

Decentralization and Financial Autonomy in Local Government: Scenario from Union Parishad

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Abstract: The theory of decentralization is regarded as one of the most inevitable condition for political development in Bangladesh. Therefore, this article, at the very beginning, attempts to clarify the concept of decentralization and of its various forms. Union Parishad (UP), as an organic and ancient tier of the local government in Bangladesh, faces various problems which dismays its prime target. Nonetheless, dependency and fragile economic condition hampers its decentralization process. In this article, the author tries to discuss about such kinds of problems as well as to present some recommendations by which how to over come those problems.

1.0 Introduction

Pre-British Indian villages were self-sufficient. Those used to produce everything they needed. Indian economy, at that time, was totally agriculture based. And the agriculture-based Indian economy was deep-rooted to these villages of the region. Because of the self-reliant nature of Indian villages there always developed institution within the villages, which performed not only 'economic' functions, but administrative or political functions also. The institutions functioned in various names as Ur, Nagara, Sudha (Huq, 1984). Contrarily, the socio economic condition of the villages was not in a better position during British Indian regime. Most of the people were living in villages and ruled by local elite or land lords who possessed huge lands. Landlords also controlled those institutions newly established at the local areas. Besides, the mass people were dependent upon landlords both economically and politically. Subsequently, attempt was taken to establish effective local government institution like Panchayat under the local government act in 1870 and 1885. Every peasant of the pre-British Indian villages used to pay his share into the common financial pool from which the land revenue, the demand of the officials, the replacement of any loan contracted, and expenses for the economic, social and even spiritual of the village were met (Huq, 1984).

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Under the Basic Democracies Order of 1959, the main sources of income of union council were- local rate, tax, toll, fee and government grants. This order added a new development function, namely, the rural works programme, and accordingly a grant was given to carry it out. In 1972, for the first time, government provided compensatory grants for paying salaries to employees and purchasing essential supplies to union parishad (Qadir, 1982). Later on, the central government promulgated various ordinances and enacted relevant laws and provided more such kinds of grants for making effective decentralized Union Parishad (UP). Those processes do not make good sign unfortunately; even financial dependency has been gradually enhancing upon the central government, which has totally impeded decentralization process. So there arise some fundamental questions. Why does decentralization process of UP not get proper success? What type of economic system remains established at UP? Why UP would not be solvent in spite of being agriculture-based economy? What kinds of freedom they exercise? What is the exact relationship between UP and national government? Should they be given ample legal authority for generating funds from the local level? If we get answer above those questions, it will help for our policy makers, experts and others to formulate new policy so that a real financial condition may be established in UP.

2.0 Objectives of the Study

The main objectives of this study is to analysis financial condition of UP. Meanwhile, the more specific objectives of the paper are:

- To discuss what type of financial system running in UP system.
- To find out what barriers hamper decentralization process at the UP.
- Last of all, to give some recommendations in the matter of its financial system how to strengthen and how to be more effective.

3.0 Methodology of the Study

The data and information used in this study were collected from secondary sources. It includes various government, resolutions and recommendations of various committees and commissions of the government, Circular, Notifications, Booklets, various Manuals and Guideline published by various government agencies relating to financial

system and decentralization process of UP in Bangladesh. Secondary data were also acquired from various newspapers, research journals, books and websites.

4.0 Decentralization as a Concept

For the term "decentralization" is used to mean a variety of different organizational process and structure. Hence, the discussion of decentralization in isolation may lead to confusion unless we relate it to centralization and discuss its various forms and relates issues. Centralization is a system in which all authority and powers of the government lie in the central government. But, when authority and powers are given to the local levels, decentralization takes place. Rondinelli (Wahhab, 1996) defines decentralization as the transfer or delegation of legal and political authority to plan, make decisions and manage public functions from national level to local levels. In the same tune, Smith observes "Decentralization involves the delegation of power to local levels" (Wahhab, 1996). These two definitions of decentralization are narrow. They are limited to territorial decentralization and exclude the functional decentralization, that is the transfer of authority from central to peripheral organizations at the national level, e.g. from government department to attached offices. Although these two definitions are narrow, they are consistent with the way in which the term "decentralization" is frequently used today specially in less developed countries (Wahhab, 1996).

The United Nations defined decentralization as "the transfer of authority to field units of the same department, or by devolution of authority to local government units or statutory bodies" (Ali, 1995). According to Cohen, "decentralization is a process, not a static condition" (Wahhab, 1996). It is clear to us that the word 'decentralization' means transfer of power and authority from the central government to different sub national units as well as it is a changing one, not a fixed state. The transfer of power or authority may be included either it is political or administrative or financial.

4.1. Decentralization as a Theoretical Concept of Form

The relationship between centralization and decentralization is also rather more complex than might at first, and for similar reasons. It is important that both 'centralization' and 'decentralization' are regarded as process of change, rather than as fixed states. Decentralization has been defined as a

process of transferring authority from nation to sub-national levels. It is not possible to envisage either a totally centralized or a totally decentralized system of government. Centralization and decentralization should, therefore, be envisaged as process of movement in either direction along a continuum which has no finite ends (Hye 1985). Pertinently, Rondinelli and Cheema classified decentralizations into four categories (Ali 1995).

- a. Deconcentration;
- b. Delegation to-autonomous agencies;
- c. Devolution to local governments; and
- d. Transfer of functions from public to-government institutions which are discussed below.

4.1.1 Deconcentration

It involves the distribution of administrative responsibilities within the central government. This may mean shifting of workload from one ministry to the other or from a ministry to its field administration or local administration. As a form of decentralization, deconcentration is less extensive than devolution and mostly administrative in nature. It is usually the transfer of specific responsibilities from center to its subordinate officials operating outside the capital city in a system of field administration (Wahhab 1996). Deconcentration is also called bureaucratic decentralization.

4.1.2 Delegation to semi-autonomous agencies

Delegation means the transfer of power by a superior to a subordinate one in which ultimate responsibility lies with the transferring authority. This type of organization has semi-independent authority to perform its responsibilities. Cohen and others divided delegation of authority into delegation to autonomous agencies and delegation to parallel organization (Wahhab 1996).

4.1.3 Devolution to local government

Devolution is essentially seen as a form of decentralization in which local government units are given primary responsibilities or some functions. The local government is essentially a form of decentralization under the spirit of devolution (Whahhab 1996). Devolutionary decentralization is

also known as democratic decentralization. Devolution has certain fundamental characteristics which are given below:

First, Local units of governments are autonomous, independent and clearly perceived as separate levels of government over which central authorities exercise little or direct control.

Second, the local governments have clear and legally recognized geographical boundaries within which they exercise authority and perform public functions.

Third, local governments have corporate status and power to secure resources to perform their functions.

Fourth, devolution implies the need to develop local governments as institutions in the sense that they are perceived by local citizens as organizations providing services that satisfy their needs and as governmental units over which they have some influence.

Finally, devolution is an arrangement in which there is reciprocal, mutually beneficial and coordinate relationship between central and local governments (Whahhab 1996).

4.1.4 Transfer of functions to non-government organizations

In some countries, some of the planning and administrative functions are transferred to national industrial and trade associations (Chambers of Commerce and Industries) or cooperatives. Under self-management program, the government may allow workers in public enterprises to manage and plan their activities without government intervention. The government may allow the private sector and non-government organizations to plan and organize some development programs under the privatization policy, utilizing those who are technically and administratively capable of carrying them out without direct supervision by the government (Ali 1995). Some writers mentioned dispersal in place of privatism which indicated transfer of authority from public to private sector. From the above discussion it is clear to us that these forms of decentralization carry on administrative, political and financial Autonomy.

4.2. Administrative decentralization or Autonomy

Administration is a part and parcel of a political system. In that sense, the government officials, either higher or lower, are to be responsible for

implementing their (government) policy. But at present, every now and then, administrator takes decision himself without dictation of elected representative. So we have to know the concept of administrative decentralization or autonomy. Administrative decentralization or autonomy, mainly, indicates to that system of administration where lower officials have to be more empowered on the basis of hierarchy theory under the supervision of elected representatives. That is why; administrative decentralization or autonomy seeks to redistribute authority, responsibility and financial resources for providing public services among different levels of government (<http://www1.worldbank.org/publicsector/decentralization/what.htm>). Beside, It is the transfer of responsibility for the planning, financing and management of certain public functions from the central government and its agencies to field units of government agencies, subordinate units or levels of government, semi-autonomous public authorities or corporations, or area-wide regional or functional authorities.

4.3 Political decentralization or Autonomy

Political decentralization or autonomy aims to give citizens or their elected representatives more power in public decision-making. It is often associated with pluralistic politics and representative government, but it can also support democratization by giving citizens, or their representatives, more influence in the formulation and implementation of policies. Advocates of political decentralization or autonomy assume that decisions made with greater participation will be better informed and more relevant to diverse interests in society than those made only by national political authorities. The concept implies that the selection of representatives from local electoral jurisdictions allows citizens to know better their political representatives and allows elected officials to know better the needs and desires of their constituents. That's why, political decentralization or autonomy covers financial autonomy as well as refers to the constitutional or statutory reforms, the development of pluralistic political parties, the strengthening of legislatures, creation of political units, and encouragement of effective public interest groups (<http://www1.worldbank.org/publicsector/decentralization/political.htm>).

4.4 Financial decentralization or Autonomy

Financial decentralization or autonomy relates with the administrative and political decentralization. It is such kinds of decentralization by which an institution is to be empowered to generate on its own finance

and resources. It also remarks that administration does not get any opportunity to interfere of its planning and activities. Financial decentralization or autonomy refers to more enhancements of its own resources in lieu of central assistance or aid. It ensures mass participation in its various functions including attempts to increase number of tax payers, scopes and amount as well as elected member is to be responsive and accountable to the people. Thus, it is a significant dimension which determines how the process of decentralization is playing in a system. Union Parishad is an organic tier of rural local government in Bangladesh. So it is necessary to know what financial system is running on Union Parishad on the basis of decentralization theory.

5.0 Financial System of Union Parishad

Union Parishads lie at the bottom of administrative hierarchy in Bangladesh. At the same time, they are statutory rural local bodies. In a country where 86% households and 84.8% of total population (Tareque, 1994) are rural, success of our attempts in fulfilling our national goal of achieving self-sustained development, to great extent, depends on effective development of these Parishads. As a decentralized local ancient body, Union Parishad has to deal many functions. Meanwhile, the financial condition is not satisfactory. After formation of Upazila Parishad, the financial system is now weakened than before. Whereas, the existing law contains only five items of taxes, rates and fees which the Union Parishad can levy. These are mentioned below

- rate on annual value of homestead and residential land adjacent thereto or union rate
- rate for village police
- fees on birth, marriage and feasts
- community tax on adult citizens of the union for civil works aimed at providing or augmenting public welfare
- fees for specific welfare or maintenance of public utility service rendered by the union parishad. (Mallick, 2004)

Union parishads appoint tax collectors on commission basis; they are usually given a commission at the rate of 15% of the collections instead of full time employing tax collectors.

6.0 Barriers to Financial Decentralization or Autonomy of Union Parishad

The process of decentralization has been failed again and again due to various reasons i.e., political instability, unwillingness of central government to empower financially solvent, personal clashes of power, corruption, ethics and religious problems etc. which hamper to become self reliant institution at the union level in Bangladesh.

6.1. Financial dependency on central government

It is a great problem for our local government like UP so that it has to depend on central government for its annual budget. "In Many countries the impact of decentralization programmes has been disappointing, for central government have not prepared to decentralize sufficient control over financial resources" (Commonwealth Secretariat, 1984-85). Union Parishad is like so because it, the lower unit of rural local government in Bangladesh, is largely dependent on the funding of central government. It is not resourceful enough in carrying out necessary development programmes. The local government in Fiji and Morocco, for example receive 55% and 65% of the expenditure respectively from their central government (Rondinely and Nellis, 1986). Thus, the local government in Fiji and Morocco has accumulated 45% and 35% resources from their own sources due to their better system where local institution has been self empowered to impose various taxes. On the other hand, Local government, particularly Union Parishad, has been financially weakening day by day in Bangladesh because of some administrative and legal failure.

- The formation of Upazilla system in local government may be affected on the financial system of Union Parishad in Bangladesh. The local resource mobilization divides into two ways now. It proved historically when it was introduced in Bangladesh in 1983. Ahmed Shafiqul Haque mentioned truly that the huge amount of money being spent in the 'Upaliza' in Bangladesh provided by the central government (Huque, 1986). That is why the process of local resources mobilization of Union Parishad is to be reduced in order to Upazila system.
- The allocation of central government may be divided into two ways i.e., Union Parishad and Upaliza Parishad. Beside at present central government gives more emphasis on Upazila Parishad than Union Parishad in light of various allocations.

- Decentralization process also does not get proper success for the sake of its budgetary approval provision by the administration or deputy commissioner.

6.2 Dependency on Foreign Aid

The central government collects a huge amount of foreign aids or loans by using the word rural or village development. But now a question arises how much development is to be seen at the village level in Bangladesh. If the government wants to change the village, it has to more empower to Union Parishad either structurally or financially through decentralization process. But Union Parishad is not capable to maintain properly of its own development project due to poor resources mobilization and lack of direct participation of policy making process under the present local government acts. Though Local Government Engineering Department (LGED) looks after maintaining various development activities at Union levels, the maximum development project is depended on donors' aid or overseas loans. For that reason, it is little bit seen in the rural development activities or projects under the supervision of Union Parishad. So absence of strong monitoring or supervision process of Union Parishad and lack of mass participation help to enhance not only corruption but also increases misuse foreign aid or loans.

6.3 Political and Administrative Instability

Political instability may cause failure of decentralization policy as well as to make centralization. Military government mainly causes political instability which has caused changes of decentralization policy in Pakistan and Bangladesh. Military juntas wanted to create a supportive group in the rural areas by introducing new system like as Basic Democracy in 1959, Village Government in 1980 and Upazilla Parishad in 1982. Moreover, those local government systems decrease the power of Union Parishad.

After ending of military rule of general Ershad in 1990, the democratic system introduced again in Bangladesh but most of the attempts related to empowerment of Union Parishad has foiled. In 1992, the Local Government Review Commission recommended two tiers directly elected local government system comprising of Union Parishad and Zilla Parishad, but the recommendation did not put into practice (Taluckdar, 2009). In addition, the Local Government (Gram Parishad) Act, 1997, the Upazilla Parishad Act, 1998 and the Zilla Parishad Act, 2000, and the

Village Court Act, 2006 were not implemented properly in order to the recommendation of those respective commission.

The Local Government Institution Accelerating and Strengthening Committee constituted by interim government in 2007, advocated for a permanent Local Government Commission and also suggested to reform rural-local government system. In 2008, the government endorses couple of ordinances i.e. Union Parishad Ordinance, Upazilla Parishad Ordinance, Local Government Commission Ordinance, Municipality Ordinance City Corporation Ordinance. The people of Bangladesh hoped that if those ordinances unlocked the doors for democratic decentralization, it may strengthen Union Parishad. But it was in vain due to massive change again by the present government through the Upazilla Parishad Ordinance, 2009 and the Union Parishad Ordinance, 2009 by which Union Parishad will become subordinate organ of administration. According to Talukdar "the Local Government (Union Parishad) Act, 2009 is subject to get condemnation for the provision of extensive bureaucratic intrusion which effectively destroy the value of the democratic decentralization and the spirit of the constitution" (Taluckdar, 2009). Therefore, it is clear to us that absence of political and administrative stability may create a barrier to become a self reliant Union Parishad.

6.4 Bureaucratic Attitude

Union Parishad representative has alleged against lawmakers and administration for their couple of interference by which the oldest local governments tier has turned virtually ineffective (The Daily Star on 14th June, 2009). That is why, the local government like Union Parishad cannot function freely without influence of bureaucratic system and the elected members cannot enjoy freedom in taking decision and making policy even. According to Huque "The unwillingness of the government (influence by the top bureaucrats) to actually decentralize power and a tendency to retain control over local administration... compels one to reconsider the prospects of decentralized administration in Bangladesh (Huda, 1996). In addition, the Union Parishad can not initiate any project as well as disburses its own resources without permission of the Upazilla Nirbahi Officer (UNO) or Deputy Commissioner (DC). It is necessary to change the bureaucratic attitude for formation of effective self dependent Union Parishad towards decentralization. That is why, Huda recommended, "the bureaucratic antagonism towards decentralization

can be nullified by strong political government and its sincere commitment for implementation of decentralization policy" (Huda, 1996).

6.5 Lack of Resource Mobilization

Resources are not just financial: it is important to consider human resources, particularly how volunteering can be mobilized, e.g. for monitoring projects, supporting service delivery, as an alternative to financial resources. But it is seen often that initiative of resources mobilization is not taken by the Union Parishad. Nonetheless, UP elected representatives are interested in the status, not serving poor people (Taluckdar: 2009). Meanwhile, they (members of UP) highly desire to be reelected for keeping up their sublime status. Furthermore, most of the elected members of Union Parishad have an allegation against them to involve in corruption. Therefore, they are not committed to change the fate of poor people as well as reluctant to enrich local resources mobilization.

6.6 Lack of Manpower and Poor Physical Infrastructure

Inadequate manpower and poor physical infrastructure impede Union Parishad to become a strong as well as self dependent decentralize institution. The process of revenue collection has been hampered and also fails to achieve from their target frequently in spite of shortage of manpower. In addition, the employees who serve in UP like as secretary, village police and others are dissatisfied for the nature of salary system. In accordance with the Union Parishad Act, 1983, 50% salary of the employees have to be paid by the own resources of Union Parishad. But, now and then, it is seen that they (the employees of UP) do not get full salary per month. In addition, unemployment is a great sin at the village level in Bangladesh. So industrialization is needed, but it does not occur at the rural areas due to poor physical infrastructure in Bangladesh. In spite of decentralize part, Union Parishad is not capable to initiate of its own structural development for its weakening financial condition.

7.0 Recommendation

From the above discussion, it is clear to us that Union Parishad does not get proper success due to form into dependency based economy system, lack of freedom of policy making, absence of imputed legal authority for generating funds from local level as if it is called decentralize and first

tier local government system. Hence, it will be reformed immediately so that Union Parishad will become more effective as decentralized and self-reliant institution. Some recommendations are given below.

1. To be enhanced more tax collection areas by which budgetary dependency would be reduced.
2. One third of the total national development budget should allocate for a better local government.
3. To increase block allocation which should be disbursed through Union Council directly.
4. Union Parishad should be free from the influence of Chairmen of Upazilla Parashad, Members of National Assembly and high government officials including Upazila Nirbahi Officer (UNO), Deputy Commissioner (DC) and others.
5. To overcome manpower shortage and to reintroduce new administrative post of UP under the supervision of elected representative like as revenue collector.
6. To arrange regularly motivation programme or training under the supervision of local government ministry within Union Parishad as if the dweller can understand tax payment is being welfare for himself.

8.0 Conclusion

Prof. Salauddin M. Aminuzaman said, "The Local Government (Union Parishad) Ordinance 1983 has turned UP into administration-controlled tier" (The Daily Star, 14th June, 2009). As per the Article 47 of the ordinance, UP receives budgetary allocation through deputy commissioner (DC). In accordance with the articles 12, 60, 61, 62, 64 and 65 of the ordinance local administration has the authority to dismiss UP chairman and members and also gives special supervision over UP representatives. These rules are contradictory to the constitution as they are elected representatives. Moreover, these rules are almost misused by the administration. Union Parishad is not a subordinate local government tier. So it is necessary to implement above those recommendations as soon as possible for not only welfare of the Union Parishad but also better development of Bangladesh.

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