

Working Paper on

**Union Parishad Planning and Budgeting:
Policies, Procedures and Significance**



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Background: Every Local government Institution (LGI) of Bangladesh is supposed to prepare plan and budget for doing its business. However, planning and budgeting are the most difficult matter for the LGIs especially to the Union Parishads (UP) that the paper confines with. The Constitution of the people's republic of Bangladesh has explicitly mentioned that the LGIs may take the functions related to (a) administration and the work of public officers; (b) the maintenance of public order; and (c) the preparation and implementation of plans relating to public services and economic development [article 59 (2)]. In view of the constitutional guidance, the Local Government Acts have kept specific provisions for planning and budgeting for the respective institution. The Local government (Union Parishad) Act 2009 in its section 47 (Gha) and schedule 2 under the same section has specified 39 functions as listed for the Union Parishad and among them 'preparation of five-year and different periodic plans' has been placed as the first function of the UP.

Policy implementation and learning: In chapter-2, section 3-7, the LG (UP) act has particularly illustrated about participatory planning process of the UPs through ward-shava. Provision of the ward-shava gives enormous scope as well as obligation of the institution for citizen engagement with its development planning and implementation. However, organizing effective ward-shava is not so easy. It's not just holding a meeting with five percent voters of



the ward for two hours and taking a list of local need. Rather, it's a rigorous process of citizens' participation in the institutional process of engaging citizens and the process of social accountability towards its citizen. Through organizing ward-shava, UPs are expected to include citizen from all classes, especially the poor and marginalized whose voices are rarely heard. The ward-shavas require technical skills for its facilitation. Assessing demands and resources of the different communities needs to be extracted by using participatory tools, like- social mapping, community consultation,

etc. A few persons in favor of UP should be dedicated for facilitating the work at every *para*, village or its part that represent a community living together, of the ward. Community needs are to be prioritized and resources (viz.- local people may willing to contribute in kinds or labor) should be specifically identified. Then the demands and recourses of all of the *paras* are to be compiled to have the status of the whole ward which would be presented at ward-shava. It would be better to copy and display of all the demands on several places in the meeting place so that participants of the ward shava can carefully review and give their opinion rightly.

Immediately after the ward-shava, a report should be prepared comprising all of demands with priority and resources to be used for the ward as a whole.

Having all of the ward-shava reports, UP planning committee will compile and computerize demands from all nine wards and re-set priority of the demands for the union. They will also transform these demands into schemes mentioning title, location, measurement, tentative amount require for the scheme. While estimation, UP should take assistance of the technical experts of related subjects (like- Health staff, agriculturists, engineers). Estimation should also include local resources that were committed in the ward-shava. Considering annual development expenditure history and possibility in future, the planning committee will divide the proposed schemes into fiscal years, usually it is for five years. The draft plan should be sent to respective standing committees and displayed or hoisted for general people for their final comments, if any. Union Parishad will approve the 5-year plan in the council meeting and send to government departments, NGOs and civil society organizations those anyway are expected to be engaged in the local development or services to the people of that area.

Planning and budgeting Interface: Chapter-10, section 57-61, the act has described on budget and audit procedures. Wherein it is mentioned that – a) the UPs will do their probable budget 60 days before beginning of the next fiscal year, from the 1st July; b) the development budget will be done based on the demands and priorities of people in the ward-shava. It is worthy to be mentioned that these demands of people need to be framed as proposal of schemes with their estimated cost and probable source of finance, like- revenue, LGSP, FFWS; c) UP Standing Committees will review their respective proposals and add their comments and recommendations; d) Considering those recommendations UP will prepare a draft budget; e) UP will disclose the draft budget in ‘open budget meeting’ where local people and standing committee members remain present and take participants’ comments and opinions. In this meeting, UP will also submit previous year’s income and expenditure before the audience, as per instruction of the section 58 (2) and finally f) UP will pass the budget in their council meeting.



Development Finance of LGIs (UP): Scarce of fund remains the key impediment to UPs for implementation of development plans. UPs are heavily dependent to national government for development funding. Government grants to the UPs for a fiscal year stand around 90% of

Money received by UP as income are of the following categories and sources

- i) Own income: Tax, fee, toll, lease money, income from assets as per section-65-70 and schedule- 4 of the Local Government (UP) Act 2009
- ii) Grants for development activities or projects: ADP, LGSP (Block grant), Special
- iii) Grants for Social Security schemes: Test Relief (TR), Gratuitous Relief (GR), Food or Cash for Work (FFW/CFW), Vulnerable Group Development (VGD), Vulnerable Group Feeding (VGF), Employment Generation Programme for the extreme Poor (EGPP), Allowances for the old aged, poor disable, Destitute women, Maternity, etc., One house one firm, etc.
- iv) Grants for operational cost:
 - Honorarium for UP Chairman and Members
 - Salary (75%) and festival allowance for UP Secretary (50%)
 - Salary and festival allowance for Chaukidar and Dafadar
- v) Shared Tax: 1% of immovable property transfer tax within the union jurisdiction and 2% of land development tax within the union jurisdiction
- vi) Receipt from other LGIs (Upazila Parishad):
 - % of Lease money from haat-bazar (market place);
 - % of Lease money from jaal-mahal, balu-mahal and pathar-mahal;
 - % of Lease money from ferry terminal and boat terminal;
 - Salary (25%) and festival allowance for UP Secretary (50%)
 - Salary and festival allowance for Chaukidars and Dafadar

their total revenue. Per capita government direct transfer to UP is only Tk. 252, which is much less than that to the Paurashava (Tk. 3745), referring to the study done by LGD in 2015 titled Mapping of Fiscal Flow & LG Financing in Bangladesh. Except the block grant from LGSP, government grants to LGIs, even, are not stable. Various studies revealed that average yearly grant to all LGIs is only around 1.5% of the total budget.

Union Parishad Development Plan Rule 2013 allows UPs to take development plans in accordance with their head wise budget ratio as given. UP should use its development budget on a) Agriculture & irrigation, 10-15%, b) Fisheries & Livestock, 5-10%, c) Small & cottage

Development Budget (Tk.) of a Union					
ADP	LGSP	Projects (TR, FFW, Special, etc)	Own Revenue	Other	Total
100000	1857800	1518625	248666	7878361	11603451
Average budget of ten unions of Sariakandi Upazila for FY 2015-16 (courtesy: MJF -COPE Project)					

industries, 5-7%, d) Transport & communication infrastructure, 12-20%, e) Building & physical facilities, 5-7%, f) Public health, 15-20%, g) Educational development, 7-15%, h) Health, Family

planning & social welfare, 10-20%, i) Sports & Culture, 10-20%, j) Others (survey, monitoring, etc), 10-20%. However, UPs, in general, do not follow these ratios. The major portion of their funds is spent in communication infrastructural improvement, like- road, culvert, bridge construction. Voters also like such tangible improvement rather than qualitative change that requires longer time and often remains invisible.

Policy Points to Ponder:

- LGIs five years plan (LFYP) should be allied to the national five years plan (NFYP). Period of LFYP should be coincided with that of NFYP. All LGIs must accomplish their FYP well in before finalizing the NFYP so that the local development plans are to be linked to the national plan.
- Medium term budget framework (MTBF) should also be developed for LGIs and annual budget should follow MTBF's forecasting.
- In support of the development budget, LGIs should include sector wise scheme plan and their cost with the annual budget. Every LGI (Union) should be informed the tentative fund that they will receive from the national government for that year before their budget.
- Schemes that planned to be done by annual budget must be taken from the FYP particularly those are planned for that year or the unfinished plan of the previous years. In case of the scheme taken from future list of the FYP or beyond the plan, explanation to be mandatory.
- Planning is a technical and time consuming matter; thus building capacity of UP is crucial. Doing so, all UP bodies should be – i) trained on planning and budgeting policies and procedures; ii) allowed to engage NGO or individuals having expertise on participatory needs assessment, local resource identification, transforming community needs to development schemes and costing of schemes for developing the FYP.
- Local civil society and citizen groups should be engaged with all process of FYP and budget finalization. Besides
- Since the vertical fiscal gap is huge, it is better to have a national policy for revenue sharing between national government and LGIs. Since there are horizontal fiscal gaps too, revenue portion for category wise LGIs needs to be determined.
- Until implementation of 'transfer of the subjects' that mentioned in the LG(UP) Act 2009, all departments should be strongly asked to inform UP about their plan so that UP can develop an integrated plan for the area as a whole.

Conclusion: Local level planning and budgeting is indivisible from the functions of LGIs. Participatory governance underscores the involvement of the local constituents in the processes of development plan and budget. The present budgetary process of UP is mostly done 'ad hoc'; which should be changed. Budget must be linked with development plan; the plan is to be formulated through citizen engagement so that budgetary accountability can be established at local level.