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COLLECTING LOCAL GOVERNMENT FINANCIAL
DATA IN DEVELOPING COUNTRIES: THE
BANGLADESH EXPERIENCE

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PREFACE

This paper was the fifth in the series of Interim Reports issued from the Zilla Roads/Local Finance Project. Originally released in June 1983, the current version has been revised slightly to reflect changes in government structure that have occurred since then and to incorporate comments made on the original paper.

The paper describes the methods used to collect the basic local government fiscal data analyzed in other interim reports in this series. In addition, the paper provides an overview discussion of how similar efforts can be carried out to collect financial data both within Bangladesh and other developing countries.

One of the major contributions of the Local Finance Project is the compilation of detailed local level information on the fiscal activities of local governments in Bangladesh. Since this paper is primarily descriptive, few policy recommendations are made. Nevertheless, the pilot nature of the study means that the lessons learned from this project can subsequently be used in carrying out a full local government census in the country. Only with such a census can the central government monitor the progress of local governments and analyze the effects of new local government policy.

The work has benefitted greatly from the information provided by Research Officers Hasan Murshed and Muin Uddin who carried out the data collection process described here. Each is a doctoral student in the Economics Department and Research Assistant in the Metropolitan Studies Program of the Maxwell School. It is, however, to the officers at all levels of government in Bangladesh that we wish to extend our heartiest thanks since only through their cooperation could this data-gathering effort have been successfully completed. In addition, we wish to acknowledge the help of the National Institute of Local Government which provided desk space to the Research Officers during their stays in Dhaka and helped with field logistics and arrangements.

The Local Finance Project is one component of the Bangladesh Zilla Roads Maintenance and Improvement Project (Project Number 388-0056) and is intended to assess and increase the capacity of local governments in Bangladesh to mobilize and effectively administer financial resources. The work is supported by the United States Agency for International Development, Washington, DC under a cooperative Agreement (AID/DSAN-CA-0198). The views and interpretations in this publication are our own and should not be attributed to the United States Agency for International Development.

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COLLECTING LOCAL GOVERNMENT DATA IN DEVELOPING
COUNTRIES: THE BANGLADESH EXPERIENCE

Over twenty years ago, Lady Ursula Hicks stated in her classic book, Development from Below, that when researching local government finance in developing countries

"...it is impossible to tell what is really happening by studying the Ordinances, or by making personal visits, on the scale that is possible for an outsider--though neither of these is to be despised. Exploration in each of these directions always leaves one a good deal short of an answer. But there is another source of information which does much to fill the deficiency--the records of local finance.¹

While the logistic difficulties and considerable costs associated with obtaining local fiscal records may explain why this technique is seldom used, her dictum remains valid.²

The primary objective of this paper is to describe how local government financial data were collected from a sample of Bangladesh jurisdictions. The most complete set of local government data previously compiled were those used in the doctoral dissertation by A.I. Chowdry.³ However, his data were collected for the years 1954/55, 1964/65, and 1974/75, which precludes analysis of annual changes in the fiscal fortunes of the local bodies. Thus the data described here constitute probably the most comprehensive information available on local government finance in Bangladesh.

The paper also has a broader goal of pointing out the difficulties and costs inherent in such an undertaking. The lessons learned here may help

improve subsequent analyses of local governments in Bangladesh and other developing countries.

We begin by discussing the general data environments one encounters when designing a local finance study in a developing country. We then describe the data collection environment in Bangladesh. This is followed by a description of the sample selected, the data collection format employed and interviewing techniques used. A discussion of the major problems faced and lessons learned from the data-gathering portion of the research concludes the paper.

Local Government Financial Data

The variety of local government financial data available in developed and developing countries is great; there are, however, several important general characteristics which describe any data-collection environment. Among these are: (a) whether the data are available from a single centralized source or must be collected from individual local governments; (b) whether the data represent actual revenues and expenditures or whether the numbers are budgeted or revised budgeted amounts; (c) whether a common format and set of identical definitions are used in all jurisdictions and over time or whether individual jurisdictions may use alternative forms and whether these forms have changed over time; and (d) whether the data have been verified by an independent auditing agency or are pre-audited amounts.

Data collected from a centralized location greatly decrease data collection costs and are likely to be in a common format. On the other

hand, collecting data from a centralized source diminishes the chance of determining why a particular data entry is unusually large or small. If the data are collected on-site, the local financial manager can be contacted to ascertain the reasons for apparent abnormalities in the numbers. Also, each step in a data-collection process introduces the possibility of coding errors; therefore, centrally collected data may contain more errors since the information has probably been coded from data transcribed from the original document.

Common formats and definitions are necessary if interjurisdictional or intertemporal data analysis is to be performed. Without such uniformity, apparent differences in fiscal performance may be due purely to accounting practices rather than to differences in behavior. For example, if one jurisdiction reports money given to a local private school as being education spending while another calls it a contribution, differences in spending behavior will be implied even though such is not the case.

Fiscal officers are often more interested in budgeted data than in the actual accounts. This situation is not surprising since these officers usually spend more of their time formulating and altering budgets than in reviewing past performance. But budgets, especially in developing countries, are often as much wishful thinking as actual plans for performance; thus to rely exclusively on budgeted data can be misleading. It is more accurate to collect actual performance data, e.g., financial accounts, post-closing balance sheets or cash books. In a similar vein, audited accounts are likely to be more accurate than unaudited data.

When initiating any study of local government finance, it is necessary to ascertain all of these characteristics which describe the data collection environment. Seldom will one find that all of the characteristics are entirely suitable to the task at hand. For example, in the United States the Bureau of the Census publishes annual data on local governments (thereby lowering data collection costs). However, much of these data are based upon sample findings rather than on a complete census. Furthermore, none of the data are confirmed through independent audit and the data are often gained through mail questionnaires which may be completed haphazardly. In addition, the extreme diversity among local governments within the United States' federal system means that interjurisdictional comparisons may be affected by differences in the assignment of governmental functions in different states. Furthermore, there is no single uniform accounting system used by the thousands of local governments in the country.

The implication of this background discussion is that, prior to any data collection effort and analysis, it is necessary to begin with a thorough review of government structure and accounting methods utilized by the jurisdictions from which the fiscal data are being obtained.

Bangladesh Local Governments and Financial Accounts

A detailed explanation of the structure of local government in Bangladesh has been presented elsewhere and will not be repeated here.⁴ Basically, there are three levels of local government in the rural areas of the country--zilla parishads (ZP), upazila parishads (UZP), and union

parishads (UP). At the time this data collection effort occurred, upazila parishads were called thana parishads (TP); thus, in what follows we refer to thanas rather than upazilas when describing the data gathering procedures.

Thana parishads relied almost totally upon central government monies for revenues. Zilla and union parishads earn revenues from both local sources and a variety of central government grants. Assignment of governmental functions is standardized throughout the country as are the revenue sources available to these local jurisdictions, although not all jurisdictions use all of the revenue sources at their disposal nor do all enter into identical activities.

There is also statutory uniformity in financial accounting practices; however, actual uniformity is lacking. While the statutes call for uniform budgeting and accounting standards, there is a shortage of forms to carry out this accounting and a dearth of well-trained individuals responsible for keeping the accounts. This results in historical records which may not be uniform across jurisdictions and, as well, may differ within a single jurisdiction over time. Regardless of these actual differences it is instructive to review the general form of accounting and budgetary standards that are statutorily designated.

Financial Accounts

The Local Government Ordinance, 1976, lists the particular revenues and spending responsibilities assigned to ZPs, TPs and UPs. It also specifies the accounts that are to be kept. Part III of the Local Government Ordinance mandates that each UP is to maintain a Union Fund,

that each TP is to maintain a Thana Fund, and that each ZP is to maintain a Zilla Fund. It is this fund into which major locally-raised and most grant revenues are to flow and from which expenditures on local government activities are to be made. Monies of the local fund are to be kept in a Government treasury or in a bank. The local body is permitted to collect interest on any excess balances of the deposited funds.

The Local Government Ordinance also permits the establishment of other special funds for monies designated for special purposes. It is this provision in the law which apparently led most local bodies to keep Divisional Development Board revenues and, in some instances, Rural Works Programme monies in funds other than the local fund.

While the Local Government Ordinance specifies the kinds of funds which local bodies can keep, it is silent on specific accounting procedures. The Rules Under the Basic Democracies Order specifies that the budget will consist of three parts--current account, capital account and special funds.⁵ All normal transactions of the local body are to be shown in the current account. Capital account revenues consist of receipts from loans taken by the local body, repayments of loans previously granted by the local body and sale-proceeds of securities and investments sold by the local body. Spending from the capital account includes the repayment of loans earlier taken, loans granted by the local government as well as purchases of securities and other investments. One common entry in the capital account is loans to local government employees which are essentially advances against their future salaries. Another entry in the capital account of zilla parishads occurs when the ZP

purchases supplies, e.g., asphalt, which are later sold to contractors who perform the work on local roads. This arrangement lowers the capital requirements of contractors and allows the ZP to enjoy economies-of-scale by making larger purchases of the commodity than an individual contractor would make. In such cases the capital account is debited when the supplies are purchased and credited when the contractor purchases the material from the ZP.

When reviewing the state of finances in any government which maintains multiple funds or accounts, it is crucial to insure that interfund transfers are not doubly counted. While the statutes suggest that there are no interfund transfers, an examination of the actual accounts indicates that such transfers do occur in at least a few instances. In these cases it is crucial that the original source or ultimate disposition of the funds be traced to insure that what is being measured is, in fact, what one wishes to measure and that the transfer is not counted twice.

This raises the question as to what one is attempting to measure when conducting an examination of local government finances. There are at least two ways to study the fiscal fortunes of any behavioral unit. One can concentrate on the stock of wealth as viewed from a balance sheet or the flow of income as shown on an income statement. The first of these is measured at a point in time while the latter can be measured only over a period of time. Changes in stocks from period to period depend on the relative flows of income into and expenditures out of the account.

Both stocks and flows can be used to assess the fiscal condition of governmental bodies. The primary stock variables which indicate the

degree of fiscal health are fund balances, total loans outstanding and balances in interest earning instruments such as bank deposits. Unlike private firms, governments seldom include the value of non-monetary assets in their financial accounts, thus stock measures of fiscal condition are limited in scope.

Income and spending flows during a time period are also crucial in assessing the state of a government fisc. If expenditures exceed revenues over several periods, the fiscal health of a jurisdiction may be in jeopardy. By analyzing the flows of individual income sources and spending patterns, one can ascertain why a locality's fiscal condition is changing. Such assessments are not possible when examining only stock variables.

What must be avoided in an analysis of fiscal flows is a mixing of stocks and flows. In the accounting systems of local bodies in Bangladesh, the opening balance (a stock) is a line item on the income side of the ledger while the closing balance (also a stock) is an item on the expenditure side. The inclusion of opening and closing balances insures that the two sides of the account balance. Further, the opening balance represents resources which can be drawn upon to finance the flow of services during the subsequent fiscal year. On the other hand, opening and closing balances do not directly measure fiscal activity of a jurisdiction during an accounting period. Therefore, if one wishes to measure actual rather than potential fiscal activity, opening balances should be excluded from income and expenditure analyses.

All financial stock measures, e.g., a long-term debt, must be excluded in a computation of fiscal flows. Likewise, purely accounting transactions, e.g., an expenditure which simply represents a deposit into a separately held bank account, should not be included when measuring flows of income or expenditures. These considerations mean that data gatherers must be cognizant of the meaning of financial entries and be able to read and interpret the accounts.

A final characteristic of financial analysis concerns the use of cash versus accrual accounting conventions. Under a cash system, revenues and expenditures of a government are accounted for when the cash flows into or out of the treasury. The accrual system records transactions at the time they are legally committed even though the actual payment may not occur until later. Similarly, under the accrual system, when revenues are to be derived in the future, they may be credited to the account immediately, even before the money actually arrives. For example, if a central government grant is committed to a local government, the grant amount would accrue as a revenue even though the money has not yet been received from the central government treasury.

When projects are begun near the close of a fiscal year the accrual method of accounting will show a closer relationship between revenues and expenditures than the cash method might. For example, a road repair scheme may be financed from central government grant funds. If the grant has already been received by the local government prior to the close of its fiscal year but the project has only just begun, cash accounting shows revenues greatly exceeding spending. In the following year cash accounting will suggest that spending exceeded revenues since the project

was finished and paid for in that year using revenues previously received and accounted for. Thus, under cash accounting, one must not put too much emphasis on surpluses or deficits in any particular year since it may simply reflect differences in the timing of income and spending.

In Bangladesh, as in most developing countries, cash accounting is used by all local bodies. Large fluctuations in a jurisdiction's year-to-year flows of total revenues and expenditures may, therefore, be due primarily to the accounting of funds rather than to any major underlying differences in governmental behavior over time.

This discussion suggests that gathering local government financial data requires more than a simple transcription of information from the accounts to a recording sheet. Data gatherers must be cognizant of accounting practices, must recognize offsetting double entries and must assess the meaning of the entries prior to recording them.

Sample of Governments

The financial data collected represent both a census and a sampling of governments. A census was made of ZP finances for all districts in the country during the period 1976/77 through 1980/81.⁶ Given the nearly 500 thanas and 4,500 union parishads in the country, it was necessary to use a sample of these jurisdictions rather than a complete census. The sample of thana parishads and union parishads was drawn from three districts--Faridpur, Rangpur and Sylhet--since it is in these three districts that the Zilla Roads Maintenance and Improvement Project (of which the current study is a part) is being implemented. Table 1 displays

TABLE 1

ZILLA PARISHAD, THANA PARISHAD AND UNION
PARISHAD SAMPLE SITES

<u>Zilla Parishad</u>	<u>Thana Parishad</u>	<u>Union Parishad</u>
Chittagong*		
Chittagong Hill Tracts		
Comilla		
Noakhali		
Sylhet*	Habiganj*	Copaya* Shaistaganj* Noorpur* Richi*
	Moulavi Bazar	Chadnighat* Kamalpur* Kanakpur Manumukh Amtail Gias Nagar Mustafapur* Akhailkura* Ekatuna*
	Beani Bazar*	Charkhai Tilpara Dubag Saola Kurur Bazar Beani Bazar*
	Kulaura*	Kulaura*
Dhaka		
Faridpur*	Madaripur*	Panch Khola Ghat Majhi* Jhoudi*
	Rajbari*	Alipur* Mizanpur* Ramkantapur*

TABLE 1 (CONT.)

<u>Zilla Parishad</u>	<u>Thana Parishad</u>	<u>Union Parishad</u>
Faridpur* (cont.)	Kasiani*	Kasiani* Maheshpur*
Jamalpur		
Mymensingh*		
Tangail*		
Barisal		
Jessore		
Khujna		
Kushtia		
Patuakali		
Bogra		
Dinajpur		
Pabna		
Rajshahi*		
Rangpur*	Ulipur	Ulipur* Gunaigach* Dharanibari*
	Kurigram*	Holokhana* Kanthalbari*
	Gaibandha*	Ballamjhar Kholahati* Ramchandrapur* Boali* Badiakhali* Malibari* Kuptala*
	Kotwali	Darshana*
	Kaunia*	Balapara*

* Indicates questionnaire data also available.

In addition, questionnaires were administered but no financial data were obtained in four UPs. This occurred in Khalilpur UP, Moulavi Bazar Thana, Sylhet and Peappur UP, Bahadurpur UP, Khowajpur UP and Ratoil UP each in Madaripur Thana, Faridpur.

the entire list of jurisdictions from which data were obtained for these three levels of government. Information was also obtained from a sample of paurashavas and municipal corporations. These jurisdictions are shown in Table 2.

While a random sample would be ideal, the method used to select the UP, TP, and paurashava jurisdictions was non-random. Most data gathering took place during the rainy season of 1982 making it impossible to travel to some localities. Random preselection of sites was thus incompatible with the need to complete the data gathering effort in a timely fashion. Second, restrictions on travel costs, especially time, meant that a non-random selection process would be necessary. This constraint is especially important in a country with poor roads and communication facilities which make it difficult to prearrange appointments with local government officials in outlying areas. Finally, the unexpected imposition of Martial Law in March 1982 required altering the list of jurisdictions in the sample. Local government leaders and officials were often called to appear before the Martial Law courts set up in each district. Furthermore, some local government officials were under Martial Law custody, suspended or terminated. In the absence of such officials, local government employees could not provide in-depth information regarding the local government, especially its financial affairs.

Observations from different areas of the district were sought when constructing the sample to enhance the likelihood of variation in fiscal affairs across the chosen jurisdictions. At the same time, since union parishads lie within an overlying thana, it was desirable to obtain

TABLE 2
PAURASHAVA SAMPLE SITES

<u>District</u>	<u>Paurashava</u>
Chittagong	Chittagong
Sylhet	Sylhet* Habiganj* Moulavi Bazar*
Dhaka	Dhaka
Faridpur	Faridpur* Madaripur* Rajbari*
Mymensingh	Mymensingh
Barisal	Barisal
Khulna	Khulna
Rangpur	Rangpur* Gaibandha* Kurigram* Saidpur
Rajshahi	Rajshahi

* Indicates questionnaire data also available.

several UPs within a single TP so that the total public sector resources of the jurisdictions could be studied.

The sampling procedure followed here was to select a set of possible thanas prior to beginning the data-gathering effort. The field research officers then chose several thanas from among this list after discussions with ZP officials. In great part the choice was dependent upon the availability of lodging near the sites and the availability of transportation. Unions were selected randomly from those in the thana with the added constraint that local officials had been informed of the impending visits by the research officers. Throughout their travels the research officers carried letters of introduction provided by Ministry of Local Government officials and the Superintending Engineer (Works Programme). The Executive Engineer commonly provided the most sustained assistance throughout the course of work in a district. (Appendix A elaborates on the usual course of events which transpired during the Research Officers' field work within the districts.)

The paurashava sample was also selected on a non-random basis, again with transportation costs a primary consideration in the choice process. District headquarter paurashavas were included in the sample as were those which serve as sub-divisional headquarters. Since some ZP financial data were collected from divisional headquarter cities, these paurashavas (or municipal corporations) were also included.

Data Collection Instruments

Two types of data were collected from the sample of jurisdictions described above--financial information and questionnaire data. The

financial data were obtained from the accounts kept in the locality (except for some of the ZP data which were available at the divisional headquarters). The financial information was recorded on forms which were designed initially on the basis of field visits to a few jurisdictions in Faridpur and Sylhet in November 1981 and subsequently altered after field testing in Rangpur during March 1982.

In some locations it was not possible to obtain financial information for the entire time period of interest (1976/77 - 1980/81). In a few UPs there were no access to historical financial data while data were available in some local governments only for recent periods. Most commonly the records had been lost or destroyed, e.g., mutilated by rodents.

While financial records constitute a rich source of local government fiscal information, it is often necessary for purposes of analysis to supplement these data with additional factual information. For example, tax rates are not available directly from the financial accounts yet are crucial determinants of total tax yields. Such information must, therefore, be gathered from another source. The approach taken here was to obtain this information from personal interviews of the local government officials.

The subjective opinions of local government officials may also provide insight regarding the overall environment in which fiscal reforms must be implemented. For example, local government leaders may indicate that current statutory tax rate limits are too low, implying that an increase in the limits would not meet great opposition. Similarly, local officials

might argue that particular revenue instruments are nearly impossible to administer in which case administrative reforms should take high priority.

When a long-term data-gathering effort is required and when more than a single interviewer is used, a single data-gathering instrument must be employed to insure conformity of the information collected. Since four different types of local government units are included in this research, and since each of these governments perform different services and utilize different revenue mobilization instruments, four different questionnaires (ZP, TP, UP and paurashava) were designed.⁷

The questionnaire design was purposeful. Each begins with factual, non-threatening questions and then turns to more specific issues. There is often a tendency for a local government respondents to be reticent about responding to questions pertaining to financial affairs. By starting with the less threatening questions, a good rapport between interviewer and respondent is more likely to be established. This, in turn, increases the likelihood that the fiscal questions will be answered accurately.

Only after the factual and impressionistic data were obtained in these jurisdictions were the financial data requested. In spite of the letters of introduction, full cooperation was not always immediately forthcoming. It was sometimes necessary for the research officers to assure that the request for data was not for auditing purposes and that apparent poor fiscal performance would not be used against the local government or its officials. Overall, however, the degree of interest expressed in the work and the level of cooperation received were great.

Lessons Learned

Data collection efforts of this sort raise challenges but also provide lessons which might be useful in subsequent efforts in Bangladesh or other developing countries.

First, when investigating local government data, it must be anticipated that financial records will not always be complete, especially when the records are several years old. Given the paucity of resources available, often previous years' cash books, budgets and balance sheets are stored in a somewhat haphazard manner where they are subject to the ravages of rodents, weather, fire and careless handling.

Changes in formats and definitions of data categories over time create difficulties when compiling historically-based quantitative information. Again, shortage of resources can contribute to the data-gathering problem. For example, the central government may prescribe that a particular set of forms be used in formulating budgets and reporting financial conditions. However, if these forms are not provided centrally (because it is expensive to make them available to all local governments), they may not be used in all localities. Instead, forms may be constructed within the locality itself and, while these non-standard forms provide the necessary financial information to local decisionmakers, they are unlikely to be standardized across jurisdictions or over time. Individuals gathering the data must be sufficiently aware of basic accounting practices and the objectives of the study to compile the necessary information from that made available locally.

The need for knowledgeable data-gatherers raises a more general issue of how might these data be collected. It is important to distinguish between an initial effort as has been carried out for this research and longer term efforts at collecting similar data for all or nearly all local governments in the country.

For a study such as this, several alternative strategies are available. Among these are the use of a large cadre of data-gatherers similar to those employed in census taking; use of a small number of native speaking well-trained individuals; or use of foreign individuals. The experience in Bangladesh where two Bangladeshi doctoral students collected data argues for the second strategy. While a large number of local personnel could be involved in the effort, the previously documented need for judgment when coding data was the dominant reason for the utilization of more technically trained personnel. In addition, by employing native speaking individuals who will use the data for their own academic research it was felt that (1) officials would be more willing to comply with the data requests since they would be aiding the education of local students but with little fear that the results would be used in any way to evaluate job performance, and (2) the students themselves would have a vested interest in the accuracy of the data collected since their own educational progress would depend on the information.

Given what has been learned in this data collection process, subsequent efforts on a wider scale should be much more feasible. Forms could be prepared and, with only a short period of training, individuals experienced in gathering other types of socio-economic data, e.g., census

data-gatherers, should be able to complete a full local government census. Their tasks would also be much simpler if they were to concentrate only on a single year of data rather than the five years collected for this study. Bangladesh could, within only a few years, have as complete records of local government activity as exists anywhere.

Probably the most pressing problem faced in the entire data-gathering effort was that of logistics. This was exacerbated by the fact that the data were collected during the rainy season. Communication is always difficult and much of the road network serving these rural areas becomes totally impassible during this season. In addition, days of continuous downpour will dampen the spirit of any field worker and increases the incidence of physical ailments thereby impeding the collection process.

Conclusions

The primary purpose of this paper has been to document the data collection techniques used in conjunction with the Bangladesh Zilla Roads/Local Finance Project. The compilation of these data is one of the primary contributions of this research since there is no on-going effort to collect local government revenue and expenditure data from all local governments in the country. The Bangladesh Bureau of Statistics publishes some financial data but admits that its coverage is not uniform nor are the data for individual jurisdictions published. Probably the most complete set of local government data previously compiled were those used in the doctoral dissertation by A.I. Chowdhury.¹ However, his data were

collected for the years 1954/55, 1964/65 and 1974/75, which precludes analysis of annual changes in the fiscal fortunes of the local bodies.

The data collected here provide detailed information on revenues and expenditures for all zilla parishads, as well as a sample of 12 thana parishads, 42 union parishads and 15 paurashavas. While some observations were missing in this group of jurisdictions, for most it was possible to obtain data for the five years 1976/77 through 1980/81.

While this is a reasonably sized sample, there are admittedly weaknesses. The sample data of TPs and UPs were non-randomly drawn from three districts--Faridpur, Rangpur and Sylhet. Although we attempted to insure that not all sample observations were drawn from the small area, a non-random sample may yield results different from those obtained from a scientifically valid randomized sampling method. Likewise, even though the three districts are geographically dispersed, inferences drawn from analysis of these data must technically be restricted to these three districts rather than to the country at large.

It should also be recognized that data of the sort collected here have simply been drawn from the financial accounts of local bodies. This means that any errors in the data attributable to bookkeepers or accountants entering or auditing the data will remain. Likewise, there has been no attempt to audit the performance of the local bodies. That is, if an entry indicates that Tk. 750 have been spent on a bamboo bridge, we must assume that it was, in fact, spent for that purpose.

This paper has also pointed out some more general principles with wider applicability. First, in any financial data-gathering exercise one

must first survey the data collection environment. For analytical purposes it is desirable that the data reflect actual rather than budgeted amounts; that they have been audited by an independent auditing agency; and that the data be available in a consistent format. While centrally-collected data reduces the collection costs, traveling to individual jurisdictions allows one to obtain information not available from the accounts.

Once the data availability has been established, it is necessary to investigate the accounting procedures which underlie the numbers. An examination of the fund structure of accounts is crucial to ascertain whether interfund transfers are used and whether accounting is based on the cash or accrual method. Since a principal use of the financial data is to examine the fiscal health of local jurisdictions, the flows of income to, and spending from, the local government treasury must be examined. This, in turn, means that one must distinguish between measures of stocks such as opening and closing balances and the flows of revenues and expenditures.

Finally, the work here suggests that a local government census could be carried out on an annual basis in Bangladesh. Based on the findings from this study standardized forms could be designed which anticipate the variety of financial records found in local governments. Short-term training could be given to BBS census data-gatherers who could then carry out the data collection effort. Only then can the Government ascertain how the performance of local bodies is progressing and detect problems in reforms before they become severe.

ENDNOTES

1. See Lady Ursula Hicks, Development From Below (London: Oxford University Press, 1961), p. 9.
2. Some studies have been based on local financial data. For example, the World Bank has carried out research on cities in developing countries in which considerable amounts of actual jurisdictional data were used. See, for example, the series of case studies of urban public finance in cities around the world cited in Roy Bahl (ed.), "The Practice of Urban Property Taxation in Less Developed Countries," in The Taxation of Urban Property in Less Developed Countries (Madison: University of Wisconsin Press, 1979), pp. 45-47.
3. Amirul Islam Chowdhury, "Local Government Finance in Bangladesh," Ph.D. Dissertation, University of Wales, Aberystwyth, Wales (1978). Chowdhury notes that the severe data problems have "...so far discouraged most scholars from pursuing any large scale research on any aspect of local authorities in Bangladesh" (p. 15).
4. Larry Schroeder and Maniruzzaman, "Local Government Structure in Bangladesh," Interim Report No. 1, Local Revenue Administration Project, Metropolitan Studies Program, The Maxwell School (Syracuse, New York: Syracuse University, November 1982.
5. While the Rules Under the Basic Democracies Order were issued in 1960 and the Local Government Ordinance, 1976, repealed all previous laws, the Ordinance also provides (Chapter V, Paragraph 97(2)(b)) that "all rules, regulations, by-laws or orders made,..., and inforce immediately before repeal, shall, insofar as they are not inconsistent with the provisions of this Ordinance, continue in force...".
6. 1980/81 was the final year used since the data collection process began prior to the close of the 1981/82 fiscal year.
7. Due to their bulk we have not included copies of the questionnaires. They can, however, be obtained from the author.

APPENDIX A

COOPERATION RECEIVED AND PROBLEMS ENCOUNTERED
IN THE DATA GATHERING EFFORT IN BANGLADESH

Hasan Murshed and Muin Uddin

The Ministry of Local Government and the Superintending Engineer (WP) provided letters of introduction as well as telephone calls and telegrams to the Executive Engineer (WP) of the ZP informing him of our impending visit. On arrival at the zilla headquarters, our lodging and other necessary facilities were primarily arranged by the Executive Engineer (WP). In addition, he introduced us to the ZP and local paurashava officials, particularly those in the account sections so we could obtain the necessary financial data in these jurisdictions.

The Executive Engineer's role was crucial at lower-level governments as well. In almost all cases, the engineer contacted or forwarded a letter to circle officers (dev.) and paurashava chairmen prior to our visits. This saved time and effort and also reduced the number of questions faced by us regarding the purpose of our visits.

The COs helped in making arrangements and securing the assistance of UP government officials. The COs contacted the chairmen or secretaries of UPs and urged that their presence and cooperation be given to us during our visits. Most UP officials complied.

The officials we met were nearly always hospitable, courteous and cooperative. But this does not imply that no difficulties were encountered in our overall data collection efforts. Some of the problems include:

a) In some cases, officials were suspicious about the purpose of our visit. This created hesitancy on their parts in providing information.

b) Lack of cooperation was observed in some cases (particularly in lower-level governments) for unknown reasons. For example, the offices were found locked or the key individual was absent, despite prior information about the visit.

c) In some cases the concerned officials were unavailable because they were under Martial Law custody, or suspended or terminated in the wake of the proclamation of Martial Law.

d) Another difficulty experienced is the inconsistency in record-keeping systems in some of the local governments. This limited the availability of actual figures and completeness of the data.

e) Lack of transportation and other facilities prevented our visits to some places.

f) Frequent rains and floods created a transportation as well as a communication bottleneck.

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