How Public Budget Hearings and Tax Assessments make a Difference in People’s Lives in rural Bangladesh

Strong and effective democracies need well-functioning governance frameworks and processes to ensure government performance, accountability, transparency, and checks and balances. In local constituencies of the Sharique Local Governance Programme citizen participation and a free flow of information play fundamental roles in ensuring government accountability and transparency. The Sharique Local Governance Programme offers coaching and hands-on technical support to communities so that they are able to demand good governance and hold public service providers accountable. At the same time, local governments are equipped with knowledge and tools to enhance transparency and accountability and to strengthen their relationships and interaction with citizens.

In Sharique supported areas the mindset around taxation has dramatically changed in the last years. Not only tax collection has gradually increased, but overall the attitude towards paying taxes changed. The reason behind are improved accountability mechanisms and the realization by local governments that taxes spent on useful community projects and services, are the best motivator for citizens to assume their responsibilities as tax payers.

Legislation provides in Bangladesh clear instructions in regard to rules and methods of tax calculation. But tax collection remains a sensitive and thorny issue. For this reason the local governments in Sharique areas go an extra mile and conduct a ‘tax assessment sharing meeting’ to make the process of tax calculation, allocation and collection more transparent. And, at the end of the year, they report during budget hearings to citizens on the expenditures made using tax funds. That provides citizens with opportunities to challenge the tax assessment results and the revenue allocation. Experience shows that in meetings where citizens voice major concerns, local government officials do consider those and come up with revised tax plans and reports.

How citizens are motivated to pay household tax - The case of Baroghoria UP in Chapainwabagnj District

Household tax assessments, according to the law, must be conducted every five years. Due to lack of resources and their sensitivity, these assessments are however often not conducted as expected. The Baroghoria UP in Chapainwabagnj District, for instance, collected in 2013 a meager 93’000 Taka in tax. In general, until that year, the local government forecasted every year very modest tax income and rarely managed to collect even these little amounts. In the fiscal year 2014/2015 it collected however 335’750 taka (4200 USD), which was three times more than previously. In 2014 was the first time that it organized a tax assessment and subsequently a tax assessment sharing meeting. For the purpose of the assessment the local government hired an independent consultant who visited each household, and, based on the established formula, fixed the amount of tax to be paid by each of them. To avoid errors and
eliminate any chances for tax abuse, the local government announced the tax assessment results openly for check and approval by citizens. With the effect, that citizens became aware of their duties, but also were given the opportunity to understand how taxes are calculated. With the tax income the local government managed to remunerate the council members, who had not been paid for months, and were at the brink of leaving office. The larger part of the revenues was however used to fund several community development projects, responding to the demands of the population for a road upgrading and the installation of electric lighting in one of these roads. These projects would have not been realized without the tax funds and, knowing that the money came out their pocket, citizens took an active role in supervising their allocation and use. On the other side council members understood the benefits of improved tax collection.

**Conclusion:**

Social accountability works when it happens in a constructive and mutually accepted way, as opposed to a more polarized and confrontational approach. The most important result in the practice of participatory tax assessment is heightened awareness for roles and responsibilities and a strong sense of citizenship. Keeping the motivation high remains however a challenge in cases where the tax basis is small and therefore does not allow local governments to make a significant difference in people’s lives. Local government officials are in these situations often tempted to put their own popularity over the state’s interest in creating revenue, neglecting or even resisting openly the tax collection process.