

# Public Finance and Revenue Mobilization of Union Parishads: A Case of Four Union Parishads

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Sultan Hafeez Rahman, Md Shanawez Hossain  
Mohammed Misbah Uddin



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Swiss Agency for Development  
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A Case of Four Union Parishads**

By

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Mohammed Misbah Uddin

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BRAC University

SK Centre (3<sup>rd</sup> - 7<sup>th</sup> & 9<sup>th</sup> Floor), GP, JA-4, TB Gate

Mohakhali, Dhaka-1212, Bangladesh

Tel : +88 02 5881 0306, 5881 0326, 5881 0320, 883 5303

Fax : +88 02 883 2542

Email : [info@bigd.bracu.ac.bd](mailto:info@bigd.bracu.ac.bd)

Website : <http://bigd.bracu.ac.bd>

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## Acronyms

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ADP	Annual Development Programme
BIGD	BRAC Institute of Governance and Development
CARE	Cooperative for Assistance and Relief Everywhere
DDLG	Democratic, Decentralized Local Government
EGPP	Employment Generation Programme for the Poorest
FFW	Food For Work
FY	Fiscal Year
GPSA	Global Partnerships for Social Accountability
HH	Household
INGO	International Non Governmental Organizations
JATRA	Journey for Advancement: Transparency, Representation and Accountability
KII Key	Informant Interview
LGD	Local Government Division
LGED	Local Government Engineering Department
LGI	Local Government Institutions
LGSP	Local Governance Support Programme
MOLGRD&C	Ministry of Local Government, Rural Development and Cooperatives
NGO	Non Governmental Organizations
NILG	National Institute of Local Government
OS	Office Secretary
PBC	Project Based Committee
PCI	Per Capita Income
PIO	Project Implementation Officer
PNGO	Partner Non Governmental Organization
PPR	Public Procurement Rules
SC	Standing Committee
SEBA	Social Engagement in Budgetary Accountability
SS	Sample size
TIB	Transparency International Bangladesh
TR	Test Relief
UNO	Upazila Nirbahi Officer
UP	Union Parishad
UPGP	Union Parishad Governance Programme
UZP	Upazila Parishad
VGD	Vulnerable Group Development
VGF	Vulnerable Group Feeding



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The research team takes full responsibility for the contents of this report.

## About the Authors

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### **Dr. Sultan Hafeez Rahman**

Executive Director , BIGD

Dr. Sultan Hafeez Rahman is serving as the Executive Director of BRAC Institute of Governance and Development (BIGD), BRAC University. He started his professional career at the Bangladesh Institute of Development Studies (BIDS) in 1975 and worked at the Asian Development Bank (ADB) from 1992 to 2012. He retired from the ADB as the Director General and returned to Bangladesh in 2012. His work as a researcher and development practitioner includes the areas of macroeconomic policy, international trade, regional integration, development planning, transport, energy, financial sector, urbanization, education, environment and agriculture. He presented papers, participated in and organized many workshops, seminars and conferences around the world throughout his professional career spanning 40 years.

Dr. Rahman has worked in Cambodia, Thailand, Vietnam, Malaysia, Republic of Korea, Indonesia, Kazakhstan, Uzbekistan, India, Pakistan, Afghanistan, Nepal, Bhutan, Sri Lanka, Maldives and Bangladesh, Timore Leste as well as 14 Pacific Island countries.

He is a reputed economist and has published on a wide range of economic and policy issues. He was also the Editor of Bangladesh Development Studies (journal of BIDS). His current research interests are in the areas of economic growth and inequality, macroeconomic policy and sustainable development. Dr. Rahman undertook his post graduate studies in the USA.

### **Dr. Md. Shanawez Hossain**

Research Fellow, BIGD

Dr. Md Shanawez Hossain is a development economist and joined BIGD in August 2015 as Research Fellow. He is Head of the Urban, Climate Change and Environment (UCCE) cluster and Team Leader for one of BIGD's annual flagship publications, the State of Cities (SoC) for the year 2016. Previously he has held research, teaching and consultancy positions at Asian Development Bank Institute (ADBI), Waseda University, Japan, Ministry of Foreign Affairs, and various non-governmental organizations.

Dr. Hossain's research interests are in the areas of economic and social development in the Asia-Pacific regions. In particular, he has experiences of research related to poverty, inequality, regional integration, local governance, environment, infrastructure, energy security and educational development in developing countries.

### **Mohammed Misbah Uddin**

Research Associate, BIGD

Mohammed Misbuh Uddin is currently a Research Associate and has been involved with BIGD since 2009. He has a Bachelor's degree in Statistics from Jahangirnagar University and a Master's degree in Population Sciences from the University of Dhaka. He is also pursuing a Master's in Development Management and Practice from BRAC University. He has worked in several research organizations including BRAC Research and Evaluation Division (RED) and James P. Grant School of Public Health of BRAC University. His research interest is in the areas of governance and democracy, sociology, education, health, and demography.

## Executive Summary

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Democratic decentralization is a critical component of good governance. It is a pre requisite in cultivating transparency and accountability and thereby establishing effective local government. Productive Local Government Institutions (LGIs) have the capability to formulate and execute people-oriented development plans and budget and hence contribute to larger objectives of national democracy and equitable development.

Local governments in this Indian sub-continent have existed in varied forms for several hundred years including the colonial period. Ever since its independence in 1971, successive governments of Bangladesh have experimented with different models of local government to promote decentralization and local governance. While numerous structural and legislative changes were made to the Union Parishad (UP) in particular, these were generally not supported by adequate capacity and authority. As a result, despite having all their functions listed out in the Local Government (Union Parishad) Act, 2009, UPs struggle to discharge their responsibilities effectively and efficiently. One of the functions of UPs is to collect local revenue by assessing revenue sources and taxing them. The relevant government document guiding UPs for this purpose is the UP Model Tax Schedule of 2013.

With their limited taxation authority, the revenues UPs generate or are able to retain after transferring a major portion to the central government, have also remained insignificant for decades. Currently, scarcity of human resources and weak capacity and skills adversely affect UPs' performance in revenue collection and management as well as in public service delivery. Historically, UPs have received the bulk of their revenue through central government transfers to finance their operations in local development. The UPs have also been a subject of debate over the efficiency factor.

Against this backdrop, the present research examined the capacity and authority of UPs in resource mobilization in the wider context of decentralization and good governance in Bangladesh. It examined UP's capacity and authority by analysing the status and distribution of their revenue sources, by assessing citizens' perception about the process of revenue collection, as well as the influence of citizens' participation on local development planning and budgeting.

Four UPs were selected from the SHARIQUE working areas in Rajshahi and Khulna for the research. The survey sample constitutes 282 individual respondents from selected households in the four UPs. The UPs were classified as 'Strong' and 'Weak' in terms of their revenue collection capacity and exposure to SHARIQUE programme interventions. Given that only four UPs have been analysed and the interview sample size is also small, the results of the study cannot be generalized. It, however, suffices as case studies, which adequately serve the purpose of the study. An analysis of both government and non-government revenue sources of four UPs indicated that central government grants dominate the UPs' revenue sources, thereby making them less autonomous. To reduce this dependence, economic activities could be increased to create more taxable resources for UPs. Given these constraints, reform measures could include capacity-building interventions, administrative and procedural improvements that allow UPs to enhance their revenue base.

Findings of the study suggest that UPs lack skilled human resources and adequate incentive to increase their revenue base, and manage the taxation system efficiently and effectively. UP tax rates are fixed by the central government as shown in the UP Model Tax Schedule. The tax rate of holding and land taxes - ranges between 0 and 7 percent, whereas in Municipality, it ranges between 0 and 27 percent. Besides, there is complexity in tax assessment procedure, such as lack of government certified holding space and a standardized format of the balance sheets. Tax

payment system, too, remains flawed as it occurs as cash transaction. Elected representatives are not keen on collecting taxes because they fear losing public support of their constituencies. Furthermore, the Standing Committee on Tax Assessment and Collection at the UP level does not perform effectively. On the demand side, citizens are not aware of how their taxes are being utilized by the authority and are also victims of inconsistent tax receipts issued by UPs. The study also discovered that 97 percent of the respondents (who did not pay taxes) considered paying tax as 'economic loss', as they did not find any link between paying taxes and availing public services in return. All these factors constrain revenue collection of UPs on both demand and supply sides. Findings suggest that increasing revenue management capacity, assessment capacity and finding new tax sources in the short term, and increasing connectivity to economic hubs and markets in the medium term will generate more tax revenue and enhance revenue base for UPs. Further, by assuring people about benefits related to paying tax and by making the tax procedure simple, tax collection can be enhanced at the UP level.

An important area of administrative reform could be reviewing the distribution of revenue between Upazila Parishad (UZP) and UP and giving the latter more revenue-raising authority. However, this must go simultaneously with capacity building such as those undertaken by SHARIQUE, strengthening citizens' engagement in budget planning and implementation and building governance safeguards to prevent revenue 'leakage.'

Effective public service delivery, planned and implemented through citizens' participation, is one of the most important functions of UP. In this respect, the study captured people's involvement in and awareness of UPs' development planning, budgeting, and implementing processes. The findings of the study reveal lack of public awareness and their absence from governance mechanisms, such as, Standing Committee and Open Budget meetings. The study also discovered that citizens were not properly aware of the functions of UPs. This indicates that citizens' engagement in development planning and implementation remains weak. In this regard, awareness-raising programmes can help citizens fill their knowledge gaps and improve their perceptions of UP functions and functionaries. Additionally, public participation needs to be integrated at all phases of UP planning and budgeting because it would lead to increased accountability and transparency of UPs, which in turn would build people's ownership of local development activities and encourage them to pay taxes.

Based on the study's findings, it can be stated that increasing revenues alone, without supplementary reforms, will not empower UPs to carry out effective public service delivery. Emphasis should be given on enhancing UPs' capacity to manage local revenues and engaging citizens in planning and budgeting local development. Tax management system needs to be improved for example, by conducting more accurate tax assessment, swift disciplinary action against tax related misconduct, public disclosure of revenue and expenditure to ensure transparency, etc. Simultaneously, awareness raising activities can be undertaken to popularize the tax payment system.

To summarize, the desired results of decentralization are accountability, transparency, increased local participation and improved efficiency in service delivery of UPs. The path of progress of decentralization cannot be predicted. While in the short term, UPs' potential is weak to bring about the desired decentralization progresses, there are some UPs that have the potential to emerge as strong actors of local development. However, their prospects are being hindered by bureaucratic controls and political motivations and intervention. Expanding revenue sources, establishing a pro-tax institutional culture and involving citizens will be keys to empower local government, which, together with capacity building inputs will promote greater devolution of administrative and financial power to them.

# 1 *Chapter One: Introduction*

## 1.1 Background and Context

Local Government Institutions (LGIs) are the lowest tiers of government in Bangladesh and are mandated by the Constitution (Articles 9, 11, 59, and 60). The LGIs are pivotal to instituting participatory development in the country, and hence could be a crucial instrument in topping the 'energy' of the common citizenry at the grassroots level. According to Sections 47 (Ga), 50 and 78 of the Local Government (Union Parishad) Act, 2009, the Union Parishad (UP) is responsible for public welfare activities at the Union level.

While a lot of functions have been given to the UP, these have not been complemented by adequate authority to raise local revenue through means such as imposing taxes, assessment, collection etc. to meet the financial need for discharging these functions. As with City Corporations and Municipalities, UPs are not mandated to deliver income-earning basic services such as arbitration of disputes, water supply, electricity, drainage, waste removal etc. Rather, it provides services such as conflict resolution and issuing birth certificate, character certificate, and nationality certificates (Huda 2013).

As the tax base of the LGIs remains very narrow, an insignificant amount of the total budget expenditure is funded through local taxation, while the great bulk of the UP expenditure (including development spending) is funded by transfers or grants from central government. Goods and services are produced locally but taxed centrally owing to most of the tax revenues being accrued directly by the central government<sup>1</sup>. Moreover, the transfer of block grants from the centre is a process marked by delays, irregularities, 'mistrust' and other forms of resistance to local tax collection.

The issue of limited taxation authority of UPs has been stated already. Another critical 'structural factor' is the weak capacity of UPs to manage resources, which causes local governance also to be a major concern in managing fiscal transfers and implementing the budget process. All of these factors limit the scope of decentralized revenue mobilization at the local level, including in UPs (Khan 2009).

Based on the above discussion it can be concluded that increasing revenue alone will not empower UPs to carry out effective public service delivery. This has to be matched with enhanced capacity for managing local revenue and engaging citizens in planning and budgeting development. Transparency, accountability in fund utilization and public participation would lead to stronger capacity to establish effective local governance.

The study addressed the following research questions:

- a) What are the sources of revenue of UPs and what are the constraints related to revenue mobilization?

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<sup>1</sup> For example holding tax, tax from trade license, birth registration fee, earnings from village court, fees from lease of various local assets, etc. only remains locally with the UP.

- b) How much are citizens aware about the functions and revenue-related activities of UPs?
- c) What is the capacity and local authority of UPs to collect and increase their own revenue?
- d) How do citizens' participation influence local development planning and budgeting?
- e) How are the various revenue awareness programmes addressing revenue mobilization in the UPs?

## 1.2 Rationale of the Study

There have been relatively a small number of studies which assessed the governance structure of the revenue system of UPs, its linkages with the central government, including revenue sharing, as well as the capacity of LGIs to effectively and efficiently manage and plan revenues and expenditure at the UP level. There is also a dearth of knowledge about the awareness of citizens regarding the roles, responsibilities and their own roles in helping to establish transparency, accountability and participatory budgeting and development expenditure systems. These factors pose challenges and constraints to the present revenue sharing arrangements and limit the scope for local planning and budgeting for development in UPs.

The SHARIQUE programme has been building capacity in the critical area of budget preparation and management, local revenue mobilization and development expenditure planning which will at the same time strengthen local governance in this area. This study is a rapid assessment of the effects of the SHARIQUE programme in the wider backdrop of the UP level revenue and expenditure system.

## 1.3 Objective of the Research

The principal research objective is to briefly assess the revenue and expenditure system in the context of local governance at the UP level. The specific objectives of the research are:

- To examine the current status of revenue collection and mobilization processes of UPs.
- To explore relevant capacity and authority of UPs towards effective resource mobilization and utilization.
- To assess citizens' knowledge and perception about the whole process of revenue collection and utilization.
- To assess the influence of citizens' participation on local development planning and budgeting.

## 1.4 Organization of the Report

Chapter 1 describes the background and context, rationale, objectives and research questions of the study. Chapter 2 describes the detailed methodology including sampling, respondents, field operation, supervision, quality control measures and analysis plan. Chapter 3 describes the existing status of revenue flow and constraints in raising revenues, functions of UPs and citizens' awareness of these. Chapter 4 discusses the capacity and potential of revenue mobilization of UPs. Chapter 5 discusses people's engagement and its influence on development planning and budgeting. Finally, Chapter 6 summarizes the findings and provides policy recommendations.

# 2 Chapter Two: Methodology

## 2.1 Method

The study uses a qualitative methodology to conduct the analysis.

The qualitative approach used includes desk review of related literature and fieldwork. The secondary data used includes existing literature on local government, project/consultancy documents, reports and relevant government and legal documents. Primary sources of data include in-depth interviews with key informants (KIs) and consultation with practitioners, central government officials and academics. Key informants include elected representatives of UP, Upazila Parishad (UZP) and officials of respective Upazila and Union Parishad.

Owing to time and resource constraints, the study only surveyed four selected UPs where the SHARIQUE programme<sup>2</sup> is being implemented. Hence, the findings of this case study of four UPs cannot be generalized for making inferences. The purpose of the survey was to assess citizens' knowledge about UPs sources of funds, functions, tax-systems etc. In addition, this survey investigated citizens' knowledge and perception to assess their awareness of the accountability and transparency mechanisms relating to budget allocation and development planning. The sample size was 282 individual respondents from selected households in the four UPs<sup>3</sup>.

## 2.2 Sampling and Sample Size

With the aim of strengthening the capacities of the LGIs at Union and Upazila levels, SHARIQUE started its activities in Bangladesh in 2006. The programme has contributed to improved local governance within the 130 UPs and 21 UZPs that it covered in Phase I and II (2006-2013). In Phase III, SHARIQUE is covering a total of 207 UPs and 29 UZPs in the districts of Rajshahi, Sunamganj, Chapai Nawabganj and Khulna for a time span of three years (September 2013-August 2016). During this phase, in these areas, the programme is addressing 1,900 community groups consisting of about 50,000 members (SHARIQUE, 2016)<sup>4</sup>.

Four UPs of Rajshahi and Khulna were selected based on their capacity of revenue collection from local sources. The UPs can be classified as 'strong' and 'weak' in terms of their exposure to SHARIQUE programme interventions. In Matikata and Harian for example, SHARIQUE has been active for a longer period in capacity building for which these two UPs were expected to be stronger. On the other hand, Barakpur and Damodar UPs, where SHARIQUE has been active only

<sup>2</sup> The Local Governance Programme under SHARIQUE contributes to the empowerment of local citizens to make and implement inclusive, gender sensitive and pro-poor collective choices about their lives and livelihoods through more democratic, transparent, inclusive and effective local government systems.

<sup>3</sup> Considering 95% confidence interval ( $z=1.96$ ), 6% error probability level and .5 as percentage of picking a choice, the sample size (ss) becomes 267. The sample size was set at 282 to allow for some erroneous responses.

$$\text{Sample size (ss)} = \frac{Z^2 * (p) * (1 - p)}{C^2}$$

<sup>4</sup> SHARIQUE Phase III: Strengthening Good Local Governance in Bangladesh, Helvetas Swiss Inter cooperation, Dhaka, Bangladesh, 2016.



recently, have been less exposed to capacity-building support, and hence expected to be weaker in terms of their local governance capacity. The ratio of local revenue to total UP revenue is also lower in the weaker UPs than in the stronger UPs. These two categories of UPs are accordingly defined as 'strong' and 'weak' for the purpose of this study.

**Table 2.1: List of Sample Unions**

Categories	'Strong' UPs		'Weak' UPs	
Names of UPs	Harian UP	Matikata UP	Damodar UP	Barakpur UP
District	Rajshahi	Rajshahi	Khulna	Khulna
Population	28,042	55,345	18,368	20,495
Area of UPs	48.6 sq.km.	185 sq.km.	21.5 sq.km.	9.5 sq.km.

From all of these UPs, a total of 282 citizens were surveyed by a semi-structured questionnaire (Annex 1). For qualitative data collection, a total of 46 Key Informant Interviews (KII) and 4 group interviews were conducted. Respondents include related stakeholders from different levels of UP, UPZ, district, central government and experts from academia and NGOs (Annex 3).

## 2.3 Field Operation

The survey was conducted during August-September 2015 within the selected UPs. The enumerators and qualitative researchers went to the households and other respondents to collect information on specific issues. They were trained before starting primary data collection.

### 2.3.1 Supervision

A strong supervision and monitoring mechanism was maintained for quality control of the survey. One supervisor from BIGD was engaged to supervise the overall work of enumerators (qualitative and quantitative data collection). The team leader of the study guided the supervisor.

## 2.4 Quality Control Measures

In the first stage, the enumerators were screened as per their experience in conducting relevant research projects, and four enumerators were selected for qualitative data collection from the field. Another three enumerators were selected for quantitative data collection. The enumerators were exposed to a weeklong training course in order to introduce them to the objectives of the study, questionnaire and the process of interviewing. The enumerators worked in a team along with the supervisor. After completing data collection from one research site (Rajshahi), they moved to the next one (Khulna).

To ensure quality of data, a number of validation checks were conducted during data collection:

- Accompany check: The supervisor used to review the process of the interview by accompanying the enumerator on a random basis.
- Spot check: The supervisor used to go back to the respondent and validate the collected data on the same day on a random basis.
- Back check: After data collection, some questionnaires were chosen randomly, and supervisor went to the field next day for further investigation.



After data collection from field, the team coded the data. Next, proficient data entry operators entered the data in the programme under close observation of a statistician/research associate of BIGD.

## 2.5 Analysis

As stated above, the study is based essentially on a qualitative methodology.

Throughout the survey the poverty line was used to classify respondents' income. We used the standard estimate of the World Bank poverty indicator that classifies those earning below \$1.25 per day as poor and those earning above this amount as non-poor.

Respondents' education level was assessed according to their literacy capacity to give signature, attaining primary, secondary, higher secondary to Master's levels of education.

## 2.6 Limitations

The study had the following shortcomings in its approach:

- There was significant 'noise' in the budget data provided by UPs, and its quality at times was problematic. UP budget documents did not follow a standard format and hence it was often difficult to compare sources of revenue across UPs.
- The results from these data, being collected from a relatively small sample size, may not be representative of the whole population. The probability of error was thus minimized by designing the questionnaire well, carrying out in-depth interviews and drawing the sample randomly.

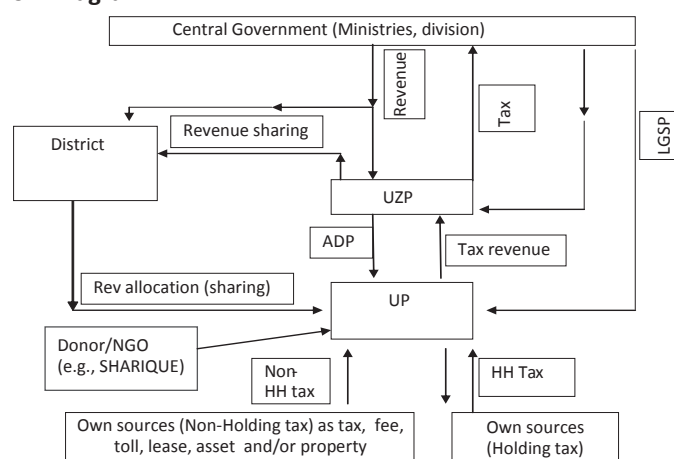
# 3 Chapter Three: Revenue Mobilization in the Union Parishads

This chapter assesses the status and distribution of UPs' revenue obtained from various government and non-government sources. Based on the findings it identifies the procedural gaps in revenue collection and budget management to construct an estimate of UPs' capacity. Finally, it also measured citizens' awareness of the functions of UPs to draw inference and observations about citizens' participation in development, their tax-paying behavior and attitude towards UPs.

## 3.1 Revenue In-Flow of Union Parishad

As demonstrated by the revenue flow diagram (Figure 3.1), Government sources include various ministries, divisions and agencies. Among the sources, a significant amount of revenue is transferred through UZP to UP. Central government transfers revenues to the Local Government Division (LGD), which allocates resources as grants to the UZP and finally the UZP allocates the designated revenues through block allocation, special grant, land tax transfer (1%), and resources for development projects to UPs through their 17 transferred departments<sup>5</sup>. On the other hand, some grants are allocated directly to UP accounts for development projects - for instance, the Local Government Support Programme (LGSP). A separate source of revenue received by UPs from UZPs comprises a proportion of lease money<sup>6</sup>, salary, allowance and benefits of employees. The salary and allowance of UP representatives and employees are received from central government. Another source of revenue for UPs is the contribution<sup>7</sup> of NGOs/INGOs that work with UP either directly or through Partner NGO (PNGO). Holding and non-holding taxes are the two main sources of revenue of UP which come mainly from its local level resources.

**Figure 3.1: Revenue Flow Diagram**



**Source:** Authors' construct based on BIGD Revenue Mobilization Survey, 2015

<sup>5</sup> Department of Public Administration, Department of Health, Department of Agriculture, Department of Livestock, Department of Project Implementation, Department of Social Work, Department of Education, Department of Women Affairs, Department of Engineering, Department of Secondary Education, DPHE, Department of Rural Development, Department of Environment and Forests, Department of Cooperatives, Department of Family Planning, Department of Fisheries, Department of Youth Development

<sup>6</sup> Money collected from local level by UZPs through leasing local resources (Haat, Ghat, Jalmahaletc) 5% of which is shared with UPs.

<sup>7</sup> For instance, in 2014 SHARIQUE provided TK. 75000 to Matikata UP for the cost management of particular meetings such as, Ward Shabha, open budget meeting etc.

### 3.2 Distribution of Revenues in UPs

With the above general understanding about sources of financial flow in UPs, the study analyzed sources of revenue in four UPs for a particular fiscal year. The sections below first identified the major sources of fund inflow in each of the studied UPs and later did a breakdown of the local revenue sources.

The tables below depict this for Barakpur UP of Khulna for FY 2014-15. Table 3.1 shows that the biggest source of financial in-flow is government grant. For this UP, the VGD programme generates the highest financial inflow. Government grant revenue from land transfer, government fund<sup>8</sup>, and the local sources remain very low.

**Table 3.1: Major Sources of Revenue in Barakpur UP, Khulna (FY 2014-2015)**

Major Sources of Revenue (FY 2014-2015)	Taka
Land transfer (1%)	265,440
Government Fund (As administrative cost like honorarium, salary for Chairman, Member and Secretary)	510,220
<b>Government grant (Development)</b>	
UPGP-A	293,074
UPGP-B	151,545
EGPP/Oti Doridro Kormo Songsthan	3,066,218
FFW Kabikha	1,135,392
TR	854,030
LGSP-2	1,444,874
ADP	1,243,632
VGD	4,064,583
VGf	1,894,685
Local revenue	84,720
<b>Total Cash inflow</b>	<b>1,48,09,693</b>

**Source:** Information was collected from budget copies provided by respective UP during the BIGD Revenue Mobilization Survey, 2015

A similar distribution of revenues for Damodar UP is shown in Tables 3.2.

<sup>8</sup> Government fund or administrative cost denotes salary and allowance of UP elected representatives i.e., Ward Member male, and female (as reserved seat), UP chairman, and employees i.e., UP Secretary, Watchman, Dafadar

**Table 3.2: Major Sources of Revenue in Damodar, Khulna (FY 2013-2014)**

Major Sources of Revenue (FY 2013-2014)	Taka
Land transfer (1%)	1,134,000
Government Fund (As administrative cost like honorarium, salary for Chairman, member and secretary)	661,600
<b>Government grant (Development)</b>	
Extreme poor	2,124,000
FFW/Kabikha	398,076
TR	788,576
LGSP-2	2,287,845
UPGP	475,526
ADP	3,510,515
Received from others sources	38,630
Local Revenue	332,946
<b>Total Cash inflow</b>	<b>1,17,51,714</b>

**Source:** Information was collected from budget copies provided by respective UP during conducting BIGD Revenue Mobilization Survey, 2015

The breakdown of key revenue sources of Matikata UP of the same fiscal year is presented in the table below.

**Table 3.3: Major Sources of Revenue in Matikata UP, Rajshahi (FY 2013-2014)**

Major Sources of Revenue (FY 2013-2014)	Taka
Land transfer (1%)	1,373,000
Government Fund (As administrative cost like honorarium, salary for Chairman, member and secretary)	497,055
<b>Government grant (Development)</b>	
Received from other sources	1,775,006
40 Days work with non-wage	3,637,660
FFW/Kabikha	1,263,974
Kabita (Taka for work)	761,000
TR	2,491,478
LGSP-2	2,020,298
LGSP (PBG)	643,860
ADP	835,249
SHARIQUE	275,000
Local revenue	592,022
<b>Total Cash inflow</b>	<b>1,61,65,602</b>

**Source:** Information was collected from budget copies provided by respective UP during conducting BIGD Revenue Mobilization Survey, 2015

**Table 3.4: Major Sources of Revenue in Harian UP, Rajshahi (FY 2013-2014)**

Major Sources of Revenue (FY 2013-2014)	Taka
Land transfer (1%)	799,000
Government Fund (As administrative cost like honorarium, salary for Chairman, member and secretary)	142,725
<b>Government grant (Development)</b>	
Received from other sources	34,860
TR	303,000
LGSP-2	1,421,015
Local revenue	594,840
Surplus from last year	7,004
<b>Total Cash inflow</b>	<b>33,02,444</b>

**Source:** Information was collected from budget copies provided by respective UP during conducting BIGD Revenue Mobilization Survey, 2015

A crucial part of the study was to look into the dependence of UPs on central government grants. A review of other studies (Rahman, M., 2005; Rahman, S., 2005) concluded that the UPs were heavily dependent on the block grants from central government, which acted as a disincentive to mobilize own resources.

For example, relative to total revenue available to finance expenditure of Barakpur UP, its own revenue mobilization is a meager 0.6 percent, whereas in Matikata it was 3.6 percent thus classifying the former as 'weak' and the latter as 'strong' UP. This reflects the former's excessive dependence of the UP on central government revenues.

In addition to this, the study attempted to analyze the reasons behind this uneven revenue distribution considering the fact that stable sources of revenue, such as holding tax, is an indicator of 'fiscal strength' of a UP (Table 3.5).

**Table 3.5: Major Sources of Local Revenue for each of the Studied UPs**

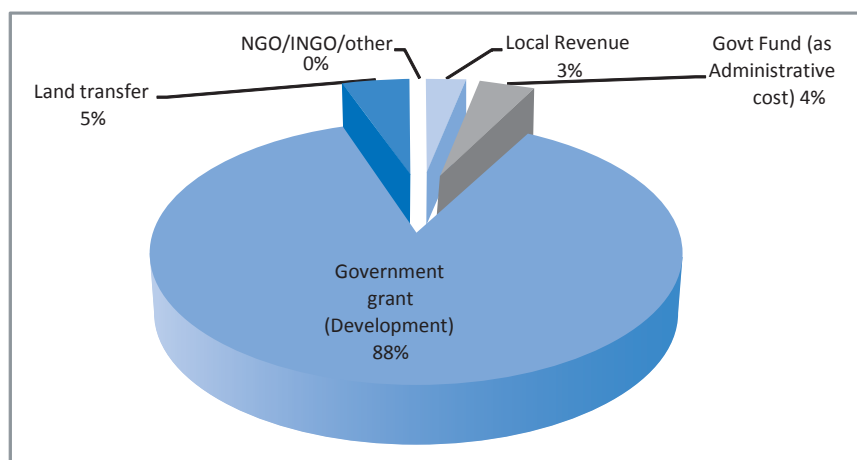
Major Sources of Local Revenue (FY2013-2014)	Matikata	Harian	Damodar	Barakpur
Holding tax	323,731	232,615	195,332	43,320
Brick field	70,000			
Trade license	75,500	49,450	105,700	
Village court	290	50		
Rent from shop		61,550		
Tax on Mill/Factory		244,725		
Tree plantation/selling trees/commission	16,007			
Izara	35,980	6,450	15,754	6,000
Birth registration fees	9,250		16,160	
Warishon certificate fee	30,160			
Citizenship certificate fee	25,324			
House rent	2,900			
Miscellaneous	2,880			
License and Permit Fee				35,400
<b>Total</b>	<b>5,92,022</b>	<b>5,94,840</b>	<b>3,32,946</b>	<b>84,720</b>

**Source:** Information was collected from budget copies provided by respective UP during conducting BIGD Revenue Mobilization Survey, 2015

**Note:** Izara includes Ferry-ghat, hat bazaar and khowar izara. Ferry-ghat and hat bazaar izara noted here are collected by UZP, 5 percent of which is provided to UP and therefore included here.

On the other hand, data shows that in 'weak' UPs (Damodar and Barakpur in Khulna, where SHARIQUE started their programme recently), the major source of financial flow is the central governments grant for development activities (Figure 3.2).

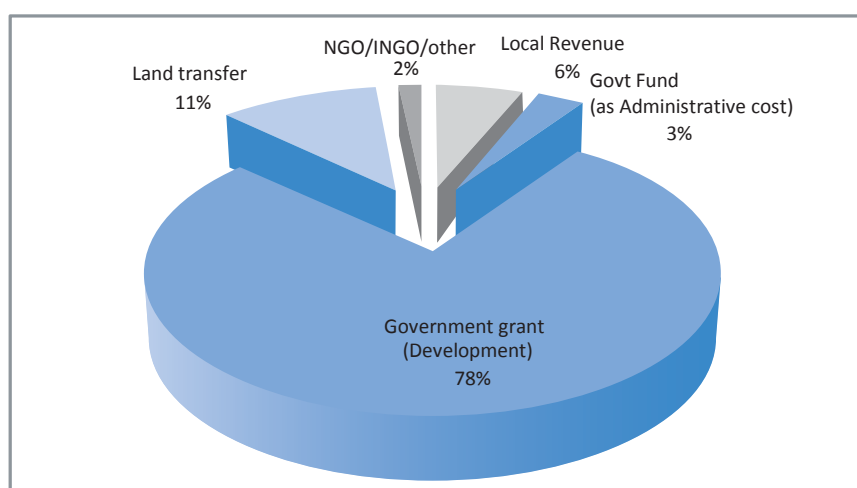
**Figure 3.2: Revenue Flow in Damodar (FY 2013-2014) and Barakpur (FY 2014-2015) ('weak' UPs)**



**Source:** Authors' estimates based on the BIGD Revenue Mobilization Survey, 2015

However, 'strong' UPs (Matikata and Harian in Rajshahi) where SHARIQUE programme has been operating since 2006, show quite a different picture compared to 'weak' UPs (Damodar and Barakpur in Khulna). These 'strong' UPs obtained higher amounts of revenue from local sources and NGOs, 6 percent and 2 percent respectively (Figure 3.3). Government development grant, however, is still the main source of revenue for these UPs. There is also a difference in the amounts committed by donors and NGOs to these UPs.

**Figure 3.3: Revenue In-Flow in Matikata (FY 2013-2014) and Harian (FY 2013-2014) ('strong' UPs)**



**Source:** Authors' estimates based on the BIGD Revenue Mobilization Survey, 2015

A healthy local revenue base is an indicator of strong capacity for UPs, which allows them to attract more donor support as they can demonstrate the competence in public service delivery and credibility that donors want to see. This however, is not the case with 'weak' UPs.

### 3.3 Functions of UP and Citizens' Awareness of It

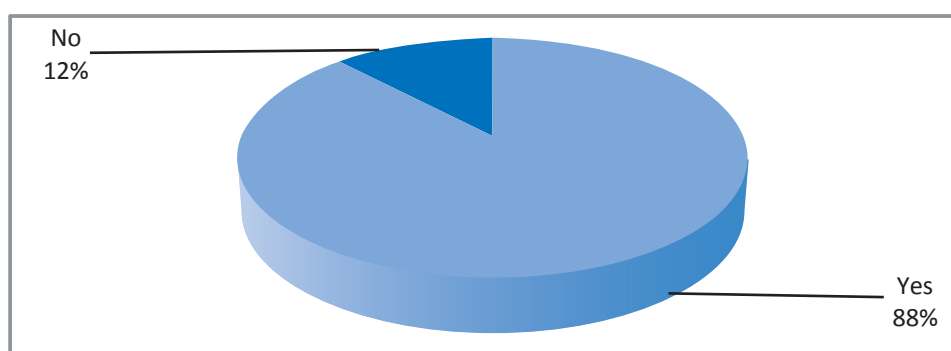
UP is tasked with public service delivery under its administrative jurisdiction. Citizens are, therefore, expected to be aware of the services, activities and functions of UP.

The Second Schedule of the Union Parishad Act, 2009 (LGD, 2009) lists a total of 39 functions of UPs, which varies from preparation of development plan to maintaining activities related to education, health, infrastructure, security, tax etc. On one hand, UPs are burdened with the number of listed activities, and on the other hand it is found that UPs are obliged to carry out any other activities<sup>9</sup> directed by the Government. Thus, UP's volume of function is not proportionate with their human resource skills and capacity. Based on review of existing literature, the conclusion can be drawn that the UPs are unable to conduct their assigned responsibilities. UPs can only conduct 4-5 activities and that too in a limited manner (Rahman, M., 2005; Rahman, S., 2005).

The study looked into the awareness of the citizens about the functions of UP. It showed that about 88 percent of citizens are aware about the functions of UPs (Figure 3.4). However, when they were further asked about the types of UP functions they were aware of, the highest 77 percent responded that implementing social safety net programmes was the key function of UPs. In reality, a UP doesn't implement any safety net programmes and only provides some support to the safety net beneficiary selection process. This indicates the lapse in knowledge of UPs among citizens. Also, collecting local revenue is one of the most important functions of UPs, but only 38.2 percent of respondents acknowledged this function.

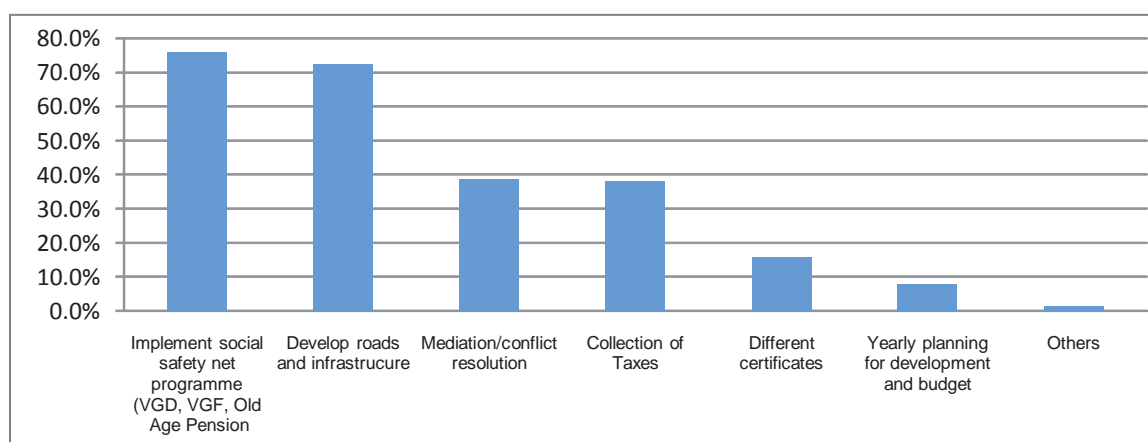
There is a clear link between citizens' awareness of the importance of tax payments and the subsequent tax collection by UPs. Therefore, there is an urgent need to involve citizens at all levels of local development planning and budgeting, for example, through the Standing Committees, Open Budget Meetings etc. If local development is inclusive and participatory, there are more chances of revenue earnings from tax collection.

**Figure 3.4: Respondents' Knowledge Regarding Functions of UPs**



**Source:** Authors' estimates based on the BIGD Revenue Mobilization Survey, 2015

<sup>11</sup> Activities such as: arranging and attending different workshops, training sessions, carrying out rallies, being present at UZP office when asked for. For instance, when the (MP came to Rajshahi, all the UP elected representatives had to be present during the whole duration of the MP's stay. Furthermore, UPs also have to be involved in dispute resolution in formal (through village court) and informal way, different societal functions, emergency functions (specially during disaster).

**Figure 3.5: Respondents' Perceptions Regarding Functions of UP**

**Source:** Authors' estimates based on BIGD Revenue Mobilization Survey, 2015

**Note:** Multiple Responses so percentages in all the options add up to more than 100 percent

Some previous studies<sup>10</sup> also analyzed citizen's knowledge regarding functions of UPs and compared to those, in this study (BIGD Revenue Mobilization Survey, 2015), more people responded that they know about functions of UPs. This is due to various programme interventions by government and non-government organizations which increased citizens' awareness regarding functions and activities significantly (Table-3.6).

**Table 3.6: Comparison of Results on Knowledge about Functions of UP with this study (SHARIQUE) and some Previous Studies**

	JATRA-2014 (CARE Bangladesh) N=350	SEBA-2015 (Manusher Jonno Foundation) N=400	BIGD Revenue Mobilization Survey, 2015 N=282
Do you know about the functions/activities of UP? (% of affirmative responses)	53	77	88

**Source:** Survey reports of JATRA (CARE), 2014, SEBA (MJF), 2015, and BIGD Revenue Mobilization survey, 2015

Looking into people's perception of the functions of UP, the study found that a percentage of the poor and less educated have greater awareness than the non-poor and more educated, as presented in Table 3.7. This is due to the fact that the economically disadvantaged citizens are more in need of public services and hence are more connected to UPs to avail these services. Subsequently, they are more aware of their functions.

<sup>10</sup> Journey for Advancement Transparency Representation and Accountability (JATRA) of CARE, 2014  
Social Engagement in Budgetary Accountability (SEBA), Baseline Survey, 2015. Manusher Jonno Foundation



**Table 3.7: Respondents' Awareness of Functions of UP\* Represented by Categories (% of affirmative responses noted)**

Categories		Weak UP		Strong UP	
		N (%)	Sample size	N (%)	Sample size
<b>Respondent's Household Distance from UP Office</b>	Total	127 (100)	139	122 (100)	143
	Within 1km	59 (46)	63	54 (44)	63
	More than 1km	68 (54)	76	68 (56)	80
<b>Respondent's Per Capita Income</b>	Total	127 (100)	139	122 (100)	143
	PCI≤\$1.25	84 (66)	92	97 (80)	116
	PCI>\$1.25	43 (34)	47	25 (20)	27
<b>Respondent's Education Level</b>	Total	127 (100)	139	122 (100)	143
	Can only put signature	52 (41)	60	48 (39)	63
	Primary passed	42 (33)	43	41 (34)	47
	Secondary Passed	18 (14)	21	17 (14)	17
	Higher Secondary to	15 (12)	15	16 (13)	16
	Master's				

\*Annex 1 Question 15: Do you know about the functions of Union Parishad?

Source: Authors' estimates based on the BIGD Revenue Mobilization Survey, 2015

### 3.4 Constraints to Revenue-Raising in UPs

During the field visit, it was observed that there were various problems that a UP needs to overcome in order to manage existing revenue and raise their local revenue bases, which are presented below:

- UPs are often reluctant to collect taxes because the elected representatives (UP Chairmen and Members) are afraid of losing popularity and votes (refer to section 4.5).
- Government monitoring of tax revenue utilization for development spending is not strong enough, resulting in 'dubious' recording of revenues and expenditure.

An official at the District level highlighted these two concerns during the field interview.

*"They (UPs) show they are collecting 40% (of total taxes) whereas the collection is actually 15-20%. They won't get grants if they don't show it. In order to satisfy the UP committee and to retain their votes, tax collectors raise a lower level of tax (Tk. 50-60) where they should be collecting Tk. 90."*

- There is a lack of skilled manpower such as tax assessors who know of the guidelines of government and know how much tax to impose on different kinds of houses. In most cases, there is also no tax collector who would visit all the households to collect holding taxes, and non-holding taxes.
- Looking at the budget copies of the studied UPs, researchers discovered a lack of consistency within the formats of the balance sheets which varied across years and also within UPs. This indicates a lack of competency of UPs in documentation and management of budget and funds.
- The Standing Committee on Tax Assessment and Collection does not function well and in

most of the UPs they were only found in paper. This is supported by existing literature. Haque (2009) found that there was procedural lacking in Standing Committees. Further, he identified several issues which hindered the proper functioning of Standing Committees in UPs as: (i) Lack of monetary incentive schemes in place for members which makes them uninterested in the activities of SCs, (ii) Even though there is official formation of the Standing Committees, they are not active because of the lack of sincerity of the Chairmen, (iii) Meetings of standing committees are not arranged regularly, and (iv) Insufficient knowledge of the UP among its members.

- Lack of knowledge of how the tax money is used, the tax collection system and the functions of UPs also hinder some citizens from paying taxes. According to the UP member in a 'Strong' UP,

*"If one UP service provider or a UP member is dishonest, the local citizens lose their faith in the organization and refrain from participating in activities undertaken by the UP."*

- The UP Model Tax schedule assigns taxes of 0-7% to UPs which, even when fully recovered from citizens, is insignificant to bring about overall developmental changes in the UP without the help of other sources of funds.

Overall, this chapter shows that despite various sources, allocation from the central government is still the main source of funding in UPs, and percentage of local revenue is very insignificant. Although UPs are mainly responsible for various development activities, a majority of the people is not aware about the functions. Moreover, the people who are aware about functions of UP, lack the knowledge about the types of activities UPs are doing. Based on the analysis of this chapter, it can be said that growing economic hubs regionally would generate more taxable resources for UPs. An important area of administrative reform could be reviewing the distribution of revenue between UZP and UP by giving the latter more revenue-raising authority. However, this must go simultaneously with capacity building such as those undertaken by SHARIQUE and strengthening citizens' engagement in budget planning and implementation and building governance safe guards.

## 4 Chapter Four: Capacity and Potential of Union Parishads in Local Revenue Mobilization

This chapter follows the discussion of UPs' revenue collection and assesses their capacity and potential to raise revenue. It discusses the sources of local revenue collection and people's awareness of these as a measure of UPs' capacity in cultivating local governance.

The chapter also explores people's perception of tax payment by looking into their willingness to pay taxes, knowledge of the tax system, government policy, and advantage of tax payment etc. Finally, the chapter draws comparison between SHARIQUE and non-SHARIQUE UPs and briefly introduces SHARIQUE's interventions on local fiscal transfers, UPs' capacity building in revenue collection and raising public awareness regarding tax payment.

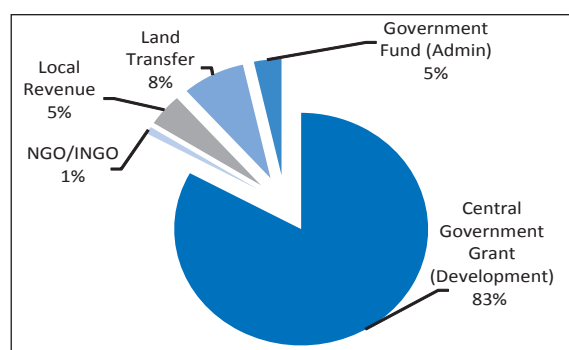
### 4.1 Citizens' Awareness of UPs' Revenue Sources

UPs lack the incentive to be more efficient and enhance their revenue base because firstly they receive an overwhelming proportion of funding from central government. The central government's grant is the dominating constituent of a UP's total revenue as seen in Figure 4.1, thereby implicitly indicating its narrow local revenue base. Secondly, of the revenue they collect from local sources, 90 percent goes to central authority before partially returning to them as grant allocation. This low control over their own revenues acts as another disincentive and diminishes their capacity to perform effectively.

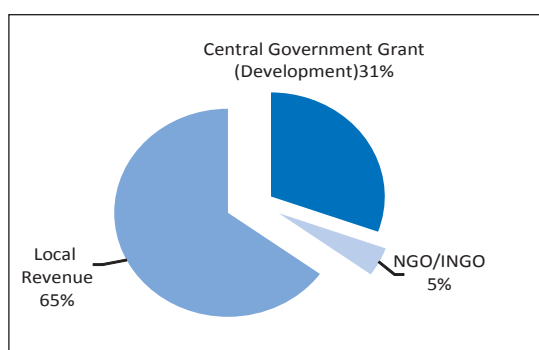
Citizens' awareness of and participation in tax payment is instrumental in enhancing local revenue base because increased public participation leads to more public engagement in UPs' tax collection process.

However, as seen in Figures 4.1 and 4.2, there seems to be a wide discrepancy between the actual sources of UPs' revenue and those perceived by people, who believe that UPs' cash inflow is composed mainly of local revenues as opposed to central government grant.

**Figure 4.1: Revenue Sources of UP: In Reality**



**Figure 4.2: Revenue Sources of UP: As Perceived by Respondents**



**Source:** Authors' estimates based on the BIGD Revenue Mobilization Survey, 2015

Thus, the figures also indicate that there is a gap in people's awareness of revenue sources of UPs, which makes it difficult for the people to hold the UPs accountable of the fund flow and utilization. In short, it undermines the overall accountability of the institution.

## 4.2 Tax Collection and Tax Payment

Aside from lack of peoples' awareness of local revenue sources, limited knowledge about the tax system is also linked with lower revenue collection at the UP level in Bangladesh. Further, citizens' knowledge regarding the tax collection system is found to be varied with factors such as their household's distance from the UP office, PCI, and level of education as shown in Table 4.1.

**Table 4.1: Respondents' Knowledge about Tax Collection System of UPs\* Represented by Categories (% of affirmative responses noted)**

Categories		Weak UP		Strong UP	
		N (%)	Sample size	N (%)	Sample size
<b>Respondent's Per Capita Income</b>	Total	108 (100)	139	140 (100)	143
	PCI≤\$1.25	70 (65)	63	114 (81)	63
	PCI>\$1.25	38 (35)	76	26 (19)	80
<b>Respondent's Education Level</b>	Total	108 (100)	139	140 (100)	143
	Can only put signature	46 (43)	60	62 (44)	63
	Primary passed	35 (32)	43	46 (34)	47
	Secondary Passed	14 (13)	21	16 (11)	17
	Higher Secondary to Master's	13 (12)	15	16 (11)	16

\*Annex 1 Question 25: Do you know about the tax collection of Union Parishad or whether people have to provide tax to UP?

**Source:** Authors' estimates based on the BIGD Revenue Mobilization Survey, 2015

In 'strong' UPs, a greater percentage of people (98%) knew about the tax collection system perhaps due to better awareness activities undertaken by local governance programmes like SHARIQUE. In both 'strong' and 'weak' UPs, knowledge about the tax collection system increased with lower PCI and education levels i.e. lower the PCI and education level, higher is the awareness of tax collection system. This is in line with our assumption that the poor are more inclined towards availing public services and hence have more access to UPs. Consequently, they are more exposed to awareness raising activities and information diffusion related to tax collection and payment.

Khan (2008) looked at the legal and practical constraints to effective tax collection and the major causes found were tax evasion tendency in citizens, UP's lack of authority to undertake disciplinary actions in case of tax evasion and shortage of manpower. Similar findings were revealed by the study findings which show that UPs are restricted by legislation with regards to tax collection i.e. UPs cannot increase their tax rates as they are fixed by the central government. Some other limitations in the capacity of UPs, as pointed out by interviewees, included lack of skilled officials to assess and collect taxes. Qualitative data from the field also highlighted this constraint. However, they can explore new avenues for raising taxes, which is discussed later in the chapter.

### 4.3 Willingness to Pay Taxes

One way to measure the potential of local revenue collection is by measuring people's willingness to pay taxes as an indicator. This is depicted in Table 4.2 where we see that the poor and the less educated are more willing to pay taxes, which contradicts common expectations. The table below also shows that 'weak' UPs have lower rate of willingness to pay (66 percent) as opposed to 'strong' UPs (86 percent), which explains why they have a low level of revenue collection.

**Table 4.2: Respondents' Willingness to Pay Taxes to UPs\* Represented by Categories (% of affirmative responses noted)**

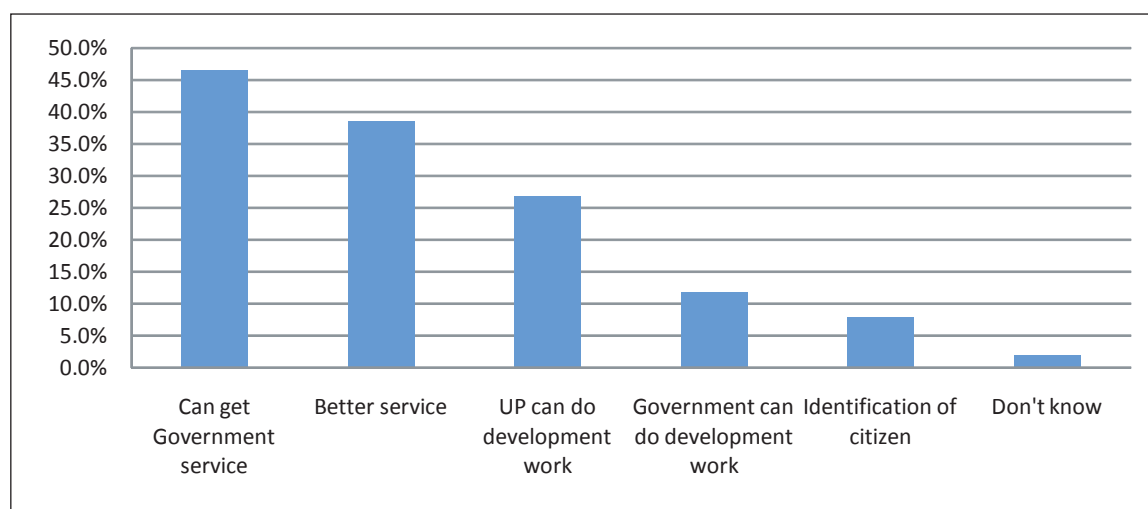
Categories		Weak UP		Strong UP	
		N (%)	Sample size	N (%)	Sample size
<b>Respondent's Per Capita Income</b>	Total	92 (100)	139	123 (100)	143
	PCI≤\$1.25	58 (63)	70	99 (80)	114
	PCI>\$1.25	34 (37)	38	24 (20)	26
<b>Respondent's Education Level</b>	Total	92 (100)	139	123 (100)	143
	Can only put signature	39 (42)	44	50 (41)	62
	Primary passed	27 (30)	35	43 (35)	46
	Secondary Passed	13 (14)	14	14 (11)	14
	Higher Secondary to Master's	13 (14)	13	16 (13)	16

\*Annex 1 Question 45: Do you feel interested to pay taxes to the Union Parishad?

Source: Authors' estimates based on the BIGD Revenue Mobilization Survey, 2015

Qualitative data from the field also provided insight into limitations of the tax collection procedure, for which neither respondents were enthusiastic to pay taxes nor did the UP officials collect them.

According to a respondent, UPs usually make opportunistic tax collections when people approach them for availing services such as obtaining birth certificates. The tax-paying respondents were further enquired about the types of benefits they received from paying tax. In response, a large portion informed that they got government service, 39 percent said 'better service', and 17 percent said that the UPs do 'development work' with the tax revenue (Figure 4.3).

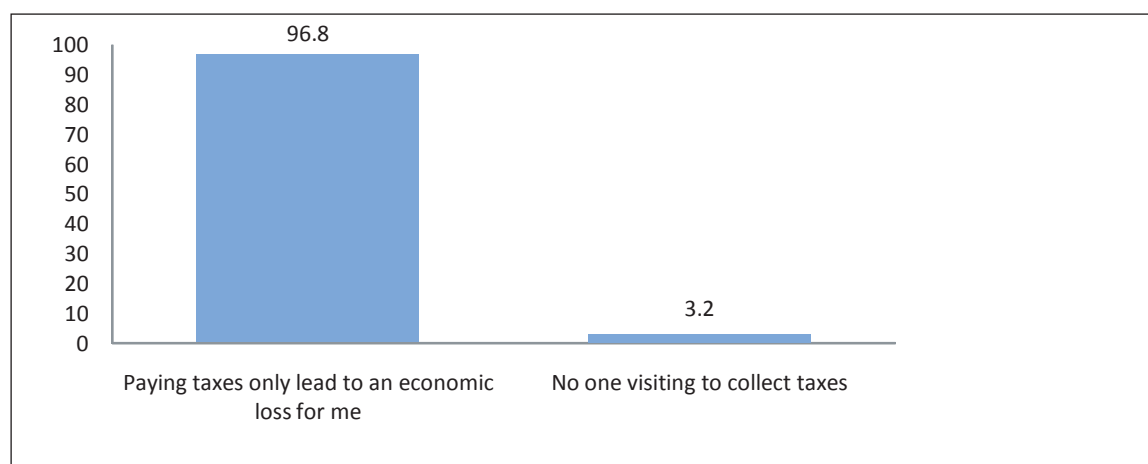
**Figure 4.3: Types of Benefits People Expect for Paying Taxes to UP**

**Source:** Authors' estimates based on the BIGD Revenue Mobilization Survey, 2015,

**Note:** Multiple responses so the percentages in all the options add up to more than 100

#### 4.4 Causes of Unwillingness to Pay Taxes

The study (Figure 4.4) also discovered that a majority of the people identified paying tax as 'economic loss', as they do not find any link between paying taxes and availing public services in return.

**Figure 4.4: Causes of Unwillingness in Paying Taxes (Percentage of responses)**

**Source:** Authors' estimates based on the BIGD Revenue Mobilization Survey, 2015

People's reluctance in paying taxes can also be traced to perceived corruption in UP, as documented in interviews and field observations. There was also a lack of confidence in UPs amongst the public arising from political corruption within the UP (Haque 2009).

#### Box 4.1: People's Lack of Enthusiasm in Paying Tax

Political interference, corruption, and lack of responsibility of the local body's representative can be regarded as the main constraints that demotivate people to pay tax. Even taxpayers at times feel discouraged by these limitations, particularly if the person has no connection with the ruling political party, in which case he may be victimized by extortion and deceit. A taxpayer interviewed in the study illustrates this,

*"I agreed to pay Taka 1200 but he (chairman) forced me to pay Taka 2000. When I paid Taka 2000, he gave me a receipt of only Taka 800. I asked him why I had to pay more tax and he threatened me. He scared me by saying that he would impose tax on all of my businesses too. I was so afraid that I couldn't utter a word."*

Other forms of harassment, which withhold people from paying taxes, include lack of code of conduct, illicit interactions and unfair demands by the tax issuing authority.

Therefore, based on the information given above, it can be concluded that where there is unwillingness to pay taxes, citizens usually have strong reasons to do so.

On the other hand, sometimes, tax-issuing authority also has its own reasons behind low tax collection. Field observations revealed that popular elected UP members are not keen to authorise the collection of entire amount of tax in fear of losing votes in their constituencies. The following statement from an NGO official reinforces this fact:

*"Revenue from tax is very low in the UP. They just have holding tax, trade license, and some own earnings. They are lagging behind in this area. In Khulna, 20 out of 60 unions could not achieve tax collection target. According to law, 40 percent revenue collection is their target, but actually the amount they earn is only 5 percent. However, on paper, they show 40 percent to meet funding requirements; otherwise they lose eligibility to win grants from donors and government."*

Similarly, lack of human resources for collecting tax was also highlighted as a reason for lower tax collection by some people. For example, some respondents remarked that previously a tax collector visited them, but that was not the case anymore. This finding has been further substantiated by Khan (2008), who identified lack of public awareness and shortage of resources in UPs as major constraints in carrying out birth and death registration, voter list preparation and such other survey programmes.

## 4.5 Government Policy Regarding Tax System and Citizens' Awareness

This section looked into the existing government policy regarding tax assessment and collection and assessed citizens' awareness of these to identify the limitations in order to convert them into potential.

### 4.5.1 Government Policy on Tax Collection and Assessment

The latest UP Model Tax Schedule 2013 is developed by Local Government Division under Ministry of Local Government, Rural Development, and Cooperatives (MOLGRD&C). According to this Schedule (LGD, 2013), there are 16 sources of revenue at UP under three broad categories of tax, rate, and fee (Table 4.3).

**Table 4.3: Sources of Local Revenue in UP level**

Tax	Rate	Fee
1. Building and land 2. Construction and reconstruction of building (5 sub categories) 3. Homestead land 4. Trade/professions (13 sub categories) 5. Cinema, theaters, others occasions for recreation 6. Allowance for village police (watchman) 7. <i>Haat-Bazaar izara</i>	1. Electric light facilities 2. Park for recreation 3. Water supply 4. Sanitation facilities	1. Animal slaughtering 2. Registration fee on tutorial school, coaching centers 3. Registration fee on Non-government hospital, clinic, paramedical institutes 4. License and permit for trade, profession 5. Approval of <i>pucca</i> building.

**Source:** Authors' construct based on UP Model Tax Schedule, 2013

However, the tax rate and tax collection provisions mentioned in the UP Model Tax Schedule seem to be flexible rather than obligatory. For example, according to the Schedule, holding and land taxes range between 0 to 7 percent, while in practice, the rate imposed on tax payers remains low because elected representatives want to ensure their popularity is not affected as a result of charging high rates. It is very low compared to that in Municipality where it ranges between 0 and 27 percent (Rahman and Yunus 2015). In addition, there are no disciplinary measures against non compliance of tax collection by UPs.

Further, findings show there are some problems in the tax assessment procedure that hampers overall revenue-raising from UPs. For example, Rahman, M. and Rahman, S. (2005) observed that there is no assessment list and no permanent position of "tax collector" in UPs and those who are recruited provisionally for this responsibility work on a commission basis. Field visit also revealed that tax assessment form, constructed below, was meant to be completed while conducting tax assessment. However, researchers did not find any completed form in any of the UPs, which demonstrates the lack of compliance on UPs' part. Moreover, researchers identified the form to be flawed because it did not include the responsible assessor's and approver's details and date.

**Table 4.4: Tax Assessment Form of Union Parishad**

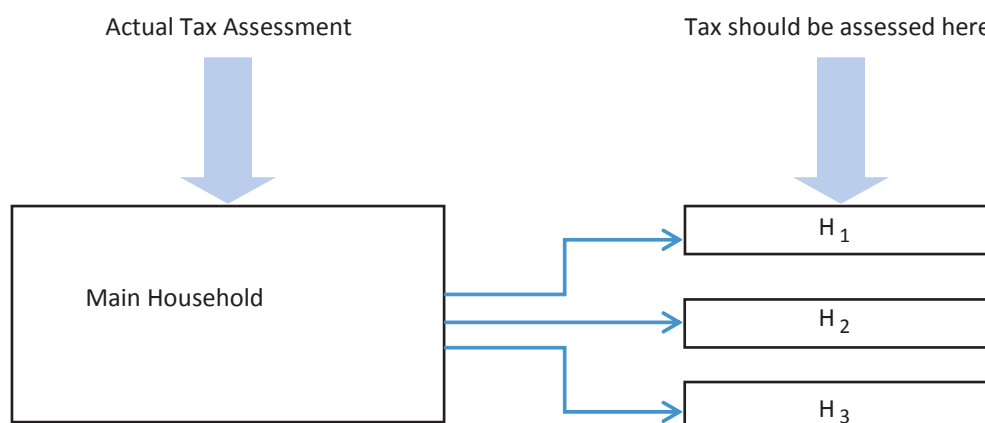
08 Number Union Parishad Ward no..... Upazila: Paba, District: Rajshahi (Household visit and data collection for Holding tax assessment)								
Holding Number	Household head & Father's name	Village	Asset details					Comments
			House	Monthly Rent	Yearly interest (mortgage)	Yearly tax (Tk)	Total yearly tax	
1	2	3	4	5	6	7	8	9
			House-1					
			House-2					
			House-3					
			House-4					
			House-5					
			House-6					

**Source:** Authors' construct based on the BIGD Revenue Mobilization Survey, 2015



There are also some complications in the assessment procedure, which results into low tax collection. For example, some landlords have several houses rented out, but they provide holding tax for only one house. Similarly, a household may consist of several households (split), but inhabitants pay tax for a single household (Figure 4.5).

**Figure 4.5: Current Tax Assessment System (Holding Tax) in UP**



**Source:** Authors' construct based on the BIGD Revenue Mobilization Survey, 2015, KII (UP Chairman)

#### 4.5.2 People's Awareness of Tax Policy, Assessment and Collection

The study assessed knowledge of UP citizens regarding tax assessment and collection, the responses of which are presented in Table 4.5.

**Table 4.5: Respondents' Awareness of Government Policy\* Represented by Categories (% of affirmative responses noted)**

Categories		Weak UP		Strong UP	
		N (%)	Sample size	N (%)	Sample size
Respondent's Per Capita Income	Total	34 (100)	139	36 (100)	143
	PCI≤\$1.25	20 (59)	70	26 (72)	114
	PCI>\$1.25	14 (41)	38	10 (28)	26
Respondent's Education Level	Total	34 (100)	139	36 (100)	143
	Can only put signature	16 (47)	46	12 (33)	62
	Primary passed	8 (23)	35	12 (33)	46
	Secondary Passed	4 (12)	14	6 (17)	16
	Higher Secondary to Master's	6 (18)	13	6 (17)	16

\*Annex 1 Question 49: Is there any government policy in regard to collecting taxes?

**Source:** Authors' estimates based on BIGD Revenue Mobilization Survey, 2015

The relationship between respondent's economic condition and awareness of government tax policy shows positive correlation. The percentage of poor and less educated who answered affirmatively in response to the question is higher than that of non-poor and more educated.

#### **4.5.3 Potentials of Local Revenue-Raising at UP level**

The book of 'Local Government in Bangladesh' by Kamal Siddiqui (1994) portrays the issue of lack of skilled manpower and taxable sources at the UP level:

"The tax base of the local bodies has to be sufficiently enlarged. The local bodies, in their turn, should make the best use of the tax base within their competence. The management of local bodies should be made more efficient by recruiting qualified persons and organizing skill-oriented training for the existing employees."

Even though it was found that sources of local revenue are limited at UP level and the tax revenue earned is insignificant for development purposes, initiatives taken in 'strong' UPs act as lessons that can be implemented in 'weak' UPs to enhance their local revenue base. A member of a 'strong' UP describes the reasons for the success in his UP as:

"When we are given a fund from the LGSP, we discuss and take advice from the citizens on which area in the locality to invest the money in. In this way, they are aware about the planning and development process. We explain to the citizens that development work of that Ward can be done if they pay taxes and that people have to give taxes first in order to avail other services of the UP such as getting the birth certificate, warishon certificate, etc."

This account shows that the inclusion of the citizens in the process of planning and clarity of the functions of UP increase awareness and willingness to pay taxes amongst citizens. Further, the extent of disciplinary action present in cases of tax evasion also seems to lead to more compliance from the citizens. Quantitative data shows that in 'strong' UPs more people said that there were problems with selling land (23 percent against 12 percent in 'weak' UPs), which may explain why people in those UPs are more concerned about paying taxes.

Apart from raising their revenue base from holding tax, UPs can find new sources of local revenue, as is suggested by one of the Chairmen:

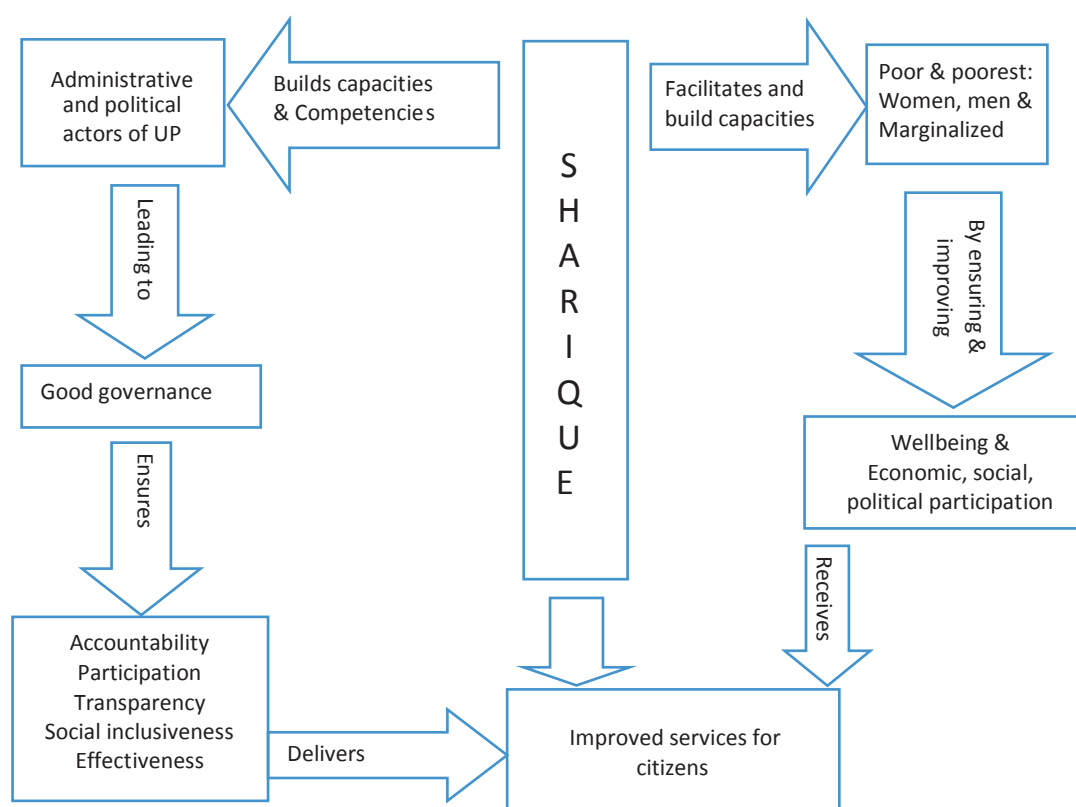
"We can use this spare land to build a factory that will employ local people and also raise tax revenue for the UP. We can request for funds from external sources to build the factory. We can use the resources that are unutilized to create revenue streams, for example, by using the big hall here as a community centre, cultivating fish in the river in monsoon season."

#### **4.6 SHARIQUE's Local Governance Programme in Bangladesh**

Since its inception in 2006, the Local Governance Programme SHARIQUE in collaboration with NILG is performing to establish good governance in LGIs (UZP & UP) in Bangladesh by building their capacities and competencies among administrative and political actors. On the other hand, it is also playing a significant role in building capacities of the poor and poorest women, men, and marginalized people through economic, social, and political participation. Thus, the main goal of SHARIQUE intervention is that UZP and UP will be able to operate in a more effective,

transparent, accountable, and inclusive manner by improving services to citizens (Figure 4.6). By the end of phase III of the SHARIQUE programme, around 1900 civil society groups with about 50,000 members will be addressed.

**Figure 4.6: SHARIQUE Programme Intervention Strategy**



Source: Authors' construct based on BIGD Revenue Mobilization Survey, 2015

#### 4.6.1 SHARIQUE Interventions and Its Impact on Raising Local Revenue at Union Level

Studies show that opportunities to improve governance for raising local revenue exist, but in most cases UPs do not feel any pressure to collect taxes (SHARIQUE, 2007). In this regard, SHARIQUE has taken initiative to create awareness for raising local revenue and improving the overall tax collection system in its intervention areas. Some notable SHARIQUE interventions are:

1. Tax assessment training.
2. Tax assessment-sharing meeting.
3. Providing citizens with the idea of tax payment.
4. Encouraging UP Chairs to disclose tax utilization.
5. Encouraging UP Chairmen to implement innovative programmes such as incentive based programmes to encourage tax collection and payment.
6. Ensuring transparency.
7. Leading a strong advocacy campaign to raise non-household tax.

While tax collection and assessment issues still prevail, remarkable progress has also been made

as a result of SHARIQUE advocacy interventions. For example, a UP Chairman from Rajshahi described the situation stating,

"In the past, UP Chairmen were not interested in collecting taxes from citizens because they feared losing votes. I also held the same view. Information from SHARIQUE has changed our understanding. SHARIQUE not only informs us, but also makes us aware through different activities (meeting for tax assessment, billboard, street drama etc). Last year, even after we raised the rate of holding tax, people still paid. This year we succeeded in collecting almost 100 percent holding tax. I don't know whether people will vote for me in the next election or not, but I believe that if I do my duty sincerely, tax collection will not have any impact on my election result."

In the areas studied, there was previously mistrust of UPs among the general public. Owing to different participatory programme interventions by SHARIQUE, there has been a marked change in this perception of people. SHARIQUE has supported UPs to levy taxes in an equitable manner by conducting household assessments and assessing tax payments accordingly (SHARIQUE, 2012). Some awareness raising activities of SHARIQUE include:

- Providing citizens an opportunity to learn about their rights and responsibilities (through different cultural events, including street drama, song, billboard, posters etc. which was started in 2008).
- Introducing self-assessment of local government that ensures transparency (for instance, providing receipt to tax payers) and accountability.
- Building ownership among citizens (through training and motivational events by SHARIQUE) to make them responsible citizens who are obliged to pay taxes.

The table below portrays the higher rates of public participation, institutional transparency and accountability as the success and capacity-building indicators of SHARIQUE programme interventions, which can be replicated in non- SHARIQUE areas as well.

**Table 4.6: Comparison between SHARIQUE UPs and non-SHARIQUE UPs**

*(Percent) of affirmative response*

Indicators	SHARIQUE UPs (282)	Non-SHARIQUE UPs (131)
Knowledge about functions of UP	88	81
Knowledge about sources of income of UP	79	68
Response on whether UP follows proper rules during development planning, budgeting and implementation/(UP process is participatory or not)	37	28
Whether UP ensure people's engagement during UP process	33	29
Knowledge about Open Budget meeting of UP	26	19
Knowledge about different Committees of UP	24	13

**Source:** Authors' estimates based on BIGD Revenue Mobilization Survey, 2015

Tax constitutes an important source of revenue for the UPs. This is collected by the UPs and also by the central government on their behalf, a portion of which is then shared with UPs. Although the UP Model Tax Schedule, 2013 provides a list of taxable resources, but the actual taxation of these sources by UPs is still a far cry due to their incompetence and passive dependence on central government's fiscal transfer.

Analysis in this chapter shows that these sources of local revenue are limited, and citizens are also not aware of the importance and obligation of tax payment in general. Moreover, many citizens are not keen on paying taxes to UP, but the level of awareness was found to be significantly improving in UPs where SHARIQUE and other development organizations are contributing in awareness-raising through various interventions. Analysis also revealed that many people identified paying tax as an 'economic loss' particularly because they did not find any benefits from UP. Further, systematic tax assessment was not found to be conducted in majority of the UPs, which in some cases creates conflicts and disinterest among citizens. Thus, it can be concluded that by assuring people about benefits related to paying tax and by making the tax procedure simple, tax collection can be enhanced at the UP level.

## 5 Chapter Five: Development Planning and Implementation in Respondent UPs

This chapter focuses on development planning, budgeting, and implementing process of UPs, and how the governance process is working to execute these activities. It also looked into people's engagement, participation, knowledge, attitudes, and practice regarding UP's development planning, budgeting, and implementing process.

Planning and implementation of different development projects intended to benefit the local public are the most important functions of UP. This study found that more than 90 percent<sup>12</sup> of these activities are financed by central government revenues, directly channeled through LGSP and indirectly through the Upazila, locally sourced land transfer tax revenues, and NGO/INGO/donor agencies.

A stark finding of this study is that local revenues, at 3-5% of total revenue contribute very little to the development of a Union. This finding is corroborated by a larger scale UN study<sup>13</sup>. Of the four UPs in the study, only one (Matikata, Rajshahi) emphasized local revenue mobilization. In Matikata UP for instance, a road damaged by river erosion was repaired using local revenue of the UP. An active UP Chairman took initiative, consulted local beneficiaries and explained that emergency road maintenance works should not be delayed, and that they should rely on their own resources if necessary. Consequently, he was able to mobilize resources locally and had a road damaged by river erosion repaired. This is an example of the importance of leadership and commitment by elected representatives at the local level. Ahmed (2015) also suggests that partnership/participation and sharing (with public/citizen) during development planning and implementation are the most important factors for efficient, economic and inclusive development.

### 5.1 Development Planning and Implementation in the UPs

Both the government and the donor expect that the development planning of UPs should be more participatory, accountable, and transparent.

'Union Parishad Training Manual' published by the National Institute of Local Government (NILG) is a government prescribed detailed guidebook for the UP to operate and it states:

"Real development has not been achieved because in a top-down method, the demand felt by the people is not reflected and there is no participation and sharing of the people in making plans. In this context importance has been given in local level participatory planning as well as national planning." (NILG, 2003:225).

Some specific interventions like Local Governance programme (SHARIQUE), Journey for Advancement: Transparency, Representation and Accountability (JATRA) under Global Partnerships for Social Accountability (GPSA) by CARE Bangladesh and Union Parishad Governance Project (UPGP) by GoB are working on both the demand and supply sides to strengthen local governance. Additionally, Local Governance Support Programme (LGSP) has

<sup>12</sup> Damodar and Barakpur UPs (Weak), revenue share (central government; Upazila, NGO/INGO/donor agencies, and land transfer) is 97 percent. On the other hand, it is 92 percent in Matikata and Harian UPs (Strong)

<sup>13</sup> Kabir, M. 2015. Mapping of Fiscal Flow and Local Government Financing in Bangladesh, UNDP Bangladesh

been contributing large funds to UPs and playing a significant role in development activities at the local level by setting up transparency, accountability, and participatory indicators. These include engagement of the poor, marginalized and women, display of budget and expenditure, formation of the required committees etc.

During the study, some findings showed some discrepancies between the standard procedure of the law and the reality observed in the field for development project planning and implementation (Box 5.1).

#### **Box 5.1: Respondents' Opinions on Project Planning and Implementation in UP**

According to the standard procedure, once the planning and budgeting processes are finalized, Project Implementation Committees are to be formed to implement the projects in UPs. Some of the previous studies on LG state that although there is a tender evaluation committee that is responsible for scrutinizing the tenders duly submitted by the bidders, the de-facto scenario observed in the field is totally different. During the field study, a UP secretary showed some forms of bidders in his desk. All of the forms were false and were just used for keeping records for future audit related issues. Also in most cases, the bidders/contractors of these projects were UP members of the respective Ward. Thus, it seems that they have some scope for financial gain from these projects.

##### **Poor Accountability of UP Committees**

The Union Parishad Act 2009 and Union Parishad Operational Manual 2012 require every UP to form Ward and Scheme Supervision Committees to oversee and ensure the quality implementation of development projects. These committees should consist of women and local civil society members, for example, school teachers, religious leaders and so on. However, findings from the study show that in a majority of the cases, committee members are not informed of their roles and responsibilities and committees do not serve their required purposes. Consequently, development projects suffer from lack of supervision and quality implementation. Additionally, the committee members - who have so far remained oblivious of their roles and duties - are called upon and provided with undue incentives by the responsible authority to approve the expenditure statements of the project. This act of illicit engagement by elected representatives comes in the form of offering a cup of tea at the UP or a trip to Dhaka.

##### **Development Budget Affected by Lack of Transparency**

People in the local level were found to be more confident if a UP works properly without any corruption and thus it can contribute more efficiently to the well being of people. However, our estimates based on observed records and interviews from the field revealed that as much as 50% of the development budget gets lost as leakage owing to wide spread corruption.

Furthermore, surveyors observed deliberate falsification of revenue records at UPs. For instance, there were cases where UPs counterfeited documents to show that they collected the required taxes in order to meet the LGSP fund requirement.

The information presented above shows there are still many drawbacks in the development planning, budgeting, and implementation process in the local governance level in Bangladesh. A central government official also recognized it, stating:

"Most of the services are delivered through local government in developed countries. Bangladesh could not establish its local government in an institutionalised form yet. Developed countries narrowed down the role of central government and distributed authority to local government to ensure better, accessible, and affordable services for citizens" (KII with a Govt official, central level).

The central Government official further identified the following constraints in ensuring transparency of Local Government in Bangladesh:

- Lack of strong political commitment
- Centralized rather than decentralized system
- Lack of willingness to transfer authority and power to the local level by central government and political leaders
- Lack of clear-cut demarcation of LGIs such as UP, UZP and Zila Parishad.

Thus, the weakness of local government is somehow deep rooted in the overall system. On the positive side, there are also governance mechanisms and legal tools in UPs to ensure accountability, public participation and transparency, such as Standing Committees, Ward Shabhas and Open Budget Meetings. All these measures are playing an important role in enhancing awareness of citizens and increasing their engagement with the activities of UPs.

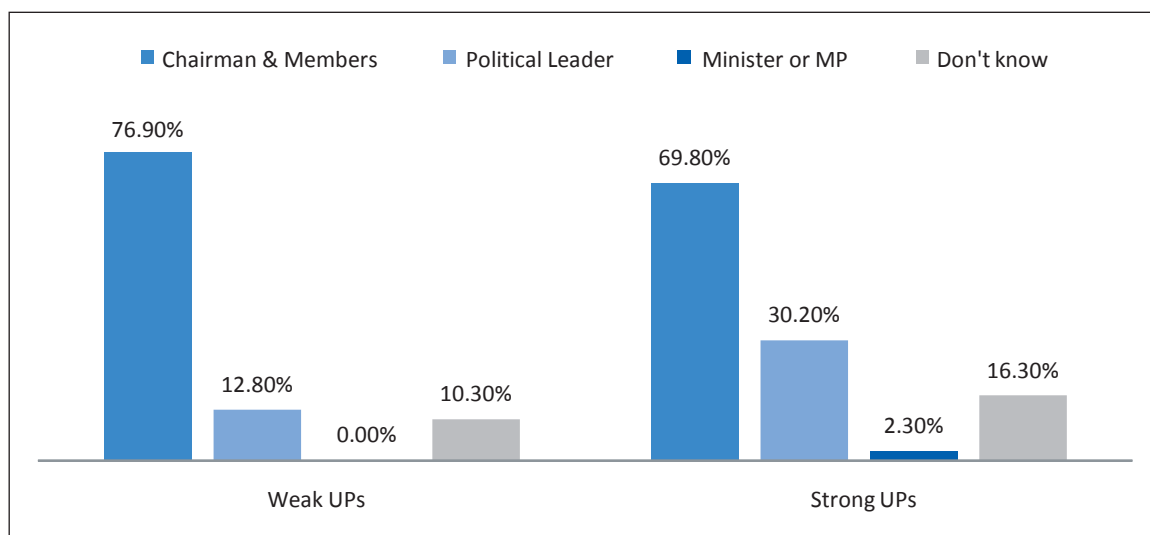
## **5.2 People's Awareness of Development Planning and Implementation Process of UP**

This section analyzes citizens' knowledge about development planning and the implementation process at the local level.

As the Union Parishad Act 2009 stipulates that UP's development planning and budgeting process should include the public, the study tried to assess if the respondents were aware of this requirement on the part of the UP. Of the total percentage of people who were asked this question, 29.1 percent said that development planning was not done in a participatory manner, 34.4 percent replied they were not aware of this requirement of UP and 36.5 percent said that it was done inclusively. These findings suggest that two thirds of the respondents either are not aware of the requirement or said development planning process was not participatory.

Those who said that the process was not participatory were further asked how it was conducted. The figure below shows that respondents believed development planning was largely dominated by UP Chairman and Members followed by ruling party political leaders. The development process is thus not conducted in an inclusive manner. It remains to be seen how the process is conducted following the recent changes in the local government electoral system which allows political party based elections at the local level (UP).



**Figure 5.1: Conducting Development Planning and Implementation**

**Source:** Authors' estimates based on BIGD Revenue Mobilization Survey, 2015

Note: Multiple responses so the percentages in all the options add up to more than 100 percent

The affirmative respondents were further classified according to economic status and education level as shown in Table 5.1 below.

When classified in terms of PCI, the percentages of extreme poor in both 'weak' and 'strong' UPs are aware of participatory development planning and implementation processes are higher than that of the percentage above the poverty line. This is due to the poor's dependence on UPs to access public services, such as for water supply, dispute resolution, obtaining various certificates, etc. When classified in terms of respondents' education level, less educated people were found to be more aware of participatory development planning process than the more educated. This is consistent with the previous finding, because the less educated are also expected to be poor. In light of this finding, it seems necessary to involve the more educated and well-off in the participatory development process in UP.

**Table 5.1: People's Awareness about Participatory Development Planning and Implementation Process of UP**

Categories		Weak UP		Strong UP	
		N (%)	Sample size	N (%)	Sample size
<b>Respondent's Per Capita Income</b>	Total	53 (100)	139	39 (100)	143
	PCI ≤ \$1.25	32 (60)	92	29 (74)	116
	PCI > \$1.25	21 (40)	47	10 (26)	27
<b>Respondent's Education Level</b>	Total	53 (100)	139	39 (100)	143
	Can only put signature	26 (49)	60	8 (21)	63
	Primary passed	14 (26)	43	14 (36)	47
	Secondary Passed	6 (11)	21	8 (21)	17
	Higher Secondary to Master's	7 (13)	15	9 (23)	16

**Source:** Authors' estimates based on BIGD Revenue Mobilization Survey, 2015

### 5.3 People's Awareness of UP's Governance Mechanisms

The study found that there exist wide awareness gaps among the local people regarding the governance mechanisms in UPs, for example, Standing Committees, Ward Shabhas, Ward Committees, Procurement Committees, Tender Evaluation Committees, Open Budget Meetings etc. This lack of awareness diminishes the effectiveness of these important governance mechanisms which are meant to ensure public participation, including that of the poor, women and marginalised. Consequently, it undermines public accountability of UP leaders as people's representatives, as well as transparency and participation.

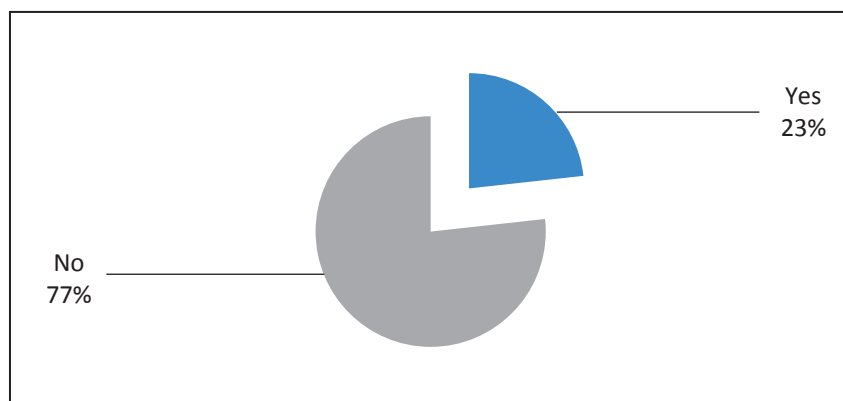
#### 5.3.1 UP Committees

According to the UP law there are several committees that should play an important role in the development planning and implementation process at the local level (Annex 4). Broadly, these Committees can be divided into three types: (i) UPs' own Committees such as Standing Committees, Ward Committees, Scheme Supervision Committees etc. (ii) Sectoral/Ministerial Committees such as Union Disaster Management Committee, Union Agriculture Committee etc; (iii) Project Based Committee (PBC). In reality most committees are not found to be functional as seen in previous studies. To encourage participation of people in local level planning and ensure that their demands felt properly reflected, Standing Committees (SCs) are formed in a UP. Haque (2009) looked into local people's perception of the performance of SCs. It found that local citizens were not sufficiently involved with the decision making process of the SCs because the committees were non-functional and had procedural lacking. During field visit of the study, a key UP official offered the following description:

"Most of the Ward members are illiterate, and most of the Standing Committees are not functional. Even a UP member, who is the Chair of Standing Committee, does not know the name of the Committee and his position, let alone its functions."

Based on the interviews and observations, it can be said that lack of literacy and awareness of UP Members hinder the effective functioning of Standing Committees. This finding is substantiated by quantitative data that shows only 66 (23 percent) out of 282 respondents were aware of committees of UP, as shown in Figure 5.2. Clearly, the initiatives taken to make citizens more aware of committees' existence in UP have not yet achieved significant success.

**Figure 5.2: Respondents' Knowledge Regarding the Committee of UP**



Source: Authors' estimates based on BIGD Revenue Mobilization Survey, 2015

**Table 5.2: Respondents' Knowledge Regarding the Committee of UPs\* Represented by Categories (% of affirmative responses noted)**

Categories		Weak UP		Strong UP	
		N (%)	Sample size	N (%)	Sample size
<b>Respondent's Household Distance from UP office</b>	Total	30 (100)	139	36 (100)	143
	Within 1km	10 (33.3)	63	19 (52.8)	63
	More than 1km	20 (66.6)	76	17 (47.2)	80
<b>Respondent's Education Level</b>	Total	30 (100)	139	36 (100)	143
	Can only put signature	11 (36.6)	60	7 (19.4)	63
	Primary passed	9 (30)	43	13 (36.2)	47
	Secondary Passed	5 (16.7)	21	7 (19.4)	17
	Higher Secondary to Master's	5 (16.7)	15	9 (25)	16

\*Annex 1 Question 72: Do you know anything about the Committee of UP?

Source: Authors' estimates based on BIGD Revenue Mobilization Survey, 2015

On account of its importance in establishing transparency and accountability at the UP level, the Open Budget Meeting mechanism was explored further.

### 5.3.2 Open Budget Meeting

The Open Budget Meeting is considered as one of the most emphasized processes of making a transparent and participatory budget for UP by engaging citizens. The findings suggest that only 73 (25%) out of 282 respondents have heard about Open Budget Meetings of UP.

The study measured respondents' awareness against their household distance from UP office, PCI and level of education, which is presented in Table 5.3. In line with expectations, since Open Budget Meetings are held in the surrounding areas of UP Offices, inhabitants in proximity of UP Offices are more aware of these meetings than those living at a distance.

**Table 5.3: Respondents' Awareness of Open Budget Meeting of UPs\* Represented by Categories (% of affirmative responses noted)**

Categories		Weak UP		Strong UP	
		N (%)	Sample size	N (%)	Sample size
<b>Respondent's Household Distance from UP office</b>	Total	38 (100)	139	35 (100)	143
	Within 1km	20 (52.6)	63	22 (62.9)	63
	More than 1km	18 (47.4)	76	13 (37.1)	80
<b>Respondent's Per Capita Income</b>	Total	38 (100)	139	35 (100)	143
	PCI ≤ \$1.25	22 (58)	92	24 (69)	116
	PCI > \$1.25	16 (42)	47	11 (31)	27
<b>Respondent's Education Level</b>	Total	38 (100)	139	35 (100)	143
	Can only put signature	10 (26.3)	60	8 (22.9)	63
	Primary passed	9 (23.7)	43	12 (34.3)	47
	Secondary Passed	10 (26.3)	21	7 (20)	17
	Higher Secondary to Master's	9 (23.7)	15	8 (22.9)	16

\*Annex 1 Question 65: Do you know anything about Open Budget Meeting of Union Parishad?

Source: Authors' estimates based on BIGD Revenue Mobilization Survey, 2015

Finally, from the analysis of this chapter it can be said that UPs are still lagging behind in ensuring citizens' engagement in development planning and implementing processes. Awareness and participation of citizens in the UP committee and Open Budget Meeting were also low. Therefore, giving more emphasis on these issues of inclusiveness and good governance will be important regarding development process of UP.

# 6 *Chapter Six: Conclusion and Recommendation*

## 6.1 Conclusion

This research sought to understand the UPs' revenue flow mechanism by looking at the status and distribution of their revenue sources. It attempted to identify lapses in the processes of revenue collection and management as well as measured citizens' awareness of the functions of UPs to draw inference and observations about citizens' tax-paying behavior and their attitude towards UPs.

A major weakness that continues to thwart UPs' growth and development is its narrow local revenue base. Weak administrative and human resource capacities also add to the fiscal constraints of UPs and lead to their failure in meeting public needs and demands by elected representatives.

It was discovered that central government grants dominate the UPs' revenue flow, thereby making them less autonomous. To reduce this dependence, economic activities could be increased to create more taxable resources for UPs, while public participation needs to be more integrated at all phases of UPs planning and budgeting. Citizens' engagement would fill their awareness gaps and improve their perceptions of UP functions and functionaries. Administrative reforms allowing UPs more tax-raising authority can be initiated. Capacity-building interventions like those of SHARIQUE can be replicated across all UPs.

Capacity is a major factor driving effective revenue collection and mobilization. In this connection, the study assessed UPs' capacity and potential to raise and manage revenue flow. People's awareness of the tax system, their willingness to pay taxes and advantage of tax payment are other factors that were assessed to measure UPs' capacity and the functioning of its governance mechanism.

This research studied the development planning, budgeting, and implementing processes of UPs, to gauge people's engagement in these as an indicator of UPs' accountability and transparency. The Research found considerable shortcomings in public participation from and awareness of the existing governance mechanisms of UPs, such as, Standing Committees and Open Budget Meetings. Therefore, giving more emphasis on these issues of participation, inclusiveness and good governance will be important regarding development process of UP.

To summarize, the issues that are preventing UPs from emerging as a participatory, transparent and accountable local government institution, can be classified in the following clusters:

**Capacity issues:** There are complications in the tax assessment procedure and this becomes all the more difficult in the absence of skilled and trained human resources. This restricts the capacity of revenue collection at the UP level. While some local governance programmes are addressing the lack of capacity, such training measures should continue over a long period to ensure consistency and full realization of the objective.

**Transparency and Participation Issues:** Within the UPs, initiatives that engage the citizens (such

as creating committees including local people, meetings with citizens where their demands are assessed) are in place. However, these participatory processes, when not implemented properly, create a gap between elected representatives and the public. This in turn diminishes public willingness to pay taxes and excludes public participation from local development.

**Accountability Issues:** Effective public service delivery intended to benefit the local public is the most important function of UP. Currently, however, there is lack of initiative on the part of UPs to reach out to citizens and ensure public accountability. This reduces the connection between UPs and public and cultivates negative perception of the former amongst the latter. As a result, citizens become less motivated to pay taxes.

## 6.2 Recommendation

1. *In order to widen UPs' revenue base, local revenue sources should be explored by proper assessment. Sources such as non-household tax bases should be assessed properly to be brought under the 'tax umbrella'. If UPs can assess their resources properly, they can set their target for both revenue collections and hence, development planning. UPs have to be empowered by adequate human resources and technical knowledge so that all taxable resources can be counted properly, and they should also be given the authority to impose taxes.*
2. *Emphasis should also be given to more effective utilization of existing revenues by UPs so that there are fewer leakages and increased efficiency. This can be avoided by checks and balances and effective monitoring mechanisms.*
3. *Innovative incentive measures should be introduced to encourage citizens to pay taxes. Measures such as issuing tax payer recognition certificates can be implemented. Tax fairs and other awareness programmes should be organized to educate people on the tax system and motivate them to participate.*
4. *Tax assessment needs to be made better for example by making a checklist for tax assessment, which includes criteria for door-to-door checks during assessment. UPs' capacity should be enhanced by allocating proper resources and manpower to make the tax assessment and collection system better. Tax payment can be made easier by installing service points or collection booths. At the same time, elected bodies should comply with their responsibility to collect taxes properly. Both the elected representatives and citizens should be brought under legal liabilities so that none can avoid their legal obligations for paying tax.*
5. *Allocation can be given to UPs based on management capacity to ensure that the funds are properly utilized. Tax collection rate should be adjusted in line with market demands and awareness measures should be taken to inform people about their obligations and benefits for paying tax. Measures such as incentives for individuals and organizations for paying tax, awards for better performing UPs in tax collection as well as disciplinary action for non-fulfilment of tax laws need to be ensured. Government and non-government authorities should take awareness-raising measures to bring a behavioral change in the people and respective authorities.*
6. *Various organizations are giving funds for the same project to the UP, but as they lack a proper recording and budgeting system as well as human resources, UPs are not being able to manage it properly. Further, there are also differences in the framework and*

*classification of items in the budget. To avoid these problems, standardization and automation of the budget process for all UPs should be given priority.*

- 7. Despite intervention by various organizations there still is a lacking in people's awareness on issues related to development planning, budget preparation, project implementation etc. Preparing a simple and unique financial management guideline to be followed by all UPs can be helpful for both UP administrations and citizens.*
- 8. Measures should be taken to educate people about the tax payment system as well as its benefits and their legal obligations for paying tax. Besides formal education, non-formal measures such as campaign, meetings etc. should be taken to educate people and enhance their awareness. Development organizations, NGOs and CSOs should promote such activities by innovative measures.*
- 9. In light of local development, it is suggested that UPs should benefit from increased tax rates or at least from regular and proper collection of taxes. Also, disciplinary measures against non-compliance of tax collection by UPs could be introduced. Equally, a higher degree of disciplinary action in cases of tax evasion also could lead to more compliance from the citizens.*
- 10. Accountability and transparency of LGIs should be ensured to citizens by measures such as disclosing UPs' income and budget to them. Measures should be taken to enhance people's participation in the development planning and implementation processes at the local level.*

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## Annex

### Annex 1: Household Survey Questionnaire

#### Public Finance and Revenue Mobilization of Union Parishads: A Case of Four Union Parishads

*Local Governance Programme SHARIQUE- III*  
*BRAC Institute of Governance and Development (BIGD), BRAC University*

Serial no.  [Official use only]

#### Consent of the respondents

(Clearly describe the following paragraph to the respondent and start the interview after taking his/her consent)

Good (Morning/afternoon/evening. My name is ..... BRAC Institute of Governance and Development (BIGD) in collaboration with HELVETAS Swiss Intercooperation & Swiss Agency for Development and Cooperation are going to conduct a research work in your locality. Our objective is to collect information regarding your knowledge on local government especially about Union Parishad and its functions. In elaboration, we actually like to know how much people are aware of functioning of UP, different programme of UP, Union annual development and budget planning, how they get access to information regarding UP matters and are capable of influencing programmes in favour of local people's need. Besides these we also want to know the transparency, accountability mechanism of Union Parishads and people's participation in those processes, providing opinion and the level of acceptance of their opinions by Union Parishads.

We are seeking your valuable time to conduct an interview according to our questionnaire. Hope you will provide complete and correct answers. All the information provided by you will be treated as valid. All information will be kept in confidential and will be used only in terms of research purpose and programme planning. This interview will take 15 to 20 minutes.

If you agree then we can start questioning and filling up the questionnaire forms. You have every right to deny answer any question that you feel inconvenient to you or quit at anytime from giving the information for research work though you have given your consent. You will not be benefited or harmed by giving or not giving the information.

#### [Start after having the consent of the respondents]

Name of the Interviewer			/ / 2015	Starting Time	Finishing Time
Check			Name of the Supervisor	Name of the Field Co-ordinator	
	Yes	No	Date	Time	Signature
Re-check	1	2	/ / 2015		

Name of the Union	Code	Name of the Upazila	Code	Name of the District	Code
Damodar	1	Phultola	11	Khulna	21
Barakpur	2	Dighalia	12		
Harian	3	Paba	13	Rajshahi	22
Matikata	4	Godagari	14		
Jogipara	5	Bagmara	15		
Noihati	6	Rupsha	16	Khulna	21

A. Address and Location of Respondents' Household		Code	Codelist
i	How far is Union Parishad from your home?		In Kilometer
ii	How much time do you need to go to the Union Parishad on foot?		In Minutes
iii	Village Name		

SL	Question	Code	Codelist
<b>B. Primary Information of respondent:</b>			
1.	Name of the respondent		
2.	Sex of respondent		1=Male 2=Female
3.	Age of respondent		In years
4.	Educational Qualification of respondent		1=Can only put signature 2=Primary passed 3=Primary not passed 4=Secondary passed 5=Secondary not passed 6= Higher secondary passed 7=Higher Secondary not passed 8=Undergraduate or above 9=Only religious education 10=Illiterate
5.	Marital Status of respondent		1 =Unmarried 2 = Married 3 = Divorced 4 = Widow/widower 5 = Separated
6.	Religion of respondent		1=Muslim 2=Hindu 3=Buddhist 4=Christian
7.	Ethnicity		1=Bangali 2=Bihari 3=Adibashi/Aborigine
8.	Major Occupation		1=Household work 2=Business 3=Service 4=Agriculture 5=Labour 6=Remittance 7=Retired/old-age
<b>C. Well being and Household assets</b>			
9.	What is the average monthly income of your household?		In Taka
10.	What is the average monthly expenditure of your household?		In Taka
11.	What is the total area of your homestead land own?		In Decimal
12.	What is the total area of your cultivable land?		In Decimal
13.	What is the total area of your fallow land?		In Decimal
14.	What is the current value all assets other than lands?		In Taka

SL	Question	Code	Codelist
<b>D Activities and Services of Union Parishad</b>			
15.	Do you know about the functions of Union Parishad? <i>If answer is no, then go to Q-17</i>		1=Yes 2=No
16.	In your knowledge, what are the major functions of your Union Parishad?  <i>Multiple responses acceptable</i>		1 = Yearly planning for development and budget 2 = Mediation/conflict resolution 3 = Implement social safety net program (VGD, VGF, Old Age Pension, Widow Pension) 4 = Develop roads and infrastructure 5 = Collection of Taxes 6=Ensure Law and order 7=Different certificates 9=Electricity 10=River dam 11=Tubewell
17.	What are the services Union Parishad provide community people  <i>Multiple responses acceptable</i>		1=Birth Registration Certificate 2 =Dispute resolution 3=Death Registration Certificate 4=Citizenship Certificate 5=Safety net 6=Information 8=Don't know 9=Providing Sanitary latrine
18.	What services did you or your family taken from Union Parishad?  <i>Multiple responses acceptable</i>  <i>If answer is 8/9 , go to question no. 20</i>		1=Birth Registration Certificate 2=Dispute resolution 3=Death Registration Certificate 4=Citizenship certificate 5=Safety net 6=Information 7=Trade license 8=Don't know 9=Taken no service 10=Loan
19.	Are you satisfied with the services provided by Union Parishad?		1 = Yes, highly satisfied 2 = Yes, as usual 3 = Not at all
<b>E. UPs' Sources of Income, Collection of local taxes and Tax Assessment</b>			
20.	Do you know the sources of income of Union Parishad? <i>If the answer is 'No', go to question no. 23</i>		1=Yes 2=No
21.	What are the sources /field from which Union Parishad earn money?  <i>Multiple responses acceptable</i>		1=Central government 2=Upazila Parishad 3=Zilla Parishad 4=MP 5=NGO 6=Person 7=Holding Tax/Household Tax 9=UP's own income 10=Mill factory 11=Ghat Izara

SL	Question	Code	Codelist
			12=Haat Izara 13=Certificates 14=Remittance
22.	How much amount of money your Union earned last year? (Including Government/non-government/Local revenue)		In Taka 88=Don't know
23.	Does Union Parishad inform the people about its earning from different sources? <b><u>If the answer is 'No', go to question no.25</u></b>		1 = Yes 2 = No 8 = Don't know
24.	How does Union Parishad inform the people?  <b><u>Multiple responses acceptable</u></b>		1=UP Notice Board 2=UP General Meeting 3=UDCC Meeting 4= Ward Shabha 5= Announcing at Hat-bazar 6=Through letter 8=Don't know
25.	Do you know about tax collection of UP or whether people have to provide tax to UP?		1=Yes 2=No
26.	Do you pay Taxes to Union Parishad? <b><u>If the answer is 'No', then go to question no. 45</u></b>		1=Yes 2=No
27.	What type of Taxes you pay? <b><u>If the answer is '1', go to question no.29</u></b>		1=HoldingTax/Household Tax 2=Trade License Others(please specify)
28.	Do you pay Holding Taxes?		1 = Yes 2 = No 8 = Don't know
29.	Did Union Parishad assess holding tax for your household? <b><u>If the answer is 'No' or 'Don't know', then go to question no. 45 after asking the question no.33</u></b>		1 = Yes 2 = No 8 = Don't know
30.	How much Holding Tax did they impose for your household last year?		In Number 88=Don't know
31.	Who assessed holding Taxes?		1=Tax Assessor 2=UP Chairman 3=UP Member 4=Committee 5=Watch man 6=Dafadar
32.	Was the Tax imposition fair or defined according to rules?		1 = Yes 2 = No 8 = Don't know
33.	According to you, How much should be your Holding Tax?		In Taka
34.	How long have you been paying taxes to Union Parishad?		In round figure 88=Don't know
35.	After how many days or years do you pay Taxes?		In round figure 88=Don't know
36.	What was the amount you paid as holding tax last time? <b><u>Check out the receipt</u></b>		In Taka

SL	Question	Code	Codelist
37.	How many months ago you pay the Taxes in last time? <u>Check out the receipt</u>		In months
38.	For how many years you pay Taxes? <u>Check out the receipt.</u>		In round figure 88=Don't know
39.	Generally who does collect Holding Taxes?		1=Tax Collector 2=UP Member 3=UP Chairman 4=UP Secretary 5=Watch man 6=Dafadar 8 = Don't know
40.	Do they give you any receipt?		1 = Yes 2 = No 8 = Don't know
41.	Do you keep receipt?		1 = Yes 2 = No 8 = Don't know
42.	How many receipts do you have? <u>please observe the numbers</u>		In number
43.	Do you have any receipt book?  <u>If the answer is 'No' or 'Don't know', go to Q-46.</u>		1 = Yes 2 = No 8 = Don't know
44.	Does Tax Collector sign in receipt book after collecting the Taxes?		1 = Yes 2 = No 8 = Don't know
45.	Do you feel interest to pay Taxes? <u>If the answer is 'No', then go to Q 48.</u>		1 = Yes 2 = No
46.	Do you get any facilities in paying Taxes?		1 = Yes 2 = No 8 = Don't know
47.	What are the facilities if one pay taxes?  <u>Multiple answers can be accepted</u>		1=Can get Government service 2=Government can do development work 3=UP can do development work 4=Better service 5=Bank loan 6=Identification of citizen
48.	What are the reasons behind your unwillingness in paying Taxes?  <u>Multiple answers can be accepted.</u>		1=None comes to collect tax 2=Far distance from home to UP 3=Don't know who to pay tax 4=After paying I find nothing but my economic loss 5=Nothing received from UP 6=No development work 7=Incapable to pay/Poor
49.	Is there any government policy in regard of collecting taxes?		1 = Yes 2 = No 8 = Don't know

SL	Question	Code	Codelist
50.	In your knowledge, in which sources does Union Parishad spend mainly the collected money as tax? <u>Multiple answers can be accepted</u>		1=Pocket money for the UP's elected bodies 2=Entertainment 3= Salary of Watch man 4=Honorarium of the UP elected bodies 5=Development work for UP 6=Use in providing help
51.	Did your Union Parishad ever arrange any Tax Fair?		1 = Yes 2 = No 8 = Don't know
52.	Does Union Parishad encourage the people to pay their Taxes?		1 = Yes 2 = No 8 = Don't know
53.	Does Union Parishad reward the highest Tax – payer?		1 = Yes 2 = No 8 = Don't know
54.	Does any trouble if you do not pay taxes? <u>If the answer is 'No' or 'Don't know', then go to Q-57.</u>		1 = Yes 2 = No 8 = Don't know
55.	What type of troubles if one doesn't pay taxes? <u>Multiple answers can be accepted.</u>		1= have to pay fine 2=Problems in selling land/asset 3= Threats from the UP 4=Asset crocked 5=Case file 6=Receive less government facilities
56.	Do you pay the taxes of land?  <u>If the answer is 2/8/9, then go to Q-60.</u>		1 = Yes 2 = No 8 = Don't know 9=No land
57.	How much you paid for Land Taxes last time? <u>Check the receipt out.</u>		In Taka 88=Don't know
58.	How months ago you paid taxes of land last time? <u>Check the receipt out.</u>		In months 888=Don't know
59.	For how many years you paid the Taxes? <u>Check out the receipt.</u>		In round figure 88=Don't know
<b>F. Development planning, Budgeting and Implementation Process</b>			
60.	Is it to be done properly engaging the people in Development Planning, Budgeting and Implementation Process? <u>If the answer is 'Yes', then go to Q.62.</u>		1 = Yes 2 = No 8 = Don't know
61.	If the answer is 'No', then how does it take place? <u>Multiple answers can be accepted.</u>		1=Through different meeting 2=By Chairman & Member 3= By Upazila Parishad 4=Political leader 5=Minister or MP 6=UNO 8=Don't know Others(Pleasespecify)

SL	Question	Code	Codelist
62.	Does your Union Parishad engaging the community people in Development Planning, Budgeting and Implementation Process?		1 = Yes 2 = No 8 = Don't know
63.	Does this Union Parishad take into consideration/ give importance the demands of the people in this process?		1 = Yes 2 = No 8 = Don't know
64.	Who influences the most in Development Planning, Budgeting and Implementation Process in this Union Parishad?		1=UP Chairman 2=MP 3=Local Politicians 4=Local elite 5=Government Officer(UNO/PIO/LGED Engineer) 6=UpzilaParishad(Upazila Chairman/Vice-chairman) 8= Don't know Others (please specify)
<b>G. Open Budget Meeting and Social Engagement</b>			
65.	Do you know anything about Open Budget Meeting of Union Parishad? <i>If the answer is 'No', then go to Q-72.</i>		1 = Yes 2 = No
66.	Has any Open Budget Meeting ever taken place in this Union Parishad?		1 = Yes 2 = No 8 = Don't know
67.	Have you or any member of your household ever participated in Open Budget Meeting?		1 = Yes 2 = No 8 = Don't know
68.	Does Union Parishad present the actual income and expenditure of the last fiscal year to the participants of Open budget meeting?		1 = Yes 2 = No 8 = Don't know
69.	Does your Union Parishad present the budget of current fiscal year?		1 = Yes 2 = No 8 = Don't know
70.	Can the community people give their opinion in Open Budget Meeting? <i>If the answer is "No" or 'Don't know', then go to Q-72.</i>		1 = Yes 2 = No 8 = Don't know
71.	Are the opinions of the community peoples taken into consideration in open budget meeting?		1 = Yes 2 = No 8 = Don't know
<b>H. Different Committee and Ward Shabha</b>			
72.	Do you know anything about the Committee of Union Parishad? <i>If the answer is 'No', then go to Q-86.</i>		1 = Yes 2 = No
73.	In your knowledge, What are the existing committees in this /your Union parishad?  <i>Multiple answers can be accepted.</i>		1=Standing Committee 2=Project Implementation Committee 3=Ward Committee 4=Supervision Committee 5=Development Coordinating Committee 8=Don't know Others (please specify)



SL	Question	Code	Codelist
74.	What are the major functions of these committees? <u>Multiple answers can be accepted.</u>		1=Arrange different meetings 2=Selection of different plans coming from different meeting 3=Implementation of plans/schemes approved by UP 4= Monitoring the day-to-day progress of the schemes 8= Don't know Others (please specify)
75.	Who are the members of these committees mainly? <u>Multiple answers can be accepted.</u>		01=Ward Member 02=Local Elite 03=People affiliated with Political party 04=Teachers 05=Imam 06=Rich people 07=Poor and marginalized 09=People who are closed to Ward member 10=Female 11=People who are closed to the Chairman 88=Don't know Others(Please specify)
76.	How do these committees take decision on any issue? <u>Multiple answers can be accepted.</u>		1=Priority is given to the consent of majority of the UP Members 2= Chairman of UP solely 3=Chairperson of the Ward Committee solely 4= General Meeting at UP/ UDCC 5=Discussing with all members 8= Don't know Others(Please specify)
77.	Are you or any member of your household existing in these committees of Union parishad?		1 = Yes 2 = No 8 = Don't know
78.	Do these committees accept opinions of the people out of these committees?		1 = Yes 2 = No 8 = Don't know
79.	Is there any opportunity or scope for woman, poor, extreme poor and marginal people to be members in this these committees? <u>If the answer is 'No' or 'Don't know', then go to Q-82.</u>		1 = Yes 2 = No 8 = Don't know
80.	Can these people (woman, poor, extreme poor and marginal people) provide opinion during decision making process of these committees?		1 = Yes 2 = No 8 = Don't know
81.	Do these committees give importance on their opinions in decisions making?		1 = Yes 2 = No 8 = Don't know
82.	Are the decisions of these committees written down?		1 = Yes 2 = No 8 = Don't know

SL	Question	Code	Codelist
83.	Are the decisions of these committees disseminated to the community people?  <u><i>If the answer is 'No' or 'Don't know', then go to Q-86.</i></u>		1 = Yes 2 = No 8 = Don't know
84.	How do these committees inform the community people about the decisions?  <u><i>Multiple answers can be accepted.</i></u>		1=UP Notice Board 2=UP General Meeting 3=UDCC Meeting 4= Ward Shabha 5=Miking at Hatbazar 6= Don't inform 8=Don't know Others (Plasespecify)
85.	Do you know anything about Ward Shabha? <u><i>If the answer is 'No', then finish the interview here.</i></u>		1 = Yes 2 = No
86.	Have you ever participated in any Ward Shabha?		1 = Yes 2 = No
87.	Did any member of your household participated in Ward Shabha?		1 = Yes 2 = No 8 = Don't know

**Contact Number of the respondent.....**

*Check out the whole questionnaire properly if any question is left or untouched. If you find every question is asked, then finish the interview thanking the respondent.*

## Annex 2: Interview Common Guideline

### The Study on Public Finance and Revenue Mobilization of Union Parishads

#### Local Governance Programme SHARIQUE-III

Know basic information of the respondents: Name, age, educational qualification, designation, name of institute, political affiliation

SI	Research questions	Detail questions
1.	What is the situation of UPs revenue collection and expenditure and the bottlenecks related to revenue raising?	<ol style="list-style-type: none"> <li>Does this Union Parishad collect any kind of Taxes? Is there any Tax Collector here? How many? From which sources are their salaries paid?</li> <li>What are the expenditure troughs of Union Parishad? In which trough it spends the most?</li> <li>What are the Tax collecting troughs of Union Parishad? How much money was collected in the last fiscal year? Was there any opportunity to collect Taxes other than these troughs? Is there any trouble/disturbance collecting Taxes? Describe the disturbances in detail.</li> <li>Is there any Government policy regarding Tax collection? Is there any facilities/ troubles in that policy? If there any changes come in the policy, will it increase the income of Union Parishad? What do you think?</li> </ol>
2.	Find out the capacity, potential and local authority of UPs to collect and raise own revenue?	<ol style="list-style-type: none"> <li>Does this Union Parishad arrange any Tax Fair? What is the benefit of it? How much money was earned the last Tax fair? Was there any reward for the highest Tax-payer/payers?</li> <li>What are your comments about Model Tax Schedule of Union Parishad? Discuss about traditional tax and Model Tax Schedule.</li> <li>Does Union Parishad have any power to increase the amount of taxes/revenues? If there is any, in which field that can be applicable. Has Union Parishad ever taken this type of step? If taken, what were the results?</li> <li>Is there any possibility to raise revenue from any trough? Do you have any suggestion?</li> </ol>
3.	How and to what extent UPs revenue impact on the local planning and budgeting for development in the UPs?	<ol style="list-style-type: none"> <li>Does Union Parishad has any yearly/five-year planning? How are the plans made? What is the process of making budget? Do revenues collected from the local area influence on Development Planning? How? How/To what extent does it influence?</li> <li>From when this UP enlisted to receive grant from LGSP?</li> <li>Fund transfer process from government sector/ministry should be known. What types of relation exist in terms of fund transfer from UZP/District to UP? Is there any influence of local political or influential in case of fund transfer? If yes, how?</li> <li>Who is the most potential stakeholder in budget planning and implementation?</li> </ol>

SI	Research questions	Detail questions
4	To what extent the UPs are potential in terms of household, non-household and other taxes? )	<p>13. Do general citizen willingly pay taxes to UP? Are they aware of holding tax? How they can know this? How holding tax be assessed? Is there any self earning activity of UP? If yes, what are they?</p> <p>14. Was there any opportunity to collect taxes beyond it already collected from household, non-household and other sources?</p>
5.	Transparency, accountability and participation	<p>15. Does UP follow tax assessment procedure? If yes, how it is done? Is there any specific format that UP follows?</p> <p>16. Do citizen have any access to UP budget?</p> <p>17. Who monitor the income, expenditure of allocated fund of UP? How frequent it is done?</p> <p>18. Does UP involve relevant stakeholders during development planning? Who present during development planning mainly? To what extent the general people have access to participate in planning and implementation?</p> <p>19. To what extent, the stakeholders can influence during planning and implementation? If UP consider their opinion, how do they known to this?</p> <p>20. Who approves the planning of UP? Know the cause if there any change take place in planning.</p>

### Annex 3: Respondent Profile

Category	Tools	Portfolio/Designation	Name of study area/Address	Number of respondents
Upazila level	KII	Upazila Chairman	Fultola&DigholiaUpazila under Khulna and Paba & GodagariUpazila under Rajshahi District	2
	KII	UNO		2
	KII	Office Secretary UNO		2
	KII	Assistant Commissioner (Land)		2
	KII	Sub-Registrar		2
	KII	President/Secretary Of Upazila Press club/Journalist association.		2
District Level	KII	District Facilitator (DDLG)	Khulna & Rajshahi	2
Union level	KII	UP Chairman	Harian UP (Paba) Matikata UP (Godagari) Rajshahi&Damodar UP (Fultala), Barakpur UP (Digholia)	4
	KII	UP Secretary		4
	KII	UP Member (Female)		4
	KII	UP Member (Male)		6
	KII	Civil Society from UP level		4
	KII	Focal of NGO		4
Central Government	KII	Additional-Secretary (Cabinet Division)	Dhaka	1
	KII	(LG Expert)-2 (DrTofail Ahmed)		1
	KII	PIU-1 (SHARIQUE-III) – LilliaTverdun		1
	KII	PIU-2 (SHARIQUE-III) – TirthaSarkar		1
	KII	Regional Coordinator (SHARIQUE)	Khulna and Rajshahi	2
			<b>Total</b>	<b>46</b>
	Group Interview	Standing Committee Members (Finance & Audit and Others)		4
Union level	Survey	Citizen/Union dwellers	Harian UP (Paba) Matikata UP (Godagari) Rajshahi&Damodar UP (Fultala), Barakpur UP (Digholia)	282

## Annex 4: List of UP Committees

Serial No.	1.LGD/UPs own Committee	2.Sectoral/ Ministerial Committee	Responsible Sectors/ Ministries	3.Project base Committee	Responsible Project / Division
1.	Union Development Coordination Committee (UDCC)	Union Legal Aid Committee	Ministry of Law, Justice and Parliamentary Affairs	Ward Committee	LGSP & LGD
2.	Standing Committees (14): 1. Finance and establishment 2. Accounts and audit 3. Tax assessment and collection 4. Education, health and family planning 5. Agriculture, fisheries, cattle and others economic development activities 6. Rural infrastructure development, repair and maintenance 7. Law and order, 8. Sanitation, water supply and sewerage 9. Social welfare and disaster management, 10. Environment protection, development and tree plantation 11. Family dispute resolution 12. Child and women welfare, 13. Sports and culture 14. Birth and death registration,	Union Disaster Management Committee	Disaster Management and Relief Division	Union Planning Committee	LGSP
3.	Procurement & Planning Committee	Union Smuggling Prevention Committee	Ministry of Home Affairs	Grievance Readdressing Committee	LGSP
4.	Haat-Bazar Management Committee	Human Trafficking Prevention Union Committee	Ministry of Home Affairs	Scheme Implementation Committee	LGSP

Serial No.	1.LGD/UPs own Committee	2.Sectoral/ Ministerial Committee	Responsible Sectors/ Ministries	3.Project base Committee	Responsible Project / Division
5.	Feri-Ghaat Lease & Management Related Committee	Women and Children Counter Trafficking Union Committee	Ministry of Home Affairs	Union Tender Evaluation Committee	LGSP
6.	Union WatSan Committee (DPHE)	Maternity Allowance for the Poor Mother	Ministry of Women & Children Affair	Procurement Committee	LGSP & UP
7.	Union Arsenic Regulation Committee	Union Vulnerable Group Development Committee	Ministry of Women & Children Affair		
8.	ShamajikUnnayan Committee	KormoSrijon Committee	Disaster Management and Relief Division, MoFDM		
9.		Union Vulnerable Group Feeding Committee	Disaster Management and Relief Division, MoFDM		
10.		Union Test Relief Committee	Disaster Management and Relief Division, MoFDM		
11.		Food for Work Committee	Disaster Management and Relief Division, MoFDM		
12.		Allowance for Widow, Husband-Abandoned & Ultra-poor Women Committee	Ministry of Women & Children Affair		
13.		Union Agricultural Committee	Cabinet Division		
Total	21	13		4	

**Grand Total=38**

**Sources:** LG (UP) Act, 2009; UP Operational Manual 2012 and 2013; Public Procurement Rules (PPR) 2008; Act VI 2000; Legal Aid Services Act 2000





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BRAC Institute of Governance and Development  
BRAC University

SK Centre (3<sup>rd</sup> - 7<sup>th</sup> & 9<sup>th</sup> Floor), GP, JA-4, TB Gate  
Mohakhali, Dhaka-1212, Bangladesh

Website : <http://bigd.bracu.ac.bd>



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