local administration in NGO monitoring (UNO/DC office)

1. Name of the Upazilla/District:
2. Address of the office:
3. Contact person's name and contact details:
4. Frequency of NGO Coordination meeting:

   a) Monthly b) Quarterly c) Half-yearly d) Yearly
5. Functions/activities of the NGO Coordination meeting:
6. NGO Coordination meeting minutes review (please collect and review of meetings minutes of last 12 months and list down the 6 main issues discussed in the meeting):
7. What are the modes of monitoring of NGO activities by UNO/DC office?
8. Course of action in case of violation of rules & regulations (please collect examples).

Part 2: Applicable for Upazilla/District Shomaj Sheba Office.

1. Name of District/Upazilla:
2. Address of the office:
3. Contact person's name and contact details:
4. Functions/activities of the Shomaj Sheba Office (S.S.O.):
5. Total number of NGOs registered under this S.S.O.:
6. What are the prerequisites for providing license to any NGO?
7. What are the tools/techniques used in the monitoring process of NGO activities?
8. What types of violations are observed during the monitoring process of NGO activities?
9. What are the steps taken in case of violation of rules & regulations?

10. Please provide information on violation of rules & regulations & steps taken in last 5 years:

Year	No. of violation of rules & regulations	No. of steps taken
2013		
2012		
2011		
2010		
2009		

11. Do you face any problem/obstacle in monitoring the activities of NGO? Please explain in detail.
12. Please mention your recommendation for removing the above stated problems/ obstacles.

Checklist for Legal Framework Review:

1. Title of the law/regulation:
2. Enactment and amendments:
3. Purposes:
4. Registration authority:
5. Regulatory authority:
6. Conditions for registration:
7. Governing rules:
8. Financial rules:
9. Sanctions for non-compliance:
10. Appeal process:
11. Weaknesses:

A study on

NGO Sector Assessment

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Questionnaire for NGOs

1. Name of the NGO:

2. Details of Chief AML/CFT Compliance Officer (CAMLCO):

Name	:
Designation	:
Phone no.	:
Fax No.	:
E-mail address	:
Office address	:

3. Programs and activities of your NGO (please put √ mark, you can choose multiple options):

a. Credit program

b. Health & nutrition program

c. Human rights and advocacy program

d. Training & capacity building program

e. Formal and non-formal education program

f. Family planning & welfare program

g. Water supply & sanitation program

h. Infrastructure development program

i. Legal aid program

j. Economic development/livelihood program

k. Religious faith based program

j. Others (Please specify):

4. Year of Establishment of your NGO:

5. License/Registration received from which agencies (please put √ mark and mention year of receiving license/registration beside):

a) MRA- b) DSS- c) NGOAB- d) RJSC- e) Others (please specify)

6. No. of branch offices of your NGO in Bangladesh:

7. a. Do you have programs and activities outside Bangladesh? Yes No

b. If yes, please mention the names of countries, no. of branch offices and staffs and brief description of your programs & activities in those countries:

8. Human resource related information:

a. Total no. of full-time staffs:

b. Total no. of part-time staffs:

9. Governance structure of your NGO:

a. Please explain existing governance structure of your NGO (formation of General Body, Governing Body, appointment of Chairman & ED and their power etc.).

b. How the key policy decisions are taken in your NGO?

c. How do you ensure accountability and transparency in your organization?

d. Please attach a copy of the list of members of the Governing Body (with their other professional involvements) and top 5 executives. Please mention if anyone of them have family relations with others in your NGO:

e. Please provide the organogram/hierarchy of your NGO in a separate sheet.

10. Regular reporting/ interactions with the Head Office of NGO Regulators and Govt. agencies:

Sl.	Types of interaction (Meeting/ reporting/statement/ letter correspondence/ others)	Name of the regulator/ govt. agencies	Brief description of the interaction (stating no. of occurrences in a year, participants of meeting, issues of discussion etc.)
1.			
2.			
3.			

11. Regular interactions with local govt. administration with your branch offices:

Sl.	Types of interaction (Meeting/ reporting/statement/ letter correspondence/ others)	Name of the local govt. administration office	Brief description of the interaction (stating no. of occurrences in a year, participants of meeting, issues of discussion etc.)
1.			
2.			
3.			

12. Sources of fund of your NGO:

(in crore taka)

Financial Year	Amount of local fund				Amount of foreign fund			Grand Total (iv)+(vii)
	Govt. sources	Non-govt. sources	Own source	Total	Foreign Govt./ UN agencies	Others	Total	
	(i)	(ii)	(iii)	(iv)=(i)+(i)+(iii)	(v)	(vi)	(vii)=(v)+(vi)	
2014								
2013								
2012								
2011								
2010								
2009								

13. If you have partnerships/collaborations with other local NGOs in Bangladesh, please mention the names of those local NGOs and the related projects:

14. If you have partnerships/collaborations with foreign NGOs/institutions/govt. agencies, please mention the names of those NGOs/ institutions/ govt. agencies and nature of partnerships:

15. What are the tools used to monitor the projects of your NGO?

16. How have you been being monitored by your donors?

17. How have you been being monitored by the government agencies?

18. How have you been being monitored by the self regulatory bodies?

19. Do you think that the existing regulatory framework is effective in supervising/monitoring the activities of NGOs in Bangladesh?

Sl.	Description	Opinion (Yes/No)	Rationale for the opinion
1.	Licensing/registration		
2.	Supervision		
3.	Monitoring		
4.	Project approval		
5.	Project monitoring		
6.	Renewal of license/registration		
7.	Renewal of projects		
8.	Others (please specify)		

20. Do you think the existing law/regulations of the country are adequate for the NGO sector? Please provide your opinion in details:

21. Do you have any recommendation/suggestion for strengthening NGO sector regulations in Bangladesh?

22. Are there any money laundering (ML)/ Terrorist Financing (TF) risk in NGO sector of Bangladesh? Please explain.

23. What types of NGOs stated below are vulnerable to money laundering and terrorist financing in Bangladesh? Please mention reasons for your opinion.

(A) NGOs having:
a. Credit program
b. Health & nutrition program
c. Human rights and advocacy program
d. Training & capacity build-up program
e. Formal and non-formal education program
f. Family planning and welfare program
g. Water supply and sanitation program
h. Infrastructure development program
i. Legal aid program
j. Economic development/livelihood program
k. Religious faith based program
j. Others (Please specify):
Reasons for the opinion:

(B) NGOs collecting fund from
a. Local sources (private funding)
b. Government sources
c. Foreign sources by foreign NGOs
d. Foreign sources by local NGOs
e. Own sources (commercial ventures)
Reasons for the opinion:

(C) NGOs operating programs in
a. Urban areas
b. Rural areas
c. Hill areas
d. Border areas
Reasons for the opinion:

(D) Please mention if you have any other observations:

24. Do you have any recommendation/suggestion regarding ML/TF risk mitigation in NGO sector of Bangladesh?

	Recommendation	Responsible organization
a)		
b)		
c)		
d)		

25. What steps/measures have you taken to comply with 'Guidelines on Prevention of Money Laundering and Terrorist Financing for NPO/NGO Sector' issued by Bangladesh Financial Intelligence Unit (BFIU)?

(Name and Signature of Chief Executive)

A study on

NGO Sector Assessment

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Questionnaire for the Auditor of NGOs

1. Name of the Audit Firm:
2. Address:
3. Contact person's name and contact details:
4. Which auditing standard do you follow in auditing of NGOs?

5. Is there any unified accounting procedure for NGOs of Bangladesh?
   a) Yes b) No
   5.1. If yes, please mention the name of the unified accounting procedure.

6. Is there any regulatory directions regarding auditing of NGOs?
   a) Yes b) No
   6.1. If yes, please provide a copy of such direction.

7. What types of violations do you observe while auditing NGOs? (please explain in detail)

8. Do you face any obstacle while auditing NGOs? If yes, what types of obstacle you face?

9. Do you have any recommendation/suggestion for maintaining financial transparency in NGO sector?

10. Do you audit the utilization of fund as approved by regulatory authority? If yes, please describe the procedure?

11. Do you audit the AML/CFT compliance of the NGOs? If yes, please describe the procedure?

A study on

NGO Sector Assessment

[This study is being jointly conducted by NGO Affairs Bureau, The Dept. of Social Services, Microcredit Regulatory Authority and Bangladesh Financial Intelligence Unit. The answer of the following questions will not be used for any purpose other than this study.]

Checklist for Registrar of Joint Stock Companies & Firms

1. **Name of the Registration authority: Registrar of Joint Stock Companies & Firms**
2. Contact Address (including location, phone no. & e-mail):
3. Contact Person's Name & Designation (including phone, e-mail and fax no.):
4. Man power (full time):

Sl no.	Position/level	Sanction strength	Existing strength	Shortage/ surplus
	Total			

5. Do you think the existing manpower is sufficient to monitor the activities of Non Profit Organizations (NPO) & Societies?

   b) Yes b) No
   Please explain why you think so.
6. No. of licensed/registered Non Profit Organizations (NPO) under article 28 of the Companies Act, 1994:
7. Types/major activities of NPOs registered under the Companies Act, 1994:
8. Please mention few prominent organizations which are registered as NPOs: =
9. No. of licensed/registered Societies under the Societies Registration Act, 1860:
10. Types/major activities of Societies registered under the Societies Registration Act, 1860:
11. Please mention few prominent organizations which are registered as Societies:
12. What are the considerations/conditions for renewal of license/registration of NPOs and Societies?

    A) NPOs:
    B) Societies:

13. Have you ever cancelled license/registration of NPOs or Societies? a) Yes b) No
If yes, please provide data in the following table:

Year	Total no. of cancelled licenses/registration of **NPOs**	Total no. of cancelled licenses/registration of **Societies**
2013-14		
2012-13		
2011-12		
2010-11		
2009-10		

14. What were the major causes for cancelling these licenses/ registrations? (Please briefly explain)

A) NPOs:
B) Societies:

15. What are the monitoring techniques/tools followed by RJSC&F for NPOs and Societies?

A) NPOs:
B) Societies:

16. What types of sanction authority does your organization have for NPOs and Societies?

A) NPOs:
B) Societies:

17. Please provide statistics of sanction imposed in last 5 years?

Sl	Year	Explanation	Warning	License cancel	Comments (if any)
	2013-14				
	2012-13				
	2011-12				
	2010-11				
	2009-10				

18. What are the procedures for imposing sanctions?
19. Is the regulatory authority of your organization is sufficient for effective monitoring of the NPOs & Societies?

20. There are several regulatory authorities for NGOs of Bangladesh now. Is another govt. agency (RJSC&F) necessary for issuing registration of the same types of organization? Please explain reasons.
21. What are the obstacles you are facing in monitoring NPOs & Societies?
22. What might be the ways to overcome such obstacles?