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Multi-Actor Collaboration and NGO Accountability: An NGO Case Study

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Research Paper

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Abstract

It is undeniable that nongovernmental organization (NGO) beneficiaries should have their interests protected, especially when investing in and borrowing from a microfinance provider. Yet, prior literature highlights the patchy nature of beneficiary accountability when NGOs prioritize funders' and donors' accountability and commercialization. In this longitudinal case study on a large development microfinance NGO, multi-actor collaboration between donors, funders, and regulators to impose accountability requirements helps protect the interests of NGO beneficiaries. New institutional rules and accountability norms were developed to create dialogs between NGOs and their beneficiaries. Coercive mechanisms were established to sanction situations where beneficiary interests were not upheld in a type of surrogate accountability. Our longitudinal study integrates institutional theory and the stakeholder collaboration concept to show how donors and funders can work with government regulators to increase their effectiveness and protect beneficiaries. However, cultural issues limit full surrogate accountability.

Introduction

Debates in the nongovernmental organization (NGO) accountability literature focus on how to ensure that NGOs are held accountable to their beneficiaries. While the unintended consequences of donor accountability demands have been explored extensively in the NGO literature, the enabling features of these demands on NGOs' discharge of accountability to beneficiaries remain understudied. Dominant prior research argues that NGOs typically prioritize accountability to powerful donors at the expense of beneficiaries who are less powerful (Dixon et al., 2006; Khan, 2003; Mir & Bala, 2015; O'Dwyer & Unerman, 2007, 2008), especially when the NGO is large and influential. However, emerging studies (Awio et al., 2011; Sarma & Mishra, 2022; Uddin & Belal, 2019; Williamson et al., 2022) highlight the enabling features of donor accountability and suggest that donors may hold NGOs accountable to protect beneficiary interests, but Williamson et al. (2022) note this can vary across organizational types. While increasingly regulation is seen as a panacea to address NGO accountability issues (Weisband & Ebrahim, 2007), regulators in developing countries often lack the capacity to hold NGOs accountable due to factors such as insufficiently trained manpower, inadequate financial resources, and a lack of political will or design (Mir & Bala, 2015). This raises the question of how to strengthen regulatory bodies to enable them to effectively hold NGOs accountable to their beneficiaries.

Prior research distinguishes between an externally driven, compliance-type "imposed accountability regime," in which requirements are set by powerful actors such as donors and regulators; a "felt accountability regime," where accountability is internally motivated and rooted in the organization's own sense of responsibility; and an "adaptive accountability regime," in which NGOs seek to balance and reconcile these two forms of accountability (see O'Dwyer & Boomsma, 2015, 37–38). Rubenstein (2007) describes the actions of powerful donors or regulators toward unequal beneficiaries as "surrogate accountability," as beneficiaries have fewer opportunities to sanction NGOs and lack information and standards to measure NGO accountability. Thus, they rely on powerful actors to demand accountability on their behalf. Due to persistent inequality, she notes that "surrogate accountability is a promising second-best alternative to standard accountability" (Rubenstein, 2007, 631). Empirical research on donors' or regulators' surrogate accountability, which leads to NGOs discharging beneficiary accountability, is scarce, especially in a developing country and where the NGO provides vital finance to beneficiaries. Thus, a critical question remains largely unanswered: How can powerful actors transform and shape large NGOs' accountability practices toward those with the least power?

Development NGOs operate in an institutional environment where multiple actors, such as donors, funders, and regulators, can typically influence NGO accountability practices because of their economic or regulatory power. These actors' accountability requirements not only affect the funded NGO but can also impact other actors, such as beneficiaries (see Uddin & Belal, 2019). Prior research shows that committed NGO staff may deliver beneficiary accountability despite powerful donors requiring their own reports (Agyemang et al., 2017; Dixon et al., 2006;

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O'Dwyer & Unerman, 2008). Nevertheless, there is scant research into how more than one powerful institutional actor collaborates with others to shape surrogate accountability and how the multi-actor collaboration among donors, funders, and regulators supports NGO beneficiaries.

Studying accountability between an organization and its stakeholders as a unified, multi-actor group is important because accountability processes intertwine, and these practices utilize precious time and resources, constraining an NGO's ability to adapt to further demands. Thus, often NGOs design accountability processes to meet multiple actors' demands (Neville & Menguc, 2006). Nevertheless, the accountability requirements of donors and funders can be substantially different for various reasons, including specific organizational missions and objectives. For example, although bilateral donors focus on achieving their development goals, funders generally prioritize the recovery of their investment.

Given the lack of research exploring the effects on NGO beneficiaries of multiple actors' collaboration on accountability practices, we focus on powerful external actors to address two research questions: How do the accountability requirements of institutional actors shape a large NGO's accountability practices? How does multi-actor collaboration support beneficiary accountability?

We examine a large Bangladeshi development NGO, Alfa,[1] for this study. Our evidence from in-depth interviews and documentary analysis shows that the case setting is "unique" (Hall & O'Dwyer, 2017) due to its size, the significance of its interventions, and the dynamic and special nature of its relationship with multiple actors, including donors, funders, and the regulator. Further, we present a longitudinal study as, during the research period, the case study (Alfa) substantially reduced its dependence on donors by commercializing its microfinance program and running many other income-generating ventures. Such economic independence provides the NGO with substantial bargaining power over powerful external actors, including bilateral institutional donors. However, even when an NGO adopts accountability processes and practices to address the expectations of multiple institutional actors simultaneously, these institutional actors can also collaborate to hold an NGO accountable. Indeed, during this period, Alfa's donors and funders began to collaborate with existing regulators to create and empower a new regulator that ultimately protects the interests of all microfinance NGO beneficiaries.

We use institutional theory (DiMaggio & Powell, 1983; Powell & DiMaggio, 2012; Scott, 1995) and stakeholder collaboration concepts (Phillips et al., 2000) to analyze the results of this study. We find that collaboration among multiple powerful institutional actors helps create new institutional norms and rules, impacting NGO accountability; we also show how the emergent institutional rules and norms can drive beneficiary accountability.

Our contributions are both empirical and theoretical. Theoretically, we integrate the concept of stakeholder collaboration and institutional isomorphisms with the NGO accountability literature to explain how the collaboration of multiple institutional actors can assist in creating new institutional rules and norms in the sector. Rather than one actor driving change through coercive, mimetic, or normative power, we observe various but coordinated actions which drive greater NGO accountability. Empirically, we contribute to the NGO accountability literature by showing how beneficiary interests can be protected by the accountability requirements of various institutional actors and the newly created institutional rules and norms by drawing on Rubenstein's (2007) concept of surrogate accountability. This study contributes to filling the research gap into beneficiary accountability—as identified by Uddin and Belal (2019), O'Dwyer and Boomsma (2015), and Dewi et al. (2021). We also add to research on microfinance organizations (MFIs) (Khan, 2008; Mir & Bala, 2015; Sarma & Mishra, 2022) that report failings in beneficiary accountability in Bangladesh and India and provide practical examples to aid MFIs' beneficiary accountability.

Following this introduction, we proceed with a brief literature review on NGO accountability in "Relevant prior research on NGO accountability" section. The "Theoretical perspectives" section explains our theoretical perspectives, followed by a "Case context and research methods" section, which discusses the case context and research methods. In the "Findings and analysis" section, we present empirical findings and analysis, and the paper concludes with limitations and opportunities for further research in a "Discussion and conclusion" section.

Relevant prior research on NGO accountability

Ebrahim (2003) defines accountability as relational, arising when resources and/or power are ceded from one party to another and the provider demands reporting and evaluations to satisfy themselves as to their performance. NGOs receiving funding will face sanctions unless they report on their use of funds; if they are regulated, that they are acting in the public interest; and exhibit how beneficiaries are appropriately treated and provided with the promised services (Ebrahim, 2003). Nevertheless, Rubenstein (2007) describes an "unequal world" which impacts this "standard model" of accountability, especially in respect of the least powerful—beneficiaries. She proposes "surrogate accountability" as a second-best solution where (for example) donors sanction an NGO on beneficiaries' behalf and require information that meets certain standards.

Surrogate accountability is important, as research finds that, to satisfy donors, Southern NGOs must adopt donor-imposed reporting, performance measurement tools like logical framework (Logframe) analysis, and monitoring and evaluation (Agyemang et al., 2017; Ebrahim, 2003; O'Dwyer & Unerman, 2010). Notably, prior empirical research has largely emphasized the effects of external accountability (especially that to donors) in contributing to NGO mission drift. Mir and Bala (2015) find that Bangladeshi NGOs with foreign funding experience higher demands from donors and external funders and the regulator, impairing their beneficiary accountability. Dixon et al.'s (2006) case study on microfinance NGOs also finds that their NGO case study's managers are forced to accept unnecessary and inappropriate donor accountability requirements to bolster the NGO's poor financial performance. Similarly, Claeyé and Jackson's (2012) empirical study of 14 nonprofit organizations (NPOs) in South Africa argues that NPOs change their practices in response to external pressures to retain legitimacy and attract funding, while Goddard and Assad's (2006) exploration of the accounting and accountability mechanisms of three Tanzanian NGOs also finds an emphasis on NGO legitimacy and securing funding.

Even when funders support beneficiary accountability mechanisms, O'Dwyer and Unerman (2010) recount wide variations in practice and effect, and implementation challenges due to insufficient donor attention to overseeing beneficiary accountability, reticence to cede power to the local NGO, and local perceptions that beneficiaries do not require NGO accountability. Indeed, Chahim and Prakash (2014) argue that NGOs' reliance on funding

[1]Alfa is pseudonym used for the case study NGO.

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from foreign donors compels them to focus on delivering social services instead of driving social change for beneficiaries. Nevertheless, Williamson et al. (2022) opine that diverse NGO forms have different foci on beneficiary accountability.

Specific literature focuses on MFI accountability (Khan, 2008; Mir & Bala, 2015; Sarma & Mishra, 2022). Mir and Bala (2015) state that none of their sampled Bangladeshi NGOs discharged accountability to their beneficiaries and neither did they fully implement their programs to assist them. Their case study of two large NGOs shows that donor pressure not only changed organizational accountability practices and reduced the opportunities and incentives for NGOs to develop beneficiary-centered accountability but also may transform organizational mission (Mir & Bala, 2015).

Also analyzing a case study, Khan (2008) reports that donor pressure caused a social service NGO to transform into a bank and commercialize its microfinance programs. An earlier study showed that MFI beneficiaries were unable to participate meaningfully in NGO policymaking, nor were NGOs accountable to them in deference to donors and funders (Khan, 2003). Sarma and Mishra (2022) note that Indian MFIs commonly convert to social enterprises to generate profits but argue the opposite should occur, believing beneficiary accountability is assured through local governance of microfinance collectives (a surrogate accountability).

Although a notable amount of prior research highlights the unintended consequences of donor accountability, others (e.g., Awio et al., 2011; Uddin & Belal, 2019) report some enabling features of donor accountability. For example, in a study of Ugandan grassroots NGOs, Awio et al. (2011, 83) approve community-led "bottom-up" accountability, where a community demands "oral accounts" of the "efficiency and effectiveness of [its] decision and action" for "improved program effectiveness." They note that accountability to beneficiaries is enhanced by donor and funder accountability (Awio et al., 2011). Similarly, O'Dwyer and Boomsma (2015) argue that Oxfam Novib was able to negotiate some beneficiary accountability requirements with a government donor, although the NGO's influence on that donor's accountability requirements eventually declined (see also O'Dwyer & Unerman, 2010). Uddin and Belal (2019) argue that donors' "direct" and "indirect" influence strategies to hold an NGO to account also help beneficiaries hold the case NGO to account.

Although prior research has explored various aspects of NGO-donor accountability, there are mixed results. We seek to explore the accountability relationship between an NGO and its multiple stakeholders as a unified issue. This addresses calls by Uddin and Belal (2019) for further research exploring the enabling features of donor accountability and O'Dwyer and Unerman's (2010) identification of an imperative for further research to examine accountability shifts in development NGOs. We also show how surrogate accountability can be collaboratively designed. Our longitudinal analysis seeks to generate a clear understanding of accountability relationships between NGOs and their key stakeholders, such as beneficiaries, donors, and regulators, and thus fill the above research gap. By applying a case study approach to a large Bangladeshi NGO, this study explores how collaboration among multiple actors affects NGO accountability to beneficiaries even when the NGO self-funds microfinance operations.

Theoretical perspectives

We integrate institutional theory and the stakeholder collaboration concept to inform our longitudinal case study. At the core of the project is the imperative for beneficiary accountability, which we discuss in terms of institutional isomorphism before the relevant stakeholder literature on collaboration.

Institutional isomorphisms and NGO accountability

Ebrahim (2003) identifies multiple actors—funders, regulators, clients, and communities—who could (potentially) demand NGO accountability. Both he and others (e.g., O'Dwyer & Unerman, 2010; Rubenstein, 2007) note the asymmetric nature of accountability relationships, which are driven by resource providers and authoritative bodies, with beneficiaries' needs for accountability often ignored. Combined with scandals and poor performance, this can lead to "increased oversight and regulation" (Ebrahim, 2003, 192). Regulators have the power to hold an NGO accountable if its beneficiaries receive poor "service" and are unjustly compromised. In this scenario, a regulator works as a surrogate for less powerful NGO beneficiaries (Rubenstein, 2007) in the accountability process.

Regulations, along with widely held beliefs, norms, and social customs in the field, become "cultural, political, and social forces that surround entities" and mold these entities as explained by institutional theory (Fogarty, 1996, 245). Meyer and Rowan (1977, 340) note, therefore, that organizations adopt practices and processes that are acceptable in the institutional context to "increase their legitimacy and their survival prospects." However, they may not be ideal in the local context. For NGOs, institutional pressures may come from international donors, funders, and national and interantional regulators. For example, NGO donors or funders may prefer that NGOs follow various "business-like" accountability practices, resulting in NGO annual reports and performance measurement exercises. Governments and regulators may also enact laws and regulations to hold NGOs to account on behalf of the state and the citizens.

New institutional sociology (NIS) (DiMaggio & Powell, 1983) is a branch of the institutional theory that can be used to examine "organizations, their systems and practices" (Moll et al., 2006, 186). Isomorphism is a widely used concept in NIS and is defined as a "… constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions" (DiMaggio & Powell, 1983, 149). Isomorphism is classified into three isomorphic processes: coercive, mimetic, and normative isomorphism (DiMaggio & Powell, 1983).

Coercive isomorphism explains how organizations change or adopt practices or processes in response to external pressures from institutional actors. It arises due to "asymmetric power relationships" (Tuttle & Dillard, 2007, 393) between an organization and other actors upon which it depends (Oliver, 1991). For example, donors may require specific reports and information from NGOs they fund and may restrict their support by reducing funding and other types of support as a sanction. Similarly, NGOs must comply with existing government regulations and guidelines; otherwise, governments can impose sanctions on NGOs' operations. Mimetic isomorphism explains how organizations imitate or improve upon other organizations' institutional practices to gain legitimacy (Deegan & Unerman, 2006) or reduce uncertainty (DiMaggio & Powell, 1983). Finally, normative isomorphism explains how an organization adopts practices and processes from particular professional or group norms (Deegan & Unerman, 2006).

Building on the insights of Meyer and Rowan (1977) and subsequent research (e.g., Deegan & Unerman, 2006; Fogarty, 1996;

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Tuttle & Dillard, 2007), the concepts of NIS and isomorphism, though originally developed to explain organizational behavior more broadly, can also be extended to the NGO context to explain why NGOs adopt or modify accountability practices in response to pressures from regulators, donors, and other external stakeholders. In this research, we focus mainly on coercive isomorphism to explain how the pressures from external actors such as regulators, donors, and funders shaped Alfa's accountability practices and protected its beneficiaries' interests.

Multi-actor collaboration and NGO accountability

To explore how new institutional rules and norms arise to improve beneficiary accountability, we integrate literature on collaboration (Phillips et al., 2000) with the institutional theory literature (Powell & DiMaggio, 2012; Scott, 1995). Specifically, we examine how multi-actor collaboration develops new institutional fields in the microfinance industry with a particular focus on coercive rules and the way they can complement beneficiary accountability.

Collaboration is defined as a cooperative relationship that is based on neither exchange relations nor hierarchies (Phillips et al., 2000) between actors, such as regulators, donors, or funders. Such collaboration is necessary when institutional rules are not well-established; these result in ambiguity, unclear boundaries, and complexity. Actors can bring various institutional rules and norms to the collaboration, and new (clearer) institutional rules are negotiated through interactions (Phillips et al., 2000).

However, actors controlling critical resources can dictate the terms of the collaborations (Hardy & Phillips, 1998) due to their formal authority and/or are deemed legitimate to speak on the issue at hand (Phillips et al., 2000). Here, we focus on collaboration among those with critical resources—a funder and a bilateral donor, and two actors with formal authority—regulators in the banking and the microfinance sectors in Bangladesh.

The initial collaboration occurred when the microfinance field was nascent and beset by diverse institutional practices. The Government of Bangladesh created a new regulator (Microcredit Regulatory Authority [MRA]) in 2006 to oversee the activities of thousands of microfinance NGOs (MFIs). In addition to carrying formal authority, such regulators can become a legitimate advocate for beneficiary interests by pressuring MFIs not to charge exploitative interest on loans and to pay a reasonable interest rate on beneficiary savings. Yet, Mir and Bala (2015) argue that the early oversight of a regulator—the NGO Affairs Bureau of Bangladesh (NGOAB)—merely assessed whether NGOs were acting lawfully and did not clash with government priorities. Such failings in emerging economies' regulators are a common issue. The newly developed MRA specifically for MFIs could have extended its work to focus on beneficiaries' needs and ameliorate concerns.

The collaborative project analyzed in this research is mostly funded by the United Kingdom's Department for International Development (DfID[2]) as a bilateral donor with support from Palli Karma-Sahayak Foundation (PKSF) (a NPO established by the government of Bangladesh to provide loanable funds and support the MFIs) and Bangladesh Bank (BB)—the banking sector regulator in Bangladesh. Figure 1 shows the various actors involved and their interrelationships in this collaborative project.

The resource-providing and authoritative actors—namely the government, PKSF, BB, and DfID—served as the primary sources

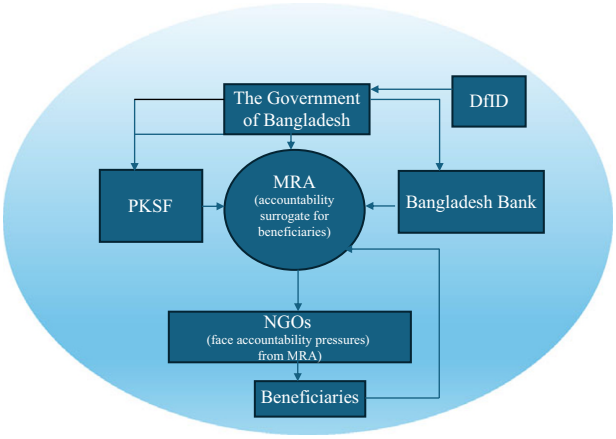


Fig. 1. Multi-actor collaboration, the systems of isomorphism, and NGO accountability. *Source:* The authors.

of institutional practices. PKSF contributed its operational expertise and extensive experience in the microfinance sector, while BB added its regulatory knowledge during the collaboration to establish new regulations for the MRA. Figure 1 shows their collaboration with the MRA to develop new MFI regulations and policies, including beneficiary empowerment through new complaint mechanisms. In the event of noncompliance with the accountability requirements, the MRA could now levy coercive sanctions on MFIs and potentially increase beneficiary accountability.

Case context and research methods

To analyze how institutional actors' accountability requirements shape a large NGO's accountability practices and specifically how multi-actor collaboration complements beneficiary accountability within NGOs, we undertook qualitative case study research.

The case context

Our data came from a research project on a large Bangladeshi development NGO—Alfa, which has operated for more than 50 years. It has earned a national and global reputation for its work in improving the lives of millions of poor Bangladeshis. While initially, Alfa depended fully on funding from bilateral and multilateral donors (such as the DfID), since 1990 it has increasingly pursued self-sustainability. To reduce dependence on development aid, it, along with other Bangladeshi NGOs, now operates substantial income-generating activities including microfinance. Bilateral donors (such as DfID) were Alfa's initial substantial funders keen to promote microfinance as a poverty reduction tool. However, bilateral funding support gradually waned, forcing Alfa to draw on subsidized PKSF borrowings instead. Today, commercial borrowings, retained earnings, and clients' savings comprise the major sources of finance for this program, reducing the influence of external stakeholders on the MFI program. This approach is dissimilar to most of Alfa's other social programs, such as health and education, which still receive the majority of funding from bilateral donors.

The MFI industry was mostly unregulated until 2006, when, as shown in Figure 1, DfID worked closely with BB, the PKSF, and the MRA (the newly formed microfinance regulator) to improve its organizational capacity and enhance beneficiary accountability in the public interest. The collaboration initiative was substantially funded by the DfID and included capacity-building for

[2]DfID merged with the Foreign and Commonwealth Office in 2020 to create the Foreign, Commonwealth & Development Office (FCDO).

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MRA officials. The collaboration emerged when the Bangladesh government grew increasingly concerned about the exploitation of beneficiaries by MFIs, particularly through high interest rates. At that time, the NGO sector in Bangladesh was highly organized and influential, enabling it to successfully lobby against government efforts to introduce new regulations that might threaten its financial interests.

Research methods, data collection, and data analysis

We used a qualitative case study approach (Stake, 2000) for this research. This method allows for the exploration of a research phenomenon in its real-world setting, particularly when the distinction between the phenomenon and its surrounding context is unclear (Yin, 2009). The qualitative approach emphasizes comprehending the fundamental nature of the research issue (Strauss & Corbin, 1994) by interpreting meaning from people's perceptions and actions (Denzin & Lincoln, 2011). It is a suitable research approach to answer "how" and "why" questions (Yin, 2009) such as this research, which explores how multi-actor collaboration complements beneficiary accountability in a large NGO.

The case study data came from a large research project that utilized multiple data collection methods: interviews, documentary analysis, and observations. Semi-structured face-to-face interviews were conducted with 75 interviewees; seven focus group (FG) interviews with key informants were also held with Alfa employees, beneficiaries, regulators, donors, funders, civil society members, competitive NGOs, local elected representatives, and religious leaders. All but three interviews were digitally recorded and transcribed with the first researcher taking detailed notes from all interviews but particularly from the three informants who did not consent to recording their interviews.

The research progressed with four field visits: in January 2010, July 2011, a third between April and July 2017, and a fourth between August and September 2024. During the fourth field visit, three Alfa officials with substantial experience in the microfinance program and four more representatives from MRA were interviewed and a second interview was undertaken with one former senior Alfa manager. Selected themes from the project are reported in this paper, taken from face-to-face interviews with 38 interviewees and seven FGs (see Appendix 1). The interviewees included Alfa's senior and mid-level employees, field-level employees from microfinance and WASH (Water, Sanitation, and Hygiene) programs, regulators, donors, funders, and civil society members.

Key documents analyzed included Alfa's annual reports, donors' published reports, newspaper reports, and minutes of Alfa's board meetings. Data were therefore corroborated from multiple sources, that is, interview data, interview notes, and relevant documents. NVivo software was used to help manage and analyze the data. We followed the procedures relating to data reduction, data display, theme generation, and conclusion drawing, as suggested by Miles et al. (2013) and O'Dwyer (2004). Several iterations were made between the data and the theory during the data analysis process.

Findings and analysis

Isomorphism and NGO accountability

Initially, donors and funders introduced various accountability mechanisms in Alfa's microfinance program to ensure that funding was used for agreed purposes and to evaluate program performance. Documentary analysis and the interview data show that Alfa responded to these accountability demands by providing various reports, such as audited accounts, Log-frame analysis, project monitoring, and evaluation reports. For example, one donor representative stated:

> Alfa has to report to us periodically … We [require] a Log-frame [analysis]. [Donor representative 2—D2]

Alfa's managers concur with the donor representative. One senior manager noted, "We must prepare the Log-frame for all the DfID-funded projects" [Alfa representative 3—A3]. Alfa must cooperate with donor-appointed auditors, consultants, and reviewers by supplying all documents and other relevant information (interview notes—A3).

In addition to receiving written accountability documents, donors and funders interact with Alfa's officials and conduct field visits to verify progress. For example, an interviewee noted:

> We [also conduct] … regular field visits to see what the program entails and what's happening on the ground, … So … there [are] regular interactions between our embassy and Alfa. And my water sector colleagues also maintain close contact with [Alfa's] WASH officials. [D1]

They not only monitor the progress of their funded projects and verify Alfa's organizational policies and governance (interview notes—D2), but Alfa's managers also noted that donors are interested in knowing the impacts of donor-funded projects on beneficiaries (interview notes—A1). One way this occurred (and which still stands today) is that, in addition to DfID monitoring Alfa's program delivery, they funded a complaint-handling mechanism, the Ombudsman's Office, "independent of Alfa management." The intention was that the Ombudsman could address complaints from Alfa's stakeholders (including beneficiaries).

In choosing how to establish legitimate accountability mechanisms, Alfa deliberately sought out models that had already been legitimized by reputable international NGOs adopting them. According to its board meeting minutes (minutes: 1996/7), Alfa reviewed the governance practices of reputable overseas NGOs such as Oxfam, the Ford Foundation, and the Rockefeller Foundation.

Although DfID funded Alfa's Ombudsman service, evidence indicates that it largely failed to provide beneficiaries with a meaningful voice. It appears that this was partly due to poor communication about the service's existence, as none of the interviewed beneficiaries were aware of it. According to Alfa officials, the service was used mainly by employees to seek redress for internal personnel issues. This implies that, while a donor can attempt to support beneficiary accountability, its effectiveness hinges on the NGO's commitment to making it a reality.

Our evidence also suggests that professionals played a role in shaping Alfa's accountability. For example, the minutes of Alfa's board meetings show that board members included several NGO professionals from reputable international NGOs, such as a former head of Oxfam Novib. Additionally, Alfa routinely hired international consultants while redesigning its governance structure to prepare for expanding its operations internationally. One senior manager (A3) notes that these professionals introduce "new types of thinking" in Alfa's governance and accountability practices. It appears that international institutional practices were introduced to Alfa through these professionals.

The WASH program's contract required Alfa to consult beneficiaries about their needs, and interview evidence shows that Alfa field officials did so (FG3 and FG4). Alfa formed Village WASH

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Committees (VWCs) comprising beneficiaries to facilitate participatory resource allocation decisions and program implementation. The evidence suggests that this initiative gave WASH beneficiaries a voice, allowing them to ask questions about how resources were allocated to poor members of the community who could not afford sanitation products, for instance. Interview evidence and the observations from VWC meetings with Alfa officials show that the process of resource allocation at the local level was transparent (FG3 and FG4). However, there was no evidence to support that Alfa changed any major resource allocation decisions, such as the type of products or services to be delivered, based on beneficiary consultations. Most of the major resource allocation decisions, such as types of interventions and location selections, were made at Alfa's head office (A8, FG3 and FG4). Nonetheless, beneficiaries raised no major issues with the way the WASH program was delivered.

While donors' accountability requirements such as the WASH Committees seem to encourage some degree of beneficiary participation in needs assessments and enhanced involvement in resource allocation decisions, one critic questioned whether donors and regulators were genuinely willing to hold the case study NGO accountable:

> In [the] case of [Alfa] this [accountability] doesn't exist almost … for example, [the] government doesn't really look at Alfa as an organization which needs to be accountable. Equally, donors don't actually … require them to be accountable; they are very happy with Alfa, because [of the way] Alfa has placed itself as an organization. It has done a good job … one cannot ignore its contribution. [Civil Society Representative 1—C1]

Some evidence shows that Alfa adopted a participatory approach in the donor-funded WASH program, yet donor-driven beneficiary accountability had limitations. Two such limitations are the temporary nature of the donors' intervention and the increased bargaining power over donors of large NGOs such as Alfa. When a reputable large NGO reduces its dependency on donors, it gains bargaining power, and the (temporary) influence of donors in promoting donor-driven beneficiary accountability will decrease.

Evidence from documentary analysis supports the above views. Alfa's board minutes and other published documents show that Alfa increased its bargaining power with bilateral donors over time. It was able to negotiate the Partnership Program Arrangements (PPAs) with two major donors, the DfID and AusAID, in 2009. The DfID signs this type of agreement only with trusted NGOs. Under the PPA, the donors provided lump-sum payments for budgetary financial support instead of project-specific funding. One of the main implications of this partnership was that donors would impose fewer reporting requirements, which was apparent in the DfID–Alfa relationship. Although Alfa successfully negotiated lower reporting requirements when the dependency on donors for funding was reduced substantially, it had to comply with certain donors' accountability requirements on projects for which it received donor funding. Otherwise, donors could restrict future funding and reduce much-needed political support.

Alfa's microfinance program was partly financed by PKSF. It provided subsidized funding to MFIs,[3] but PKSF's subsidized funding is conditional. For example, funded MFIs can only provide loans to target beneficiary groups. They must also meet other performance criteria, such as maintaining a loan recovery rate of at least 95%. After a government-supported leading funder sets a minimum recovery rate, over time, it becomes an industry norm, and every MFI faces institutional pressure to maintain this recovery rate. It appears from the interview evidence that PKSF set this recovery rate to promote MFIs' self-sustainability. For example, one of the funders' representatives noted the following:

> We [have] given them [MFIs] a set of performance standards, and it contains about hundred and forty-eight indicators. … Sustainability of microcredit basically depends on the sustainability of the poor borrowers. If they are not benefited out of joining the program then, ultimate[ly], [in] the long run these programs will not become sustainable. [F1]

Although the intention of the policy maintaining a minimum 95% recovery rate policy may be noble, it generated some unintended negative consequences for beneficiaries. Interview evidence shows that Alfa's loan officers exerted harsh recovery tactics in cases of beneficiaries having repayment difficulties. For example, one beneficiary interviewee reported during an FG interview that an Alfa loan officer forced a member to sell her only cow to repay the loan installment (FG1). This harsh recovery tactic was applied even though the beneficiary had savings with Alfa. The officer refused to apply the member's savings toward the repayment of the loan despite this violating savings-related regulations. Another interviewee reported that a loan official stated: "You must repay loan instalments on Monday even though you die" (B1 and FG1). Evidence shows that some of Alfa's beneficiary borrowers had to repay the loans either by selling assets or borrowing from other MFIs (beneficiary representatives—B1, B2, and B3). In these situations, beneficiaries can fall into a vicious debt cycle. It appears that the high recovery rate expectations from institutional actors, along with Alfa's loan recovery targets, had negative consequences on the beneficiaries. Although a small number of beneficiaries shared complaints with the first author during interviews, they hesitated to raise them against Alfa officials, apparently out of fear of damaging relationships and losing access to future loans, as well as for cultural reasons, given that Bangladeshis tend to be generally risk-averse.

Some loan officers even resorted to accounting irregularities and manipulations to maintain the required high recovery rate (A6) including posting repayments from good borrowers to default borrowers to disguise defaults. One branch manager reported, "While setting loan disbursement and recovery targets, the head office does not consider the contextual factors of the area of operations" (FG4). According to the interviewees, this is a problem for loan officers and branches because the creditworthiness of borrowers in different parts of the country differs. Setting the same loan disbursement and recovery targets for every area of the country is unrealistic and leads to unintended consequences. Alfa's loan officers therefore opined that they had to put pressure on borrowers to meet the extremely challenging loan disbursement and recovery targets (FG6). As a result, loan officers ended up providing loans to clients who could not utilize the loans.

When questioned about the broader allegations of malpractice against some officials, Alfa's senior managers did not deny that there had been occasional irregularities at the field level in the past during the growth phase of the organization but stressed that senior management treated such complaints with utmost seriousness taking prompt action against the employees involved. The following section discusses findings relating to multi-actor collaboration.

[3]The notations NGOs and MFIs were used interchangeably. Generally, MFIs are those NGOs that have microfinance programs.

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Stakeholder collaboration and NGO accountability

Documentary and interview evidence show that some donor and funder accountability requirements discussed in the previous section were intended to protect beneficiary interests. However, the evidence also shows that the influence of a particular actor can be limited and temporary. For example, when Alfa fully commercialized its main microfinance program in early 2000 and became independent of donor funding, DfID's accountability requirements no longer applied to the microfinance program. We have already reported that the funded Ombudsman program was largely ineffective in addressing beneficiary complaints. However, collaborations among multiple actors did contribute to protecting MFI beneficiaries. These collaborations included helping the newly formed Bangladeshi MFI regulator, MRA, to hold MFIs (including Alfa) to account. The primary responsibility of MRA is now to protect microfinance beneficiaries (interview note, R1), as also brought out by a senior manager of Alfa (A2).

The interview and documentary evidence show that MRA introduced telephone hotlines to enable microfinance beneficiaries to complain to the regulator in the case of an MFI's wrongdoing. This initiative has created a mechanism for beneficiaries to hold MFIs (including Alfa) accountable. Three representatives from MRA noted that beneficiaries used the telephone hotlines to complain, leading MRA to intervene to protect beneficiaries' rights (regulator representatives—R4, R5, and interview note R3). For instance, MRA received 995 complaints from MFI beneficiaries and staff members in 2020, but by the end of November 2024, this figure had surged to 4,049—an increase of over 400%. According to an MRA representative (R7), the increase in complaints can be largely attributed to the widespread publicity of the MRA's complaint hotline number. MRA now mandates that every MFI includes the hotline number in all passbooks.

Nevertheless, a vast majority of these complaints still come from MFI employees. The representative also noted a significant decline over time in complaints from beneficiaries about the nonpayment of interest on savings and delays in refunding clients' savings, leading the MRA to be less concerned. According to MRA representatives, this indicates progress in addressing the major malpractices that previously plagued the microfinance sector.

Holding thousands of MFIs in Bangladesh to account requires trained staff and resources. One of the interviewees (interviewee note, R2) agreed that access to sufficient resources was a prerequisite to holding NGOs accountable. Documentary analysis shows that DfID financed the capacity-building initiative of MRA so that the regulator could function effectively. Documentary and interview evidence show that the support from the DfID came in the form of training and other financial support. For example,

> DfID support has been instrumental in: (i) providing MRA with core operational funding in its early years before government resources became available, (ii) providing technical expertise around regulation, economic analysis, and IT, and (iii) the procurement of a permanent office space with co-funding from GoB. (FCDO, 2014)

Once MRA acquired the much-needed capacity, it started to address some of the malpractices prevalent within the microfinance sector. The following documentary evidence shows that it did so by utilizing the experience of PKSF and the banking sector regulator—BB—the two powerful institutional actors in the banking and microfinance sectors in Bangladesh, respectively:

> [The] other two components of the project will help the BB [Bangladesh Bank] and the PKSF to build further capacity at the Microcredit Regulatory Authority so that the microcredit institutions are properly licensed and regulated. (BDnews24, 2007)

Frequently, senior executives from BB are seconded to the MRA, giving BB substantial control over the governance and management of the MRA's activities. While BB executives bring extensive regulatory experience to the MRA, PKSF contributes significant expertise as the primary microfinance financier in the country. The combined knowledge and expertise of these two influential actors, along with funding support from DfID, made the collaboration highly effective. When new institutional rules (MRA regulations) are created through this collaboration, it becomes almost impossible for MFIs to resist them.

As a funder, PKSF plays an important role in holding MFIs to account. Evidence shows that PKSF's accountability mechanisms helped beneficiaries realize their rights. For example, one PKSF representative noted that some NGOs started to pay interest on members' savings because of the funder's pressure and beneficiary demand [interview notes, F2]. The same interviewee also noted that PKSF's performance standards help make MFIs accountable to beneficiaries:

> We periodically commission studies, academic studies, impact studies, to see … the effectiveness of the programs … by ensuring adherence to these performance standards, we are making this organization in a way accountable to the ultimate clients, the poor microcredit borrowers. (F1)

In the absence of regulatory oversight, many MFIs would charge very high interest on loans. Even Alfa's effective interest rate on microcredit was more than 30% initially. Hence, PKSF mandated capping the maximum effective lending interest rate for funded MFIs at 25%. This policy protects beneficiaries from potential MFI exploitation. However, Alfa did not like the move and stopped borrowing from PKSF to avoid this restriction (interview note, F2) even though the funding was substantially subsidized. Alfa managers know that the condition of charging a maximum interest rate of 25% would hurt Alfa's overall profitability. However, it could not avoid a similar move in 2010 when MRA restricted charging no more than 27% effective interest, irrespective of the funding base. MRA implemented this capped interest rate in the context of broader criticisms that MFIs were exploiting beneficiaries by charging exploitative interest rates. The evidence (R-3) shows MRA has been working toward reducing the interest rate on MFI lending even further. This finding shows how the new institutional actor holds MFIs to account by creating and enforcing a new institutional rule—the maximum interest rate on lending. Subsequent documentary evidence (TBS Report, 2019) indicates that Alfa reduced its effective interest rate to 25% even before the MRA decided to lower the maximum effective rate chargeable to beneficiaries. These regulatory measures appear to have fostered competition among MFIs, prompting them to offer more competitive interest rates on microfinance lending. Such a move would have been unimaginable in 2010, when Alfa officials expressed dissatisfaction with the MRA's initiative to lower interest rates and predicted that the microfinance sector would collapse if the regulator proceeded with the reduction.

MRA rules also mandate that MFIs pay 6% interest on beneficiaries' savings. The interventions from PKSF and the MRA came from allegations against some MFIs not paying interest on beneficiaries' MFI savings. Some MFIs had even refused to refund beneficiaries' savings upon request. It appears that funders' and regulators'

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accountability requirements helped protect the interests of MFI beneficiaries. The evidence suggests that, while Alfa was able to escape the accountability of PKSF by refusing to take their funding, it could not avoid MRA's stringent accountability (e.g., reducing the interest rate) on its overall MFI operations.

While the new regulatory regime was designed to control the operations of MFIs and protect beneficiary interests, the MRA initially encountered considerable obstacles in both its formulation and enforcement. Although established in 2006, it took several years for the regulations to become effective, hindered in part by resistance and lobbying from Bangladesh's influential and well-organized NGO sector (R1). Ultimately, collaboration among multiple stakeholders was instrumental in shaping and implementing the regulations.

Discussion and conclusion

This paper examines how institutional pressures shape the accountability of a large development NGO, Alfa, and how multi-actor collaboration helps protect beneficiaries' interests. The findings show that institutional actors such as donors and funders used their power and resources to hold Alfa to account. Donors demand multiple accountability mechanisms, such as accounting reports, financial audits, program audits, and midterm reviews. One of the main objectives of demanding these types of accountability mechanisms is to ensure that Alfa's interventions lead to positive changes in the lives of beneficiaries. If Alfa does not comply with donors' accountability requirements, donors can withdraw the funding and other support. This kind of donor-imposed accountability is consistent with "coercive isomorphism" (DiMaggio & Powell, 1983).

Nevertheless, contrary to the theoretical postulations of coercive pressures, the evidence shows that Alfa exercised its agency and negotiated accountability requirements through the PPA agreements with two large donors. This finding aligns with the concept of "adaptive accountability" discussed in previous research (O'Dwyer & Boomsma, 2015) but may not extend to beneficiary accountability being strengthened.

Funders and the regulator also acted as key stakeholders pushing for beneficiary accountability. Yet, in the case of PKSF's requirement to cap the effective lending interest rate at 27 %, Alfa refused to take the funding to prevent possible negative effects on the profits. This proactive move from Alfa cannot be explained through the notion of isomorphism and shows that strong multi-actor collaboration is required to (en)force beneficiary accountability.

Although prior research (e.g., Dixon et al., 2006; O'Dwyer & Unerman, 2008) argues that donors' accountability has negative effects on beneficiary accountability, the findings of this research instead evidences that donors'/funders' use of accountability requirements can help protect beneficiaries' interests. For instance, evidence from the WASH program shows that Alfa's key donor promoted beneficiary accountability through participation between Alfa and potential beneficiaries. The WASH beneficiaries had the chance to ask questions to Alfa officials about the resource allocation criteria. The beneficiaries also had the opportunity to talk to the WASH funder while they made field visits. These kinds of donor-driven accountability demands helped give WASH beneficiaries a voice. Although prior research (e.g., Dixon et al., 2006; O'Dwyer & Unerman, 2010) correctly identifies that unsuitable accountability requirements from large bilateral donors may produce unintended negative consequences on beneficiaries, the evidence from this study indicates that a large and reputable NGO like Alfa can negotiate donors' accountability requirements to suit itself better. This also has a variable effect on Alfa's beneficiaries.

Our findings suggest that Alfa emulated practices from leading international NGOs. Alfa's adoption of the Ombudsman service is consistent with mimetic isomorphism (DiMaggio & Powell, 1983). This approach not only provided practical templates for governance but also signaled Alfa's intention to strengthen its own legitimacy (DiMaggio & Powell, 1983) by aligning with the practices of internationally recognized NGOs. The findings also show that some of these practices were proliferated through NGO professionals and provide support for normative isomorphisms (DiMaggio & Powell, 1983).

We also show that multi-actor collaboration helps create new institutional rules and norms. The collaboration between the MRA, the DfID, BB, and PKSF assisted the MRA as the regulator to create and implement MFI regulations. Further, some of the institutional rules and norms created by MRA help protect beneficiaries' interests, such as requiring MFIs to pay interest on deposits and not to charge exploitative interest rates on borrowing. These findings provide additional and more recent evidence on the enabling features of donor, funder, and regulator accountability toward enhancing NGOs' discharge of accountability to less powerful actors, such as beneficiaries. Such surrogate accountability includes sanctions for contravening regulatory requirements in beneficiaries' interests. New evidence shows that MRA's implementation of accountability mechanisms has helped reduce beneficiary complaints such as MFIs' nonpayment of interest on beneficiary savings and imposing exploitative interests on lending. Even large NGOs like Alfa are unable to avoid these MRA-driven accountability pressures—as we might expect from the concept of "coercive isomorphism." While the regulator was successful in enforcing surrogate accountability and enhancing some MFI beneficiary interests, it can also find it challenging to take enforcement actions against large NGOs like Alfa. This is due to their contribution to the Bangladesh economy, backing from powerful bilateral donors, and close connections with politicians and high-level government officials.

However, the findings also show that there were some unintended consequences of these institutional norms. For example, PKSF's requirement that MFIs maintain a minimum 95% recovery rate appears to have contributed to creating an institutional norm that disenfranchises beneficiaries. This institutional norm, alongside Alfa's drive for financial self-sustainability, likely contributed to some loan officers applying tactics to recover microfinance loans that were unethical and potentially unlawful.

This study contributes to NGO accountability research in several ways. First, it shows that accountability requirements from powerful institutional actors like donors and funders give a voice to beneficiaries (such as the WASH committees). Second, it uses evidence from a longitudinal research project in which the case study organization became substantially less dependent on donors for funding and built a reputation internationally. This status of the case NGO helped it negotiate accountability requirements with large bilateral donors and initially to avoid multiple stakeholders' demands for beneficiary accountability as surrogates. Third, it provides evidence showing how multi-actor collaboration helps empower a regulator and enhance surrogate NGO accountability to less powerful actors, such as beneficiaries. As Rubenstein (2007) notes, this second-order accountability is a surrogate due to the inequalities that exist in society and we find it can take time to mature.

This paper also makes theoretical contributions. First, it combines the institutional lens and the stakeholder collaboration

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concept to advance NGO accountability literature. It contributes to the institutional literature by showing how multi-actor collaboration in an emerging sector (microfinance) shapes new institutional rules, even as organized and powerful participants—microfinance NGOs—resist change. Surrogate accountability—where donors have required NGOs to account in a way that enhances beneficiary accountability—has flaws of temporal funding patterns, NGO independence, and the belief that beneficiaries may not need NGO accountability (O'Dwyer & Unerman, 2010). Yet, we show that multi-actor collaboration helps create new institutional rules and norms in the MFI sector. These actors apply different institutional pressures (coercive, mimetic, and normative), which jointly bring greater beneficiary accountability to MFIs.

This study has important implications for policy and practice regarding NGO accountability. We argue that policymakers should prioritize strengthening the role of regulators in promoting beneficiary accountability. Specifically, efforts should focus on leveraging donor funding and expertise alongside the insights and experience of local actors to empower sector-specific regulators, ensuring effective accountability to beneficiaries.

This study is not free from limitations. It is a single-case study from a developing country. The findings may not be generalizable to other settings. However, the lessons from this case study—particularly the role of empowering regulators to protect MFI beneficiaries—are likely to be relevant to comparable contexts. Future research can use a larger sample to do so. Future research can also investigate further the interplay of isomorphism in the NGO sector.

This study shows that a large NGO can proactively avoid donor/funder accountability requirements designed to deliver beneficiary accountability, especially to protect its financial interests. Nevertheless, our research into multi-actor collaboration provides evidence of success when it results in external institutional pressures on an NGO through its expectations on beneficiary accountability. Such collaborations will enhance surrogate accountability.

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