



**Ministry of Local Government, Rural Development & Cooperatives
Local Government Division
Local Government Engineering Department (LGED)**

4.7 Guidelines for Outstanding bills older than 3 months, including i) electricity and ii) telephone, paid in full

**Project Coordination Office (PCO)
City Governance Project (CGP)**

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**Assisted by
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and
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1. Introduction

Rapid urbanization accelerated by industry led economic growth has been taking place in Bangladesh. Potential of economic growth in urban areas is worthy of notice. There are 335 Local Government Institutions which cover 8% of total geographical area of Bangladesh and 30% of total population, while accounting for 60% of total national growth. On the other hand, the negative impact of dramatic change in urban areas is observed. The negative impacts are because the functions of municipalities and city corporations prescribed in Local Government (Pourashava) Act 2009 and Local Government (City Corporation) Act 2009, which are very relevant to the demand of city dwellers and urban development, are not implemented in an appropriate manner. In order to improve the public services provided by urban local governments, several urban development projects are being or were implemented by Local Government Divisions (LGD) and local government and engineering departments (LGED) with financial assistance of different development partners and government's own funds. Based on the experiences gained through implemented projects, effective activities for improvement of urban governance have been formulated as a program that has been well accepted. The urban governance improvement programs have been implemented to ensure good governance of those urban local government institutions namely Paurashava for equal, social harmony and planned development. Initiating urban governance improvement, LGD and LGED with financial support of JICA commenced a project named City Government Project (CGP) in 5 City Corporations.

2. Justifications

One of the main preconditions of financial accountability and sustainability of the City Corporation is to make full payment of all outstanding bills, including electricity and telephone bills. If the bills are not paid on time, this will affect, on one hand, the individuals or organizations to which those bills are due, and, on the other hand, the CC due to gradual increase of the outstanding amount making it increasingly difficult to make full payment. If this continues, the CC's financial capacity will be gradually weakened, and the CCs could be transformed into non-functional local government institutions.

To avoid this situation, it is necessary to establish a balance between CC's revenue income and revenue expenditure. In the context of the City Governance Project (CGP), the activity 4.7 of the Inclusive City Governance Improvement Action Program (ICGIAP) is "All outstanding bills older than three months, including electricity and telephone, are paid in full."

3. Relevant Issues of ICGIAP

3.1 Tasks:

Tasks under the Activity 4.7 of the ICGIAP are to strengthen the financial discipline in CC. CC should make payments for outstanding bills by complying with payment conditions. CC should conduct the following steps:

Task 1: Ensure regular receipt of electricity and telephone bills every month.

Task 2: Settle disputes over electricity bills in arrears (as per decision of the inter-ministerial meeting in 2005). Also settle disputes over telephone bills, if any.

Task 3: Keep provision in the budget for payment of electricity and telephone bills and ensure payment regularly.

Task 4: Review by CEO/Secretary of progress of bill payment position every month.

Task 5: Review progress of bill payment in the monthly meeting of CC.

3.2 Action by

CC Mayor, CEO & Accounts Officer

3.3 Indicators

- 1st PR: Complied with
- 2nd PR: Complied with

4. Objectives

To make the City Corporation authority capable to fully repay its entire electricity and telephone bills in arrears and all current electricity and telephone bills of more than 3 months old.

A guideline has been prepared on this activity and it presents tasks and procedures that should, indeed, be followed by the CCs under the project aiming to achieve the above ICGIAP activity, and consequently to establish financial balance.

5. Relevant Organizations, Stakeholders and their roles and Responsibility

5.1 Role of Revenue section of CC

Revenue section of CC will identify the main areas of eligible outstanding bills and make proposal for necessary budget provision

(1) Electricity bill

- Electricity bill for operating water pump
- Electricity bill for streetlights
- Electricity bill for City Corporation office
- Electricity bill for facilities (graveyard, crematorium, auditorium, educational institutions, etc. operated by City Corporation) for which bills are payable by the City Corporation.

(2) Telephone bill

- Telephone bill of City Corporation office
- Telephone bills of City Corporation operated institutions

5.2 Role of Local Government Division

If any dispute arises, Local Government Division will take initiative to settle the issue in inter-ministerial meeting or through a discussion between the service provider and the concerned CC.

6. Necessary Tasks and Procedures

To strengthen the financial discipline in CC, CC should make payments for outstanding bills by complying with payment conditions. CC should conduct the following steps:

6.1 Ensure regular receipt of electricity and telephone bills every month (Task-1)

- Ensure the receipt of all electricity bills every month for water pump operation, streetlight, CC office and all facilities operated by CC.
- Check electricity bill for water pump operation every month and pay it from the income of water supply sector.
- Check electricity bill for streetlight every month and pay it from the money (rates) collected in streetlight sector.
- Check all electricity bills of CC office and all facilities operated by CC every month and pay them.
- If there is no meter installed for electricity connection for the streetlights or any other connections, make arrangement to install meter by communicating with the concerned electricity department.
- Collect and pay bills of the telephone connections of the CC office and all facilities operated by CC.

6.2 Settle disputes over electricity bills in arrears (as per decision of the inter-ministerial meeting in 2005). Also settle disputes over telephone bills, if any (Task 2)

As per the decision of the inter-ministerial meeting held on 03 October 2013 (Annex-II), quickly resolve the disputes on the outstanding streetlight bills through discussions with the concerned electricity departments (PDB or REB), and pay fully all the outstanding bills within the specified time, as per the agreed decision.

By involving the Deputy Commissioner of the district, if necessary, and through discussions with all the concerned departments, resolve any unresolved and complex issues regarding the bills.

6.3 Keep provision in the budget for payment of electricity and telephone bills and ensure payment regularly. (Task 3)

Maintain separate accounts and registers regarding the receipt of electricity bills and payments for streetlights, water pump and CC office and other facilities.

In CC's yearly budget, keep sectoral allocations for payment of the current and outstanding electricity bills and avoid spending money of one sector for another sector.

Keep allocations in the CC's yearly budget for payments of the current and outstanding telephone bills, and ensure regular payment of the bills.

6.4 Review by CEO/Secretary of progress of bill payment position every month (Task 4)

Inform the concerned authorities of the progress-status of payments of monthly electricity bills based on regular reviews by the CEO or Secretary, concerned officers and staff members. Furthermore, include the progress-status of the bill payments as an agenda item of the Council and CSCC meetings for discussions.

6.5 Review progress of bill payment in the monthly meeting of CC (Task 5)

This is a formal monthly meeting involving, among others, the employees and the elected representatives assigned to implement the activity set by the project. Usually, summary of progress report is presented here. This meeting allows those involved in implementing the activity to ask questions that are not covered by the written report. The purpose of the meeting is to provide an update on the outstanding bill payment status, identify any issues or deviations, establish action plans for correction of deviations and revise plans, targets, and measures for prevention of any future deviations.

7. Responsible personnel for Implementation of the Activity

Accounts Officer: Consulting with CEO and revenue officer and considering the previous years' utility bills and the present status of CC telephone and electricity bills in arrears, Accounts Officer will take initiatives to make necessary budget provisions and to ensure payment of the outstanding bills to the service providers.

CEO & CC Mayor: CEO will look into the matter of keeping provisions for outstanding telephone and electricity bills and payment of such bills to the concerned service providers. If any dispute arises over the outstanding bills, s/he will be the pioneer in settling the dispute by arranging meeting between CC and the service provider. With the consent of the Mayor, the CEO may take any unsettled issue to the LGD to settle the issue through inter-ministerial meeting. S/he will keep the mayor and the council updated with the present status of outstanding bills to the telephone and electricity service providers.

8. Implementation Schedule

Activity	Task/TOR	1st Year				2nd Year				3rd Year				4th Year			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Outstanding bills older than 3 months, including i) electricity and ii) telephone, paid in full	Task 1: Ensure regular receipt of electricity and telephone bills every month	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
	Task 2: Settle disputes over electricity bills in arrears (as per decision of the inter-ministerial meeting in 2005). Also settle disputes over telephone bills, if any				█				█				█				█
	Task 3: Keep provision in the budget for payment of electricity and telephone bills and ensure payment regularly.		█				█				█				█		
	Task 4: Review by CEO/Secretary of progress of bill payment position every month	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
	Task 5: Review progress of bill payment in the monthly meeting of CC.	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█

9. Cost of Implementation (if necessary)

CEO and Accounts Officer will take into consideration the probable cost of implementation of the activity and prepare proposal for consideration of the Mayor and CC council.

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Annex I Summary of Actions required for Payment of All Creditors

Summary of actions required by City Corporation for payment of all creditors A step-by-step approach

The following step-by-step approach adopted by City Corporations will ensure that they consistently fulfill their financial obligations as they arise. This process should be adopted for the prompt payment to all creditors.

MATTERS TO BE ATTENDED TO WITHIN THIRTY DAYS OF RECEIPT OF INVOICE

Step 1: Confirm scope of project and monitor progress

Prior to arrangement of receiving the good / service, where appropriate, confirm the scope of the project with service provider or contractor and monitor progress in terms of contractual obligation

Step 2: Receive and check invoice

Upon receipt of an invoice for payment, review to ensure that it is in line with the quotation, contract, contract price, that the goods / services have been received in good condition and in terms of the contract, and that all calculations in the invoice are accurate

Step 3: Compile all supporting documentation for payment

If all details are correct in the invoice, attach the requisition, order and other initiating documentation i.e. copy of authorization for the goods to be purchased / services to be performed; or copy of contract, or other legal agreement

Step 4: Authorise account for payment

Once checked and verified, the responsible person should authorise the accounts for immediate payment by preparing supporting voucher and send for preparation of payment, signing and recording of cheque or authorisation of other payment mechanisms.

Step 5: Make payment

Once the cheque is signed or other payment means is authorised, pay the creditor within thirty days, and file the documents in a manner that can easily be assessed during the audit

Step 6: if there is a disputes over the terms of amount to be paid

If grounds for dispute over services or costs exist, refer immediately to the senior official. If there are any grounds to question the amount on the invoice or the services performed, the matter with all accompanying documentation should be provided to a senior official to take up with the creditor

Step 7: Initiate formal dispute and communicate matter to creditor

The senior official is required to immediately contact by telephone, or other means, the creditor (or other service provider or contractor) to verbally explain the cause for the query or concern, and follow-up that query in writing – if necessary, the parties may consider a meeting to discuss the matter

Step 8: Withhold only portion subject to dispute

If only part of the invoice is under query, arrangements should be made to pay that portion of the amount payable which is not subject to dispute, and then separately take action to remedy the disputed amount

Step 9: Decision to seek mediation

Once the municipality has attempted to resolve any dispute by a) contacting the creditor, b) following up in writing, c) where necessary meeting with the creditor and those avenues prove unsatisfactory to the City Corporation, the City Corporation may seek remedies through the legal system. In the case of fiscal disputes between organs of state, the City Corporation may approach the Local Govt. Division for mediation.

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Annex II Regarding Decisions of the Inter-Ministerial Meeting Held on Payment of Arrear Electricity Bills

The Peoples' Republic of Bangladesh
Ministry of Power and Mineral Resources
Power Department
Coordeination-2 Unit

No. 27.052.002.03.00.001.2007.631

date 05/10/2011

Subject: Regarding decisions of the Inter-Ministerial meeting held on payment of arrear electricity bills of City Corporation, Pourashava and local government institutions to the power distributing organizations/companies under power department.

The following decisions were taken in the inter-Ministerial meeting on the above subject held in the power division on 03-10-2011 in presence of the secretary of the Local Government Division:

- (1) All institutions under Local Government Division including City Corporation, Pourashava, WASA will initially pay the arrear electricity bills, including sur-charge at least for 3 (three) months and payment of bill for the current month will continue accordingly;
- (2) Beyond this, arrear bills (including sur-charge) are payable highest in 24 installments. All local government institutions selling jointly with the power distributing institution will take decision in this regard;
- (3) If the local government division holds different opinion as regards the amount of arrear bill and sur-charge, then the issue will be resolved through joint discussion between both the institutions. In such case bill and sur-charge beyond objection are to be paid in light of the decision -2.
- (4) If both the institutions fail to resolve the issue on the amount of disputed electricity bill and sur-charge, the one representative from district administration jointly with the representatives from both the institution will take steps to resolve the issue. The Divisional Commissioner in divisional town will make arrangement to resolve the matter deputing his representative (in this relation the letter issued by the power division bearing number 27.025.031.00.00.007.2011-467 and 630 dated 23.6.11 and 05.06.11.)
- (5) In case of decision 4, if consensus is made about the arrear bill without sur-charge, then arrear bills are to be paid in 24 installment; and unresolved part is to be sent to power division;
- (6) Representatives of concerned City Corporation/ Pourashava and representative from power distributing organization will make joint drive to disconnect unauthorized electricity connections within the areas of City Corporation and Pourashava;
- (7) The electric poles installed within the areas of City Corporation and Pourashava are not taxable; local government division will make necessary amendment to the Model Tax Schedule with a view to make the matter more transparent.

All concerned are requested to take necessary action in light of the above mentioned decisions.

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