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Ensuring Accountability and Transparency at Local Level Finance: A Study from Sylhet Sadar Upazila

Md. Anwar Hossain*

Abstract

This study examines the degree of accountability and transparency of local level finance in three unions (Khadim Nagor Union, Khandigaon Union and Tukur Bazar Union) of Sylhet Sadar Upazila. It is based on interviews and focus group discussions with general people and government representatives, as well as a detailed review of the existing literature. The study found that local government institutions in Bangladesh are very weak in providing basic services to the citizens and in promoting good governance to their constituencies due to a variety of constraints, including a lack of revenues, a low level of human capital in the local government bodies, the absence of participatory decision-making, and the lack accountability and transparency. The existing problems in transparency and accountability at local level finance are interrelated to a lack of people's participation in the budgeting process and weak monitoring mechanism. The study recommends that (1) local authority should have enough power to generate revenue and to exercise financial autonomy, which also implies that grants from the government should be adequate, (2) every work area should be independently audited and supervised by the central government, and (3) there needs to be far more dissemination of local financial budgets.

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I. Introduction

Even though local government bodies are well situated to incorporate a wide scope of people's participation, the reality is very different. The issue of ensuring accountability and transparency of government finances is a core problem, especially at the local level. Various factors are responsible for an undemocratic mode of government, including centralized authority, lack of financial resources, improper policy formulation and implementation, as well as an apathy of the people and the government.

Ensuring accountability and transparency of local level finance are critical elements for ensuring people's participation in local development. Accountability is a relationship between an actor and a forum, in which the actor has an obligation to explain and to justify his or her conduct, the forum can pose questions and pass judgment, and the actor may face consequences (Willems, 2002, p. 2). Accountability entails government at all levels to be held responsible, by both its people and its elected bodies. Accountability also calls for a strict separation of local budgets and entrepreneurial activities at local level. However, in order to hold government accountable, we also need transparency. Transparency refers to norms and practices for legally legitimate centers of powers to disclose information about their decisions, actions and states of affairs to the public (Holzner, 2001, p. 1). A transparent public financial accounting policy makes it possible to determine what the government has done and to compare planned with actual financial operations. Transparency denotes free access to governmental political and economic activities and decisions.

The main objective of this study is to unravel the present status of accountability and transparency at local level finance in Bangladesh and to find out the challenges that constrain accountability and transparency. More specifically, the objectives of the study are a) to explore the present system of local level finance in Bangladesh, b) to identify mechanisms that ensure transparency and accountability of local level finance, c) to identify the problems and constraints of ensuring transparency and accountability of local level finance in Bangladesh, and d) to recommend measures how to increase accountability and transparency.

The study is based on primary and secondary data. The primary data was collected through face to face interviews and focus group discussions with a) general people who are service consumers, b) general people who are service providers, and c) government officials. The interviews and discussions were undertaken in three unions (wards) of Sylhet Sadar Upazila: Khadim Nagar Union, Khandigaon Union, and Taker Bazar Union.¹ The secondary sources of data comprise a review of various documents and publications of government agencies, non-governmental organizations (NGOs), national and international reports, and education and research institutions.

This paper is structured as follows. Following the Introduction, Section II provides a literature review. The third section provides some important general background on local government in Bangladesh, while Section IV examines the existing taxation and expenditure policies of local

¹ Sylhet Sadar Upazila is (due to its central location within Sylhet Division) the wealthiest upazila of Sylhet Division. Sylhet Sadar Upazila has one city corporation, 27 unions/wards and 709 villages. The proposed budgets for financial year 2012-2013 of Khadim Nagar Union, Khandigaon Union, and Taker Bazar Union were, respectively, around Taka 9.5 million, Taka 6 million, and Taka 7.5 million.

authorities based on the previously described primary and secondary sources. The last section provides some conclusions and recommendations.

II. Literature Review

Despite the long history of local government institutions in Bangladesh, there is relatively little literature on local government, and only a handful of literature focusing on local level finance. Hence, this literature review provides first some information on important studies that cover some aspects of local government in Bangladesh, before summarizing the few publications that address issues related to local level finance.

II.1. Important Local Government Literature

There are a few pioneering and lengthy books covering local government in Bangladesh (Siddiqui, 1994) and Bangladesh's decentralization (Siddiquee, 1997). In addition to monographs, Hye (1985) constitutes a 380-pages-long collection of papers presented at a four day seminar on "Decentralisation, Local Government Institutions, and Resource Mobilisation" that was organized by the Bangladesh Academy for Rural Development (BARD) and jointly sponsored by the Government of Bangladesh and United States Agency for International Development. The three papers focusing on local level finance in Bangladesh (Asaduzzaman (1985), Datta (1985), and Reza (1985)) will be summarized in the next sub-section.

Related to specific projects funded by the World Bank and other donors, there are various World Bank reports analyzing how local governance can be strengthened in Bangladesh, specifically World Bank (2006) and World Bank (2012). Also undertaken for the World Bank, Robles (2011) reports on piloting conditional cash transfers through local governments in Bangladesh. Chowdhury and Al-Hossienie (2012) and Uddin (2013) examine what lessons Bangladesh can learn from the Japanese local government system.

There are various publications examining the participation of women in rural local government and how effective the mandatory reservation of three seats for women in the Union Parishad has been. One of the earliest contributions is Alam (1984), who has examined women's participation in local government in Bangladesh. Rahman and Roy (2005) provide a socio-economic analysis of the participation of women in rural local government. The Asian Development Bank (ADB) (2004) provides a 80-pages long regional report examining gender and governance issues in local government in Bangladesh, Nepal, and Pakistan, coming (among others) to the conclusion that local government is more transparent and more effective if elected women representatives link the needs of their constituents with the resources of government and other public sector organizations. Nazneen and Tasneem (2010) come to the conclusion that women representatives have gained greater voice and social legitimacy in representing specific types of women's issues but that despite these gains, the centralized and andocentric nature of Bangladeshi government and politics may limit further progress. Finally, one of the most recent contributions focusing on Bangladeshi women's political empowerment in urban local governance is Zaman (2012). Zaman shows that stereotypical gendered assumptions about divisions of labor continue to discourage women from being present and active in the political arena. She comes to the conclusion that this is not just a matter of Islamic traditionality, but that there are other factors at work, including a lack of sensitivity among female leaders.

II.2. Literature Covering Local Level Finance Issues

As already mentioned, some of the earliest significant contributions on local level finance in Bangladesh are Asaduzzaman (1985), Datta (1985), and Reza (1985). Asaduzzaman (1985) focuses on the role of grants in local government finance. Datta (1985) provides an in depth analysis of the local fiscal system, fiscal instrumentalities, and improvements in fiscal performance. Reza (1985) examined how fit local level government is to mobilize resources and came to the conclusion that there is considerable scope for mobilizing natural human and financial resources at the local levels in Bangladesh. “The main problem, therefore, is to devise and implement the most efficient and equitable methods of mobilizing the local resources and to ensure their most efficient use. (Reza, 1985, p. 332). However, Reza also stresses that the success of any fiscal reform at the local levels should depend on accompanying changes in local-level institutions to make them more responsive to the interests of the poor. Finally, there are grounds for doubting if the various available measures can automatically ensure attainment of the various objectives which should normally be set in local-level plans.

Khan (2001) provides a detailed description of the various decentralization schemes that have been implemented in Bangladesh since medieval times. He concluded that despite the widespread experimentation with varied decentralization schemes and models, the crucial issues and problems, which regulate the success of local institutions, have not been adequately addressed and that vital issues like local resource mobilization, greater autonomy of the local state, proper representation of local populace in decentralized institutions, and combating the tendency of central manipulation and interference are yet to be responded to.

Rahman, Kabir and Razzaque (2005) prepared a report for the World Bank, examining the level of civic participation in sub-national budgeting in Bangladesh. They concluded (p. 19):

“The budget-making process in Bangladesh is still very bureaucratic and non-transparent. As yet the role of the elected representatives is very limited in prioritizing the development projects/programmes. As such the budgeting tends to be incremental, often heavily pulled by political and other kinds of lobbyists. The local level budgeting is even more non-democratic. It is fully dependent on the whims of central budget-makers. The resource generated from within the jurisdiction of local government is also very limited.”

However, they also stress that there are many positive indications that people would come forward to participate in the fight against poverty and that participatory budgeting (both at the national and local levels) could indeed emerge as a strategic tool for enhancing civic participation in pursuing a pro-poor development agenda.

Khan (2008) provides a detailed analysis of legal and practical constraints for the functioning of local government in Bangladesh, which also covers a variety of local finance issues. Of tremendous value is Khan’s sixth annex, which summarizes the typical income, budget and funding of a typical Union Parishad. Khan stresses that even though Union Parishad officials are elected by the people, the typical practice of the representatives is to share zero information with the people about a Union Parishad’s activities and procedures. Khan (2008, p. 37) writes that “there is a common belief that the activities of a Union Parishad are the sole jurisdiction of the elected representatives. The people have nothing to do in this regard.”

Ullah and Soparh (2010) undertook a case study of three Union Parishads in Bangladesh to examine the financial resource mobilization performance of rural local government. They conclude that the local resources mobilization performance of Union Parishads do not lie in lack of commitment, but rather a pragmatic fiscal devolution policy of central authority to induce Union Parishads in strengthening revenue efforts. They also conclude that there exist untapped revenue that can be exploited with extended efforts and incentive mechanism. There should be greater efforts both from central and local government in prioritizing internal resource mobilization by identifying local potential sources, motivating local people and creating a stake of local ownership on development projects including administrative and regulatory supports. Finally, Ullah and Soparh (2010, p. 107) suggest that Union Parishad functionaries “should strive towards improving internally generated revenue from existing sources and sought for new sources for capitalization and instill transparency and accountability in their management structure. This can be effectively carried out through community participation in their various activities. They also need to carry people along in the execution of the projects which will encourage administrative openness and accountability including taxpayers’ compliance and sacrifice.”

Following up on their 2010 article, Ullah and Soparh (2011) state that even though findings show that open budget discussion, discretionary and performance grants have positive impact on local revenue collection, there are question about the sustainability of the revenue augmentation due to the disparity of de-concentrated allocations system and feeble local democratic governance. They recommend making adjustments in local revenue shares, increase discretionary grants, and validation of local participatory governance.

III. Background on Local Government in Bangladesh

Given the long history of various decentralization schemes in Bangladesh implemented since medieval times, Bangladesh’s current structure of local government is relatively complex. As detailed in Table 1, there are two ministries of the national government involved with supervising as well as decentralizing power to local government: a) the Special Affairs Ministry and b) the Ministry of Local Government, Rural Development (LGRD) & Co-operatives.

Excluding local government covered by the Special Affairs Ministry, there is a different structure of local government for rural and urban communities. With regards to urban local government, there are currently a total of nine city corporations and 311 municipalities.² The structure of rural local government is categorized into four different levels of councils (also called parishads): a) 64 district (or zila) councils, b) 443 upazilas councils, c) 4,550 union councils, and d) 40,950 village councils. This study looks at three of the total 4,550 third-tier urban local government councils, called unions, which are hierarchically above the 40,950 village councils but below the 443 upazila councils and the 64 district councils.

² See: http://www.lgd.gov.bd/index.php?option=com_content&view=article&id=2&Itemid=81&lang=en.

Table 1: Structure of Decentralised Local Government in Bangladesh

| Special Affairs Ministry | | Local Government, Rural Development and Cooperatives Ministry | |
|---|--|--|---|
| | Local Government in Special Areas | Rural Local Government | Urban Local Government |
| <ul style="list-style-type: none"> • Raja/Circle Chief [Total Number: 3] • Mouza Headmen / Karbari System [472] | <ul style="list-style-type: none"> • Regional Council [Total No.: 1] • Hill District Council [3] • Municipal Council [3] • Upazila Council [21] • Union Council [118] • Village Council [1062] | <ul style="list-style-type: none"> • District Council [Total No.: 64] • Upazila (previously called Thana) Council [443] • Union Council [4,550] • Village Council [40,950] | <ul style="list-style-type: none"> • City Corporation [Total No.: 9] • Municipalities [311] |

Source: Adapted from Khan (2001), Table 4 (based on Ahmed (1998) and Ahmed (1999)).

The major functions of the Local Government Division of the Ministry of LGRD & Cooperatives are to:³

1. Manage all matters relating to local government and local government institutions
2. Finance, control and inspect local government institutions established for the running of local government and local administration
3. Manage all matters relating to drinking water
4. Develop water supply, sanitation and sewerage facilities in rural and urban areas
5. Construct, maintain and manage upazila, union and village roads including the roads of towns and municipal areas and bridges/ culverts
6. Manage matters relating to village police
7. Develop, maintain and manage growth centers and hats-bazaars connected via upazila, union and village roads
8. Develop, maintain and manage small scale water resource infrastructures within the limit determined by the government.

Furthermore, there is a complex system of different functions performed by the different local government agencies, which is illustrated for a set of selected functions in Table 2. Most of these functions are allocated based on historical traditions, which have however been modified over time to suit the goals and views of the central government. As Table 2 shows, there are some functions (like the plantation of trees) where the authority is shared across different levels.

³ See: http://www.lgd.gov.bd/index.php?option=com_content&view=article&id=26&Itemid=83&lang=en.

**Table 2: Profile of Selected Functions Performed by
Decentralized Local Government Institutions in Bangladesh**

| Union Parishad (Council) | Upazila (Sub- District) Parishad | Zila (District) Parishad | Pouroshova (Municipalities) |
|--|--|---|---|
| <ul style="list-style-type: none"> • Assessment and collection of taxes • Maintenance of law and order • Maintenance of birth and death register • Construction and maintenance of roads, bridges, culverts etc. • Construction and maintenance of ponds, rural markets etc. • Re-excavation of derelict ponds for pisciculture • Issuance of various certificates and licences • Provision of road lighting • Tree planting • Settlement of local disputes • Promotion of cottage industries and family planning • Maintenance of Union records and information • Celebration of national occasions and festivals. | <ul style="list-style-type: none"> • Formulation and implementation of local development plans and programmes • Promotion of health and family planning • Providing assistance and encouragement to Union councils • Promotion of socio-cultural activities • Promotion of livestock, fisheries and forest • Promotion of educational and vocational activities • Promotion of agricultural activities and cooperative movement • Coordination of functions of officers serving in Upazila | <ul style="list-style-type: none"> • Construction of Union Parishad building • Construction and maintenance of <i>Dak-bunglows</i> (rest houses) • Construction of public toilets and passenger sheds • Tree plantation • Maintenance and management of gardens, parks, zoos, technical and specialised educational institutions etc. • Management of charitable dispensaries • Management of Zila Parishad auditorium • Grants for socio-religious, educational and sports organisations • Organisation and celebration of national festivals • Constructions of shops and markets • Disaster relief • Promotion of sports, social welfare, libraries, orphanages etc. | <ul style="list-style-type: none"> • Construction and maintenance of roads, bridges etc. • Removal, collection and disposal of refuse, wastes etc. • Provision of street lighting • Provision of water supply • maintenance of community and shopping centres • Eradication of mosquitoes • Registration of births, deaths and marriages • Maintenance of animal slaughter-houses • Maintenance of parks and gardens • Provision of public toilets • Naming of roads and numbering of houses |

Source: Khan (2001), Table 5.

While Table 2 provides a useful list of functions across different levels of local government, some of these functions have evolved during the last decade. According to the more up-to-date website of the Local Government Division of the Ministry of LGRD & Co-operatives, the functions of the Union Parishad are:⁴

1. Preparation of a comprehensive Union Plan and inclusion of inter-ward development projects after identification and prioritization.
2. Assist and cooperate for the development of primary schools, supervise their functioning and motivate people for spreading literacy.
3. Ensure provision of health services at the Union Health Centers, supervise family planning related activities and services and monitor the same. Arrange for supply of safe drinking water and promote sanitation program.
4. Construction of inter-ward roads, maintenance of the same, management of small scale irrigation and water resources.
5. Implementation of afforestation program along the Union Parishad roads and all earthen embankments.
6. Peaceful resolution and amicable settlement of inter ward disputes.
7. Promote social resistance over violence against women, terrorism, all types of crimes and cooperate with administration for maintenance of law and order.
8. Up-to-date registration of birth, death and marriages based on report received from Gram Parishad.
9. Assist Upazila Parishad in the preparation of inter ward agricultural and fisheries development projects and take necessary action.
10. Cooperate with and advise all agencies within the Union having credit programs and help rural poor to participate in the same.
11. Increase awareness for women and child development and take concrete actions where necessary.
12. Encourage people to undertake cottage industries with good potentials and facilitate the involvement of disadvantaged and poor people in various income generating activities.

According to an entry in Wikipedia, the functions which the Union Parishads are entrusted by law include a) the maintenance of law and order and assistance to administration for this purpose, b) the adoption and implementation of development schemes in the fields of local economy and society, c) the performance of administrative and establishment functions, and c) the provision of public welfare services.⁵

The Bangladeshi parliament has passed various acts and rules related to local governments a various levels. The following are some of the latest Acts and Rules related to local government at the union level. The most important related to the union level is the Local Government (Union Parishad) Act of 2009, which details the governance structure, functions, powers, and even some of the funding of Union Parishads.

The Local Government Act 2009 also requires that every Union Parishad to publish a citizen charter describing all the services it provides. The charter is supposed to include a description,

⁴ See: http://www.lgd.gov.bd/index.php?option=com_content&view=article&id=9&Itemid=42&lang=en.

⁵ See: http://en.wikipedia.org/wiki/Union_Councils_of_Bangladesh.

timing, pricing, procedures and the conditions for the services. The remedies for non-compliance with the charter by the Council or any individual is also mentioned in the charter itself. There also are various rules, including

- the Union Parishad Development Planning Rules of 2013,
- the Union Parishad Tax Schedule Rules of 2012,
- the Union Parishad Property Rules of 2012,
- the Union Parishad Agreement Rules of 2012, and
- the Union Parishad Accounts & Audit Rules 2012.

Finally, Figure 1 provides a map of Bangladesh's 64 districts (using blue border lines) and the 443 upazilas (using thin white borders). Sylhet Sadar Upazila (which contains the 3 unions covered in this study) is marked red.

Figure 1: Location of Sylhet Sadar Upazila



Source: http://en.wikipedia.org/wiki/Sylhet_Sadar_Upazila

IV. Role of Budgets, Funding, Standing Committees, and Monitoring

In Bangladesh, most fiscal decisions are controlled at the national level. The share of local revenues and expenditure in the total public budget is very low. During the last few decades, the share of all Union Parishads total revenues amounted to about one to three percent of the Central Government's total revenue. This section reviews some of the main findings from the interviews and focus group discussions with regards to: (1) local finance budgets and accounting, (2) funding sources, (3) standing committees, and (4) monitoring mechanisms.

IV.1. Local Finance Budgets and Accounting

Traditional budgets are based on the organizational structure, more specifically, identification of those officers within the government who are held accountable for spending money against budgets local official and people representative of local government. This feature of budgets applies whether budgets are highly aggregated or whether there is significant devolution of budgets—the organizational structure locates the budgets. Budgets tend also to focus on one year, the coming fiscal year of Union Parishad.

In local finance, traditional budgets are based on the organizational structure, more specifically, the identification of those officers within the government who are held accountable for spending money against budgets, such as Upozila Nirbahi Officer (UNO) and the representatives of local government. Budgets tend to focus on one year, the coming fiscal year of Union Parishad. This annual request embodies another common feature of budgets: the request for the coming year is justified in terms of marginal changes from the previous year's budget. The essence of this feature of budgeting is not that budgets must always increase but that budgets are justified by marginal changes from previous years, which may, in principle, be decrements.

In local level finance cash-based accounting exclusively emphasizes accounting for transactions. However, what matters are the individual records of each transaction. Periodically, these records are summarized (weekly, monthly, and annual receipts and payments) and classified by category (like salary payments, running expenses, individual and corporate tax receipts) to compare them against budgets. These records are the foundation of all accounting systems, for all kinds of organizations (and individuals). They emphasize an accounting that is based on verification: fact-based verifiable transactions. An important part of this verification is reconciliation of the accounting with the local government's bank accounts. Cash accounting provides operating statements (payments minus receipts) and very simple balance sheets (cash balance).

However, the people's participation in a Union Parishad's budget is very low. A business man of Khadim Nagor Union stated:

“We do not see any people participation in the Union Parishad budget; no general people are involved in the budget. People do not know when a budget is declared nor do they know when it is sanctioned. The whole budget is totally unknown to general people. The Chairman and members call only local elites and some politicians of the Union Parishad. The Chairman and members of Union Parishad decide what will be next year's budget. They ignore general people's opinion related to the budget. Actually, both the chairman and members of the Union Parishad do not want general people's participation in the budget.”

IV.2. Funding Sources

Revenue collection is one of the main functions of local governments. Local governments collect funds from a variety of revenue sources, including fines, fees, taxes, licenses, permits, and special assessments. Revenues are received in a timely manner, credited to the proper fund, and deposited into the correct bank account as quickly as possible. In addition, governments should strive for high collection rates for all revenues owed and keep the payment-making process simple and easy for citizens.

A Union Parishad's income comes from tax collections on housing, land, agriculture, license fees, income from property, hat-bazars, professional and occupation fees. The key income sources of Union Parishads are a) taxes, fees and charges, b) rents and profits accruing from properties of the union, and c) compensation payment received for services provided by the union. Furthermore, there are some contributions from individuals and institutions, government grants, profits from investments, and receipts accruing from the trusts placed with local bodies, loans raised by a union and proceeds. Union Parishads levy the following seven types of taxes: 1) the Union rate (which is a certain percentage of the annual valuation of households living quarters, buildings and lands), 2) taxes on hearth, 3) lighting rate, 4) drainage rate, 5) conservancy rates, 6) rates for provision of water supply, and 7) rates for the remuneration of village police. The Union Parishad prepares a valuation list of all buildings within the union through an assessor to be appointed for the purpose by the Union Parishad with prior approval of the relevant authority. Such an assessor may either be a member or any other suitable person.

As many development projects are undertaken and implemented at the grass-root level, Union Parishads also get funding from various funding authorities. As detailed in Table 3, now-a-days, there are usually four types of development projects that are being undertaken and implemented at the Union Parishad level.

Table 3: Development Projects Currently Undertaken at Union Parishad Level

| | Types of Development Projects | Funding Authority |
|----|--|--|
| 1. | Annual Development Program (ADP) Funding Project | Local Government Division (of the Ministry of LGRD & Co-operatives) |
| 2. | Local Governance Support Project (LGSP) | Local Government Division (of the Ministry of LGRD & Co-operatives) in collaboration with the World Bank, United Nations Development Programme (UNDP), European Commission (EC), and Danish international Development Assistance (DANDA) |
| 3. | Relief and Rehabilitation Program (Social Safety-Net Programs) | Ministry of Food and Disaster Management |
| 4. | Direct Funding Program | Local Government Division (of the Ministry of LGRD & Co-operatives) |

Source: Mohammad (2010), p. 50.

In Bangladesh, a Union Parishad is the grass-root institution for integrating local people into the development process. Since independence, all the development projects undertaken and implemented at grass-root level are done with the supervision of Union Parishads, which are supposed to be run by the people's representatives. Ironically, the outcome of development projects is not significantly visible as most of the projects are not guided by the proposed beneficiaries. A participatory culture in development projects of Union Parishads therefore remains to be far from reality. Instead, the grassroots reality shows that the local power structure in Bangladesh is concentrated in the hands of local elites.

Finally, specific grants are given to the Union Parishad under three separate but similar types of programs. These are the Rural Works Program (RWP), the Food for Works Program (FFWP) and the Test Relief Program (TRP). To obtain these funds, the Union Parishads are required to submit schemes to the Deputy Commissioner every year with complete specifications and project estimates in the prescribed direction.

IV.3. Standing Committees

The concept of Union Parishad Standing Committees comes from the objective of making the Union Parishad more active and efficient. The Local Government (Union Parishads) Ordinance, 1983 states that, the Union Parishad can form any committee with prior permission of the authority if it deems necessary. The Local Government Union Parishads (Amendment) Acts of 1993 and 2001 stated that each Union Parishad will constitute 13 standing committees, one for each of these areas: (a) finance and establishment, (b) education and mass education, (c) health, family planning and epidemic control, (d) audit and accounts (e) agriculture and other development works (f) social welfare and community centers (g) cottage industries and cooperatives (h) law and order (i) welfare of women and children, sports and culture (j) fisheries and livestock (k) conservation of the environment and tree plantation (l) union public works (m) rural water supply and sanitation.

The purpose of a Union Parishad standing committee is to assist with the activities of the Union Parishad. Some matters are not possible to resolve in the Union Parishad office without proper verification. In those cases the UP standing committees conduct on the spot inspection, take people's opinion, analyze that information gathered and submit them to the Union Parishad. When such a matter is put before the Union Parishad with the analysis and suggestions from the standing committee, then it is easier to implement. The Union Parishad decides the working area of a standing committee. Any decision made by the standing committee has to be approved by the Union Parishad.

There are some serious structural and procedural flaws of the standing committees of Union Parishads. Some of these flaws were identified by the respondents as follows: a) meetings of standing committees are not arranged regularly, b) members of the standing committees do not have a clear conception about the functions of the Union Parishad, and c) weaknesses in coordination and interrelation among the different Union Parishad standing committees. It has also been criticized that many members of standing committees stay busy with their personal work and are therefore unable to contribute enough time to the Union Parishad activities. It was also argued that even though standing committees are formed officially, they are not very active because of the lack of sincerity of the chairmen.

IV.4. Monitoring Mechanisms

In the monitoring system of the financial audit of local level finance assesses the internal control systems that ensure the quality of accounting information and financial reporting. Timely and accurate inspection and auditing is an important part of the local level finance. This is however complicated by the fact that at least in the unions of Tukur Bazar, Khandigaon and Khadim Nagor, local officials adjust the cash flow forecast as needed.

The actual process of monitoring local level finance depends on coordinating meetings by local representatives. There is supposed to be one Union Parishad coordinating meeting every month with the presence of the Chairman and other members. In the Union Parishad meeting the total amount of the union rates to be realized from the inhabitants of the union in a year is decided upon. The Union Parishad members of the respective areas are made responsible for levying the union rates on the individual households of the villages in consultation with local leaders. It is claimed that in fixing the amount of the union rates to be paid by individual households, their economic conditions are always taken into consideration.

Local financial accounts can be monitored by personnel understanding the systems, but only if records and systems are maintained accurately and effectively; if policies, timetables, and targets are met; if areas of weakness are identified for action; if errors and fraud are deterred and detected; and if appropriate anticipatory and remedial action are taken.

The financial audit of local level finance assesses the internal control systems that ensure the quality of accounting information and financial reporting. Financial audits include financial statements, accounts, accounting, receipts, and other financially related issues. Financial statement audits provide reasonable assurance about whether the financial statements of an audited entity present fairly the financial position, results of operations, and cash flows in conformity with accounting standards.

The annual statement is to be forwarded to the prescribed authority by the 31st December of the following year. A copy of the annual statement of accounts is to be placed in the Parishad office for public inspection. After considering all objections and suggestions made by the public, the Parishad is then required to bring it to the notice of the audit authorities, which are the central government and the Deputy Commissioner (DC). The Upazila accounts officer is supposed to maintain accounts of receipts and expenditures of the Union Parishad.

Anyway, based on the interviews and focus group discussions, the monitoring and auditing mechanisms are at the best weak in reality. The statement of a grocer from Khandigaon Union is representative of what many others said:

“There is a quandary in the auditing and inspection system of local level finance. Union Parishads have a lot of discrepancy in auditing and inspection system. Auditing and inspection is not held regularly. General people are not involved in auditing and inspection system and the auditing and inspection reports are typically not published. Sometimes, auditing and inspection is not held in due time. One year’s audit is held in another year. There are serious questions with regards to ensuring accountability and transparency. Sometimes, the chairman and members of the Union Parishad misappropriate the budget; there is a huge inconsistency between income and expenditure of the Union Parishad budget.”

V. Conclusions and Recommendations

The most popular and widely adopted strategy for ensuring people's participation in local development is identified as decentralization. There is perhaps no other institution like local government bodies to be able to allow for a wide scope of people's participation. In Bangladesh, ever since financial decentralization has become a major policy concern, the political masters have exploited it as a means of gaining their political goals in Union Parishad. As a result, despite numerous reform initiatives in this field by the successive governments, local government institutions have not yet emerged as autonomous and self-governing units. This, in turn, limited the scope of a) people's participation in the local decision-making process as well as b) improvements in local level finance of Union Parishads.

One clear conclusion based on the interviews and focus group discussions is that Union Parishads suffer from financial crisis and it is a major reason for its non-functioning. Furthermore, bureaucratic domination in the local councils, lack of knowledge, and lack of expertise in technical matters are also root causes for non-participation in Union Parishad projects and non-participation in the budgetary process. Discrepancies in the accounting records, such as transactions not completely, not timely, or improperly recorded; last minute adjustments significantly affecting the financial statements; inadequate authorizations; tips or complaints. Conflicting or missing evidence, such as missing documents; unexplained items on reconciliations; inconsistent, vague, or implausible responses to questions; differences from confirmations of balances, difficult or unusual relationships between auditor and audit, such as denial of access to information or unwillingness to cooperate, undue time pressure, delays in providing requested information, unwillingness to address identified weaknesses in internal control of local level finance.

At present, local level finance is bounded to be very drab. A variety of factors (including among others poor tax collection; corruption; inadequate people participation in Union Parishad project implementation, monitoring, and project evaluation; as well as inadequate people participation in budgetary processes) have contributed to the deterioration of financial conditions at the local level. Bureaucratic domination in the local councils, lack of knowledge, and lack of expertise in technical matters are root causes for non-participation in Union Parishad projects and finance issues. Discrepancies in the accounting records, such as incompletely and improperly recorded transactions, last minute adjustments, and inadequate authorizations complicate the issue further. Conflicting or missing records; inconsistent, vague, or implausible responses to questions; difficult or unusual relationships between auditor and audited unit (such as denial of access to information or unwillingness to cooperate, undue time pressure, and delays in providing requested information); and unwillingness to address identified weaknesses in internal controls of local level finance are also mentioned frequently as problems.

The media could help to shape public opinion, but they are many times influenced and manipulated by different interest groups in society. The media can promote democracy by educating voters, protecting human rights, promoting tolerance among various social groups, and ensuring that governments are transparent and accountable. Modern-day democrats are as hyperbolic in their praise of the press. Despite the present-day mass media's propensity for sleaze, sensationalism and superficiality, they are still seen as essential democratic tools for ensuring accountability and transparency at local level finance. Newspapers publish Union

Parishad budgets, report on development activities of project, sources of tax collection, and also provide information on implementation gaps based on a previous year's plan. Sometimes they report on corruption of Chairman and members of Union Parishad.

Civil society could play a variety of roles in ensuring accountability and transparency of local level finance. It could monitor public material, exert advocacy and pressure on governments to publicize certain material, such as information on bid evaluations and awards, and it could directly monitor local financial process. Nevertheless, the power bestowed in civil society and the institutional setup must always be subject to an open and democratic debate.

In order to improve the present situation, the following recommendation should be implemented for achieving a better balanced and more equitable local finance system.

- First, local authority should have enough power to generate revenue and to exercise financial autonomy. This also implies that grants from the government should be adequate.
- Second, every work area should be independently audited and supervised by the central government. The central government should have in place management and audit policies related to local finance, which are then carried out with involvement of civil society. The central government should also have policies in place to ensure people's participation in local level finance decisions.
- Third, there needs to be far more dissemination of local financial budgets. The whole local financial system should be digitalized and provided online. This would also help to ensure that only legitimate activities are performed by the officials of the Union Parishad.

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