

# *Public Money and Management*



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**Duties of an efficient Office-head**  
**Asif Ali**

**Enhancing Aid Effectiveness Harmonization,  
Alignment, Results and Mutual Accountability**  
**Muhammad Abdul Mazid**

**Government NGO Collaboration**  
**Elias Ahmed**

**Financial Management Academy (FIMA)**

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## Duties of an efficient Office-head

Asif Ali

Comptroller and Auditor General

1. The reputation and success of an office depend to a large extent on the person who heads the office. The failure of the office is also his liability. For example the responsibility of failure to produce good audit report lies with the CAG. Likewise the Controller General of Accounts, the Controller General Defence Finance, the Additional Director General (Finance), Bangladesh Railway, the Directors General of the audit directorates are liable for the failure of the respective offices they head.
2. For the same reason the office heads of the following offices are also responsible for the shortcomings of their offices:
  - Under the Controller General of Accounts
    - ✓ Chief Accounts Officers (CAO)
    - ✓ Divisional Controllers of Accounts (DCA)
    - ✓ District Accounts Officers (DAO)
    - ✓ Upzila Accounts Officers (UAO)
  - Under the CGDF
    - ✓ Senior Finance Controllers (SFC)
    - ✓ Finance Controllers (FC)
    - ✓ Heads of Field Pay Offices (FPO)
  - Offices under the Additional Director General (Finance) of Bangladesh Railway
    - ✓ Financial Adviser & Chief Accounts Officers (FA&CAO)
    - ✓ Divisional Officers
  - Director General, Financial Management Academy
  - Directors General, Audit Directorates
3. An assessment of the shortcomings of the CAG office will be as follows:
  - ✓ Poor quality audit report.
  - ✓ Public Accounts committee of the parliament has refused to accept audit report based on age old vouching audit. It might be mentioned here that the Public Accounts Committee has directed CAG to conduct performance audit and certification audit based on Entity Wide Audit approach.

- ✓ Certification of Finance accounts and Appropriation accounts by the CAG on the basis of poor quality audits.
4. Shortcomings of the CAO, DCA, DAO, UAO under the CGA can be ascribed to:
- ✓ Preparation of poor quality monthly accounts
  - ✓ Preparation of poor quality Finance accounts
  - ✓ Preparation of poor quality Appropriation accounts
  - ✓ Delay and error in preparation of Finance and Appropriation accounts
  - ✓ Allegations of irregularity, harassment and unethical activities due to poor quality of pre- audit
  - ✓ Harassment of the pensioners
  - ✓ Complaints regarding General Provident Fund deduction and improper entry, error/delay in issuing accounts slip
  - ✓ Delay and procrastination in issuing authority letter for release of funds.
5. An assessment of the shortcomings of the office of the CGDF and the offices under it will include the following points:
- ✓ Complaints of error and delay in payment of pay-allowances and pension
  - ✓ Poor quality of voucher audit in adjusting imprest money
  - ✓ Lack of information, error and delay in payment of pay-allowances pension due do failure in up-dating the entries of IRLA card.
  - ✓ Delay and procrastination in preparing correct Monthly and Appropriation accounts
6. Shortcomings of Additional Director General (Finance) of Bangladesh Railway and the offices under his control can be attributed to:
- ✓ Delay in passing of bills due to lack of proper pre-audit.
  - ✓ Delay in issuing authority letter for release of funds.
  - ✓ Delay in preparing monthly accounts
  - ✓ Delay and procrastination in preparing appropriation accounts.
7. An assessment of the shortcomings of FIMA will be as follows:
- ✓ No significant improvement in the performance of officers and staff of Audit and Accounts Department though multi-dimensional training programmes have been continuing for long.
  - ✓ The cost effectiveness of training cannot be determined since there is no system in place to get feedback from those who undertook training.

8. An assessment of the shortcomings of Audit Directorates might stress on the following:
  - ✓ Quality of audit is not satisfactory
  - ✓ Public Accounts Committee is not keen to accept audit reports based on age-old compliance and vouching audit techniques.
  - ✓ The failure to register a quick shift in audit approach from traditional vouching audit to performance audit, certification audit, social sector audit through entity wide audit has resulted in erosion of confidence in the effectiveness of audit by parliamentarians, civil society and donors.
  - ✓ Absence of intensive and effective audit has increased the financial distress and sufferings of helpless clientele groups including pensioners.
  - ✓ Instead of being a positive force audit has assumed a negative role in national context due to erosion of faith in ethical and moral values
  
9. The sorry state of affairs portrayed thus far can be ascribed to the failure of office-head in terms of inefficiency, inactively and inability to give leadership. The office of a competent office-head is bound to produce success. The driving force for the head of an office in running his enterprise consists of following:
  - ✓ manpower
  - ✓ logistics
  - ✓ policy
  - ✓ austerity
  - ✓ leadership
  
10. In order to ensure proper utilization of manpower, stress needs to be given on following points:
  - ✓ Balanced distribution of work
  - ✓ Steps are to be taken for fresh recruitment if existing manpower is less than sanctioned strength on one hand
  - ✓ On the other hand this problem can be addressed by making adjustment of manpower with sections where volume and urgency of work is less. In such cases there will not be any problem since the total manpower of the office has remained limited within the overall sanctioned strength of the office though manpower may have exceeded the sanctioned strength in certain sections. Head of the office may take such temporary measures in the interest of the

office.

- ✓ Head of the office should give continuous directions with stress on ensuring office attendance, discipline, officer-staff like behavior, courteous attitude towards the service-seekers and immediate solution of problems.
- ✓ He should maintain a sensitive attitude towards the human-side of the manpower.
- ✓ In order to increase the efficiency level, of staff, opportunity should be availed of getting institutional training at FIMA and other organizations along with organizing continuous in-house training in own organization.
- ✓ Regular presentation sessions should be arranged on complicated issues arising from day to day affairs of the office.
- ✓ Head of the office should not confine himself within the four walls of his office room. Rather he should regularly visit the sections, enquire about the well-being of the officers and staff and make all out efforts to solve their problems.
- ✓ Besides the meetings with the officers, meetings should also be arranged with staff members at least on a bi-monthly basis to exchange views and involve them in the management of the office.
- ✓ Farewell function should be held for staff members going on leave preparatory to retirement or being transferred to other offices besides according farewell to officers on similar occasions.
- ✓ Manpower should be motivated for recreation, sports, cultural and social welfare activities by activating the sports and welfare committees through proper patronization.

11. Following steps should be taken in respect of office logistics:

- ✓ Availability of all logistics in accordance with Table of Office Equipment (TOE) should be ensured.
- ✓ If there is a shortage of logistics due to lack of budget allocation, guidance should be provided for maximum utilisation of the existing logistics followed by proper monitoring.
- ✓ Additional budget allocation should be sought from the Ministry of Finance through proper channel for acquiring logistics of extreme importance (computers etc.)
- ✓ Serviceable logistics, which are available in the store, should immediately be brought into use.
- ✓ Unserviceable logistics, which are available in the store, should immediately be written off in accordance with rules and regulations.



- ✓ Depreciation accounts of all machinery and equipment should be maintained.
12. Proper planning should be made based on the following strategy:
- ✓ Objectives of the office should be clearly identified followed by setting of targets to achieve those objectives
  - ✓ Financial year should be defined time frame and budget allocation of the office should be defined as financial capacity while moving forward
  - ✓ A comparative analysis of the present situation has to be made based on a review of the performance of the office over the last several years.
  - ✓ Weak and vulnerable sections of the office should be identified and ways should be explored for bringing those out of that state
  - ✓ Inefficient and inactive manpower should be identified followed by measures to make them active by enforcing existing disciplinary rules and regulations
  - ✓ In order to increase the efficiency level of existing manpower continuous in-house training in own office and institutional training at FIMA and other organizations should be arranged on regular basis.
  - ✓ Review meetings should be arranged after every three months for discussing the achievement and non-achievement of the office.
  - ✓ Continuous communication and exchange of views should be made with other offices controlled by CAG in order to supplement each other in sharing of information, expertise and experience.
  - ✓ Utilisation and expansion of IT facilities should be ensured in the office. Manpower should be given proper training on IT.
13. Following steps should be taken for observing austerity in office:
- ✓ All expenditure should be kept limited within budget allocation. Budget is allocated on annual basis whereas expenditure occurs on a monthly basis, so the trend of expenditure should be monitored intensively
  - ✓ Priority should be set for incurring expenditure
  - ✓ Expenditure should be controlled based on financial rules and regulations
  - ✓ Electric lights, fans, air coolers should be switched off if the office room/section remains vacant during office hours
  - ✓ Wastage of water should be prevented while performing ablution for prayers
  - ✓ The policy of better goods at better price should be adhered to while purchasing goods.

- ✓ Old furniture, chairs and tables should be used after repairs and remodeling by the carpenter.
- ✓ Number of telephone calls should be curbed.
- ✓ Expenditure on fuel of vehicles should be curbed.

14. Head of office should set the following examples of leadership role

- ✓ He should come and leave the office in prescribed time. If he comes late the subordinates will laugh at him and they will also start coming late.
- ✓ He should work hard. No one obeys the head of an office who shirks his duties. Even if they show apparent respect to him, they make derogatory remarks about him while talking among themselves.
- ✓ All files should be given disposal on a daily basis leaving not a single one unattended.
- ✓ Urgent drafts should be written by the head of office himself.
- ✓ Urgent mail (dak) of the office should be seen by the head of office himself.
- ✓ Necessary instructions should be written immediately on the corner of the Dak.
- ✓ Necessary directives should be given in writing on the body of letters received everyday.
- ✓ In the case of urgent mail (dak) concerned official should be summoned and necessary instructions should be given immediately.
- ✓ Disposal of work has to be expedited through telephonic conversation with concerned people immediately after studying the mail (dak)
- ✓ Necessary instructions should be written on the mail (dak) and sent to the subordinate office by the peon, setting aside traditional way of disposal of jobs through sending files. In such cases personal assistant/secretary of the head of the office should keep a photocopy of the mail (dak).
- ✓ Head of the office should maintain a daily diary book. Instructions given through the Dak pad and date of compliance should be recorded in that diary besides the dates of meeting and audience with visitors.
- ✓ Time and date for compliance of each instruction should be recoded in the diary.
- ✓ Any work related to the office should be written down in the diary once they come into mind even at home or anywhere else. These

works should be executed on arrival at the office.

- ✓ Moral integrity should be strictly maintained in personal life.
- ✓ He should set examples before giving any instruction to any one by doing that himself. Otherwise people will mock at him.
- ✓ Sometimes lighthearted conversations might take place with the subordinates.
- ✓ He should talk on religious issues sometimes.
- ✓ He should not adopt unethical approach in life.

15. Assuming charge of an office means becoming custodian of a commitment. The responsibility of running the whole office and directing its workforce is vested in him. As the son of an unwise father may follow the footprint of his father, the office, headed by an incompetent boss is also likely to yield inadequate output. Nothing good can be expected of an office whose head fails to guide his subordinates in terms of getting motivated, inspired, becoming sincere and hardworking, developing helping attitude toward service-seekers and adopting human approach in life. An office is bound to be influenced in its entirety by the office-head. Even from religious point of view he will be held accountable on the day of judgement.

## **Enhancing Aid Effectiveness Harmonization, Alignment, Results and Mutual Accountability\***

**Muhammad Abdul Mazid\*\***

Aid effectiveness has always been fundamental to the case for higher value. However, while aid has brought many benefits to partner countries, it has also brought not deliberated burdens. For example, policies and requirements of development partners are usually different from each other and from those of the partner country. This has often led to priorities that are not aligned with country needs, misdirection of efforts, inconsistent systems and programmes, information gaps, avoidable duplication, and waste. Donor practices have often been observed as to undermine, rather than bolster the effectiveness of, countries' own systems and institutions. Country aid surveys shows that, in addition, the sheer numbers of procedures, reports, and visiting missions that partner countries have to handle every year entail severe costs, particularly the opportunity cost of tying up scarce national managerial and political talent that could have been used to plan and implement development programmes. All of these represent resources that could have been used to reduce poverty, educate children, save lives, and promote growth.

As the world has become more aware of the serious and growing-dimensions of the development challenge, it has realised that more and better aid is needed for greater development impact. Thus the need to provide and use aid as effectively as possible has been raised to the top of the development agenda. One expression of this concern occurred when the world's leaders issued the Millennium Declaration setting out the MDGs, a set of eight priorities for

\* The paper is based on his study in the Organisation for Economic Co-operation and Development (OECD)'s Development Assistance Committee (DAC) working party on aid effectiveness, of which the author is a member representing (as one of the fourteen partner country membership) Bangladesh. The author acknowledges the support of the OECD/DAC for the honour bestowed upon him to represent Asia-Pacific nations in the Steering Committee of the Paris High Level Forum, March 2005 which adopted Paris Declaration on Aid Effectiveness, and for inviting him in the drafting Committee of the Paris Declaration. Views expressed in the paper are those of the author and do not necessarily reflect the views of his official position or of the GoB.

**\*\* Member (in charge), Planning Commission**

Aid receiving countries are now known as partner countries while donors are their development partners. It seems a honourable synonym of lender and borrower. To increase readability, this report uses development partners or "donors" to refer to bilateral donors and to international institutions providing development financing, concessional and non-concessional. Similarly, while "development co-operation" better conveys a spirit of partnership and co-operation, the term "aid" is also frequently used in this report for purposes of brevity, to refer to both concessional and non-concessional assistance.

guiding partner countries' development programmes and donor assistance to make a real difference in reducing world poverty. Another expression has been the growing efforts of all parties, donors and partner countries alike, to find ways to use aid resources better-both existing aid flows and the increased flows that are expected to result by harmonising and aligning their policies and procedures and by a focus on the results to be achieved. Beyond this is a broader concern to help partner countries develop their systems and institutions so that they can use all their resources-not just the relatively small external aid component-more effectively to the benefit of their people.

### **Partnership Commitments**

In the late 1990s, awareness of the costs of aid impelled the development partners and the partner countries as well to give much greater attention to finding ways to work more effectively together. In particular, representatives of the bilateral donors, the Multilateral Development Banks (MDB), and partner countries, under OECD/DAC arrangements, worked in technical groups to define sets of policies and procedures that all could agree on as good practice standards or principles. This work covered a range of areas: donor cooperation, country analysis, financial management, procurement, and environmental assessment. The aim was for donors and partner countries alike to use these good practices as a basis for harmonizing their own policies and procedures.

In the Monterrey Consensus (2002), the global community affirmed the importance of development to the world's well-being. The consensus called on developing countries to strengthen their commitment to policies and institutions that can stimulate growth, reduce poverty, and achieve the

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1 Eight priorities, known as MDGs are (1) Eradicate extreme poverty and hunger, (2) Achieve universal primary education, (3) Promote gender equality and empower women (4) Reduce child mortality (5) Improve maternal health (6) Combat HIV/AIDS, malaria and other diseases, (7) Ensure environmental sustainability and (8) Develop a global partnership for development

2 The DAC working party on aid effectiveness comprises the task team on harmonisation and alignment; joint venture on public financial management; Joint Venture on Managing for Development Results; Joint Venture on Procurement; and Special Session on Aid Untying. Its participants include 23 DAC Members (bilateral donors and the European Commission), 4 Regional Development Banks (the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank), the World Bank, IMF, SPA (Strategic Partnership for Africa), UNDP, UNAIDS, the Global Fund to fight AIDS, Tuberculosis and Malaria, and fifteen partner countries (Bangladesh, Bolivia, Cambodia, Ethiopia, Fiji, Kyrgyz Republic, Morocco, Mozambique, Nicaragua, Niger, Senegal, South Africa, Tanzania, Vietnam, and Zambia)

Millennium Development Goals (MDGs). It called on developed countries to provide more and better aid, as well as improved trade and debt policies. As part of the follow-up to Monterrey, in February 2003, representatives of 74 donor and partner countries, bilateral and multilateral development institutions, and regional organizations met in Rome at the High-Level Forum on Harmonisation (Rome HLF) to make plans for applying good practice principles at the country level. Donors committed to align development assistance with partners' strategies, harmonise donors' policies and procedures, and implement principles of good practice in development cooperation.

In February 2004, delegates representing over 50 countries and 20 international organisations met in Marrakech, Morocco, for the second International Roundtable on Managing for Development Results, to forge a shared understanding of the principles of managing for development results and to discuss ways to build on that progress going forward. They agreed to aligning cooperation programmes with desired development results, to defining how aid is expected to contribute to them and to relying on and strengthening partner countries' monitoring and evaluation systems in order to track progress. Together, these international agreements define key goals and objectives for the aid effectiveness agenda and led to adoption of agreed action plan in Second HLF Meetings (March, 2005) known as Paris Declaration on Joint Progress towards Aid Effectiveness: Harmonization, Alignment, Results and Mutual Accountability.

In the Rome declaration, the international development community attached high importance to a country-based approach, emphasising country ownership and government leadership and engaging civil society, including the private sector. The declaration recognized the diversity of aid modalities; and committed donors and partner countries to an ambitious programme of actions in five broad areas: (a) aligning development assistance on partner countries' national development strategies, priorities, and systems; (b) streamlining and harmonising donor policies, practices, and procedures; (c) implementing good practice principles in development assistance delivery, including through delegated cooperation; (d) increasing the flexibility of country-based staff to manage country programmes; and (e) developing incentives within donor agencies to foster management and staff recognition of the benefits of harmonisation.

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<sup>1</sup>The Paris Declaration on Aid Effectiveness was endorsed on 2 March 2005 at the Second High Level Forum by more than 100 donor and developing countries and multilateral agencies. The Paris HLF assessed the progress in harmonisation and alignment and in managing for results, and identified factors that contribute to and hinder progress. And they agreed to commit to specific high-impact actions to accelerate implementation.

The Marrakech Memorandum complemented the Rome commitments by putting the focus on results at the centre of the development community's work, including in the areas of harmonisation and alignment. As the development community took on the challenges of working toward the MDGs, global attention focused increasingly on performance and the need for management strategies to enhance the achievement of outputs, outcomes, and impacts—that is, managing for development results. Accordingly the MDBs, OECD/DAC, the United Nations, and partner countries began focusing more on ways to build countries' demand for and capacity to adopt results-based approaches; on the need for donors to offer coordinated support for capacity building and to harmonise approaches to results measurement, monitoring, and management; and on ways for aid agencies to develop results-focused corporate cultures and incentives, as well as corporate reporting systems. This results agenda generates broader expectations that development actors can be accountable for the effectiveness of their work; at the same time, however, it compels all parties to think in terms of their collective impact on lasting poverty reduction, not just their separate responsibilities as temporary trustees of a limited slice of funding. It implies a cultural change in the aid system, long used to emphasising efficient input delivery and compliance with individual institutional mandates.

The Paris declaration resolved to take far-reaching and monitorable actions to reform the ways to deliver and manage aid, recognized that while the volumes of aid and other development resources must increase to achieve the MDGs, aid effectiveness must increase significantly as well to support partner country efforts to strengthen governance and improve development performance, reaffirmed commitments made at Rome to harmonise and align aid delivery, reaffirmed commitment to accelerate progress in implementation, especially in the areas like strengthening partner countries' national development strategies, increasing alignment of aid with partner countries' priorities, eliminating duplication of efforts and rationalising donor activities to make them as cost effective as possible, reforming and simplifying donor policies and procedures to encourage collaborative behaviour, defining measures and standards of performance and accountability of partner country systems in PFM, procurement, fiduciary safeguards and environmental assessments etc.

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<sup>1</sup> The Government of Bangladesh has initiated steps on adopting Standard Auditing and Accounting System in the Corporate Sector through the enactment of Financial Reporting Act for establishing Financial Reporting Council.

**Table-1: Indicators of (Paris Declaration) Progress**

INDICATORS		BASELINE AND TARGETS FOR 2010	
1	OPERATIONAL DEVELOPMENT STRATEGIES	BASELINE	90% on the basis of CDF analysis
		TARGET	At least 75% of partner countries have operational development strategies
2a	RELIABLE COUNTRY PUBLIC FINANCIAL MANAGEMENT SYSTEM	BASELINE	Not Applicable
		TARGET	Half of the partner countries moves at least one measure ( i.e. 0.5 points) on the PFM/CIPA scale of performance
2b	RELIABLE COUNTRY PROCUREMENT SYSTEMS	BASELINE	Not Applicable
		TARGET	One third of partner countries move up at least one measure ( i.e. from D to C, C to B or B to A) on the four point scale used to assess performance for this indicator
3	AID FLOWS ARE ALIGN ON NATIONAL PRIORITIES	BASELINE	90% on the basis of IMF's indicative baseline survey
		TARGET	Halve the Gap- halve the proportion of aid flows to government sector not reported on government's budgets (with at least 85% reported on budget)
4	STRENGTHEN CAPACITY BY COORDINATED SUPPORT	BASELINE	27% on the basis of WB's indicative baseline survey
		TARGET	50% of the technical cooperation flows are implemented through coordinated programmes consistent with national development strategies.
5a	USE OF COUNTRY PFM SYSTEMS(% OF AID FLOWS)	BASELINE	Not Available
		TARGET	Reduce the gap by two thirds- a two thirds reduction in the proportion of flows to the public sector not using partner countries PFM system
5a	USE OF COUNTRY PFM SYSTEMS(% OF DONORS)	BASELINE	Not available
		TARGET	100% of donors use partner countries' PFM systems
5b	USE OF COUNTRY PROCUREMENT SYSTEMS (% OF AID FLOWS)	BASELINE	Not Available
		TARGET	Reduce the gap by two thirds- a two thirds reduction in the proportion of flows to the public sector not using partner countries procurement systems



5b	USE OF COUNTRY PROCUREMENT SYSTEMS (% OF DONORS)	BASELINE	Not Available
		TARGET	90% of donors use partner countries' procurement system
6	AVOIDING PARALLEL IMPLEMENTING STRUCTURES	BASELINE	Not Available
		TARGET	Reduce by two-thirds the stock of parallel PIUs
7	AID IS MORE PREDICTABLE	BASELINE	80% on the basis of WB's indicative baseline survey
		TARGET	Halve the Gap-halve the proportion of aid not disbursed within the fiscal year for which it was scheduled
8	AID IS UNTIED	BASELINE	41% of aid flows are untied
		TARGET	Continued progress overtime
9	USE OF COMMON ARRANGEMENTS FOR PROCEDURES	BASELINE	43% on the basis of WB's indicative baseline survey
		TARGET	66% of aid flows are provided in the context of program based approaches
10a	JOINT MISSIONS	BASELINE	15% on the basis of WB's indicative baseline survey
		TARGET	40% of donor missions to the field are joint
10b	JOINT COUNTRY ANALYTIC WORK	BASELINE	30% on the basis of WB's indicative baseline survey
		TARGET	66% of country analytic work is joint
11	RESULTS ORIENTED FRAMEWORKS	BASELINE	40% on the basis of CDF analysis
		TARGET	Reduce the gap by one third-Reduce the proportion of countries without transparent and monitorable performance assessment framework's by one third'
12	MUTUAL ACCOUNTABILITY	BASELINE	9% on the basis of WB's indicative baseline survey
		TARGET	100% of partner countries have mutual assessment reviews in plac

Together, the Rome, Marrakech and Paris commitments can be summarised in three broad areas:

Ownership: The development community would respect the right-and responsibility-of the partner country itself to establish its development agenda, setting out its own strategies for poverty reduction and growth. Partner countries would embrace the principles of managing for results, starting with their own results-oriented strategies and continuing to focus on results at all stages of the development cycle-from planning through implementation to evaluation.

*Alignment:* Donors would align their development assistance with the development priorities and results-oriented strategies set out by the partner country. In delivering this assistance, donors would progressively depend on partner countries' own systems, providing capacity-building support to improve these systems, rather than establishing parallel systems of their own. Partner countries would undertake the necessary reforms that would enable donors to rely on their country systems.

*Harmonisation:* Donors would implement good practice principles in development assistance delivery. They would streamline and harmonise their policies, procedures, and practices; intensify delegated cooperation; increase the flexibility of country-based staff to manage country programmes and projects more effectively; and develop incentives within their agencies to foster management's and staff's recognition of the benefits of harmonisation. In an expected situation Partners begin by setting the agenda for achieving development results (such as the MDGs), and donors respond to this lead by aligning their support with the countries' results-oriented strategies and relying on partners' systems. At both of these levels, capacity strengthening and institutional development are essential. Donors initiate the complementary actions of establishing common arrangements, simplifying procedures, and sharing information. From both end, a focus on results is essential: the country's development agenda must be oriented toward the growth and poverty reduction results it expects to achieve.

There is none to deny the fact that aid effectiveness requires partner countries to take leadership in framing their development priorities in terms of specific results, then orchestrating inputs from donors toward those priorities. An increasing number of countries are showing such leadership in setting their agendas. However, evaluations of this agenda-setting process, which is still evolving, point to the need to invest more and better in partner country capacity to build feasible strategies; embed these strategies more firmly in national processes such as the budget; and draw the legislature and other stakeholders further into the consultative process

### **The Strategies**

Countries often set out their development priorities and strategies in a planning document that serves both as a formal declaration of their commitment to these priorities and a yardstick for measuring results. For low-income partner countries, since 2000 the Bretton Woods institutions have required a Poverty Reduction Strategy (PRS) or equivalent national development framework as a prerequisite to access to debt relief and

concessional funds. UN agencies and, increasingly, bilateral donors have also made such strategies central to their development cooperation, including their harmonization and alignment efforts. A PRS is expected to specify clear priorities and to set out the time-bound policy actions and other actions, including mobilizing domestic and external resources that are needed to achieve those priorities. Ideally, in developing such a document a country clarifies its development goals, carries out broad-based domestic consultations to generate ideas and support for them, and specifies how it expects to achieve its goals as well as its plans for monitoring and evaluating progress.

The PRS and similar processes have helped in setting out policy priorities for growth and poverty reduction and have paved the way to strengthen the strategic process of budgeting. However, ensuring that the resources of both donors and the partner country are allocated to key policy priorities remains a challenge. The use of a medium-term perspective to guide the allocation of resources to priorities (the medium-term expenditure framework, or MTEF) has been widely recommended. An effective MTEF requires both political endorsement of strategic spending priorities and linkage to a budget process capable of executing those decisions. It also assesses the feasibility of meeting commitments for investment and recurrent costs over time. Institutional reforms to develop an MTEF are being implemented in at least 41 partner countries, including most of those using a PRSP. A review of experience suggests that the main challenge in using the MTEF for resource allocation is: the absence of a modern functional budget classification, laws that establish a disciplined budget preparation calendar: and budget controls that provide some assurance of plans being executed. As donors move toward better coordinated support for country-owned reform of public expenditure management combined with a performance assessment framework to guide reform efforts, the prospects for pragmatic MTEF reforms are there.

### **Harmonization Action Plans**

Being encouraged by the partnership commitments, some partner countries as part of their implementation strategies have developed and some are developing harmonisation action plans (see Table 1) that are set out in time-bound format, with responsibilities assigned to specific government agencies and donors or clusters of donors. In some countries, these plans are addressing harmonisation concerns at the sector and project levels. In some of the action plans, governments have stated their intent to move in given areas to have fewer donors interacting with government, and greater

pooling of both funding and other activities.

**Table 2: Harmonisation Action Plans since Rome**

Action plan	Draft plan	Under preparation
Cambodia (November 2004)	Bangladesh	Bolivia
Nepal (May 2004)	Dominican Republic	Fiji
Nicaragua (October, 2004)	Ethiopia	Kenya
Niger (Jun 2003)	Serbia	Kyrgyz Republic
Rwanda (December 2003)		Mongolia
Tanzania (January 2003)		
Vietnam (May 2004)		
Zambia (April 2004)		

**SOURCE:** Report on Aid effectiveness for the Second High Level Forum Review of Progress, Challenges, and Opportunities, OECD, PARIS, MARCH, 2005

Some countries have continued and built on broad-based harmonization and alignment activities that began before the Rome Declaration. In Mozambique, for example, donor coordination around direct budget and other forms of programme support that started in the mid-1990s has continued to evolve. In Bangladesh, harmonization efforts were mutually agreed and supported through participation in the UN Aid Accountability Project (1992-1994), the implementation of a health sector SWAp (1998-2003), and the formation of a joint Government/donor group on aid governance (January 2003).

### Issues to resolve

#### *Conditionality and Aid*

Donors often impose conditions to ensure that the funds they provide are being used for the intended purposes. In providing programme support, the Bretton Woods institutions often include macroeconomic and structural reform requirements, while bilateral donors may include political conditionality. Over time, the layering of conditions, their complexity, and in many cases, the inconsistency among them have become problematic. In addition, there is a tension between country ownership and donor accountability. Conditionality imposed by donors is, reportedly found, not consistent with real country ownership of the development process and has a relatively low chance of sustained implementation. To address this issue, donors were to have been more disciplined in (a) limiting the number of

conditions to those that are essential; (b) focusing the conditions on key priorities in the PRS or equivalent processes; and (c) developing the conditions in close dialogue and collaboration with the government.

It is as important to note that donors and partners are accountable to each other for the effectiveness of their work, but it is also important to tighten the link between aid and the downward accountability of both partner governments and donors to citizens. Donors may strengthen mutual accountability by providing comprehensive, timely, and transparent information on aid flows, while partners are to improve the quality, coverage, timeliness, and disclosure of public financial reports on the use of both domestic and foreign resources. In areas such as timely disbursement, donors may agree on an assessment framework covering their own performance (in line with the performance framework used to judge partner performance in the PRS or equivalent process); on a process for conducting this assessment; and on accepting accountability for assessment results. Donors and partners together could consider establishing an independent monitoring mechanism to ensure mutual accountability.

Effective leadership of a broad donor pool can tax scarce government capacity in partner countries, especially in low-income countries that have overstretched administrations or large numbers of donors. For partners to feel encouraged to make the necessary commitments, donors need to support national capacity to frame, implement, and monitor development strategies and adopt effective aid management practices (see Box 1).

#### **Box-1**

**Aid Effectiveness and Capacity Development** Capacity development is about enhancing partner countries' ability to formulate suitable policies, establish and maintain effective institutions, and acquire and use the human skills they need. When done correctly, these three aspects of capacity development complement and reinforce one another. Technical co-operation is an important vehicle for supporting such capacity development: each year the international donor community spends approximately US\$7 billion for technical co-operation to partner countries. The 2002 DAC Needs Assessment suggested that there is considerable scope for donors to improve the effectiveness of their support for capacity development-including technical assistance, much of which is still tied-by

better alignment and harmonization. The 2003 UNDP-led multi stakeholder research on technical cooperation has identified the following 10 principles for capacity development that can help policymakers and practitioners pursue effective capacity building:

Don't rush.

Respect the value system and foster self-esteem.

Scan locally and globally; reinvent locally.

Challenge mindsets and power differentials.

Think and act in terms of sustainable capacity outcomes.

Establish positive incentives.

Integrate external inputs into national priorities, processes, and systems.

Build on existing capacities rather than creating new ones.

Stay engaged under difficult circumstances.

Remain accountable to ultimate beneficiaries.

**SOURCE: Report on Aid effectiveness for the Second High Level Forum Review of Progress, Challenges, and Opportunities, OECD, PARIS, MARCH, 2005**

### *Unpredictability of Aid*

Another important issue to ponder that when aid is unpredictable, it is harder for governments to exercise effective leadership in countries' development processes; the result may be missed opportunities and stop-and-go policies that hinder growth and poverty reduction. This means that it is important for donors to communicate as candidly as possible with partner countries about the likely size of the budget envelope they will provide, and to ensure that their financial resources will be transferred to the country on a predictable schedule. Donors may programme aid over a multiyear framework, aligned with partners' financial horizon. Expected flows (all aid, without exception, should be captured on the partner budget, even where not channelled through its treasury) should be disclosed and any triggers for their reduction or suspension. Conditions could be adapted to make aid more predictable, and commit to disburse funds on schedule, once conditions are met. It is equally important that partners should build up effective, accountable management systems for raising and using public resources. It is also needed to reinforce tax systems, improve fiscal

planning, and link it firmly to development results.

### *General pattern of Aid Alignment*

The general evolving pattern that emerges from a recent survey<sup>1</sup> that in countries where the government actively drives the development agenda and articulates its harmonisation and alignment issues (in the PRS or equivalent processes), donors respond by intensifying their efforts to harmonise and align their activities on the ground. Often a joint group of local development players is formed under government leadership, through which like-minded donors align their support programs with the country's policy priorities and coordinate these programs with each other. Together with the government, these groups also often establish a formal common performance assessment framework (PAF) based on a limited set of indicators derived directly from the PRS. Such frameworks can facilitate early commitments of aid, the integration of these commitments into the budget formulation process, and the frontloading of aid disbursements within the fiscal year to enhance the predictability of aid flows. The process and evolution of alignment to country-owned results is aided when donors' results-based country programming explicitly links donor assistance to intended results. In fragile states, the range of actors-humanitarian, diplomatic, military-with divergent objectives and approaches means that common strategy development may be more challenging, but it is also more important.

One aspect of aligning around the partner country's priorities is how the aid is provided. Project support remains the dominant aid instrument in most partner countries and will continue to be important. The challenge will be to ensure that such support is provided according to good practice principles and that it is integrated into and aligned with countries' sector programmes and Medium Term Expenditure Frameworks (including projected recurrent costs). In addition, some donors in several countries are increasingly shifting from stand-alone project aid to participation in sector-wide programmes and budget support.

### **Ingredients of Alignment**

#### *Sector-wide Approaches*

A SWAP is an approach to providing support that has the following

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<sup>1</sup> Strengthening IMF-World Bank Collaboration on Country Programs and Conditionality: Progress Report, February 24, 2004.

characteristics: a clear sector policy, with targets defined in qualitative and quantitative terms; a formalised process of donor coordination, with agreed roles and rules; a medium-term expenditure programme, matching sources and uses of funds; a results-based monitoring system for all major inputs, outputs, and outcomes; and, to the extent possible, common implementation systems (e.g., for reporting, disbursing and financial management). The instrument facilitates implementing projects and programs in a coordinated manner using both project and budget support. SWApS are becoming one of the most important vehicles for crystallizing and facilitating harmonisation and alignment on the ground across a wide range of different participants. They have been effectively used in both low- and middle-income countries, in a range of sectors-for example, health, education, infrastructure such as roads or water-and as a way to support streamlining and strengthening government systems. Recent reports suggest a significant increase in the number of SWApS approved or under preparation. For instance, of the 60 countries monitored on the aid harmonisation website, 26 report ongoing SWApS or preparation of SWApS with support from bilateral agencies. Over the last decade the World Bank has participated in about 30 SWApS in some 20 mainly low-income African and Asian countries, and it has more under preparation. The UN also reports increasing involvement in SWApS to provide both policy advice and capacity development support. Box below briefly describes some recent SWApS.

#### Box-2

##### Examples of SWApS

*Albania.* In April 2004, Albania agreed with the Infrastructure Steering Group (EC, EIB, EBRD, the Council of Europe Development Bank, and the World Bank) to pilot SWApS in the transport sector.

*Bangladesh.* Led by the Asian Development Bank, several bilateral agencies and the World Bank are providing support for primary education through a SWAp (2003), using Bangladesh's newly upgraded procurement system for 85 percent of this work. The SWAp replaces the previous primary education operation, under which 13 donors supported over 27 different projects through approximately 30 different accounts, with separate donor arrangements for procurement and financial arrangements.

*Bolivia.* Under an education SWAp, development partners are helping to strengthen government leadership through an interagency committee,



chaired by the Ministry of Education and embedded in the structures of the Ministry that coordinates all external assistance for the education sector.

*Brazil.* Under the Bolsa Familia SWAp (2004), the Government is integrating several federal programs to support the poor into one comprehensive program identifying synergies in health, education, and nutrition. Program implementation has been streamlined into a single administrative and management mechanism integrated into government structures and coordinated by the newly established Ministry of Social Development.

*Kenya.* In 2004 the Government began preparing a possible SWAp in governance, justice, and law and order with about 17 donors, some contributing basket funds and others providing direct project/program input.

**SOURCE:** Report on Aid effectiveness for the Second High Level Forum Review of Progress, Challenges, and Opportunities, OECD, PARIS, MARCH, 2005

### ***Budget Support.***

For an increasing number of donors, budget support is emerging as an important modality for greater alignment and harmonisation, because it provides direct support, at the economy wide or sectoral level (usually as part of a SWAp), to the government's own budget and priorities. This fosters institutional development, particularly in public financial management and increases accountability by underscoring the budget's role as the statement and tool of government policy. Budget support is often structured around a matrix of performance measures developed by concerned donors with the partner government (as in Bangladesh, Mozambique, and Tanzania) or as part of a financing package involving the Bretton Woods institutions. In several fragile states, particularly ones emerging from conflict (e.g., Afghanistan, Bosnia-Herzegovina, Timor Leste, West Bank/Gaza), budget support is being provided through multi donor trust funds. In some fragile states with inadequate capacity to mobilise domestic resources, budget support has been found important to pay salaries of civil service, with appropriate safeguards where governance is not yet sufficiently strong.

## *Use of Country Systems*

One of the best ways for donors to improve the effectiveness of their aid is

### **BOX-3**

**COUNTRY SYSTEMS** means the range of frameworks and arrangements that together form the basic fiduciary standards of any modern government-its core "soft" infrastructure. Country systems usually include the following:

- National budget processes and planning cycles; medium-term expenditure frameworks and related management and monitoring systems.
- Accounting, financial reporting, and auditing arrangements.
- Public procurement rules.
- Project and programme monitoring and evaluation systems.
- Environmental and social impact assessments.

not to insist on tailor-made systems for their funds but rather to rely on the country's own systems

Wider use of country systems would require agreement on criteria against which systems should be assessed. There has been some notable progress in three areas of the work on country systems-financial management, procurement, and environmental and social aspects.

### **Financial Management**

For both development and fiduciary purposes, it has been recognised the donors need to work with partner countries to develop a performance measurement framework for public financial management (PFM). The PEFA secretariat of WB and the Joint Venture on Public Financial Management of the OECD/DAC Working Party have developed a set of performance indicators (drawing on indicators the World Bank and IMF had previously developed) that would be generally accepted by donors and partner countries. These indicators are being refined and tested in a range of countries, which cover the following areas:

- Public financial management out-turns: e.g., aggregate fiscal deficit compared to the original approved budget, and composition of budget expenditure out-turns compared to the original approved budget.
- Key cross-cutting features-comprehensiveness and transparency: e.g., comprehensiveness of aggregate fiscal risk oversight and inclusion in budget reports of all significant expenditures whether funded by government or donors.

- Budget cycle: e.g., multiyear perspective in fiscal planning; the budget formulation process.
- Budget execution: the effectiveness of cash flow management from planning to monitoring, including consistency with original/ revised budgets.
- Accounting and reporting: e.g., timeliness and regularity of data reconciliation, in-year budget execution reports, external accountability, audit, and scrutiny, including follow-up.

### **Procurement**

The Joint Venture on Procurement of the OECD/DAC Working Party involves both donors and partner countries, has developed an integrated set of strategies and tools for strengthening partner country procurement systems. The indicators were designed specifically to feed into and support the PEFA and PFM indicators described above. Baseline indicators and monitoring and evaluation systems based on generally accepted international standards to assess partner country procurement systems and monitor their ongoing performance using appropriate performance indicators. A more strategic approach to capacity development that views procurement as a complex system with a wide range of stakeholders imposing various constraints. This approach emphasizes the importance of country leadership, is linked to the initial baseline indicator assessment, and involves close and flexible monitoring and evaluation.

A strategic framework for "mainstreaming" procurement that provides some recommended approaches in order to: move this issue more into the centre of the development debate and broaden the procurement system assessment; and reform design processes, looking at the linkages between procurement operations and the government's public financial management and other activities.

### **Challenges**

Although the SWAp and budget support approaches have advantages, they also present challenges. For both SWAp and budget support, the start-up costs of establishing joint monitoring frameworks have been considerable, and the process has been very time-consuming—for example, in Ethiopia and Mozambique, the process of agreeing on a common set of indicators and monitoring modalities took well over a year. Budget support entails the risk of more demanding and extensive conditionality and the likelihood of heavy reporting requirements, especially in the fiduciary area; in addition, the possibility of suspension means the risk of significant volatility in aid

flows. While partner governments appreciate that with harmonisation donors speak with "one voice," they are also concerned that if donors herd around a common position linked to their assistance - whether budget support or other -- disbursements could be totally suspended when things go wrong. In addition, both instruments tend to require continuous dialogue and monitoring during implementation.

Even when donor financing is fully aligned with broadly owned country priorities, it accounts for only a small share of the annual cost of partner countries' development programmes (except in the most highly aid-dependent countries). Thus domestic resources are generally much more important than external aid in the development process. Therefore, it follows that rather than seeking to improve only the institutions needed to manage aid flows, donors can produce much greater development results by helping to improve the national systems to manage all resources--domestic as well as external. This is most obvious in the case of general budget support, where by definition the impact of aid depends on the quality of public expenditure management and procurement; however, it is also true for other aid modalities, including project aid.

The creation of specific project units for donor projects or programs, separate from line management in the rest of the department concerned, has been found to be particularly disruptive, bleeding highly qualified staff from government departments and undercutting development. By contrast, the use of country systems involves most of the drivers of aid effectiveness: ownership, capacity development, mutual accountability, alignment, harmonisation, and results. Partner country ownership is higher when donors use the systems already in place in the country. Using country systems also aligns the incentives of donors and partners to strengthen these systems and close the gap between policy and practice. Thus, for example, alignment is strengthened when donors do not insist on the use of specific procurement procedures that differ from those required by the national regulations, nor require multiple "ring-fenced" bank accounts for transactions they support but not others, and when they disburse budget support in line with the domestic budget schedule, accept financial and other progress reports in the format normally used by the administration, and rely on the country's monitoring and evaluation systems, strengthening them as necessary. As in several countries (e.g., Tanzania and Uganda) that have developed systems for aid management, donor support and encouragement builds confidence.

### **The Priorities**

The goal of alignment is for partners to assert ownership through a clear, results-based medium-term agenda, and for donors to align aid to this agenda at the country level. For this to happen, partners need to set out their priorities in national strategies (such as PRSs and equivalent national development frameworks) that include clear outcome-based targets; a sound, growth-oriented macroeconomic framework; clear costing of programmes over the medium term; and active engagement of national stakeholders, especially the legislature, in casting the strategy. Donors should base the content of their country-level aid programmes on such strategies; they should draw major program conditionality from the strategies; and they should use partners' performance assessment frameworks to monitor progress against the strategies, and adjust their aid accordingly.

### **Relying on Country Systems**

The agreed aim (as embodied in Paris Declaration) is for donors to commit to use the partner country's national systems, as soon as they jointly assess those systems as being robust enough, in at least four key areas: public financial management, procurement, monitoring and evaluation, and environmental and social safeguards. Donors should work with partner countries to conduct joint assessments, and they should support effective capacity development to help partners bring performance up to agreed standards. Partners have the ultimate responsibility to instigate such assessments and take action to remedy deficiencies they reveal. Until donors can rely on country systems, they should simplify their own procedures to reduce the burdens on partners; in particular, they should avoid establishing or requesting new project implementation units.

### **Strengthening Systemic Capacity**

The aim is to increase both demand and support for partner country institutions critical to sustained development results. Donors should provide reliable medium-term resources for nationally led programs of capacity development. Some of this funding should be pooled, with the partner freely selecting among sources of expertise. Donors and partners together should prioritise funding of joint diagnostic work, carried out transparently. Donors should build capacity needs explicitly into dialogue on monitoring and fiduciary frameworks. In responding to immediate priorities in fragile states, they should take care to avoid undermining national ownership in the longer term. Donors should also build up their

country offices' capacity to engage constructively with partners and other donors. As part of doing so, they should promote joint training at country level. Where it is advisable to break the link between funding and control of external staff in sensitive positions, donors should increase recourse to third-party managers of technical support, including local and international civil society.

Over the last few years, donors have been involved in many and varied activities with potential for harmonizing aid delivery and scaling up development: joint analytic work that can save staff time and curtail policy debates triggered by different analyses; joint agreements to streamline conditionality; and delegated cooperation arrangements among donors. These activities are evidence of the attention that many donors are bringing to fulfilling commitments under the Rome Declaration. The challenge is to ensure that this broad range of scattered activities, and the energy and creativity driving it, contribute to achieving measurable progress for donors and partner countries.

### **Joint and Harmonised Assistance Strategies**

Donors and partner countries are increasingly defining joint and harmonised assistance strategies and programming to support the partner country's development priorities as shown in Table below:

**Table: 3: Examples of Harmonised Assistance Strategies**

<b>Countries</b>	<b>Type of strategy/programming</b>	<b>Donor agency</b>
Bangladesh	Joint task force on PFM to review harmonization and alignment of aid modalities with country system Coordinated country assistance strategy Joint review of aid governance studies	AsDB, DFID, Japan, WB, UNDP, Canada, Netherlands AsDB, DFID, EC, Japan, WB UNDP, WB
Cambodia	Coordinated country assistance strategy with Government of Cambodia Collaboration in preparation of assistance strategies	AsDB, DFID, WB  AsDB, DFID, WB

Kenya	Donors considering a joint country assistance strategy	DFID, WB
Nepal	Donors have agreed on common outcomes for their country assistance programmes	DFID, WB
Papua New Guinea	Coordinated country assistance strategy under consideration	AsDB, AusAid, WB
Rwanda	Donors preparing assistance strategies in consultation with others	DFID, EC, SIDA, UN system
Tajikistan	Linkages among donors working on poverty reduction programmes	EC, WB
Tanzania	Government finalizing concept paper on joint assistance strategy in consultation with donors	CIDA, Denmark, DFID, EU, Finland, Ireland, Netherlands, Norway, Sweden, WB.
Uganda	Ongoing process to develop a joint country assistance strategy	DFID, Germany, Netherlands, Norway, SIDA, WB
Zambia	A joint multiyear strategic plan is expected to be completed by end-2005	Canada, Denmark, Finland, Germany, Ireland, Japan, Netherlands, Norway, Sweden, UK, UN, WB

**SOURCE: Report on Aid effectiveness for the Second High Level Forum Review of Progress, Challenges, and Opportunities, OECD, PARIS, MARCH 2005**

The strategies differ in many ways-the number of donors involved the role of the partner country government, and specific content and approach. (Clearly, the range of actors in fragile states-humanitarian, diplomatic, and military, each with different objectives and approaches-makes the development of joint assistance strategies there more difficult.) Among the agencies of the UN system, joint assessments and assistance strategies are now common practice; by 2008, all countries where the UN has significant presence (over 100) will be using these common procedures. Central to these procedures is the linkage between UN areas of intervention as they relate to national strategies and the MDGs. Meanwhile, in May 2004, the EU Council of Ministers approved a report defining the Union's

contribution to advancing coordination, harmonisation, and alignment in five areas: a Road Map for country-level harmonisation, joint assistance strategies, complementarity, coordination of policies, and a common framework for aid implementation procedures.

### **Concluding Remarks**

On harmonization, donors have made a start in using simplified procedures and practices, joint analytical work, enhanced focus on delivery of development results, delegated cooperation, common procurement and financial management procedures, common arrangements for sector wide approaches and budget support. On alignment, as of May 2006, 47 countries had prepared poverty reduction strategies, and many other low- and middle-income countries had nationally owned development strategies. Information from the survey of the 14-countries of the Working Party on Aid Effectiveness and Baseline survey on monitoring the implementation of Paris Declaration and other sources suggests that there is a promising trend toward increased donor alignment behind country strategies. There is a small but growing list of examples of joint strategies among donors in support of these strategies. More donors are using programmatic, or budget, financing to provide overall support for country strategies and programmes at the national and sectoral levels. There has been a surge in interest in sector-wide approaches (or "SWAps") to align around sectoral priorities, and a growing number of SWAps include use of countries' existing frameworks for channelling and accounting for funds. But further progress is hampered by several factors: insufficient clarity of country policy and investment priorities; the absence of a robust medium-term framework that links country priorities to their budget decisions and timetables; difficulty in agreeing on indicators that can serve as triggers for disbursement.



## Government NGO collaboration

Elias Ahmed\*

### Introduction

Non-Governmental Organisations (NGOs) of various types and sizes emerging throughout the developing world now constitute a promising 'third sector', which are "neither prince (state) nor merchant (market)" (Nerfin, 1986 cit. by Turner and Hulme, 1997, 200). They have now moved to centre stage in terms of both development practice and debate. Over the 1980s, the NGO movement has matured and gained both momentum and support. They have become increasingly important agents of the development process in the South. Until the late 1970s, there was little appreciation of the potential role of the NGOs in implementing development projects and influencing policy.

The developmental interventions of the NGOs in Bangladesh started in a considerable and visible way after the liberation in 1971 to redress the miseries of the war affected displaced people. At the beginning, during the initial phase (1971-1980), the relationship of the NGOs and the Government was more or less of mutual ignorance; in the 1980s it was somewhat confrontational. The 1990s may be termed as a phase of mutual appreciation and collaboration in the GO-NGO relationship. In the context of a developmental paradigm which demands co-operation and intense collaboration among the civil society and the government sector for the creation of better space for the citizens in the socio-economic spheres, the newly evolved relationship between government and NGOs demands closer scrutiny and assessment. Moreover, as O' Toole (1997, cit. by Agranoff and McGuire, 1998) observed, while scholars of public management increasingly identify networks or other forms of inter organisational activity as important elements of governance, few have treated them as seriously as objects of careful study.

The general aim of this investigation is to assess the nature, magnitude, strengths and weaknesses of GO-NGO collaboration in Bangladesh. Governments during the 1980s wanted to cater to the social welfare needs of the people without sacrificing investment in economic growth (Wanigaratne, 1997).

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Governments' policy in this line and also the policy by the donors to create and strengthen link and dialogue between the NGOs and government agencies led both these sectors to collaborate with each other (Bebbington and Riddell, 1997). Development was regarded as the sole task of the governments until the 1980s. The people were asked to put their faith and resources in the hands of the government. In return government was supposed to deliver the services, which people needed. But government as a service provider failed to meet the expectations of the people.

This failure demanded for a change. One of the positive advances of the 1980s was the recognition of the role of the civil society. Market forces were rediscovered and there came an acknowledgement that Non-Governmental Organisations also have the right and potential as an actor in the development process (Korten, 1990). Gradually, it was accepted that all three, the government, the market and the NGOs have essential and distinct roles to play in development. There are some areas where government can not reach and there are occasions when market fails. These necessitated NGOs with altruistic mission to emerge and fill the vacuum. It started to be recognised that all these three types of organisation have some advantages over the others. Korten (1990, 98) rightly observed that these three types of organisations "have distinctive competencies essential to a dynamic self-sustaining development process. Development depends on mobilising the competencies of all three in complementary ways". Bhattacharya and Ahmed (1995, 7) also held the similar view and went a little further by defining GO-NGO collaboration as a process of bringing "institutional dialectics operation by investing the comparative advantages of one with the other in order to maximise impact of utilisation of scarce resources".

Growing instances of collaboration between the Government of Bangladesh (GoB) and Non- Governmental Organisations (NGOs) have been witnessed in different sectors. GoB acknowledges the effectiveness of the NGO approaches in reaching the poor; NGOs also enjoy 'scaling-up' their interventions as a result of such collaboration (World Bank, 1996b).

Similar GO-NGO collaboration is also documented elsewhere in the developing countries like India, Sri Lanka, Philippines, Brazil, Ecuador, Kenya, Thailand, Indonesia, Chile etc. (Farrington and Bebbington, 1993; Farrington and Lewis 1993, Hulme and Edwards 1997).

## NGOs as a feature of the late 20th century in Public Administration Rise of NGOs

The 1980s have witnessed a remarkable change in the scale and significance of the NGOs. They reached a height where their presence can not be ignored; rather it's an important phenomenon which bears significant implications especially on sustainable development, poverty alleviation and environment protection. In 1989, the NGOs disbursed US\$ 6.4 billion to developing countries, some 12% of total western aid (Turner and Hulme, 1997). In terms of net transfers, NGOs channelled more resources than the World Bank into the Third World that year (Clark, 1991 cit. by Turner and Hulme, 1997). NGOs have delivered more than 10% of Official Development Assistance compared with only 0.2% in 1970 (Gordenker and Weiss, 1995, cit. by Attack, 1999).

It is estimated that through their relationships with Southern NGOs, International NGOs assisted approximately 60 million people in Asia, 25 million in Latin America and 12 million in Africa (Turner and Hulme, 1997). In Bangladesh alone, around 24 million people receive some form of services from the NGOs (World Bank, 1996b). Since the late 1980s, the number of NGOs operating in parts of Africa and Asia had almost doubled. In Central and Eastern Europe and the CIS countries the number of NGOs may have increased three or fourfold from its very low base in 1989 (World Bank, 1996a). The number of development NGOs registered in the OECD countries had grown from 1600 in 1980 to 2970 in 1993 (Smillie and Helmich, 1993 cit. by Hulme and Edwards, 1997).

Over the same period the total spending of these NGOs rose from US\$ 2.8 billion to US\$ 5.7 billion (OECD, 1994 cit. by Hulme and Edwards, 1997). The number of International NGOs has increased from 176 in 1909 to 28900 in 1993 (Commission of Global Governance, 1995 cit. by Hulme and Edwards, 1997). Similar growth has also been noticed in the South. For example, in Nepal there were only 220 NGOs registered with the government in 1990, which rose to 1210 after three years (Rademacher and Tamang, 1993 cit. by Hulme and Edwards, 1997); in Bolivia this figure increased from 100 in 1980 to 530 in 1992 (Lopez and Petras, 1994 cit. by Hulme and Edwards, 1997); in Tunisia it rose from 1886 in 1988 to 5186 in 1991 (Marzouk, 1997). In the Philippines, the number of registered NGOs grew by 148% to 58000 between 1984 and 1993, in Kenya the number grew by 184% between 1978 and 1987 (Clarke, 1998). In Bangladesh also the growth of NGOs is remarkable.

In the early 1990s the expression "associational revolution" came into use to describe the pervasiveness of NGOs and similar organisations. It was also observed that "from the developed countries of North America, Europe and Asia, to the developing societies of Africa, Latin America and the former soviet bloc, people are forming associations, foundations and similar institutions to deliver human services, promote grass-roots economic development, prevent environmental degradation, protect civil rights and pursue a thousand other objectives formerly unattended or left to the state"(Salamon, 1994, cit. by Henderson, 1997, 354). These associations performed important service delivery functions.

The debt crisis of the 1980s made development partners conscious about the dangers of funding enlarged public sectors in developing countries and structural adjustment mandates curtailed public sector development activities (de Janvry and Sadoulet, 1993 cit. by Meyer, 1995). On the other hand, NGOs had gained reputation for innovation, for promoting local participation, and for reaching the poor (Tendler, 1982 cit. by Meyer, 1995). Thus in the 1980s major development partners such as the US Agency for International Development (USAID) and the World Bank turned increasingly to NGOs as flexible and inexpensive instruments for their development activities (Paul and Israel, 1991 cit. by Meyer, 1995). As aid becomes scarcer and some lending agencies, especially the World Bank looked for an efficient and effective indigenous alternative to public sector, NGOs were considered to be one such alternative that might be made compatible with revised or reduced demands of lending agencies (Henderson, 1997). Funding through NGOs increased substantially and consequently the sector had experienced explosive growth (Clark, 1991; Fisher, 1993 cit. by Meyer, 1995). One of the prime reasons for NGOs growth was the donors' bias for the non-governmental sector.

The World Bank, IMF and other bilateral donors (OECD) have taken a supportive stance regarding the complementary contributions of NGOs. It is commonplace to hear calls for co-operation and an expanded role for NGOs along with de-emphasis on the state as service provider. NGOs are frequently envisaged as means to supplant the state in the delivery of basic welfare, health, education and other services (Henderson, 1997).

NGOs are not limiting themselves only to poverty alleviation, primary health care, rural housing, sanitation or primary education activities, but they are adding other agendas to their mission. In Somalia, Northern Uganda and Southern Sudan, NGOs have operated as local administrations,

co-ordinating and planning operations across entire districts at times of turmoil (Turner and Hulme, 1997). In Bangladesh, the Government has ceded responsibility for the allocation of newly formed lands in some parts of the Bay of Bengal to OXFAM, a NGO (Turner and Hulme, 1997).

The UN agencies such as UNHCR, UNICEF and UNDP not only rely on NGOs for service provision, but also try to involve them in project formulation and policy consultation (Atack, 1999). World Bank also advocates for downsizing governments and shifting of some responsibilities to the NGOs. The growing influence of NGOs as the voice of the poor was first heard at global level at the United Nations Conference on Environment and Development (UNCED) at Rio in June 1992. Over 20000 participants of 9000 organisations from 171 countries were present in the conference and they met in a forum parallel to official intergovernmental discussions (Fisher, 1993 cit. by Meyer, 1995). They exerted substantial public pressure to push through the agreements on controlling emissions of greenhouse gases.

In 1994, NGOs demonstrated against the World Bank policy in the Bank Anniversary Meeting with the slogan "Fifty years is enough". This compelled World Bank to sit back and rethink its role and policy towards the developing nations and to open dialogue with the NGOs. Now it's a policy of the World Bank to promote engaging NGOs in Bank funded projects (World Bank, 1996a). The UN World Summit for Social Development, held in Copenhagen in 1995, created an action plan setting quantitative target in different areas of human development and called for an expansion in the role of NGOs from project implementation to long-term poverty alleviation (UNDP, 1995). The Fourth World Conference on Women held in Beijing in 1995 adopted an Action Plan (Beijing Platform for Action) in which NGO participation in women development was encouraged (Ministry of Women and Children Affairs, GoB, 1998). A coalition of NGOs also successfully staged violent protest against World Trade Organisation's policy on globalisation in Seattle in 1999.

International organisations are not the sole target of the NGOs, they even campaigned against the multinationals like Nike for poor labour conditions in its overseas factories; against Nestle for the sale of powdered baby milk in developing countries; against Monsanto for marketing genetically modified food. Greenpeace, an environmental NGO, successfully prevented Royal Dutch/Shell Company from disposing of its Brent Spar oil rig in the North Sea with an aim to keep the North Sea free from pollution.

In short, NGOs are increasingly becoming more powerful to exert pressure on behalf of the people at the corporate, national and international levels.

The rise of the NGOs on the world scene as a potential development actor and a voice of the poor is not an accident; nor is it solely a response to local initiatives and voluntary actions. A mix of forces has fuelled the rapid rise to prominence of NGOs, most important of which is the perceived notion of poor performance of the public sector. The perceived poor performance of the public sector in developing countries has led to a search, especially amongst aid donors, for more effective and efficient organisational forms for the delivery of goods and services. The donors have reappraised their programmes and have placed greater emphasis on linkages with NGOs.

Bureaucracy in the Third World countries, in most cases, is a major legacy of European colonialism. Crozier (1964, cit. by Turner and Hulme, 1997, 84) observed bureaucracy as a system, which "evokes the slowness, the ponderousness, the routine, the complication of procedures ". Crozier's observations are still considered valid and especially in relation to the Third World bureaucracies. A widespread criticism of bureaucracy is that it is too big and absorbs enormous resources but actually produces very little. The World Bank, for example, makes reduction in the size of the bureaucracy a pre-condition of most structural adjustment loans. Turner and Hulme (1997, 88) suggested "for decentralising functions to NGOs... as a way to overcome poor bureaucratic performance." The retreat or shrinking of the administrative state and, sometimes, its complete absence leaves a vacuum into which NGOs have moved in (Henderson, 1997). Peters (1995) termed this retreat of administrative state as "rolling back". He observed that in many Third World countries the cause of rolling back of government is not by endogenous political processes but by the involvement of international organisations such as the World Bank and IMF.

Sen (1999) identified losing of connections with grassroots people by the political parties in power as one of the reasons for the NGO growth. But the major cause behind this enormous rise of the Non-governmental voluntary sector is the shifting of policy orientation of the development partners towards development. The growth-centred development efforts from 1950 onwards were based on some basic assumptions, which according to Korten (1990) are:

- The earth's physical resources are inexhaustible or if exhausted science will come up with an appropriate substitute.

- The environment has the infinite capacity to absorb waste.
- Poverty is the result of inadequate growth, which in turn is the result of inadequate capital investment.
- Market forces are best allocator of resources and can automatically distribute benefits.

But these assumptions were proved wrong as can be observed from the result that achieved so far. Actions based on these assumptions result in the widespread depletion of forest, losing of rich bio-diversity, pollution and contamination of water, air and soil, environmental degradation, and increase in the rural poverty. This was especially true for the developing countries.

A study in Bangladesh in the late eighties showed that the rural absolute poverty increased from 65.27% in 1974 to 79.12% in 1982 (Hye, 1996). Opposed to growth-centred development, equity-led sustainable people-centred growth model was advocated where people, especially the deprived and disadvantaged were given priority (Korten, 1990). This equity-led people-centred growth model was backed by the assumption that government by nature favours those who control power, and markets are imperfect and give priority to the wants of the rich over the needs of the poor (Korten, 1990). Proponents of this type of alternative development approaches include theorists like Amartya Sen, Dudley Seers, Paul Streeten and Mahbub ul Haq who have rejected economic growth as an end in itself and emphasised the need to attend inequality, poverty and welfare of the people (Martinussen, 1999). This ideological context enabled the NGOs to come up and grow with an alternative development approach, which places people and environment at the centre.

GO-NGO Collaboration/Network as a feature of Public Administration  
Collaboration with the NGOs both by the national governments and donors developed in the recognition that:

- their sizeable presence can no longer be ignored;
- they are better than other agencies at reaching isolated people in isolated communities that are inaccessible, and at addressing the problems of the poorest of the poor (Vivian, 1994);
- they are innovative and have the capacity to experiment which are difficult for the government agencies (Tendler, 1982, cit. by Clark, 1995);
- sometimes they are the real representative of the disadvantaged group of the society;

- they have the participatory skills (Bratton, 1990, cit. by Clark, 1995);
- they are cost effective (Hall and Reed, 1998);
- they are flexible, speedy in operation, and have the ability to respond and adjust sharply to changing circumstances;
- they may be the most appropriate institutional mechanism for some public service delivery (World Bank, 1997).

Moreover, the resources the NGOs receive are largely additional and they, "not only fill in the gaps, but serve as a response to failures in the public and private sectors" (Salamon and Anheier, 1991; Bratton, 1990 cit. by Clark, 1995, 595). The three types of organisation, governmental, business and voluntary (NGOs) have distinctive competencies essential to self-sustaining development process. Development depends on the mobilisation of the competencies of all these types of organisations in complementary ways. Necessity of complementarity for optimum use of the resources and capacities led for collaboration in public administration. Another reason for GO-NGO collaboration lies with the emergence of New Policy Agenda (NPA) which got momentum at the end of the cold war. The donor-driven NPA emphasises the importance of free markets, efficient use of scarce government resources, and reduction of the role of the state in low-income countries (Commins, 1997).

The reduced role of the state, in effect, made NGOs to step into the domain that had so far been regarded as the sole one of the state. Both attributes of the NGOs and the wider context led the governments and the development partners to establish partnership with the NGOs. But the intended result of collaboration depends mainly on the common and shared agenda. Area of common interest is vital for healthier relationship between the parties. Clark (1995, 595), for example, observed that "where the government's commitment to poverty reduction is weak, NGOs will find dialogue and collaboration frustrating or even counter productive." Likewise, collaboration is also difficult if the government is authoritarian and repressive (Clark, 1995; Wanigaratne, 1997). In the areas where the government has a positive social agenda and in which NGOs prefer and feel comfortable to work, like poverty alleviation, environmental protection, women empowerment etc.; there is the potential for strong and fruitful collaborative relationship.

Collaboration between GOs and NGOs does not mean sub-contracting of NGOs, but a "genuine partnership between NGOs and the government to work on a problem facing the country or a region ...based on mutual



respect, acceptance of autonomy, independence, and pluralism of NGO opinions and positions" (Tandon, 1991 cit. by Clark, 1995, 595). There is no universal agreement on this. For example Farrington and Bebbington (1993, 19) defined collaboration as "a formalised dependence of one partner on another for at least part of the success of its activities, as when, for instance, GOs might contract NGOs to deliver inputs". The tendency has been for 'dependent' partnerships to be more common than 'active' ones. Active partnerships are those that are built through negotiation, debate and occasional conflict. Dependent partnerships on the other hand have a blueprint character, in which one partner is asked to materialise it (Lewis, 1998).

The real life situation is different from what was envisaged by Tandon in the previous paragraph. Virtually, mutual distrust and jealousy between the government and NGOs are common. The government fears that NGOs erode their political power or even national security (Fowler, 1992 cit. by Clark, 1995). There exists some valid ground to fear the NGOs as threat to the state or government. Review of the recent history shows that Brazilian NGOs "have tended towards confrontation with the state," (Bosch, 1997, 233) though from a distance. The NGOs in other parts of Latin America tried to replace the state (Bosch, 1997). In Sri Lanka, the Government viewed NGOs as a political force and "NGO activity in general... were seen as a 'horn in the flesh' of the government" (Wanigaratne, 1997, 226). It was also the case in Thailand where NGOs tended to "maintain a confrontational attitude, making constructive dialogue difficult. These difficulties were reinforced by the important role played by NGOs in the overthrow of the military dominated government in 1992" (Mawer, 1997, 244) It is evident that "NGOs have become new political actors in the developing world" (Clarke, 1998, 37).

The people-centred vision of development, pursued by the NGOs, is grounded in several explicit values of which one is direct threat to state. They believe and propagate that "the authority of the state is granted by the people and therefore may be withdrawn by them" (Korten, 1990, 69).

Though the existence of mistrust and suspicion between the government and NGO sector is a reality, yet the forces within which they are operating are strong enough to compel them to co-operate and collaborate for the best use of limited capacities and competencies. This is especially true for the low-income countries of the South. Both governments and NGOs are now well aware of their strengths and weaknesses. Moreover, despite

disagreements there is no other way out, other than collaboration, which Sanyal (1991) termed as 'antagonistic co-operation'. Thus the partnership of the GOs and NGOs and, networking and linking of organisations have evolved as a part of Public Administration in the late 20th century. Brinkerhoff (1999, 125) rightly observed that "networks are increasingly becoming important contexts for public administration". Networking with NGOs is not only important as a phenomenon in public administration it also delivers some tangible benefits to the society. As Clark (1995) observed, where interaction is high between GO and NGOs, the climate is most favourable for poverty reduction and other social priorities.

Networks are not merely mechanisms for co-ordination; they are arrangements for or mechanisms for solving interorganisational problems, joint production, and joint service delivery. This arrangement exists where strategic interdependence is complementary (Pennings, 1981 cit. by Agranoff and McGuire, 1998). As a result of the hollowing out of the state through large-scale contracting out and joint operations with other organisations and NGOs, network management is among the key governance challenges that are changing the public domain (Agranoff and McGuire, 1998). As Kettl (1996, cit. by Agranoff and McGuire, 1998, 9) suggests, "This interdependence radically changed the jobs of public administrators, who must now not only manage the functions of their own agencies but must also build critical linkages with others". Agranoff and McGuire (1998) emphasised the need for future studies on networking especially to determine the primary reasons for involving particular network actors.

All over the world, there is wide recognition that governments acting alone cannot solve socio-economic problems. This has occasioned a significant rethinking of the role of government and the meaning of public management. Public management is now thought of as involving operation of bureaucracies plus connections with other institutions through the processes of governance (Agranoff and McGuire, 1998). According to Frederickson (1997 cit. by Agranoff and McGuire, 1998, 84) governance involves "the wide range of types of organisations and institutions that are linked together and engaged in public activities". Rethinking of public management in the US culminated in the idea of "hollow state" where government through decentralisation, localisation of policy responsibility and collaborating with others, contracts out its own responsibility (Milward and Provan, 1993 cit. by Agranoff and McGuire, 1998). The concept of "hollow state" was substantiated by Osborne and Gaebler (1993) who

propagated that government should "steer not row". Donors also pursue, even force NGOs for increased engagement with government, especially in the projects they fund (Bebbington, 1997).

### **Conclusion**

The NGOs came into prominence and their significant presence was felt in the development arena in the 1980s. NGOs at present have become strong enough to exert pressure on behalf of the common people at the corporate, national and international levels. A mix of forces has fuelled the rapid rise of NGOs to prominence, most important of which is the perceived notion of poor performance of the public sector. Search for an alternative, led donors to choose NGOs as an efficient and effective organisational form for service delivery. Presently donors promote the policy of increased government-NGO collaboration through which they can complement each other's strengths to meet increased social demand.

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## Managing external resources : Opportunities & problems

MASUD AHMED\*

### **The Backdrop**

Since income of most of the populace of Bangladesh is low compared to the prices of goods and services, there is hardly any savings out of the income. As a result, resources required for investment for production of goods and services and meeting import costs is thinly available from the private sector. For these important reasons, the Government has to take the role of the main investor. The situation was the same even during the Pakistani period. Due to low income, money required for investment cannot be collected through taxation as the number of people under tax net is not large and the amount is also small. Following this, since 1947 and again since 1971 Governments had to seek assistance of foreign Governments and organizations to makeup this gap. From 1947 to December 1971, the central Government of Pakistan contracted 13 projects with foreign loans and grants, which were located in East Pakistan. The sectors included capital-intensive and high-tech ones like power generation, telecommunication, flood control and water resources. After the emergence of Bangladesh, due to the war-ravaged economy, the country required substantially greater amounts of foreign assistance than it did until 1971.

### **The Development Partners**

At the moment about 36 development partners are rendering assistance to Bangladesh. These are :

* The World Bank	Belgium	Norad	Unido
* The ADB	China	NDF	FAO
* JAPAN	India	Pakistan	WHO
* JICA	France	Spain	ILO
* USAID	The Netherlands	EU	IDB
* DFID	Denmark	UNDP	WFP
* Germany	DANIDA	UNFPA	SFD
* Russia	Italy	SIDA	OPEC
* Australia	Canada	CIDA	UNHCR

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Managing Director of Bangladesh Freedom Fighter's Welfare Trust (BFFWT)

Some of these give aid as a single entity while the others give the same through a consortium or multi-lateral organizations. Each of these organizations is represented either through their diplomatic posts or separate resident offices in Bangladesh.

### **What we get**

Foreign assistance is available under the following two main forms in terms of their economic nature:

- \* Loans/credits
- \* Grants.

Loans bear a certain percentage of interest, commitment charges, loan administration fees, penalty (in some cases) and are repayable on instalments. They have a grace period and a repayment period. Grants bear no interest and are non-repayable. On the basis of materiality, foreign assistance is classifiable under the following three heads:

- \* Project Aid
- \* Commodity Aid
- \* Food Aid

The first one is cash foreign currency to be spent generally for importation of goods and services from abroad. It is given in the currency of the creditor/donor or in US Dollar/SDRs. The second one is in the form of edible oil, machinery, capital goods, vehicles and equipment while the third one usually comprises wheat and rice. Each of these three categories may be available either as a loan or a grant.

### **How we get external resources**

Irrespective of the kind of external resource, a certain financial discipline has to be observed by the G.O.B. for receiving and making use of it. A development project Proforma (DPP) for investment projects and a technical assistance project proforma (TAPP) for technical assistance projects must be prepared by the using agency following planning discipline, prescribed by the Planning Commission. These documents show the requirement of the projects and justification of foreign assistance in attaining the objectives of the projects. When the G.O.B and external aid giver (development partner) agree on the documents, the relevant branch of Economic Relations Division (ERD) arranges the signing of the contract

for external resources. The agreement may be a DCA or MOU, which stipulates the amount (s) available, spending plan, repayment procedure and other modalities. This stage is called commitment. When the actual money or kind starts arriving in the user's bank account, that stage is called disbursement. The accounting, auditing and arbitration procedures are also mentioned in the agreement. Disbursement may take place on the basis of either the GOB's or the Development partner's financial year.

Donors and creditors (development partners) usually adhere to the following accounting procedures for disbursing their committed amounts to projects:

- \* CONTASA (Convertible taka special account)
- \* DOSA (Dollar special account)
- \* SAFE (Special account in foreign exchange)
- \* Imprest
- \* Direct Disbursement

### **Who gives what**

Development partners follow certain principles in providing assistance to Bangladesh. For example WHO will render assistance for the improvement of health sector, ILO for the labour sector and FAO for the food and agriculture sector of our economy. The big organizations e.g. World Bank, ADB and Japan do not have any such concentration denotable by their names though they will not go against their agenda. However, this agenda is usually expensive. Accordingly the WFP will give something on the food sector and UNESCO will assist the education sector and the UNFPA the population sector. On another basis, the WB group/ADB and Japan being the largest contributors mainly provide assistance in the form of loans while the whole UN family provides grants only.

Most countries of Europe except France mainly give grants while China, India, Pakistan provide only loans and credits. Though a big name, the USA through USAID gives less than 4% of total foreign aid that Bangladesh receives annually from all development partners.

Most of the assistance givers come up with project aid while only WFP and EU provide food aid and the USAID provides commodity aid. Besides the government sector, private sector external debt (PSED) is contracted by the Board of Investment (BOI). Proposals are scrutinized by a scrutinizing committee headed by the Governor, Bangladesh Bank. This is about 2% of total foreign aid in a reporting period.

BEPZA attracts foreign direct investment (FDI). However this is not in the form of grants or loans though it falls under foreign resources mobilization. The cumulative investment under this head is US\$ 968 million on 30.06.2006

Another player in this sector is the NGO affairs bureau. It administers all loans and grants given by foreign sources to NGOs operating in Bangladesh.

### **The changing scenario**

The positive contribution of foreign aid was critical at the beginning of 1972. Its share was more than 70% in the annual development programme. In the F.Y. 2004-2005 local resources share in the ADP was 31% and 69% come as external assistance.

### **The paradox of scarcity and non-utilization**

In spite of receiving foreign assistance on the argument of paucity of resources, it is seen that the same cannot be spent to the full and the unspent amount is significant and material compared to the total demand for expenditure during many reporting periods.

At the end of F.Y. 2004-05 foreign aid available (Pipeline) but not used stood at over US \$ 6 billion. Additionally the amounts disbursed have always been much higher than amounts actually utilized.

It may be of particular concern that the share of grants compared to that of loans has been on the decline through the last few years. The present share of grants is only 16.5% while 83.5% comprises loans. The huge amount of foreign resources available but not utilized also proportionately belongs to loans and credits which means commitment fees/loan charges/interest/service charges are to be paid by the G.O.B. though the same are not being used in the projects for which these resources were contracted. At the same time due to non-utilization, the targets of the project(s) are not being achieved and benefits are not reaching the clients on time.

## POTENTIAL REASONS FOR NON UTILIZATION:-

After scrutinizing a large number of big foreign-capital-intensive projects the following reasons were identified:-

- 1) Inordinate delays in processing local and international (L.C.B and I.C.B) bidding documents and award giving;
- 2) Considerable delays in designing and planning of high tech projects;
- 3) Absence of full-time project directors (PDs) and their frequent transfers before the completion of the project;
- 4) Geographical distance between project's location and their PDs;
- 5) Disproportionate centralization of administrative and financial powers in the ministries and lack of minimum powers in the hands of PDs;
- 6) Long-drawn-out process and complex conditionalities in releasing project aid by the administrative and finance ministries;
- 7) Lack of training of project personnel on project's financial, accounting and auditing matters;
- 8) In some cases, delays in obtaining sanction, approvals and vetting from development partners;
- 9) Acceptance of some scientifically unsound projects;
- 10) Litigation on bidding documents and award of contracts;
- 11) Shortage of matching funds (local currency) in some cases. In this case it is amusing but worth learning to recollect French Finance Minister's remark 'we require more foreign assistance to utilise whatever foreign resources we have now.' He pointed to the scarcity of local currency (matching fund) within the French government.

### **The skyline ahead**

Though share of foreign resources in our ADP is declining, demonstrating our increasing self-reliance, the amount already available need to be used properly to make foreign debt less expensive and ensure its more efficient use. In view of that the following steps deserve consideration by relevant stake-holders

- 1) Make proper synchronization of project approval, work schedule, disbursement and use of foreign resources;
- 2) Appoint full-time and professional PDs who will not be transferred before project completion except on promotion and foreign training;
- 3) Decentralize financial and administrative powers from the ministries and transfer the same to the PDs as much as practicable.
- 4) Make approximately correct estimates of expenditure with the help of professionals and certified personnel/specialists;
- 5) Choose project only on professional and scientific basis;

- 6) Set separate/special courts like PDB's for settlement of law suits involving foreign aided projects.
- 7) Increase awareness and knowledge in project matters by training all project personnel and appoint experienced hands in new projects;
- 8) Negotiate easing of delays in approval, and sanctions with development partners.

Foreign resources are collected to be used to attain economic upliftment of the nation. The growth rate is one of the indicators of upliftment. If resources remain largely underutilized, the growth rate also remains low. Many F.Ys have recorded only a partial implementation of the ADPs. The growth rate at present is 5.5%. We require to raise it to 7% but that would demand the size of the ADP to be increased. While we are unable to implement the present ADP, there is hardly any point to increase it. So our efficiency to utilize resources must be increased by concerted efforts of all concerned. It is also pertinent to consider that development of one sector acts as a driver to the development of other sectors. If power or gas or infrastructure can't be developed at the desired pace by making use of resources, sectors dependent on these also cannot be developed in the future though resources for the latter ones are made available. This corollary is very important.

### **Conclusion**

External resources are still an important element in Bangladesh economy. These have been used effectively for the upliftment of many sectors. Though the present outstanding debt is about 18.5 billion US Dollars, Bangladesh is a least indebted country according to a World Bank classification. She has never failed in repaying a single instalment of principal or interest of any foreign loans. In spite of the above reality, opportunities for more efficient use of external resources exist.

### **Sources:**

1. Flow of External Resources into Bangladesh, June 2005
2. Planning Commission Documents

# **Instituting value for money concept in the Bangladesh public sector: A case study on Bangladesh telegraph and telephone board (BTTB)**

**Dr Riazur Rahman Chowdhury\***

**Dr M Abu Sayed Khan, FCA\*\***

**Abstract:** The socio-economic-political environment in today's world is characterized by such phenomenon as increased and diversified social demand and expectations; unstable economic growth; volatile political scenario; depleting resource base; and an increase in the demand on the state to support and maintain both individuals and corporations during economic downturn. In view of the current situation, the emphasis is clearly on the need to reasonably satisfy the public demand thru' improved management of scarce public resources. The demand is for individuals, both politicians and administrators who have the leadership qualities, professional expertise, flair and determination necessary to achieve the difficult adjustment to the new era of accountability and transparency.

## **Introduction**

The current concern that is running high in the minds of people especially, in the context of developing countries, is the rampant misuse of public resources coupled with unbridled corruption by those in charge of managing such resources. The problem is exacerbated by the fact that the resources in question are both scarce and costly. The responsibility is made all the more daunting on account of the increasing magnitude in size and complexity of the state enterprises' affairs. The accountability system in place for ensuring the effectiveness of the programmes and the appropriateness of the guiding policies is largely inadequate. The situation is further aggravated by the poor quality of management information available to the policy initiators at the state level; the programme implementers at the management level; and finally, to the public at large at the users' level.

In the context of today's society where increased public awareness is an accepted phenomena, the need to generate timely and objective

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performance measurement criterion can hardly be over-emphasized. It is a widely accepted fact that public sector enterprises have differing socio-economic objectives depending on their nature. But the commonality of these

enterprises is possibly derived from the argument that their respective programmes are economic, efficient, and effective in respect of achieving goal-congruence. Government ministers, parliamentarians, and bureaucrats should be held accountable for their policies and actions. As policy makers, the parliamentarians (including the ministers) carry the burden of responsibility to make an objective assessment and evaluation of the changing needs and priorities of the electorates. Policies need to be broad-based addressing the long-term perspectives. Short-term oriented policies apart from being costly also entail risks of non-flexibility.

### **The Value for Money Concept**

In the words of Cato, 'Do not buy what you want but what you need, what you do not need is dear at a farthing.' This amply captures the essence of the Value for Money (VFM) concept. Ideally, the VFM concept can be considered from three dimensions: first, the appropriateness or rationale of the policy; second, the practicability or feasibility of implementing such policies; and third, achievement of the intended target or result. In other words, the VFM concept is an all-pervasive one that permeates every strand of the public sector enterprise.

VFM concept in the context of the public sector entails an objective and constructive assessment of the management of both financial and non-financial resources in a manner that addresses the over-riding public sector concern, namely accountability. This signifies that the VFM concept ought to be based on certain principles: first, the affairs of public enterprises should be conducted in a manner that ensures the optimum use of public resources; second; the areas or objectives for which the resources are expended serves public interest rather than self or group interest; and third, the persons in charge of formulating policies and administering resources should be held accountable for the same.

The first principle implies that public resources are to be considered from the points of view of legality and probity. This pre-supposes the existence of certain legal provisions in accordance with which these public resources have to be managed. Additionally, the usage of these resources has to be justified in a manner that the public or the exchequers get full value for their contributions.

The second principle entails the *raison d'être* of the public sector enterprises. The policies adopted and programmes implemented must be consistent in the light of serving greater public interest. The roles of the respective groups in this situation, namely the parliamentarians and the bureaucrats, shall be subservient to the national interest rising above petty self-interest.

The third principle concerns itself with delegation and reporting aspects of responsibilities in the management of public sector enterprises. Systems of accountability and control need to be instituted and operationalized to obtain relevant and reliable management information. This would hopefully lead to effective reporting both within the bureaucracy as well as to the parliament in timely, accurate, and appropriate manner.

In an all pervasive sense, the VFM concept embraces the entire gamut of management control as well as its implications for the enterprises in achieving objectives in an economical, efficient, and effective manner, popularly referred to as the 3Es. This also includes a constructive assessment of the extent to which resources are managed in an economic, efficient, and effective manner. An elaboration of the 3Es may be appropriate at this stage.

### **Economy**

Economy is generally regarded as an integral part of acquiring organizational resources. This acquisition phase covers both quality and quantity in the context of both cost and period. An economical operation, therefore, implies acquisition of resources at the right time, at the right cost, and at the right quantity and quality. In other words, it reflects such important management traits as thrift and good governance. The element of economy will not be achieved if, for example, resources are acquired at a cost which is more than the current market price; or an inferior quality is acquired at the prevalent market price; or untimely acquisition although at prevalent market price as well as of comparable quality. The two most important variables within the element of economy therefore, are cost and quality. To achieve economy in the affairs of the public enterprises, the management should establish standards supported by regulations. Since quality cannot be compromised on account of lower cost, the quality standards both in respect of 'material' and 'human resource' shall be determined at the outset. Once the quality of resources has been established, management need to ensure that are obtained at an acceptable minimum cost.

### **Efficiency**

The element of efficiency deals with the deployment and usage of resources in the achievement of enterprise objectives. This phenomena can be viewed from two angles: first, efficiency ensures the optimum utilization of resources in the processing of input and ultimate achievement of planned or targeted output; and second, efficiency ensures that a minimum level of resources are deployed in the achievement of a given level of output. The assessment of efficiency entails an assessment of performance measures as well as productive indicators. An operation could be termed as inefficient if the output is inconsistent with the stated objectives or runs contrary to the stated policies; or the accumulation of resources over and above the required level. One of the problems of instituting efficiency measures in practice is that the output measurement may not always be easily quantifiable. In such situations, the focus should be to make trade-off between efficiency and the nature and complexity of services. An important argument regarding the efficiency measure is that it should not be viewed as an end in itself; rather, improving it should be the objective.

### **Effectiveness**

The element of effectiveness is a result oriented concept. The pre-requisite to effectiveness is the determination and approval of the goals or operating objectives of the enterprise. In other words, effectiveness implies the extent to which policies and programmes are actually achieving their intended objectives. This element is particularly difficult to assess largely because of its non-financial orientation. The important dimensions of the effectiveness component are the guiding policies and the programme results which could be largely non-financial. Effectiveness measures are much more grass-root oriented than either the economy or efficiency measures. For example, providing financial incentives to firms to re-locate in economically depressed areas should not be assessed in terms of effectiveness but in terms of efficiency; rather reduction in the number of unemployed in the assisted areas is an effectiveness indicator. It is important to remember that although the effectiveness element combines both economy and efficiency, it is not controlled or constrained by them. The effectiveness indicators developed by management for a particular entity would not be as readily justifiable and defensible as those relating to either economy or efficiency. The inherent ambiguity in policy objectives, the qualitative nature of outputs for many public sector organizations and the subjective judgements caused by these factors cast doubt on the practicality of implementing effectiveness programmes in any objective fashion.

### **The Case of BTTB**

To examine the state of 'value for money' concept in the public enterprises in Bangladesh, Bangladesh Telegraph and Telephone Board, one of the largest public sector enterprises, was taken as a case study. How the VFM is conceived by the organisation and the level of its implementation were particularly looked into.

Public sector entities have the objective of providing the best services to the public at the cheapest cost. Their performances, both financial and non-financial, are strictly monitored by the concerned Ministries; by different government agencies particularly the Planning Commission, the Public Accounts Committee, the Comptroller & Auditor General's office, Bureau of Anti-Corruption, and so on. The public enterprises must follow the rules and procedures laid down by the government for procurement, withdrawal and spending of government money.

### **Economy**

As a government organisation, BTTB aims to achieve economy in the procurement of its essentials. The volume of procurement, both in terms of quantity and price, makes this area strategic in respect of resource utilization. BTTB as the national operator in the telecommunication sector procures huge amount of capital goods under different projects consisting mainly of telephone exchanges and its spares. Any procurement, either foreign or local, is done through open competitive tendering except for bilateral credit. Through the competitive bidding process, BTTB has brought down the cost tremendously during the last 10 years. As an example, the cost per digital switch which is the main component of this sector was studied and found that such costs have shown considerable reduction over time:

Project (year)	No of Switch	Per switch cost
Greater Dhaka Project (1989)	16,000	US \$ 800
Alcatel Project (1994)	150,000	US \$ 390
92 Upa-Zilla Exchange project (1999)	26,000	US \$ 120

The net result is a significant increase in the procurement quantity with the same amount of fund thereby saving the exchequer both in local and foreign currencies.

### Efficiency

As an important indicator of efficiency of BTTB operations, per line cost was examined over a number of years. This particular area has been widely regarded as an accepted indicator of the operating efficiency of the telegraph and telephone sector. The significant finding was that it was able to reduce its operational cost significantly over the last 10 years. The operational cost data for the last 6 years are provided below:

Year	Total no. of lines in operation	Total cost of providing the service (in million Taka)	Per line cost
1996-1997	368017	2849.49	7742
1997-1998	412747	2960.27	7172
1998-1999	432968	3205.27	7403
1999-2000	491303	3086.47	6282
2000-2001	563888	3377.20	5989
2001-2002	594856	3550.04	5967

Further break down of operational costs shows that despite increase of salary and allowances, the rising cost of essentials as well as price inflation, per line cost continued decline. Also noteworthy is the fact that per employee cost of Taka 64,500 (US \$ 1112) is much lower than the world standard of US\$ 24000 (approx).

Year	Total no. of lines in operation	Total maintenance cost (in million Taka)	Per line cost (in Taka)
1996-1997	368017	928.11	2521
1997-1998	412747	1031.50	2499
1998-1999	432968	1047.17	2418
1999-2000	491303	1110.68	2260
2000-2001	563888	1256.27	2227
2001-2002	594856	1159.47	1949

The consistent improvement in the operating efficiency so far as per line cost is concerned, was the result of a sound financial discipline and strong budgetary control measures adopted and pursued by BTTB in its endeavour to control costs.

### Effectiveness

As one of the largest and strategically important public sector entity, the effectiveness with which BTTB is performing at various levels is a matter of public interest. Effectiveness of BTTB can be assessed in a variety of ways. Considering the nature of its operation, both financial and non-financial aspects could be taken as significant indicators of effectiveness in achieving its objectives. On a financial note, the following revenue picture shows the performance level:

(in million Taka)

	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002
Gross revenue	12451	12542	14006	13052	15830
Expenditure:					
Operational	2901	3206	3086	3337	3303
DSL	4301	2963	1778	527	1330
Total	7202	6169	4864	3905	4633
Net Surplus	5249	6373	9142	9147	11197

BTTB is contributing a significant amount of surplus in government exchequer every year and also there is growth in gross revenue. The increase in revenue performance has contributed to the growth of telephone exchange capacity in Bangladesh in the last five years at an average of 50,000 lines per year. This phenomenon has also resulted in undertaking programmes for installation of new major digital transmission links by BTTB within Bangladesh.

Greater operating effectiveness has resulted in benefits which have also been used to reduce the burden of the subscribers. As the following table clearly indicates, per line revenue has shown steady decline implying that improved resource management skills have started to pay dividends.

Year	Total no. of lines in operation	Total revenue (in million Taka)	Per line revenue (in Taka)
1996-1997	368017	10724	29139
1997-1998	412747	12451	30166
1998-1999	432968	12542	28967
1999-2000	491303	14006	28507
2000-2001	563888	13052	23146
2001-2002	594856	15830	25854

**Table Showing Tariff Reduction in BTTB**

Nature of Service		Upto 30.6.2001	From 1.7.2001	From 1.7.2002
a.	International Call (per min)(American Region)	Tk. 72	Tk. 60	Tk. 40
b.	Nationwide Call (per min)(Above 100 miles)	Tk. 30	Tk. 15	Tk. 10
c.	Local Call		Tk. 1.70(No time limit)	Tk. 1.50(For 5 min duration)
d.	Installation Charge of Telephone		Upto 30.6.2001 Tk. 18,400.00(All areas)	Upa Zilla Tk. 5000 District Tk. 8000 Dhaka & Chittagong Tk. 10,000

The above table indicates that average reduction rate for international call charge was 45%, NWD call was 66%, and local call charge was about 12%. These reductions are highly significant and testament to the BTTB's continued push for contributing to greater social advancement in the global perspective.

## **Conclusion**

The VFM environment consists of three powerful groups, namely, the parliamentarians; the bureaucrats; and the public at large. The first two groups represent the initiators and implementers respectively; while the last one is the recipient. Politicians are an integral part of the democratic process and are constantly under pressure to trade-off between constituency interest and national priorities. This necessitates the use of monitoring system by parliamentary committees to ensure a balanced contribution on the part of the politicians. For the management of public sector entities, it is important to motivate and encourage a positive approach towards achieving VFM at all levels in the organization. This positive spirit has to be supported by the right organizational structure and an adequate reward system. There has to be increased public awareness about the government policies and programmes which would lead to realistic public expectations in the context of available resources.

In the context of the developing world, the VFM concept is a relatively novel one. Hence there are certain obstacles that hold up progress at the intended pace. Lack of education, absence of appropriate training programmes, unstable political situation, powerful bureaucracy, subservient management, weak organizational structure, technological backwardness, weak reporting culture, lack of motivation and commitment are some of the prime factors responsible for the late introduction of this potent public sector concept.

The case of BTTB in the context of VFM concept has resulted in a number of interesting findings. As the former British Chancellor of the Exchequer Rt. Hon. Kenneth Clarke, MP once said, 'the public now expect economy, quality of service, and efficiency in managing public sector resources'. This could be termed as a precursor to the concept of New Public Management (NPM) concept that espouses the issues of control, accountability, efficiency and effectiveness in the use of public resources.

It cannot be stressed enough that VFM is not just a collection of techniques which can be put into practice by suitably trained professional people. The spirit of VFM concept can be embraced by politicians, bureaucrats, and the public at large through transformation of the mind set, greater commitment to good governance, and above all putting long term public interest ahead of self interest.



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## **Audit Planning-3**

### **Model Cases Followed In Civil Audit**

**Md. Abul Kashem \***

There is a saying -"If you do not plan, you plan for your own failure". This applies to audit also. Adequate audit planning helps to ensure that appropriate attention is given to important areas of audit, that potential problems are identified and that the work is completed with economy, efficiency and effectiveness.

An audit plan can be defined as action plan that provides the main guidance for the whole audit process in an efficient and effective way, to gather sufficient evidence to support an opinion, findings and recommendations.

The situation which may arise in the absence of adequate audit planning can be summarized under the following:

- Audit may not be completed on schedule;
- Uneven staff workload and overtime conditions may arise;
- Problems may occur because of apparent disorganization;
- It may be difficult to proceed with subsequent audit work;
- It may result in an ineffective and high cost audit; and
- High quality audit may not be carried out in an economic, efficient and effective way and in a timely manner.

Elements of audit planning framework:

Planning Inputs (Gathering Information)

Planning inputs represent the information needed to complete the planning process and to update the information base (inputs) by reviewing permanent and current files, legislation and other relevant information, review working papers to determine whether the impacts of previous years findings and recent developments have been used in the assessment of risk.

#### **Planning Considerations (Assessing Information)**

The information collected is reviewed to ensure that relevant financial statement and assertions are being tested appropriately. Here first comes

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\* Senior Finance Controller (Army).

Materiality. In planning an audit, the auditor should determine an appropriate level of materiality, although consideration of materiality is a matter of professional judgment. The materiality decision will affect the nature, extent and timing of audit procedures. Then comes Risk. An auditor should assess the risk of errors and irregularities that may cause material misstatements in the financial statements. These types of audit risks are inherent risk, control risk and detection risk. Before developing the tentative audit strategy, the auditor must assess these risks.

### **Planning Outputs (Documenting Decisions)**

This is the last critical step to ensure that all audit planning decisions are documented and communicated and that any modifications to the audit plan are properly documented and thoroughly considered.

### **Planning memorandum**

The planning memorandum is the action plan that identifies specific individual audit assignments within the overall plan and defines the objectives, priorities, scope, deadlines, and staff requirements for each assignment.

### **Resources**

- Staff involved in the audit;
- When the audit will be performed;
- How much time should be spent on the audit by component and in total?

### **How to draft an Audit Plan?**

Although the preparation of audit plan is governed by general rules, it should be emphasized that each audit plan is specific to an audit for a particular year. The audit plan must also cover any matters identified for action in the working paper of the previous year's audit.

Having considered the possible sources of audit assurance-- inherent assurance, control assurance, substantive procedures assurance-- the auditor must now determine the optimum combination of substantive and compliance tests required to reduce the assumed overall audit risk to the desired level for every significant error condition.

How is the optimum combination selected? It will depend on the entity, the nature of its operations and other factors considered by the auditor. The overriding principle is that the auditor should aim to develop the most cost-

effective tentative audit strategy while maintaining a high quality of audit work.

### **Critical audit areas**

Identification of critical audit areas is a very crucial job for the auditor. "Critical" means there would be very important effect on the auditor's professional opinion, as there will likely be an increased risk in certain areas.

### **Reasons for identifying critical areas:**

- in general, a 100% audit of the execution agency is nearly impossible with the audit resources available;
- there might be some changes in the activities of the executing agency, as well as other concerned external changes, compared with those of the previous year;
- there always are areas in which some potential risks exist;
- it may be influenced by SAIs policies or strategies;

### **Determination of Audit Approach**

From the above information, the auditor has to decide which audit approach to recommend. The basic decision for the auditor is whether the area should be examined entirely by substantive testing or whether it should be examined by a combination of compliance and substantive testing.

### **Application of audit plan in Civil Audit Directorate:**

After identifying the audit approaches-systems-based audit, direct substantive testing and analytical review- we will review the application of these approaches and techniques to the identified audit areas in Civil Audit Directorate. This Directorate is responsible for auditing the accounts offices under the jurisdiction of Controller General of Accounts (CGA). After gathering information of the budget, priority, importance of the accounts offices, and also reports of the press and media, Civil Audit Directorate groups the units as A, B, C and then identifies critical and risk areas of the units, considers the available resources and accordingly draws an audit plan with applicable audit approaches. Sample size is determined on the basis of mandays available for the audit unit. An Audit Plan of general nature is shown in Sample Audit Planning-Part1. By taking into consideration three critical/risk areas, 3 sample audit planning cases applicable to Civil Audit Directorate are described in Part-2.

## Sample Audit planning (PART-1)

- Name of Auditee organization:
- Audit year:
- Audit team members:
- Type of Audit - (Regularity / Issue based/Performance)
- Audit briefing:

Date	Who briefs audit team	Subjects of briefing
xxxxxxxxx	Mr.-----	A) Understanding the audit entity B) Previous years audit reports C) Related Statute/Rules/Regulations/Orders

### Works to be done:

- Meeting with head of Auditee office;
- Audit Area selection (Example in Audit plan A,B,C)
- Work distribution among team members;
- Maintenance of daily work book/Working papers;
- Monitoring/Supervision;
- Inspection of audit team (Scheduled/Unscheduled);
- Discussion with Head office of the auditee (Audit Directorate in special cases);
- Date of issuing Local Audit Report (LAR) ;
- Date of LAR submission to HQ ;
- Date of QAT in HQ;
- QAT result to DG;
- Date of Advance Para issued to Ministry;

## Sample Audit planning - (PART 2-A)

Accounts Area(What)	Issues to be examined (HOW)	Sample size(variable)(Which)	Examiner (Whom)	Mandays (When)
Contractor's Bill	<ul style="list-style-type: none"> <li>* Whether administrative sanction was properly accorded by competent authority</li> <li>* Whether Technical Sanction/Specification/ Estimate/Design was properly accorded by competent authority</li> <li>* Whether Tender/Quotation was published in required number of news papers</li> <li>*Examine Comments of tender committee in comparative statement and scrutinize comments of the committee (if the lowest tender is not accepted) and check whether the reasons given are acceptable.</li> <li>*Examine Work Order with conditions given there and provision of penalty for delay in work</li> <li>* Whether work was completed in time with specification and design</li> <li>*Check and compare Bills with Tender schedule/estimates/work order.</li> <li>* Whether Budget allotment is available/Financial section of the bill is as per delegation</li> <li>* Check arithmetical Correctness of the bill Amount</li> <li>* Check deduction of VAT, IT, D/SD/Salvage materials etc.</li> <li>* Check booking of deduction in specific heads of Accounts</li> </ul>	1st. 12 Bills of April/May/June OR * Last 12 bills of January/February/March OR * 12 bills of highest amount of the year OR * 6 final bills and 6 Running bills of the financial year OR 12 bills of highest amount of the financial year	Mr..... ..... .....	from day 2 to day ¼ of audit programme

## Sample Audit planning - (PART 2-B)

Accounts Area(What)	Issues to be examined (HOW)	Sample size (variable) (Which)	Examiner (Whom)	Man days (When)
Provident Fund withdrawal	<ul style="list-style-type: none"> <li>* Whether the deduction made accordingly</li> <li>* Whether the deducted amount posted in broadsheet/ledger as per deduction</li> <li>* Whether the interest paid so far correct</li> <li>* Whether the GPF balance transmission properly made from other accounts office and posted/authenticated by authorized officer? Check with original balance transfer memo</li> <li>* Check Whether any GPF advance was taken earlier and whether that was recovered accordingly</li> <li>* Whether any double posting was made in ledger as to the transfer of GPF balance from other accounts office/offices</li> <li>* In case of final GPF payment, check all posting from first page of ledger up to the last posting and payment</li> <li>* In case of final GPF payment, check whether interest was paid after 6months of stopping contribution</li> <li>* Check sample interest calculation</li> </ul>	<ul style="list-style-type: none"> <li>* 12 final payments - one from each month from July-June.OR</li> <li>* 6 final PaymentsOf highestAmou ntFrom July-December and first 6 bills-one from eachMonth from January-June.ORGPF</li> <li>* Advance bill of staffs and 6 advance bill of GazettedOffic ers</li> </ul>	BY Mr.....	4 and 5th day of audit programme

## Sample Audit planning - (PART 2-C)

Accounts Area(What)	Issues to be examined(HOW)	Sample size (variable) (Which)	Examiner (Whom)	Man Days (When)
Pension	<ul style="list-style-type: none"> <li>*Check LPR order/Retirement order</li> <li>* Check Service continuity by examining Service Book/Service Record</li> <li>* Check pay fixation by Examining ELPC/LPC</li> <li>* Check any recovery due</li> <li>* Check house Building/Motor car/Computer loan/TA advance/GPA loan</li> <li>* Check audit objections against pensioner</li> <li>* Check No Demand Certificates from related offices</li> <li>* Check Certificate of Handover of govt. accommodation</li> <li>* Check Correctness of pension calculation</li> </ul>	<ul style="list-style-type: none"> <li>* 6 (six) gazetted officers pension cases (each from July-December)</li> <li>OR</li> <li>6 non-gazetteer officers pension cases (each from) January-July)</li> <li>OR</li> <li>6 cases from Health/Education/LGED/Agriculture/Administration/police/and thelike</li> <li>OR</li> <li>6 pension cases of 100% gratuity claims</li> <li>OR</li> <li>6 pension cases of 50% gratuity claims</li> </ul>	Mr.....	6th and 7th day of audit program



## **Characteristic features of trainees as observed by a trainer**

**Kazi Shofiqul Azam \***

Training is as popular as ever and it plays a significant role in increasing employee's knowledge and skill. In the classroom, the trainer has a great responsibility. He is expected to impart pre-agreed knowledge and skill to a group of trainees. However, these trainees differ in many ways. Let us examine some trainee's behaviors that have to be tackled by the trainer in order to maximize the learning of the participants.

It is observed that different trainees seem to learn in different ways and they seem to develop different methods of processing new information. In the class room, this style shows up in different ways and has an impact on the learning process and on group dynamics. Trainee's attention fades in and out during a learning session and their emotions range from boredom to excitement. Some trainees prefer to watch and listen, others prefer to speak and do. Some prefer to challenge the trainer, want more information, and question the theories and concept presented. On the other hand, some trainees respond very favourably to certain learning methods while others feel uncomfortable.

Therefore, trainees with different learning styles behave in different ways in the classroom.

### **Learning Style**

It is seen that, in a group of trainees, there are at least four distinct learning styles. Each style represents a set of behaviors for processing information. The characteristics of each group are given below:-

#### **Reflectors**

Reflectors tend to watch and listen and observe from many different perspectives.

They collect data and prefer to think about it thoroughly before coming to any conclusion. They tend to postpone reaching definite conclusion for as long as possible. Their philosophy is to be cautious and they like to consider all possible angles and implications before making a move. They prefer to take a back seat in the class. They enjoy observing others in action and tend to adopt a low profile.

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### **Theorists**

Theorists tend to be perfectionists who will not rest easily until things are tidy and fit into a rational scheme. Theorists ask many questions, seeking more information. They like to analyze and synthesize. They are interested in basic assumptions, principles, theories, models etc.

Their approach to problems is consistently logical. They prefer to maximize certainty and feel uncomfortable with subjective judgement.

### **Pragmatists**

Pragmatists like to get on with things and act quickly and confidently on ideas that attract them. They are essentially practical. They respond to problems and opportunity as a challenge. They actively search out new ideas and take the first opportunity to experiment with applications.

### **Activists**

Activists are open minded, not sceptical. They tend to act first and consider the consequences later. Their days are filled with activities. Activists are some times impatient. They tackle problem by brainstorming. They are happy to be dominated by immediate experiences.

Problem behaviour on classroom Training

There are three behaviors which are problematic and needed to be resolved during the course of training. These are:

- Distractions;
- Non participation and
- Arguments.

### **Distracting behaviour**

Distracting behaviour comes in many shapes and sizes. The following examples of behaviour distract the learning and interfere with the learning process:-

- Chit-chatting by participant while the trainer or a trainee is presenting ideas;
- Late coming at the start of the class and after break;
- Mobile phone ringing and answering;
- Asking irrelevant questions;
- Asking questions which have just been answered by the trainer at length;

The list of potentially distracting behaviour is endless.

### **Non-participation**

Some participants ask no questions, provide no answers nor in any way contribute to the discussion. There may be a problem. However, silence

does not mean that the trainee does not understand unless, they do not answer a question put directly to them. Some trainees are simple, too shy to speak out in front of a large group of multi-cultural people. Usually shyness and lack of participation disappear once the trainee concerned is given an assignment in a small group.

It is not a good idea to try to force participants to speak if they are reluctant to do so. Such attempts may distress the trainee. It is all right to call on individuals by name to answer a question or give an opinion but if after a few seconds they do not start to answer or they appear embarrassed, open the question to all the participants or answer it yourself.

### **Arguments**

It is quite rare for a participant to be unduly argumentative. This behaviour is more likely to be found in a trainee who is reluctantly attending the training course.

### **Difficult Trainees**

Difficult trainees can be categorized in two groups: those who deliberately set out to be difficult and those the trainer just happens to find difficult. From the trainer's point of view, both can be a challenge and opportunity. Although training would be of less interest if all the trainees agree with you all the time. When dealing with difficult trainees, it is certainly more useful to focus on the behaviour of the trainees rather than the trainee themselves. It is important to separate the behaviour from the trainee.

### **Trainees Question**

Question is directed to trainer from the trainee. It is seen that most of the questions are legitimate requests for information or clarification, although few odd questions are intended to challenge or embarrass the trainer. In this situation, it is very important for a trainer to keep temper and patience and try directing the question back to the group and/or invite the group to respond to question or ask the questioner to respond to his own question. If the question is not clear, ask for additional information or an example and acknowledge what they say and move on.

### **Group Behaviors**

As a trainer it is observed that a group usually behave in various ways:

- Some participants are active and others are more passive or withdrawn;
- some participants talk a lot, other say little;
- Talkative participant may dominate the proceedings. Some times this

helps the group to deal quickly with the matter; on the other hand, it leads to conflict and ineffective team work and damage group performance.

When working on group assignment, people tend to behave in one of the three patterns. One type of behaviour helps the group to accomplish its assigned task, the second another serves to create cooperation and support and the third is focused on individual needs.

### **Group size**

It is observed that participants tend to speak more freely in small group than in large one. Participants of large group feel little or no personal responsibility for the success of the course. Participating in small group task increases individual commitment dramatically.

### **Characteristics of Adult learner**

Adult learner generally decides what they want to learn but children do not decide what they want to learn. On the other hand, adults can challenge what is taught but children may accept trainers' view on the importance of what is taught. Therefore, characteristics differ from each other. Characteristics of Adult learner in brief are given below:-

- **Adult learner is experienced:** A trainer helps participants to recognize the importance of their experience and convert it into a vehicle for learning.
- **Adult learners make choices:** Trainees learn best when given some sense of control over the pace and depth of the process.
- **Adult learner is basically shy:** Trainers may help people feel secure and capable in the early stages of the course.
- **Adult learner expects to be told:** Most adult learners have been conditioned to respond to some kinds of authority system. The trainer goal in this respect is to help participants become their own authority in the learning situations.
- **Adult learners want their moneys worth:** This can mean many things to many people including timeliness, relevance of contents and competence and professionalism of the presenter.
- **Adult learner want things to be relevant:** Adult learner wants to see immediate applications of the course material to their work.

- **Adult learners want to be treated as adults:** Mutual respect must be evident in every aspect of the training.
- **Adults participate in the training for many reasons:** Individuals attend the training because:
  - a) They were told to;
  - b) They were personally interested;
  - c) They see applicability to their work;
  - d) It is a day out of the office.

Thus the trainer has to be prepared for a variety of attitudes ranging from resentment to genuine interest. Therefore, knowledge about characteristics of trainees helps a trainer to manage the group efficiently.

## Human relations with concrete examples

Wazir Ahmed Fateh \*

Human Relations deals with creating an atmosphere in our society that is free of discrimination and conflicts between people based on caste, colour, gender, origin of nationality, religion, disability, or family status.

Human relations shall mean those activities, which promote human dignity, equal opportunity, and harmony among many different people, which make up our society. This shall include those activities and programs, which shall be classified as promoting the general well-being of people, without regard to caste, colour, creed, gender, religion, national origin in their daily activities.

### Why it is necessary?

Human relations and interpersonal communications skills are essential for working effectively in an organization. Lack of relations or communication interference causes friction between people, which can drastically reduce productivity.

### Benefits of human relations:

#### (a) At home:

Interpersonal relationship among family members helps to develop

- ✓ human quality and fellow feelings;
- ✓ helps to improve family ties;
- ✓ helps to establish a peaceful atmosphere at home.

#### (b) At working place:

- ✓ Improves the quality of work;
- ✓ Makes the environment comfortable;
- ✓ Increases the creativity of the person at work;

#### (c) At school:

A good teacher-student relationship helps create good mindset by having a

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\* Author is working as Director General, Civil Audit Directorate

cordial atmosphere that becomes a permanent behavioural pattern for future. Students can learn more and their abilities and confidence grow up in a friendly environment and their mental faculty can flourish better.

**(d) At Society:**

Man is a social being. He has to depend on others in various occasions. The affection for each other leads to form a human relationship. Problems can be mitigated and society becomes peaceful if a friendly environment exists in a society. And only a healthy society can ensure welfare and well-being of its people.

**(e) Self-benefit:**

It is a matter of great pleasure to help others. A man thinks himself worthy if he can do something for the benefit of others. Human relation gives self-satisfaction. For example, we sacrifice our comfort for our children. We use to provide them good food, lodging at the cost of our hard labour. This is simply because of human feelings, which ultimately strengthens human ties through self-satisfaction.

**Better Human-Relations:**

Dale Carnegie has mentioned some ways for better human relations at home and office. These are as follows:

**Ways to Make people Like You:-**

- Be a good listener. Encourage others to talk about them.
- Talk in terms of the other man's interest.
- Make the other person feel important and do it sincerely.

**Ways of Winning people To Your Way of Thinking:-**

- The only way to get the best of an argument is to avoid it.
- Show respect for the other man's opinions. Never tell a man that he is wrong.
- If you are wrong, admit it quickly and emphatically.
- Begin in a friendly way.
- Get the other person saying "Yes, Yes" immediately.
- Let the other man do a great deal of the talking.
- Let the other man feel that the idea is his.
- Try honestly to see things from the other person's point of view.
- Be sympathetic with the other person's ideas and desires.

- Appeal to the nobler motives.
- Dramatize your ideas.
- Throw down a challenge.

### **Ways to Change People without giving offence Or Arousing Resentment:**

- ✓ Call attention to people's mistakes indirectly.
- ✓ Talk about your own mistakes before criticizing the other person.
- ✓ Ask questions instead of giving direct orders.
- ✓ Let the other man save his face.
- ✓ Praise the slightest improvement and praise every improvement.
- ✓ Be "heart in your approbation and lavish in your praise".
- ✓ Use encouragement. Make the fault seem easy to correct.
- ✓ Make the other person happy about doing the thing you suggest.

### **Rules for making Your Home Life Happier:-**

- ✓ Don't nag.
- ✓ Don't try to make your partner over.
- ✓ Don't criticize.
- ✓ Pay little attentions.
- ✓ Be courteous.
- ✓ Read a good book on 'the conjugal side of marriage'.

The above tips given by Dale Carnegie certainly help us make human relations and to develop it further. Besides these we can follow some golden rules for better human relations.

### **10 Commandments of Human Relations:**

#### **1. Speak to people.**

There is nothing nice like a cheerful word of greeting.

#### **2. Smile at people.**

It takes 72 muscles to frown, only 14 to smile.

#### **3. Call people by name.**

The sweetest music to anyone's ears is the sound of his own name.

#### **4. Be friendly and helpful.**

If you want friends, you must be one.

#### **5. Be cordial.**



Speak and act as if everything you do is a joy to you.

**6. Be genuinely interested in people.**

You can like almost everybody if you try.

**7. Be generous with praise.**

And cautious with criticisms

**8. Be considerate with the feelings of others.**

There are usually three sides to a controversy: Yours, the other fellow's and the right side.

**9. Be eager to lend a helping hand.**

Often it is appreciated more than you know.

**10. Add to this :**

A good sense of humour, a huge dose of patience and a dash of humility- This combination will open many doors and the rewards will be enormous.

# **Poverty migration propensity showing movement from and to poverty : A heuristic study of a village population**

**Ahsan Abdullah \***

## **Foreword**

The study is an outcome of the course requirement of the 53rd ACAD, conducted by the BPATC. The objective is to enable the participants understand prevailing socio-economic issues, particularly poverty-related issues, make real-life case studies and recommend appropriate policy solutions.

A theoretical model has been developed, which was tested by field study. The course management has been the driving force behind the study and without their constant support and advice; it would have not been possible. I made a field visit to a selected village Nayapara under Teknaf Upazilla, Cox's bazar. The village is situated north of Teknaf and well connected with Teknaf and Cox's bazar by road network. The locality is well known for betel and nut cultivation along with rice cultivation.

The survey was too inadequate for making comprehensive inferences, but would certainly give insights into some unexplored aspects of poverty like potential poverty, poverty migration, economic and non-economic shocks and coping mechanism etc. It was possible for collecting and analysing some data on the basis of my hypothesis. However, for any shortcomings or flaws in the collection and analysis of data or interpretation therefrom, the responsibility lies with me.

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I acknowledge with gratitude the useful guidance of Syed Mahboob Hasan, Course Adviser. He provided necessary comments and suggestions in several occasions. No less is the contribution of the Course Director ASM Athar and Course Coordinators SM Zubaer Enamul Karim and Mehedi Masud. I am also grateful to DP Sharma, the seminar paper guide, for giving me useful notes and tips.

I am also thankful to Mohosin Chowdhury, UNO of Teknaf and K.M. Hasan, AC (Land) of the Upazilla. It will be sheer ingratitude if mention is not made of the efforts of Abdul Mannan, Thana Co-operatives Officer of Teknaf Upazilla and Abul Kalam Sub-Inspector of the same office. Without the all-out support of the Upazilla Administration, particularly offices of the UNO and TCO, data collection would be impossible.

Last but not the least; it was wonderful experience meeting the people of Nayapara. Their hospitality is unforgettable.

\* Deputy Secretary of the GOB and now working as Director BANBEIS

## Executive summary

The study has focused on certain aspects of poverty and has applied a number of new ideas and concepts. Poverty is now an often-quoted issue and subject for the policy planners as well as for the policy researchers. The present study has concentrated on the following four basic concepts:

- a) **Levels of poverty** showing different levels of poverty of the population
- b) **Potential poverty** showing the population having higher probability of moving to poverty
- c) **Poverty migration propensity (PMP)** showing tendency of the population or the rate at which it migrates to poverty.
- d) **Coping mechanism** showing how the poor addresses the economic and non-economic shocks/crisis.

The study is aimed at a) identifying the risks faced by the poor, b) categorising the different types of risks, c) evaluating risk-induced vulnerability and d) to analyzing and identifying the poverty migration propensity. Rural poor frequently move in and out of poverty because of the vulnerability factor.

Our methodology consists of three steps, namely a) measuring levels of poverty, b) selecting target and sample population, c) designing a model to explain the hypothesis, d) primary data collection by filling up data sheets and arranging discussions with the sample population and other stake holders and e) analyzing the data.

One of our major findings from analysis of data is that poverty levels depend on income and non-income factors. The sample population, which was categorised into three poverty classes, has shown behaviour as per our hypothesis. Another key finding is that poverty level is linked with occupation and possession of land. Agricultural labour and sharecroppers stand next only to the landless people having no income certainty. The poorest people are those who have the least amount of cultivable and surplus land. While no significant natural calamity has taken place during the last five years, the inhabitants could not survive from regular occurrence of socioeconomic shocks and personal insecurity. Economic and non-economic shocks affect different poverty or income levels differently. While inflation affects the lower strata of poverty level most, market fluctuations and economic recession affect the upper strata of poverty level most. One of the most significant findings of the study is that the Marginally Poor (MP) and Out of Poverty (OP) people are the most

vulnerable among the different levels of population and more prone to socioeconomic shocks. Their income levels are most fluctuating. Particularly, population marginally out of poverty, are also much susceptible to shocks. Potential poverty exists in the sample population. People marginally out of poverty level, are found to be potentially poor. About half of this group of people is potentially poor.

We recommend that a) further and more study be made on measurement of poverty migration and potential poverty, the less unexplored but significant areas of poverty, b) a high rate of poverty migration poses serious threats to poverty alleviation measures, so we need to find out cross-regional data of PMP and level of potential poverty and cross-regional frequency and effects of economic and non-economic shocks. The results would help the government framing effective safety-net programmes in relation to the propensity to migrate to poverty and level of potential poverty. We suggest special provision for subsidies to the rice cultivators, which will work in reversing the trend of rising income inequality. We suggest that PRS policies should be based on quality of poverty rather than quantity of poverty.

### **1.1 Concept of poverty and poverty migration**

Poverty is a multi-dimensional concept. It basically focuses on the various aspects of income and non-income types of deprivation. Poverty vivifies among others the following parameters: (i) disempowerment, (ii) insecurity against shocks and (iii) lack of opportunities. It has manifold expressions and, indeed, many roots. It is about (i) income deprivation, (ii) shortfalls in consumption and (iii) inadequate supply of nutrition. It is also about (i) poor access to education and (ii) low physical asset bases. It is about (i) risks, uncertainties, and vulnerabilities. It may be about (i) personal insecurity, (ii) lack of food security, (iii) crisis coping capacities, (iv) self-development initiatives, (v) dismal state of health and health care access. Poverty is found to be static and dynamic, transient and chronic, sporadic and systemic. It may also be seasonal as much as it is spatial. It is inter-generational. It is about all known vicious circles, of low savings, low investment and low growth. It is expressed in each of these and all of these together. Given this multidimensionality, it is not difficult to see why all routes, income and non-income, should matter for poverty reduction.

Lack of social safety net focuses on the vulnerability dimension. Vulnerability to shocks may be triggered by many factors. There are shocks of covariate nature (such as, natural disaster which cuts across the poor and

the non-poor groups), or of idiosyncratic nature (such as health-related hazards). Whatever the nature of the shocks, the poor are found more susceptible to shocks than the non-poor and they take a much longer time for recovery.

Poverty migration does not mean migration from one place to another due to poverty. On the contrary, it means migration to lower levels of poverty and to poverty. People may get worsen because of different types of shocks & risks and move down to lower levels of poverty or slip down to poverty. The variability of this movement is linked to vulnerability of the people because of the shocks and risks faced by them. The rate at which population migrate to poverty may be defined as poverty migration propensity (PMP)

### **1.2 Measures of poverty, levels of poverty and potential poverty**

There are three widely used to capture three aspects of poverty: its incidence, its depth, and its severity.

The head-count index (H), given by the percentage of the population living in households with a consumption per capita that is less than the poverty line. This can be interpreted as a measure of the "incidence" of poverty. The measure has the advantage that it is easy to interpret, but it tells us nothing about the depth or severity of poverty.

The poverty-gap index (PG), defined by the mean distance below the poverty line as a proportion of that line (where the mean is formed over the entire population, counting the non-poor as having zero poverty gap). One can interpret this as a measure of poverty "depth." Its disadvantage is that it is unaffected by changes in inequality among the poor.

The squared poverty-gap index (SPG) of James Foster, J. Greer, and Erik Thorbecke, defined as the mean of the squared proportionate poverty gaps (again the mean is formed over the entire population, counting the non-poor as having zero poverty gap). Thus the poverty gaps are weighted in aggregation, with greater weight given to larger gaps, and where the weights are simply the poverty gaps themselves. This simple change to the conventional poverty-gap index allows the index to reflect changes in the "severity" of poverty, in that it will be sensitive to inequality among the poor.

In the Bangladesh context, the poverty line corresponds to 2112 calories per person per day. There are several methods for setting the poverty line. Of these, the approach which is based on costing of a given food bundle (corresponding to 2112 calories per person per day)... the so-called fixed-

bundle approach ... is found to be better than other methods such as Food-Energy Intake (FFI). For details on the issue, see Ravallion and Sen (1996).

In this paper, we will try to incorporate economic as well social elements to measure poverty, so as to analyse the behaviour or process of poverty.

For our study, we are not interested in any quantitative measure of poverty, because it does not best serve our purposes. The thrust is on measuring levels of poverty rather than on amount or quantum of poverty.

Three levels of poverty have been identified in the present study, namely a) Hard-core poverty (HCP), which is acute and is the highest level of poverty, b) Hard poverty (HP), which is hard and is the second highest level and c) Moderate poverty (MP), which is comparatively more tolerable type. There are some thresholds to measure these three levels. The names of the poverty levels imply the severity of poverty at the different levels. Another income level has been defined as Marginal Household (MH), marginally above the MP level.

Potential poverty has also to be considered in this context. It is the potentiality of a person to remain in poverty or to be in poverty in future. A person having volatility in income and consumption is potentially poor person. He may go down to lower level of poverty from a higher level. Or if he is in a marginal position (HP level), he may slip down to MP level. So he is a potentially poor person.

Coping mechanism is another very important concept for our study. It is the way or mechanism by which the poor addresses the crisis. For example, sudden illness of an earning member of a poor household, may be handled by reducing consumption or stopping children's education. Damage made by natural disaster may be handled by taking loans.

### **3. Objectives of the study**

#### **a. To identify the probable risks**

One of our objectives is to identify the risks faced by the poor. We will have to categorise the different types of risks, which are faced by the rural poor. We will try to find out the magnitude of the risks and their frequency. A study of around 3 to 5 years of data of the risks or (shocks) will give us a stable idea on the risks.

#### **b. To evaluate risk-induced vulnerability and potential poverty**

One of the most important objectives of the proposed study is to evaluate risk-induced vulnerability. We will base on the data on risks faced by the

rural poor. We will have to show how the population has responded the risks and shocks. The vulnerability factor is related to potential poverty as defined earlier in the paper.

**c. To establish link between risk-induced vulnerability and poverty**

This is a corollary to the previous objective. We need to analyse and identify the poverty migration propensity. Rural poor frequently move in and out of poverty because of the vulnerability factor. A major objective of the study is to establish relationship between vulnerability and poverty. There is prima facie strong link between vulnerability and poverty. We try to find empirical evidence of this linkage.

**d. To find required evidences**

We will need to find the following possible evidences in order to prove our hypothesis:

1. Levels of poverty of the sample population
2. Risks and shocks faced by the sample population
3. Coping mechanism/behaviour of the sample population vis-à-vis the shocks.
4. Poverty migration propensity

**e. Policy recommendations**

Policy recommendations would be made out of the findings of the paper, which would focus on the followings:

1. Different treatment of transient and chronic poverty
2. Consideration of movement in and out of poverty
3. Vulnerability- reducing programmes of the government
4. Consider potential poverty

**3. A simplified model**

Poverty level  $P_{level}$  has been defined as:

$P_{level} = f(k_i) \dots \dots \dots i)$  and also as

Where  $k_i = 1$  to  $n$  and  $n = 10$  as defined in paragraph 4.1

Population in poverty  $Pop_n$  is defined as:

$Pop_n = MP_i + HP_j + HCP_k \dots \dots \dots ii)$

Where  $i$  denotes total MP size,  $j$  denotes HP size and  $k$  denotes HCP size population. MP, HP and HCP are defined in chapter 1.2

and also as:

$Popn = \beta Pop$ .....iii)  
 where  $\beta$  is the ratio of the total sample population Pop in poverty.  
 Also  $Plevel = \beta Pop$ .....iv)  
 Critical level of population  $Plevel^*$  is understood as such:  
 $Plevel^* = ?Pop$ .....v)  
 where  $?$  is the ratio of the sample population critically poised to either poverty or to lower level of poverty.  
 and also  $? < \beta$ .  
 Probability of population to be in poverty or lower poverty level prob of  $Plevel$  is expressed as:  
 $prob\ of\ Plevel = f(v, r, u)$ .....vi)  
 where  $v$  is vulnerability,  $r$  is risks/hazards and  $u$  is income uncertainty as defined in chapter 1.2 and the first derivatives  $f_1$ ,  $f_2$  and  $f_3$  are all positive.  
 Potential poverty  $PotenP$  is defined as  
 $PotenP = f(prob\ of\ Plevel)$ .....vii)  
 Marginally above the poverty line is the marginal household MH, understood as:  
 $MH < MP < HP < HCP$   
 Vulnerability  $v$  can be seen as:  
 $v = f(\text{natural disasters, economic and non-economic shocks, coping mechanism})$ .....viii)  
 where the first derivatives  $f_1$  and  $f_2$  are positive and  $f_3$  is negative.

#### 4. Methodology

**Table-1**  
**Describing criteria for determining levels of poverty**

SN	Criteria	Status	Result
01	Food consumption	Regular	OP
		Frequent	MP
		Occasional	HP/HCP
02	Protein consumption	Regular	OP
		Frequent	MP
		Occasional	HP/HCP



03	Owned house	>3 room +toilet	OP
		<3&>1 +toilet	MP
		1 room, no toilet	HP
		None	HCP
04	Land	>3 acres	OP
		1-3 acres	MP
		<1 acre	HP
		None	HCP
05	Saving	Yes	OP/MP
		No	HP
		Dissaving	HCP
06	Consumption loan	Yes	HP/HCP
		No	OP/MP
07	Livestock (Cow, goat, poultry etc)	Yes	OP/MP/HP
		No	HP/HCP
08	Children's' education	All children	OP
		Little	MP/HP
		No	HCP
09	Social influence	Yes	OP/MP
		Little	HP
		No	HCP
10	Self assessment	Not poor	OP
		Moderately poor	MP
		Struggling	HP
		Difficult to survive	HCP

Table constructed on the basis of pre-set criteria for determination poverty levels

**Note:** OP=out of poverty, MP=moderately poor, HP= Hard poor and HCP= Hardcore poor

#### 4 Selecting target population

To select representative population from the village, we have opted for stratified sampling, rather than random sampling. We have selected

households from different occupations and not randomly from the entire village. 100 households have been selected in this process. We expect that there will be no concentration of a particular profession. Cross-section of occupations has been selected.

Focus is on primary data collection and analysis. Data form sheets have been designed to extract maximum information from each household. Support was sought from the UP chairman and members.

## **5. Present status**

### **5.1 Findings of similar studies**

The results from panel survey of 62 villages carried out in 1989 and 1994 show considerable stability in the relative incidence of risks. Health hazards and personal insecurity are the major components of risks in both the years constituting 41-44 percent and 16-17 percent of rural households within an annual cycle. The only item of difference between the two survey years relates to the relative incidence of "natural disaster". As many of 66 percent of households reported this form of risk-exposure in 1989 (1988 was a flood affected year) compared to 29 percent in 1994. However, even in a relatively flood free year, natural disaster came as distinct second right after health hazard, indicating the durable importance of this factor for low-income agricultural societies.

The Bangladeshi evidence also suggests that all the categories of risks are as important for the poor as for the non-poor. There is, however, considerable variation in the relative incidence of various components of risks across socio-economic groups. The poor are, in general, more prone to health and personal insecurity related risks than the non-poor. Thus, the proportion of households that have experienced health hazards within an annual cycle was 37-40 percent for the poor compared to 19 percent for the non-poor. The poor have also experienced twice the level of insecurity than the non-poor. However, the category of "natural disaster" related risks is more prominent in case of the non-poor vis-à-vis the poor. This is because the non-poor has more land and livestock assets, which explains why the reported incidence of shock due to flood was higher for them than in case of the landless poor.

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1 For broader results of these surveys, see Hossain, Sen and Rahman (2000).

## **5.2 Probable findings**

The findings of the study totally depend on the behaviour of the selected target population. However, the theoretical framework suggests that the results should not vary with the earlier surveys. The proposed empirical results would update the current status of the subject and would corroborate the relevance of the earlier findings. We expect to be able to test the poverty theory as has been proposed in the paper.

## **6. Rationale of the study**

The subject has been a natural choice because of the following reasons:

- (i) One of the most important aspects of poverty study to analyse the behaviour or the process, rather than the chronology or trend of poverty
- (ii) A study of poverty migration is supposed to be a very strong policy instrument. Understanding this aspect of poverty will lead to an appropriate policy formulation
- (iii) Without a clear understanding of the vulnerability aspects effective corrective measures can not be taken
- (iv) Identifying the risks of different categories of risk is very important for a good pro-poor policy
- (v) Identifying and addressing potential poverty would help in reducing poverty.

## **7. Scope and limitations of the study**

The scope of the study is limited to the concept and status of rural poverty. However, this particular study covers only a number of issues like levels of poverty, vulnerability of the rural poor, potential poverty and poverty migration under the broad spectrum of rural poverty. As poverty is a component of study of economic development, the researcher has made references to a number of aspects of economic development.

A sample survey was made of the population of Nayapara, a village under Teknaf Upazila, Cox'sbazar. Conclusions are drawn for the entire population of the village and general inferences are drawn. We do not rule out the possibility of a sampling error.

The sample size is very small, mainly because of time and financial constraints. We also could not conduct hypothesis testing by using

statistical tools (R2, t-test etc). We had to depend on qualitative judgment and discussion with the sample population and other stakeholders.

### 8. Key findings of the study

A sample survey was made of 100 households at Nayapara, under Sabrang union, Teknaf, Cox's bazar. The population of the village is around 1000 and the major occupations are learnt to be follows:

- i) Rice and crop cultivation
- ii) Betel-leaf and nut cultivation
- iii) Salt cultivation
- iv) Shrimp cultivation
- v) Trading
- vi) Others
- vii) In many cases we have found combination of occupations.
- viii) A cross section of population is selected which consists of the different occupations as described. The occupation-wise distribution of the sample population is found as such:

**Table-2: occupancy-wise distribution of the sample population**

SNo	Occupation	Number	Percentage
01	Rice cultivation (includes share cropping)	40	40
02	Cultivation of betel and nut	15	15
03	Agricultural labour	15	15
04	Shrimp and salt cultivation	10	10
05	Trading	10	10
06	Others viz lease income, 10 income from foreign employment	10	

Source-primary data collected by the writer

We have levelled the sample population into three poverty categories as per the model. The three categories are elaborately discussed in chapter1. On the basis of our criteria for levelling the population, we have found that a) 30% of the sample population can be treated as HCP people, b) 25% can be

treated as HP people, c) 35% of the population can be termed as MP population and d) 10% of the people are seen as out of poverty (OP). Out of the 10% OP population, we have found around 50% (5% of total sample population) to be affluent people and safely poised against poverty.

The HCP population is basically those people who are a) landless and have no regular source of income, b) landless and depends on wages from labour. The HP people are found to have land but not enough for cultivation. They are mostly sharecroppers. The other category of MP population has a) enough cultivable land for cultivation; b) have combination of occupations like cultivation of multiple products. The OP people who are found out of poverty have more diversity of income generation. The behaviour of the OP people is consistent with portfolio management of investment and finance. According to the portfolio management theory risk can be hedged to a large extent by making a combination of investment. The distribution of levels of poverty is shown as follows:

**Table-3 showing distribution of levels of poverty**

SNo	Levels of poverty	Number	Percentage
01	HCP	30	30
02	HP	25	25
03	MP	35	35
04	OP	10	10

Source-primary data collected by the writer

A study of vulnerability of the sample population has revealed that socioeconomic and personal shocks/risk factors have dominated over the natural factors. While no significant natural calamity has taken place during the last five years, the inhabitants could not survive from regular occurrence of socioeconomic and personal insecurity.

The population has experienced the following hazards during the last 5 years:

- i) Economic shocks like inflation (CPI rise), sudden fall in demand for products (like salt), general economic depression etc
- ii) Personal insecurity resulted from income uncertainty and lack of provisions
- iii) Health hazards like diseases for household members and for livestock as well.

The non-poor are more affected than the poor during natural calamities mainly because of their asset base. The hypothesis has been corroborated after discussion with the sample population. However, this is not entirely true for other socioeconomic and personal shocks/hazards. Socioeconomic and personal shocks affect the entire population irrespective of their income or poverty levels. In many cases the poor are more affected. An analysis of the incidence of these shocks shows that the incidence is directly and proportionately related to the income level.

The following table will show distribution of different types of economic and non-economic shocks:

**Table-4 showing economic and non-economic shocks**

SN	Type of shock	Frequency/prone	Effects
01	Natural disasters	No significant disaster during the last 5 years	
02	Economic shocks 4. CPI inflation 5. Market fluctuation 6. Economic recession	Regular/annual/ HCP and HP Unpredictable/MP/ OPRegular/seasonal/ MP/OP	Reduces real income and eventually reduces food and non-food consumption
03	Personal shocks i) Health hazards including that of livestock ii) Personal insecurity due to a) income uncertainty and b) lack of provisions	Regular/HCP and HPRegular/HCP	Reduces income. Increases risk of lowering income and rising dissaving

Source-by the writer discussing with cross-section of concerned people

It is observed from a review of the previous table that the shocks affect all levels of population, but different types of shocks affect different poverty or income levels differently. Increase in Consumer Price Index (CPI), the common indicator of inflation most affects the HCP and the HP population, because they get fewer benefits from price rises (including price rise of crops etc), which is not true for the MP and OP population. On the contrary, MP and OP population gets most affected by market fluctuations and

economic recession, because they are more involved in economic activities.

One of the most significant findings of the study is that the MP and OP people are the most vulnerable among the three levels of population and more prone to socioeconomic shocks. Their income levels are most fluctuating. The OP people, particularly population marginally out of poverty, are also much susceptible to shocks. It is found that 15% of the affected population cannot get back to previous income levels. Our hypothesis on potential poverty states that a person not under the poverty line (in any poverty level in our model) is in the risk of slipping down to the poverty levels. Such a person can be termed as a potentially poor person. A person placed above the poverty line cannot secure or sustain his position unless he can successfully cope with the shocks.

A study of the coping mechanism of the sample population has shown that the sample population takes recourse to the following coping mechanism against different types of shocks:

**Table-5 showing coping mechanism of the sample population against shocks**

SN	Method	Number	Percentage
01	Taking loans . i) NGOs ii) Relatives iii) Mahajansiv) BKB	60 (includes persons taking other coping measures	60
02	Sale of assets	15	15
03	Dissaving	15	15
04	Less consumption	10	10
05	Stoppage of children's education	10	10

**Source-primary data collected by the writer**

An analysis of the poverty migration propensity (PMP) of the sample population has shown that almost 65% of the sample population have shown poverty migration propensity (PMP) of varying degrees. The PMP is higher for the lower poverty levels. However, PMP is also linked to

coping mechanism of the households. A better coping mechanism can reduce the propensity. The bottom 35% population is not risked of slipping down to lower levels. The PMP of the sample population has been calculated as around 9.75 % (15% of 65%).

## 9. Recommendations

The following policy recommendations are made:

- a) Further and more study is needed on measurement of poverty migration and potential poverty, the less explored aspects of poverty. Important policy implications may be derived from an extensive study of the said two areas.
- b) A high rate of poverty migration poses serious threats to poverty alleviation measures. Many of the benefits would be lost if the propensity remains high. The propensity to migrate to poverty is linked to i) level of potential poverty and ii) coping capacity of the population against economic shocks. The following policy suggestions are made in this regard:
- c) Finding out cross-regional data of PMP and level of potential poverty
- d) Finding out cross-regional frequency and effects of economic and non-economic shocks.
- e) With the results from a. and b. government should frame safety-net programmes in relation to the propensity to migrate to poverty and level of potential poverty.
- f) In the particular geographical area where the survey is conducted, we have observed increase in income inequality due to rise in income mainly from lease of land from salt cultivation. Possession of land has thus become source of income inequality. We suggest special provision for subsidies to the rice cultivators, which will work in reversing the trend of rising income inequality.
- d) Government policies under the PRS are focused on poverty issues. We suggest such policies should be based on quality of poverty rather than quantity of poverty. Quality of poverty has more important policy implications, as has been clear from findings of the study.



## 10. Conclusions

We have derived the following conclusions from the study:

Poverty levels depend on income and non-income factors. The sample population, which was categorised into three poverty classes, has shown behaviour in line with our hypothesis.

- a) Poverty level is linked with occupation and possession of land. Agricultural labour and sharecroppers stand next only to the landless people having no income certainty. The poorest people are those who have the least amount of cultivable and surplus land.
- b) A study of vulnerability of the sample population has revealed that socioeconomic and personal shocks/risk factors have dominated over the natural factors. While no significant natural calamity has taken place during the last five years, the inhabitants could not survive from regular occurrence of socioeconomic shocks and personal insecurity.
- c) Economic and non-economic shocks affect different poverty or income levels differently. While inflation affects the lower strata of poverty level most, market fluctuations and economic recession affect the upper strata of poverty level most.
- d) One of the most significant findings of the study is that the Marginally Poor (MP) and Out of Poverty (OP) people are the most vulnerable among the different levels of population and more prone to socioeconomic shocks. Their income levels are most fluctuating. Particularly, population marginally out of poverty, are also much susceptible to shocks.
- e) Potential poverty exists in the sample population. People marginally out of poverty level, are found to be potentially poor. About half of this group of people is potentially poor.
- f) Further and more study is suggested on measurement of poverty migration and potential poverty, the less explored aspects of poverty.

- g) Cross-regional data on propensity to migrate to poverty (PMP) & level of potential poverty and cross-regional data on frequency and effects of economic and non-economic have to be found out to frame effective safety-net programmes. That would help in framing safety-net programmes responsive to the propensity to migrate to poverty and level of potential poverty.
- h) Government policies under the PRS are focused on poverty issues. We suggest such policies should be based on quality of poverty rather than quantity of poverty.

**Central provident fund:  
Ensuring social security, fund for large investments  
and source of deficit budget financing**

**Abdur Rouf Talukder\***

**Basics of the Idea**

Social security is broadly defined as provisions against economic and social distress caused by stoppage or substantial inadvertent losses of earnings resulting from sickness, maternity, seasonal unemployment, employment injury, invalidity, old age and death. Due to the potential impact of social security on each individual's life, the running and maintenance of social security programs are naturally matters of grave concern to governments around the world. Most countries finance their social security system on a pay-as-you-go basis. Bangladesh has yet to introduce such social security system, but has created a safety net programme for the rural hard-core poor and destitute people.

Ensuring social security is a constitutional obligation of the Government. Provisions for Social Security are clearly written in the Constitution of the Peoples' Republic of Bangladesh as a Fundamental Principle of the State Policy, that is:

"15. Provision of basic necessities

It shall be a fundamental responsibility of the State to attain, through planned economic growth, a constant increase of productive forces and a steady improvement in the material and cultural standard of living of the people, with a view to securing to its citizens-

(a) *the provision of the basic necessities of life, including food, clothing, shelter, education and medical care;*

(d) *the right to social security, that is to say to public assistance in cases of undeserved want arising from unemployment, illness or disablement, or suffered by widows or orphans or in old age, or in other such cases."*

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\* Deputy Secretary of the Government--- Member of BCS (Administration)

By establishing a Central Provident Fund (CPF) the Government can ensure social security of the working people both in the Public and Private sector. At the same time it is possible to generate enormous resources to fund large income generating projects and also to finance deficit budget.

### **Central Provident Fund (CPF)**

Central Provident Fund scheme will be a contributory provident fund where both the employees and employers will contribute equally every month at a certain percentage of basic pay/wages. By an act of parliament the Government would create the Central Provident Fund (CPF). It will be an autonomous body and will discharge its duties independently under the said act. The CPF will be run by a small group of highly skilled professional personnel. Members of the Fund should deposit their contribution from beginning of their service until they reach their retirement age (currently it is 57 years).

Government doesn't have to impose any extra tax to establish this Fund nor need the participatory organizations not pay any extra amount of money. What the government has to do is simply to accumulate the existing scattered provident funds into one central account. Initially, joining the fund will be optional for the time being and would be open to any private and public limited company where total employees is more than 100. Subsequently it will be compulsory for all institutions in manufacturing and service sector. Even government may decide to off load its un-funded General Provident Fund (GPF) for the Government employees to the CPF scheme.

Central Provident Fund authority will select a partner bank to keep its account and generated fund. The participatory bank will receive all contributions and would make all disbursement on behalf of the CPF. Central Provident Fund scheme will take care of the following needs of the members:

- (i) Retirement;
- (ii) Medical Care;
- (iii) Housing;
- (iv) Family obligation;
- (v) Education of Children; and
- (vi) Financing of religious expenditure.

Members can withdraw any time up to 50% of their savings on credit from the CPF to meet above needs for the maximum of three times in their full tenure. Any member can withdraw up to 80% of his total deposit while attaining 52 years of age. After retirement from the job any member can withdraw remaining full amount of his savings with accrued interest from his account.

#### Implementation Stages

Following actions would be required to establish the Central Provident Fund scheme:

- First of all government has to create awareness among the employees and employers in favour of the CPF by disseminating its benefits.
- GOB has to enact a law to establish the Central Provident Fund. Board of directors should be appointed by the GOB in accordance with the law. The board would have representatives both from the public and private sectors. The board should frame rules and regulations to run the CPF.
- The Board of Directors will determine the size of Professional staffs for the CPF and would be recruited on market-based salary.
- The board in consultation with the Government will determine minimum monthly contribution for the employees and employers. It will also select a nationalize bank to keep its account and fund. The CPF may have regional offices but the participatory bank must do all monetary transactions.

#### Size of the Fund

Initially all the existing provident fund schemes of the government owned sector corporation/bank/insurance companies may be transferred to the CPF account. The first two or three years may be kept optional for the private institutions to join the CPF. Details modality in this regard may be specified in the relevant act. Both the employees and employer may contribute to the fund at the rate of 7.5% of the basic wages/salaries. Within few years the size of the fund would be enormous and in the long run sky will be the limit of this fund.

According to the PRSP total employed population in the country was 48.92 million persons in 2005/06 and employment is projected to increase to

58.08 million in 2007/08. Out of this 11% is working in the industrial and 26% is working in the service sector. That means there is a scope in the long run of bringing in around 21.48 million people in the CPF scheme. Once the CPF is established, yearly savings of the employees and employers contribution would be around 1.7% of the GDP.

### **Uses of the Fund**

The fund generated by monthly contribution of the employees and employers may be used for the following three purposes:

- A certain portion of the fund (e.g. around 15% of the total deposit) may be kept liquid in the bank account (STD account) to meet day-to-day withdrawal demand of the members.
- With the recommendation of the CPF investment committee and by the approval of the Board another portion of the fund (e.g. around 35% of the total deposit) may be invested in the income generating mega projects like Padma Bridge, Power Generation Plant etc.
- To ensure the security of the employees deposit at least 50 per cent money of the fund should be kept in the risk free investment by buying Government treasury bills and bonds.

### **Should GOB Join**

At present the government employees are deducting at the rate of 8% (minimum) of their basic salaries from their pay as contribution to the government managed General Provident Fund (GPF). The GPF is an unfunded account and at the beginning of each fiscal year the government announces rate of interest and the employees are provided with the statement of balance of their GPF account. This is not a contributory provident fund; government pays market-based interest on the deposits.

Initially government might not join the Fund but in the long run it may like to join considering the cost of borrowing funds to pay cumulative compound interests on the deposited amount.

### **Budget deficit and CPF**

This will be the most important and deciding aspect for the creation of CPF. To stimulate the economic activity, which will create job opportunities and will help to reduce poverty, the Government has to prepare deficit budget

every year. Experience shows that source of external financing (both loan and grant) are slimming day by day. As a result Government has no way but to borrow from domestic sources. Cost of borrowings from domestic sources is comparatively higher than that of external sources. Cost of fund is not a factor for the Government to borrow from the domestic sources. As a result interest rate in the banking sector may push upward in case of excessive borrowing by the Government. At the same time it may create crowding-out effect in the private sector. Now, this is the right time for the Government to look for alternative domestic sources for its deficit budget financing. Fund from CPF can help the Government in this regard. Cost of borrowings from CPF will be competitive and it will not create any crowding-out effect in the private sector.

### **Conclusion**

Public policies and the direction of the fund have to be developed in tandem for the good of the people. Because of the scale of the fund and the variety of the benefits and services, it is imperative that the proposed funds have to be administered efficiently in order to keep the wheels moving without being stuck in red tape. The CPF's adaptability will be its greatest strength. The CPF will also be an effective tool in the management of the nation's wage policies and the economy as a whole. Neighbouring country like India and developing countries like Thailand, Malaysia etc. has established such Fund in late 1950s or early 1960s. Millions of peoples are getting benefits out of this fund directly. At the same time Government has ensured social security of the employees at their old age. Both the employees and the Government and the country as a whole will be benefited from this fund. Now it is the high time for the Government to consider actively of establishing the CPF. We are already late but, as saying goes on, it is better late than never.

## Better costing and pricing for ticketing in Bangladesh Railway.

Sorooj Kanti Deb \*

### Introduction.

Bangladesh Railway (BR) is a government owned organisation under the Ministry of Communications with a route of 2855 km track and 34,168 regular employees. The network is divided into two Zones: the East Zone and the West Zone. The rail network consists of two gauges. A total of 660 km of the route, all falling in the West Zone, consists of broad gauge (BG) i.e. 1.676 m. width track. In addition, the West Zone has 553 km. of meter gauge (MG), i.e. 1.0 m. width track. The East Zone has 1,277 km. of track; all MG. in addition, there is 365 km of dual gauge (DG) track (catering for both BG and MG trains). The Jamuna Multipurpose Bridge (JMB), which has a dual gauge rail link provides direct east-west rail link.

There has been a steady decline in the share of rail transport from 30% in 1974 to 13% in 2004 for passenger traffic and from 28% to 7% in the same period for freight traffic. It happened due to improvements in road communication and decline in the quality and efficiency of rail service and lack of investment in the Railway sector.

BR operates both passenger and freight services. Passenger services are dominant accounting for over 83% of all traffic units (some of passenger-km. and ton km.) in Financial Year (FY) 2004-2005, their contribution to gross revenues in the FY 2005 was nearly 37%.

Passenger traffic has been on a steady rise until 1983 when it reached a peak of 106 million. Then it started declining and reached to about 40 million passengers in FY 2004-2005. Passenger km. (Pkm) travelled also declined, although an increase in average Journey length from 60 km. in FY 1983 to 99 km. in FY 2004-2005. In FY2004-2005 the traffic in term of Pkm. was 4.16 billion Pkm. Passenger operations are divided into three types of services-Inter city trains (IC), mail/express trains and local passenger trains.

During2004-2005 about 40% of total passengers travelled on IC trains, 37% on mail/express trains and the remaining 23% on local passenger trains. Taken as a whole, BR's passenger services are unprofitable, with IC

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trains a notable exception. Revenue from IC trains accounts for 73% of total passenger earnings. As a service oriented organization BR (Govt.) fixes price of ticket lower than cost. Commercial Accounting and Costing System followed in BR is not generally accepted standard. It is noted that BR has no authority to fix price, Government is playing the role. In the FY 2004-05 Total Revenue of BR was Tk. 4456241000 and Total Revenue and Capital Expenditures were Tk. 694,25,52,000 and 754,38,65,000 respectively.

### **Operational performance and problems**

BR's track utilization, locomotive, coach and wagon productivity, as well as staff productivity figures are lower than that of other developing countries in the South and Southeast Asian regions. This is because BR is losing traffic. One of the BR's most serious operational problems is the lack of capacity on its busiest routes in particular, the Dhaka-Chittagong corridor and the western line to India. Many sections on this corridor have already reached their maximum desirable line capacity. This results in low average speed, low rolling stock turn around times and longer waiting times for Cargo to find slots for Wagons. A further operational problem is the number of accidents especially derailments. In FY 2004-2005, there were a total of 592 derailments out of 707 accidents on the BR system. One of the major causes of delays in train operations is accident. Owing to delays and uncertainty to reach destinations, passengers are diverted to road transport. So construction of double line is necessary. There is no direct link between BG to MG after Joydebpur. So it is very important to construct Dual gauge (DG) from Joydebpur to Dhaka.

### **Social Cost**

BR is one of the largest Govt. enterprises in the country, playing a vital role in the socio-economic development & industrialization of the country. BR is expected to serve both as a commercial enterprise and as a public utility service. As a commercial enterprise, BR has an obligation to generate sufficient revenue to meet its cost and as a public utility service it has a special responsibility to provide transport facilities to a large number of passengers and movement of essential commodities for mass consumption. BR is also required to provide transport facilities in emergent situations like flood, cyclone etc. In addition, the Railway has to bear some costs in the matter of education and medical care of railway employees and their wards, deployment of police forces in railway premises, etc.

In discharging all these social obligations, BR has to bear certain cost burden namely 'Social Cost'. Some important items of social cost are noted below:

- ✓ Carrying essential commodities and rendering transport facilities to
  - Operation of un-economic branch lines;
  - Carrying Relief Materials at concessional rates
- ✓ Carrying military traffic at less than normal rates.

### **Compensation for Social Cost**

BR is compensated under "Public Service Obligation (PSO)" system for operating specific services, which are not commercially viable but socially necessary. This concept has been accepted by the Govt., which is being reflected in the revenue budget since 1993-94. This replaced the open-ended subsidy.

### **Cost, Tariff and Earning**

(Updated cost data is not available. So analysis based on data in the FY 2002-03.)

The gross earnings without considering the effect of public service obligation (PSO) and welfare grant of Bangladesh Railway for the year 2002-2003 amounted to Tk.4200.98 million and working expenses amounted to Tk.5867.13 million. On the other hand, Government paid an amount of Tk.860.00 million and 161.13 million as PSO compensation and welfare grant respectively. The interest and instalments on foreign loan taken on replacement account amounted to Tk.117.6 million and Tk.262.2 million respectively for the year 2002-2003. Total depreciation on fixed assets account amounted to Tk. 174.48 million. Out of total Revenue Tk.4200.98 million, 38.35% collected from passengers, 2.48% from parcel (attached with passenger trains), 34.58% from goods/freight, and 24.76% from miscellaneous sources. The Inter city trains are carrying around 43% of the total passengers of Bangladesh Railway, which contribute approximately 76.5% of total passenger earnings of traffic (FY 2002-03).

During 2002-03 average revenue and cost figure are given below:

**Table- 1**

Average revenue (Only passenger) Tk.		Excluding interest and depreciation		Including interest and depreciation	
per passenger	per passenger Km.	Average cost of per passenger	Average cost of per passenger Km.	Average cost of per passenger	Average cost of per passenger Km.
41.5093	0.4056	102.1391	0.9981	159.0571	1.5543

**Table - 2**

Average revenue including PSO (passenger)		Excluding interest and depreciation		Including interest and depreciation.	
per passenger	per passenger Km.	Average cost of per passenger	Average cost of per passenger Km.	Average cost of per passenger	Average cost of per passenger Km.
63.04	0.6615	102.1391	0.9981	159.0571	1.5543

In the FY 2002-03, average lead of a passenger km. was 102.8. From above table it is seen that cost is higher than revenue. It is noted that, some fixed costs are included in working expenses. In Bangladesh Railway, there is no system for accounting fixed and variable cost. To increase revenue from passenger ticketing and decrease loss not only to reduction cost, it must take the following measures:

- Decrease Fixed Cost per passenger through increasing passenger volume (Sales volume).
- Increase average lead of passenger i.e. long-distance passengers is to be increased.
- Increase occupancy.
- Increase carriage of existing train and track to utilize idle or unutilized rolling stock and to some extent new rolling stocks have to be purchased.
- Improvement of quality of service and reliability
- Construct double line for increasing of track capacity and confirmation to reach destination within stipulated time or minimum delay.
- Utilization of idle rolling stock efficiently.

- No Account for depreciation on over aged Assets
- Improve punctuality.
- Establish 100% on line ticket issuing system.
- Introduce appropriate marketing system.
- Unsold ticket of any station should be issued from next station.
- Fixed and variable cost should be accounted separately and according to Accounting Principle.

Owing to Social and Political factors, BR has sustained underpricing of passenger service, which is cross-subsidized by parcel and freight service. Govt. fixes price for passenger tickets on the basis of these factors and competitor's price. Road transport is the major competitor of BR. Present tariff structure was fixed in the year 1998. In the meantime price of fuel and other expenditures increased but BR keeps its tariff structure unchanged. Fare of train and bus from Chittagong to Dhaka are given below:

Transport	A.C (TK) chair/seat	Non-A.C (Tk.) chair/seat	
Train	330	1st class 250	Shovan class (Eqv.) 150
Bus	550		220

So fare of Railway may increase slightly. But to increase earnings from passenger and meeting cost, Railway must increase the number of passengers particularly long-distance passengers to improve quality and reliability of service. But to some extent passenger fare is subsidized by freight and parcel revenue. Because of short distance, average lead of a passenger will not increase up to desired level. So freight revenue must be increased.

#### **Occupancy of Inter city trains (2004-05).**

Inter city trains.	Percent.
Air condition Class	35.44
First Class	78.25
Shoran Class	88.26
Shalom Class	67.76

[According to railway source on an average 20% seats are not utilized.]

#### **Punctuality. (2004-05)**

During the year 2004-05 the punctuality i.e. the percentage of trains not

losing time to total number of trains run was 71.8% in the East Zone and 59.06% in the West Zone in inter city trains, 57.1% in the East Zone and 77.1% in the West Zone in Mail Express trains and 59.2% in East and 53.4% in West in local trains.

In case of Road Transport, Government Roads and Highway Department constructs and repairs roads. So there is no involvement of cost of roads on pricing fare. On the other hand BR itself constructs and maintains track. It involves huge cost and it is considered in price fixing. As a result BR will not cover its cost but only increase passenger and goods & services to make good of losses and generate earnings.

### **Outsourcing**

In BR the private sector has been active in the following areas through outsourcing:

- (i) Commercial activities of passenger trains;
- (ii) Onboard services on inter city trains;
- (iii) Computerized ticketing and reservation systems;
- (iv) Running fiber optic telecommunications network;
- (v) Refurbishment of passenger coaches;
- (vi) Cleaning of engines and passenger coaches;
- (vii) Conversion of non air-conditioned coaches to air-conditioned ones; and
- (viii) Maintenance of selected tracks.

To date, ticketing on 63 mail/local passenger trains is being carried out by the private sector through outsourcing. BR obtained Tk.113 million extra revenue annually from these 63 trains compared to the time when it ran the services itself. BR also obtains Tk.860 million a year through the leasing of its fibre optic cable network to the private sector.

### **Opportunity**

On the Dhaka-Chittagong corridor, there is significant demand for rail container and tank wagon for transportation of petroleum products. The most profitable freight segment is containers which accounts for 22% of BR's freight revenue. The containers are brought over to Dhaka inland container Depot (ICD) under the original bill of lading and consumers can take delivery at the ICD or at premises of their choice. The service is

convenient and cheaper than road. Chittagong Port receives about 600,000 TEU (twenty-foot equivalent unit) containers annually and the volume growth is about 15% per annum. About 75% of these are for Dhaka area i.e. about 450,000 TEU. BR is currently able to capture only a fraction of this traffic (about 43,100 TEU or about 10% of the total). The balance is transported to Dhaka by road although it is not possible to transport laden containers by road between the two cities. BR's low market share of this profitable traffic segment is mainly because BR is not able to offer any more container trains due to infrastructure and rolling stock capacity constraints.

Some experienced officers of BR think that, if BR invests on rolling stock for container services it would get back the cost within 5 years. So BR should increase line capacity and invest for Container Service.

IC trains have emerged as the most popular and the only profitable component of BR passenger services carrying about 40% of passengers while contributing about 74% of passenger revenue. Non-revenue (ticket less) travel is not easy on the IC trains, which have only reserved seat/berth accommodation. Since its introduction in 1985, IC trains have been popular and generating significant revenues. BR runs 4 IC trains between Dhaka and Chittagong daily. They run almost with full capacity and the demand growth is very pronounced. IC train speeds, journey time and fares are also competitive with road service

As IC trains complete the 321 km journeys by 6-7 hours against on road by 5.5 hours (the road distance is shorter-270 km.) and the road fare is about Tk.220 per passenger against BR's Tk.150. However, due to shortage of coaches and lack of line capacity on the corridor more IC trains cannot be introduced to satisfy the latent demand.

Important information about train (Locomotive and carriage)

Class of train	No. of train	No. of locomotive
Inter city	60	120
Mail and Express	64+8	
Local and Mixed	134	
Total	258+8( 8 Container express)	

Average Turnover of train per locomotive is 2.2

## **Recommendation.**

From above discussion I suggest Government should take the following measures:

- ❖ The private sector will be encouraged to take part in:
  - Ticketing, ticket allocation and seat reservations by computer system
  - Operation of all types of passenger services
  - Supply of rolling stock
  - Freight operations
  - Track and rolling stock maintenance up to certain extent
- ❖ The quality and reliability of Inter city services will be increased.
- ❖ BR will publish service plans to make the best use of the new Jamuna Bridge linking the east and west regions of the country.
- ❖ BR will acquire new rolling stock to make best use of opportunities created as a result of construction of the Jamuna Bridge.
- ❖ Operations on the rural branch and low revenue passenger services, such as local and mail trains will be reviewed. Where these are little used, BR will take steps for attracting more passengers and enhancing revenues.
- ❖ Greater autonomy will be given to BR including stronger links with the private sector for services, staffing, tariff setting and new developments.
- ❖ The Govt. will not generally regulate passenger and freight fares. But in cases where Railway is not allowed to increase fare, Govt. will pay subsidy to make up the loss to BR.
- ❖ Inter national links will be encouraged where they are in the greater interest of Bangladesh.
- ❖ Railway's land assets may be commercially utilised (for example in joint ventures with the private sector) and invest the income to increase efficiency
- ❖ The Govt. will seek to place hospitals and schools currently owned and operated by BR, under the appropriate Ministries. BR should continue to maintain limited medical facilities, which have a railway speciality.
- ❖ To Improve Railway Safety
- ❖ To introduce rail commuter services on Joydebpur-Narayanganj - Dhaka line , container train on Dhaka - Chittagong line and more IC train between major cities

- ❖ Govt. should allot Fund to BR for investment in rolling stock and increase line capacities i.e., construct double line.

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# **Better auditing of Imprest system: A case for Defence Finance Department**

**Khan Md. Ferdausur Rahman \***

## **Introduction**

Imprest is a standing advance of a fixed sum of money given to an individual or organisation to enable him or it to make certain classes of disbursement. Under this mechanism an amount to be required to meet specific requirements of the organisation for a definite period of time is ascertained first and then sanction is given by the competent authority for that amount in advance. On the basis of it sanctioned amount in question is withdrawn from the government exchequer to meet the said expenses. The basic principle underlying the imprest management is that Imprest Holder is required to furnish the statement of expenditure at the end of the specific period of time along with vouchers, cash memo etc. for adjustment and booking of the same at the appropriate heads of expenditure by the SFC/FC as well as recoupment of the amount spent for subsequent payment and this process continues.

## **Nature of Imprest**

Although imprest is an authorised form of withdrawal of a specific amount of money as advance from government exchequer without incurring any expenditure it may take various forms. The most common forms of withdrawal of money in advance are:

- (a) Permanent Advance
- (b) Imprest, and
- (c) Cash Assignment.

Permanent Advance is probably the oldest form of advance that is widely used in Railway and civil departments, whereas Imprest and Cash Assignment are commonly used in Armed Forces.

## **Use of Imprest**

Generally Imprest fund is used to meet the expenditures, which are emergency in nature, where disbursement authority is decentralised and

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\* Director, Defence Audit Directorate

pre-audit of claims may hinder the timely disbursement of payment.

Paragraph 1 of Imprest Holders and Field Cashiers Instructions-1986 has mentioned that field imprests are advances of Public Money issued in bulk to certain officers termed Field Imprest Holders for payment of:-

- (1) Advances of pay to JCOs, ORs and NCs (E).
- (2) (a) Advances of pay to officers serving with field units in operational area upto the limit prescribed by the Government.  
(b) Advances of TA/DA to officers serving with field units in operational area when time does not permit of these being drawn either from FC (Army) Pay-1 or from the Station Staff Officer on Emergency Cash Requisitions.
- (3) Personal allowances like Outfit Allowance, Danger Money, Subsistence Allowance, Court Martial Interpreters' Allowance, Fees to Examiners, Language Awards and Prizes, Compensation for change of Uniform on Compulsory Transfer, Messing Allowance payable to Nursing Officers.
- (4) Advances of pay to civilians and NCs (U) while serving in field units in operational area when authorised by Government.
- (5) Pensionary benefits to JCOs, ORs and NCs (E).

In this article effort has been taken to concentrate on imprest system of the defence services especially effective audit of imprest system of defence services will be the key feature of this article.

### **Existing System of Imprest Management**

Revised System of Financial Management for the Defence Forces was introduced in September 1982. Under this system, in defence finance department, three Senior Finance Controllers (SFC) one each for Army, Navy and Air Force termed as service FCs and two Senior Finance Controllers for works expenditure and defence purchase termed as functional FCs are working. In addition to these two Finance Controllers (pay-1 & 2) and seven Area Finance Controllers are working under SFC (Army). These offices are responsible for the issue of imprest advance and adjustment of the same for Bangladesh Army and Armed Forces Division (AFD). In addition, these offices carry out local audit of this imprest.

Report of the Martial Law Committee on organisational set up phase-ii, volume-iii has allocated duties of the above mentioned offices. According to that report FC (Army) pay-2 office is responsible mainly for- (1)

Maintenance of pay accounts on war system for JCOs & ORs of Bangladesh Army through Field Pay Offices (FPO) attached with various regiments, non-regimental centres and Record Offices and (2) provision of funds to Army Imprest Holders.

As per Paragraph-10 of Pay Accounting on war system (Revised Edition)-1986 JCOs/ ORs can draw advances of pay from the specified Imprest Holders of their respective units. Payment of advances is made on Acquittance Rolls from which the Field Pay Offices enter the amounts in the Individual Running Ledger Accounts (IRLA) of respective JCOs/ORs maintained by them. Individuals employed extra regimentally or temporally attached to units other than their own are paid advances by Imprest Holder of the unit to which they are attached subject to compliance with the general instructions regarding payment of advances and preparation of Acquittance Rolls. Moreover the detail procedure for issue of imprest, adjustment of vouchers and posting on IRLA for JCOs and ORs is described in Imprest Holders & Field Cashiers Instruction (Revised Edition)-1986. In the same way paragraph 10 of Air Force Instructions No. 42 of 1957 contains the instructions for imprest management in the Air Force and Centralised Pay Accounting System-1978 describes the system of cash assignment for Bangladesh Navy, which is a kind of imprest.

**The main steps for Imprest issue are as follows:**

- Field imprest holders from three services send their requisition for imprest withdrawal to the SFC/ FC offices concerned.
- After proper examination/ scrutiny SFC/FC Offices issue payment authority/ cheque to the respective Imprest Holders within their authorised ceiling/limit.
- Imprest /Cash Assignment issued to the units or Imprest Holders are primarily booked as advance according to Classification Hand Book for Defence Forces, 1999.
- After incurring expenditure, the units/Imprest Holders send the complete documents (paid vouchers) to the SFC/ FC concerned for adjustment.
- The accounts/ vouchers received by the SFC/FC from the Imprest Holders/ units are classified and booked at appropriate heads of account as debit and that Imprest advance head is cleared as a credit entry.

Present Scenario of Imprest Adjustment and Audit

The adjustment/ audit of imprest is generally done in the following manners:

**(1) Imprest Adjustment:**

Precondition for re-issue/ recouplement of imprest is submission of paid vouchers by the Imprest Holders and adjustment of the same by SFC/FC offices. Vouchers received should be scrutinised, examined and audited at the SFC/FC offices before they are adjusted. However, this could not be done properly and efficiently due to some reasons. They are:-

- Units/ Imprest Holders sometimes do not send complete paid vouchers/documents in support of the amount shown as disbursement/ spent.
- Sometimes paid vouchers received in the SFC/FC offices do not contain full information like proper code head of expenditure, nature of expenditure, etc resulting delay in adjustment and clearance of imprest advance.
- The paid vouchers are not always received in time.
- Vouchers received in the SFC/FC offices are not properly examined / scrutinised/ audited.
- Without receiving the vouchers/cash accounts (partially/fully) from the imprest holders, subsequent imprest is frequently reissued.
- It is often observed that imprest amount remains unadjusted for an unusually long time. As a result, huge amount remains in advance head without having booked in proper head of accounts. It means actual expenditure remains understated for a long time leading to a reconciliation problem.
- Lack of seriousness is also observed in the SFC/FC offices for getting the adjustment vouchers from the Imprest Holders in time. Reminders are usually not issued to the concerned Imprest Holders for sending paid vouchers, which are long pending with them.
- Vouchers received from the Imprest Holders are not properly linked or peered with the acquittance rolls. As a result of that adjustments turn into a routine task.
- Most of the times SFC/FC offices fail to identify the correctness of the expenditure. Because the acquittance roll sent to them by the Imprest Holders in support of disbursement bears only the net amount of payment instead of detailed particulars of pay, allowances and recoveries.

**(2) Imprest Audit by Local Audit Officer (LAO):**

With the implementation of pay accounting on war system and introduction of imprest system, IRLA card system was introduced in the SFC (Air Force) and SFC (Navy) offices. At the same time for recording the particulars of pay and allowances of JCOs and ORs of Bangladesh Army, Field Pay Offices were established under the administrative control of FC (Army) pay-2 in different cantonments normally with Record Offices. This system is not functioning properly since its establishment. There are reasons for improper functioning of this system. One of the main reasons is lack of adequate and detailed information in the acquittance roll. As a result an auditor entrusted with the responsibility of maintaining proper information on IRLA cards has to consult several other documents in addition to acquittance roll, which leads to abnormal delay in posting each IRLA card. Another reason is disproportionate allocation of IRLA cards to every auditor against his normal capacity. For these and other reasons proper audit or scrutiny of vouchers and acquittance rolls is not carried out in the SFC/FC/FPOs concerned and QSAs (Quarterly Statement of Accounts) are not issued. This problem can be overcome through proper local audit of the units/ formations by Area Finance Controller Offices and Local Audit Offices of SFC (Air Force) & SFC (Navy) Offices.

Local Audit Officers' Hand Book Part-1 authorises Local Audit Officers to perform audit of cash accounts of defence units/ formations. Imprest is the part of cash account. Authority of imprest audit by LAO already exists in the LAO instructions. The Comptroller and Auditor General of Bangladesh have also instructed the LAOs to perform imprest audit during their regular audit activities.

**(3) Superior Service Officers' (SSO) Review:**

As per Pamphlet for the Guidance of S.S.Os on the review of local audit & inspection of units & formations and Office Manual part-1 issued by the Controller General Defence Finance (Former Military Accountant General) the main and essential purpose of the visit of the SSO to units/formations is to review the local audit and inspection work done by the Local Audit Officer. By doing so SSO can examine the imprest accounts of the units/ formations and can give appropriate suggestions for proper utilisation and accounting of the imprest fund.

**(4) Audit by Defence Audit Directorate (DAD):**

Defence Audit Directorate is an important audit directorate under the Comptroller and Auditor General of Bangladesh. Under Constitutional mandate, Defence Audit Directorate is responsible for conducting audit of all kinds of expenditure incurred by defence units/formations. Since lion's

share of defence budget is being spent through imprest mechanism, the Defence Audit Directorate may extend their effort towards audit of imprest accounts so as to ensure proper disbursement of imprest money by the Imprest Holders.

### **Way out for perfect Audit of Imprest**

To ensure perfect audit of Imprest, the following steps may be considered for effective implementation:

- While opening a new imprest account in favour of a new unit/formation, proper scrutiny of the related authority and supporting documents should be carried out by the concerned SFC/FC.
- Each imprest withdrawal should be within the approved ceiling for the said unit/ formation and under no circumstances this ceiling should be exceeded. If the situation warrants withdrawal exceeding approved ceiling, special sanction from the appropriate authority should be sought case-by-case basis.
- While adjusting the imprest advance, the following measures should be adopted by the SFC/FC:
  - (a) The closing balance of the last imprest withdrawal should be considered as the opening balance of the current imprest claim.
  - (b) All the shortcomings of imprest adjustments mentioned above should be addressed by both the parties i. e. SFC/FC and the Imprest Holders.
- Local audit should be made effective. Local audit report on imprest should be properly addressed and where appropriate, should be forwarded to higher authority of both the sides for corrective action.
- Local audit report on imprest should be checked and reviewed as a mandatory item while doing SSO review.
- Defence Audit Directorate should take effective steps for inclusion of imprest audit in their regular audit plan. For ready reference they can consult the local audit report on imprest. In this way the Defence Audit Directorate may convert serious irregularities detected by the Local Audit Officer into Advance Para or Draft Para.
- Adequate and efficient manpower should be engaged for adjustment of imprest advance and local audit of it.
- Continuous in-house training on imprest management should be ensured. Trainers should be selected from amongst the proven quality officers.
- For ensuring quality audit of imprest the executive authority should

be informed properly and their attitude towards imprest audit should be positive and co-operative.

### **Conclusion**

Under the existing war system of defence account, imprest plays an important role and a huge amount of defence budget is spent through this mechanism year after year. Despite that, proper audit of this huge amount is almost absent now. This undesirable status of imprest audit has emerged from the inherent weakness of adjustment procedure, inertia from Local Audit and Defence Audit authority as well as non co-operative attitude from the executive authority. As a result unauthorised and improper use of imprest fund is not unlikely. Therefore, to establish effective control over these unauthorised and improper uses of imprest fund and to ensure sound financial management system in defence forces is a stark reality now. The Hon'ble Comptroller and Auditor General of Bangladesh has realised this and has already instructed to find out way to ensure discipline and accountability in this field. So, it is the high time for all authorities concerned to be proactive to carry out the instruction of the Hon'ble Comptroller and Auditor General through ensuring proper and effective audit of imprest without any delay.

### **Bibliography**

1. Air Force Instructions (AFI) no.-42 of 1957
2. Audit Code issued by Comptroller & Auditor General of Bangladesh
3. Centralised Pay Accounting System in Bangladesh Navy, 1978
4. Classification Hand Book for Defence Forces, 1999
5. Financial Regulation for the Army and Air Force part-ii, 1952
6. Imprest Holders and Field Cashiers Instructions, 1986
7. Local Audit Officers Hand Book part-ii, 1952
8. Military Audit Code, 1954
9. Minutes of monthly meeting of Controller General Defence Finance issued by C&AG Office on 31st October, 2005
10. Office Manual (Military Accounts) part-ii
11. Pay Accounting on War System (Revised Edition), 1986
12. Pamphlet for the Guidance of S.S.Os on the review of Local Audit & Inspection of Units and Formation, 1952
13. Revised System of Financial Management for the Defence Forces, 1982
14. Report of the Martial Law Committee on organisational set up phase-ii, volume-iii (Defence Finance Department). 1982

## Formulation of a realistic audit plan

Md. Saifur Rahman \*

An audit plan is the formulation of the general strategy for the audit which sets the direction for the audit, describes the expected scope and conduct of the audit and provides guidance for the development of the audit program. According to International Standard of Auditing-300, Planning: "Auditor should plan the audit work so as to perform the audit in an effective manner". Audit planning is made to determine audit actions in relation to objectives, targets, quality and output.

Adequate planning of the audit work helps to ensure that appropriate attention is devoted to important areas of the audit, that potential problems are identified and that the work is completed expeditiously. Planning also assists in proper assignment of work to assistants and in coordination of work done by other auditors and experts.

The extent of formulating realistic audit planning will vary according to the sizes of the entities, the complexity of the audit and the auditee along with the knowledge of the auditee's activities. Obtaining knowledge of the business of the auditee is an important part of audit planning work. The auditor's knowledge of the auditee's business assists in the identification of events, transactions and practices of the auditee which may have material effect on audit work.

The auditor may wish to discuss elements of the overall audit procedure with the entity's audit committee, management and staff to improve the effectiveness and efficiency of the audit. However, the overall audit plan and the audit programme, remain the auditor's responsibility.

Auditing principle is that the auditor should develop and document an overall realistic audit plan describing the expected scope and conduct of audit. While the record of the overall audit plan should be sufficiently detailed to guide the development of the audit programme, its precise form and content will vary depending on the size of the entity, the complexity of the audit and the specific methodology and technology used by the auditor.

Government audit planning may be divided into two stages.

- a. Overall audit planning and
- b. Assignment audit planning.

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\* Director, Works Audit Directorate



### **a) Overall audit planning**

Overall audit planning is conducted by the head of audit department. This stage of audit planning phase is completed before specific audit assignment is undertaken for the ensuing year. This stage of audit planning involves the following elements:

- i) The nature of the Audit Organisation i.e. the Audit Directorate itself.
- ii) Specific Systems followed by the audit directorate, rules, regulations, procedures, etc. applied in audit by the audit directorate and
- iii) Human resources and technology to be used in audit by the audit directorate.

Proper assimilation of the above elements facilitates effective audit planning.

The main information/activities required for the head of the audit department for preparing overall audit planning are:

- i) The mandate and scope of the Audit Directorate;
- ii) Updated list of total auditable units under its jurisdiction.
- iii) Audit status of the individual auditable units;
- iv) Classification of the auditable units according to the individual audit status;
- v) Priorities of audit coverage viz a viz audit status, high risks, importance and request of the executive, parliament, media coverage, etc.
- vi) List of the auditable units to be audited in a given financial year.
- vii) Audit approach to be applied on the selected auditable units;
- viii) Audit schedule on the basis of audit status, budget, the volume of vouchers, documents, transactions, the peculiarities etc. of the auditable organisation as against manpower viz a viz time required for audit.
- ix) Audit programme, which is a set of instructions to the audit team that sets out the audit procedures, the auditors intend to adopt and may include references to other matters such as audit objectives, timing, sample size and basis of selection for each area. It also serves as a means to control and record the proper execution of the work.
- x) List of manpower and formation of audit parties for each of the individual auditable organisation on the basis of:
  - a) Proficiency
  - b) Past performance and

- c) Personal consideration of the auditors.
- xi) Suggested audit notice to the management of the auditable organisation mentioning the audit tenure as well as the name of the auditors.
- xii) Briefing of the members of the audit teams familiarizing them with the forthcoming audit, this would include
  - a) Previous audit report/reports;
  - b) The statute creating the auditable organisation
  - c) Any changes having taken place in the organization's statute, spheres of activities etc. since the last audit;
  - d) Latest government decision, orders, instructions, etc pertaining to the functioning of the organization;
  - e) Specialized or supplementary information e.g. Inquiry reports, Newspaper reporting, secret complaint, etc.
  - f) Audit approach;
  - g) Essential codal rules, regulations, methodologies of audit, etc.
  - h) Environmental conditions existing in the audit work place, etc.

Role of the management of the Audit Directorate in the proper execution of the Audit Plan is very important. Timely, proper execution and quality assurance of audit depends upon the following activities to be done by audit directorate:

- i) Proper programming.
- ii) Proper selection of manpower;
- iii) Proper briefing to the audit teams;
- iv) Proper monitoring - feedback-quality control;
- v) Proper editing and timely finalisation of the LAR (Local Audit Report);
- vi) Proper post LAR actions - preparation of Advance Paragraphs, timely issuance of the LAR to the concerned authorities, timely issuance of Advance Paragraphs within the C&AG's prescribed time limit, timely and effective meeting of Quality Assurance Committee (QAC), and timely preparation of Draft Audit Report (in three volumes).

Planning is a continuous exercise. It should take into account current developments, weaknesses discovered during the evaluation of internal controls and the results of audit, Major modifications to the overall audit plan, whenever required, and the approval of the head of the audit department.

Ordinarily overall annual audit plans are prepared, which are flexible in nature to meet the special requirements, if any, during the year.

### **b) Assignment Audit Planning**

Once the overall audit planning is completed, the detailed audit plans are developed for each assignment. The audit plan for each assignment should justify the selection of the specific assignment, state the desired audit objective, outline the materiality guidelines for examination and describe the audit approach to be adopted. Assignment Audit Plan should include a detailed time frame reflecting both the staff needed and the timing of each assignment. This should also identify any expert assistance that may be required.

The key to planning an assignment audit is an understanding of the audit organisation and its environment. This involves obtaining adequate knowledge of:

- The political and working environment of the auditee
- The mandate and objectives of the audit organisation
- Applicable financial rules and regulation and
- The functioning of the significant financial management systems and controls employed.

The auditing standard relating to conduct of an audit requires that each audit assignment should be properly planned with due considerations given to:

- Needs of the users of the audit report;
- Precise definition of audit objectives;
- Materiality or significance of underlying issues;
- Nature and extent of evidence required;
- Reporting requirements to be met;
- Extent of reliance on other auditors and
- The nature and amount of staff resource required.

Commencement of audit: In conducting an audit in practice, the following steps are to be taken chronologically:

- i) Reporting to the Head/designated person of the auditable unit;
- ii) Collection of first hand essential documents e.g.; the Annual Accounts/The Annual Financial statements, Internal Audit Report, chartered Accountants' Report, etc.
- iii) Selection of the areas of audit.
- iv) Distribution of work among the members of the audit team.
- v) Fixation of methodologies of audit.
- vi) Liaison with the head office i.e. with the audit directorate.
- vii) Preparation of Local Audit Report (LAR) and discussion with the Head/designated person (including the Secretary/the Principal Accounting Officer) of the auditable organisation within the audit programme.

viii) Submission of the Local Audit Report (LAR) to the management of the Audit Organisation within the stipulated time.

Meeting with senior officials of the auditable organisation helps to conduct an audit in an effective manner. It will help to identify matters such as:

- concerns and needs of the senior officer or the governing body;
- action taken by management on previous audit reports;
- major changes in systems, procedures or staffing;
- any recent problems or developments;
- major changes in the activities of the organisation;
- mutually acceptable timing for audit activities and
- timetable for closing the accounts and financial reports, where applicable

Audit plans should be updated periodically as work progresses. Professional judgment may suggest amendments to the plan as the auditor improves his understanding of the organisation's systems and procedures. A model of Assignment Audit Plan is shown in Annexure-A.

#### **Reference**

1. Associate chartered certified Accountants Text Book.
2. The constitution of Bangladesh.
3. Audit Code and Audit Manual.

## Annexure - A

The People's Republic of Bangladesh  
Office of the Director General  
Directorate of Works Audit  
Audit Complex (Gr.-3rd floor)  
Segunbagicha, Dhaka-1000.

### Assignment Audit planning

Name of the audit team members	Designation	Audited entity	Nature of audit	Period under audit
1. Mr. X	Deputy Director Team Leader.	Ministry of Commerce	Special Audit	2002-03 2003-04 2004-05
2. Mr. Y	Audit Accounts Officer, Member			
3. Mr. Z	Super, Member			

Sl.No	Particulars	From-to	Duration
01	<b>Survey for knowing the entity:Subjects to consider: -</b>		
	<ul style="list-style-type: none"> <li>• Formation, scope of work, TOE of the ministry and its manpower</li> <li>• Rules of Business, charter of duties, Basic activities of the Ministry</li> </ul>	10-7-06 to 18-7-06	9 days
	<ul style="list-style-type: none"> <li>• Ministry's Accounting, Auditing and Reporting systems.</li> <li>• Management Information Systems of the Ministry</li> <li>• Recruitment, promotion, transfer, training, evaluation system of the human resources of the Ministry.</li> <li>• Effective use of human resources</li> </ul>	19-7-06 to 25-7-06	7 days
	<ul style="list-style-type: none"> <li>• The way of budget distribution of the system of the Ministry.</li> <li>• Project wise budget distribution</li> <li>• Programme wise budget distribution.</li> <li>• Programmes under development budget</li> <li>• Programmes under revenue budget.</li> </ul>	26-7-06 to 02-8-06	8 days
	<ul style="list-style-type: none"> <li>• Inter-Ministerial activities</li> <li>• Internal control system.</li> <li>• Effectiveness of Financial Management Unit (EMU)</li> <li>• Effectiveness of Audit Committee.</li> <li>• Progress of bi-lateral and tri-partite meetings</li> </ul>	03-8-06 to 10-8-06	8 days
	<ul style="list-style-type: none"> <li>• Review previous 3-5 years audit reports and actions taken by the Ministry on them.</li> <li>• Administrative and other controls over the attached departments, subordinate offices of the ministry.</li> </ul>	11-08-06 to 15-08-06	5 days

Sl.No	Particulars	From-to	Duration
02	<ul style="list-style-type: none"> <li>Analysis of the collected information</li> <li>Determination of Focal points</li> <li>Discussion with the Director General of the Audit Directorate.</li> </ul>	16-08-06 to 25-08-06	10 days
03	<ul style="list-style-type: none"> <li>Discussion with the Secretary/Principal Accounting Officer to identify the focal points.</li> </ul>	26-08-06	1 days
04	<ul style="list-style-type: none"> <li>Fixation of Audit Criterion.</li> </ul>	27-08-06 to 31-08-06	5 days
05	<ul style="list-style-type: none"> <li>Discussion with the Secretary/Principal Accounting Officer regarding the Audit criterion</li> <li>Finalisation of the Audit Criterion.</li> </ul>	01-09-06 to 03-09-06	3 days
06	<ul style="list-style-type: none"> <li>Preparation of field audit programme</li> <li>Discussion with the Director General regarding finalised audit criterion and field audit plan.</li> </ul>	04-09-06 to 05-09-06	2 days
07	<ul style="list-style-type: none"> <li>Determination of selective projects/ offices/Areas including the ministry for detailed audit.</li> <li>Preparation of detailed work plan</li> <li>Discussion with the Director General regarding detailed work plan.</li> </ul>	06-09-06 to 10-09-06	5 days
08	<ul style="list-style-type: none"> <li>Determination of audit methodologies.</li> <li>Conducting field audit on selected Projects/Offices/Areas.</li> </ul>	11-09-06 to 31-10-06	50 days
09	<ul style="list-style-type: none"> <li>Preparation of Interim Audit Report based on the information and gathered audit evidence.</li> <li>Discussion with the Director General about the Interim Audit Report.</li> </ul>	01-11-06 to 10-11-06	10 days
10	<ul style="list-style-type: none"> <li>Discussion with the Secretary/Principal Accounting Officer regarding the Interim Audit Report.</li> </ul>	11-11-06	1 days
11	<ul style="list-style-type: none"> <li>Post discussion response from the PAO on the Interim Audit Report</li> </ul>	12-11-06 to 25-11-06	14 days
12	<ul style="list-style-type: none"> <li>Analysis of Ministry's response</li> <li>Further inquiry in respect of the discussion with the PAO and their response.</li> </ul>	26-11-06 to 31-11-06	14 days
13	<ul style="list-style-type: none"> <li>Preparation of Draft Audit Report</li> <li>Discussion with the Director General Regarding the Draft Audit Report</li> </ul>	01-11-06 to 15-11-06	6 days
14	<ul style="list-style-type: none"> <li>Discussion with the Secretary/PAO regarding the Draft Audit Report.</li> </ul>	16-11-06	1 days
15	<ul style="list-style-type: none"> <li>Finalisation of Audit Report</li> <li>Submission of Audit Report to the Comptroller &amp; Auditor General of Bangladesh.</li> </ul>	17-11-06 to 19-11-06	3 days

Mr. X  
Deputy Director and  
Team Leader

## **Problems faced in pre-audit**

**Md Bodiozzaman \***

As a bill passing office CAO/DCAO/DAO/UAO offices face some problems while passing bills through pre-audit. Before a bill is passed, it is pre-audited by the respective bill passing office. There may be some peculiarities in the procedure followed by different bill passing offices. But in most cases, the problems faced in pre-audit are similar in nature.

The major problems that different bill passing offices face are as follows:

### **Budgetary problems**

1. Submission of bills in excess of budget allocations
2. Submission of bills through misappropriation of allocated budget
3. Use of counterfeit government orders

### **Non-use or improper use of codes**

Although 13-digit codes are mandatory to be mentioned in the designated spaces in every bill, the claimants do not often mention those. Non-use of codes or improper use of those is a major problem in pre-audit. This not only creates problems in passing bills but also affects the accuracy of accounts.

### **In case of new appointment**

It is mandatory on the part of the claimant to submit the following documents in case of drawing the first month's salary:

- Post creation order of the Ministry of Establishment
- Approval letter from the Ministry of Finance
- Advertisement
- Appointment letter
- S.S.C certificate for verifying age and date of birth
- Medical certificate (by Civil Surgeon)
- Joining letter and date of acceptance of joining letter
- Last Pay Certificate (LPC) and no-objection certificate, in case of departmental appointment

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\* Assistant Comptroller & Auditor General (Reserve) now studying MBA in South Korea

Failure to submit any of the above-mentioned documents may create problems in settling the bill.

### **Leave related problems**

1. Proviso of leave, which is not often sanctioned by competent authority following rules and regulations, and
2. Lack of evidence for leave salary entitlement according to leave rules and financial rules

### **Travelling Allowance (TA) related problems**

1. Claim of TA in excess of applicable rates
2. Submission of bills without filling in the required columns of the bill form, and
3. Submission of bills without the approval of competent authorities

### **Problems relating to contingency bills**

1. Failure to submit required vouchers along with bills.
2. Quotation of rates of goods and services at higher than the market price and violation of financial rules and regulations during procurement.
3. Failure to prepare bills according to section 199 of the Audit Code.
4. Failure to follow the proper tendering method in case of procurement through supplier/ contractors (GFR 9)
5. Failure to mention the reason for not accepting the lowest price in case of procurement through tender (Appendix 1 and 2 of the Audit Code)
6. Lack of any certification in the bill to the effect that goods are received in good condition and posted in the stock register (BTR-304 and 305)
7. Proof of purchasing in order to avoid lapses of budget (BTR-229)
8. Submission of duplicate bills (BTR-99)
9. Submission of arrear bills without taking budgetary approval of competent authorities (BTR-228)
10. Evidence of purchase of goods through piecemeal tenders/vouchers for avoiding approval of higher authorities (GFR 146)
11. Non-submission of no-objection certificates from government workshops along with bills in case of repair of government motor vehicles in private workshops
12. Lack of evidence of taking no objection certificates from government stationery offices in case of purchasing stationery items from private organizations



13. Submission of bills of procuring furniture from private organizations without no-objection certificates from Bangladesh Forest Industries Development Corporation
14. Submission of bills of procuring medicine from private organizations without no-objection certificates from Central Medical Store and Depot
15. Claim of fuel bills in excess of entitlement of cars on the basis of CC
16. Lack of financial approval in a bill by the competent authority according to the delegation of financial power
17. Claim of cheque in the name of DDO instead of the supplier without giving reasonable grounds

#### **Problems in passing General Provident Fund (GPF) Advance**

1. Approval of advance in excess of the deposited amount.
2. Approval of GPF advance even when the balance in the claimant's account is insufficient (especially in postal department)
3. Approval of advance in violation of the terms and conditions for sanctioning GPF advance (Audit Manual -213)

#### **Problems in pre-auditing GPF final payment**

1. Failure to fill in Bengal Audit Manual form No. 663 by the GPF contributor or by the assigned nominee in appropriate manner
2. Submission of Bengal Audit Manual form No. 663 counter signed by the competent authority
3. Submission of GPF final payment bills without mentioning whether the GPF contributor is retired, dismissed or deceased
4. Failure to attach relevant documents, e.g. nominee form, to the GPF final payment bill

#### **Problems relating to procurement**

Before the publication of the Public Procurement Regulations (PPR) 2003, different organizations followed different procedures in public procurement. The procedures were not at all uniform for all the organizations.

#### **According to the Procurement Regulations of 2003-**

1. Direct procurement is allowed up to TK 15,000/00 in case of goods and services

2. Direct procurement is allowed up to TK 50,000/00 in case of works (service)

The procurement regulations do not set any guidelines as to how many times an organization can make such procurement in a year. As a result, audit cannot question whether the procuring entity is making procurement just for splitting up the procurement with an unfair motive. It is often observed that PPR- 2003 is not followed strictly and adequate supporting vouchers are not submitted along with bills.

### **Problems relating to settlement of pension cases:**

Most of the government employees encounter difficulties in settlement of their pension cases. We face many problems in settling pension cases. Some of those are as follows:

1. Pay fixation - pay fixation is one of the major problems in settling pension cases. Pay fixation problems arise due to following reasons-
  - Pay equalization
  - Different pay of employees employed in project
  - Pay of absorbed employees
  - Pay of project employees transferred to revenue
  - Irregular selection grade
2. Family pension: Some employees die while in service. Their families cannot submit all relevant papers. It creates problems in settling pension cases.
3. Erasing of date of birth: Erasing of date of birth is a problem in settlement of pension cases.
4. Non-submission of pension papers: Sometimes pension papers are not duly submitted according to the Pension Order of October 2001.

### **Other problems**

#### **Problems also arise when:**

1. Budget allocations are not shown in contingency bills
2. VAT and income taxes are not deducted according to government rules and regulations
3. Taxpayer's Identification Number, TIN, is not mentioned in gazetted officers' bills

