

Budget Making Process in Urban Local Government: A Study of Saver Paurashava in Bangladesh

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Abstract

Local government commenced with the beginning of ancient civilization for the welfare of people living in different civilizations in the world even before the emergence of national government. City government was started in ancient roman civilization. In the Indian sub-continent or particularly in this region the town government was developed through the hands of Mughal dynasty. In urban areas of Bangladesh, people depend a lot on the urban local government bodies for the daily basic amenities. The proper provision of services and continuous development of the local urban area largely depend on the preparation of an efficient budget at the beginning of the fiscal year and effective execution of it throughout the year. Most of the local government bodies in Bangladesh are in constant shortage of funds, on the other hand, it is seen in the research that the urban local government bodies specially, paurashava continuously prepare “surplus” budget. That means, there is inefficiency in the budget expenditure and implementation of budget. In fact, the overall development of the town or pourashava depends on the efficiency of the budget. Urbanization accelerates social development in terms of increasing higher literacy rate, improvement of quality of education, improving security issues and other social development factors that enhance our urban life comfortable. 70% respondents said that resources are used inefficiently and effective use is not ensured. 90% of politicians and officials think that paurashava should have more financial autonomy to extract local resources and allocation of funds. They have quoted that the influence of ministry in project selection should be minimized.

Keywords: Local Government, Service Delivery, Urbanization, Budget, Paurashva.

1. Introduction:

Local level resource mobilization and efficient utilization of resources have always been a major challenge for socio-economic development in Bangladesh. Although the developing

World is less than 40 percent urban, its urban sector contributes to more than 65 percent of the Gross Domestic Product (GDP). Even in Bangladesh (with less than 28 percent of population urban), this sector contributed to more than 60 percent of the GDP in 2009 (Choe and Roberts, 2011, p. 120). In urban area, the Paurashava is the responsible body of local resource use and development. The paurashava utilizes resources on construction and maintenance of roads, drains, park, market centers, bus and truck stand, library and school, street lighting, water supply, street cleaning, public health, maintenance of graveyard improvement of slums etc. Paurashava provides different kinds of services but all services are not of satisfactory standards. The local government especially in small town namely pourashava suffers from severe lake of resources. On the contrary, it cannot ensure efficient use of resources. Inefficient budget making with inefficient implementation is one of the main causes of it. There are different factors behind this complexity. The elected representatives of pourashava are not committed enough as well as the officials are not efficient enough in budget making, assessing and collecting taxes and other related functions. The expenditure of fund is not always transparent enough. As a result, citizens are deprived of urban facilities and quality service from pourashava.

2. Objectives

The study is concentrated on budget making process at Paurashava. Keeping mind of research methodology and research theme, the study objectives has been formulated. The primary objectives of the study

- To examine the budget making process at Paurashava.
- To scrutinize problems and facts in budget making process at Paurashava.
- To explore people’s perception about financial transparency at Paurashava.
- To find out the degree of financial autonomy of urban local government bodies.
- To find out the areas of inadequacy and inefficiency in the use and management of local resources.

3. Rationale of the Study

There are numerous problems faces implementing budget at paurashava. For instances; firstly, Lack of efficiency in revenue and tax collection has become an acute problem in urban local government. Frequently it is heard that there is manpower shortage in each public sector. So, lacking of manpower at paurashava hampers efficient collection of taxes or fees for accelerating development flow. Secondly, there is severe insufficiency in efficient manpower and related technology in project management. There is no modern equipment without a road realer.

So it is hardly possible to implement projects efficiently. Thirdly, It is a very common matter for the urban local government that the central government does not release funds timely. As a result development projects cannot be accomplished timely. Fourthly, Corruption is one of the most talked issues in Bangladesh. It hampers proper implementation of development projects at the urban local government. As a result, development progress through budget implementation has become a deceleration matter at paurashava.

4. Literature Review

No particular literature has been found on “budget making in pourashava”. There is a lot of research on the overall financial management in urban-rural local government but on urban local government budgeting or financial management, there is relatively less number of literature or research work. Several journals, books, newspapers, articles and other related governmental policy tools have been overviewed to gather a clear concept for the research purpose. Siddique (2005) mentioned local government structure, evaluation financial management of both urban and rural local government in Bangladesh. To understand theoretical issues of local government in Bangladesh, he discusses sources of finance of urban local government. Nawshad (1989) discusses about the issues of finance in pourashava. He describes the sources of income of pourashava and also about the areas of expenditure. Begum (1972) mentioned urban local government finance is a broad study on financial matter of the then Dhaka municipality. Chowdhury (1978) mentioned sources of revenue and expenditure of local government in Bangladesh. Khatun (1985) cited income sources of urban local government known as tax collection system of Khulna Pourashava. The Paurashava Ordinance (1977) describes a detailed planned of sources of income of paurashava, expenditure sector of paurashava, rate of different revenue of different sector residing at paurashava. Asaduzzaman (1985) describes local level resource mobilization factors and issues in Bangladesh. He also describes influential factors of revenue and expenditure at Paurashava. Ahmed (1977) describes tax collection system, tax rate, problems and facts of Patuakhali pourashava. Alam also describes same issues at Dhaka. Centre for Policy Dialogue (2000) describes strengthening local government past experience. Present status and future agenda.

5.1 Research Method

The study has been designed on the basis of formulating objectives and research importance. Both qualitative and quantitative methods have been applied in the study and descriptive research design has been followed. Both qualitative and quantitative data are collected through interview method from two target groups such as: 1) elected representatives and government officials 2) Mass people.

5.2 Sample Method

The study is done by sampling method. Simple random sampling method has been applied to collected data from different categories respondents. Simple random sampling method has been applied for the convenience of the research study. The sample size of the study is 50. Of them, there are elected representatives for instance chairman of pourashava, word commissioner, citizen of the pourashava etc.

Category	Number
Mayor of the pourashava	1
Ward Commissioners	9
Pourashava officials	10
Citizen of the Pourashava	30
Total	50

5.3 Data Collection Method:

The primary data are collected from the people of the Savar Pourashava of Dhaka district through both structured and unstructured questionnaires. Primary data has been collected through direct interview by predetermined questionnaire through both structured and unstructured questionnaire. Secondary data has been collected from various books, journals, official documents of saver paurashava, government circular, pourashava manual and different government the web sites. The collected data have been accumulated, organized, tabulated and analyzed in keeping mind of research theory, objectives and variables. The analysis of both qualitative and quantitative data have been analyzed after coding of qualitative data and both qualitative data and quantitative data have been analyzed with the help of by using Microsoft Excel and SPSS (Statistical tool for Social Science), Minitab etc. Furthermore, different kinds of chart, picture and map have been included for enriching research report along with analyzing social realities, causalities and social phenomena.

6.0 Data analysis and interpretation:

6.1 The Study Area:

The study bears significance of people participation at budget making process at Paurashava. The study area,

Savar is a class A-2 pourashava of Dhaka district located at a distance 27 km. from Dhaka city (Satu: 2005). There takes half an hour to reach Savar from Dhaka City by road. The area of Savar Pourashava is 14.08 square Km and total population is about 1,40,300 (BBS: 2001). The Pourashava conveys 9 wards, 44 mouzas and 51 mahallas. The total holding number of Savar Pourashava is 13,198 of them, 11,101 holdings are residential (84%), 1,480 hodlings are commercial (11%). So, Savar Pourashava conveys significance of residential area. The pourashava earns revenue 1,20,00,000 by annually from its own source. A total of 131 staffs are working in the pourashava (Satu: 2005).

6.2 Categories of respondents:

There are four class of people have been taken as a category of respondents of the study. Among them, elected politicians known as mayor of the Paurashava, ward commissioner, paurashava officials and the mass people are the respondents of the study. One fifth of the respondents are elected politicians, one fifth of the respondents are government officials or paurashava officials and three fifth of the respondents are mass people of the study.

Category	Number	Percentage (%)
Elected politicians	10	20%
Paurashava officials	10	20%
General people	30	60%
Total	50	100%

Table 5.4.1: Categories of respondents.

6.3 Knowledge of people about budget:

In the survey, it has been found that only 20% of the citizens (among respondents) know about the current budget of paurashava. On the other, 80% of people have said that they don't know about the current budget.

Question:

Do you know about the budget of current fiscal year of your paurashava? (Only for citizens)

Category	Yes (No. of Respondents)	Percentage (%)	No (No. of Respondents)	Percentage(%)
Citizens	6	20%	24	80%

Table No 5.4.2: knowledge about current budget of Paurashava

6.4 Satisfaction level about the service:

Among the total 50 respondents, only 6 respondents cited that they are satisfied with the service provided by paurashava but no people are totally satisfied about the service of paurashava, when other 11 respondents quoted, they are partially satisfied and 33 respondents said that they are totally dissatisfied.

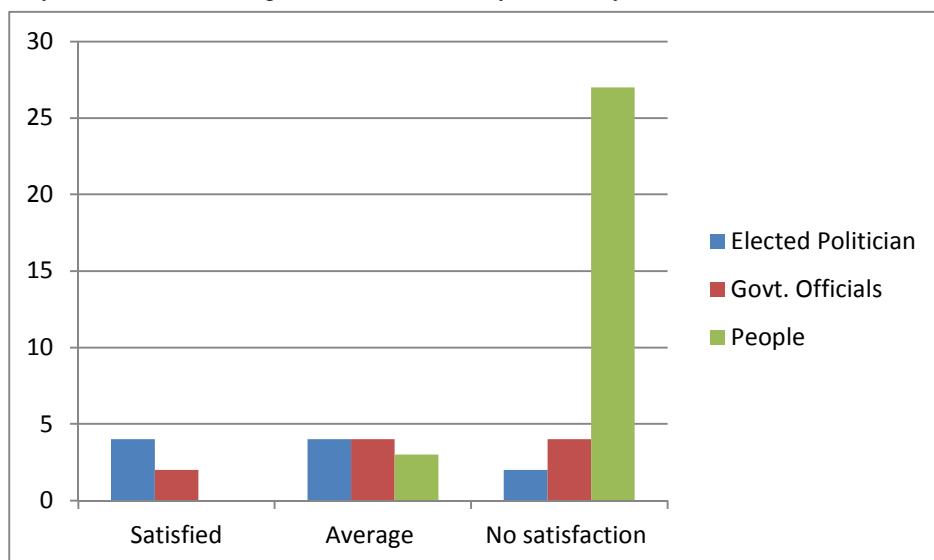


Figure 5.4.3: Level of satisfaction with the service of paurashava.

Findings: From the chart that most of the people (66% of respondents) are totally dissatisfied With the service when some politicians have mainly said that they are satisfied. Most probably the cause of this satisfaction is that the responsibility of provision of service finally goes to them.

6.5 Level of responsiveness:

In the question of responsiveness of pourashava in citizens' demand, people are moderately satisfied. Among 30

general people respondents, 9 said that the level of responsiveness is good, 12 said it average and 9 said it poor.

Question:

How is the level of responsiveness of pourashava in people’s demand? (Only for citizens).

Category	Good	Percentage	Average	Percentage	Poor	Percentage
Citizens	9	30%	12	40%	9	30%

Table 5.4.4: Level of responsiveness of pourashava.

6.6 Level of participation in budget making:

People have opined that citizens have a very little scope of participation in budget making especially in selection of projects. Politicians have said that projects are selected on the basis of people’s demand and thus people’s participation is ensured indirectly. In fact, no formal way of participation is practiced in saver paurashava.

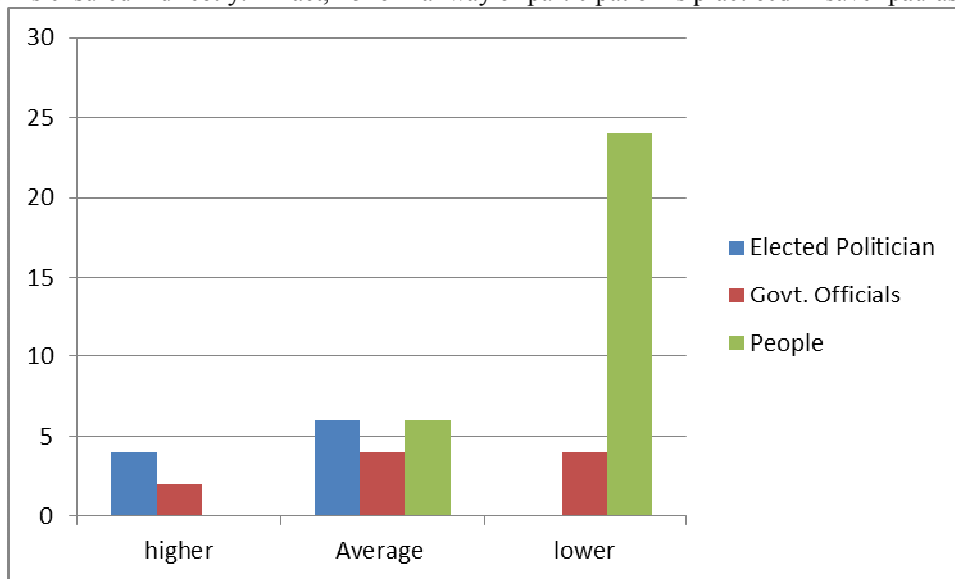


Figure5.4.5: Level of participation of people in budget making.

So, here a matter is very clear that there is a gap between the perception of people and elected politicians. Politicians think that people’s participation is ensured indirectly by valuing their demand in project selection. On the other people’ opinion is opposite to the opinion of politicians.

6.7 Efficiency in local resource use:

A question was about the efficiency of local resource by pourashava to both politician and people. Among the total respondents 70% said that resources are used inefficiently and the effective use is not ensured.

6.8 Level of financial autonomy:

90% of politicians and officials think that paurashava should have more financial autonomy to extract local resources and allocation of funds. They said that the influence of ministry in project selection should be minimized.

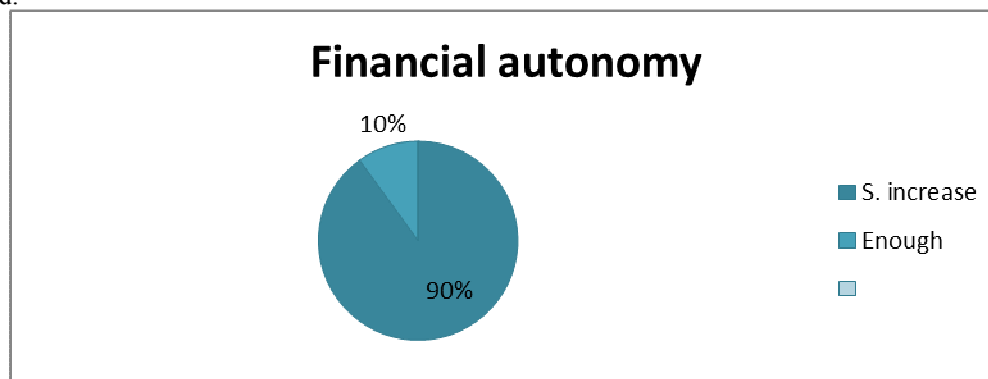


Figure 5.4.8 : Opinion about the financial autonomy.

6.9 Level of corruption in project implementation

There is more or corruption in every organization of Bangladesh. So the question was about the level of corruption in the project implementation of saver paurashava. Here most the respondents agreed about a significant level of corruption.

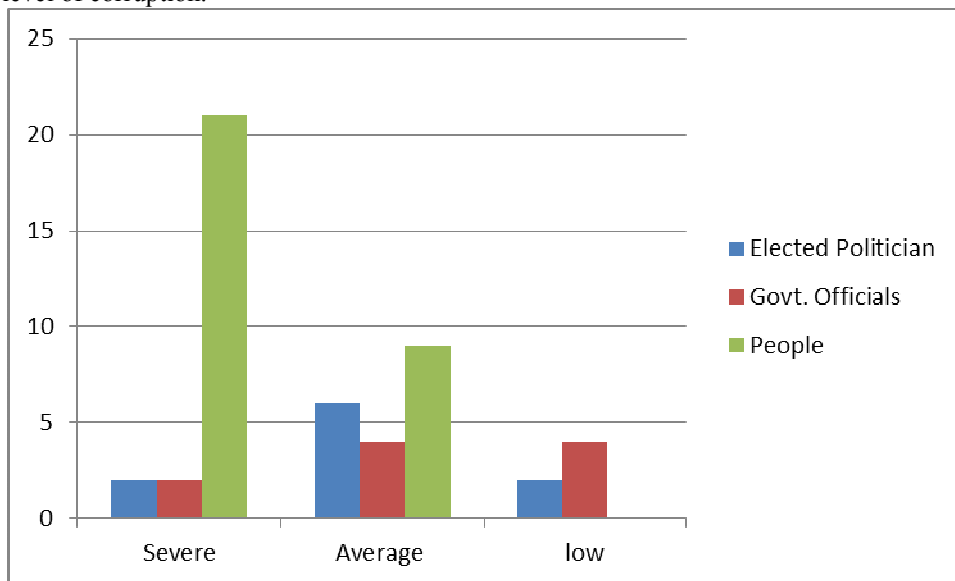


Figure 5.4.9: Level of corruption in project implementation.

6.10 Effectiveness of people's participation:

Respondents were asked about their opinion on the effectiveness of people's participation in ensuring better utilization of resources minimizing corruption. In this matter most of the respondents said conscious participation of citizens may contribute to minimize corruption better utilization of resources.

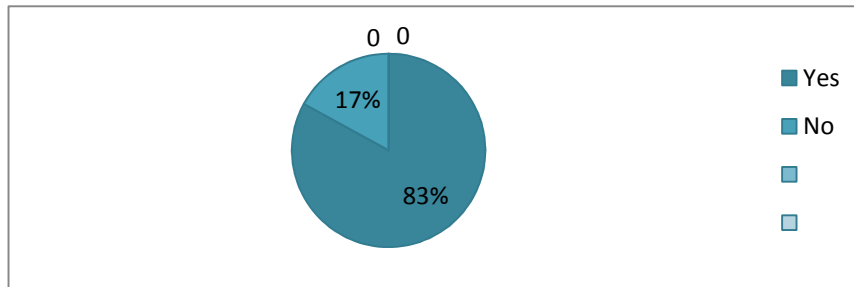


Figure 5.4.10: People's perception on effectiveness of people's participation in better utilization of resources. Here, among the total respondents, 83% believe that active people's participation can improve the efficiency level of resource use by the paurashava. They also think conscious participation of people may reduce the level of corruption.

6.11 How much effective the development project is to improve people's life:

People and politicians have said that the development projects have moderate influence in improving quality of life of the people. 60% people said that the development projects have moderate impact, or the development projects have moderately improved the life of people, not high positive impact.

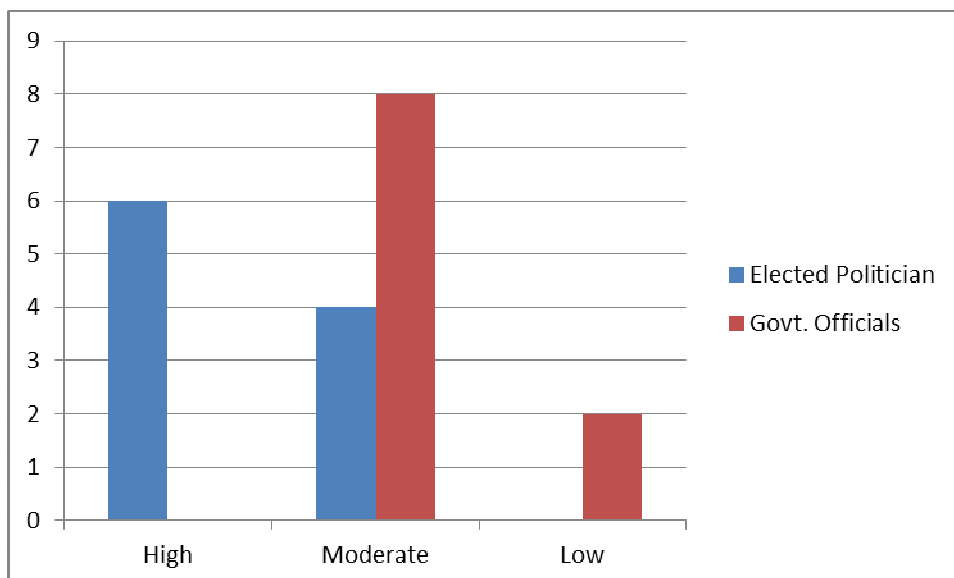


Figure 5.4.11: Perception on the effectiveness of development projects on quality of life.

In this matter 60% of politicians said it has high degree of effectiveness and 40% opined it has a moderate degree of effectiveness to improve the quality of life of people. So, here it is a notable thing that there is always a considerable degree of difference between the opinion of politicians and people.

6.12 Amount of government grant:

The politicians and officials (especially who are involved in budget making) of paurashava were asked their opinion on the amount of government grant. About 90% of politicians said that government grant on annual budget should be increased, on the other hand, 10% of politicians emphasized on the efficient use of funds. 40% of the pourashava officials who are mainly involved in budget making have said that the present amount of grant could be enough if the fund is used efficiently. 60% of officials said government grant should be increased.

Category	Enough	Percentage (%)	Should increase	Percentage (%)
Politician	1	10%	9	90%
Officials	4	40%	6	60%

Table 5.4.12: Perception about the amount of government grant.

7. Recommendation:

So there are a number of problems which should be addressed and suggested for recommendation to ensure efficient utilization of local resources and to improve the financial condition of urban local government. Here some main areas should be focused. Those are:

- a) Measures for increasing revenue
- b) Measures for improving overall financial management
- c) Measures for improving people's participation etc.

7.1 Measures for increasing revenue:

The urban local government can increase revenue by using different means as follows-----

- **Correct valuation of property:**

Most of the time the property is devaluated by the officials because of the influence of local elites and corruption of the officials. As a result, the paurashava get lower taxes. So the property both movable and immovable should be evaluated correctly and the corruption in assessment should be reduced.

- **Collect arrears taxes:**

There are a lot of taxes remain arrear. Proper measures should adopt to collect arrear taxes. People should be ensured that their tax will be used most effectively without any corruption.

- **Computerized database:**

Computerized database system should be introduced to improve the overall efficiency level in tax assessment tax collection and tax management.

- **Appoint planners:**

In most of the pourashava there is no position of planners but it is very important to appoint planners for land use planning for the preparation of holding map and for overall development of project plan in pourashava.

- **Government grant on the basis of performance:**

The government should introduce the mechanism of providing grant on the basis of performance in financial management of the previous years based on---

- i. Tax collection performance
- ii. Performance in local resource use
- iii. Quality of development work completed in the pourashava in previous years.

7.2 Measures for improving budget making and financial management: Generation of adequate revenue will itself not automatically ensure its best utilization. For ensuring optimum efficiency in resource use and budget implementation, well established and control over expenditure will have to be guaranteed. The pourashava representatives and officials will be able to plan best financial utilization when acute financial figures are available (Ahmed, 1997).

- **Timely approval of budget by the ministry:**

Approval of budget by the ministry should be completed before the starting of that fiscal year. That means the LGRD & Co. ministry should approve the allocation on development projects before the month of June every year. It will help the urban local government body to develop a schedule of the implementation of development projects and to ensure more efficient implementation of budget.

- **Training of officials and representatives:**

Training should be provided to the officials of Paurashava specially who are involved in the task of tax assessment, tax collection etc. The elected officials should also be given training about the budgetary and financial matters. Emphasis should be given in the areas of income and expenditure assessment methods, tax assessment methods etc.

7.3 Measures for improving people's participation:

The local citizens and tax payers should be involved in the budget making process of paurashava. It will increase the confidence of citizens about the pourashava and it will help to increase taxes from citizens.

- **Taking people's opinion before formulating budget:**

Before the formulation of budget the opinions of local citizens should be considered. The pourashava should meet different local citizen's body to take their opinion.

- **Giving awards to best tax payers:**

The pourashava administration may arrange annual ceremony where it will honor the best tax payer of the year with reward. It will motivate the people to pay taxes.

- **Involvement of citizens in project selection committee:**

Members from citizens should be involved in the process of project selection before the preparation of annual budget. In the selection of development projects the opinion of these citizens should be given priority.

8. Concluding remarks

The saver Paurashava has passed 22 years since its establishment. But it is very unfortunate that it could not expand its area of activities. Still its amount of annual budget is very small. Its own income is very much insufficient to undertake a new development project in its own finance. It is dependent mostly on government grants on the other its expenditure is increasing sharply. In development expenditure it is seen that about 30-35% of total development expenditure are spent in physical infrastructure development like in construction and development of roads, bridge, culverts etc. but social issues are given now importance here. In 2012-13 budget, sanitation, public health etc. social issues constitutes only 2-3% of total development expenditure. These social issues should be given more priority.

People are not willing to pay taxes; on the contrary, they want good services. The main cause of it may be the absence of confidence of people on the politicians. Most of the people opined that their taxes is not used efficiently for their welfare. The corruption in pourashava also de motivate them to pay taxes. So, there is a serious lake of confidence of the people. Here the politician can play the most significant role to build up people's confidence. Politicians have to prove it that they are trying their best to satisfy the demands of the people.

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