



Union Parishad Governance Project (UPGP) & Upazila Governance Project (UZGP)

# POLICY STUDY ON THE LOCAL GOVERNMENT SYSTEM IN BANGLADESH: A COMPARATIVE ANALYSIS OF PERSPECTIVES AND PRACTICES





**Union Parishad Governance Project (UPGP) & Upazila Governance Project (UZGP)**

# **THE LOCAL GOVERNMENT SYSTEM IN BANGLADESH:**

## **A COMPARATIVE ANALYSIS OF PERSPECTIVES AND PRACTICES**

This report has been prepared with support from EU, DANIDA, SDC, UNDP and UNCDF





THE LOCAL GOVERNMENT SYSTEM IN BANGLADESH:  
A COMPARATIVE ANALYSIS OF PERSPECTIVES  
AND PRACTICES

This report was prepared by:

Nizamuddin Ahmed, Jamie Boex, Mobasser Monem and Pranab Panday  
Dhaka, Bangladesh, December 2014

This report has been prepared for the UPGP and UZGP projects

This report has been prepared with support from EU, DANIDA, SDC, UNDP and UNCDF

**Disclaimer :**

“ The Document has been produced with the financial assistance of the contributing donors of the UPGP and UZGP i.e EU, DANIDA, SDC, UNDP and UNCDF. The views expressed herein can in no way be taken to reflect the official opinion of the supporting donors ”





# ACKNOWLEDGEMENTS

This study is the outcome of the research conducted by the Local Government Division (LGD) of the Ministry of Local Government, Rural Development and Cooperatives (MOLGRDC) of the Government of Bangladesh with support from EU, DANIDA, SDC, UNDP and UNCDF through the Upazila Governance Project (UZGP) and Union Parishad Governance Project (UPGP). The report was authored by Professor Nizamuddin Ahmed (Chittagong University), Dr. Jamie Boex (Urban Institute), Professor Mobasser Monem (Dhaka University) and Professor Pranab Panday (University of Rajshahi).

The research team would like to express their gratitude for the valuable assistance provided by a number of officials of UZGP and UPGP projects both at the national and subnational levels and of the Local Government cluster of UNDP. In this regard, Ms. Shaila Khan, Head, Local Government Cluster UNDP and Mr. Nazrul Islam, Program Analyst of the same cluster deserve special thanks for their invaluable input, support and cooperation throughout this study.

**Nizamuddin Ahmed**  
**Jamie Boex**  
**Mobasser Monem**  
**Pranab Panday**

December 2014



## EXECUTIVE SUMMARY

Bangladesh has been known to be among the most centralized countries in the world. Over the past decade, however, major efforts have been undertaken in Bangladesh to strengthen the role and capacity of local government institutions (LGIs). Union Parishads have been transformed from traditional and largely unresponsive local government institutions to increasingly participatory and proactive local government institutions; the Upazila Parishad was re-established as a local government body with its own, elected leadership; and various interventions have promoted the role of pourashavas and City Corporations in an increasingly urbanized country. Legal provisions for LGIs to play a stronger role were clarified and expanded, and fiscal transfers to local governments have grown in size. Local government institutions are increasingly looking to play a meaningful role, both as platforms for deepening local democracy as well as mechanisms for the improved delivery of localized services.

While opportunities for local government reform have been effectively seized whenever such opportunities have arisen, the piece-meal approach to strengthening decentralization and local government institutions has only rarely given policy makers an opportunity to consider the functioning of the local government system as a whole. In order to fill this void, the objective of the current study is part of a series of five studies that analyze the local government system in Bangladesh, with the intent to identify whether—and if so, how—the current local government system is constraining the performance of local governments.<sup>1</sup>

Within this context, the current analysis focuses on the local government structure or “intergovernmental architecture”; in other words, it looks broadly at the institutional and legal frameworks within which local governments operate in Bangladesh. Specific questions regarding the local governance system in Bangladesh that are addressed include whether Bangladesh needs three major tiers of (rural) local government, or whether it would be appropriate to reduce the number of government levels. Furthermore, does it make sense to have separate local government institutions for rural and urban areas? Similarly, is the structure of the legal framework for local government institutions effective (with a separate law for each type of local government); and how to establish an effective interface between local administration and local governments in terms of functions, funds and functionaries?

### **An Assessment of Local Government Systems in Bangladesh**

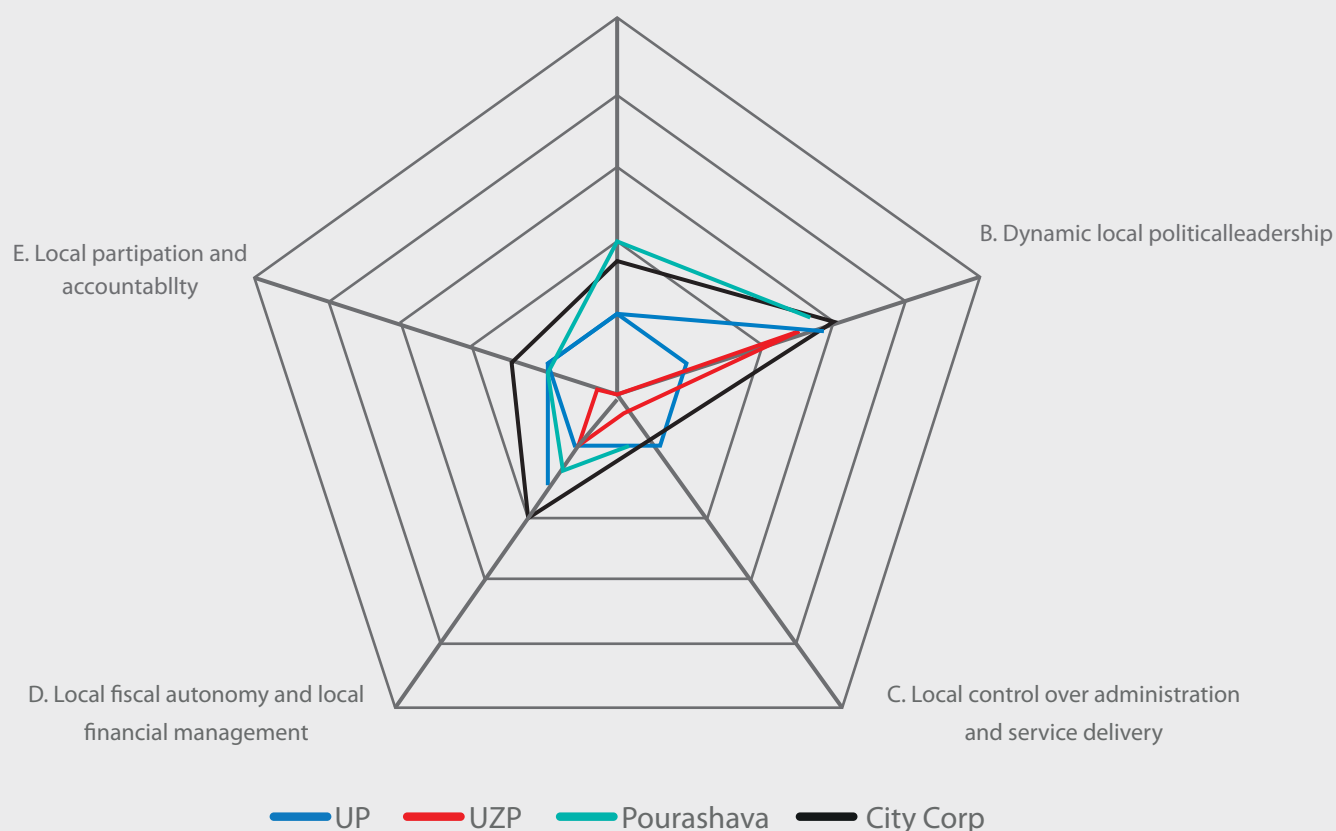
In order to analyze the situation in Bangladesh in a comparative manner, the study draws a comparative picture of the local government system in Bangladesh as well as the local government systems in several other countries, most notably Cambodia, India (Kerala), Indonesia, Mozambique, and the Philippines. The comparative assessment was guided by the Local Government Systems Assessment Framework developed by the Urban Institute, which provides a comparative assessment of the five main dimensions of a local government system, including an analysis of (a) the effectiveness of the subnational governance structure and assignment of functions to the local level; (b) dynamic and responsive local political systems and leadership; (c) local control over administration and service delivery; (d) local fiscal autonomy and local financial management and (e) local participation and accountability mechanisms.

<sup>1</sup> Each of the five studies supported by UNDP, through UPGP and UZGP deals with specific issues within the realm of decentralization and intergovernmental systems in Bangladesh, including studies on functional assignments (Osman et al, 2014), subnational fiscal flows (Kabir, 2014), local government taxation (Uddin, 2014), and a review of the legal framework of local governments (Bhuiyan, 2014).

The wide analytical lens was required because it would not be possible to properly assess the effectiveness of the local government structure in Bangladesh (or in any country) without considering, for instance, what exact services local government institutions deliver or what functions they perform, or how the responsibilities of different local government institutions are funded. The implicit hypothesis that thus forms the foundation for the analytical framework is that a more effective local government system is achieved when each of these five institutional dimensions are effective, well-structured, and fit together well.

Figure ES.1 provides a “big picture” overview of the local government system for Bangladesh. For each of the five dimensions of its local government system, scores were awarded on a five point scale for each type of local government institution in accordance with a set of objective assessment indicators (Appendix B). The figure thus reflects the general situation for the different dimensions of the local government system at the Union Parishad level, as well as for Upazila Parishads, Pourashavas and City Corporations.

**Figure ES.1 An overview of local government systems in Bangladesh**



Source: Computed by authors.

Note: The score on each dimension ranges from 0 to 5 points.

The “big picture” overview suggests that all types of local government institutions in Bangladesh have relative strengths as well as weaknesses. First, however, the overall relative weakness of the local government system in Bangladesh is revealed: whereas a perfectly effective local government system would score five points in each of the five dimensions, the best-performing local government types in Bangladesh (municipalities and City Corporations) do not earn more than three points in any dimension, and in three of the five dimensions, they do not earn more than two points. Second, the figure suggests that rural local governments perform worse on most aspects of the assessment framework than urban local governments. In particular, the embryonic nature of the Upazila Parishad is revealed by the assessment. Third, on a positive note, the graph shows that progress has been made on local political empowerment across all types of LGIs

(Dimension B). In contrast, all types of LGIs score below-average on the degree of administrative control that LGIs have over their operations (Dimension C). Based on the assessment findings for each dimension, Table ES.1 presents a brief summary of the main challenges noted in the assessment of the LG System in Bangladesh.

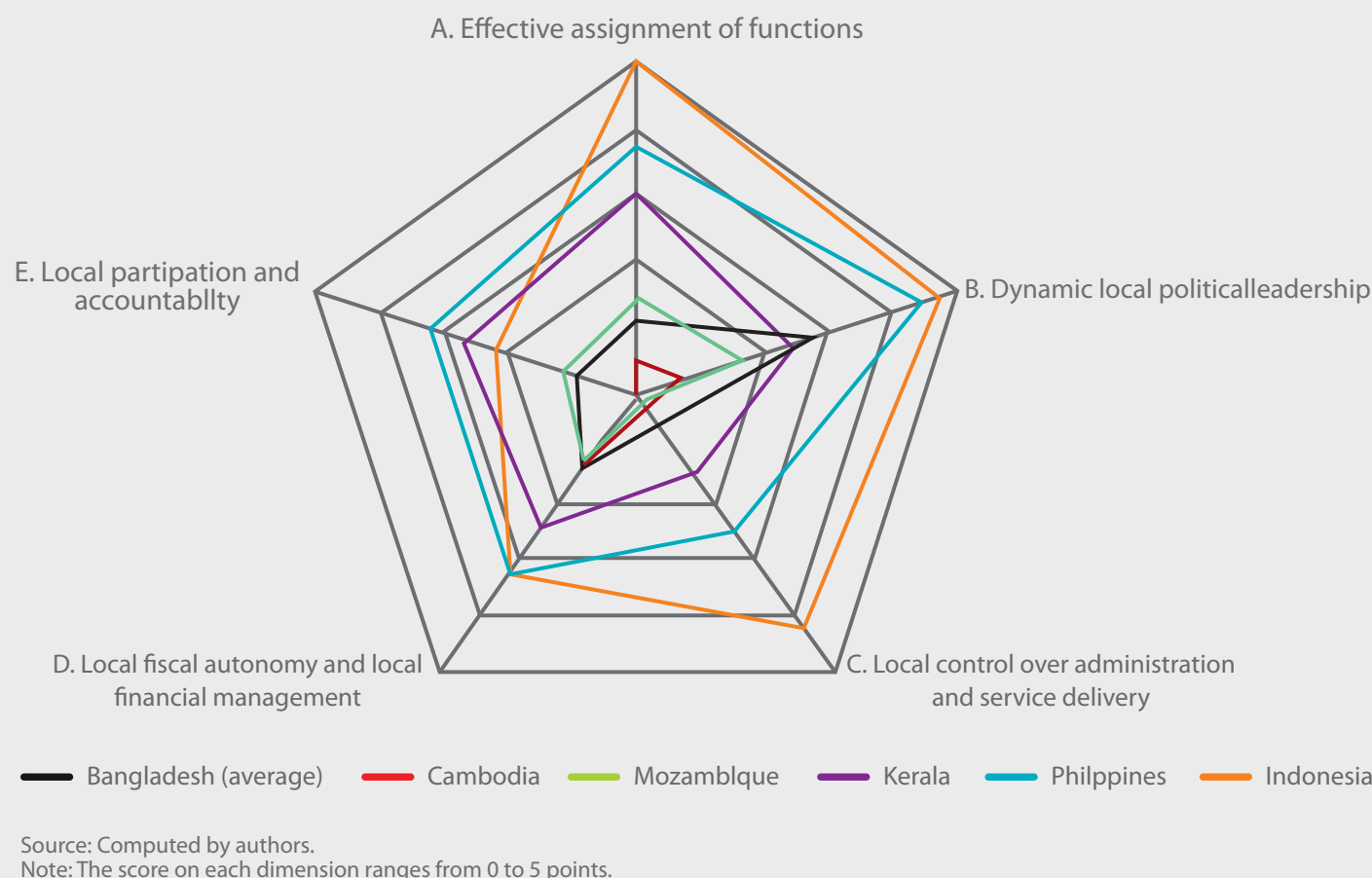
<b>Figure ES.1 An overview of local government systems in Bangladesh</b>	
<b>LGS Dimension</b>	<b>Key challenges noted in the assessment of the LG System</b>
A. Effective assignment of functions	The legal assignment of functions and expenditure responsibilities to LG institutions is unclear due to the fragmented legal framework, is often inconsistent with the subsidiarity principle, and there is a considerable gap between the de jure and the de facto assignment.
B. Dynamic local political leadership	Local government institutions tend to have elected local leadership through competitive elections. However, the UZP in particular lacks council members that are directly and exclusively elected for their role at the Upazila level. A general imbalance of power between the Chairman and the council is noted. The ability of the local political leadership to steer their local government jurisdiction is considerably limited due to limited local control over the local government's core administration team and other structural factors.
C. Local control over administration and service delivery	LG institutions are under-staffed and have little or no control over local-level staffing. In the absence of meaningful control over local human resources, it is almost impossible for local political leaders to influence the quality of local public services.
D. Local fiscal autonomy and local financial management	Local governments are given limited revenue discretion, and they do not effectively collect the revenues assigned to them. The intergovernmental transfer system generally provides inadequate and unpredictable funding, with little or no meaningful local government discretion over finances. Inadequate funding is a major de jure and de facto constraint on the ability of LGs to effectively perform their functions.
E. Local participation and accountability	Limited opportunities for meaningful participation and accountability exist in the local government system. While many committees exist (especially in rural LGs) to encourage participation, many of these committees are "paper-based" and lack power over the entities they monitor.

### **A Comparative Perspective on the Local Government System in Bangladesh**

Whereas Table ES.1 presents a normative assessment of the local government system in Bangladesh following a approach, Figure ES.2 (next page) presents a comparative analysis of the local government system in Bangladesh by comparing the situation in Bangladesh with experiences in the five comparator countries (Cambodia, India (Kerala), Indonesia, Mozambique, and the Philippines). Some general lessons from the comparative experiences include:

- All five comparative cases have had to deal with the same policy questions that Bangladesh is grappling with in terms of local government structure, functional assignment, local political space, administrative control, local fiscal discretion and participation and accountability.

**Figure ES.2 An overview of local government systems in selected countries**



- The effectiveness of the local government systems in different countries appears to be closely tied to economic progress and development status: countries with more effective local government systems tend to have higher (per capita) GDP and generally have better human development outcomes (i.e., they perform better on MDG indicators).
- Like Bangladesh, all countries reviewed have multiple levels of local administration or local government.
- However, unlike Bangladesh, each country tends to have a comprehensive law that defines the overall structure of the local government system as a whole.
- Furthermore, all five comparator countries have moved away from the hierarchical, territorial approach to functional assignment ("if an activity falls within the territorial jurisdiction of one or more local government entities, then the activity automatically falls within the functional jurisdiction of these local governments"). Instead, each country seems to use—to a greater or lesser degree—the subsidiarity principle as guidance in the assignment of functions. This entails identifying the lowest local government level that is capable of serving as an efficient platform for delivering the respective local service.
- The experience of comparator countries suggests that the re-assignment of functional responsibilities tends to empower local governments at the expense of the (political, administrative and budgetary) authority of higher-level governments, and therefore poses a direct challenge the hierarchical nature of the post-colonial public sector.
- A country's choice for deconcentration versus devolution is often driven by political economy forces. However, the choice is not black-and-white. Most countries have a local government system that combines elements of both deconcentration as well as devolution.

- Some dimensions of decentralization are more challenging to implement than others. Whereas it may be easier (or perhaps more politically expedient) to establish elected local governments with a degree of local “political” decision-making space, it tends to be more difficult (or less political expedient) to achieve effective local administrative systems, or to achieve effective participation and accountability at the local level.
- The different dimensions of a local government system tend to evolve together, so that—for instance—countries with greater local political space also tend to have greater local administrative control. However, local government systems are never perfectly balanced and progress on decentralization reforms over time is never linear (“two steps forward, one step back”).

## Implications for Local Government Structure and Next Steps

Eight concrete lessons and implications follow from the comparative review of the local government system in Bangladesh:

**1. Towards a unified local government system and a unified legal framework.** Although Bangladesh has different types of local government institutions, each type of LGI seems to have evolved within its own trajectory. This has resulted in a local government system that does not function effectively as a unified whole. For instance, the functional responsibilities of different types of LGIs are not well-aligned, as there is no overarching vision about which LGI should be doing what. As a result, four different laws assign duplicative and overlapping functional responsibilities to different local government institutions. The problem is not necessarily that there are several different levels of local government, nor is the problem the distinction between urban and rural local governments. Instead, the main obstacle is the lack of a coherent legal framework that clarifies the functional responsibilities of different types of local governments and that ensures that different local government institutions perform their functions effectively.

**2. Functional assignment: strengthening deconcentration to the upazila level to reduce coordination failures and improve localized services.** Although local governments play some part in the delivery of local services in Bangladesh, localized services are mainly provided by the deconcentrated field administration. As a result, officials posted at several different administrative tiers are often involved in making service delivery-related decisions. The coordination in delivering services has been raised as an important obstacle to effective local services. The assessment suggests that the main impediment to effective coordination is the distance between the front-line service delivery unit (where the service is delivered) and the officials that ultimately have authoritative decision-making power over local service delivery (which often sit at the Zila level or above). There is a need to strengthen deconcentrated decision-making power at the upazila level to reduce coordination failures and improve localized services.

**3. Functional assignment: balancing LGIs’ executive functions versus LGIs’ monitoring functions.** LGIs in Bangladesh effectively have two functions. First, they manage the affairs of the local community and promote the human and economic development of the jurisdiction in accordance with the priorities of its constituents. Second, LGIs are supposed to monitor and support the implementation of programs and services by central government (and/or higher-level LGIs) within its territorial jurisdiction. In other words, LGIs have executive functions on one hand, and monitoring functions on the other hand. The legislative framework needs to clarify over which functions (or to what extent) LGIs have executive responsibility for “their” functions, and to what extent their responsibility is merely supervisory in nature.

**4. Reform of local political systems: towards strong councils at the local level.** There is a need to transform LGIs into “true” local government entities, where the council is the highest decision-making body of the local entity which is accountable to the local people. In rural areas in particular, this requires transforming the LGI from a “one-man-show” into an effective democratic institution with checks and balances. This requires revisiting the composition of the local government council (especially at the upazila level) and the way in which the local executive interacts with the local council.

**5. Ensuring local control over local functionaries.** In order for LGIs to function effectively, there is a need for them to employ their own core staff. To the extent that LGIs do not have meaningful operational control over the staff of central line ministries within their jurisdiction, it is important to clarify that authority over field staff is not actually “transferred” to LGI officials and to acknowledge the de facto limited supervisory control that LGIs have over locally-posted staff.



**6. A consolidated local government grant system in Bangladesh.** The different local government acts assigned LGIs with important functions. However, the functional responsibilities of LGIs are generally constrained because (as is stated in the case of the Upazila Parishad Act) “the Parishads shall execute [its] functions in accordance with the capacities of their funds”. However, the funds being provided to the local government institutions fall far short from the resources needed for LGIs to be in a position to effectively deliver local services. A consolidated local government grant system has to be put in place in order to channel adequate financial resources to the local government.

**7. Strengthening local budgeting, PFM and local revenue administration.** In order to be legitimate, responsive and responsible local self-government units, local government institutions need to adhere to participatory budget process, transparent public financial management practices, and equitable revenue administration.

**8. Strengthening local participation and accountability.** Strengthening local participation and accountability will require reforms in two areas. First, to the degree that LGIs act as local self-governments in delivering and executing their own functions, LGIs should operate with considerable openness and transparency with respect to their own (LGI) finances and operations. Second, to the degree that LGIs serve as overseers of the deconcentrated field staff within their jurisdictions, LGIs need better leverage over the services delivered by deconcentrated field staff within their jurisdictions.



# TABLE OF CONTENTS

Executive Summary	iii
Table of Contents	ix
Acronyms	xi
1. Introduction	1
1.1 Background	3
1.2 Objective of the Study	3
1.3 Description of the methodology	4
1.4 The evolving context for the local government system in Bangladesh	7
1.5 A brief overview of the local government system in Bangladesh	9
1.5 A brief overview of the comparative country experiences	12
1.6 Structure of the study	16
2. Intergovernmental Structure and Functional Assignments	19
2.1 Conceptual overview: intergovernmental structure and functional assignments	21
2.2 The situation in Bangladesh: intergovernmental structure and functional assignments	25
2.2.1 Overview of intergovernmental structure and functional assignments	25
2.2.2 Intergovernmental structure and functional responsibilities of Union Parishads	31
2.2.3 Intergovernmental structure and functional responsibilities of Upazila Parishads	33
2.2.4 Institutional structure and functional responsibilities of municipalities	35
2.2.5 Intergovernmental structure and functional responsibilities of City Corporations	38
2.3 Comparative international experience: intergovernmental structure and functional assignments	41
2.3.1 Territorial-administrative structure: comparative international practices	42
2.3.2 Functional assignments for key services: comparative international practices	47
2.3.3 Comparative international practices	50
2.4 Options and initial recommendations for Bangladesh	51
3. Effective local political systems and leadership	63
3.1 Conceptual overview: local political systems and leadership	65
3.2 Situation in Bangladesh	69
3.2.1 Overview	69
3.2.2 Local political structure of Union Parishads	70
3.2.3 Local political structure of Upazila Parishads	73
3.2.4 Local political structure of municipalities	78
3.2.5 Local political structure of City Corporations	79

3.3	Comparative international experience: local political systems and leadership	80
3.4	Options and initial recommendations for Bangladesh	86
4.	Local government control over administration and service delivery	91
4.1	Conceptual overview: local control over administration and service delivery	93
4.2	The situation in Bangladesh: local control over administration and service delivery	94
4.2.1.	Overview	95
4.2.2	Local administrative powers of Union Parishads	96
4.2.3	Local administrative powers of Upazila Parishads	97
4.2.4	Local administrative powers of municipalities	101
4.2.5	Local administrative powers of City Corporations	104
4.3	Comparative international experience: local control over administration and service delivery	107
4.4	Options and initial recommendations for Bangladesh	110
5.	Local fiscal autonomy and local financial management	115
5.1	Conceptual overview: local fiscal autonomy and local financial management	117
5.2	The situation in Bangladesh: local fiscal autonomy and local financial management	119
5.2.1	Overview	119
5.2.2	Local fiscal autonomy of Union Parishads	121
5.2.3	Local fiscal autonomy of Upazila Parishads	124
5.2.4	Local fiscal autonomy of municipalities	126
5.2.5	Local fiscal autonomy of City Corporations	130
5.3	Comparative international experience: local fiscal autonomy and local financial management	132
5.4	Options and initial recommendations for Bangladesh	139
6.	Local participation and accountability mechanisms	143
6.1	Conceptual overview: local participation and accountability	145
6.2	The situation in Bangladesh: local participation and accountability	146
6.2.1	Overview	147
6.2.2	Local participation and accountability of Union Parishads	148
6.2.3	Local participation and accountability of Upazila Parishads	150
6.2.4	Local participation and accountability of municipalities	151
6.2.5	Local participation and accountability of City Corporations	154
6.3	Comparative international experience: local participation and accountability	157
6.4	Options and initial recommendations for Bangladesh	160
7.	Options and recommendations for the reform of the local government structure in Bangladesh	163
7.1	Options and recommendations regarding local government structure	167
7.2	Options and recommendations regarding the main dimensions of the local government system	171
	References	176
	Appendix A: Terms of Reference	183
	Appendix B: Local Government Systems Assessment Indicator Set	186

# ACRONYMS

ABC	Association of Barangay Captains
ADB	Asian Development Bank
ADC	Additional Deputy Commissioner
ADP	Annual Development Program
AL	Awami League
APBD	Consolidated local budget (Indonesia)
ASRC	Administrative and Services Reorganization Committee
BBG	Basic Block Grants
BDO	Basic Democracies Order
BDT	Bangladeshi Taka
BLGF	Bureau of Local Government Finance
BNP	Bangladesh Nationalist Party
BUB	Bottom-up budgeting
CC	City Corporation
CDA	Chittagong Development Authority
CEO	Chief Executive Officer
CG	Central Government
CGAC	Cabinet Cluster on Good Governance and Anti-Corruption
CSO	Civil Society Organization
CWASA	Chittagong Water and Sewerage Authority
DAK	Dana Alokasi Khusus / Capital development grant (Indonesia)
DANIDA	Danish International Development Agency
DAU	Dana Alokasi Umum / General purpose grant (Indonesia)
DB	District Board
DC	Deputy Commissioner
DCC	Dhaka City Corporation
DNCC	Dhaka North City Corporation
DP	Development Partner
DPHE	Department of Public Health and Engineering

DPOD	Regional Autonomy Advisory Council
DSCC	Dhaka South City Corporation
DWASA	Dhaka Water and Sewerage Authority
EC	Executive Council
EPI	Expanded Program on Immunization
EU	European Union
FPP	First-Past-the-Post
FRELIMO	Mozambique Liberation Front
FWP	Food for Work Programme
GDP	Gross Domestic Product
GIS	Geographic Information System
GoB	Government of Bangladesh
GP	Gram Panchayat (India)
HR	Human Resources
IDA	International Development Association (World Bank)
IHSDP	Integrated Housing and Slum Development Programme
IRA	Internal Revenue Allotment (Philippines)
IRIDP	Important Rural Infrastructure Development Project
KDA	Khulna Development Authority
KKN	Korupsi Kolusi Nepotisme (Indonesia)
KWASA	Khulna Water and Sewerage Authority
LCE	Local Chief Executive
LG	Local Government
LGC	Local Government Code (Philippines)
LGD	Local Government Division
LGED	Local Government Engineering Department
LGI	Local Government Institution
LGS	Local Government System
LGSP	Local Government Support Project
LGU	Local Government Unit
LIC	Learning and Innovation Component
LPSI	Local Public Sector Initiative
LSG	Local Self Government

LSGD	Local Self Government Department (Kerala)
MDG	Millennium Development Goals
MGSP	Municipal Governance and Services Project
MLA	Member of Legislative Assembly (India)
MLC	Member of Legislative Council (India)
MLSS	Member of Lower Subordinate Staff
MOF	Ministry of Finance
MOLGRD(C)	Ministry of Local Government, Rural Development and Cooperatives
MP	Member of Parliament
MPA	Ministry of Public Administration
MPWH	Ministry of Public Works and Housing
MPLADS	Member of Parliament Local Area Development Scheme
NCDD	National Committee for Sub-national Democratic Development (Cambodia)
NGO	Non-Governmental Organization
NREGS	National Employment Guarantee Scheme
O&M	Operation and Maintenance
OECD	Organization for Economic Co-operation and Development
PC	Planning Committee
PEFA	Public Expenditure and Financial Accountability
PEO	Principal Executive Officer
PFM	Public Financial Management
PHE	Public Health Engineering
PIC	Project Implementation Committee
PR	Proportional Representation
PS	Panchayati Samity (India)
PSC	Public Service Commission
PWDB	Power and Water Development Board
R&HD	Roads and Highways Department
RAJUK	Rajdhani Unnayan Kartripakkha
RCC	Rajshahi City Corporation
RDA	Rajshahi Development Authority
RENAMO	Mozambican National Resistance
RTI	Right to Information
RWASA	Rajshahi Water and Sewerage Authority
SC	Standing Committee

SDC	Swiss Agency for Development and Cooperation
SDU	Service Delivery Unit
SGRY	Sampoorna Grameen Rozgar Yojana (Kerala)
SIAP	Service Improvement Action Planning
SK	Sangguniang Kabataan; Youth councils (Philippines)
SLIP	School Level Improvement Plan
TK	Bangladeshi Taka
TLCC	Town-Level Coordination Committee
TP	Thana Parishad (now known as Upazila Parishad)
UC	Union Committee
UDCC	Union Development Coordination Committee
UDD	Urban Development Directorate
UEO	Upazila Education Officer
UGIIP-2	Second Urban Governance and Infrastructure Improvement (Sector) Project
UHFPO	Upazila Health and Family Planning Officer
ULG	Urban Local Government
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNO	Upazila Nirbahi (Executive) Officer
UP	Union Parishad
UPEP	Upazila Primary Education Plan
UPF	Union Parishad Forum
UPGP	Union Parishad Governance Project
UZC	Upazila Chairman
UZGP	Upazila Governance Project
UZP	Upazila Parishad
VAT	Value Added Tax
VGd	Vulnerable Group Development
VGf	Vulnerable Group Feeding
VLW	Village Level Worker
WC	Ward Committee
WLCC	Ward-Level Coordination Committee
WS	Ward Shava
ZP	Zila Parishad

A large, stylized number '1' is the central focus of the upper half. It is white with a black outline and is positioned in front of a dark gray triangle. To the right of the '1' is a blue triangle, and further right is a smaller, lighter blue triangle. The background is a solid gray.

# 1

Two overlapping squares, one light blue and one gray, are positioned to the left of the title.

## Introduction



# I n t r o d u c t i o n

## 1.1 Background

In recent years, a major effort has been initiated in Bangladesh to strengthen the role and capacity of local government institutions (LGIs). Legal provisions for LGIs to play a stronger role have been clarified and expanded, and fiscal transfers to local governments have grown in size. Local governments are increasingly looking to play a meaningful role, both as platforms for deepening local democracy as well as mechanisms for the improved delivery of localized services.

Currently, the Local Government System (LGS) in Bangladesh has separate systems for rural and urban areas. The rural system of local government essentially consists of three tiers (Zila Parishad, Upazila Parishad and Union Parishad) whereas there are two types of urban local governments within urban areas (City Corporations and Pourashavas). Each type of local government is guided by its own separate law and operational framework. Despite complementary (or in fact, overlapping) mandates with respect to their functions, the different types of local government institutions virtually lack any institutional interface.

Meanwhile, despite the recent legal empowerment of LGIs, the bulk of public services continue to be managed directly by central line ministries and their local administrative offices without systematic involvement of the elected local government institutions. Although Union Parishads and Upazila Parishads have the potential to play an important role in improving pro-poor service delivery outcomes within their jurisdictions, the unclear functional mandates of the different local government types as well as the disconnect between the *de jure* and the *de facto* role of the local government institutions have limited the ability of local governments to improve the delivery of critical services to the urban and rural poor in Bangladesh.

While further local government strengthening will require building the capacity of actors within the current local government system, there is also a need to analyze whether (and if so, where) the current local government system is constraining the performance of local governments. It is helpful to consider this question by drawing a comparative picture between the local government system in Bangladesh and perspectives from other countries. Such a comparative structural analysis will help draw recommendation to further promote decentralization and strengthen local democracy by informing appropriate policy and legal reforms.

## 1.2 Objective of the Study

The objective of the current study is to analyze the local government system in Bangladesh, particularly focusing on the institutional and legal frameworks within which local governments operate in Bangladesh. In order to contextualize the situation in Bangladesh, the study draws a comparative picture of the local government system in Bangladesh and the local government systems in several other countries, most notably Cambodia, India (Kerala), Indonesia, Mozambique, and the Philippines.

The study aims to create a conceptual clarity about the emergence of a public sector that is more responsive and accountable, and that is better able to localize development objectives and public service outcomes. Based on the comparative analysis, the study informs policy makers in Bangladesh in concrete terms about the type of administrative, legislative and institutional restructuring that is required to consolidate democracy, underwrite economic development, practice social welfare and promote good governance at the local level.

A particular focus is given on the analysis of the subnational governance system or the “intergovernmental architecture”. Specific questions regarding the local governance system in Bangladesh that are addressed include:

- Single-tier or multi-tier? Does Bangladesh need so many tiers of (rural) local government? If not, what options would be available to the country to re-organize its subnational governance structure?

- Rural and urban local government: one system or two systems? (And if separate local government systems: how to create an effective interface between rural and urban LG in the context of growing urbanization?)
- A unified legal framework? What are the pros and cons of exclusive tier specific laws for LGIs and a unified legal framework for local government?
- Integrating devolved LGIs and deconcentrated administrations. How to establish interface between local administration and local government in terms of functions, funds and functionaries to create a balance of discretion of decision making between them together with accountability of LG towards citizens?

In addition to reviewing international experiences, answering these questions requires reviewing the electoral system as well as the political, administrative and fiscal features of local governance in Bangladesh. In doing so, the current study builds not only on desk analysis and numerous stakeholder consultations that were conducted for the current study itself, but also on a number of recently-commissioned studies dealing with specific issues with the realm of decentralization and intergovernmental systems in Bangladesh, including studies on functional assignments (Osman et al, 2014), subnational fiscal flows (Kabir, 2014), local government taxation (Nasir Uddin, 2014), and a review of the legal framework of local governments (Bhuiyan, 2014).

## 1.3 Description of the methodology

Although sound conceptual, constitutional, legal, or political economy arguments can be made about the optimal local government structure for any country, the preferable or optimal local government structure in a country is driven to a large extent by the detailed and nuanced institutional arrangements that are put in place to operationalize the local government structure. As such, one of the challenges of any comparative analysis of a country's local government systems is to conduct a situation analysis that goes beyond the opinions—no matter how well informed—of individual observers or experts. A closely related challenge is to be able to discuss the details and nuances of different aspects of the local government system without losing the “big picture”. In order to conduct our comparative analysis of the local government system in Bangladesh and for drawing a comparative picture between Bangladesh and other countries, we build on a local government systems assessment framework initially developed by the Urban Institute (as part of its Local Public Sector Initiative), which provides an assessment framework to discuss the “big picture” of the local government system in various countries, and provides an entry-point for more detailed and nuanced discussion of the various dimensions of the local government system.

A traditional view of local governance and local government systems suggests that the key factors of a local government system at the local government level are the authority and autonomy (discretion), accountability, and capacity of local government bodies (e.g., USAID, 2009). Local governments also need the right incentives to perform their functions effectively.

In contrast to existing data collection methodologies and analytic efforts, LPSI's methodology recognizes that local (or regional) governments are not the only relevant subnational entities to be considered, but recognizes that most countries deliver services through a hybrid of devolved and deconcentrated institutions. This fits with the global dialogue on the localization of public sector outcome, which suggests that “the key underlying question is not whether to ‘decentralize or not’ or even opt for a specific decentralisation model, but to look at ways to improve capacity and co-ordination among public stakeholders at different levels of government to increase efficiency, equity and sustainability of public spending” (Charbit, 2011).

It is increasingly recognized that a well-performing local government system requires more than just effective local leadership and effective local administration. As such, a first important focus of our analytic framework of local government systems is the acknowledgment that different levels are involved in an effective local government system (Figure 1.1). After all, high-performing local bodies need a sound and supportive intergovernmental framework that empowers local bodies and gives them the foundation for success. Furthermore, successful local governments need an engaged civil society, residents, and local business community, who participate in local affairs and hold local leaders and officials accountable for their performance.

In addition, our analysis of local government systems needs to further recognize that local government systems have three important dimensions, namely a political, an administrative and a fiscal dimension (Figure 1.2). Details of what specific local government systems are contained within each of these three dimensions are discussed by Litvack and Seddon (1999); Yilmaz et al (2008), World Bank (2009), Boex and Yilmaz (2010) and Boex (2012a).

When the political, administrative and fiscal systems are considered at the three different levels of a local government system (i.e., central, local and community), an assessment framework emerges that recognizes nine institutional

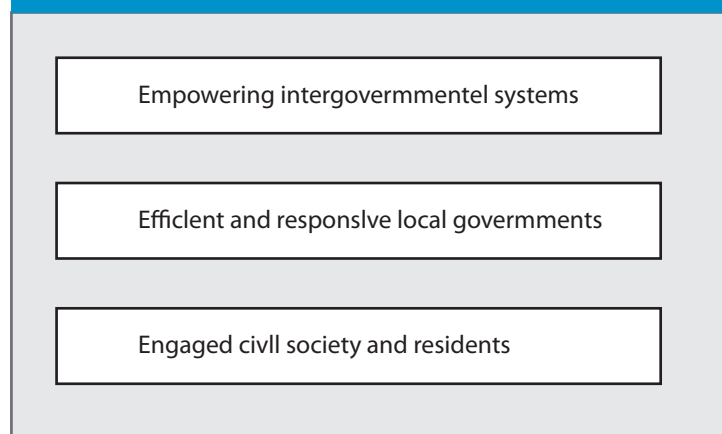
elements that potentially impact the ability of a public sector to transform national policy goals into development and improved services on the ground (Figure 1.3).

This framework can now consider different political, administrative and fiscal issues at different levels of the public sector. For instance, the issue of political participation and inclusion (of marginalized populations in particular) is clearly an important issue that should be taken into account as part of any discussion of the “political decentralization” pillar. Although political inclusion is especially important in discussions around community involvement in the local political process, naturally the design of intergovernmental political

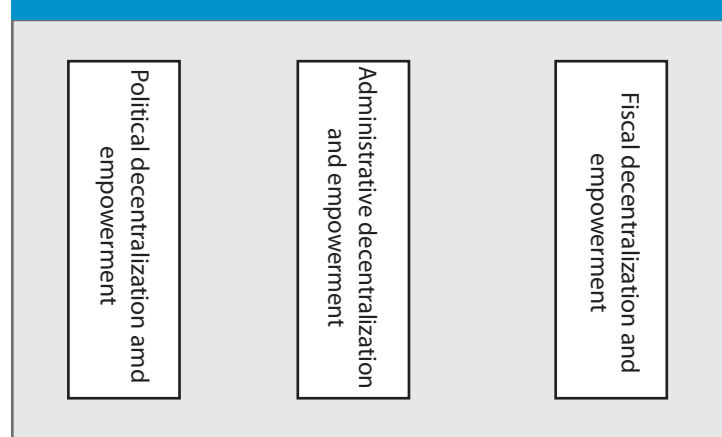
systems will have a critical impact on the inclusiveness of the public sector. After all, if local electoral systems are designed in such a way that local politicians are more responsive to national political elites than to the needs of the people, public sector participation and inclusiveness are not likely to lead to empowerment.

Within the context of the resulting three-by-three matrix, however, it is now possible to identify five critical sub-dimensions that together help to determine the performance of a local government system:

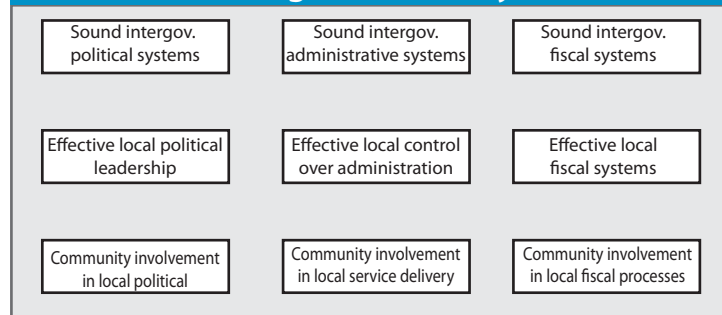
**Figure 1.1 Different levels of a local government system**



**Figure 1.2 Political, administrative and fiscal dimensions of a local government system**



**Figure 1.3 Institutional elements of an effective local government system**



**A. Effective subnational governance structure and assignment of functions to the local level** – Is the subnational architecture of the public sector appropriate, and are local governments assigned the effective responsibility and authority to manage local affairs? Does the nature of decentralized governance align with the governance principles that the nation has adopted?

**B. Dynamic and responsive local political systems and leadership** – Are local political and electoral systems effective and is the local political leadership given the necessary political space and incentives to identify and respond to the needs of its residents and the local business community?

**C. Local control over administration and service delivery** – Is the local political leadership given the necessary control over the administration of local public services in order to respond to the service delivery needs of its residents and the local business community? For instance, can local leaders hire, promote or fire local-level staff, and procure the inputs needed to perform their functions and deliver services?

**D. Local fiscal autonomy and local financial management** – Are local governments assigned the appropriate mix of own source revenues and intergovernmental fiscal transfers; do they have adequate autonomy over their own source revenue instruments; and do they effectively administer their local finances?

**E. Local participation and accountability mechanisms** – Are appropriate participation and accountability mechanisms in place in order to ensure that local leaders and local officials are responsive to the need of local residents and businesses?

The implicit hypothesis that forms the foundation for our analytical framework is that a more effective local government system is achieved when each of these five institutional dimensions are effective, well-structured, and fit together well (Figure 1.4).

However, if even only one of the five dimensions of the local government system is weak, the system as a whole will be weakened. For instance, even if all other dimensions of the local government system function well, if the local political and electoral systems fail to give local political leaders the necessary political space and incentives to identify and respond to the needs of its residents and the local business community, the local government system as a whole will not be able to effectively service as platform for either deepening local democracy or as a mechanism for the improved delivery of localized services.

Therefore, a comprehensive, comparative policy study on the a country's local government system will have to consider each of these five dimensions, measure the effectiveness of each dimension, and compare the effectiveness

of each dimension of the local government system with each other and with experiences from other countries.

Why use the Local Government Systems Assessment Framework? Using the standardized local government systems assessment tool developed by Boex et al (2014), we analyze the five institutional dimensions of the local government system as the analytical framework for the current study. While the assessment framework does not comprehensively cover all detailed elements of an effective local government system, reliance on this framework will allow us to broadly assess the strengths and weaknesses of the local government system in Bangladesh. In addition, the framework will allow us an entry point to engage in a comparative analysis of international experiences for each of the five main dimension of the local government system for five different country cases (Cambodia, India, Indonesia, Mozambique, and the Philippines). In the context of the

**Figure 1.4. Five key institutional dimensions of an effective local government system**





situation analysis in Bangladesh and the international practices highlighted, we will arrive at recommendations for strengthening the different dimensions of the (“de facto”) local government system in Bangladesh.

A broad analysis of the five main dimensions of the local government system may appear to be too expansive given that the main policy questions that this study seeks to address deal with the local government “architecture”, such as whether the number of local government levels and the size of jurisdictions at each level are appropriate. However, the questions about the most effective local government structure cannot be answered fully without taking into account the other aspects of the local government system. For instance, one cannot make a reasonable conclusion about the effectiveness of a local government jurisdiction’s size unless one is clear about the local government’s functional responsibilities, the degree of local political (decision-making) autonomy, the financing arrangements of local government bodies at each level, or the degree of participation and accountability. As such, reforms currently being discussed in each of these dimensions of the local government system may impact the “optimal” local government structure. Likewise, an assessment of how the local government system hangs together should be useful in informing the detailed reforms being discussed in each of the components of the local government system. The current study seeks to add value given that such a big picture overview is missing in the current dialogue on intergovernmental relations in Bangladesh.

The political economy of local government reforms. Political economy analysis is a popular trend within the international development community right now, including the political economy of decentralization and local government reform.<sup>2</sup> For the purpose of this study, however, a deliberate decision was made not to engage in a political economy analysis of local government reforms in Bangladesh.

Of course, policy economy forces play an important—in fact, critical—part in determining how a local government system is shaped, and how a local government system can be shaped going forward. As such, the political economy elements of local government reforms are not ignored in this study (e.g., see Box 2.3). However, good practice suggests that political economy analysis is best used in a problem-driven manner (Fritz, Kaiser and Levy, 2009). In order to be problem-driven, it is first necessary to establish whether the local government system in Bangladesh is in fact effective or ineffective at doing what it intends to do: engage citizens democratically and improve the delivery of local services. This is the focus of the current study. To the extent that political economy factors play a role in forming obstacles to an effective local government system, targeted political economy analysis of the local government system in Bangladesh may be required in the future.

## 1.4 The evolving context for the local government system in Bangladesh

The assessment of a local government system is not a static exercise: a local government system that may have been suitable for Bangladesh in 1971 may not be suitable for Bangladesh today. In fact, any assessment of the local government system should be forward looking, as the system should not only be able to accommodate today’s situation, but should be prepared to address emerging obstacles and opportunities over the next 10-20 years. The suitability of the local government system therefore is informed by its context, including the nature of the body politic, political economy forces, and the political and policy ambitions of the country’s leadership; demographic factors; innovations in communications and technology; the economic state of the country; and the spatial distribution of people and economic activity in the country. The factors provide the context for the assessment of the local government system in Bangladesh, and therefore, serve as a lens to inform the analysis in the current report.

**The body politic and political economy forces.** A first important contextual element for the assessment of the local government system in Bangladesh is the body politic, political economy forces and the state of governance. The relationship between governance and economic conditions in the country has been referred to as the “Bangladesh paradox”: strong growth despite relatively weak governance (World Bank, 2007). Despite considerable and ongoing difficulties in the political arena, over the past 10 years, the country has managed to make some progress on a number of governance indicators. However, global indicators suggest

<sup>2</sup> For instance, see Fritz, Kaiser and Levy (2009); Eaton, Kaiser and Smoke (2010), and GSDRC (2014).

that improving governance should remain a key priority for the full realization of its development aspirations (World Bank, 2014).

Although there appears to be a genuine interest by the national political leadership in strengthening decentralized local governance, there is also a strong pull by certain central-level stakeholders (central line ministries and parliamentarians, in particular) to retain a dominant role for central government politicians and institutions over the public sector.<sup>3</sup> As such, the local government system is caught in a tug of war between the desire to retain power and authority centrally on one hand, and the recognition that there is a need to localize the public sector (and if possible, to isolate the local-level services from central political tensions) in order to bring “quality services to the people’s doorsteps” in a stable and sustainable manner.<sup>4</sup>

**Demographic factors and the role of the youth.** A second contextual factor that should be taken into consideration is the demographic situation of Bangladesh. Approximately two-thirds of the population in Bangladesh is under 30 years of age, with 32 percent of the population under 15 years of age. This means that the future of the country is going to be increasingly shaped by the youth. Today’s youth are especially empowered by innovations in communications and technology, meaning that they have virtually unlimited access to information about the world around them, both within Bangladesh as well as around the world.

The age composition of the country will increasingly shape its social, economic and political future, and therefore, cannot be excluded when we consider the long-term needs of the local government system. Understanding young people and their ideas about politics and social justice should be a major concern for policy makers and development practitioners (Graner, Yasmin and Aziz, 2012). By their sheer numbers, the youth is a core constituency for policy makers and service providers. The provision of services, particularly to this group, is crucial in order to support them in setting up their lives, both professionally and personally. The importance of the providing access to education, the generation of livelihoods opportunities (particularly in the formal, urban sector), and the need for governance mechanisms for the youth to express their voice has been demonstrated vividly worldwide during the past few years following the “Arab Spring” and the ensuing social unrest and public sector reforms in Northern Africa and the Arab region since December 2010.

When assessing the performance of core public institutions, a recent survey of youth suggests that there is strong support among the youth for the military and local government institutions, whereas dissatisfaction is highest with the police and Members of Parliament (Graner, Yasmin and Aziz, 2012). In regard to corruption perception, again the police and the judiciary are perceived as the two most corrupt entities. When asked about their satisfaction with the performance of the current and previous governments, the two politically elected governments, both the current Awami League and the past BNP, were ranked lower than the last caretaker government. This information gives powerful signals about the direction in which the local government system in Bangladesh should evolve over time.

**Economic factors.** The local government system that is suitable for a predominantly agricultural, post-colonial society is not the same as the system that is suitable for a rapid industrializing and globalizing economy that is aspiring to be middle income country within a generation.

Long-run, persistent economic growth requires a stable economic environment, the protection of individual property rights, as well as stable and persistent provision of basic public services.<sup>5</sup> Businesses that operate in a global economy require a responsive public sector: their business decisions cannot respond to global market opportunities if they are dependent on opaque bottom-up, top-down centralized planning processes or on Five-Year Plans to ensure road access to a new business location. In contrast, a local government system that empowers local to respond to the needs of the local business community in a transparent and accountable fashion will ensure that business are able to take advantage of local, regional and global business opportunities.

In addition, according to Wagner’s Law, rising incomes increase the demand by households for local public goods (roads, law and order, education, and so on) alongside the increased demand for private goods. Likewise, as incomes increase beyond a certain tipping point and a middle class emerges, a demand for good

<sup>3</sup> The inclusion of the MPs role in the Upazila Act (further discussed in Chapter 3) and the generally control over service delivery that is retained by central line directorates (further discussed in Chapter 4) is evidence of these forces.

<sup>4</sup> The commitment to bring “quality services to the people’s doorsteps” is contained in the Sixth Five-Year Plan (Planning Commission, 2011: 218).

<sup>5</sup> According to North et al (2007), states known as ‘Limited Access Orders’ (LAOs) do not have a secure monopoly on violence, so that society in these countries



governance arises that typically requires the state to put in place responsive (local) government institutions (Collier, 2009).

**Urbanization and spatial distribution.** With the exception of a few city-states, Bangladesh is the most densely populated country in the world. Depending on how this spatial distribution is managed by the public sector, this situation offer both tremendous potential advantages (economic growth due to economies of agglomeration and scale; reduced service delivery costs and improves accountability, due to greater physical proximity), as well as tremendous potential disadvantages (high costs due to urban congestion, pollution and gridlock).

The urbanization pattern in Bangladesh has been defined by a major concentration of population in the Dhaka metropolitan area (as well as a handful of City Corporations), while at the same time the country has seen a steady rise in smaller urban agglomerations. The number of municipalities has increased from 129 municipalities in 1997 to 324 municipalities and 11 City Corporations today. If properly connected to their surrounding rural areas, these secondary cities have the potential to spur and sustain economic growth that benefits not only the urban area itself, but the surrounding rural areas as well.

However, the formation of municipalities in Bangladesh was not exclusively driven by rapidly growing urban areas with a prosperous economic base. In fact, despite their relatively high population density, the majority of municipalities in Bangladesh are relatively small in terms of population and economic base. In fact, many smaller municipalities are little more than upgraded Union Parishads with little to offer in terms of economic growth or in terms of economic (tax) base. Whereas Union Parishads receive extensive support from the central government for social programs for the poor, municipalities generally do not qualify for this kind of support. In contrast, municipalities are expected to be financially self-sufficient, which leaves little or no room for support to vulnerable groups in smaller, less well-off urban areas.

Finally, economic growth and changes in spatial distribution also tend to re-shape the political and social relationships in the country. Bangladesh in this regard is no exception. Whereas rural landlords predominantly resided in their rural communities in the past, the wealthy are increasingly urbanized, thereby breaking the traditional spatial and social connections between the local elites and the people.

Indeed, there seems to be ever-shrinking space for marginalized and socially excluded groups in Bangladesh, whether they are Dalits, ethnic minorities, victims of river erosion, or other vulnerable groups. Social inclusion and social resilience, by definition, are local matters. Unless this concern is addressed as part of the local government system (for instance, through increased decentralization), this pattern is likely to have a considerable negative impact on the social and political compacts that sustain social resilience and economic growth throughout the country.



## 1.5 A brief overview of the local government system in Bangladesh

While taking note of the evolving context of the local government system in Bangladesh, the basic evolution of the country's local government system has been well-documented elsewhere.<sup>6</sup> For the current introduction, by way of historical context, it suffices to say that the system of local government and local administration in Bangladesh is comprised of a patchwork of local administrative institutions and local government institutions that has been shaped and molded over the two centuries, retaining important elements and influences from the governance structure during the colonial period, the intermediate period resulting with the country's independence, as well as from the alternating eras of authoritarian and elected regimes.

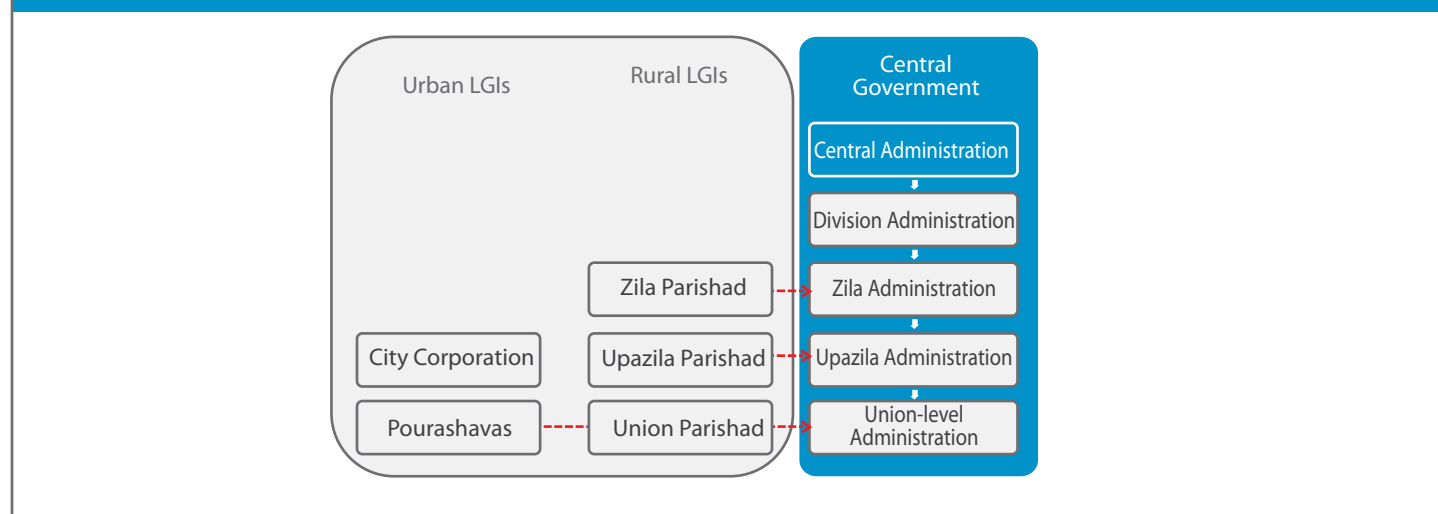
---

organize themselves to control violence among the elite factions. A common feature of LAOs is that political elites divide up control of the economy, each getting some share of the rents. In order to support long-term economic growth within the context of a competitive global market economy, however, the public sector has to transform itself from a Limited Access Order to an Open Access Order (OAO). An Open Access Order arises when the political and economic elites have a material interest in the rule of law and other Open Access Order institutions in order to expand the scope and profitability of their operations. To meet their needs, elites in OAOs had to develop domestic institutions to support these organizations, which later became accessible to wider circles of society.

Since the country's independence, the Constitution of the People's Republic of Bangladesh has formally defined the subnational governance and administrative structure of the public sector. In this regard, the Constitution (Section 11) states that "[t]he Republic shall be a democracy in which fundamental human rights and freedoms and respect for the dignity and worth of the human person shall be guaranteed, and in which effective participation by the people through their elected representatives in administration at all levels shall be ensured." Furthermore, "Local Government in every administrative unit of the Republic shall be entrusted to bodies, composed of persons elected in accordance with law" (Section 59, Clause 1). In addition, Section 59 further states that everybody referred to in Clause 1 "... shall, subject to this Constitution and any other law, perform within the appropriate administrative unit such functions as shall be prescribed by Act of Parliament, which may include functions relating to (a) Administration and the work of public officers; (b) the maintenance of public order; (c) the preparation and implementation of plans relating to public services and economic development".

The term 'administration at all levels' creates some confusion since there may be two categories of administration: functional administration and territorial administration (Bhuiyan, 2014). Moreover, the term 'Sthanio Shashon' used in the Bengali version of the Constitution is not synonymous with the term 'local government' used in the English version. The term in Bangla actually means 'local administration', which is in consonance with the term 'administration at all levels' of Article 11, but not in any way indicative of local self-government as has been envisioned in the English version of Article 59. Over time, five types of Local Governments Institutions have been codified by law, including Zila Parishads, Upazila Parishad, Union Parishads, Pourashavas (municipalities) and City Corporations.<sup>6</sup> These five types of LGIs function alongside four subnational levels of tiers of local administration of the central government, also referred to as the "field administration" (Figure 1.5). To a greater or lesser extent, each of the five types of LGIs serves as a hybrid institution that covers both roles implied in the Constitution: in part, they function like local self-government institutions (managing and implementing some of their own affairs within their jurisdiction), and in part, they function as elected bodies supervising the functioning of the central government's field administration within their jurisdiction. As is discussed further in Chapter 2, this is especially true for Upazila Parishads.

**Figure 1.5 An overview of local government and local administration of Bangladesh**



The term 'administration at all levels' creates some confusion since there may be two categories of administration: functional administration and territorial administration (Bhuiyan, 2014). Moreover, the term 'Sthanio Shashon' used in the Bengali version of the Constitution is not synonymous with the term 'local government' used in the English version. The term in Bangla actually means 'local administration', which is in consonance with the term 'administration at all levels' of Article 11, but not in any way indicative of local self-government as has been envisioned in the English version of Article 59. Over time, five types of Local Governments Institutions have been codified by law, including Zila Parishads, Upazila Parishad, Union Parishads, Pourashavas (municipalities) and City Corporations.<sup>7</sup>

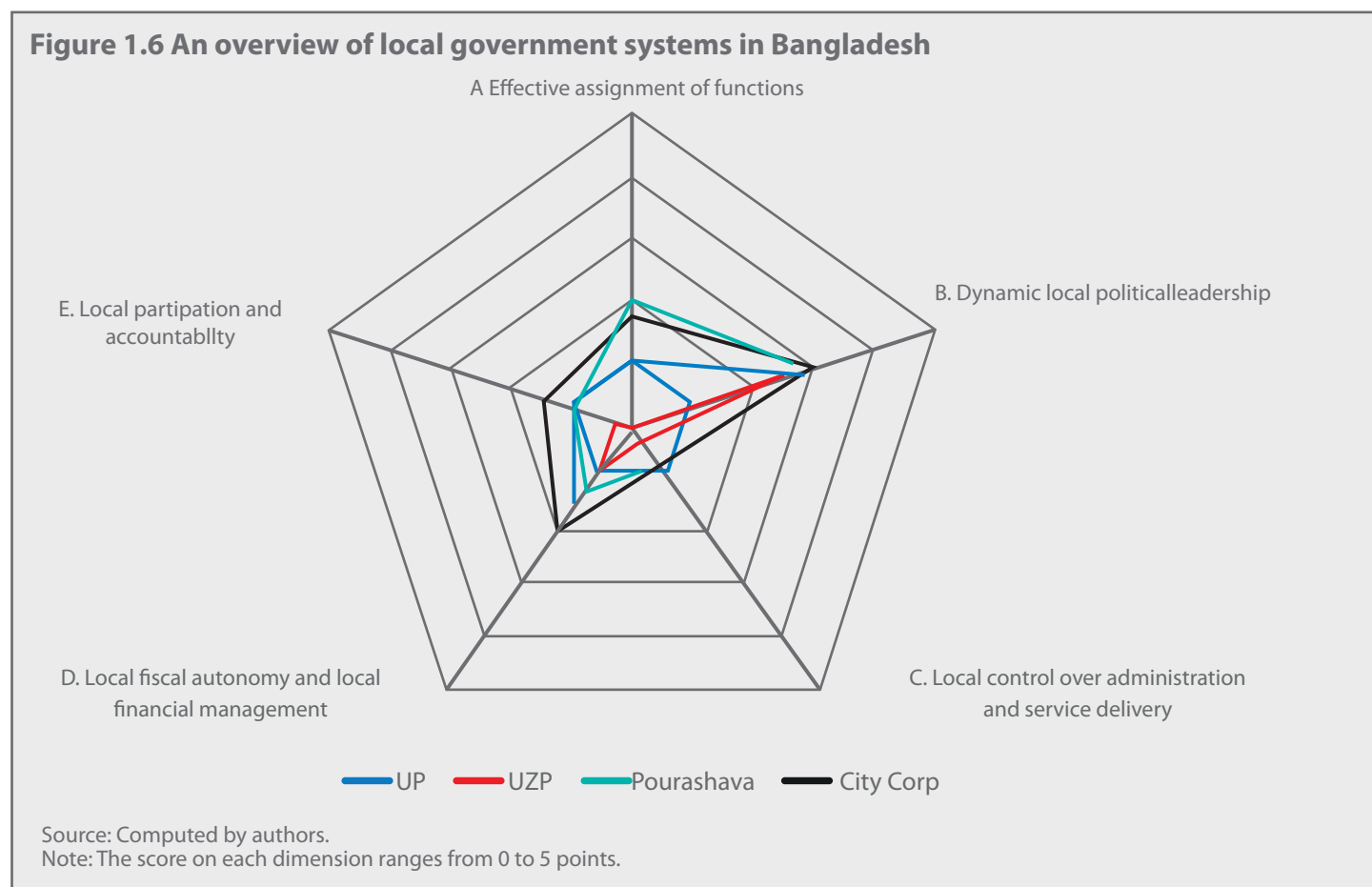
<sup>6</sup> E.g., see Siddiqui (2000); T. Ahmed (2012).

<sup>7</sup> Although we will touch upon the Zila-level administration and the Zila Parishad as appropriate (especially within the context of the discussion of local government structure), this report focuses predominantly on the LGIs below the Zila level.

These five types of LGIs function alongside four subnational levels of tiers of local administration of the central government, also referred to as the “field administration” (Figure 1.5). To a greater or lesser extent, each of the five types of LGIs serves as a hybrid institution that covers both roles implied in the Constitution: in part, they function like local self-government institutions (managing and implementing some of their own affairs within their jurisdiction), and in part, they function as elected bodies supervising the functioning of the central government’s field administration within their jurisdiction. As is discussed further in Chapter 2, this is especially true for Upazila Parishads.

In order to assess the local government system in Bangladesh and to ensure a systematic comparison of systems from the experiences in the five different countries, we applied the “Local Government System Assessment Indicator Set” to Bangladesh, as well as to each of the five country cases (Boex et al, 2014). The institutional Assessment Indicator set is designed to provide each institutional dimension with a score from 0 to 5, where 0 indicates a weak local government system (little or no authority, autonomy, discretion and accountability), while a score of 5 tends to indicate a highly responsive and effective local government system. Although the set of assessment indicators does not necessarily capture all possible features of an effective local government system, it provides a solid entry point for a nuanced, comparative discussion of each different dimension in each country.

Figure 1.6 provides a “big picture” overview of the local government system for Bangladesh based on the high-level indicator scores for the five dimensions of its Local Government System (Indicators A-E). The visual overview provided by the graph shows the general situation for Union Parishads, Upazila Parishads, Pourashavas and City Corporations. Detailed discussions of the strengths and weaknesses for each of the four types of local government institutions in Bangladesh are contained in the subsequent chapters of this report, with each chapter dealing with a different dimension of the local government system.



The “big picture” overview suggests that all types of local government institutions in Bangladesh have considerable shortcomings. Whereas a perfectly effective local government system would score five points in each dimension, the best-off local government types in Bangladesh (municipalities and City Corporations)) do not earn more than three points in any dimension, and in three of the five dimensions, it does not earn more than two points. This initial result is especially troubling if the overall effectiveness of the local government system is not determined by the average score, but rather, by the “weakest link” in the local government system.

Another initial finding revealed by Figure 1.6 is that rural local governments (Union Parishads and Upazila Parishads) score worse on most aspects of the assessment framework than urban local governments. There is also a tendency for LGIs to score somewhat better than average on local political space (Dimension B), while all LGIs score below-average on local administrative control (Dimension C).

Based on the assessment findings for each dimension, Table 1.1 (next page) presents a brief summary of the main shortcomings noted in the assessment of the LG System in Bangladesh. As noted above, however, the strengths and weaknesses of each of the four types of local government institutions in Bangladesh are discussed and explored in much greater detail in the subsequent chapters of this report, as well as in three background papers.<sup>8</sup>

Table 1.1 Overview of key shortcomings of the LG System in Bangladesh	
LGS Dimension	Key shortcomings noted in the assessment of the LG System
A. Effective assignment of functions	The legal assignment of functions and expenditure responsibilities to LG institutions is unclear due to the fragmented legal framework, is often inconsistent with the subsidiarity principle, and there is a considerable gap between the de jure and the de facto assignment.
B. Dynamic local political leadership	Local government institutions tend to have elected local leadership through competitive elections. However, the UZP in particular lacks council members that are directly exclusively for their role at the Upazila level. A general imbalance of power between the Chairman and the council is noted. The ability of the local political leadership to steer their local government jurisdiction is considerably limited due to limited local control over the local government's core administration team and other structural factors.
C. Local control over administration and service delivery	LG institutions are under-staffed and have little or no control over local-level staffing. In the absence of meaningful control over local human resources, it is almost impossible for local political leaders to influence the quality of local public services.
D. Local fiscal autonomy and local financial management	Local governments are given limited revenue discretion, and they do not effectively collect the revenues assigned to them. The intergovernmental transfer system generally provides inadequate and unpredictable funding, with little or no meaningful local government discretion over finances. Inadequate funding is a major de jure and de facto constraint on the ability of LGIs to effectively perform their functions.
E. Local participation and accountability	Limited opportunities for meaningful participation and accountability exist in the local government system. While many committees exist (especially in rural LGs) to encourage participation, many of these committees are "paper-based" and lack power over the entities they monitor.

## 1.5 A brief overview of the comparative country experiences

How does Bangladesh's local government system compare to other international practices and experiences? The comparative analysis of local government systems in this study builds a careful review of country studies and other secondary sources for the countries involved.<sup>9</sup> Five country cases were selected to present a diversity of decentralization/ localization experiences, ranging from Cambodia (a sectorally deconcentrated system); Mozambique (a territorially deconcentrated system); to Kerala, the Philippines and Indonesia as

<sup>8</sup> See "Reforming Rural Local Government in Bangladesh" by Nizamuddin Ahmed, "Reforming Pourashavas in Bangladesh" by Mobasser Monem and Pranab Panday, and "Reforming City Corporation in Bangladesh" by Pranab Panday.

<sup>9</sup> The comparative analysis builds on the brief country cases recently prepared as part of the recent study on functional assignments in Bangladesh (Boex, 2014).

examples of devolved local government systems. In addition, the selection of countries was careful to ensure a degree of similarities with Bangladesh in terms of the countries' level of development and other relevant similarities, where possible.

These countries should be seen to give a sample of international practices and experiences—some good, some not so good—with regard to decentralization and local governance. In any case, each of these countries has dealt with—or is dealing with—many of the same social, economic and political pressure that Bangladesh is dealing with in terms of formulating its local government system.

Collectively, these five countries provides a rich comparative basis for Bangladesh to place its own local government system within the international experience, and to inform the future evolution of the country's local government system by potentially emulating success reform experiences and avoiding other countries' pitfalls, as appropriately modified for the Bangladeshi context.

**Comparative assessment of local government systems.** A visual overview of the high-level indicator scores for each institutional dimension of the local government systems in the comparative cases is presented in Figure 1.7. A detailed overview of the local government system in each of these five countries is presented as a background paper, and the specific details of each dimension of the local government system for each of the five countries are discussed in subsequent chapters.<sup>10</sup>

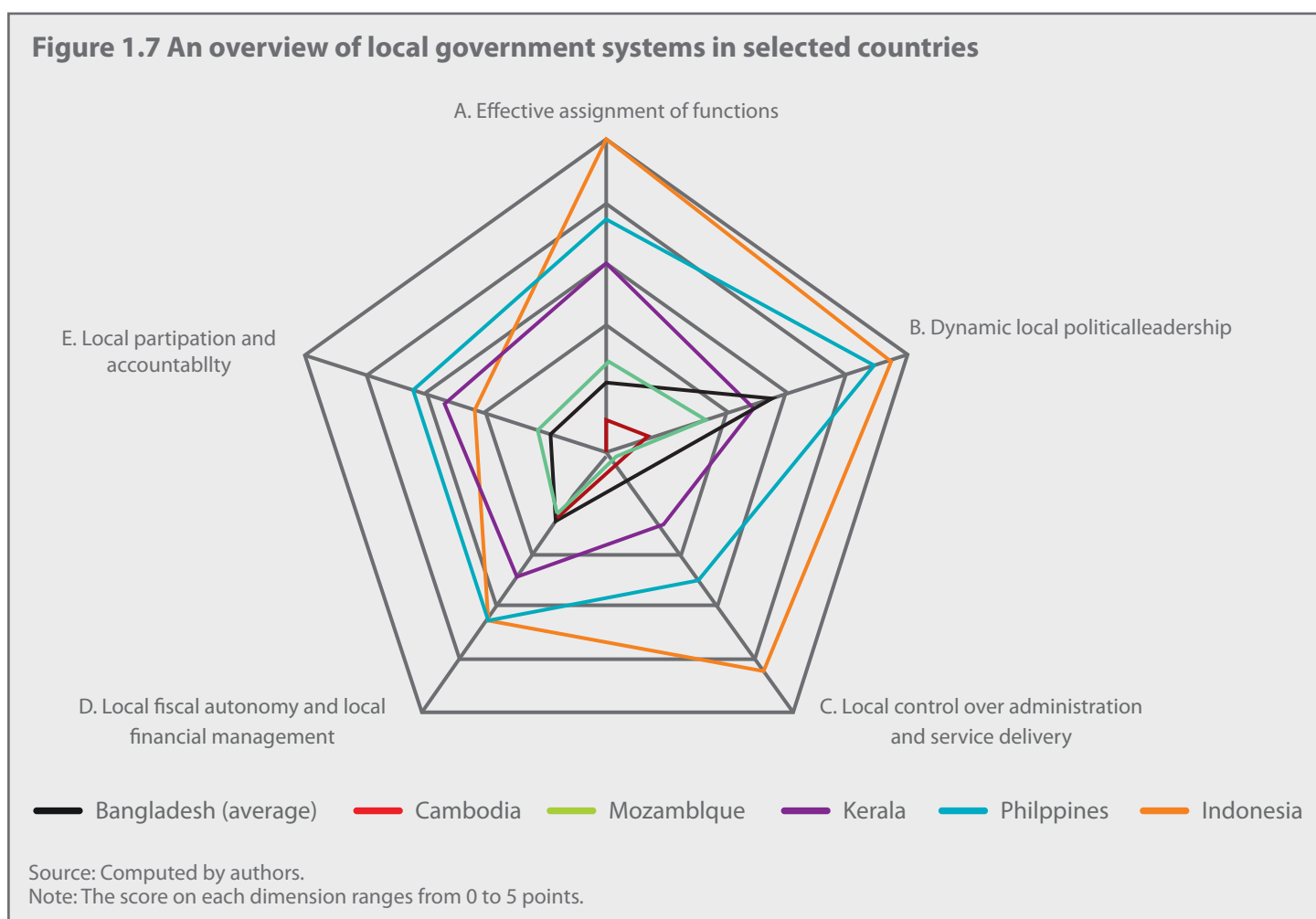


Figure 1.7 highlights a number of issues with respect to the local government systems in the selected comparative cases. First, the figure suggests that the comparative country cases show a considerable degree of variation between countries in terms of their experiences. Although a higher score on one dimension does not automatically mean that a country will perform better on another dimension, it tends to be that the different dimensions of local government systems tend to “move together”, so that the figure shows a set of roughly

<sup>10</sup> Background Paper: “A Comparative Overview of Local Government Systems in Selected Countries” by Jamie Boex. (The current report relies on a preliminary draft of this background paper. Some details of the country cases and assessments may be adjusted based on a review of relevant country experts).



expanding concentric circles. The local government systems closest to the origin are likely to be less effective, while those systems further out perform better. It should also be noted that the countries with more effective local government systems—as judged by the current assessment framework—tend to have higher income levels (per capita GDP) and generally tend to perform better with regard to their MDG indicators.<sup>11</sup>

Judging by the assessment scores alone, the local government system in Bangladesh seems to be somewhat more effective than the local government systems in Cambodia and Mozambique, which are two countries that have opted (in practice, at least) for deconcentrated subnational systems. At the same time, the local government systems in three of the five countries reviewed seems to perform considerably better than Bangladesh on the assessment (Kerala, Philippines and Mozambique). As such, the subsequent chapters in this study will try to identify lessons that Bangladesh can learn from these countries.

Second, there appear to be some consistent patterns among the different country cases. For instance, in most countries, the degree of local political empowerment seems to exceed the scores received on other dimensions (as was the case for LGIs in Bangladesh). In contrast, local administrative control as well as participation and accountability seem to be the weakest dimensions in most local government systems.

Before proceeding, it may be useful to present a brief overview of the basic elements of the local government systems in the comparative country cases. Details of each of the countries' experiences are presented as a background paper.

**Cambodia.** Cambodia's local governance structure provides an example of a sectorally deconcentrated system in South East Asia. Responsibilities for the delivery of recurrent public services are generally assigned to the provincial level. The responsibility for providing capital infrastructure is generally retained by the central line ministries. While the subnational governance system is legally complex and there are different types of local government entities in urban and rural areas, in practice, all local bodies are ultimately deconcentrated in nature. The only "real" local government level in Cambodia, the Commune level, is primarily responsible for community development and small infrastructure schemes, with little or no role in health or education service provision.

Of the five country cases being reviewed here, it is fair to say that Cambodia has the weakest local government system. The assignment of functional responsibilities is weak: in fact, public services are delivered by deconcentrated provincial line departments rather than by elected local governments. Politically, provinces lack their own leadership: provincial governors are centrally appointed while provincial councils (which have little or no real decision-making power) are indirectly elected and dominated by the ruling party. As deconcentrated entities, provincial departments have limited discretion over administrative issues and fiscal systems. In the absence of elected local government bodies beyond the Commune level, participation and accountability tend to be weak as well.

**Mozambique.** Mozambique is a good example of a highly transparent, territorially deconcentrated public sector. Its territorial-administrative structure has similarities to Bangladesh's subnational governance structure with deconcentrated provinces (similar to Zilas) and deconcentrated district administrations (akin to Upazila administrations). Urban public services in urban areas are delivered by elected municipal governments. However, Mozambique's budget structure is quite transparent, and allocates a relatively substantial share of sectoral resources (in health, education, as well as in other sectors) towards the provincial and district level. Provincial and district-level sectoral officials are involved in subnational budget planning and execution.

While Mozambique—like Cambodia—is a deconcentrated system, the country's local government system tends to score somewhat higher than Cambodia across the five dimensions of the local government system. This is in large part due to the fact that urban services are delivered by elected municipalities, thus providing a degree of responsive local governance.

---

<sup>11</sup> With the exception of Cambodia, per capita GDP levels closely correspond to the order of the diagram: Cambodia (per capita GDP: USD 1008 per person), Mozambique (USD 593), Bangladesh (USD 829), Kerala (1350), the Philippines (USD 2765) and Indonesia (USD 3475). See Boex and Edwards (2014) for a more in-depth discussion on the relationship between decentralized local government systems (localization) and development outcomes.

**Kerala (India).** For the purpose of this study, it would be impractical (if not impossible) to try to fully capture the decentralization experiences of all states in India. As such, for practical purposes, this comparative assessment will focus on a single state, namely Kerala.<sup>12</sup> Unlike the other country cases in this report, therefore, the unit of analysis is a state in India, rather than an independent nation-state. Its decentralization reforms were driven by a combination of endogenous political forces as well as by reforms to the Constitution of India. In particular, the 73rd Constitutional amendment passed in 1993 aimed to improve the limited democratic participation below the state level by granting local rural governments new powers and making them more accountable to citizens. Although state-to-local decentralization in India under the Panchayat Raj system is enshrined in the Constitution and promoted by the central (Union) government, the implementation was left up to the states and adoption across states in India show a high degree of variability. Kerala is often cited as one of the most progressive states (if not, the most progressive state) within India in terms of decentralization.

Kerala's territorial-administrative structure in the rural areas recognized three government levels: 14 rural district governments (zila panchayats); 152 intermediate rural government (or block panchayats), and 999 village governments or gram panchayats. Decentralization in Kerala has been most effective at the level of village panchayats. Each village panchayat covers an average population of around 25,000 (ranging roughly from 5,000-70,000 residents). The village government exercises some degree of control over government institutions within the village, including schools and primary health centers.

While Kerala's local government system combines a degree of local government control over development planning and expenditures, the recurrent delivery of public services such as basic education and local health services continues to be controlled by the central (state) government through its deconcentrated administration. This means that while the assignment of functional responsibilities is mixed, there is a fair degree of political decentralization. While local governments in Kerala have limited administrative control (especially over recurrent service delivery), the presence of real, elected local governments provides for a degree of fiscal discretion and accountability.

**The Philippines.** The Philippines is one of the earliest and best-known cases where decentralization was pursued in Asia as a successful democratization strategy following the overthrow of Ferdinand Marcos. In accordance with the provision stipulated in the 1987 Constitution, the Local Government Code (also known as the Local Autonomy Act) was enacted in 1991. This law radically transformed the nature of the power relationships between the central government and the thousands of local governments in the countryside by transferring the responsibility for the delivery of basic services to the local government units, including appropriate personnel, assets, equipment, programs, and projects. Local governments in the Philippines are divided into four levels: (1) autonomous regions; (2) provinces (and provincial-level cities); (3) component cities and municipalities; and (4) barangays. With the exception of autonomous regions, all subnational jurisdictions (i.e., provinces, cities, municipalities and barangays) are all referred to as Local Government Units (LGUs).

As a truly devolved country, the Philippines' local government system is quite robust and effective, outscoring the previous country cases on all main dimensions of the local government system. Like the local government systems, the Philippines scores high on the effectiveness of the local political system, whereas local control over administration and service delivery lags the other dimensions of the local government system. This is in part the case because, while the responsibility for most localized service delivery functions was devolved to the local level, the responsibility for providing basic education continues to be a central (deconcentrated) function in the Philippines.

**Indonesia.** Indonesia is among the most well-known examples of decentralization reforms in the world. After over half a century of highly centralized (and mostly, authoritarian) governance, Indonesia switched to a devolved system in 2001. Decentralization was introduced to prevent the disintegration of the state in the middle of a severe economic and governance crisis. The current structure of Indonesia's local government system is defined by the 'Big Bang' decentralization reform that was adopted in 1999 and introduced on January 1, 2001. Whereas up to this point all public services had been delivered in a centralized or deconcentrated manner, in 2001, almost all functions were devolved to elected district-level local governments, covering both kabupaten (regencies or districts) and kota (cities). These reforms fundamentally changed the source of accountability and responsibility for governance and service delivery across the country.

---

<sup>12</sup>Whenever appropriate, however, we will draw on experiences from other states in India as well, including most notably, West Bengal.



Since its big bang devolution reforms, Indonesia has developed an increasingly effective local government system. Local governments have considerable responsibility for the delivery of public services and the functions assigned to local governments are in line with the subsidiarity principle. Local governments have considerable political space, local elections are competitive and local politicians are increasingly responsive to their constituents' needs. Local governments have considerable control over local administrative systems, some degree of fiscal discretion, and have moderately effective systems for participation and accountability in place.

## 1.6 Structure of the study

The current study analyzes the local government system in Bangladesh, with an emphasis on the local government "structure" (the institutional and legal frameworks within which local governments operate). As the study assesses and analyzes different intergovernmental institutional mechanisms and options for Bangladesh, the study is structured in accordance with the five major institutional dimensions of a local government system. As such, Chapter 2 considers the intergovernmental structure of the local government system and functional assignments, which is a significant discussion in light of the study's focus on the local government architecture. Chapter 3 deals with the effectiveness of local political systems. Next, Chapter 4 deals with local administrative systems, while Chapter 5 considers intergovernmental and local fiscal systems and local public financial management. Chapter 6 addresses the role of participation and accountability mechanisms at different levels in the public sector.

### **Each of the main chapters of this study follows the same structure, containing:**

1. A brief conceptual overview of the institutional dimension (and its importance to an effective local government system)
2. A situation analysis for Bangladesh, discussing separately the issues and concerns with regard to each different type of local government (rural; municipal; and City Corporation).
3. An comparative analysis of international experiences
4. A discussion on tentative recommendations for Bangladesh, building on the situation analysis and implications from international experiences

A brief conceptual overview of the institutional dimension (and its importance to an effective local government system. As noted, the first section in Chapters 2-6 provides a brief conceptual overview of the institutional dimension dealt with in each respective chapter, and its importance to an effective local government system.

Situation analysis for Bangladesh. The starting point for the in-depth discussion of the situation analysis in Bangladesh will also be the scoring of local governments on the Local Government Systems Assessment Indicator Set. The assessment indicators will be considered for each of four levels or types of government: rural local governments (Union Parishads and Upazila Parishads), municipalities, and City Corporations. Again, the Assessment Indicator Set should not be seen to limit our discussions; rather, the assessment indicators provide a starting point for a more in-depth discussion and consideration of the key issues within each key dimension as relevant to the Bangladeshi context.<sup>13</sup>

Comparative analysis of international experiences. The second section in each chapter presents a comparative analysis of international experiences with regard to each respective institutional dimension of the local government system.

---

<sup>13</sup> Whenever relevant, the assessment will take into account the role of the Upazila Parishad as well as the Upazila Administration in the discussion of the rural local governance system.

While the assessment framework provides a (relatively) objective comparison of international experiences, the trade-off is that the framework does not provide a great deal of nuance. Therefore, in addition to the scoring of each performance dimension, the comparative analysis of international experiences will provide a descriptive narrative for each of the country cases that goes into greater depth in discussion the “how and why” for each institutional dimension. For instance, in order to draw lessons for Bangladesh, it will be important not only to understand that Indonesia has more effective functional assignments (as demonstrated by a higher score on the assessment indicators for this dimension of the local government system), but also to understand why Indonesia scores higher on this dimension. What are the historical or political economy factors that have shaped each country’s system? To the extent possible, this context will be provided as part of narrative description of each country’s experiences.

Tentative recommendations for the local government system in Bangladesh. Each of the main chapters concludes with preliminary recommendations for reforms to the local government system in Bangladesh, based on the strengths and weaknesses identified in the situation analysis, and based on the implications and lessons from international experience for Bangladesh.

While each chapter contains preliminary recommendations with regard to each dimension of the local government system in Bangladesh, each chapter’s recommendations can only be tentative because in order to make recommendations for the local government structure as a whole, one needs to be able to consider the constraints and opportunities across all five dimensions of the system. Therefore, building on comparative international practices and the careful analysis of the situation in Bangladesh in the preceding chapters, Chapter 7 pulls together the issues and lessons discussed in the previous chapters and arrives at options and recommendations for the reform of the local government structure in Bangladesh. These recommendations are evidence-based to the extent that they draw on institutional features and practices in other countries that have proved to be part of an effective local government system.



A decorative graphic at the top of the slide features a large, stylized white number '2' with a black outline. The '2' is positioned over a dark gray triangle. To the right of the '2' is a medium blue triangle. Below these, a horizontal blue bar spans the width of the slide, with a small gray square and a small blue square on its left side. A small blue triangle is also visible on the right side of the bar.

# 2

## Intergovernmental Structure and Functional Assignments

# Intergovernmental Structure and Functional Assignments

An effective intergovernmental structure and efficient functional assignments are important features of a well-functioning local government system.<sup>14</sup> In order for the local public sector to function well, the public sector needs to have one or more subnational government levels or subnational administrative tiers, so that people can be empowered over the public sector and public services can be delivered in an efficient manner that is as close to the people as possible. As such, this chapter considers the intergovernmental structure of the comparative country cases (as well as Bangladesh) and addresses whether local governments are assigned the de facto responsibility and authority to manage local affairs within their jurisdictions.

The discussion and assessment of a country's intergovernmental structure cannot be separated from the country's assignment of functional responsibilities, because the assessment of the optimal number of levels/tiers; the typical jurisdiction size at each level; and nature of each level or tier can only be judged in the context of the functions assigned to each level or tier.

This chapter is structured as follows. Section 2.1 provides a conceptual overview with regard to intergovernmental structure and functional assignment, highlighting why sound functional assignments are an important dimension of an effective local government system. Section 2.2 presents an analysis of the subnational government structure in Bangladesh, along with the assignment of functional responsibilities in Bangladesh. This section discusses each of the four types of local government institutions (Union Parishads, Upazila Parishads, Pourashavas and City Corporations) separately. Section 2.3 presents comparative international experiences for the selected country cases (Cambodia, Kerala, Indonesia, Mozambique, and the Philippines), covering each country's intergovernmental structure or architecture, as well as their functional assignments. Initial lessons and recommendations are drawn for improvements to the local government system in Bangladesh in Section 2.4.

## 2.1 Conceptual overview: intergovernmental structure and functional assignments

At the surface, it is not excessively difficult to compare the subnational government structure or the "territorial-administrative structure" of different countries. The legal framework in most countries defines an organogram that reveals the number of subnational government levels or tiers in each country, as well as the relative jurisdiction size at each level or tier. In fact, it is not unusual for subnational government bodies across different countries to use the same terminology (e.g., intermediate governments in many countries are known as provinces).

In reality, however, it is actually not easy to compare the subnational governance structure of different countries. The actual nature of the subnational bodies at different territorial-administrative levels in different countries can be completely different. For instance, a province in Cambodia is merely a subnational administrative body (which forms part of the national administration), whereas a province in Indonesia is a semi-autonomous subnational government (with its own legal status, its own elected leadership, its own budget, and so on). In addition, many countries rely on different governance structures for urban areas and rural areas. Furthermore, the assignment of functional responsibilities to different government levels is vastly different in different countries, which needs to be taken into account in judging each country's intergovernmental structure and its functional assignments. Indeed, there are often differences between the de jure or legal subnational government structure and the real or de facto nature of the subnational government structure.

<sup>14</sup> Unless otherwise indicated, the term "local government system" refers to the system of subnational local and regional governments. Unless otherwise noted, the term "local" is used interchangeable with "subnational".

**Different types of decentralization.** Different countries follow different approaches to decentralization and localization of public services. Professor Dennis Rondinelli (1986) considered three different types of decentralization, notable (i) devolution, (ii) deconcentration, and (iii) delegation. Rondinelli noted that these different forms of decentralization had different degrees power, authority and autonomy associated with them. An important distinction should be made in particular between devolution and deconcentration. In short, devolution is the transfer of power and authority for planning, management, resource-raising and allocation, and other functions from the central government to *semi-autonomous local (or regional) government units*. In contrast, deconcentration is the transfer of responsibility for public sector functions from the central government to *field units or lower administrative levels of the central government*.<sup>15</sup>

Not all approaches to decentralized local governance, however, are equal with regard to their potential impact on the empowerment of people over the public sector. As noted by UN HABITAT (2007), “[p]olitical decentralization to the local level is an essential component of democratization, good governance and citizen engagement; it should involve an appropriate combination of representative and participatory democracy”. Since devolved local government systems have a considerably greater potential degree of autonomy, accountability and responsiveness, this approach therefore offers the potential for a more effective local government system than deconcentration.

The comparative analysis of territorial-administrative structures should thus address not only the number of levels or tiers of local governance that each country has, but also, consider the nature or type of each level. In other words, are local governance entities in a country local governments, or do they take on the form of deconcentrated local administrative bodies?

Consistent with the definition of devolution noted above, local (subnational) governments can be defined as all government entities below the central government level which have four distinguishing characteristics: (i) the local entity must be a corporate body;<sup>16</sup> (ii) the local entity must have its own (often elected) political leadership; (iii) the local entity must perform public functions within its territorial jurisdictions; and (iv) the local entity must prepare, approve, and implement its own budget.

Care must be taken in applying these conditions judiciously. For instance, just because a local council is elected in a jurisdiction does not necessarily mean that this elected body forms the political leadership over the local government entity or jurisdiction. In many countries, local councils are elected merely with the task (whether de jure or de facto) to “advise” or to “monitor and oversee” the operation of the national government in a particular territorial jurisdiction. For instance, in Afghanistan, the role of the Provincial Council is limited to monitoring the functioning of the national government within each province. However, according to the relevant laws, Provincial Councils in Afghanistan do not hold any decision-making authority.<sup>17</sup> Unless decision-making authority is vested in an elected council (i.e., unless it has the authority to approve the local budget and pass legally binding decisions), it cannot be considered to be the local political leadership of the local entity or jurisdiction.

We also have to take into account the actual situation in a country, not just the legal (or “de jure”) situation. For instance, as discussed further below, Provinces and Districts in Cambodia are recognized as “legal entities of public law” that have—according to the law—most if not all of the features of true local governments. However, when the de facto situation is studied, provinces are actually deconcentrated administrative entities, that in practice have only some (but not all) of the required features of local governments. If we apply a de facto standard, therefore, we cannot conclude that its provinces and districts in Cambodia are actually local governments.

---

<sup>15</sup> See Boex (2014: Section 2.1) for a more thorough discussion about the differences between devolution and deconcentration, and about the definition of what constitutes a local government.

<sup>16</sup> A corporate body is a separate legal entity from its owners or shareholders. Corporate bodies are generally defined as (i) legal entities in their own right, which (ii) can own assets in their own name; (iii) can engage in financial transactions in their own name; (iv) can enter into contracts in their own name, and (v) can sue and be sued in their own name. If a local entity does not have these legal rights, then it should not be considered a local government.

<sup>17</sup> In fact, provinces in Afghanistan are not even statutory entities. The budgets of provincial line departments are contained within the budgets of the respective central line ministries. These budgets, in turn, are approved by parliament.



## Box 2.1 The subsidiarity principle

The subsidiarity principle balances the arguments and concerns made both by proponents of centralized service delivery as well as by the champions of decentralizations.<sup>18</sup> On one hand, the subsidiarity principle suggests we should not automatically assign functions to either the highest or the lowest level, but rather, suggests that we should identify the lowest level that is able to perform the function efficiently. Reliance on the smallest-possible jurisdiction that is able perform a task efficiently contributes to achieving overall efficiency in the delivery of public goods and services in a number of ways:

- The smaller the distance between decision-makers and the communities they serve, the better informed the policy makers will be about the preferences and needs of the people.
- The greater the number of (efficiently-sized) subnational jurisdictions, the greater the potential for 'allocative efficiency' due to a better match between the local mix of goods and services provided and the local variations in the preferences and needs for public services.
- Because of the closer proximity to their local government officials, local residents are better informed about the actions of their local governments and can use the quality of service delivery in neighboring jurisdictions as a performance benchmark. Given appropriate governance mechanisms, local government officials will be more accountable to local voters for the quality of services they provide compared to central government officials.
- Local government provision of public services at a lower government level will make taxpayers more willing to pay for public services, since the link between costs and benefits is strengthened. Efficiency in the provision of public services is enhanced if consumption benefits are linked to costs of provision via fees, service charges, or local taxes

**The subsidiarity principle.** An important concept that is required in order to assess the appropriateness of a country's territorial-administrative structure and functional assignment is the subsidiarity principle. The subsidiarity principle states that *public goods and services should be provided by the lowest level of government that can do so efficiently*. Adherence to the subsidiarity principle is a widely accepted benchmark of good local government systems in the literature on decentralization and localization (Box 2.1).

The United Nations, through UN HABITAT, adopted a series of international guidelines on decentralization and strengthening of local authorities in 2007. These guidelines recognize that the subsidiarity principle constitutes the rationale underlying decentralized governance and reaffirms that public responsibilities should be exercised by those elected authorities closest to the citizens, which are capable of performing these responsibilities efficiently (Box 2.2). Similarly, the European Charter of Local Self-Government (Council of Europe, 1985) mandates that European Union member states to adhere to the subsidiarity principle in their intergovernmental structure and functional assignments.<sup>19</sup>

<sup>18</sup> See Boex (2014) for a more detailed discussion of the subsidiarity principle ("Section 2.2: The concept of subsidiarity: balancing proximity to the people and scale economies").

<sup>19</sup> Article 4(3) of the Charter reads: "Public responsibilities shall generally be exercised, in preference, by those authorities which are closest to the citizen. Allocation of responsibility to another authority should weigh up the extent and nature of the task and requirements of efficiency and economy."

## Box 2.2 International Guidelines on Decentralization and Strengthening of Local Authorities

In 2007, UN Habitat adopted guidelines on decentralization and strengthening of local authorities. These guidelines address four dimensions of effective decentralization by devolution: governance and democracy, powers and responsibilities, administrative, financial resources and capacities of local authorities.

- Political decentralization to the local level is an essential component of democratization, good governance and citizen engagement; it should involve an appropriate combination of representative and participatory democracy (art. 1)
- Local authorities should be acknowledged in national legislation, and, if possible, in the constitution, as legally autonomous sub-national entities...(art. 28)
- The principle of subsidiarity constitutes the rationale underlying to the process of decentralization. According to that principle, public responsibilities should be exercised by those elected authorities, which are closest to the citizens (art. 15)
- Local authorities should freely exercise their powers, including those bestowed upon them by national or regional authorities, within the limits defined by legislation. These powers should be full and exclusive, and should not be undermined, limited or impeded by another authority except as provided by law (art. 33)
- Local authorities should be allowed to determine as far as possible their own internal administrative structures... and should have full responsibility for their own personnel (art. 43 & 44)
- Effective decentralization and local autonomy require appropriate financial autonomy. Local authorities' financial resources should be commensurate with their tasks and responsibilities and ensure financial sustainability and self-reliance. (art. 48 & 49)

Source: UN Habitat (2007).

While each country is free to choose whether or not to adhere to the subsidiarity principle, this principle provides a reasonable standard against which to judge the functional assignment of local government systems. Therefore, in line with the subsidiarity principle as well as the international guidelines on decentralization and strengthening of local authorities, a comparative assessment of intergovernmental structure and functional assignments should explore three key issues:

- *First, what is the nature of subnational entities?* In order for a local government system to be effective and responsive, local governments ought to be legally autonomous sub-national entities with their own political leadership. According to UN HABITAT (2007): "Political decentralization to the local level is an essential component of democratization, good governance and citizen engagement; it should involve an appropriate combination of representative and participatory democracy" (Article 1). As such, we should carefully distinguish between subnational bodies that are "real" local governments versus subnational entities that are not devolved local government bodies.
- *Second, what is the typical jurisdiction size of local governments at different subnational government levels in a country?* The population size of a subnational jurisdiction is critical in determining adherence to the subsidiarity principle (and therefore, to achieving a sound functional assignment). After all, if a functional responsibility is assigned to a subnational government level with jurisdictions that are too small, inefficiencies will occur due to scale economies and inadequate administrative capacity at the local level. In contrast, if functional responsibilities are assigned to a subnational government level with jurisdictions that are too large, allocative inefficiencies will occur (the limited number of large subnational jurisdictions will not be able to satisfy the diverse preferences of local residents) and local accountability will be reduced (likely resulting local spending that is not responsive to the wishes of the local community).
- *Third, both in law and in practice, how are functional responsibilities assigned across different government levels and tiers, and is the resulting assignment of functions and service delivery responsibilities consistent with the subsidiarity principle?* This assessment requires us to consider a detailed assignment of functional responsibilities.<sup>20</sup>

<sup>20</sup> See Boex (2014) and Osman et al (2014).

## 2.2 The situation in Bangladesh: intergovernmental structure and functional assignment

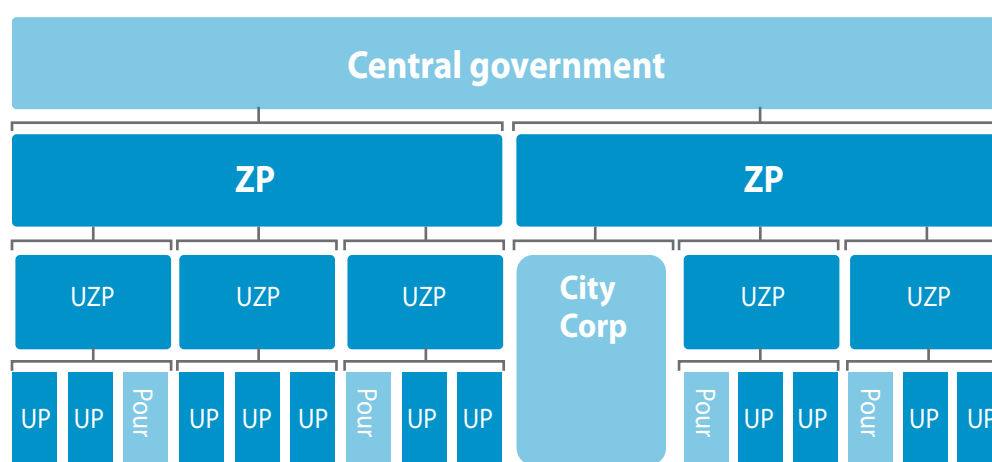
Before presenting details of the institutional structure and functional assignment of each of the four main types of LGIs in Bangladesh (in subsections 2.2.2 through 2.2.5), we begin by providing an overview of the key features of the country's local government structure (subsection 2.2.1).

### 2.2.1 Overview of intergovernmental structure and functional assignments

In Chapter 1, Figure 1.6 presented a general overview of the basic local government structure in Bangladesh, reflecting three levels of rural local governments (Zila Parishad, Upazila Parishad and Union Parishad), two types of urban local governments (municipalities and City Corporations) as well as four levels of deconcentrated administration (Division administration; Zila administration; Upazila administration; and Union-level administration). Although the figure indicates that there are deconcentrated facilities and staff at the Union Parishad level, in practice, essentially all local government facilities, deconcentrated staff and service delivery activities at the Union level are actually part and parcel of the Upazila-level administration.

Figure 2.1 provides a visual representation of the territorial local government structure in Bangladesh, focusing exclusively on the consultative bodies at the Zila level and at the local government institutions at the Upazila level and below. It should be noted that Bangladesh has an asymmetric local government arrangement in the Chittagong Hill Tract area, which gives somewhat greater autonomy to the area. These asymmetric arrangements are beyond the scope of the current study.

**Figure 2.1: Local government structure in Bangladesh**



This figure suggests that calling Zila Parishads and Upazila Parishads “rural LGIs” is actually a bit of a misnomer, as these councils geographically cover both urban as well rural areas within their jurisdictional territory. Similarly, the term “urban LGIs” is somewhat of a misnomer in functional terms, as urban local governments not only provide urban services (such as water supply, waste management, sanitation, and so on), but are also responsible for providing certain social welfare functions within their jurisdictions.

The fact that there are five different types of local government institutions—along with the fact that LGIs in Bangladesh operate in parallel to deconcentrated administrative bodies—results in a high degree of fragmentation of the local government structure, resulting in a patchwork of local bodies at different tiers and of different types. No one single law defines the nature of the different local institutions or their functions. Instead, each of the LGIs is guided by a separate legal instrument, while much of the operational responsibilities of the field administration (the deconcentrated administrative entities at each level) are guided by sectoral regulations.

Table 2.1 provides the de facto institutional status of Local Government Institutions and Local Administrations at each level. Based on the defining characteristics of local governments noted above, we can conclude that Union Parishads (UP), Pourashavas and City Corporations are proper local governments. In contrast, the Zila Administration and the Upazila Administration should not be considered local governments. Similarly, it is difficult to argue that in its current (non-elected) form, the Zila Parishad is a real local government body, as it lacks its own political leadership. The subsequent subsections dealing with the institutional structure and functional responsibilities of the different LGIs (subsections 2.2.2-2.2.5) will provide further details about the institutional characteristics of different types of LGIs.

However, the table suggests that the exact institutional nature of the Upazila Parishad (UZP) is hard to determine as it currently serves as hybrid institution that plays two different roles implied in the Constitution. First, the UZP acts as an elected body supervising the functioning of the central government’s field administration within its jurisdiction, and second, the UZP functions like local self-government institutions.

**Table 2.1 Territorial-administrative structure: Bangladesh**

**Key institutional features of subnational institutions each territorial-administrative level/tier**

	Corporate Body	Own political leadership	Performs local public function	Prepares, approves, implements own budget	Proper Local Govt?
Zila Administration	No	No	Yes	No	No
Zila Parishad (ZP)	Yes	No	Yes	No	No
Upazila Administration	No	No	Yes	No	No
Upazila Parishad (UZP)	Yes	Limited	Limited	Limited	Limited
Union Parishad (UP)	Yes	Yes	Yes	Yes	Yes
Pourashava	Yes	Yes	Yes	Yes	Yes
City Corporation	Yes	Yes	Yes / Limited	Yes / Limited	Yes

Next, Table 2.2 presents the average jurisdiction population size and number of jurisdictions at each government level/tier. This information is relevant ahead of a detailed consideration of the functional assignment, as the subsidiarity rule states that public functions should be performed at the lowest level that can do so efficiently. As a rule of thumb, in low-income countries, a local jurisdiction may need 100,000-200,000 residents in order to exhaust the scale economies in the provision of key public services such as education or health (Boex, 2014: 42). Similarly, it is often possible to assign the responsibility for small community devel

opment activities and minor infrastructure schemes (small local roads, culverts, and so on) to local jurisdictions that are smaller, (say, in the range of 15,000 - 20,000 residents) without an efficiency loss due to scale economies. Inversely, however, the voice of constituents declines more than proportionately as jurisdiction size increases, and therefore, little bottom-up accountability will be possible at the Zila level or even within City Corporations.

**Table 2.2 Territorial-administrative structure: Bangladesh (Census 2011)**  
Average jurisdiction population size and number of jurisdictions at each government level/tier

	Number of jurisdictions	Average population
<b>Central</b>	1	144,470,000
<b>Zila</b>	64	2,261,720
<b>City Corporations</b>	6	1,911,667
<b>Upazila</b>	497	268,168
<b>Pourashavas</b>	306	54,923
<b>Union</b>	4545	25,627

Table 2.2 suggests that jurisdictions at different levels of the local government system have considerable different jurisdiction sizes (both in terms of population and territorial size) and therefore are likely to have considerably different degrees of administrative capacity. One would expect that different local government institutions therefore specialize in different government functions, and to some degree this is the case. Indeed, the Pourashava Act (2009) clearly assigns basic municipal functions to Pourashavas, and the Union Parishad Act (2009) emphasizes on rural community development functions.

There is a process in place so that as area urbanizes and develops economically, a local government jurisdiction “graduates” from a Union Parishad to a Pourashava, and ultimately, to a City Corporation. According to Section 3 of the Pourashava Act, Government can express the intention to declare any rural area to become an urban area by analyzing issues like as population, population density, local income sources, the percentage of non-agricultural professions, and the economic importance of the area. In principle, in an urban local government jurisdiction, (a) three-fourths of the people should be involved with non-agricultural profession; 33 percent land should be non-agriculture type; (c) the population density should exceed 1500 per square kilometer; and the population should not be less than 50,000 residents. Furthermore, Government can classify the municipalities according to specific method and standards (Section 10).

There are two problems with the current process of “graduation” from a Union Parishad to an urban local government body. First, the process is inconsistently applied, thereby resulting in numerous pourashavas that do not have a sufficient demographic and economic base to sustain themselves as an urban local government. Second, the urban classification system is based on an outdated notion of urban development, whereby there is a dichotomous contrast between rural and urban areas: on one hand, rural areas are uniformly seen as low-density, agricultural, poor, lacking (human, economic and infrastructure) development, and incapable of being self-sustaining (in terms of administrative, finances, and services), whereas on the other hand, urban areas are seen as high-density, with a non-agricultural economic base (industry and/or services), wealthy, economically developed, and invariably capable of being self-sustaining. This dichotomy is no longer an accurate reflection of reality, and as a result the current local government system is incapable of addressing

situations such as high-density urban areas that lack a sufficient economic base to be fiscally self-sustaining; peri-urban jurisdictions that are lower-density but economically intertwined with a nearby urban center; or rural areas where agriculture dominates but where residents are beneficiaries of considerable remittances. The divergence in spatial patterns, combined with the fact that traditional rural elites are no longer physically tied to their land (as noted in Chapter 1), is requiring a reconsideration of the structure of the current local government system away from one that essentially considers urban and rural areas as dichotomous or linear.

At the same time, there is considerable lack of clarity and duplication in the assignment of functional responsibilities, where different local government levels are assigned (seemingly) duplicative responsibility over concurrent functions (e.g., in health and education). Similarly, there is considerable overlap in the functional assignments of LGIs and deconcentrated field administrations. These issues were recently explored in greater detail by Osman et al (2014).

### **Box 2.3 The assignment of local government responsibilities in Bangladesh: a mix of functional and territorial responsibilities**

The assignment of responsibilities to local governments can be done following functional or sectoral responsibilities or based on the concept of territorial responsibilities. Although a functional assignment of responsibilities is preferable, Bangladesh relies on a mix of these two approaches for assigning responsibilities to LGIs.

In the case of functional or sectoral assignment of responsibilities, the relevant law assigns powers and responsibilities to a local government level by enumerating a specific list of functions, tasks, or activities for which the local governments will be responsible. Most countries around the world rely on this approach. In contrast, assigning responsibilities based on the concept of territorial responsibility suggests that a local government in principle is responsible for the delivery of all public services within its territorial jurisdiction.

According to this approach, as long as a public sector facility or activity falls fully within the territorial jurisdiction of a single local government jurisdiction, then the function or service should be done at the lowest level. For instance, if a health facility only serves people within a single Union, then the responsibility for operating and maintaining that health facility should be the responsibility of the Union Parishad. In case public activities or infrastructure cut across more than one local jurisdiction, then the responsibility for this function should be assigned to the next-higher level until the “spillover” is captured. For instance, a road that cuts across multiple Unions or a hospital that service residents from multiple Unions should become the responsibility of the next-higher government level. It is in this spirit that localized service delivery functions are being assigned or “transferred” to the Union level.

While the territorial approach to assigning local government responsibilities sounds credible and plausible (with each level or tier contributing to public service delivery based on its territorial mandate), the colonial application of this approach actually find its roots in the feudal practices of pre-modern nation-states. In reality the approach is inconsistent with the subsidiarity principle which states that public functions should be performed at the lowest level that can do so efficiently. For instance, whereas a Union Health Sub-Center may only serve residents in a single Union (and thus, should territorially be assigned as a UP responsibility), it would be inefficient (due to scale economies and capacity constraints at the UP level) for the Union Parishad to be truly responsible for the management and operation of the facility, which would entail constructing the facility, employing the health workers, and procuring the needed medicines and health supplies. Recognizing this reality, in practice, the responsibility for operating these lower-level facilities is in fact assigned to the field administration of the central government, which is too far removed from the local level to be responsive and accountable. Because the local government legislation in Bangladesh clings to the territorial assignment concept, the UPs (and even the UZPs) are assigned the residual responsibility for these facilities, which in practice means that local governments are required to have Standing Committees to “plan”, “supervise”, “monitor” or “support” these local facilities, without any meaningful authority or control over their operation. In reality, these standing committees often only exist on paper (Osman et al, 2014).

Because the lack of clarity in functional assignments is a fundamental weakness for any local government system (as it undermines the proper functioning of local governments across the board), we want to clearly illustrate this problem. Building on Osman et al (2014: 137-139), let us consider which local government institution(s) have responsibility for the provision of local health services:



- **Union Parishad.** According to the Union Parishad Act (2009: Section 47), the main functions of the Union Parishad include “the delivery of public welfare services” and the “preparation and implementation of local economic and social development plan.” This is further clarified by the Second Schedule of the act, which assigns UPs with the responsibility over 39 function and activities, including the *“Implementation of programs related to health and family planning”*.
- **Municipalities.** According to the Pourashava Act (2009: Second Schedule), the first function listed is Public Health: “1. Responsibility for Health Systems. *A municipality shall be responsible for the health of the municipality and for this purpose; it may cause such measures to be taken as are required by or under this Ordinance.*”
- **Upazila Parishad.** According to the Upazila Parishad Act (2009: Second Schedule), the functions of the Upazila Parishad include *“Ensuring the provision of public health, nutrition and family planning services”*.
- **Zila Parishad.** Under the Zila Parishad Act (2000), the list of optional Zila functions contains numerous health-related functions, including “providing grants to the institutions facilitating medical care”, “supervising the health workers” and *“Establishment, maintenance and supervision of the health centres, maternal and child health centres”*.

Furthermore, key field administration staff under the Ministry of Health have executive responsibility in the delivery of health services:

- **District Civil Surgeon.** The District Civil Surgeon is responsible for “Coordinating all health and family planning activities in the district” and “Ensuring proper functioning of all health institutions in the district...” and “To ensure procurement of supplies, maintenance of district reserve store and distribution of supplies to all peripheral health units”.
- **Upazila Health and Family Planning Officer (UHFPO).** The responsibilities of the Upazila Health and Family Planning Officer (UHFPO) include “Supervising health and family planning activities at the upazila level and below”, “Sanctioning authority for expenditure of funds for both health and family planning divisions and ensuring proper utilization of these funds”, “Responsible for the management, administration and maintenance of Upazila health complex” and “Responsible for the implementation of family planning programs in the upazila”.<sup>21</sup>

Although the various legal documents may (or may not) delimit the detailed functional responsibilities of different LGIs in the provision of health services and/or clarify under what circumstances different local government institutions are actually responsible for the management of health facilities, it is clear that under the current legal arrangements, even a well-informed citizen will never be able to hold any particular local government entity accountable for its failure to deliver effective public health services. The same is true for other local public services as well. Similarly, given the fragmentation and duplication of responsibilities, it is essentially impossible for actors at any one level to achieve meaningful improvements in service delivery outcomes on his (or her) own. Because improved service delivery outcomes often require coordination between three or more different administrative levels, this limits the incentives felt at any one level to bring “quality services to the people’s doorsteps”. Furthermore, the vertical fragmentation results in a situation where no elected local leader at any level will be able to realistically claim credit for meaningfully improving health services in his or her jurisdiction. This means that the lack of clarity in functional assignments and the resulting fragmentation of the de facto responsibility (a) presents a major vertical coordination challenge to improving local services, (b) prevents meaningful accountability of local officials at all levels, and (c) prevents meaningful incentives for local leaders to improve local services.

<sup>21</sup> To be fair, the UHFPO is tasked to work under the guidance of Upazila Parishad as coordinated by the UNO. In reality, however, the “guidance of Upazila Parishad as coordinated by the UNO” is limited at best.

In line with the methodology described in Chapter 1 (Section 1.3), this report will not only present a narrative discussion of the local government system in Bangladesh, but will also present a comparative analysis of perspectives and practices based on an objective Local Government Systems Assessment Framework. For each type of local government institution in Bangladesh, this assessment framework will score each of the five main dimensions of the local government system on a five-point scale, where 0 indicates a weak local government system (little or no authority, autonomy, discretion and accountability), while a score of 5 tends to indicate a highly responsive and effective local government system. Details about every performance indicator and its scoring are provided in Appendix B.

In line with this Local Government System Assessment Framework, Table 2.3 provides an overview of functional assignment for key services in Bangladesh. Five questions are asked about the nature of each country's functional assignments, and for each question, a country can earn a full point.<sup>22</sup> In some cases, the scoring guidelines permit the assignment of half points.<sup>23</sup> Earning more points suggests that the local government system has a clearer and more stable assignment of functional responsibilities in a way that is more closely in line with the subsidiarity principle. A higher score generally reflects that responsibilities for the provision of key public services are legally and factually assigned to a local government level. Although the performance indicators are a set of relative simple (perhaps, excessively simple) questions, they provide an objective metric for assessing the degree to which the provision of localized public services is assigned to the lowest level of government that can do so efficiently.

The weaknesses in the assignment of functional responsibilities (some of which have already been pointed out above) result in limited scores for LGIs on each of the different assessment indicators. For instance, on Question A4 ("Does the de facto assignment of functional authority match de jure responsibility?") we find that none of the four types of LGIs in Bangladesh scores any points—in accordance with the scoring guidelines (Appendix 2) due to the lack of clarity and inconsistencies in the legal framework, as well as due to consistent gaps between the legal assignment of responsibilities and the actual assignment of functions. In contrast, UPs and municipalities received one point on Question A5, since the UP (which provides rural infrastructure schemes) and the service delivery departments within pourashavas (which deliver a range of urban services, such as solid waste management) are under the control of the local government council.

Total scores for LGIs in Bangladesh on this institutional dimensions fall in the range from 0-2 points (on a five point scale). Details of the strengths and weaknesses in the assignment of functional responsibilities for each of the different type of local government institutions in Bangladesh are discussed in the subsections below.

**Table 2.3. Functional assignments for key services: Bangladesh**

	Assessment Indicator	BGD - UP	BGD - UPZ	BGD - muni.	BGD - CC
A	<b>Effective assignment of functions to the local level</b>				
A1	According to the legal framework, is the LG responsible for providing the service?	0	0	0.5	0.5
A2	In practice, is the LG responsible for the recurrent provision of the service?	0	0	0.5	0.5
A3	In practice, is the LG responsible for planning and procuring the capital infrastructure required for providing the service?	0	0	0	0.25
A4	Does the de facto assignment of functional authority match de jure responsibility?	0	0	0	0
A5	What is the organizational status of the local service delivery unit (SDU)?	1	0	1	0.5
	<b>Total</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>1.75</b>

<sup>22</sup> Details about every performance indicator and its scoring are provided in Appendix B.

<sup>23</sup> Since the assessment framework was designed to evaluate a single local service, minor adjustments to the interpretation of the scoring scale had to be made in order to apply to local public services, including health, education, and other typical urban or local services (such as solid waste management, street lighting, and so on).

It should be noted that a score of zero does not necessarily mean that the statement is completely false or that “nothing is going on” at a local government level. For instance, in response to Assessment Indicator A.3 (“is the LG responsible for planning and procuring the capital infrastructure required for providing local services?”), it could be noted that a number of municipalities have constructed roads and even schools or municipal health clinics. However, as indicated in the scoring guidance, the de facto situation (about the degree of functional responsibility of LGIs) is revealed by the extent to which central agencies (directly or indirectly) provide or control the capital infrastructure for the relevant (urban) services. Although evidence about the funding of urban public services and infrastructure in urban areas in Bangladesh is incomplete, there are consistent indications that majority of local public services and infrastructure (whether in education and health services, or in urban infrastructure) is not actually provided by pourashavas, but rather, directly by central line ministries, LGED, other central government actors or international donor partners.

The remainder of this section reviews the intergovernmental structure and functional responsibilities of Union Parishads, Upazila Parishads, pourashavas, and City Corporations, respectively. It should be noted that these discussions do not deal with the internal organizational structure of these local government institutions, but rather, with the positioning of LGIs in the broader intergovernmental structure. Instead, Chapter 3 deals with the internal political-organizational structure of LGIs, whereas the role of standing committees and other internal participatory structures is dealt with in Chapters 4 and 6, respectively.

## 2.2.2 Intergovernmental structure and functional responsibilities of Union Parishads

**Population / jurisdiction size (scale).** There are around 4,500 Union Parishads (UPs) in Bangladesh.<sup>24</sup> UPs are relatively uniform in terms of jurisdictional population. Almost half of all UPs have a population between 20,000 and 30,000 residents, with an average population of around 25,000 residents. Close to 94% of all UPs have a population within the range of 10,000-40,000 residents. Only 6% of UPs have populations either smaller or larger than this range, resulting in a relatively high degree of uniformity in the size and scale of Unions.

The number and scale of Union Parishads is suggestive about their potential functions. There are too many UPs and their scale is too small to play a leading role in the delivery of key public services, such as primary education, health services, agricultural extension, and so on. There are so many UPs that it not easy for the central level to deal with them directly; instead it has to rely on Zila- and Upazila-level officials to oversee the activities of the UP level.

It is not impossible to deliver these services at the UP level; however, the number of staff that would be required for each UP to manage these functions at the local level would be inefficient. In contrast, the UP is sufficiently small to act as a platform for community engagement in public decision-making and public services.

**Legal function assignment.** The UP Act of 2009 (Section 47) prescribes four main categories of functions or activities to be undertaken by the UP: administration and establishment, maintenance of public order, services related to public welfare activities, and preparation and implementation of plans that relate to local economic and social welfare activities.

In addition to these broad areas of functional responsibility, a long list of specific activities (39) has been prescribed for the UP in Second Schedule of the UP Act. Among the UP functions listed are general functions, such as the “Preparation of five years and various time limited development plan” and the “Development, protection and maintenance of rural infrastructure.” In addition the list includes typical “local” functions”, such as the “maintenance of public places, open spaces, gardens and play grounds”, “Lightening the Union Parishad roads and public places” and “Tree plantation and caretaking.”

Some of these functions relate to social services (or services with a major social impact) such as education, health, sanitation, and drinking water, including the promoting of education and primary and mass education; “implementation of activities relating to health and family planning” and “undertake necessary measures for development of agriculture, fishery and livestock and other economic development”. While these functions

<sup>24</sup> The exact number of UPs changes slightly from year to year as UPs are absorbed or converted into municipalities.

found greater prominence in UP legislation enacted during the pre-partition days, these are not seen as primary activities of the UP now, as various central government ministries have specific responsibilities for providing such services.

Although the primary function of UP falls in the realm of community infrastructure and development—typically focusing on livelihoods-related activities and minor infrastructure schemes—the 2009 UP Act (Section 63 and Third Schedule) provides some scope for the UP to have greater involvement in the implementation of services that concern the public on a day-to-day basis, including education, health, agriculture, and so on. The UP Act of 2009 empowers the central government to “deploy” (or “transfer”) the services of officials and employees of several ministries working at the Union level.<sup>25</sup> Officials who can be deputed to the UP include: sub-assistant engineer, LGED, tubewell mechanics of the Department of PHE, sub-assistant agricultural extension officer of the Ministry of Agriculture, health inspectors and assistant health inspectors (as well as the manpower of Health Department) under the Ministry of Health, assistant education officers (as well as the manpower of Primary Education Department) under the Ministry of Primary and Mass Education, veterinary field assistants under the Ministry of Fisheries and Livestock, union social welfare workers under the Ministry of Social Welfare and union leader under the Ministry of Home Affairs.

The idea of this provision is that the UP can contribute to the improvement of the delivery of services by monitoring the activities of these officials and making them accountable for their performing. As noted by Boex (2014), monitoring, supervision and community engagement can be considered as one of the five elements of functional responsibility for service provision. However, the UP Act falls well short of actually transferring or seconding these government staff to the UP, as it only has the ability to recommend disciplinary action to the employer of these officers and employee. For all intents and purposes, the staff that are “deployed” to the UP simply remain central government officials as part of each line ministry’s field administration.<sup>26</sup>

**Actual functional responsibilities.** In reality, there is a mismatch between the legal framework (or perhaps: the common interpretation of the legal framework) and the actual situation on the ground. Construction and maintenance of rural infrastructures such as roads, bridges and culverts is de facto the most important role of UPs, and most of the UPs perform remarkably well with respect to the implementation of schemes (especially those funded by LGSP). The involvement of UPs in the delivery of social services, if any, is extremely limited. For instance, UP support to public health services is so limited that building a footpath to a community clinic is considered by some UPs as a public health expenditure.

Nevertheless, the role played by the UP in the government structure and in terms of delivering services to the community should not be underestimated. People turn to the UP as an entry point into the public sector and request a variety of services that are not otherwise available. These include settlement of petty disputes [related to land and family], issuance of certificates and licenses, conducting relief work, clearance of (agricultural) loans and referral work in connection with treatment at the upazila health complex (Siddiqui, 2005: 162-63).

The community expectations for UP service delivery are captured by Aminuzzaman (2010). Survey analysis reveals that the most expected services the rural people want from the UP include income generating interventions; pro-poor support, continued supply of agricultural inputs and supplies; education and community health care services, micro credits, and so on. Aminuzzaman (2010: 9) finds that “none of the desired services are either directly or indirectly provided by the UP.”

**Clarity of assignment and consistency with subsidiarity principle.** There is a considerable gap between the de jure assignment of functions and the de facto assignment of functions at the UP level. As far as its executive functions and responsibilities, UPs in practice focuses on providing small-scale community and livelihoods-related infrastructure (“schemes”) and on basic community services. This role is in line with the subsidiarity principle, given the UPs administrative capacity and scale.

<sup>25</sup> It is interesting to note that the Act speaks of the power of the central government to deploy, but does not use the word ‘power’ when it refers to the Union Parishad in this regard.

<sup>26</sup> The Act clarifies that they remain central government employees, their salaries continue to be paid by the central government, and that—in addition to any duties assigned by the UP—these deployed staff are also required to perform central government which are not transferred to the Union Parishad.



The UP Act is contradictory in the role that it expects UPs to play. For instance, with regard to health, the Second Schedule indicates that “Implementation of activities relating to health and family planning” is a UP function. In the Third Schedule, the Act suggests that the Government has the power to deploy health officers and employees to the UP level, thus implying that the responsibility for delivering health services actually lies with the Ministry of Health. As noted earlier in this section, the responsibility for delivering health service is also assigned to the Zila level and the Upazila level.

Unlike earlier versions of the legislative framework, the Act does not make any distinction between optional or mandatory functions, nor does the law make a distinction between executive responsibilities of the UP and supervisory responsibilities of the UP.

### 2.2.3 Intergovernmental structure and functional responsibilities of Upazila Parishads

The Upazila Parishad (UZP) stands mid-way in the local government hierarchy. It maintains a link between the central government and its representatives at the Zila level from above, and the rural society which finds its entry point into the local public sector at the UP level. The Upazila level takes on special significance because it is the lowest level of the central government’s deconcentrated administration.

**Population / jurisdiction size (scale).** There are around 500 Upazila Parishads (UZPs) in Bangladesh.<sup>27</sup> UZPs are somewhat less uniform in terms of jurisdictional population when compared to UPs. About one-third of all UZPs have a population between 200,000 and 300,000 residents, with an average population of around 270,000 residents. Another 30% of Upazilas have a population from 100-200,000 residents, while 20% of Upazilas have from 300-400,000 residents. Close to 94% of all UPs have a population within the range of 10,000-40,000 residents. Another 20% of UZPs fall outside of this range (i.e., smaller than 100,000 residents, or more than 400,000 residents).

The number and scale of Upazila Parishads is suggestive about their potential functions. The size of Upazila-level jurisdictions suggests that it is in principle large enough to meet the minimum efficient scale requirements for playing a substantive role in the delivery of most public services, including both the recurrent delivery of social services as well as many key economic and infrastructure-related services. In other words, Upazila-level jurisdictions are large enough for the Upazila level to be the territorial-administrative level (either as a local government level or as a local administration tier) to actually deliver key public services efficiently, such as health services, basic education and other functions.<sup>28</sup> In this case, the responsibility for service delivery would include employing (hiring, firing and managing) the officers and staff responsible for delivering local services; the responsibility for the operation and maintenance of service delivery facilities, as well as the planning, procurement and management of related facilities and infrastructure. There may be some specific functions or tasks (e.g., the operation of regional hospitals or the procurement of specialized medical equipment) where the Upazila may be too small to efficiently carry out a service-delivery-related responsibility.

**Legal function assignment.** For a long period of time, the UZP (previously known as the Thana Parishad) did not have any executive responsibility; its main task was to coordinate the activities of various departments working at that level. Unlike the UP, the UZP’s status as an elected local body has swung back and forth over the past half century. The most significant change in this regard was the adoption of the Upazila Parishad Act of 2009. Although coordination still is seen as one of its main functions, in the 2009 Act, the Upazila Parishad was given better scope to play an executive role in providing different local services, including the following 18 specific functions:

1. Preparation of development plans, including Five-Years Plans, to be implemented in different periods of time.
2. Implementation of the programs of different Government agencies that may be transferred by the Government to the Parishad, and supervision and coordination of the activities of any such agencies.

<sup>27</sup> The exact number of UZPs changes slightly from year to year as some UZPs are absorbed or converted into City Corporations.

<sup>28</sup> Naturally, Upazila-level jurisdictions would only perform these functions efficiently if the other aspects of the local government system—political systems, administrative control, fiscal discretion as well as participation and accountability mechanisms—work in an effective manner as well.

3. Construction, repair and maintenance of inter-union link-roads.
4. Adaptation and implementation of small scale irrigation projects, in accordance with the directions of the Government, for the purpose of the best utilization of the surface water.
5. Ensuring the services of public health, nutrition and family planning.
6. Development of sanitation and sewerage system and adaptation of proper measures for supplying drinking water.
7. (a) Providing motivation and aid for the extension of education at Upazila level, (b) Providing supervision and aid to the concerned institutions for the purpose of further development of the secondary and madrasah education systems.
8. Adopting programs for establishment and extension of small and cottage industries.
9. Providing support and coordination to the cooperative societies and non-Government voluntary organizations.
10. Implementing and aiding the programs of women, children, social welfare, youth, sports and cultural activities.
11. Adopting and implementing programs for the development of agriculture, livestock, fisheries and forest resources.
12. Review of the activities of the police department along with the development of law and order situation in the Upazila and sending reports regularly to the higher authorities.
13. Adopting and implementing own programs for generating self-employment and for reduction of poverty, and providing necessary assistances to the Government in the implementation of the Government programs in this relation.
14. Coordination and assessment of the development programmes undertaken by the union Parishads and providing them with necessary cooperation.
15. Organizing public opinion, and taking other preventive measures, to resist the crimes of repressions against women and children etc.
16. Organizing public opinion, and taking other preventive measures, to resist the crimes of hooliganism, theft, robbery, smuggling, abuse of drugs etc.
17. Adopting social forestry and other programs with the aim of preservation and development of environment.
18. Performing such other functions as the Government may assign from time to time.

The Act implies that these Upazila Parishads functions are executive in nature, as Section 23 states that Upazila Parishads "shall execute these functions in accordance with the capacities of their funds." On one hand, this suggests that these functions are executive (not just supervisory) responsibilities of the UZP. At the same time, this clause delimits the functional responsibility of the Upazila Parishad by the resources available to it (rather than making sure that "finance follows function, as argued in Chapter 5).

The way in which some functions are worded should be noted. For instance, in the case of public health services, agricultural extension, irrigation, and others, the schedule uses executive words such as "implement", "ensuring the [provision] of services" or "construction, repair and maintain". In contrast, in the case of education, the Act seems to purposefully use less specific verbs to describe the role of the UZP: "Providing motivation and aid" for the extension of education at Upazila level. This may indicate that while the drafters of the law had the intention of actually devolving most services to the UZP, it refrained from doing so for the provision of public education. As will be discussed below, this matches the situation in the Philippines (and more recently, in the devolution reforms in Kenya).



Similar to the structure of the UP Act, the Upazila Parishad Act also indicates—in addition to the functions directly assigned to the Parishad in the Second Schedule of the Act—, a number of (central government) institutions and services are designated as “transferable” by the Government to an Upazila Parishad. In accordance with Section 24 (and the Third Schedule) of the Upazila Parishad Act, ten ministries/departments have thus been “transferred” to the UZP. These transferable departments include essentially all the same staff that had been transferred to the Union Parishad already under the UP Act (2009). In a de jure manner, the Upazila heads of these departments now work under the general guidance and supervision of the UZP. The UZP can monitor their performance through reviewing their activities both in its monthly meetings and in standing committees.

**Actual functional responsibilities.** Osman et al (2014) present a detailed review of how local health and education services are actually (de facto) delivered in Bangladesh. While this review is limited to two sectors, the review gives considerable insight into the limited impact that passage of the Upazila Parishad Act has had on the devolution of public services.

The degree of actual (de facto) devolution of responsibilities that has taken place to the Upazila Parishad diverges considerably from the responsibilities assigned to the UZP by law. While this may not be a major concern given the current political-administrative status of Upazila Parishads (which are currently little more than an Upazila Chairman supported by two Vice-Chairs), to the degree that this dissonance between the law and the actual practice is not acknowledged or understood, this can become a major obstacle in further decentralization.

Many of the public services which have traditionally fallen within the remit of sectoral line ministries have generally not been transferred to the Upazila Parishad. This is largely (legally) justified based on the fact that Upazila Parishads have inadequate funds to deliver these functions, and therefore, that these functions de facto (and, in fact, de jure) remain the responsibility of the respective central line ministries.

As is noted below (and discussed further in Chapter 5), other countries have resolved this by providing local governments with sizeable intergovernmental fiscal transfers. In contrast, the own revenue sources assigned to the Upazila Parishads and the grants provided to the UZP (including the ADP Block Grant) are crumbs compared to the resources that would be needed to actually deliver the UZP functions included in the Act.

**Clarity of assignment and consistency with subsidiarity principle.** Similar to the problems encountered in the UP Act, the Upazila Parishad Act is internally unclear: functions assigned in the Second Schedule (as per Section 23) are again taken away in Section 23 to the extent that Upazila Parishads do not have the resources to perform these functions. Next, Section 24 transfers “the management and control” of a list of similar “offices and functions” to the Upazila Parishad, without specifying how this management and control is exercised. In practice, this translates into the Parishad exercising a degree of oversight over the activities of different offices and departments “transferred” to it, without any meaningful control.

If there was any doubt about the extent of cosmetic nature of the functional empowerment of the Upazila Parishad, the UZP Act (Section 24(a)) simply states that “Notwithstanding anything in this Act or in any other law ... the Government may direct that ... any institution or service managed by an Upazila Parishad shall be transferred to the management and control of the Government”.

## 2.2.4 Institutional structure and functional responsibilities of municipalities

Urban local governments in Bangladesh—namely, City Corporations and Pourashavas (municipalities) have a larger scope of functional responsibilities than their rural counterparts. With limited support from the central government, they are to assume such important functions as city planning, local infrastructure development, and the delivery of public services essential for local communities, including water supply and solid waste management.

One of the fundamental conceptual differences between urban local governments and rural local governments in Bangladesh is that whereas rural local governments are seen as poor and need of support from a developmental state, urban local governments are generally expected to be autonomous and fiscally self-sustaining.<sup>29</sup> However, this system is not suitable for modern-day Bangladesh, in large part, because the own revenue sources assigned to municipalities are greatly limited.<sup>30</sup> Most Pourashavas are unable to perform their wide range of functions mainly due to the lack of financial and human resources and the inadequate capacities of elected representatives and officials as well as municipal machinery (Bhattacharya et al 2013). Pourashavas lack the capacity to deliver public services based on a mid to long-term strategy or development plan. In many Pourashavas, municipal management is not efficient and service delivery is often in a state of disarray. The urban service delivery performance of Pourashavas is poor in general, and it is dismal in small Pourashavas (Ahmed 2014).

<sup>29</sup> This dichotomous view of urban versus rural local governments traces its origins back through the colonial period to the feudal systems of Europe, where “independent

**Population / jurisdiction size (scale).** Urban growth in Bangladesh was primarily driven by rapid population growth and rural displacement by social and agricultural transformation, mainly resulting in rapid urbanization in the main metropolitan areas of Dhaka, Chittagong, Khulna and Rajshahi until the early 1990. Since the early 1990s, the pattern of urban population growth in Bangladesh shifted somewhat to include growth in secondary urban centers as well as population growth in rural local governments (Union Parishads) which reached the definitional threshold of an urban local government. As a result, from 1991 through today, the number of municipalities has nearly tripled from 110 to 324. The ongoing rapid urban growth in the existing and new municipalities overwhelmed the limited fiscal and managerial capacity of the local government institutions, resulting in increasing congestion and in the rapid deterioration of living conditions and the environment for many urban residents (Boex 2012).

Unlike rural local governments, pourashavas reflect a considerable range in terms of population size. Although the (unweighted) average population size of a municipality is close to 55,000 residents, the vast majority of municipalities in Bangladesh have a population count smaller than the average. While the largest group of municipalities (40%) falls in the range from 25,000-50,000 residents, close to one-third (32.6%) of municipalities in Bangladesh actually have a population size below 25,000. At the other end of the spectrum, 10% of municipalities have a population in excess of 100,000 residents.

The size of a pourashava's population is likely to have a substantial impact on the ability of pourashavas to deliver urban (public) services efficiently. This is especially true when the lack of scale economies in smaller pourashavas is combined with fact that smaller pourashavas tend to have a small economic base (and hence, a smaller tax base). This means that whereas larger (and presumably wealthier) municipalities should be able to efficiently deliver a range of urban (and potentially, non-urban) services, it is unlikely that many smaller (say, Class B and C municipalities) would be in a similar position.

**Legal function assignment.** Pourashavas are legally empowered to perform a variety of social, economic and civic functions. These functions and activities are described in Local Government (Pourashava) Act 2009, Sections 50, 51 and Second Schedule. Although the distinction is not clearly made, the Act provides for 'mandatory' 'optional', or 'assigned' municipal functions (Table 2.4).

**Actual functional responsibilities.** Most Pourashavas fail to deliver on their assigned functions due to acute financial stress, manpower shortages and other structural weaknesses that persist (Bhattacharya 2013). Given the limited own revenue base and the (very) limited financial support that the central government provides municipalities, financial resources are simply inadequate for most municipalities to perform even their so-called mandatory functions.

In particular, municipalities appear to face difficulties providing public services that require substantial investments, such as municipal piped water or major road infrastructure. In many cases, central government ministries or agencies (such as LGED) step in to provide the functions which are assigned to the municipal government, but which cannot be funded from municipal revenues. Ironically, the central government is willing to give funds from the national treasury to LGED to perform local functions, but is unwilling to give the same resources to local governments to perform local functions.<sup>32</sup>

Similar to the situation for Upazila Parishads, the Pourashava act seems to limit the functional responsibilities of municipalities in certain areas. For instance, in the case of water supply, the Act states that each municipality "shall, within the limits of the funds at its disposal, provide" safe drinking water sufficient for public and private purposes.

---

cities" or "chartered cities" were granted a city charter and/or considerable degree of autonomy by the emperor or monarch. For instance, King Malcolm III of Scotland granted the Scottish town of Tain a royal charter in 1066, confirming Tain as a sanctuary where people could claim the protection of the church, in which resident merchants and traders were exempt from certain royal taxes. Similarly, William the Conqueror granted the City of London a royal charter in 1075, giving the city self-governing status in return for remaining outside the feudal system. King Henry I and King Henry II greatly expanded the number of towns under royal charter in England, thereafter known as "boroughs". This system was similar to the system of "free cities" that emerged around the same time in Continental Europe and is seen as the beginning of the modern system of local government in Europe. For instance, the Dutch city of Deventer received its City Rights in 956 AD. The practice of City Rights, Town Privileges or Royal City Charters in Europe evolved from the Roman municipium, which was a social contract between municipes, the "duty holders," or citizens of the town. The imperial duties, or munera, were a communal obligation assumed by the municipes in exchange for the privileges and protections of citizenship in the Roman Empire (Abbott and Johnson, 1926).

<sup>30</sup> Under the system of chartered cities, the city would typically pay annual rent to the Crown, but in return, its citizens would be exempt from royal (national) taxation.

<sup>31</sup> In case of mandatory functions, the Act states that "A municipality shall provide..." whereas in the case of optional and/or assigned functions, the Act states that "A municipality may, and if so required by the Government shall, provide..."

<sup>32</sup> Advocates of centralized provision (and thus, opponents of providing grants to municipalities) would argue that municipalities lack the capacity and accountability to spend central government resources efficiently and in an accountable manner. However, it cannot be ignored that the central government has been willing to invest in developing the capacity of central government agencies to deliver local service, whereas it has been unwilling to invest in local government capacity. Similarly, it is the central government that has defined the political rules of the game for municipalities as well as the local accountability mechanisms that municipalities follow (or fail to follow, as the case may be).

**Table 2.4 Functional assignments for Pourashavas (Pourashava Act, 2009)**

Mandatory functions	Optional or Assigned functions
<ul style="list-style-type: none"> <li>• Preparation of urban master plan and Control over the construction and reconstruction of buildings.</li> <li>• Assessment of holding tax and collection.</li> <li>• Infrastructure development like construction and maintenance of roads, bridges and culverts;</li> <li>• Removal, collection and disposal of waste;</li> <li>• Provision and maintenance of street lighting;</li> <li>• Provision and regulation of water supply;</li> <li>• Establishment and maintenance of public markets;</li> <li>• Plantation of trees on road sides;</li> <li>• Regulation of sanitary buildings and prevention of infectious diseases and epidemics;</li> <li>• Registration of birth and death, issuing citizen certificates and succession certificates;</li> <li>• Provision and maintenance of slaughter houses;</li> <li>• Provision and maintenance of drainage;</li> <li>• Provision and maintenance of graveyards and cremation places;</li> <li>• Issuing license for non-motorized vehicles.</li> <li>• Issuing trade license.</li> <li>• Disaster management and relief distribution.</li> </ul>	<ul style="list-style-type: none"> <li>• Checking adulteration of food products;</li> <li>• Provision and maintenance of parks and gardens;</li> <li>• Establishment of welfare homes, orphanages,</li> <li>• prevention of begging and organization of voluntary social welfare services;</li> <li>• Establishment of public dispensaries, provision of public urinals and latrines;</li> <li>• Establishment of public libraries and reading rooms;</li> <li>• Promotion of community development schemes;</li> <li>• Preservation of water bodies.</li> <li>• Slum improvement.</li> <li>• Lease out of bus terminal, truck terminal, kitchen market, ferry-ghats and water bodies.</li> </ul>

**Clarity of assignment and consistency with subsidiarity principle.** There are several layers of confusion and duplication in the assignment of responsibilities to municipalities. As already noted, the mixing of compulsory, optional and assigned responsibilities means that the Pourashava Act does not provide a single clear list of functions that a municipality must carry out. Furthermore, there seem to be conflicts within the law whether certain functions are mandatory or optional (e.g., promotion of sports). Nor does the law state what will happen if a municipality is unable to (or fails to) provide a service (for instance, due to a lack of funds), beyond the fact that “Government shall provide the necessary orders” in such a case (Section 50(4)).

In addition, there are several responsibilities and activities of Pourashavas which are simultaneously assigned to other types of LGIs. This causes a particular problem when different types of LGIs share the same geographical area with almost similar mandates and responsibilities, such as Upazila Parishads and Pourashavas. Functional assignments—or in another words, ‘which tier will do what’—is not clearly defined for many provisions of the legal framework. This situation therefore creates confusion and leads to a situation where each unit of the local government institution can come up with their own interpretation of the legal provisions.

For example, all UZPs are required to formulate a five year plan and then need to divide such plans into annual development plans. The same provision is applicable to all other LGIs including Union Parishads, Pourashava, and city corporations too. Similarly, both the Pourashavas and UZPs have the mandate to maintain and improve the public health and education. Therefore, there are confusion and ambiguity in terms of jurisdiction, power and roles and responsibilities of different LGIs.

Whereas an argument could be made that—due to their urban status—pourashavas should be in charge of urban services within their jurisdiction, the rationale for assigning (de jure and/or de facto) responsibility for social sector services responsibilities to municipalities is much weaker. In fact, application of the subsidiarity principle would suggest that in most cases, municipalities are not able to efficiently or effectively provide public health service, education service, or social safety net services to vulnerable populations, poverty reduction or slum development. Based on basic principles of public finance, these functions should either be provided by a higher-level jurisdiction, or at a minimum, should be funded by a higher level authority. In this

regard, the central government has imposed an unfunded mandate on municipalities, which municipal leaders are unable (and perhaps, political unwilling) to address. The misalignment of functional responsibilities is thus resulting in a failure of public sector systems that is forcing donor partners and other champions to step in with second-best projectized support.

## 2.2.5 Intergovernmental structure and functional responsibilities of City Corporations

City Corporations form a class of local government institutions that is separate from municipalities (Pourashavas). As large, economically well-positioned local government authorities, one would expect that they are granted the most significant functional responsibilities. In practice, however, this is not the case.

**Population / jurisdiction size (scale).** The number of City Corporations has increased considerably in recent years. The 2011 Census contained population data for six City Corporation, ranging from Barisal City Corporation (population: 328,000) to Dhaka City Corporation (population: 6,970,000). As discussed below, the creation of new City Corporations has increased their number to 11. The newer City Corporations tend to be on the smaller end of the population scale. This means that most new City Corporations are not unlike large Upazila Parishads, although they are obviously more urban in nature and more densely populated than their rural counterparts.

Mirroring the undemocratic regimes at the national level from 1975 to 1990, City Corporations during this period were not local self-governments with their own democratically elected leadership. The democratic process of electing Mayors and Ward Commissioners through direct elections came into practice only in 1994, in Dhaka, when Mr. Md. Hanif was elected the Mayor through the Local Government Act 1993. A similar development took place in the other City Corporations and Pourashavas. Further progress in the democratization process was achieved in 1999 when direct election of Women Commissioners for reserved seats was introduced. In 2008, all Pourashava Chairman came to be known as the Mayors like City Corporation Mayors and Ward Commissioners as Councilors.

In the recent past, a number of Pourashavas (single or in combination of two or three) have been upgraded to the status of city corporations. These include Narayanganj City Corporation (with Siddirgonj and Kadam Rasul Pourashavas amalgamated), Comilla City Corporation and Gazipur City Corporation (with Tongi Pourashava amalgamated) and Rangpur. Election to the Narayanganj City Corporation was held in November, 2011. The new Mayor Dr. Selina Hyat Ivy, assumed office on 1 December, 2011. Elections for the Comilla City Corporation were held on 5, January, 2012. The formation and election to these CCs are generally seen as a positive development in urbanization in Bangladesh. That the democratic process in Bangladesh has achieved a reasonable level of maturity is evident from the fact that all elections held since 2008 have been considered free, fair and credible by both neutral observers and the people.<sup>33</sup>

The most recent development in the governance of Dhaka City has taken place with the passing of the Local Government (City Corporation) Amendment Bill 2011 by Parliament on 29 November 2011 (Daily Star, 30 November, 2011). The Amendment has caused the division of Dhaka City Corporation into two City Corporations, namely North Dhaka City Corporation and South Dhaka City Corporation. The incumbent Mayor who was in power for over 9 years was removed following the amendment. An Administrator in each of the two City Corporations was appointed and two City Corporation offices have started to function. The division of Dhaka into two City Corporations is generally not seen as a positive development, but rather, as political interference in the evolution of the urban local government system.

**Legal function assignment.** City Corporations in Bangladesh have been vested with a long list of functions delegated to them by the central government under the Local Government (City Corporation) Act, 2009. These functions can be broadly grouped into groups:

- Public Health (water supply, sewerage and sanitation, etc.)
- Public welfare (public facilities for education, recreation, etc.)
- Regulation (enforcing building by laws, encroachment on public land, etc.)
- Public safety (fire protection, street lighting, etc.)

<sup>33</sup> Advocates of centralized provision (and thus, opponents of providing grants to municipalities) would argue that municipalities lack the capacity and accountability to spend central government resources efficiently and in an accountable manner. However, it cannot be ignored that the central government has been willing to invest in developing the capacity of central government agencies to deliver local service, whereas it has been unwilling to invest in local government capacity. Similarly, it is the central government that has defined the political rules of the game for municipalities as well as the local accountability mechanisms that municipalities follow (or fail to follow, as the case may be).



- Public Works (construction and maintenance of roads, culverts and drainage systems, etc.)
- Development activities (town planning and development of commercial markets, etc.)

The Local Government (City Corporation) Act, 2009 allows every city corporation to undertake any development plan and its implementation under the approval of the Government's Local Government Division. The third schedule of the Act lists 28 types of functions and activity of the Corporation (Table 2.5).

Table 2.5 Functions of the City Corporation	
<b>1. Public Health</b> <ul style="list-style-type: none"> <li>• Public Health</li> <li>• Unsanitary buildings</li> <li>• Removal, disposal and management of wastes</li> <li>• Latrines and urinals</li> </ul>	<b>16. Urban Planning</b> <ul style="list-style-type: none"> <li>• Master plan</li> <li>• Ward Base GIS Map &amp; Database</li> <li>• Site development schemes</li> <li>• Execution of site development Scheme</li> </ul>
<b>2. Birth, death and marriage registration</b>	<b>17. Construction of buildings</b>
<b>3. Infectious diseases</b>	<b>18. Streets</b>
<b>4. Health and maternity centers</b>	<ul style="list-style-type: none"> <li>• Public streets</li> <li>• Streets</li> <li>• General provision about street</li> <li>• Encroachment</li> <li>• Street lightings</li> <li>• Street watering</li> </ul>
<b>5. Improvement of Public Health</b>	<b>19. Traffic control</b>
<b>6. Hospital and dispensaries</b>	<ul style="list-style-type: none"> <li>• Public vehicles</li> </ul>
<b>7. Medical treatment, assistance and health education</b>	<b>20. Public safety</b>
<b>8. Water Supply and Drainage</b>	<ul style="list-style-type: none"> <li>• Fire service</li> <li>• Civil defense</li> </ul>
<ul style="list-style-type: none"> <li>• Supply of water</li> <li>• Private sources of water supply</li> <li>• Drainage schemes</li> <li>• Bathing and cleaning places</li> <li>• Dhobi ghats &amp; washer men</li> <li>• Places for the cleaners</li> <li>• Public water bodies (Jalmahals)</li> </ul>	<b>21. Disaster management/Feminine</b>
<b>9. Public ferries</b>	<b>22. Trading of dangerous and harmful articles</b>
<b>10. Public fisheries</b>	<b>23. Graveyards/ Burial and burning places</b>
<b>11. Foods and drinks</b>	<b>24. Trees, Parks, Gardens and Forests</b>
<ul style="list-style-type: none"> <li>• By-laws concerning foods and drinks</li> <li>• Supply of milk</li> </ul>	<ul style="list-style-type: none"> <li>• Arboriculture</li> <li>• Gardens</li> <li>• Open Spaces</li> <li>• Forests</li> <li>• Nuisances pertaining to trees</li> </ul>
<b>12. Public Markets</b>	<b>25. Ponds/tank and low-lying lands</b>
<b>13. Private Markets</b>	<b>26. Education and Culture</b>
<b>14. Slaughter's/ Butcher's shop</b>	<ul style="list-style-type: none"> <li>• Education</li> <li>• Compulsory education</li> <li>• General provisions about education</li> <li>• Culture</li> <li>• Libraries</li> <li>• Fair and exhibition</li> </ul>
<b>15. Management and control of animals</b>	<b>27. Social-welfare</b>
<ul style="list-style-type: none"> <li>• Animal husbandry</li> <li>• Stray animals</li> <li>• Animal homes and farms</li> <li>• Registration of selling of cattle</li> <li>• Livestock improvement</li> <li>• Dangerous animals</li> <li>• Cattle show, zoos etc.</li> <li>• Disposal of carcasses</li> </ul>	<b>28. Development</b>
	<ul style="list-style-type: none"> <li>• Development Plans</li> <li>• Social development plans</li> <li>• Commercial projects</li> </ul>
Source: Compiled from Schedule-3 of the Local Government (City Corporation) Act, 2009.	

**Actual functional responsibilities.** In practice, the functions of the City Corporations are within the purview of the central government. Many sectoral functions—such as primary education—are delivered by the central line ministries through the deconcentrated offices at the Zila level. Similarly, central government agencies are mainly responsible for major urban services. Meanwhile, local people see the elected representatives of the municipal corporation as the designated authority to meet their needs, although they do not have the practical power to do so.

**Clarity of assignment and consistency with subsidiarity principle.** Many functional responsibilities assigned to City Corporation overlap the functional jurisdiction of other agencies which creates confusion. Institutions that are involved in the delivery of urban services in Bangladesh can be classified under four broad headings (Khan, 1997; Panday, 2008): municipal governments and City Corporations, special development agencies, special purpose authorities, and special government bodies. The classification scheme is relevant because it covers all types of organization that are involved in urban governance.

Despite the fact that the City Corporation Act assigns the responsibility for development planning and master planning to the City Corporation, four special development authorities for four city corporations have been created for the purpose of providing urban planning services relating to infrastructure and site development for housing, commercial and industrial use. These four special development authorities form the Rajdhani Unnayan Kartripakkha (RAJUK) for Dhaka City Corporation, the Chittagong Development Authority (CDA), the Khulna Development Authority (KDA) and the Rajshahi Development Authority (RDA). They are semi-autonomous and autonomous bodies run by their respective chairmen and boards. Yet, since most members of these boards are (central) government officials, the board lack representation from the communities that they are supposed to serve, thus weakening their accountability, credibility and public support (Islam & Khan, 1997: 14).

Due to inadequate management, most of these institutions lack the necessary inter-organizational coordination, have insufficient manpower, and have therefore not been effective in discharging their assigned duties and responsibilities (World Bank, 1985; Mohit, 1992). A study of the RAJUK found a number of problems related to the culture of organization, including an unwillingness to adapt to new situations, inability to exert the power of leadership, absence of customer/client orientation, factionalism, low image among other organizations, as well as lack of integrity and lack of incentives (UNDP/ HABITAT, 1992: 11–12; cited in Khan, 1997: 14; Panday, 2006, 2007).

In addition, four more organizations – the Dhaka Water and Sewerage Authority (DWASA) the Chittagong Water and Sewerage Authority (CWASA), the Rajshahi Water and Sewerage Authority (RWASA) and the Khulna Water and Sewerage Authority (KWASA) – have been created by the government in order to provide construction, improvement, expansion and maintenance of water and sewerage services. These organizations are also run by chairmen and boards who are deputed by the government to carry out their assigned responsibilities.

A good number of special government bodies are working in the urban areas. Although in theory their focus is on the whole country, in practice their activities are confined to urban areas. For instance, the Public Works Department is responsible for the construction of government offices and buildings countrywide, but it mostly undertakes construction of buildings in urban areas. The Power and Water Development Board (PWDB) works under the Ministry of Energy and is responsible for the generation and distribution of electricity throughout the country. The pourashavas and the city corporations are required to provide a limited infrastructure to facilitate the distribution of electricity in their jurisdiction. The Urban Development Directorate (UDD) is the main government agency concerned with urban planning in the country. It is also responsible for preparing and coordinating regional plans and master plans for cities and towns, except for the six metropolitan cities, and for advising the government on policies related to land use and development. It also works under the Ministry of Public Works and Housing (MPWH). The Department of Public Health and Engineering (DPHE) is responsible for the development of water supply and sanitation in rural and urban areas, excepting in cities like Dhaka and Chittagong. It is headed by a chief engineer and falls within the jurisdiction of the Ministry of Local Government Rural Development and Cooperatives (MLGRD&C). The Local Government Engineering Department (LGED) that works under the MLGRD&C is responsible for low-cost sanitation, infrastructure and improving the physical environment (Khan, 1997: 15).



The issue of inter-organizational coordination at the City level. Under above circumstance, one may wonder, what are the mechanisms for maintaining coordination between all these organizations? Actually, these organizations do not have any specific rules governing coordination. Usually, they maintain correspondence by official letter. Sometimes they use the telephone or make face to- face contact in order to resolve matters of dispute (Panday, 2006).

In general, these urban institutions have been found to be experiencing problems such as internal fragmentation, lack of coordination between different institutions, resource constraints and limited autonomy in their relation to central line ministries (IGS, 2012). Of these problems, the most pressing issues in the context of the involvement of multiple organizations are coordination at the level of decision-making, planning, and implementation and maintenance of public services. The Local Government (City Corporation) Act, 2009 stipulates that the city corporations could invite the heads of different agencies in the corporation's meetings; but they are not obliged to attend the meetings. DCC's immediate past Mayor Mr. Sadek Hossain Khoka, in an interview with the authors, said that the legal provision of participation of Heads of different agencies is quite superficial in practice (IGS, 2012).

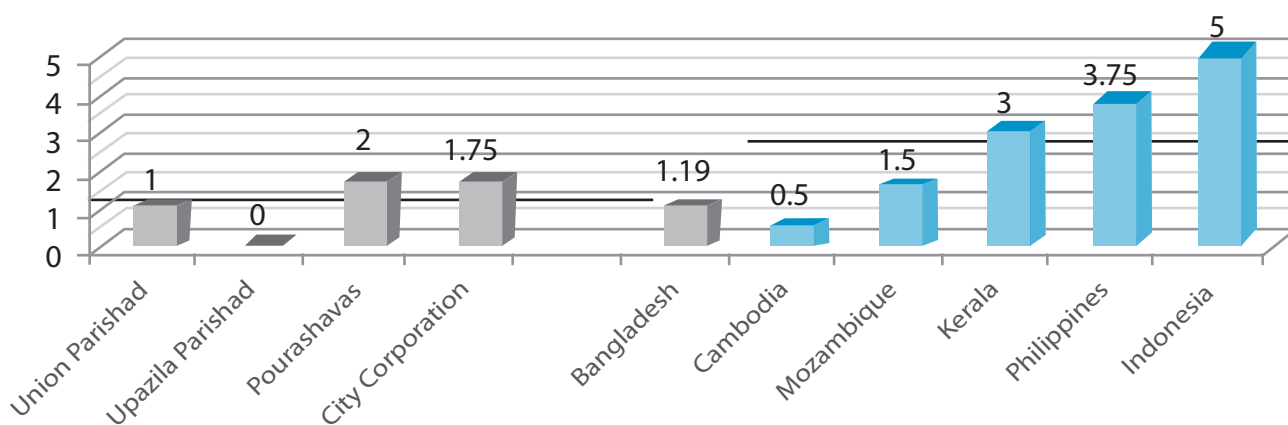
It is estimated that at least 42 institutions are involved in carrying out different aspects of urban development in the Dhaka Metropolitan Area (Panday and Jamil 2011). One of the reasons for the lack of coordination and cooperation between the municipal government on the one hand and the special government bodies, development authorities and special purpose authorities on the other hand is that the former are elected bodies accountable to their local constituencies, while the latter are government departments staffed by civil servants who are accountable to their line ministries in a hierarchical manner (Khan 1997).

The lack of coordination and consultation between urban institutions results in unplanned development, duplication of activities and development projects being left incomplete due to discord between the departments and agencies involved. The absence of inter-agency coordination has deprived Dhaka of critical development projects such as in 2003, when the World Bank withdrew nearly 50 percent of the US\$ 220 million allocated for the development of transport infrastructure in Dhaka city. The World Bank's decision was based on the lack of coordination between the Dhaka City Corporation and the Roads and Highways Department, the two principal agencies involved in the project (Panday and Jamil 2011).

## 2.3 Comparative international experience: intergovernmental structure and functional assignments

How does the local government system in Bangladesh compare with other countries with respect to intergovernmental structure and functional assignments? Figure 2.2 suggests that on this aspect of the local government system, there is considerable variation among international practices.

**Figure 2.2 Functional assignments for key services: comparative international practices**



Source: Computed by authors.

Before exploring in greater detail the assignment of functions among different government levels in the different comparative countries, it is worth first considering the subnational government structure of these countries. This means, first, how many levels of government or administration are there? Second, what is their institutional nature (are they deconcentrated bodies or elected local governments, or somewhere in between)? Third, how big are subnational jurisdictions at each level? Are jurisdictions big enough to effectively deliver services? Only after considering these key questions can we meaningfully explore whether the assignment of functions and service delivery responsibilities is actually effective.

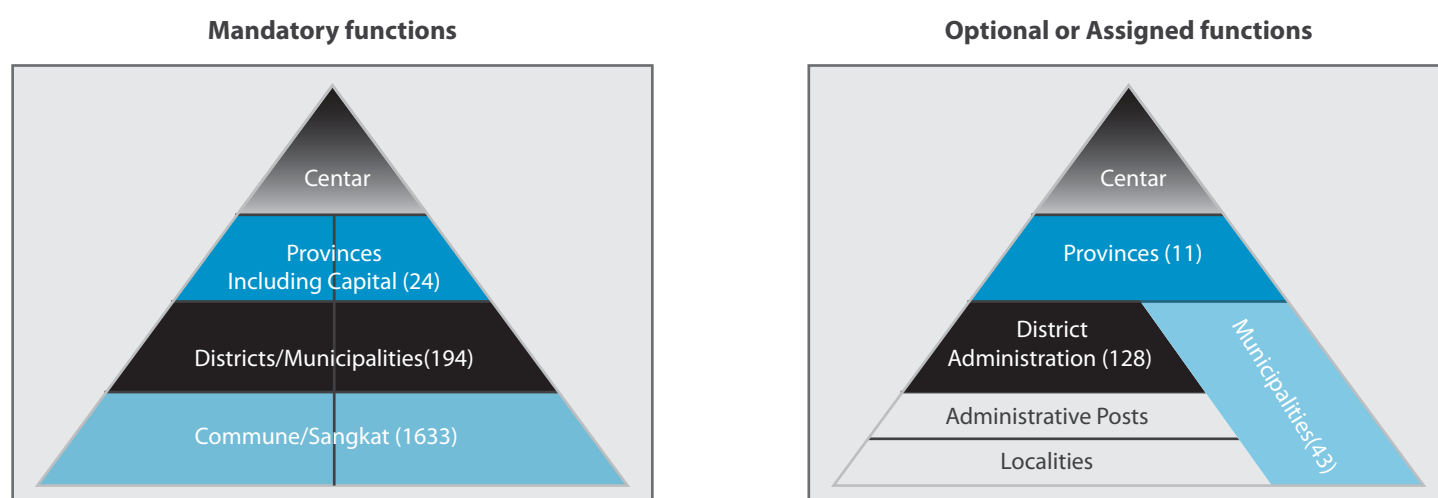
In line with the three key issues to be explored by a comparative assessment of intergovernmental structure and functional assignments, this section is divided into three sub-sections. First, sub-section 2.3.1 outlines the institutional features of subnational entities at different levels in each of the countries under review and considers the number of levels/tiers and typical jurisdiction size at each level. Second, sub-section 2.3.2 considers the functional assignment for key services across the different levels or tiers, and discusses whether the functional assignment is effective based on the performance indicators contained in the Local Government Systems Assessment Framework. Finally, sub-section 2.3.3 pulls together the comparative international experiences with regards to intergovernmental structure and functional assignments.

### 2.3.1 Territorial-administrative structure: comparative international practices

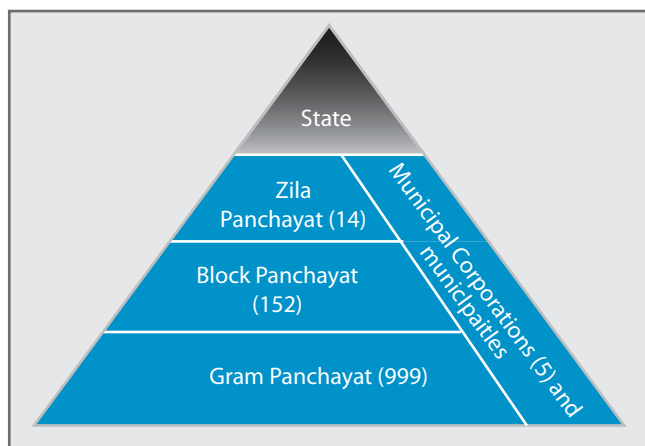
**Comparative international practices: local government structure.** Figure 2.3 presents a comparative overview of territorial-administrative structures in the five selected countries, showing the key subnational territorial-administrative levels within each country (alongside the territorial-administrative structure of Bangladesh).

The panels for the different countries suggest that most countries reviewed have 3-4 different levels or tiers of local government or local administration in their territorial-administrative structure. In addition, most countries make a (legal) distinction between rural local governments and urban local governments.

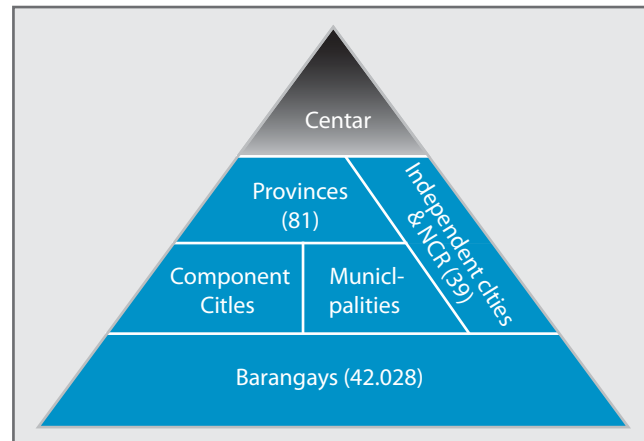
**Figure 2.3 Organizational/governance structure of the public sector in selected countries**



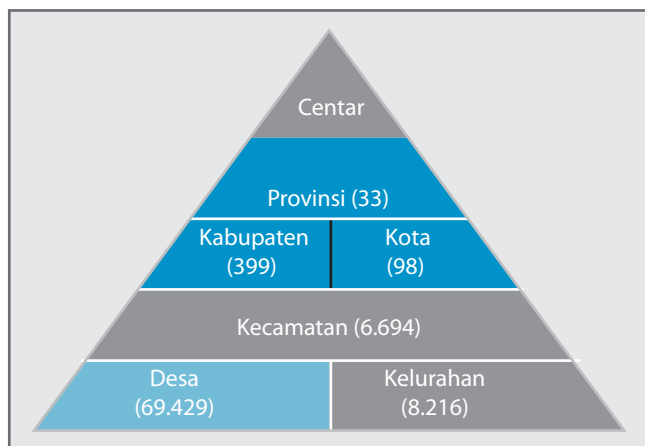
### Kerala



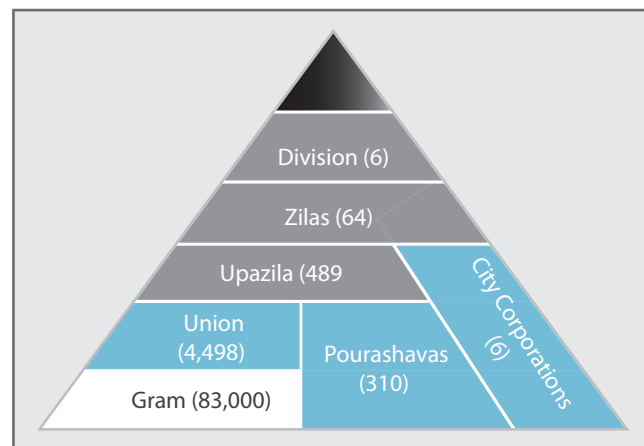
### Philippines



### Indonesia



### Bangladesh



Note: Red indicates a devolved local government entity, whereas gray generally indicates a deconcentrated level or tier.  
Source: Local Public Sector Initiative (2010-2014); Kerala and Philippines prepared by authors.

In addition to showing the number of subnational tiers or levels that exist in each country, the figure provides important information about the nature of local bodies at different subnational levels in the different countries: red indicates a devolved local government entity, whereas gray generally indicates a deconcentrated level or tier. In order for an entity at each level to be considered a local government (as opposed to any other type of local body), the entity must meet the four conditions, namely: (i) the local entity must be a corporate (or statutory) body; (ii) the local entity must have its own (often elected) political leadership; (iii) the entity must perform public functions within its territorial jurisdictions; and (iv) the local entity must prepare, approve, and implement its own budget. A subnational entity must de facto meet all four conditions in order to be considered a local (or regional) government.

Table 2.6 compares the institutional characteristics of local bodies at the regional, local and village level (or each country's equivalent). The table shows a clear pattern across the five countries being compared. Whereas regional and (district-level) local organizations in Cambodia and Mozambique are deconcentrated local bodies, in the three other cases (Kerala, the Philippines and Indonesia), provinces and districts are elected local governments. In contrast, however, village-level entities in all countries (except Mozambique) are actually elected local governments. Outside its regular territorial-administrative framework, Mozambique does have elected municipal local governments in the country's 43 main urban areas.

**Table 2.6 Territorial-administrative structure: comparative international practices**  
**Key institutional features of subnational institutions each territorial-administrative level/tier**

	Corporate Body	Own political leadership	Performs local public function	Prepares, approves, implements own budget	Proper Local Government?
<b>Cambodia</b>					
Province	No	No	Yes	No	No
District	Mixed	Mixed	Mixed	Yes	No
Commune	Yes	Yes	Yes	Yes	Yes
<b>Mozambique</b>					
Province	No	No	Yes	No	No
District	No	No	Yes	No	No
Municipality*	Yes	Yes	Yes	Yes	Yes
<b>Kerala</b>					
Zila Panchayat	Yes	Yes	Yes	Yes	Yes
Block Panch.	Yes	Yes	Yes	Yes	Yes
Gram Panch.	Yes	Yes	Yes	Yes	Yes
<b>Philippines</b>					
Province	Yes	Yes	Yes	Yes	Yes
Municipalities	Yes	Yes	Yes	Yes	Yes
Barangays	Yes	Yes	Yes	Yes	Yes
<b>Indonesia</b>					
Province	Yes	Yes	Yes	Yes	Yes
Kabupaten	Yes	Yes	Yes	Yes	Yes
Desa	Yes	Yes	Yes	Yes	Yes

Each country's organizational governance structure (including the legal framework upon which it is founded) is subsequently briefly discussed in the remainder of this subsection.

**Cambodia.** The first step towards democratic, decentralized management at local levels was made in 2001, when the Law on Commune and Sangkat Administrative Management (2001) recognized communes and sangkats (urban villages) as local government entities with their own directly elected leadership and legislative and executive powers. In 2008, the country adopted the Law on Administrative Management of the Capital, Province, Municipality, District and Khan (widely known as the Organic Law). The Organic Law provided the administrative basis for further deconcentration and decentralization by formalizing the structures and roles of the provincial level (including provinces and the capital) as well as a district level (covering provincial districts as well as municipalities). The law specifies some differences between the organizational-governance arrangements for urban versus rural jurisdictions, while the Capital, Phnom Penh, has its own unique administrative structure.

The biggest challenge with the organization governance structure of Cambodia is the gap between the Organic Law and its implementation. The Organic Law recognizes Provinces and Districts (along with Municipalities and Khan) as "legal entities of public law"; each subnational level has a council which "shall represent and act on behalf of all citizens living within its jurisdiction" and "[t]he council shall have the authority to make legislative and executive decisions" (Organic Law, 2008: Article 9, 19, 30). In practice, however, Provinces, Municipalities, and Districts are actually deconcentrated entities of the central government, with the head of each local entity (Governor) appointed by the central government; the subnational administration and staff being a hierarchical part of the central administration; and subnational budgets being

part of the central government budget. If we hold Cambodia to a strict de facto standard, therefore, we cannot conclude that its provinces and districts are actually local governments.

Although the district level (and possibly, the provincial level) in Cambodia has the potential to become an effective local government level, district-level jurisdictions are currently only nascent local government entities. By law, provincial and district-level jurisdictions have indirectly elected councils; councils at these higher levels are elected from the bottom up by Commune Council members within their respective jurisdictions. Although the Organic Law envisions subnational councils to have broad roles, duties, and the authority to make legislative and executive decisions, for the time being, provinces basically continue to operate as deconcentrated administrative entities.

**Mozambique.** The Law on the Local Organs of the State (Law 8/2003) sets forth the organization, competencies and functioning of Provinces, Districts, Administrative Posts and Localities as deconcentrated state organs, following a territorial approach to deconcentration. Provinces have elected councils, but they have little or no real authority over the functioning (or financing) of state organs within their province. While Law 8/2003 designates the district level as “the principal territorial unit for the organization and functioning of the local administration” and the base for planning the “economic, social and cultural development of the Republic of Mozambique”, the ability of district officials to make decisions continues to be low. The Ministry of Finance is only gradually shifting the financial resources needed to deliver localized services from the budgets of (deconcentrated) provincial administrations to the (deconcentrated) district administrations.

In contrast to the deconcentrated state structure, Mozambique’s municipalities are corporate bodies that are provided with substantive political, administrative and financial autonomy, as set forth in the Municipal Law (Law 2/97 as revised by Law 1/2008). They may collect own local resources (within relative limits imposed by law) to finance expenditures and investments on a range of urban services such as sewage, energy, transport and communication. Functions such as education, culture and sports, health, social issues and environmental management may also be delegated to municipal governments by law; however, in practice, these functions are retained by the state administration (except in Maputo).

**Kerala.** The State of Kerala has a total of 1224 local self-government institutions, including one cantonment board, excluded from the state government control (Sanu George, 2007). The District (Zila) Panchayat, the district-level local government, has jurisdiction over the rural areas of the district.

The rural area of each district is divided into Blocks with Block Panchayat as the local government unit; there are 3 to 12 Block Panchayats in a district depending on the size and population. In turn, within the boundary of each block jurisdiction exists the third tier of local governments known as Gram Panchayats. Each Block may have 2 to 10 Gram Panchayats within their boundary. Each local government is divided into wards/constituencies and each of them elects their representative.

Urban areas like towns and cities have Municipalities and Corporations respectively as their local government institutions. The state of Kerala has 60 municipalities and 5 municipal corporations. The Kerala Municipalities Act of 1994, an integrated act for the municipalities and corporations in the state, laid out the constitution of the town panchayats, municipalities and municipal corporations.

**The Philippines.** The Local Government Code (also known as the Local Autonomy Act) was enacted in 1991. It radically transformed the nature of the power relationships between the central government and the thousands of local governments in the Philippines by transferring the responsibility for the delivery of basic services to the local government units, including appropriate personnel, assets, equipment, programs, and projects. Local governments in the Philippines are divided into four levels: (1) Autonomous regions; (2) Provinces and cities independent from a province; (3) Component cities and municipalities; and (4) Barangays. With the exception of autonomous regions, all subnational jurisdictions (i.e., provinces, cities, municipalities and barangays) are all referred to as Local Government Units (LGUs).<sup>34</sup>

**Indonesia.** As part of Indonesia's 'big bang' approach to decentralization, the Regional Autonomy Law (Law 22/1999) and Regional Finance Law (Law 25/1999) substantially redefined the country's subnational governance structure. These laws were subsequently updated by Law 32/2004 and Law 33/2004.

<sup>34</sup> The “Autonomous Region” level is not shown in Figure 2.3. In Mindanao, the Autonomous Region in Muslim Mindanao forms an intermediate government level, which has an elected regional assembly and governor. In this region, the provinces report to the Region, rather than to the central government.



As a result of these laws, Indonesia's public sector consists of three main government levels: central, provincial and district. The country is divided into 33 provinces, which in turn are composed of districts or “regencies” (kabupaten) and cities (kota). At each of these levels, the political leadership is elected by popular vote every 5 years. Three provinces—Aceh, Papua, and West Papua—have a special status granting them a higher degree of autonomy, whereas Jakarta and Yogyakarta are also recognized as Special Regions. Kabupaten and kota are further broken down into 6,694 sub-districts (kecamatan), which are administrative sub-units of the district government level. Below the sub-district level, there are 69,249 villages (desa) and 8,216 urban villages (kelurahan). Desa leaders are elected and have authority over local people in accordance to local traditions whereas kelurahan have less power and are comprised of the local civil servants at the neighborhood level, whom are directly responsible to the head of their kecamatan.

**Comparative international practices: local jurisdiction size and territorial-administrative structure.** The discussion of the different country cases suggests that despite their institutional differences, each of the countries being reviewed has a regional (or provincial) level, a local (or district) level, and a village level. Beyond the differences in their institutional character, it should also be noted that the jurisdictions are not equally sized at each level across the different countries. Table 2.7 (next page) identifies the average jurisdiction population size and the number of jurisdictions at each government level/tier in the comparative country cases. For convenience, the subnational level which is primarily responsible for front-line public service provision is shaded in the table. Likewise, levels that have local governments (as opposed to local bodies that do not meet the criteria of a local government) are noted in bold.

Table 2.7 suggests that the average jurisdiction size at the regional/provincial level varies from close to 600,000 residents in Cambodia to roughly 7.2 million residents in Indonesia. A typical regional jurisdiction has between 1-2 million residents.<sup>35</sup>

In contrast, a typical second-tier subnational government (i.e., a local government or district jurisdiction) tends to have around 100,000-200,000 residents. Cambodia and the Philippines tend to have relatively small local (government) jurisdictions, whereas Indonesia’s local governments tend to be larger on average.

<b>Table 2.7 Territorial-administrative structure: comparative international practices</b> <b>Approximate average jurisdiction size and number of jurisdictions at each government level/tier</b>					
	Cambodia	Mozambique	Kerala	Philippines	Indonesia
Central	14,000,000 (1)	23,000,000 (1)	33,400,000 (1)	92,300,000 (1)	240,000,000 (1)
Regional / Provincial	583,000 (24)	2,091,000 (11)	2,386,000 (14)	1,140,000 (81)	7,273,000 (81)
Local / District	72,000 (194)	180,000 (128)	220,000 (152)	62,000 (1,494)	483,000 (497)
Village	9,000 (1,633)		33,000 (999)	2,000 (42,028)	3,000 (77,000)
<b>Note: The subnational level which is primarily responsible for front-line public service provision is shaded.</b> <b>Local government levels are noted in bold (as opposed to local bodies that do not meet the criteria of a local government).</b>					

There is more uniformity in the population size of village jurisdictions, which tend to fall below 10,000 residents. The exception to this rule is Kerala, where Gram Panchayats have some degree of responsibility for sectoral service delivery. The average Gram Panchayat in Kerala has a population of around 30,000.

When looking across the tables and rows of Table 2.7 (and when revisiting Figure 2.3), three patterns stand out. First, it should be noted that most countries are not exclusively devolved or deconcentrated. Instead, *most countries there have some combination of deconcentrated tiers and devolved local governments* (as represented by non-bold and bold entries in most columns).

<sup>35</sup> It should be noted that Districts (Zilas) in Bangladesh are more similar in size to provinces or regions in most other countries, whereas Upazilas in Bangladesh are similar to “counties” or district-level governments in other countries.



Second, Table 2.7 suggests that *there is no consistent relationship between a jurisdiction's population size and its organizational status as a devolved local government (versus a deconcentrated local administration)*: the choice whether an administrative-territorial level should have an elected local government—or not—appears to be driven more by political considerations than by the scale of the jurisdiction (Box 2.3). The same is true for the determination which territorial level ought to be the platform for localized service delivery.

Third, the table *suggests that countries generally choose not to rely on the lowest government level as the main level for the delivery of key local public services*. Instead, judging by the shaded cells in the table, the majority of countries rely on the next-higher government level, with typical jurisdiction sizes in the broad range of 100,000–300,000 residents, to deliver key local public services. (This is the equivalent of the upazila level in Bangladesh). This is most likely because the average jurisdiction size at the village level is too small, and the level too far removed from the respective central line ministries, to deliver public services such as health and education in an efficient manner.<sup>36</sup> While downward accountability is weaker at this territorial level (being further removed from direct community oversight), it appears that jurisdictions at this level exceed the minimum efficient scale associated with the provision of public services, so that—when the other elements of a good local government systems are in place—public services can be delivered efficiently by local government jurisdictions at this level.

#### Box 2.4 The political economy of subnational governance structures

It is beyond the current study to provide a full overview of the political economy of decentralized service delivery. However, it is useful to highlight the hypothesis put forth by Eaton and Schroeder (2010) that although central governments have a political incentive to pay lip service to decentralization (since decentralization tends to be popular with the electorate), central government leaders and officials often do not have any real incentives to support decentralization, which is invariably seen as undermining the power, discretion, and resources of entities at the central level. As such, there is a tendency to adopt promising legislation in support of decentralization, but then to “go slow” during implementation (sometimes to the point of complete inaction).

Political economy forces do not only drive the overall legislation in support of decentralization; even the determination of the subnational governance structure is highly political. For instance, anecdotal evidence suggests that Indonesia initially considered decentralizing to the provincial level, but ended up decentralizing to the kabupaten/kota level out of fear that devolution to strong provincial governments would result in political tension and would strengthen centrifugal forces. Similarly, tensions between the ruling party and the opposition in Mozambique have been a defining factor in preventing devolved local governments from emerging (outside the urban areas).

In fact, central political leaders often support strengthening local governments close to the grass-roots, where the potential impact on electoral gain is maximized without creating political or administrative competition for the central government itself. As such, the fact that village governments may not be effective or efficient service delivery organizations may actually be seen as a benefit (rather than as a disadvantage) in setting aside resources to flow to this level.

### 2.3.2 Functional assignments for key services: comparative international practices

The remainder of this section presents the basic de facto assignment of expenditure responsibilities for the five comparative country cases.<sup>37</sup> In order to assess the assignment of functional responsibilities in these countries (in the context of their broader local government system), we need to ask three sets of questions:

- First, which functions are actually assigned to which local government level? In other words, is the local government level (or an administrative tier) responsible for delivering primary education or secondary education? Which government level is responsible for providing basic health services? Who delivers other public services, such as agricultural extension; irrigation, or rural water supply? And which level of government is responsive for basic urban services such as solid waste management, sewer and sanitation, street lighting, and so on?

<sup>36</sup> The exception in this case is Kerala, where the Gram Panchayat does have relevant responsibilities in the delivery of key local public services.

<sup>37</sup> See Boex (2014) for a detailed discussion of the conceptual framework for functional assignments (Chapter 2) as well as a discussion of international experiences in health and education in six selected cases (Chapter 3).

- Second, within the public services for which service delivery responsibility has been assigned to the local level, what exact elements of service delivery have actually been assigned to the local level? Functional responsibilities can be broken out into five elements of provision: responsibility for functionaries (i.e., responsibility for providing the local staff that delivers local services and human resource management); responsibility for operation and maintenance (O&M); responsibility for procuring supplies (such as textbooks or medicines); responsibility for capital infrastructure and development spending; and responsibility for coordinating the delivery of services at the local level (including monitoring service delivery outcomes and supporting community engagement).
- Third, based on a nuanced understanding of what functional responsibilities have actually been transferred to the local government level, is the function optimally assigned in line with the subsidiarity principle? In other words, is the responsibility to deliver services assigned to the lowest government level (or administrative tier) that can deliver the service efficiently, in terms of the minimum efficient scale required for delivering the service as well as in terms of the (potential) capacity of the local jurisdictions at the relevant level? Do local officials at the relevant level have the necessary discretion and incentives to improve local services, and are the democratic mechanisms in place to ensure that local services are delivered in a responsive and accountable manner? In addition, is the assignment of functional responsibilities clear to all stakeholders, and does the legal assignment match the actual situation?

Table 2.8 presents the assessment of functional assignments for the five comparative country cases by relying on the Local Government Systems Assessment Framework (Boex et al, 2014). Five questions are asked about the nature of each country's functional assignments, and for each question, a country can earn a full point.<sup>38</sup> In some cases, the scoring guidelines permit the assignment of half points.<sup>39</sup> Earning more points suggests that the local government system has a clearer and more stable assignment of functional responsibilities in a way that is more closely in line with the subsidiarity principle. A higher score generally reflects that responsibilities for the provision of key public services are legally and factually assigned to a local government level. Although the assessment indicators are a set of relative simple (perhaps, excessively simple) questions, they provide an objective metric for assessing the degree to which the provision of localized public services is assigned to the lowest level of government that can do so efficiently.

**Table 2.8 Functional assignments for key services: comparative international practices**

	Assessment Indicator	Cambodia	Mozambique	Kerala	Philippines	Indonesia
A	<b>Effective assignment of functions to the local level</b>					
A1	According to the legal framework, is the LG responsible for providing the service?	0	0	0.5	0.75	1
A2	In practice, is the LG responsible for the recurrent provision of the service?	0.5	0.5	0.25	0.5	1
A3	In practice, is the LG responsible for planning and procuring the capital infrastructure required for providing the service?	0	0.25	0.75	1	1
A4	Does the de facto assignment of functional authority match de jure responsibility?	0	0.5	1	1	1
A5	What is the organizational status of the local service delivery unit (SDU)? Is it controlled by an elected LG?	0	0.25	0.5	0.5 3.75	1
<b>Total</b>		<b>0.5</b>	<b>1.5</b>	<b>3</b>		<b>5</b>

<sup>38</sup> Details about every assessment indicator and its scoring are provided in Appendix B.

<sup>39</sup> Since the assessment framework was designed to evaluate a single local service, minor adjustments to the interpretation of the scoring scale had to be made in order to apply to local public services, including health, education, and other typical urban or local services (such as solid waste management, street lighting, and so on).

For instance, on Question A1 (“According to the legal framework, is the Local Government responsible for providing the service?”), Cambodia does not score any points. This judgment was made in line with the scoring criteria for this question because the legal framework is unclear about the legal responsibilities of provinces and districts in the delivery of key public services.<sup>40</sup> In contrast, Indonesia scores a full point on the same question, as the legal framework clearly assigns functional responsibilities for the delivery of key public services (such as health and education) to the kabupaten/kota (district and city) level, which is a full-fledged local government level. Table 2.8 presents the scores earned by each country for each of the five indicators included in the dimension assessing the assignment of functional responsibilities for the five comparative cases.

The total scores revealed in Table 2.8 (and shown in Figure 2.2) highlight the considerable variation in international practices with regard to functional assignments in the comparative country cases. Out of the five comparative cases, Cambodia scores the lowest score (in fact, only 0.5 out of 5 points), suggesting that the country does not rely on devolved local governments in delivering public services (and hence, does not comply with the principle of democratic decentralization and devolution). In contrast, Indonesia scores the highest score out of the five comparative cases (5 out of 5), confirming that the responsibility for delivering local public services in Indonesia is largely borne by local governments (both by law and in practice).

**Functional assignments for health and education: comparative experiences.** Before drawing general lessons from the different international experiences with respect to local government structure and functional assignments, it is useful to consider how functions and service delivery responsibilities are assigned to different local government levels and administrative tiers in each of the five country cases (Cambodia, Mozambique, Kerala, the Philippines and Indonesia). Boex (2014) presents a detailed discussion on the assignment of functions and expenditure responsibilities in health and education in each of the comparator countries.

Table 2.9 presents a different comparison of the degree of localization and decentralization, based on the assignment of functional responsibilities and the degree of localization or institutional discretion. First, each function (health, education) is divided into its five implementation elements (functionaries or HR; non-wage recurrent spending or O&M; supplies; capital development; and coordination, monitoring, and community engagement). Next, different colors or shades are used in the table to indicate different degrees of subnational discretion or control over each of these elements of functional responsibility: light gray indicates centralized assignment of provision responsibility (or administrative deconcentration); medium gray indicates budgetary deconcentration; and dark gray indicates assignment of provision responsibility to devolved local government. Shaded cells indicate areas of joint responsibility between two levels.

The ordering of countries in Table 2.9 reflects a loose ranking from more centralized (least localized discretion) to the most decentralized (most local discretion). However, the table does not intend to imply that devolved systems are necessarily superior to less decentralized systems; nor does the table intend to suggest that devolved systems always or automatically provide greater discretion, incentives or accountability. It is notable, however, that there does seem to be a positive correspondence between public sector effectiveness and the degree of decentralization.

<b>Table 2.9. A comparative overview of country cases: decentralization and localization of health and education</b>											
	Primary Health Services						Primary Education				
	HR	O&M	Suppl	Cap	Coord		HR	O&M	Suppl	Cap	Coord
Bangladesh											
Cambodia											
Mozambique											
Kerala											
Philippines											
Indonesia											
<b>Note:</b> light gray indicates centralized assignment of provision responsibility (or administrative deconcentration); medium gray indicates budgetary deconcentration; dark gray indicates assignment of provision responsibility to devolved local government. <b>Source:</b> Boex (2014).											

<sup>40</sup> Although Section 5 of the Organic Law (2008) provides for a process for assigning functional responsibilities, the functional assignment is actually not made in the law and no proper functional assignment has taken place since adoption of the Law.

Table 2.9 confirms an important finding that was already made in a somewhat different context earlier in this chapter: in delivering health or education services, few (if any) countries rely exclusively on one localization approach or another: most countries rely on a combination of devolution, deconcentration and centralized (“direct” and/or “delegated”) local service delivery. In other words, the question is not to choose between a textbook case of devolution versus a textbook case of deconcentration, but rather: what combination of systems and approaches works best to achieve a meaningful role for local actors to improve local service delivery?

### 2.3.3 Comparative international practices

What are the first tentative lessons from international experience with regard to the local government structure of the comparative cases and the functional assignments in these five countries?

- It is common for countries to have three to four government levels below the national level, including an intermediate or regional level (which typically is not directly or extensively involved in front-line service delivery); a sub-regional local level; and a village level.
- Most countries have a consolidated legal framework covering all (or most) different types of local government institutions in the local government system. The legal framework in most countries recognizes urban and rural local government as needing somewhat different functions or somewhat different governance structures, but these differences tend to be relatively limited. For instance, with respect to their governance structure, rural villages tend to have greater governance autonomy compared to urban neighborhoods. Similarly, the assignment of functional responsibilities to urban local governments tends to recognize their more urban nature.
- The dominant local government level (which is often the district level, similar in size and position as the Upazila level in Bangladesh) is typically recognized as the main platform for service delivery. It is not unusual for the village level to receive a local government grant to provide community-level services or infrastructure.
- Along the transition path from a post-colonial system to fully post-independent country, countries have been moving away from hierarchical relationship between the center, the regional level and the local government by weakening the intermediate (regional) level and establishing a direct relationship between the central level and the local level.
- The choice between devolution and deconcentration is a policy decision which is driven by political economy factors and not by pre-existing capacity constraints. Countries that wish to have a contestable democratic system and a responsive public sector tend to opt for a devolved public sector, whereas countries that are governed by a single ruling party or where demands for democracy are weak tend to opt for a non-devolved (deconcentrated) system.
- There are often gaps between the de jure assignment of functional responsibilities and the de facto assignment, with the legal framework commonly reflected a greater degree of decentralization than the systems that are in place in practice. A gradual pursuit of a greater degree of devolved or deconcentrated responsibilities is more common than a sudden “big bang” approach to decentralization reform.
- The specific assignment of sectoral responsibilities tends to be driven by the limited desire of central line ministries and other central government stakeholders to relinquish control over “their” sectoral functions. While this is true for the de jure assignment, it is even more so the case for the de facto assignment of functions, where central line ministries can effectively obstruct decentralization reforms through administrative inaction. As such, central line ministries tend to retain control over different elements of decentralized functions. Although patterns differ across countries, this is true for primarily deconcentrated countries as well as for primarily devolved systems. For instance, in Cambodia,

central line ministries retain control over most sectoral development programs, while recurrent functions are deconcentrated to the provincial level. In Kerala, state-level line ministries have retained control over all sectoral human resources. In the Philippines, decentralization reforms were pursued for most sectors, but a policy decision was made not to devolve the education sector.

## 2.4 Options and initial recommendations for Bangladesh

The discussion of the local government structure and the assignment of functional responsibilities sketches a somewhat discouraging picture of this first dimension of the local government system in Bangladesh. At the same time, the situation analysis, along with the comparison of the situation in Bangladesh with a series of comparative practices, provides some initial options and recommendations for the possible strengthening of the local government system in Bangladesh. In fact, the review of the intergovernmental structure and functional assignments—directly and indirectly—already provides considerable input into possible improvements of the local government system. Given that each of the five dimensions of the local government system are related, however, the initial options and recommendations discussed here should be considered tentative until each of the four other dimensions of the country's local government system have been reviewed. Chapter 7 will pull all options and recommendations together based on a comprehensive review of all five dimensions of the local government system in Bangladesh.

### **Options for the reform of the local government structure in Bangladesh: single tier or multiple tiers?**

Given the fragmentation of the local government system and functional assignments, a reasonable question to ask is whether Bangladesh needs so many tiers of (rural) local government? If not, what options would be available to the country to re-organize its subnational governance structure? Should one or more local government levels be eliminated?

The comparative international experiences and perspectives suggest that the existence of multiple government levels or tiers is not a problem in itself. Most countries have local government units at the regional, district and village levels, which is similar to the Zila-, Upazila- and Union Parishad structure in Bangladesh. When functional assignments among the different levels is optimally arranged (in line with the subsidiarity principle), each of these different local government institutions would have their own specific functions. As such, there is no need to abolish any particular local government level or tier in Bangladesh. Instead, what is required is a careful revision of the respective roles and responsibilities of different local government levels and tiers (as further discussed below).

A somewhat related question is whether—once clear functional responsibilities have been assigned to each level/tier—each local government level or each deconcentrated administrative tier practically requires a directly elected Parishad to prioritize and oversee its activities. The argument for elected councils at the Union and Upazila level are strong (as well as for municipalities and City Corporations), but one can debate (as is done in Chapter 7) whether a directly elected council at the Zila level would add meaningful benefits in terms of greater participation and accountability.

### **Rural and urban local government: one system or two systems?**

If the initial recommendation is not to abolish any particular local government levels, then does it make sense to integrate the rural and urban local governments into a single system? An ancillary question—if separate local government systems are maintained—is how to create an effective interface between rural and urban local governments in Bangladesh, in particular, in the context of growing urbanization?

Having a separate framework for urban local governments and rural local government only makes sense if there is a strong institutional difference between urban and rural local governments. For instance, in the case of Mozambique, urban local governments are only responsible for urban (municipal) services, and therefore, its functions and responsibilities are essentially unconnected to the functions and responsibilities of “rural” local bodies (provinces and districts). Although the legislative framework in the other comparative cases recognizes differences between urban and rural local governments, by and large, these legal differences are minor and urban and rural local governments are overwhelmingly integrated into a single local government system.



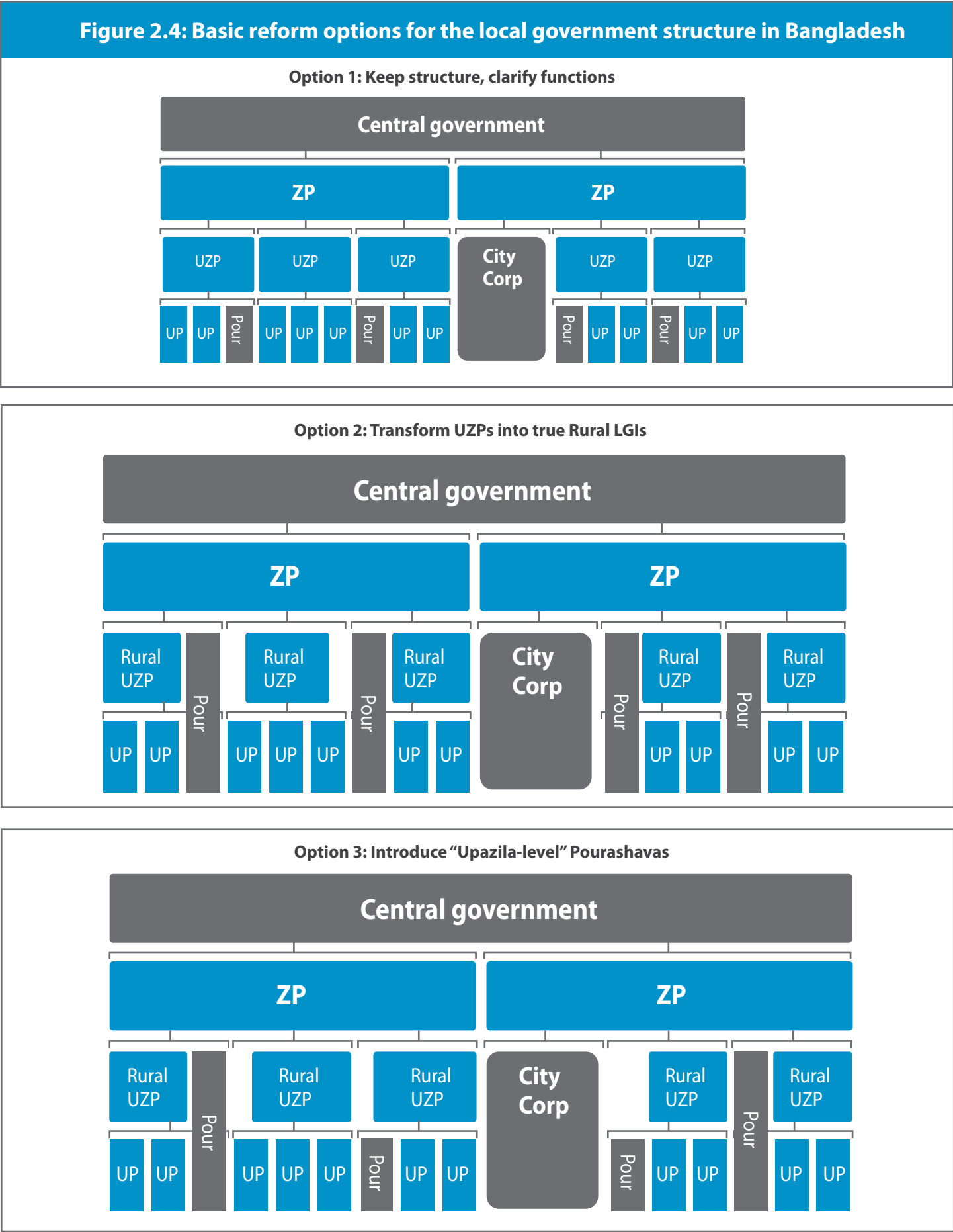
With regard to the potential reform of the local government structure in Bangladesh, several options present themselves for consideration (Figure 2.4):

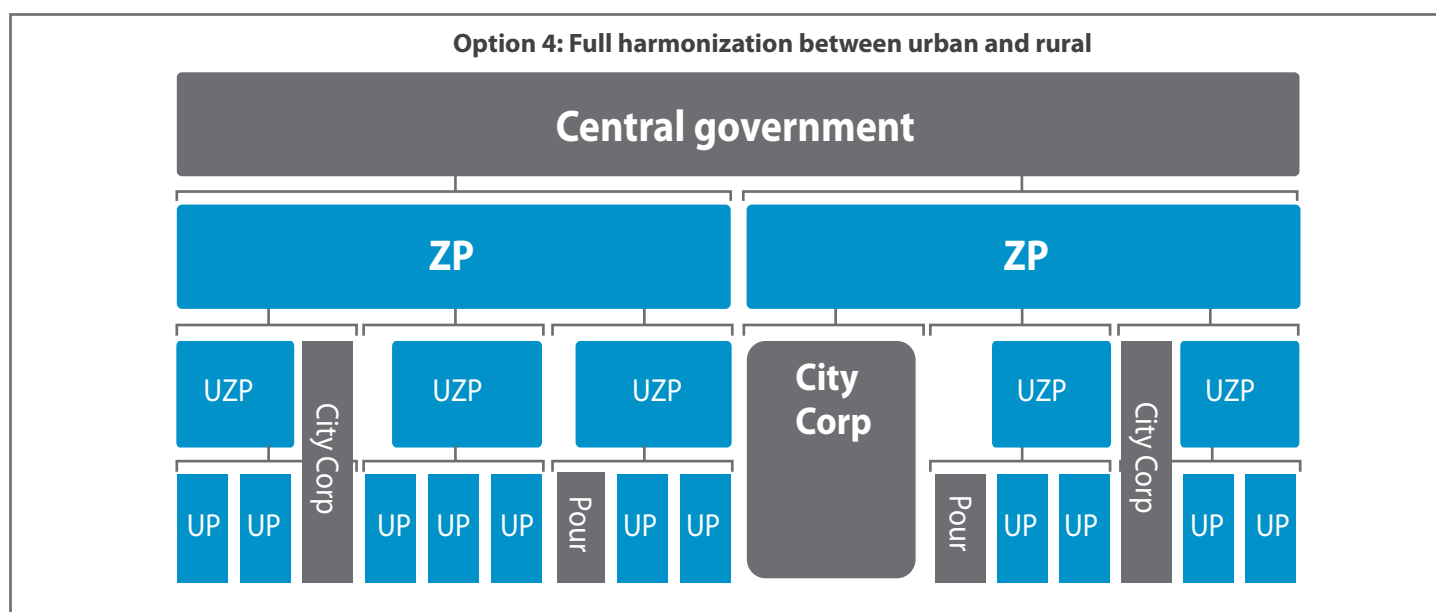
- **Option 1:** Maintain the current local government structure (as presented in Figure 2.1), but simply clarify the functional responsibilities of different types of local government institutions. As discussed further below, the Upazila (Parishad) levels would generally be assigned the responsibility for providing social services such as health and education, whereas UPs and urban local governments would generally be responsible for community infrastructure community development, as well as urban or “municipal” services (waste management, street lighting, and so on). Furthermore, as discussed in Chapter 3, it would be appropriate to break the vertical political link between the UP and the UZP.
- **Option 2:** In order to prevent territorial (functional and political) duplication and competition between Upazila Parishads and Pourashavas, one could transform UZPs into “true” rural LGIs by excluding the pourashavas from the territorial jurisdiction of the Upazila. There are pros and cons to this approach. An advantage of this approach is that it more clearly delimits the responsibilities between the Upazila and the pourashava, and limits the political and functional competition between different LGIs at this level. In effect, it makes the municipality “master of its house” and shields it from potential duplication and interference by the Upazila. On the negative side, this arrangement would lead to an awkward situation where the Upazila headquarters would typically be located in the municipal jurisdiction. In addition, this option would rob each Upazila of its strongest economic base, leaving only the economically weak rural areas. Another question that would have to be addressed is whether pourashavas would take on all the functional responsibilities that Upazila Parishads currently play (and will play in the future), or whether these functions would somehow be taken over by the deconcentrated administration at the Upazila level or at the Zila level.
- **Option 2:** In order to prevent territorial (functional and political) duplication and competition between Upazila Parishads and Pourashavas, one could transform UZPs into “true” rural LGIs by excluding the pourashavas from the territorial jurisdiction of the Upazila. There are pros and cons to this approach. An advantage of this approach is that it more clearly delimits the responsibilities between the Upazila and the pourashava, and limits the political and functional competition between different LGIs at this level. In effect, it makes the municipality “master of its house” and shields it from potential duplication and interference by the Upazila. On the negative side, this arrangement would lead to an awkward situation where the Upazila headquarters would typically be located in the municipal jurisdiction. In addition, this option would rob each Upazila of its strongest economic base, leaving only the economically weak rural areas. Another question that would have to be addressed is whether pourashavas would take on all the functional responsibilities that Upazila Parishads currently play (and will play in the future), or whether these functions would somehow be taken over by the deconcentrated administration at the Upazila level or at the Zila level.
- **Option 3:** A third option would be a more nuanced version of the previous scenario. Large Pourashavas (i.e., Class A Pourashavas) could be transformed into “Upazila-level” Pourashavas, which would be given the functional responsibilities of both municipalities as well as Upazila Parishads, while smaller pourashavas would continue to remain LGIs below the Upazila level and focus exclusively on municipal functions. In these smaller pourashavas (as in the UP jurisdictions below the Upazila), the Upazila level (in some combination of the UZP and the Upazila administration) would remain responsible for providing social services such as education and health services.
- **Option 4:** A final option would present more or less full harmonization between the urban and rural local government systems at each territorial-administrative level (Box 2.1). The spectrum of lower-level local governments would be formed by a single class of local government institutions, with various gradations ranging from Union Parishads to Pourashava (currently Class B or C). Higher grades of lower-level local governments would have greater responsibility for urban services and have somewhat greater administrative autonomy.<sup>41</sup> Similarly, the spectrum of higher-level local government level

<sup>41</sup> The functional responsibilities; the level of staffing, as well as the level of funding to be received by local government institutions at each of these two levels could be tied to their grade or class at each level. Although this is not dissimilar to the current grading of pourashavas, the idea is to more carefully harmonize the functions of UPs and Pourashavas by pulling them into the same spectrum. Likewise, at the higher-local level, the functions of the UZP and City Corporations in recognition of tradition, one would not need to change the names of the institutions in order to better harmonize their functional responsibilities.



would include Upazila Parishads in rural areas as well as City Corporations in urban areas (which is envisioned to include current City Corporations as well as Class A Pourashavas).





It should be noted that there are numerous options for the reform of the local government structure that are not included in Figure 2.4 above. For instance, it would be possible to consider abolishing the Zila Parishad level. However, on balance, doing so would not—certainly not in itself—improve the delivery of local services in Bangladesh. Furthermore, advocating for such a reform would go against the constitution and potentially upset an important political constituency. As such, a judgment was made that this reform option should not be included among the leading reform options. An addition limitation of the presentation of reform options in Figure 2.4 is that it does not deal with the potential restructuring of the deconcentrated administrative apparatus. (This is done further below in this section.)

The four different options for the reform of the local government structure in Bangladesh presented here will have its proponents and opponents, based on a variety of considerations. The political economy balance between Upazilas and Pourashavas will be an important consideration. The comfort of policy makers to deviate from current practices will be another important factor. Although Option 4 (clarified further in the box below) could be argued to be the most technically advanced, the realignment and clarification of functional responsibilities and the decision to adopt a unified legal framework (discussed below) are probably more significant concerns (as they are bigger constraints to the effectiveness of the current system) than relatively nuanced changes to the local government structure that the different options imply.

#### **Box 2.5 Full harmonization between the urban and rural local government systems along the lines of the current territorial-administrative structure.**

In an attempt to achieve more or less full harmonization between the urban and rural local government systems at each level of the territorial-administrative structure, the lowest territorial-administrative level could be defined as including Union Parishads and smaller (Class B and C) pourashavas. As part of a harmonized legal framework, the functions of UPs and these pourashavas could be harmonized and aligned based on the recognition that in reality these institutions represent a continuous spectrum of experiences. On one hand many smaller pourashavas are little more than “glorified” Union Parishads with little or no urban services and with no economic base to sustain them as urban local governments, while on the other hand there are many Union Parishads (particular in peri-urban areas of large cities) that are densely populated and heavily urban in nature, but that are currently not designated as pourashavas. Rather than treating UPs and pourashavas as dichotomous entities, a single legislative framework could place UPs and smaller pourashavas on the same spectrum, and—based on a gradation system—essentially recognize Union Parishads as “rural municipalities”.

Likewise, it would be prudent to explicitly recognize the fact that Upazila Parishads and City Corporations operate at the same administrative-territorial level. To the extent that UZPs provide non-urban services, there is no reason why City Corporations would not be assigned these same responsibilities. Naturally, in addition, City Corporations would have the main responsibility for urban services in their jurisdictions. This expanded responsibility should go along with a greater degree of local fiscal discretion and greater administrative autonomy.

### **A unified legal framework?**

The local government system in Bangladesh relies on at least five separate laws covering the roles and functioning of Zila Parishads, Upazila Parishads, Union Parishads, Pourashavas, and City Corporations. Other than the constitutional provisions dealing with local governance, the system as a whole lacks a single legal framework.

The main advantage of the piece-meal legislative approach for local governance is that each piece of legislation could more easily be tailored to the relevant political constituency to secure passage by parliament. One could question whether a parliamentary majority would support comprehensive or unified Local Government Act covering all local government levels. As such, the evolution of the legislative framework is understandable, and it could be argued that the series of revisions to the local government acts in 2009-10 resulted in some improvements and alignment between the different acts.

Perhaps the most important disadvantage of the current fragmentation of the legal framework with respect to local governance is that it has contributed to considerable duplication and lack of clarity in the assignment of functional responsibilities across different LGIs. Furthermore, the fragmented approach has failed to give shape to an appropriate overarching mechanism for coordinating intergovernmental relations and for funding local government institutions. For instance, Chapter 3 of the Local Government Code of the Philippines deals with intergovernmental relations, covering central-local coordination as well as coordination and cooperation between different local government units. Most local government laws (or closely-related local government finance laws) also provide the legal basis for the provision of formula-based intergovernmental fiscal transfers to the local government level.

Our comparative review suggests that most countries have a consolidated legal framework covering the local government system as a whole, with typically only one or two laws guiding the local government system. The legal framework in most countries recognizes urban and rural local government as needing somewhat different functions or somewhat different governance structures, but the legal/governance differences tend to be relatively limited.

The Philippines and the Indonesia, for instance, have a single authoritative local government law (the Local Government Code and the Regional Autonomy Law, respectively). In Indonesia, the financing is dealt with in a separate law (Regional Finance Law). Cambodia has two laws dealing with local governance: while the "Organic Law" covers the governance and administration of the Capital, Provinces, Municipalities, Districts and Khans, the "Law on Administrative Management of Commune/Sangkat" provides the legal basis for the governance of village-level governments (Communes and Sangkats). Similarly, Mozambique has a separate act dealing with the deconcentrated administrative system (the Law on Local Organs of the State) and one for devolved municipal governments. Kerala also has separate legal acts for rural local governments and for urban local governments.

Introducing a comprehensive local government legal framework in Bangladesh that covers the basic functioning of all local government institutions would be a major step towards achieving coherence in the local government system. Whether it would be appropriate to have a single Consolidated Local Government Act (dealing with the local government systems as a whole, including all types of LGIs) or possibly as two acts depends on the nature of the local government structure that is deemed preferable. In case the preferred local government structure makes a clear separation between urban and rural local governments (Options 1-3), it may be appropriate to adopt one comprehensive law for the rural local government system and to adopt a separate law for urban local governments. To the extent that it might be preferable to achieve harmonization between urban and rural local governments at each level (Option 4 above), it would be appropriate to pursue a single Local Government Act. In either case, the legal framework should not only limited itself to the functioning and responsibilities of the LGIs themselves, but also deal with the relevant systemic issues such as intergovernmental coordination and intergovernmental finance.

The comprehensive legal framework on local governance should also be better position to proactively deal with the division of responsibilities between local government institutions on one hand and the role and responsibilities of deconcentrated administrative entities at the different levels on the other hand.

## **Local governments as a space for localized decision-making: spatial planning, regulation, and community development**

This chapter has largely discussed “functional assignment” in terms of the role that local government institutions play in the delivery of public services, such as operating primary schools, providing basic health services, or ensuring solid waste management. In this discussion, little attention has been paid to the functional role of local governments as a space for localized decision-making with regard to spatial planning, regulation, and community development, which are equally important to the discussion of local government structure and functions.

The de facto functional responsibility of LGIs with regard to these regulatory functions is relatively weak. For instance, it is the responsibility of municipalities to draw up a Master Plan for the municipality. The master plan should provide the overall structure of development planning within boundary of municipality, including municipality development and land-use planning as well as the planning framework for transportation and traffic management, sanitation and environmental management. As such, these master plans are documents of tremendous potential significance, and with important consequences for municipal development. As such, they should be decided with considerable input from urban leaders and with considerable bottom-up input. Even when municipal capacity is relatively low, such master planning for urban expansion can be conducted in a participatory manner.<sup>42</sup>

Instead, in a recent round of master planning, master plans for most City Corporations and municipalities in Bangladesh were prepared by external consultants under the management of LGED with financial support from ADB and the World Bank. While this may have led to solid engineering plans, there appears to be little or no local government ownership over these plans. In fact, the sole indication that anyone in the municipality was consulted is the signature of the Mayor on the master planning document. There is little or no indication how the master plan actually relates to any of the capital infrastructure planning or service delivery planning that may be done by the local government.

The weak functional role of local governments in localized decision-making (including spatial planning, regulation, and community development) can be traced back to the constitutional role of local governments and the constitutional “confusion” whether LGIs should function as “supervisory” councils or true local self-governments. The notion of true local self-government—the basic concept that local residents should be able to come together at the local level to make local decisions for their common good in an unfettered manner—does not fit well with the overwhelmingly centralized orientation of the public sector in Bangladesh. Perhaps this is not surprising given Bangladesh’s colonial past. However, when one considers the relatively more significant and autonomous role that municipalities played in urban development and local decision-making during the colonial period, the notion of local self-government seems to have diminished rather than strengthened in the post-colonial period (Hicks, 1961).<sup>43</sup> As will be further discussed in Chapter 3, the limits on local political space and the institutional capture of local government institutions by the central government are quite harmful to the concept of rule-of-law, and the spirit of democracy as defined in the constitution.

### **Reforming the assignment of functional responsibilities of LGIs in Bangladesh**

Clarification and reform of the assignment of functions and responsibilities to different local government institutions in Bangladesh will be an important precondition for improving the local government system. The clarification and reform process would have to address the following concerns and weaknesses:

- Remove (any residual of) the “territorial approach” in the assignment of functional responsibilities: just because a facility is located in the territorial jurisdiction of a UP (or a UZP or even a ZP) does not mean that the UP (or UZP or ZP) should necessarily have any functional responsibility for that facility or over the services provided by that facility. Instead, functional responsibilities should be assigned in accordance with the subsidiarity principle.
- Eliminate and clarify the duplication in the assignment of function responsibilities to local government institutions at different territorial-administrative levels.

<sup>42</sup> For an example of successful master planning for urban expansion in a low-capacity environment (Ethiopia), see Angel et al (2013).

<sup>43</sup> In fact, it is noted that whereas urban local governments were previously the most autonomous local government entities with regard to local functional responsibilities in the country, they are excluded from mention in the Constitution.

- Eliminate and clarify the duplication in the assignment of function responsibilities to local government institutions and de jure and de facto responsibilities assigned to deconcentrated line offices at Zila and Upazila levels. There is currently no unified framework for the assignment of deconcentrated functions to different levels of the field administration across different sectors; to the degree that LGIs may not be ready to take on major service delivery responsibilities in the short term, more effective deconcentration (including budgetary deconcentration) of sectoral line ministries would improve the effectiveness local government system in Bangladesh.
- To the degree that a number of key public service delivery functions have been “transferred” to the Upazila Parishad in accordance with the Upazila Act, these functions have really been transferred in name only, as Upazila Parishads have no meaningful control over the facilities, the functionaries or the funds needed to deliver these services.<sup>44</sup> As such, the main role that the Upazila Parishad plays is supervisory and coordinating in nature (monitoring and guiding the Upazila-level field administration, which is de jure and de facto part of the central government), whereas the degree to which the UZP functions as a local self-government entity (managing and implementing its own affairs within its jurisdiction) is currently quite limited. Similarly, the transfer of “functions” to the UP level and the “deployment” of functionaries to the UP level also represents “cosmetic decentralization” as “deputed officers and employees” legally and factually remain central government employees “until the concerned Parishads acquire the ability to meet such expenses” for the salary, allowances and other financial benefits of such officers and employees.
- In the assignment of function responsibilities of local government institutions, the legal framework should distinguish clearly between functions where the local government institution is fully responsible for the provision of a service (including providing and maintaining the facility; employing the service provider and securing intermediate inputs and supplies that are needed to ensure the delivery of services) versus functions and responsibilities where the LGIs is merely responsible monitoring the performance of the field administration (e.g., through Standing Committees) and/or for ensuring community engagement.
- There is a concern that many pourashavas in Bangladesh are too small in terms of population to meet the minimum efficient scale for the delivery of infrastructure-heavy urban functions. This problem is exacerbated by the fact that many smaller municipalities in Bangladesh have a small economic base, which—combined with the (incorrect) prevailing notion that urban local governments should be essentially be financially self-sufficient—results in an inefficient allocation of functional responsibilities to municipalities. Given their current constraints, it is not likely that most municipalities are able to efficiently deliver local health services or that municipalities are able to efficiently fund and provide social safety net functions (which are supported by central line ministry programs in rural areas).

Specific recommendations with regard to the revision of functional responsibilities in Bangladesh were made by Boex (2014) as part of a careful comparative review of the assignment of functional responsibilities. The key points of the recommended assignment of functional responsibilities between the different territorial-administrative levels are presented in Box 2.2.

<sup>44</sup> In fact, Section 23(1) of the Upazila Act (2009) states that “The functions mentioned in the Second Schedule to this Act shall be the functions of the Upazila Parishads and the Parishads shall execute these **functions in accordance with the capacities of their funds**” [Emphasis added]. The way in which the executive functional assignment is assigned implies that the functional responsibility and authority of an Upazila Parishads is limited as a matter of course by the available financial resources (suggesting perhaps that the UZP is not considered the entity ultimately responsible for providing this service).



## Box 2.6 Recommendations on the assignment of functional responsibilities

The *Union Parishad* is an institution with strong historical foundations and forms an important link in the chain of political decentralization, forming an indispensable springboard for bottom-up participation in the public sector. Organizationally, it is expected that in the long run, Union Parishads will continue to operate and function in more or less in their current form into the future.

However, there are important reasons why the role of the UP in the delivery of social services (such as health and education) is likely to remain limited in the long run. Despite the extensive (albeit mostly vague) functions and responsibilities assigned to UPs by law (and the corresponding large number of standing committees required at the UP level), the Union level lacks the appropriate scale and capacities to take a leading role in the implementation of basic public services, such as health and education services. Given the small scale of the Union Parishads (with an average population of around 35,000), UPs would not be able to efficiently take on the responsibility for delivering any key sectoral services, services.<sup>45</sup> As such, Union Parishads should have no direct role in employing or managing the local health or education staff that delivers services within their jurisdiction. Similarly, UPs should not have any direct responsibility over the operation and maintenance of local health facilities or schools; the provision of supplies (e.g., medicines, textbooks, and so on); or the construction and rehabilitation of facilities. However, if Union Parishads wish to “top-up” spending in these areas using their own revenue sources (or their unconditional grants), they should be permitted to do so.

This is not to say that the Union Parishad should not have any role in the delivery of social services such as health and education. However, it is best to limit the roles of Union Parishads in these sectors to a list of discrete tasks, including (i) monitoring of service delivery facilities and staff (which are employed and managed by the Upazila), and (ii) community mobilization and engagement.

As the government level closest to the people, it could be argued that the Union Parishad’s comparative advantage is not as a platform for service delivery per se, but rather as the platform for community development activities and for providing small scale local infrastructure that currently form the bulk of its efforts (in other words: schemes). Union Parishads are also well-positioned to play a stronger role in land-use planning within their jurisdiction (similar to the role currently played by pourashavas). Given the scale of Union Parishads and given the need for every political level to deliver some tangible benefits to its constituents, it is likely that small-scale schemes will remain the mainstay of Union Parishads, even into the long run. In principle, therefore, the resources that the UP raises from own resources and through cross-sectoral (unconditional) grants should primarily be used to fund locally-identified priorities, which are likely to revolve around local livelihood activities and small-scale infrastructure rather than longer-term development activities such as support to schools and health facilities.

In contrast to *Union Parishads*, Upazila-level jurisdictions should have sufficient scale (with an average population of close to 300,000 residents) in order to performance most local service delivery functions efficiently. Thus, when the subsidiarity principle is applied to the delivery of key public services (education, health services, social safety net program, and so on) in Bangladesh, it is difficult to avoid the conclusion that in the long run, the Upazila level is the lowest level of governance or administration that would be able to perform these functions in an efficient manner. As such, the Upazila level should become the main governance level responsible for the delivery of these services. Assigning the responsibility for basic health and education services to the Upazila level (i.e., the Upazila Parishad) in the long run means not only that the central government decrees that the Upazila is now responsible for these functions, but that the Upazila Parishad is provided with the legal authority, discretion and resources necessary to truly perform these functions.

Although the *Zila level* is not directly responsible for delivering front-line services, the Zila currently plays an important role in managing the inputs that go into front-line service delivery. For instance, many human resource decisions for front-line services are made at the Zila level, and the Civil Surgeon plays an important role in the distribution of medicines. If Bangladesh were to follow the subsidiarity principle, many of the administrative and managerial tasks that are currently performed at the Zila

<sup>45</sup> As a rule of thumb, the minimum threshold for an efficient service delivery jurisdiction in a low-income country is generally believed to be somewhere around 200,000-300,000 people (e.g., Boex, Martinez-Vazquez, & Timofeev, 2004). Sanitation may be one sectoral function that is suited to the scale of UPs.



level by deconcentrated offices would gradually have to be transferred to the Upazila level.<sup>46</sup> One of the few aspects of localized service delivery where the Zila level would continue to play a direct role is in the procurement of new sectoral infrastructure. Based on the subsidiarity principle, the Zila may further be the lowest government level that is able to efficiently deliver specialized health care services. As such, Zila Health Offices (Civil Surgeons) may retain their responsibility of Zila Hospitals and/or other Zila-level health services.

Depending on the exact local government structure chosen, *pourashavas* would have roughly the same functional responsibilities as Union Parishads, with the addition of appropriate “municipal” or “urban” services, such as urban planning, waste management, sanitation, street lighting, and so on. Given the relatively small size of many *pourashavas*, it would be inappropriate to assign *pourashavas* with the exclusive responsibility for major urban infrastructure development projects (such as major road infrastructure, piped water systems, waste water treatment and so on) without appropriate mechanisms to fund and operationalize these functions at the municipal level. Given the small scale and weak economic base of many *pourashavas*, they should not be assigned the responsibility to provide health services to urban residents. Although municipalities can be assigned the responsibility to support the provision of social safety net programs, they should not be expected to self-fund these programs.

**City Corporations** (and potentially Class A *Pourashavas*) can play a more substantive role in delivering urban services, including large-scale urban infrastructure. In fact, it is likely that the leaders or larger urban areas are well-positioned to play a more central role in not only coordinating the provision of urban services, but in fact, in the delivery of these services. As such, the role of the elected local leadership should be strengthened over the service delivery authorities which operate within the territorial jurisdiction of the City Corporation (such as the water authority, and so on). Not only would it be appropriate for the City Mayor to chair these authorities, but consideration should be given to transfer full ownership over these authorities to the City Corporation. Furthermore, there is a good argument to be made that City Corporations should not have the same functions that are otherwise played by Upazila Parishads.

**Source:** Based on Boex (2014).

### Focus on better deconcentration first

One issue that is not highlighted in the discussion in Box 2.2 is how functional responsibilities should be distributed between the Upazila Parishad and the Upazila Administration. Boex (2014: Chapter 5) discussed issues related to the transition over time from the current situation to a more effective expenditure assignment. In the most immediate future, it is recommended to focus predominantly on improving the effectiveness of deconcentrated systems. This would entail consolidating the deconcentrated management of localized services at the Upazila level (within the hands of Upazila-level field administration officials), so that the upazila level becomes the nexus for deconcentrated public service delivery, rather than having bits and pieces of the inputs to localized services being decided, budgeted and managed in a fragmented manner at different stations up and down the vertical sectoral hierarchy. For instance, it would be appropriate for teachers who are employed in a certain Upazila to become an administrative and budgetary part of the Upazila Education Office (or Upazila Education Department). Likewise, the Upazila Health (and Family Planning) Office or department should not just contain the upazila-level officers who manage and coordinate the delivery of health (and family planning) services, but this department should bring together all the officers, physicians, nurses and community health care staff that together deliver health services within the Upazila.

With regard to the distribution of functions and responsibilities between the UZPs and the upazila administration, Boex (2014) recommends that it would be appropriate to start by giving UZPs greater control over sectoral O&M resources and minor development resources, but to do so in a manner that earmarks funding resources for a set of predefined activities within the social sectors (education, health and possibly sanitation). Although Upazila Parishads would be able to prioritize resources across and within these key sectors in response to where the greater local needs are felt, this approach prevents Upazila Parishad Chairmen from acting “freestyle”.

<sup>46</sup> For instance, the responsibility for hiring, firing and managing teachers, local health workers and so on would be shifted from the Zila administration to the Upazila administration level.

Although the Upazila Act (2009: Third Schedule) provides the Government wide latitude to “transfer” the responsibility for public services—along with the concerned officers and employees—to the management and control of an Upazila Parishad, strategically, this may not be the best place to start with the transfer of functions to the UZP. Central line ministry opposition to the transfer of functions should be expected to be fierce, especially to the extent that the “transfer” of these officers and employees would involve (a) diminished administrative control by the respective central line ministries over these deconcentrated staff; (b) providing the Upazila Parishad Chairman signatory control over release of staff salaries and wages; or (c) re-routing of the salaries and wages of these employees through the accounts of the Upazila Parishad.

Indeed, a universal and perpetual argument against decentralization (whether deconcentration or devolution) is that local officials have insufficient capacity to perform the additional tasks and responsibilities that are being envisioned for them. This argument fails to recognize that capacity should be absent until a specific function or responsibility has been transferred: it only makes sense to put the necessary systems in place and to capacitate local officials for a specific function or task until after that task has been assigned to them. Indeed, the comparative perspectives (especially from Kerala, the Philippines and Indonesia) on this issue suggest that capacity constraints can be overcome as long as sufficient political will is there to truly decentralize responsibilities). Similarly, the comparative practices suggest that the Upazila level is the most appropriate level to place additional service delivery responsibility and capacity.

A similar (false) argument can be made that the transfer of functional responsibilities to the Upazila Parishad is futile as this local government is currently almost a political one-man show with extremely weak accountability: to the degree that the UZP makes any decisions at all, these decisions are made by the Chairman at the direction of the Member of Parliament. While this is true, it is impossible to set up proper local political mechanisms and effective local participation and accountability mechanisms until there is actually something to locally decide, participate in, and/or something to watch over. Again, the comparative experience from the country cases is that local political and non-political accountability mechanisms can only be strengthened and fine-tuned after functional responsibilities are assigned. This is one of the reasons that the current report deals with all five of the key dimensions of the local government system (including not only local government structure and functional assignments, but also local political systems and participation and accountability) in a comprehensive fashion.

### **Coordinating the local government system**

A final issue to be raised in the context of the discussion on the intergovernmental architecture and the assignment of functional responsibilities in Bangladesh is the matter of intergovernmental coordination. Which entity at the central government level should champion and coordinate the reform of the local government system, and which entity should be responsible for the subsequent ongoing coordination of intergovernmental relations?

Comparative experiences regarding intergovernmental coordination vary from country to country (Boex and Martinez-Vazquez, 2004). In many centralized countries, the Ministry of Local Government is tasked with the exclusive responsibility to monitor and coordinate all aspects of intergovernmental relations, including local government finances. While the Ministry of Local Government generally also plays a role in more decentralized countries, it is not unusual for broad-based or inter-ministerial commissions to be tasked with tracking and considering local government finance issues in more decentralized countries. In contrast, other decentralized countries rely more heavily on local government associations or even the legislative branch to monitor and analyze the system of local government finances and to represent local government interests at the national level to assure a balanced system of intergovernmental relations.

In the Philippines, the President’s Office is designated by the Local Government Code (Chapter 3) as the central entity responsible for intergovernmental supervision and coordination. In Indonesia, the Regional Autonomy Advisory Council (DPOD) is chaired by the Minister of Home Affairs and is composed of high-level (mainly political) Boards and lower-level technical teams and working groups. In Cambodia, the National Committee for Sub-national Democratic Development (NCDD) is the inter-ministerial mechanism used for promoting democratic development through decentralization and deconcentration reforms. The

NCDD was established by Royal Decree in 2008 and is led by the Ministry of Interior. In Kerala, a State Finance Commission is a body of public finance and public administration experts which is appointed by the state government at regular intervals of five years. The State Finance Commission in each Indian state is constituted under Article 243 of the Indian Constitution in order to review and revise the financial position of panchayat raj institutions and urban local governments.

Comparative experiences reinforce the notion that if local government reform in Bangladesh is to be successful, it needs to have a broader institutional champion than the Local Government Division alone. Regardless whether the country chooses to pursue deconcentration or devolution, it seems that the Prime Minister's Office and the Ministry of Finance are critical allies in the improved localization of the public sector. Similarly, decentralization reforms that do not provide a forum for the voices of the central line ministries, civil society and local governments themselves to be heard is not likely to be viewed as legitimate. Although the exact composition or nature of a formal intergovernmental coordination mechanism is beyond the immediate scope of the current review, the need for such a mechanism is abundantly clear. In the interim, champions of improved decentralization and localization should continue to generate information and evidence about the state of the local public sector in Bangladesh that can meaningfully inform the ongoing momentum towards local government reform.





# 3

Effective local political  
systems and leadership

# Effective local political systems and leadership



Effective and accountable local political leadership is an important feature of a well-functioning local government system. This chapter considers whether the local political systems in the comparative country cases—as well as in Bangladesh—give local political leaders the necessary political space for them to effectively identify and respond to the needs of its residents and the local business community. Lessons are drawn for the local government systems in Bangladesh.

In the context of Bangladesh, it should be noted that when we speak of local “political” systems and leadership, we do not necessarily mean political party systems of political party leaders. Instead, we refer to the elected leadership at the local government level that is given authoritative decision-making power at the local level (i.e., generally, the Chairperson, Vice Chairpersons, and council members). In this regard, we contrast the local political leadership (discussed in this chapter) with the local administrative leadership (or the local administrative staff) which is discussed to a greater extent in Chapter 4.

The current chapter is structured as follow. Section 3.1 provides a brief conceptual overview of the local political systems and leadership. Section 3.2 considers the situation in Bangladesh with regard to local political systems, covering the four main local government institutions (Union Parishads, Upazila Parishads, Pourashavas, and City Corporations). Section 3.3 presents comparative international experiences with regard to local political systems and leadership. Section 3.4 presents options and initial recommendations for Bangladesh.

### 3.1 Conceptual overview: local political systems and leadership

Political decentralization is the primary mechanism through which citizen preferences are represented in local decision making, and is therefore essential to an effective system of decentralized local governance.<sup>47</sup> Although (local) political systems are extremely country- and context-specific, there are three primary components of local political systems: first, the discretion given to the local elected officials to perform fundamental functions that permits them to represent the preferences of the citizens in decision making process; second, the existence of (political, administrative and fiscal) incentives that encourage local political leaders to represent their constituents (rather than to represent their own personal interest or a narrow political interest); and third, mechanisms that hold the local government and its (elected and non-elected) officials accountable for appropriate use of this discretion. This framework emphasizes that an authority can be held accountable for performing a specific function only if it has the discretion to perform that function (Gurkan, Yilmaz and Aslam, 2010).

The institutional context for the effectiveness of local political systems and the effectiveness of a local government’s political leadership within which forces of discretion, incentives and accountability interact is provided by (i) the internal political organization of the local government (e.g., the separation of powers between the local council and executive); (ii) the manner in which the local executive (i.e., the Chairman or Mayor) and the council members are elected, including representation of women and disadvantaged groups; (iii) the nature of political party systems; (iv) the vertical separation of powers; (v) the effective control that the political leadership has over its management team and over local administration at large; and (vi) non-electoral aspects of local political participation and accountability.

**The internal political organization of local governments.** A well-designed local government system requires that the local government’s organizational structure clearly specifies the roles and functions of elected and non-elected branches of local government. Similarly, there is a need to ensure that the local government’s legislative and executive branches (and judicial branch, if relevant) are independent in the exercise of their respective powers and duties, and that local councilors are independently able to carry out the oversight function of the local executive bodies.

<sup>47</sup> This section builds in part on World Bank (2009); Gurkan, Yilmaz and Aslam (2010); and Boex (2012).

To this effect, different countries have chosen one of four major institutional arrangements that define the division of authority and responsibilities between the elected council and the executive. These are (a) strong local executive (or “presidential” system), (b) a strong council (or “parliamentary” system), (c) a council-manager approach, and (d) a commissioner system. As illustrated in Table 3.1, each institutional power arrangement is associated with key benefits as well as risks or disadvantages.

**Table 3.1. Political/institutional organization of local governments**

Institutional Mechanism	Main characteristics	Benefits	Risks
Strong Executive	The mayor is directly elected; he/she typically dominates the decision making process and has a strong symbolic role in representing the locality.	Mayor can undertake swift public policy measures.	Local councils are often marginalized.
Strong council (parliamentary system)	Mayor is elected by the council.	Local council retains the major decision making authority.	Decision making process may not be very efficient.
Council-Manager	The council appoints and contracts with a politically neutral administrator to run and manage the city.	Combines the strong political leadership of elected officials with the strong managerial experience of an appointed administrator. Such an arrangement can preclude politically motivated patronage.	Requires high capacity level among government to institute such a mechanism.
Commissioner	The commissioners are both legislators and department chairs.	All have equal powers even though one commissioner may have the title of mayor.	The system violates the principle of separation of powers.

**Source:** Gurkan, Yilmaz and Aslam (2010).

**Local electoral systems.** In addition to the chosen political-institutional structure of local governments in a country, local electoral systems shape the incentives of both the elected officials and the citizens and make elected officials more responsive to citizens’ preferences. In this capacity, elections can act as an empowerment tool, as competition among local politicians increases the chances for civil society representatives as well as vulnerable groups to be included in decision-making.

The two most common electoral arrangements at the local level are the proportional representation (PR) or “party-list” system and the first-past-the post (FPP) or single-member constituency system. In the case of direct, first-past-the-post elections, two different sets of electoral rules are common: in a FPP-Majority system a majority of votes (in excess of 50 percent) is required in order to win the election, whereas under a FPP-Plurality system, the candidate with the most votes wins (even if a majority is not obtained). Under a FPP Majority system, if an election does not produce an outright winner, a run-off round is typically held between the two leading candidates. Naturally, the choice of electoral system has an impact of the relative power relationship within the local government and between different government levels. For instance, a Mayor or Chairman elected under a FPP Majority system is likely to be more powerful than a local executive elected under FPP Plurality rules.

In addition to party-list systems and single-member constituency systems, local councils (and local executives) may be elected through more complex voting schemes or even through indirect elections (e.g., each village council may send one or two representatives to the district council, and so on). The advantaged and disadvantages of the main electoral approaches are presented in Table 3.2.

**Table 3.2: Institutional Electoral arrangements in local governments**

Institutional Mechanism	Main characteristics	Benefits	Risks
Proportional representation	Voters generally vote for a party rather than a specific candidate. Electoral districts have multiple representatives. The share of votes received by a party is translated by a fixed formula into the number of seats to be held by that party.	More inclusive of minorities and women candidates compared to first-past-the-post system.	Independent candidates with no political affiliation can become marginalized. Accountability can be compromised in favor of representation.
First-past-the-post	Single candidate is elected from each constituency based on plurality	Voters have greater clarity of the individual they are voting for which leads to better accountability	Independent candidates with no political affiliation can become marginalized. Accountability can be compromised in favor of representation.
Mixed systems	Mixture of PR and nomination of district representatives.	May guarantee territorial representation, creates a transition period between other two established systems (PR and FPP).	May create confusion in representation of local candidates.

**Source:** Gurkan, Yilmaz and Aslam (2010).

Beyond considering the electoral system itself, voter turnout can be an important indicator of citizen participation in local election. When considering voter turnout, account should be taken of the fact that voter turnout might be influenced by a variety of factors, including the voter registration process, the timing of local elections (e.g., higher turnout is common in many countries when local elections coincide with national elections), and the existence of compulsory voting requirements.

An additional element that should be considered as part of the electoral system is whether special rules or accommodations are made for the representation of women and/or disadvantaged groups. Depending on how women council members are elected or selected, they may end up having a stronger or weaker voice in the local government decision-making process.

Similarly, other elements of local electoral processes (such as the length of the term for which officials are elected; the existence of recall provisions; the age or maturity of local government election system; the existence of legal term limits) may all influence the effectiveness of local democratic representation at the local level.

**Political party systems.** Another key factor that influences the effective of local political systems is the partisanship of local elections. Although multi-party elections are widely accepted to be more competitive than single party systems, some countries only allow national parties to run in subnational elections in order to prevent regional political fragmentation. However, research on the role of regional political parties on overall political stability is not yet conclusive. Similarly, not enough research is available to be able to make definite conclusions regarding whether (or under what conditions) partisan or non-partisan local elections are more effective.

Some research suggests that a party-based election system at the local level may promote patronage by identifying the support base of the candidate, while elected officials may be more concerned with taking measures to ensure their promotion and advancement within the internal party structure, rather than in passing policies that benefit the community. On the other hand, holding local elections on non-party basis can exclude a large cadre of political workers that form the base of the political parties, thereby restraining political development in the country. Other features of the political party system at the local level—such as the selection of candidates through primary elections or funding rules for political parties—may further enhance the responsiveness and accountability of locally elected officials.

**Vertical separation of powers.** Due to their position at the apex of the government structure, central governments tend to play a dominant role in the public sector. An important benefit of political or democratic decentralization is the “vertical” separation of power. When power is separated vertically between different government levels, this tends to prevent (or at least, reduce) the monopolization of power at any government level and allows for additional checks and balances within the public sector. While an effective local government system requires that central government permits the local level a degree of local political space, central politicians and central officials (in virtually all countries) have a tendency to try to infringe on this local political space in pursuit of their own political or institutional agenda.

There are numerous ways in which the central government may limit the political space of local governments and local political leaders. Some of these strategies are overtly political. For instance, the central government may require all local government decisions (including local budgets) to be approved by the central government, or the center may retain the power to dismiss locally elected officials through administrative processes (i.e., without judicial intervention). Alternatively, in some countries, the Mayor or local political executive is simply appointed by the central (or higher-level) government. In other countries, the Member of Parliament is attached to the local governments(s) in his or her constituency as an advisor or ex officio member of the local government council.

There are also numerous indirect ways for central authorities to limit the political discretion and power of local governments. A vague or duplicate assignment of functional responsibilities to the local level can greatly limit the decision-making space of local political leaders. Similarly, limiting local governments’ access to own revenue sources and relying on highly discretionary (non-formula-based) grant allocations instead gives the central political leadership an easy tool to control over local government decisions by “incentivizing” what local governments can and cannot do.

**Local political control over local executive functions.** A special dimension of “vertical control” is the degree to which the local government has actual or de facto control over the administration of functions that are assigned to it. To what degree does the political leadership have effective control over its management team and over local administration at large? Whereas in devolved local government systems, local governments have considerable (or even full) control over the implementation of their functions, other countries limit the local political control over different aspects of local government administration or local service delivery. These limitations are sometimes imposed for good reasons, while in other cases, these top-down controls are more overtly politically driven.

For instance, in many countries that are transitioning from a deconcentrated system to a more devolved system, the central government retains the power to appoint the local government’s chief executive officer or chief administrative officer.<sup>48</sup> Similarly, the central (or higher-level) government may also appoint the local government’s department heads. To the extent that the agenda of the local political leadership differs from the priorities of the central government, such a situation would limit the local government leadership’s control over its own executive functions. Furthermore, it is not uncommon for key “local” functions (particularly in larger urban areas) to be transferred or assigned to parastatal organizations or service delivery authorities (such as water authorities) that fall under the auspices or control of central government ministries, rather than falling under the auspices of the local government’s leadership itself (Boex, Lane and Yao, 2013).

**Local political participation and accountability.** Finally, the effectiveness of the local political system is further influenced by a number of non-electoral aspects of local political participation and accountability. For instance, to what degree do constituents and civil society organizations participate in planning, budgeting and implementation of local government activities? Is the participation of constituents and community-based organizations in local decision-making processes facilitated by the public availability of local government documents? Do local governments generally operate in an open, transparent and consultative manner as they identify and implement their activities?

---

<sup>48</sup> Central government controls over of the local governments’ ability to manage their own human resources is discussed in greater detail in Chapter 4.

## 3.2 Situation in Bangladesh

### 3.2.1 Overview

Bangladesh has separate local government systems for both rural and urban areas. Of the three rural councils, the Zila Parishad (ZP) has remained under bureaucratic/party appointed leadership. No election to the ZP has been held since independence. But the other two tiers – the Union Parishad (UP) and the Upazila Parishad (UZP) – can be seen as representative bodies. Chairs of both parishads are elected on popular votes. The urban councils – paurashavas and city corporations (11) – are also popularly elected bodies. One-third of seats within each LGI are reserved for women.<sup>49</sup> An overview of the key features of the local political structures and leadership in Bangladesh is presented in Table 3.3.

**Table 3.3 Effective local political structures and leadership: Bangladesh**

	Assessment Indicator	BGD - UP	BGD - UPZ	BGD - muni.	BGD - CC
<b>B</b>	<b>Dynamic local political leadership</b>				
B1	Is the LG political executive directly elected?	1	1	1	1
B2	Are the LG election system and LG elections competitive?	1	0.75	0.75	0.75
B3	Does the LG Political Executive have broad support from the legislative council and LG's administrative apparatus/staff?	0.5	0.5	0.75	0.75
B4	Does the LG political executive recruit, appoint and hold HR authority over the core local administration team?	0	0	0	0
B5	Is the LG effective in achieving results in the service delivery areas that constituents care about?	0.25	0.25	0.5	0.5
	<b>Total</b>	<b>2.75</b>	<b>2.5</b>	<b>3</b>	<b>3</b>

Elections to different local councils are held in a very competitive manner. The rate of voter turnout in local elections compares favorably even with many long-established democratic countries. Party involvement in local elections is legally barred. Such restriction is, however, honored in the breach. The main parties have actively participated in different elections, nominating candidates and campaigning for them. The only exception is election to the UP which is mostly held in a nonpartisan manner.

There are, however, some problems in institutionalizing party-based local elections. Most parties lack internal democracy; there is thus the risk that candidates for local council elections will be imposed from above without any reference to local choice. Besides, the impartiality of the election authority has routinely been questioned, especially by opposition parties. Those elected to local councils as chairs often remain disadvantaged in several ways. Although chairs of different councils act as chief executives, their ability to work independently is largely restricted more because of environmental constraints than for their personal failings. Local councils, particularly rural councils, do not have much control over functions, funds and functionaries. Although urban councils have better access to funds and functionaries, their operational autonomy is, however, somewhat limited. The omnipresence of the central bureaucracy is quite evident at all levels except at the UP. Responsibility for providing different major services at the union and upazila levels rests with officials of line agencies of the central government. Local councils do not have much scope to exercise political control over local administration team. Urban councils have better scope to provide services to their constituent. UZP chairs find their role doubly-constrained. MPs have been made chairs of UZPs; the

<sup>49</sup> Women also can contest for general seats. However, although each women member/councilor has a constituency three times larger than that of a member/councilor elected from a general seat, she is often discriminated against. Women councilors/members are often seen as 'women' than as 'representatives'. One way to deal with the problem is to make changes in the method of elections.



latter have to mandatorily seek the advice of the former which most of the upazila chairs dislike. There is no easy way to resolve the problem. Chairs also cannot always expect members agree to what they want to do. The latter may also create problems for the former. Members/councilors, who represent smaller units, often behave in a parochial manner; chairs often find it difficult to reconcile differences. This problem is likely to be noticed more at the upazila level where UP chairs hold ex-officio membership of the UZP. Imbalance between the chair and the council often results not from the tendency of the former to dominate the latter, but from the unwillingness of members/councilors to abide by the rules of the game.

### 3.2.2 Local political structure of Union Parishads

The present-day Union Parishad owes its origin to the Bengal Local Self Government Act of 1885. The Act provided for a three-tier rural local government system, with a Union Committee at the base, a District Board at the top, and a Local Board in the middle. The Act envisaged a UC with great financial powers and municipal functions. But in practice, it became merely an optional appendage of the superior bodies having very limited powers of raising funds by local taxation and then only for specified projects (Rahman, 1962: 8). It mostly worked as an agent of the DB which enjoyed executive and financial powers. Moreover, UCs were set up at the discretion of the District officer, the all-powerful head of the District. Initially these were nominated bodies, but were democratized subsequently. However, until Bangladesh became an independent country heads of UCs, which were renamed as Union Boards in the 1920s and Union Councils in the 1960s, were elected indirectly by members. Franchise was restricted during the British period; only those who could pay one rupee as tax or cess were eligible to vote and women were not franchised at all. Besides, voters had to cast their votes before the presiding officer and in the presence of candidates or their authorised agents (Chowdhury, 1969: 10-11). Although universal franchise was introduced in the 1950s, elections to local councils remained an exception. However, elections to the UC, renamed Union Parishad (UP), have been held more or less at regular intervals since independence in 1971. The chair and members of the UP are elected separately on popular votes. Provisions for reservation of seats for women have also been made. Formally, the UP is a more representative body now than at any time before.

#### **Local decision-making processes/General imbalance of power between the chairman and the council.**

It is often argued that since Bangladesh has adopted a parliamentary system of government patterned on the Westminster model, different local councils should also follow the parliamentary principles. In other words, the argument is that the chairman should be the 'first among equals', and not someone who should enjoy a higher status. Under the existing system a chairman of the UP/UZP is elected at large; he s/he has a wider constituency than a member. The law also makes her/him the chief executive. Yet s/he cannot dominate the decision-making process. Her/his ability to act in an arbitrary manner is limited. The UP Act of 2009 requires that decisions of the UP be approved by a majority of members; hence, it is not always possible for the chairman to disregard the opinion of the members. The chairman lacks any veto power as one can see in a presidential system. Moreover, there is a provision in the Act for moving no-confidence motion against the chairman (and also members). Although rarely exercised and difficult to enforce, this can still be seen as a deterrent. The role of the chairman in planning and implementation of LGSP projects is quite limited.

Thus, although the leadership role of the chairman is important, he cannot be an 'omnipotent' actor. Much of the success of the chairman in getting things done will depend upon several factors, of which her/his ability to skilfully balance the conflicting claims of different role actors (members) is very important. S/he cannot coerce members. Nor can s/he do everything in a unilateral way. There is a need for bargaining and compromise. On the other hand, the suggestion that the chairman should be someone having similar status like an ordinary member and be elected from among the members is fraught with serious difficulties. This method of electing the head of an organization is extremely risky. In fact, the 'infamous' BD system that existed in Bangladesh before 1971 was similar in nature and its drawbacks were so pronounced that Bangladesh decided to abolish it immediately after independence. Reverting to the old system, which was discredited is likely to cause resentment and may jeopardize the working of local government.



**Role of the MP.** The role of the MP is not as pronounced in the UP as in the case of the UZP which is mandatorily required to seek advice of the local MP. No such requirement can be found in case of the UP. In fact, there is no reference at all to MP in the UP Act. Yet, as the chairman of the Union Parishad Forum (UPF) observed, MPs often try to influence the decision-making process in the UP, often suggesting what to do and what not to do, and/or to make allocations in favor of some (to the exclusion of others). There is, however, no easy way to resolve this problem. Since nothing is specified in the UP Act on the role of the MP, it will be premature to suggest how an MP should behave while dealing with UP matters.

**Local electoral processes.** The social and political contexts within which local elections take place in Bangladesh have changed considerably over the years. Unlike the past, social position cannot be considered as a sufficient condition to rise and to remain in leadership positions in local government. A politician senses vulnerability and feels more insecure now than before. Rarely are leaders elected uncontested. Nor can one find many 'safe' seats. Stiff competition characterizes UP elections (also other elections) in Bangladesh, notwithstanding the fact that candidates are not allowed to use party labels during campaign. In fact, party involvement in local elections is legally barred. Although such ban is mostly honored in the breach in case of elections to UZP and urban bodies, elections to the UP generally do not arouse much party interest. Local issues figure prominence in UP elections. Some empirical studies reveal that the introduction of democracy at the grassroots level has made political rivalry more than a segmental rivalry. Political candidatures now remain theoretically open to anyone and, due to the provision for secret voting, economic dominance no longer automatically guarantees political power. The secret ballot can spawn more than one type of politician, although the pace of such change may still remain very slow.

That UP elections in Bangladesh are held in competitive manner does not imply that these adequately reflect the choice of the electorate. Several factors still influence the electoral outcome, albeit in a negative way: violence, intra-party feud, inter-party conflict, partisan behaviour of people associated with the election process, patron-client relations in rural society, and factional politics. Some of the factors, for example, patron-client relations have now less influence than in the past. Unlike the past when an absolute majority of the electorate depended on agriculture for livelihood and often had to accept harsh conditions set by those who owned land or other means of production, there is now better scope for diversifying sources of income. Greater social mobility is also now widely noticed, resulting in weakening of the traditional patron-client bonds. But the benefits gained from this type of change have been offset by new ground realities. Those who have access to three Ms – money, muscle and mastaans – have better prospect of gaining leadership positions in local government (also in national legislature) than those who lack these 'vices'.

Election contest has become extremely expensive; many of those who should have led local government have now been marginalized by the emerging leaders. What is now needed most is to identify ways to make the election process transparent, and elected leaders, more accountable. While some efforts have been made in recent years to enhance the accountability of elected representatives at the Union level, the task of making the election process transparent appears to be extremely problematic. Part of the reason is the inability, willingly or otherwise, of the election authority to enforce election laws and rules in an efficient manner. In particular, it often appears to be extremely difficult to enforce rules that limit the spending of money during elections. Some kind of 'biases' in the behaviour of the law enforcing agencies also accounts for ineffective enforcement of election laws.

**Political interactions between different tiers.** Union Parishad (UP) and Upazila Parishad (UZP): There is an organic link between the UZP and the UP. Chairmen of the UPs within an upazila, as stated earlier, are members of the UZP. Since they constitute the majority of members in the UZP, their opinion often matters more than the others. However, unlike the past, the UZP does not have the power to pass the budgets of the UPs; these now have to be submitted to the DC. Nor is the UP as dependent upon the UZP now as it was in the 1980s. Part of the reason is the easy access of the UP to resources coming from different sources – national and international. The UP now receives grants from a variety of sources. This, in turn, has made it more self-confident, if not self-reliant. In particular, this has led to some kind of change in the attitude and behavior of the UPs. The UZP does not have the scope to impose something on the UP; there is thus the need for developing a mechanism for coordinating their activities by mutual consent. The relationship between the two is not hierarchic; it is collegial. Bargaining and compromise may provide the main source of overcoming conflict and disagreement and, in the long run, to ensure coordination. The task of identifying political interactions between the UZP and UP is difficult. Part of the difficulty stems from the fact that officially council

ors and chairmen are elected in a non-partisan manner. Since no one is allowed to use party labels, at least in public, it is difficult to ascertain the extent to which elected representatives have party affiliations. Nor is it easy to identify the extent of informal interaction that may take place among representatives at different levels/units and to explore the impact of such interaction on resource allocation or/and other decisions taken by these two rural councils. In fact, it remains one of the least studied areas. Interaction between the UP and the Pourashava is intermittent. There is not much scope for interaction between the two units. The two units work independently of each other.

**Lack of local political control over local administration team.** The UP is the lowest unit in the local government hierarchy. It has been charged with undertaking a number of important functions, most of which are implemented in a participatory manner. There is not much scope for employing a large number of staff. Moreover, the staff need has been addressed by the national government. Most of the departments (7) that have been transferred to the UZP have their extension agents at the grassroots level (ward and union). This increased bureaucratization has restricted the scope of operation of the UP to a large extent, and also reduced the need for employing a large staff. The 2009 Act empowers the government to transfer the functions of seven ministries at the union level and services of officials to the UP for a certain period of time. Once transferred, they will work under the guidance of the UP. No decision has yet been made for such transfer. As a result, those working at the Union level do not owe any accountability to the UP. Nor do they readily agree to attend its meetings.

The Ministry of Local Government and Rural Development (MoLGRD) issued a Circular in February 2011 requiring that a specified number of line agency officials be included as members of the Union Development Coordination Committee (UDCC) (GOB, 2011). It was intended mostly to ensure coordination between the field staff and the UP in the delivery of services at the local level. This Committee is required to meet at least once in every two months. A platform like UDCC can facilitate coordination through both formal and informal communication. Different Line Agency Officials (LAOs) are expected to attend meetings of the UDCC. Such meetings can be seen as useful from different stand points, the most important of which is that the LAOs can use these opportunities to clarify their priorities and explain problems they face, while UP functionaries can raise grievances and complaints received from the locality against unsatisfactory provision of services. Evidence from the field, however, shows that while some UPs regularly hold meetings of the UDCC, others are very irregular in organizing such meetings. Among the LAOs, those belonging to the ministries of health and family planning department and agriculture attend the UP meetings more regularly than others.

Absence of sufficient legal provisions acts as one of the prime factors responsible for poor coordination between the UP and LAOs at the local level. Formal mechanisms for ensuring coordination between the two sets of actors are failing to produce any effective result due to insufficient rules and regulations. The Circular issued by the MoLGRD has been not properly communicated to LAOs and to the UP by the UNO. Another reason is the absence of any rule/law that makes the attendance of field staff in the UDCC meetings mandatory. Field officials belonging to various ministries are not legally obliged to carry out the order issued by the Ministry of Local Government. Thus, two factors – lack of adequate formal communication between field administration and the UP with regard to the issuance of circular and inadequacy of formal rules – affected the efficacy of UDCC in ensuring optimum coordination. The UP complexes are left largely unused by the line agency officials due mainly to the lack of any departmental instruction for them to do so. The UP often remains an ‘onlooker’, failing to influence the behavior of the LAOs responsible for the delivery of basic services.

**Gender representation at the local level.** Under the existing UP law, three women (one-third) are directly elected to the UP, with each having a constituency three times larger than that of her male counterparts. The provision for reserving one-third of seats for women exists at all levels – UZP, municipalities and City Corporation. Women members thus have to spend more time, energy and resources to get elected to the UP (and to other councils). What is important to note is that women members often face difficulties to assert their views in council meetings. Their views are not given as much importance as they warrant (Panday, 2013). Research reveals that male members often hold negative views about women members. One researcher has observed that some male colleagues even raise objections to women members’ sitting in chairs in office along with them. Most importantly, they are reluctant to accept women as their colleagues in the UP (Begum, 2007). Female reserved-seat members/councilors are identified more as ‘women’ than as ‘representatives’. Measures should thus be taken to help them become ‘representatives’ – ‘full’ members who, like their male counterparts, can raise issues and problems that concern their constituents.

The (Upazila Parishad) UZP, which stands midway between the UP and the ZP, is the newest of all rural local councils, having been re-activated as an elected local government body in 2009. It owed its origin to the Basic Democracies Order (BDO) of 1959. Initially it was called Thana Parishad (during the Pakistan days), but was renamed UZP in 1982 when its composition and functions had also undergone considerable changes. The TP lacked any executive power; it was headed by a government official and composed of chairs of UPs and officials of central government working at the Thana level. Following the change in 1982 the UZP was made an executive body; provision was also made to replace the bureaucrat-turned chair by a popularly elected chair. The UZP Act, revised during the caretaker rule (2007-2008) and given legislative effect in 2009, now provides for two popularly elected vice-chairs - one male and one female. Officials of different government departments have now been dropped as members, although they can attend meetings of the UZP. UP chairs as well as chairs of municipalities falling within the jurisdiction of an Upazila still hold ex-officio membership of the UZP. Provisions have also been made for indirectly elected women members. Elections to UZP held over the years have been extremely competitive. Those winning a simple majority are declared elected. The simple majority system is followed in all different elections including elections to the national Parliament. The UZP, however, remains seriously handicapped, as other chapters of the report show, in performing functions assigned to it both for structural reasons (lack of funds and functionaries) and political reasons (conflict between MP and upazila chair) .

#### **Local decision-making processes (general imbalance of power between the chairman and the council).**

The UZP enjoys greater importance than the other tiers of rural local government. It is headed by a directly elected chairman who, according to the UZP Act of 2009, is the chief executive. It is, however, quite unlikely that he can emerge as an 'omnipotent' actor. In fact, his ability to get things done independently is extremely limited. Part of the reason is (defective) nature of composition of the UZP. It is less democratic in composition than the UP or urban councils. Although two vice-chairs of the UZP (and the chair) are elected on popular votes, most of its members are ex-officio members (UP chairmen and Pourashava Mayor). The law provides for the indirect election of a certain number of women members, no measure was taken to give effect to the provision between 2009 and 2013. Nor is there any sign of election of women members in the UZPs elected in 2014. The provision for ex-officio membership is likely to create two types of problems. First, it narrows the opportunities for the rise of a new leadership and tends to create vested interest and a class of professional politicians who monopolise the sources of patronage in local authorities. Second, and more importantly, whenever local councils are called upon to allocate resources among their constituent units, they often distribute such allocatable funds equally amongst all the constituent units without making an effort to discover a formula for efficient allocation of resources, because the presence of ex-officio heads of the recipient institutions virtually rules out rational choices and optimising behaviour. As ex-officio members constitute a majority in the UZP in most of the cases, it is difficult for the chairman to unilaterally take any decision.

The decision process in the UZP is collective, with no one having the scope to emerge as an 'omnipotent' actor and monopolize policy functions. Power is diffused in the UZP. Under the existing arrangement, the Upazila Chairman (UZC) is apparently the 'first among equals'. Since all major actors – vice chairs and especially UP chairmen who are members – in the UZP including the UZC theoretically claim their legitimacy on electoral rationality, they appear to be 'equal'. But the UZC ranks the top for two reasons. First, he heads the UZP; and second, the size of his electorate is almost ten times larger than that of an average UP chairman. The members (UP chairmen), however, are not his administrative subordinates. Nor can they be always expected to agree with his policy priorities. If the UZC has preferences, so do have the UP chairmen. The conflict between the general and specific interests is thus likely to be inevitable. Since the UZC is elected 'at large', his support base theoretically cuts across different constituent units. On the other hand, UP chairmen may be more interested to safeguard their units' parochial interests. The UZC, however, lacks any reserve power to approve any project or program against which funds can be allocated. Every project has to be approved by a resolution of the UZP. Members of the UZP are thus automatically ensured of certain extra-importance.



The UZC is not above the UZP; he is accountable to it. This further restricts his areas of discretion, at least in policy matters. In the case of extreme disagreement, members can pass a no-confidence resolution against him, although they still need central approval to unseat him. Moreover, under the existing system, the UZC remains disadvantaged in some other ways. As stated in a subsequent section, the MP can exert important control over the UZP and its chairman. The ability of the UZC to exercise control over administrative officials is also limited. Those who work at the Upazila level do not belong to the UZP; their conditions of services are decided by the centre. More importantly, the UZP as a whole also remains disadvantaged in other ways. Although the UZP has the authority to take decisions on different issues, the UNO reserves the right to inform the Local Government Division of any such decision if he considers necessary. Perhaps more importantly, if the UNO thinks that any decision of the UZP has not been taken in accordance with laws/rules, and that there is a risk of public life and public safety being jeopardized if it is implemented, s/he will request the UZP in writing to reconsider the decision. If the UZP sticks to its decision, the UNO shall inform the government or prescribed authority about it. The UNO, the rules say, shall also keep the UZC informed about his decision. The extent to which this clause is intended to be a 'safety valve' to ensure that the UZC follows the rules in holding meetings or/and provides a mechanism for strengthening central control over local government has not been explored in any systematic manner. What it apparently shows is that bureaucrats are probably more competent to define public interest than public representatives! Although the UNO formally acts as the secretary to the UZP, he enjoys enormous power in practice. In particular, his power to ask the UZP – a democratic body – to reconsider its decisions makes him superior to it (UZP) and will seriously disadvantage it.

**Local electoral processes.** Elections to the UZP (and also Pourashava and City Corporation) are far more competitive than those at the grassroots (UP) level. The upazila elections held in phases in early 2014 caused some kind of excitement among the people. The first leg recorded 62.44 percent turnout, 63.31 percent in the second while the percentage went up to 63.52 percent in round three. The set-candidate ratio in the first phase of upazila elections was 1:4.4 for chairman, 1:5.2 for male vice-chair and 1:3.4 for women vice-chair. Similar trends could be noticed in municipal polls and city corporation elections held respectively in 2011 and 2013. For example, on average, five persons vied for each post of mayor in the 2011 municipal elections, 4.3 for each post of general councillor and 4 for each post of women councillor. In the five city corporation elections held in 2013, more than six candidates vied for each post of mayor. The rate of voter turnout in city corporation elections was 60%. The rate of turnout was much higher in the 2011 municipal elections – 80% according to estimates by the Chief Election Commissioner (Amader Shomoy, January 16, 2011).

Part of the reason accounting for widespread competition and high rate of voter turnout in upazila polls and elections to urban councils is the decision of major political parties to participate (in elections). Although election laws in Bangladesh do not allow any party-based local elections, parties rarely pay much heed to any such restriction. The main parties, particularly AL and BNP, have always actively participated in these elections. Senior party leaders openly campaign for candidates nominated (informally) by parties. Even the Prime Minister and the Leader of the Opposition openly campaigned for their mayoral candidates in the city corporation elections in the 1990s. In the context of widespread 'rebellion' by party leaders in the UZP elections held in 2014, the Prime Minister Sheikh Hasina, as the press reported, asked her cabinet colleagues to ensure single candidate from the ruling Awami League in the elections (Daily Star, January 28, 2014). Presiding over the weekly cabinet meeting at the secretariat, she urged the ministers and state ministers to sit with district AL leaders of the areas they were assigned to look after to make sure that the party decisions were maintained in selecting candidates for Upazila chairman and vice-chairman in the polls to 487 Upazila Parishads held in phases. "AL should take the local body polls seriously since the Bangladesh Nationalist Party led-18 party alliance has now decided to field candidates to the local body polls after boycotting the January 5 general elections" - a minister told the New Age quoting Sheikh Hasina as saying in the meeting (Daily Star, January 28, 2014).

Yet notwithstanding such a strong surge in party interest and participation in local council polls, the EC still remains unperturbed, refusing to make any change in its policy. The main objective of this 'restrictive' policy [of non-partisanship], first introduced by military governments and subsequently followed by elected governments, is to ensure the election of what the successive governments have called "honest and competent" candidates. What the policy perhaps implies is that party politics is inherently bad; hence nonpartisanship is to be encouraged. In other words, political party involvement in local elections is considered to be a vice, and

nonpartisanship, a virtue. Public partisan involvement in local elections and local government is often considered as a hindrance to achieving the ideals of local democracy; hence discouraged. Behind the rationale of nonpartisanship and unanimity in local elections, there lies one or more of the following arguments.

- Parties and contests create factions, rivalries and animosity and hence are harmful and unnecessary. Conflict is seen as inherently bad and as interfering with the natural harmony of the society.
- Since the activities of local councils are neutral and apolitical in nature, candidates should be chosen on their ability rather than on their party record.
- Partisanship in local councils stifles free discussion and makes council debates meaningless. Partisan treatment of neutral business is thus likely to preclude the possibility of creative discussion.

Most of these arguments do not appear to be based on solid grounds; they need empirical probing. Experience shows that the virtues of partisanship may actually outweigh those of nonpartisanship. For example, the argument that party contests may exacerbate conflict in the locality cannot be always seen as true. For example, while some sporadic incidents were reported in the 2013 city corporation elections, there was no evidence of any incident escalating to a level that rendered it out of control. On average, voters were threatened in less than 3.8 percent of all observed polling stations. In general, observers found the election environment to be peaceful. Elections to the UZP and municipalities were held, as observed earlier, in phases. No major incidents of conflict were reported in the early phases. But violence characterized the election process in later phases. Part of the reason was that as the ruling party candidates trailed behind their opposition competitors in the first few phases, they probably wanted to balance the gap through resorting to violence and intimidation in the later phases.

The argument that local issues are apolitical and neutral deserves reconsideration. In fact, it would be naïve to assume that decisions taken by a political body like an elected local council can always be non-partisan. Nonpartisanship does not result in the exclusion of politics, but of policy. Another important problem with nonpartisanship is the difficulty with securing the accountability of elected officials. A council dominated by independents lacks cohesiveness and an agreed program and therefore will be unable to impose its will effectively on the officers. On the other hand, the power of the elected representatives is enhanced in general by their party organization. Nonpartisanship is also described as a structural device which favors the values held by those at the upper end of the socio-economic spectrum and thus tends to maintain the status quo. But, partisanship can help open up and democratize the local political system. Studies from different contexts reveal that the politics of nonpartisanship far outweigh its rationale.

The issue of partisan contest in local elections has assumed special significance in recent years for two reasons: first, the announcement a few months ago by the Minister for Local government and the General Secretary of the ruling AL that the government was actively considering amending laws restricting party-based local government elections; and second, the decision of the main parties to unofficially nominate candidates, especially in city corporation, municipal and upazila parishad elections, and to campaign for them apparently violating electoral laws which restrict party involvement (in elections). In fact, most of the local elections held since the restoration of the parliamentary system of government in 1991 have witnessed greater party involvement than any time before. Partisan involvement in local elections, however, can produce intended benefits only in those cases where there exists a 'responsible' party system. Elections provide the foundation of a democratic and responsible party system. In the absence of such democratization, any attempt toward nationalization of local politics may turn out to be counter-productive. It is likely to create more rivalries and conflicts in the localities without providing any mechanism for their resolution. In Bangladesh elections are rarely held to different party units. While the 'less than satisfactory' performance of the ruling AL in the recently held UZP elections can be seen as an important factor influencing the government thinking about amending the law imposing a ban on partisanship, the ultimate objective is to strengthen further control of the central party over party units at the local level. This can be done in two ways: first, through holding elections to different party units at regular intervals; and second, by imposing central decisions on local party units. It now appears that the ruling party is more interested in the latter than in the former. The attitude of the main opposition party – BNP – is also not much different. Herein lies the main risk with formalizing party involvement in local elections.

The two main parties found it difficult to nominate candidates in different upazilas in a consensual manner during the last UZP elections. Rebel candidates had fought against officially approved party candidates in many upazilas. Both parties had faced serious difficulties in persuading 'rebels' to withdraw from the election race. In some cases, rebels were expelled but their victory could not be checked. Rebels were thus able to inflict defeat on many party-supported candidates. This became a cause of concern. Legalizing party involvement in local elections is likely to help the top leadership to deal with the issue of dissension in a more authoritarian manner. As local elections are held officially in a non-partisan manner, the central leadership cannot use its reserved powers of allocating election symbols to any candidate as in the case of national elections. If the law is changed, it will empower the central leadership to use this means as a strategy to control their behavior. But the strategy is unlikely to solve problems in the long run.

In fact, the main parties do not have any proper record of members. Nor are such records updated, if there are any. It is unusual to find any party holding elections to different party units. Even the central party lacks any democratic character. It has now become fashionable for the AL and BNP to re-elect the party chief without any contest and empowering her to select other office holders. This practice, used to discourage dissensions and factionalism, ultimately risks causing both. Attempts are thus being made to suppress dissent and not to resolve it in a legitimate and democratic manner. The two main parties do not seem to be keen to enlist new members in a regular manner. It is often alleged that party positions are bought and sold, sometimes at an exorbitant price. Unlike the past when party leaders used to have a solid background in the politics of different party-affiliated fronts, any 'political' novice can now apparently secure nomination by using informal influence and contact. Past involvement with party politics is no longer considered as a precondition to be selected as candidates in elections. Nomination (of candidates) is imposed from the above without any/limited consultation with grassroots party forums. In fact, in the absence of regular elections to different party units, it is difficult to identify those who can legitimately claim leadership at the grassroots.

Over-centralization of power, however, has made ineffective the authority of the central party and encouraged greater factionalism in the locality. The proposed revision in policy is likely to strengthen further the control of the top leadership of the party over local (party) units without making any provision for making it accountable. Arguably, Bangladesh now has more politicians than the country needs. Politics has become a profitable pursuit; it has thus been able to attract many to its fold. But in the absence of any provision for local control over the nomination/selection of candidates, those who assume leadership role often remain unrepresentative of the majority as well as unresponsive to local needs and priorities. What is needed most is the democratization of the party system. Periodic elections of local (also central) party executives can be seen as a prerequisite of an accountable party system.

A responsible local party system lies at the heart of a responsible local government; it can be seen as a precondition for introducing party-based elections. Democratization of the party system is necessary not only to redefine intra-party relations; it can also help improve inter-party relations. In Bangladesh, inter-party relations are characterized by animosity and strife. The two want to prosper at each other's expense. The scope for partisan mutual adjustment is extremely limited. Part of the reason stems from their 'undemocratic' character. Democratization of the parties, considered as a precondition of responsible party system, will certainly help promote cooperative inter-party relations much needed in Bangladesh now. Perhaps more importantly, without an independent election authority ready to use constitutional power in an 'even' way, any decision to introduce party-based local elections is likely to give undue advantage to some, particularly to the ruling party/coalition, and penalize the opposition. A non-partisan and independent election authority is considered to be at least as important as a responsible party system to ensure credible election outcome. At present, Bangladesh lacks both.

**Political interactions between different tiers.** The scope of interaction between the UP and UZP has been explored in an earlier section. Here the main focus is on identifying relations between the UZP and the pourashava. Although the former is larger in size and has greater importance, the two nevertheless exist independent of each other. There is no direct relationship between the UZP and the pourashava except that the mayor of the latter is an ex-officio member of the former and women poura councillors have the right to vote in elections held for the elections of women members of the UZP. The UZP lacks any authority to get involved in the operation of pourashava. The two units are elected independently of each other; they also operate independently. There is not much scope for interference into the operation of one by the other. Unlike the UP, which receives allocation from the UZP, the pourashava cannot expect to have any such support from the UZP. In fact, one of the activities that the UZP cannot do with development reserve is to plan and



implement projects in municipal areas. Part of the reason is that pourashavas are financially better off than the UZP. It is probably for this reason that mayors of pourashavas mostly remain indifferent; rarely do they take any interest in the affairs of the UZP.

It is, however, difficult to identify the kinds of political relations that exist among different tiers. One way to measure such relations is to identify the political/party orientation of elected representatives at different tiers. As stated in another section, local elections are officially held in a nonpartisan manner. Although many local level party leaders contest elections and many also get elected, they are not officially recognized as representatives of any party. Moreover, since different tiers of local government owe their origin as independent entities and work mostly independently of one another, the issue of political interaction does not assume as much importance as one could expect to find in a system where different tiers have common/ joint responsibilities for resource allocation and/or for other important activities.

**MP versus UZP Chair versus Mayor (Role of the MP).** As stated earlier, the role of the MP is more pronounced at the upazila level than at the municipal or union levels. Unlike the UZP Act which requires that the UZP seek advice of the MP in all matters, there is no such reference in either the UP Act or the Pourashava Act. There is thus no serious risk of conflict [of jurisdiction] between a Pourashava chairman and an MP. But conflicts are likely to be inevitable at the upazila level. Section 25 of the UZP Act of 2009 provides that the local MP shall be an advisor to the Parishad. It also stipulates that the UZP shall accept his advice. The Act also requires that UZP consult the MP while making any upward communication [with government]. No development projects can also be undertaken by the UZP without first informing the MP. The way such advice is to be given has not been specified in any document. What is, however, certain is that the provision [for consultation/advice] is likely to cause some misunderstanding and confusion and/or even outright conflict.

Part of the reason is that in many cases the MP and the UZC share the same constituency and have been elected by the same electorate. They are thus likely to consider each other as competitor and may engage in unhealthy competition to acquire power, even at the peril of local development. In a small number of cases, the constituency of an MP is smaller compared with that of the UZC; this may also encourage the latter to develop some kind of superiority complex. Requiring the UZC to act in accordance with the advice of the MP is likely to cause some kind of psychological warfare between the two, no matter whether the two belong to the same party or opposing parties. Nowhere is it argued that conflict between the two is inevitable; nor is conflict essentially dysfunctional. What is, however, suggested is that unless some mechanisms are devised to promote collaboration between the two (e.g., through the sharing of power), the prospect of the UZP emerging as an important unit of local government will largely remain restricted. Ideally, MPs should not have any role in local government affairs. But the reality is different in Bangladesh. It is unlikely that the centre will readily agree to any proposal for giving the UZP/UZC any freedom independently of the control of the MP. MPs are politically more important to the center than locally elected representatives. More importantly, it is much easier to control the MPs than the latter; the former depend upon the top party leadership for political survival. Making the UZP dependent on the MP is to be seen as a strategy to ensure central control over the locality. Any proposal that challenges the 'privileged' position of the MP (vis-à-vis the UZP) is unlikely to be accepted by the center.

**Lack of local political control over local administration team.** Article 34 (1) of the Upazila Parishad Act of 2009 empowers the UZP to appoint different categories of officers and employees with prior permission of the government to discharge its responsibilities properly. However, as the scope of work of UZP is limited as the 'core' services are delivered by different line ministries through their extension agents, there is no need for recruiting a large staff. Each UZP chairman, as stated earlier, is entitled to a typist-cum-computer operator, a driver and an MLSS, while the two vice chairs are entitled to have an MLSS. The UZP, on its own, can appoint a sweeper/gardener on a daily basis. A 2011 amendment of the UZP Act of 2009 now requires each UZP to have an Assistant Accounts Officer who shall be appointed by the government or an authority as decided by the government. As one can see, members of staff of the UZP who are employed with the prior approval of the government do not have any role in service delivery; they are needed for house-keeping purposes. The entire responsibility for making available different kinds of services rests with officials of different line ministries over which the UZP has extremely limited control.

The transferred departments provide the main source of expert advice to the UZP. As the UZP has only a limited capacity to employ people with technical background, it has to depend upon these central departments for support and services. It has the statutory responsibility to ensure that the activities of different departments are not done at random, but according to a plan of coordinated action to the benefit of the upazila people. Officials of the transferred departments are employed by the central government and remain on its payroll. Their conditions of service including leave, transfer and promotion are determined by the national government. The UZP does not have any role in such personnel management matters. Although officials of different service delivery departments have been transferred to the UZP, the latter find it difficult to punish a recalcitrant official. Granting the power to the chairman of the UZP to report on the performance of officials of the transferred departments to their departmental superiors cannot be seen as a deterrent. The extent to which a line ministry will agree to take against its own officials based on report from 'outside' organizations has not been ascertained. What appears to be certain is that the provision for dual control over departmental officials is likely to produce dual loyalties – operational loyalty to the UZP and career loyalty to central ministries/departments. In case of conflict in loyalties, an official is likely to emphasize the former than the latter. In the absence of any direct authority/control over officials of different ministries, what a chairman who is the chief executive of the UZP can do is to try to persuade a recalcitrant official, failing which s/he can report to higher authorities.

### 3.2.4 Local political structure of municipalities

Municipalities predate the establishment of rural local councils; they owe their origin to the Municipal Administration Act, 1793. The Act provided for setting up municipalities in three presidency towns – Bengal, Madras and Bombay. In today's Bangladesh, the establishment of a municipality in Dhaka in 1864 marked the beginning municipal government in Bangladesh. Municipalities initially lacked any representative character; these were dominated by government officials. Although these were democratized subsequently, several problems could still be found. Franchise was restricted, as the electorate was only nine percent of the total population. Voting rights depended on the possession of property, income and qualifications. Municipalities were brought under bureaucratic control during the 1960s when chairmen and half of the members were officials. However, these have been democratized since independence in 1971.

Like UPs, municipalities are also now headed by popularly elected mayors and composed of only directly elected members. One-third of seats are reserved for women. However, unlike the UZP, there is no provision for ex-officio members. An area must fulfill four conditions to be declared a municipality. First, three-fourths of the adult male population of the area must be employed mainly in non-agricultural occupation. Second, such an area must contain a population of not less than fifty thousand. Third, its population density should not be less than one thousand five hundred inhabitants per square kilometer. Fourth, one-third of the land of the area must be of non-agricultural variety. Experience, however, shows that many municipalities set up since the beginning of the new democratic 'era' (1991) do not fulfill most of these criteria. These have been established under political pressure. Comparatively, municipalities have better scope to deliver services than the UP or UZP. Part of the reason is that these have more functions to perform and can raise resources from more sources than the UP or UZP. These have greater freedom than rural councils to employ staff and set their conditions of service. Municipal elections, like other polls, are also highly competitive. But in the absence of any requirement for an absolute majority of votes, those elected to municipalities on the basis of the "first-past-the-post" (as in other councils) generally do not represent the majority of the electorate. Nor there exists any specific mechanism, as in the case of other councils, to make them accountable between elections.

**Local decision-making processes (General imbalance of power between the chairman and the council).** Municipalities have better scope to deliberate over issues that concern their residents. Unlike rural councils, these have more work to do and also access to more independent sources of revenue. However, the process of decision-making at the municipal level is more or less similar to what one can find at the union or upazila levels. The ability of the Mayor to make any decision in a unilateral way is somewhat restricted. Part of the reason is that decisions on some important matters such as preparation of budget, selection of ADP projects, preparation of Master Plan, recruitment of staff, and signing of contracts/agreements are first dealt with and finalized in committees over which s/he may have limited control. The Act requires that decisions on the subjects as referred above be made on the basis of opinion and decisions of committees. The mayor cannot be the chairman of any committee, although he is an ex officio member of each standing committee.

The mayor has thus limited scope to act independently of the decision of the council or committees. S/he is not above the council; in fact, as with other local bodies, the council retains the right to pass no confidence motions against the mayor (and other councilors). Councilors also have the right to seek information on any matter related to administration and development activities of the municipality; the mayor has to make statements on those issues in council meetings. The mayor (or any other person) derives her/his executive power from the council. The mayor lacks any veto power. Any proposal to replace the existing system of electing the mayor on popular votes by councilors is to restrict further her/his authority and leadership. Since councilors are elected from individual wards, it is not unlikely that they will be more interested in promoting the interests of their own units, often at the expense of general interests of the municipality as a whole. Councilors are corner-fighters, attempting to maximise the interests of their units/wards. But the mayor is elected at large; hence s/he has to ensure that no particular unit is disadvantaged. Since her/his support base cuts across different units of the municipality, s/he will be in a better position to promote 'general interests' of the municipality than in a situation (in the so-called cabinet type system) where her/his position will be more vulnerable to manipulation and influence by councillors.

**Political interactions between different tiers.** Unlike the rural councils which have some kind of political and administrative links with each other, municipalities work more or less independently. There is no formal link between municipalities and other councils including the city corporation, except that the mayor is an ex-officio member of the UZP. However, if our proposal for elections of members of the UZP is accepted, mayors of municipalities will automatically be excluded as members. However, as observed in an earlier section, since mayors and Upazila chairs are often elected as nominees of different parties, it is not unlikely to find them having interaction even on a day-to-day basis. The extent to which such interaction has any consequence for the working of municipalities (and/or other councils) needs to be explored.

**Lack of local political control over local administration team.** Compared with rural councils, municipalities have better control over functionaries and funds. Most of those who work for a municipality, especially at the lower rung, belong to municipal services. The government, however, retains the right to appoint a secretary, a chief executive officer (CEO) and as many class I and class II officers as it may think necessary. As in the case of the UZP, those selected by the government can be transferred from one place to another and reprimanded/punished by it, not by the municipality. The council virtually lacks any control over these officials. The government can also depute officials to municipalities if it considers fit. The CEO can attend meetings of the council, take part in the deliberation and alert it about legal implications of decisions. Those who remain on the payroll of the municipality are few in number; they also do not hold any important/strategic position. As long as the main functionaries remain outside the control of the council, the task of making the council responsive to public needs and priorities will be difficult.

### 3.2.5 Local political structure of City Corporations

City corporations, although limited in number, have become an important unit of local government. A municipality must fulfill certain conditions before it can be declared a city corporation. The Local Government (City Corporation) Bill 2009 specifies several criteria such as the population of the existing municipal area, density of population, sources of local income, economic importance of the area, infrastructural facilities and scope for expansion, annual income of the existing municipality and public opinion to be fulfilled before creating a new city corporation. There is, however, not much difference in the method of election to a city corporation and a municipality. Mayors and councilors in city corporations, like their counterparts in municipalities, are elected on the basis of universal franchise. Cities in Bangladesh, as elsewhere, differ in size, population, and resource endowment. These are much larger in size than municipalities and have better access to resources. But city corporations witness more problems than municipalities both for political and administrative reasons. Cities are politically more important, especially to the party in power and also to opposition than other units of local government. It is often argued, although not without much logic, that those who control Dhaka city also can control Bangladesh. Such importance causes stiff competition among the main contending parties and forces whenever there are elections.

Prior to 1994, the City Corporations were managed by mayors appointed by the government. In case of Dhaka the Minister in charge of Local Government was often given the additional responsibility of the mayor. City mayors also enjoyed an important status. Dhaka and Chittagong mayors used to enjoy the status

of a minister, while mayors of other cities enjoyed the status of a state minister. Granting special status to mayors of city corporations can also be considered as an important factor encouraging serious competition among the contenders for power. Partisanship is also more evident in a city than in a municipality. This is not to underemphasize the political importance of municipalities. The latter are also important in their own right, but not probably as important as a city corporation. City corporations also witness more problems of coordination than municipalities. Part of the reason is the absence of any single purpose authority in the latter. A municipality is the main service delivery unit at that level; while one can notice different service delivery units in a city. City corporation is only one of the main SDUs; other units often work independently of the control of the former and are often assigned responsibilities for more important services than the city corporation. Such divisions are, however, not noticed much in municipalities. Bureaucratic politics is also more evident in a city corporation than in a municipality.

**Local decision-making processes (general imbalance of power between the chairman and the council).** City corporations apparently provide a deviant case. The decision making authority of the CCs is vested with the corporation, which is totally dominated by the Mayor. There is hardly any opportunity for the ordinary people to take part in the decision making process. Sometimes, the city government officials are compelled to ignore the needs and demands of the people due to resource constraints". In most cases, the Mayor is the source of all powers in the context of a city corporation. Whatever the Mayor wishes to do can be done without any resistance. Most of the councilors try to remain in good faith of the Mayor meaning that they hardly dare to oppose any decision of the mayor. The domination of mayors is more likely to be city-specific; any generalization on the 'might' of the city mayor is risky. Those who have the ability to dominate a city corporation have to have 'special' relations with the party in power; they also have to be heavyweights politically so that the government can utilize them for political gains. Moreover, there is another condition to be fulfilled: the majority of the councilors should also belong to the mayor's party. Only a few cities can fulfill these conditions.

Moreover, the ability of mayor to dominate the council remains largely constrained because he does not have much control over funds and main functionaries needed to run the corporation. The central government remains the main source of fund and functionaries. Mayors who belong to opposition parties, and/or in those councils where a mayor cannot enlist the support of a majority of councilors will obviously remain disadvantaged.

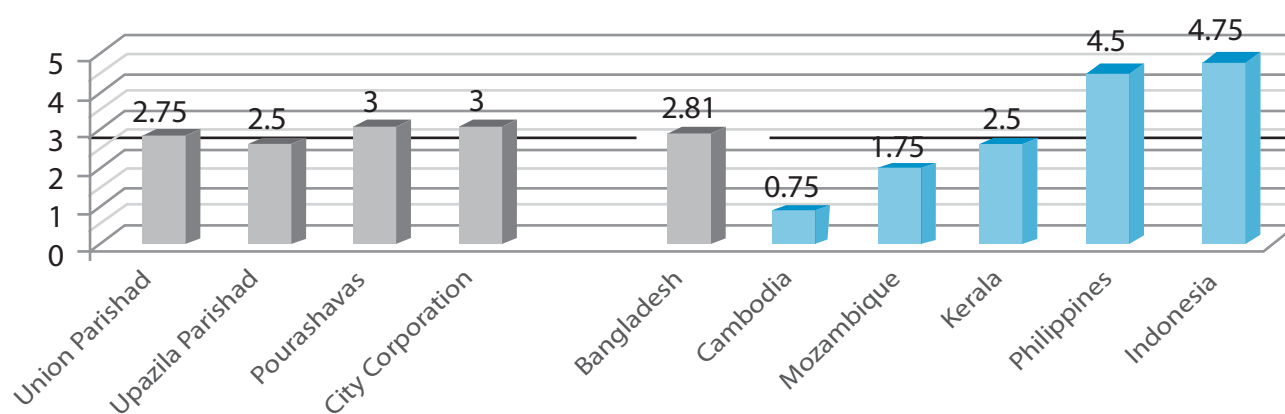
### 3.3 Comparative international experience: local political systems and leadership

How does the local government system in Bangladesh compare with other countries with respect to local political systems and leadership? Figure 3.1 suggests that on this aspect of the local government system, Bangladesh performs relatively well compared to the comparative cases. Although the average of the LGIs in Bangladesh is almost completely on par with the average of the five comparative cases, there is still a considerable gap between the Bangladesh experience and the practices in the Philippines and Indonesia.

With regard to local political systems and leadership, LGIs in Bangladesh compare in a favorable manner compared to the (predominantly) deconcentrated countries (Cambodia and Mozambique). This should not be surprising, given that deconcentrated countries in principle lack elected local governments altogether. In contrast, Bangladesh does not compare favorably to countries that are predominantly devolved (the Philippines and Indonesia). Although Kerala is more advanced with respect to its decentralization reforms, when placing Bangladesh's local government system in an wide international comparative range, its systems are not terribly different (with regard to this aspect of the local government system, at least) to the Kerala experience. Whereas the local government system in Bangladesh has some of the outward features of a devolved local government system (for instance, the election of an Upazila Chairman), this does not mean that the local political system guiding LGIs at all levels in Bangladesh are now de facto devolved.



**Figure 3.1 Local political systems and leadership: comparative international practices**



Key indicators of the local political systems and leadership in the comparative country cases are presented in Table 3.4, with greater details provided further below and in the background paper. Before engaging in a comparative review of international practices, we briefly describe the key highlights and strengths and weaknesses of the local political systems in each of the comparator countries.

**Table 3.4 Effective local political structures and leadership: comparative international practices**

	Assessment Indicator	Cambodia	Mozambique	Kerala	Philippines	Indonesia
B	Dynamic local political leadership					
B1	Is the LG political executive directly elected?	0	0.25	0.5	1	1
B2	Are the LG election system and LG elections competitive?	0	0.5	1	1	1
B3	Does the LG Political Executive have broad support from the legislative council and LG's administrative apparatus/staff?	0.5	0.5	0.5	0.5	0.75
B4	Does the LG political executive recruit, appoint and hold HR authority over the core local administration team?	0	0	0	1	1
B5	Is the LG effective in achieving results in the service delivery areas that constituents care about?	0.25	0.5	0.5	1	1
	<b>Total</b>	<b>0.75</b>	<b>1.75</b>	<b>2.5</b>	<b>4.5</b>	<b>4.75</b>

**Cambodia.** As part of its National Program for Subnational Democratic Development (2010-19), Cambodia has de facto opted for a hybrid system of deconcentration and devolution, whereby each subnational level or tier of the public sector (province and district) is part of the central government (state) administration, but guided by an indirectly elected council. While the Organic Law states that each subnational level has a council which "shall represent and act on behalf of all citizens living within its jurisdiction" and "[t]he council shall have the authority to make legislative and executive decisions" (Organic Law, 2008: Article 19, 30), in practice, Provinces, Municipalities, and Districts are actually deconcentrated entities rather than local self-government bodies. In practice, key decisions are in the hands of the central government and its appointees at the subnational level: the executives of provincial and district-level jurisdictions are centrally-appointed, while councils at these levels are indirectly elected from the bottom up by Commune Council members within their respective jurisdictions. As a result, all local jurisdictions are effectively dominated by the central ruling party.



Despite the ongoing decentralization reforms, the central government continues to retain a high degree of top-down political control over the local public sector in Cambodia. Provinces and districts lack their own political leadership, have only limited administrative discretion, and rely almost exclusively on financial resources received from the center. Even though Communes have directly elected Councils, the degree of responsibility, discretion and accountability at this level is quite limited.

When compared to Bangladesh, LGIs in Bangladesh can be considered to be marginally better off in terms of local political space than their counterparts in Cambodia, due to the fact that LGIs in Bangladesh function simultaneously as local self-government entities while at the same time monitoring the deconcentrated administration at their level. This arrangement gives LGIs in Bangladesh some (albeit very limited) degree of political maneuvering space, whereas councils in Cambodia are fully tied to the deconcentrated structures.

**Mozambique.** The local political situation in Mozambique is similarly bleak, although there is a small bright spot within urban areas. Provinces and districts are deconcentrated entities without their own local political leadership. There are directly-elected provincial assemblies, but they do not have any meaningful decision-making power over the provincial administration.

In urban areas, however, Mozambique does have some degree of local political space, as municipalities in the country's 41 largest urban areas have directly elected assemblies and directly elected mayors which are elected in competitive elections. The municipalities led by these locally elected political leaders effectively operate as local self-governments.

**Kerala.** Political decentralization in Kerala, as throughout the rest of India, has been driven by the 73rd Amendment of the Constitution, which created a list of 29 different areas of functional responsibility for rural local government (Pande, 2004), whereas urban local governments have 12 distinct functional responsibilities. It was left to the individual states to introduce the necessary legislation to confer both fiscal and administrative autonomy to their local government institutions and to transfer the functions and responsibilities. This has led to a situation where the extent of political decentralization has been relatively uniform across Indian states, but—as will be noted in subsequent chapters—the extent of fiscal and administrative decentralization in India has exhibited significant inter-state variation.

Every Gram Panchayat or Village Council consists of elected members. The number of seats on each village council is determined by government with reference to the population of the territorial area of the panchayat concerned. The Kerala Panchayat Raj Act (1994), Section 6, determines that a Village Panchayat should have no less than twelve and no more than twenty-two seats. All the seats in a Village Panchayat shall be filled by persons chosen by direct election in accordance with the provisions of this Act, with reserved seats for women as well as for Scheduled Castes and Scheduled Tribes. At each local government level, the elected representatives elect the President, Vice President and Standing committee Chairpersons of the corresponding tier (George Sanu, 2007).<sup>50</sup>

Block Panchayats and District Panchayats have a mixed composition: in addition to their directly elected members, the Panchayats Presidents of the next-lower level also have a seat of the Block Panchayat or the District Panchayat, respectively. Therefore, the Gram Panchayat Presidents within the Block area are members of the Block Panchayat committee and have essentially the same rights (including voting rights) as directly elected Block Panchayat members (except in elections and no confidence motions).

One third of all the memberships and presidentships in all the tiers of local governments are reserved for women. It is also stipulated that with a minimum of one seat in each local government, each of them should have seats reserved for scheduled castes and scheduled tribes in proportion to their population. Of this, one third of the seats go to the women from these communities. All these posts are reserved on a rotation basis for every five years as defined in the Kerala Panchayat Raj Act.

Elections for local government institutions in Kerala are contested along political party lines. Its features include selection of suitable candidates by political parties, active campaigns, intense media interest and high voter turnout.

---

<sup>50</sup> In the case of Municipalities, the former two are known as Chairperson and Vice Chairperson whereas in the Corporations, Mayor and Deputy Mayor.

**The Philippines.** Political decentralization in the Philippines was an important element of the People's Power revolution led by Corazon Aquino in 1986 that sought to oust President Marcos and to diffuse political power and prevent future monopolization of power.

The executive and legislative branches of municipalities and cities consist of a directly elected mayor, a vice mayor and a council made up of councilors. The municipal council has 8-12 council members, while a city council has up to 36 regular members elected via plurality-at-large voting. Aside from these regular members, the president of the barangay chapters of the Association of Barangay Captains (ABC) and of the local Sangguniang Kabataan (SK; youth councils) are ex officio members of the local council.

Elections are competitive and party-based, resulting in a strong local mayor, who has effective executive control over the local government apparatus. The municipal mayor recruits, appoints and holds HR authority over the core local administration team, and with support from the local council, the mayor has considerable political space to respond to the priorities of local constituents.

Although local elections have been held on a regular basis in the Philippines for the past quarter of a century, the nature of local politics seems to focus more on capturing local political office for reasons of political power and gain rather than with an intent to improve local services. Local politics in the Philippines, since the time of the American colonial period, has largely revolved around two major concerns: one, who is best at generating funds from the central government and control its allocation and two, who controls the major economic activities (both legal and illegal) in the community (Rocamora, 2004; as cited by Teehankee, 2012). Although continued patronage and clientelism are persistent features of local political systems in the Philippines, the delineation of local patron-client network systems is often not as clear-cut as the traditional clientelistic, pyramidal, and hierarchical patron-client relationships. Instead, it may be more appropriate to speak of 'clientelistic cluster networks' to capture the fluidity of power relations in Philippine local politics (Teehankee, 2012). Active efforts are being undertaken by the central government to increase local political empowerment and participation (Box 3.1).

### Box 3.1 Increasing local political empowerment and participation in the Philippines

The election of President Benigno ("Noy" Aquino) in 2010 ushered in a period of extensive reform, with the central government making an active attempt to transform the dynamics of national and local political processes. Within the Presidential administration, the Cabinet Cluster on Good Governance and Anti-Corruption (CGAC) is directly involved in promoting citizen participation in policymaking and auditing mechanisms. Second, the government created a series of reforms that have dramatically increased the amount of information that citizens can access. The government has committed to creating a "Citizens' Budget" whereby basic budget information is made accessible to interested citizens. Third, citizens are now induced to participate in national policymaking process. Fourth, the national country is supporting the use of direct participation at the local level.

The reforms in the Philippines appear to be most consistently aimed at solving two crucial problems. First, the participatory institutions are geared toward solving the problem of low knowledge and limited engagement among CSOs and citizens. There is a deliberate effort to empower citizens. Second, there is also a specific interest in limiting government corruption. The most innovative reforms address both of these issues. These include Bottom-Up Budgeting, Budget Partnership Agreements, Empowerment Fund for Participatory Governance, Full Disclosure Policy, Seal of Good Housekeeping, and Citizen Participatory Audits.

**Source:** Wampler (2013).

**Indonesia.** Like the Philippines, decentralization in Indonesia was explicitly pursued to reduce central political capture over local service delivery and in order to encourage democratic pluralism after decades of non-democratic "New Order" regimes fraught with corruption, collusion and nepotism (widely known by the acronym KKN: korupsi, kolusi, nepotisme). As such, Indonesia has taken a serious interest in achieving effective local political structures and leadership. During the initial years after the decentralization reforms implemented in 2001, directly elected local legislatures were given general authority and oversight over the

consolidated local budget (APBD), while the local executive head was elected by the local council rather than directly by the electorate.

As heads of the local executive, mayors in urban areas and regents in rural areas have significant powers to set the priorities in the budget (including overall levels and types of spending) as well as its execution. It was felt that the “parliamentary system” at the local level resulted in local executives being more beholden to the interests of local politicians and political parties than to the interests of the local electorate. Concerns about indirect political accountability, therefore, triggered a second wave of local government electoral reform toward direct elections under Law No. 32/2004 (Skoufias et al, 2014). As a result, Indonesia switched from a “parliamentary system” to a “presidential system” at the local level starting with a first batch of direct elections in June 2005.

The Indonesia story recently obtained an interesting twist. The recently-elected president of Indonesia, Joko Widodo (inaugurated in October 2014), was the first directly elected mayor of his hometown, Solo, and subsequently, the elected Governor of Jakarta. As a non-establishment candidate, he defeated former General Prabowo Subianto in the general elections of July 2014. However, following Mr. Widodo’s election, Indonesian parliament (still controlled by establishment parties) scrapped the direct elections for regional governors and mayors in September 2014, arguing that direct elections are too costly and have in many cases led to corruption (BBC, 2014). Widely seen as a blow to Mr. Widodo, the President-elect called the return to a local parliamentary system a “big step back” for democracy.

**Comparative international practices.** All five countries reviewed either have some type of subnational election and/or some degree of political decentralization. The comparative country cases discussed above, however, highlight an important finding: just because local elections are held or just because local entities meet the criteria of being a “local governments” does not necessarily mean that local decision-making space is created in which (a) people are meaningfully empowered over local officials, and (b) local officials are meaningfully empowered to make decisions and improve local services.

Instead, meaningful local political space has to be purposefully created by fine-tuning vertical and local political systems in order to make sure that local political leaders have the discretion or the “political space” to promote their constituents’ best interests, and that the (electoral and non-electoral) political incentives and accountability mechanisms are in place to ensure that local leaders represent their constituents’ interests rather than pursuing their own political or private agenda.

In practice, however, local political systems in the countries reviewed have been shaped political economy forces, and their effectiveness is driven to a large extent by the tension between two objectives: the stated desire of the central government to put in place a responsive and democratic public sector on one hand, and the desire of the ruling central political elite not to dilute its own power (Eaton and Schroeder, 2010).

The ultimate balance between these two underlying forces is often revealed in the local political systems themselves. Countries where the desire of the ruling central political elite to retain vertical political control is dominant can often be identified by limited local political space, which means both that (a) people are not meaningfully empowered over locally elected officials, and (b) local officials are not meaningfully empowered to make decisions and improve local services.

A common approach to limit the decision-making mandate and to dilute the political legitimacy of local bodies is to rely on indirect election of local officials (or central appointment of local executives) rather than on direct elections; not to give strong administrative powers to jurisdictions that are big enough to be effective; and to rely on discretionary resourcing mechanisms to support grassroots political leaders that are closest to the people (but whose political power is limited by the small size of their territorial jurisdiction). As such, self-interested central political leaders benefit from local political systems that are hierarchically or vertically chained (i.e., where the council is not formed by directly elected members, but rather by representatives from the next-lower level, who are ultimately loyal to central political elite) and where there is no strong system of checks and balances between the local executive and local council. In contrast, in countries that are serious about pursuing the empowerment of people and that are serious about improved localized service delivery through democratic local governance, we observe strong and competitive local governments, with greater vertical political distance between different government levels and with directly elected local councils, thereby creating a system of vertical as well as horizontal checks and balances.

For instance, Cambodia has been beholden to a political power dynamic by which the ruling party has a strong grip on power, and thus has not felt any strong pressure or immediate political benefit from taking meaningful steps towards democratic decentralization beyond effectively paying lip service. Laws that commit the country to democratic decentralization are either self-contradictory, are not implemented as per law, or are slated to be implemented over a ten year period. In practice, this has resulted in political system that relies on vertically controlled by central political forces, effectively eliminating the political independence of local governments.

Similarly, in Mozambique, the local government system is driven by the political power dynamics between the ruling FRELIMO party and the opposition RENAMO party, which were opposing combatants during the country's civil war. Despite political commitments to the greater decentralization, there is every indication that FRELIMO is actively limiting the local political space for RENAMO by continuing the highly centralized practices that it inherited from its former colonial power (Portugal). At the same time, Mozambique is pursuing reforms to enhance the transparency and equity of the public sector by improving the transparency and effectiveness of its deconcentrated systems.

In sharp contrast to Cambodia and Mozambique stand the experiences of the Philippines and Indonesia.<sup>51</sup> Both the Philippines and Indonesia underwent a considerable period of centralized political power in their post-colonial era. Each country in its own time rejected the centralized political control that was associated with this top-down system: in the Philippines, this happened with the ouster of President Ferdinand Marcos through the "people power revolution" in 1986, while in Indonesia, President Suharto resigned in May 1998 in the shadow of protests and riots, upon which vice-president Habibie assumed the presidency (spelling the end of centralized control over the public sector with the "big bang" decentralization reform implemented on January 1, 2001). The decentralization reforms in these two countries effectively signaled the end of their post-colonial periods, by replacing the centrally-controlled (and only notionally democratic) top-down political system with meaningfully competitive political systems, with a degree of vertical and horizontal separation of political power at each level.

The Indian experience is somewhat of a middle ground with regard to political decentralization. Although the constitutional reforms (the 73rd and 74th Amendments, 1993) have provided constitutional backing for political decentralization to the local government level, in reality, local governments in Kerala de facto continue to be quite limited in their ability to meaningfully deliver better local services.<sup>52</sup> In part, this seemed to be by design, as the constitutional amendments actually don't devolve service delivery responsibility to local government institutions, but rather, merely grants panchayats the power, authority and responsibilities to prepare social and economic development plans, and assigns them with the responsibility to implement economic development and social justice schemes within the 27 functional areas listed in the Eleventh Schedule to the Constitution.

At the same time, the experience across is India is that—despite pressure from the federal government—, States have been hesitant to devolve meaningful functional responsibility and administrative powers.<sup>53</sup> This has limited the political relevance of the lower-level local governments (especially in the rural local government structures), as local political leaders are not actually in control of their own local administrative staff.

---

<sup>51</sup> In some sense, both Cambodia and Mozambique are still relying of the centralized and hierarchical public sector models that the countries relied on during their colonial periods. Like Bangladesh, both the Cambodian as well as the Mozambican experiences are infused by a period of post-independence enthusiasm for socialist-style central planning. While the Soviet model claimed to be "post-feudal" in nature, in fact, it relied strongly on the top-down features of the French political-administrative tradition. Although neither Cambodia or Mozambique share the British colonial tradition per se, their colonial models were equally rooted in the feudal systems of medieval Europe rather than being reflective of modern democratic political systems and modern systems of public administration.

<sup>52</sup> It should be noted that Kerala has been one of the most progressive states in India in this regard.

<sup>53</sup> Equally, there has been extensive opposition among state-level civil servants to become local government employees.



### 3.4 Options and initial recommendations for Bangladesh

Although the local political dimension already appears to be the strongest dimension of the local government system in Bangladesh, this does not mean that opportunities are absent to present to improve the local political systems to ensure greater empowerment, efficiency and accountability. That being said, out of all dimensions of the local government system, any proposals to restructure the political organization of local governments (and/or the local electoral arrangements) will obviously be first and foremost be considered through a political lens by the national political leadership.

#### **Considering the political-institutional organization of LGIs: the presidential versus council option.**

The practice followed now to elect the chairman and members of the UP as well as mayors and councilors in Pourashavas and City Corporations has both advantages and problems. There is some kind of balance between the chief executive and the council under the existing system. While the head of the unit may enjoy a 'superior' status than the members, s/he is not outside the control of the council. The chair cannot override the decisions of the council. Nor, however, can the latter always restrict the former's scope of operation to certain areas. As the chair has a larger constituency than a member, s/he has a natural advantage: s/he cannot necessarily be cajoled and coerced by the council to get things done the way they want.

Some stakeholders have suggested reforming the political-institutional organization of LGIs to a "cabinet" or strong-council form of local governance, in order to mirror the political system at the national level in Bangladesh. In a "strong council" system, the local executive is selected by the elected council, typically from among their own ranks. The so-called cabinet form of local government is not only arguably less democratic but is also unlikely to produce any major dividend. In particular, as the head of the council, who holds status similar to that of a member, s/he may not have sufficient power or sway over the council to coordinate the activities of the council in the same manner as a directly elected executive. S/he may be less effective as a leader as other can potentially restrict his scope of operation. In fact, gridlock between councils and executives is exactly the reason why Indonesia switched to directly elected local heads in 2004.

Moreover, when local executives are selected by the local council, parochial interests are likely to hold greater prominence in this type of government than in the so-called 'presidential' system of local government where an elected chief executive matters more than members of the council. Indeed, the division of power between the executive branch and the legislative branch (council) at the local level promotes a system of checks and balances. Many British local authorities, on which the councils in Bangladesh were patterned at the initial stage, also now find the so-called cabinet form of local government unsuitable to respond to demands and priorities of the electorate and have decided to adopt the 'presidential' system.

#### **The composition of the UZP council**

As the Upazila Parishad transitions into a real local government in its own right, it is necessary to consider the revision of the composition of the Upazila Parishad. While the provision for direct election of the Upazila Chairman may be retained, it is unclear whether there is any real benefit to having the two posts of vice chairs. Consideration should be given to abolishing these posts, as it appears doing so would be without any serious loss to the system. Alternatively, the substance of these positions may need to be reconsidered.

Provisions for ex-officio membership have turned out to be counter-productive. Union Parishad Chairs who are ex officio members of the UZP may become interested more in safeguarding the parochial interests of their own units (and their own political self-interest) rather than those of the Upazila as a whole. Measures should thus be taken to ensure direct election of members of the UZP and the provision for ex officio membership is abolished. The recommendation of the ASRC to have two members of UZP elected from each union within the upazila may be considered as a useful proposal. While this system would cut the vertical link (and potential conflicts of interest) between the executive role of UP Chairman and their prioritization and oversight role at the Upazila level, some of the same risks would remain if each Union jurisdiction would separately elect one or two Upazila Parishad members.

Another option is to explore the feasibility of adopting the Indian practice of electing members by an electoral college consisting of members and chairmen of grassroots councils. However, rather than having a certain number of members elected from each Union as suggested by ASRC which risks encouraging parochialism, provisions may be made to consider the entire Upazila as one unit and the system of preferential voting be introduced. This is likely to offset drawbacks of elections based on union/ward basis.



### **Partisan versus non-partisan elections**

Some debate has been raised whether local elections should become partisan or political party-based. Democratization of the party system and a non-partisan and independent election authority, which are considered to be important prerequisites of ensuring credible election outcomes, are virtually absent in Bangladesh. Until Bangladesh fulfils at least one of the (two) preconditions, any effort toward party-based local elections, especially at the Union level, is likely to be counter-productive.

However, since elections to UZPs, Pourashavas and City Corporations have mostly been held on a party basis (at least informally) and there is some kind of public acceptance of such partisan contests, it will probably be a futile attempt to enforce election laws that do not formally allow partisan involvement in such elections. Yet to formalize such [partisan] contests without any reform carries some risks, especially in the context of lack of democratization within political parties and lack of willingness of the election authority to be proactive. Parties thus may be allowed to officially nominate candidates on conditions that they (candidates) are elected by local branches of national parties and parties make (local party) manifestos public before the elections so that the electorate can make informed decisions.

### **Resolving the political competition between the MP versus UZP Chair versus Mayor**

In the long run, probably the best option to resolve the problem of MP-UZC relations is to amend the law, withdrawing the provision for making the MP as an advisor to the UZP.

As the MP and the chair of the UZP are elected separately, one should not be allowed to meddle into the activities of the other. Making the MP an advisor is to encourage her/him to concentrate more on local than on national activities. An MP is already overburdened with many local responsibilities. S/he is now involved with many activities such as distributing test relief, planning FWP, and resolving local disputes; they also have involvement with Vulnerable Group Feeding (VGF) and Vulnerable Group Development (VGD) programs. All these activities cost her/his time, energy and resources. MPs are also involved in the planning of Important Rural Infrastructure Development Project (IRIDP). Each MP is entitled to suggest rural infrastructure projects worth Tk. four crores which are implemented by LGED. Previously, they received Tk. three crores each year. To allow an MP to get involved further in local activities is to seriously risk the weakening of the local government system. One way of involving the MPs further in local activities is to define the scope of IRIDP. The Bangladeshi IRIDP is restrictive in nature; MPs can suggest projects only for the improvement of roads, bridges and culvers. But in India, the scope of work of MPLADS, the equivalent of IRIDP in Bangladesh, is much broader. MPs can propose projects for road construction, electrification, drinking water, public buildings or even bigger projects such as rebuilding a railroad overpass at a critical intersection. Moreover, MPLADS are implemented not by commercial contractors as in Bangladesh, but mostly by local councils. There is thus scope for collaboration between an MP and local councils. Bangladesh can easily learn from the Indian experience.

Another option is that rather than having responsibility for advising the UZP, the MP be made an ex-officio member as in India. Panchayati laws in India provide for granting ex-officio membership of Panchayati Samity (PS) and Zila Parishad (ZP) to MPs, MLAs and MLCs. But they do not enjoy any special privilege; their status is no better than an ordinary member of the PS. The problem in Bangladesh is that no MP will probably agree to this system. Nor can the center be expected to accept it for reasons explained in an earlier section. The center needs MPs more than upazila chairmen both for political and strategic reasons.

A third option is to amend the UZP Act, providing for some kind of balance between the authority of the UZP and that of the MP. One way of doing it is to retain the existing provision for making the MP an advisor to the UZP but withdrawing the requirement for seeking such advice mandatory. In other words, the existing provision that "the Parishad shall seek the advice of the MP" may be changed and reworded as: "the Parishad shall seek, as far as possible, the advice of the MP". This will give some kind of leeway to the UZP, while allowing the MP to make his preference known to it (UZP). The proposed change in legislation is likely to discourage interference/confrontation and encourage collaboration. Such collaboration may prove beneficial in the long run. None of the options stated above is, however, likely to resolve conflict altogether. Nor can conflict be always seen as harmful. (Differentiation of) Conflict can provide a 'challenge-response' syndrome which solves problems on an ad hoc basis and then institutionalises the very methods of problem solution. Also, as the functions of the UZP focus more on current service delivery and less on political schemes, it will become impossible for the MP to micro-manage, and therefore, shift more of the de facto power to the Chair and council members.

It is important to recognize that to some extent, the local power imbalance in favor of the MP is likely to become less of an issue as the Upazila Parishad “grows up” over time into a real local government institution. For instance, as the UZP starts to employ staff, this staff will report to the UC rather than the MP. As the functional responsibilities of the UZP expand, the activities of the Chair, Council and UZP staff will become too expansive for the MP to micro-manage. To the extent that the UZP will become more participatory and accountable in its planning, budgeting and implementation, it will be more difficult for the MP to overrule the expressed will of the community. Likewise, if the government opts for direct election of Upazila Parishad members (rather than ex-officio membership of UP Chairs), this will increase the democratic legitimacy of the Chair and Council vis-à-vis the role of the MP.

A final point that should be noted regards the political competition between the UZP Chairman and the Mayor of pourashavas within an Upazila. In order to strengthen the local government systems as a whole, one political-strategic option would be to strengthen the position of the mayor, since he or she is not encumbered by the MP's influence in the same way as the Upazila Chair. Strengthening the Mayor could be done by excluding the pourashava from the territorial jurisdiction of the Upazila, which would prevent the Upazila Parishad (and therefore, indirectly, the MP) from taxing urban taxpayers and which would prevent higher levels from interfering with local (municipal) affairs.

While this option may be appealing in the short term, this approach should be considered with utmost caution, as it may do more harm than good in the long run. After all, this approach (purposefully) undermines the strength of the Upazila Parishad, which (in the previous chapter) was found to be the optimal jurisdictional platform for local service delivery in Bangladesh (and the de facto level of deconcentrated service delivery). Furthermore, as noted above, in the longer run, it is likely that the power of the MP will wane as the Upazila Parishad matures.

#### **Lack of local political control over local administration team**

As discussed further in Chapter 4, local governments in Bangladesh have limited control over the core local administration team and the administrative systems at their level. Lack of local political control over local administration is quite evident at the Union level than at other levels, as the sole local administrator (the UP Secretary) is a seconded official. All other public servants—officials of different central departments at the Union level—effectively remain invisible to the elected leadership of the UP.<sup>54</sup>

Some kind of arrangement exists (albeit imperfect) for making the bureaucrats accountable to elected representatives at the Upazila level and for urban local bodies. Ultimately what is needed is that the locally elected leadership is more empowered over their core administrative staff, so that the elected leaders can be confident that their priorities will be executed by the local administrators (rather than administrators remaining beholden to their central government ministry).

Numerous steps should be taken to gradually empower the elected UZP as the legitimate coordinating forum and oversight mechanism for local decisions and services, and eventually, as the entity responsible for localized service delivery at the Upazila level. One option will be to establish the superiority of the elected UZP over the upazila-level bureaucracy, among other things, by redefining the status of the Upazila Chairman (UZC). UZCs used to enjoy the rank and status of a Deputy Secretary to the government during the Ershad years. This ensured the superiority of the chairman in the hierarchy. This system needs to be restored. The decision to make the UNO the principal executive officer (PEO) has caused some kind of jealousy and unease among officials of other departments who have traditionally sought to resist her/his authority. The Charter of Duties of officials of different departments shows that they are to work under the supervision of the UZC and the coordination of the UNO. However, officials of different departments do not consider this role of the UNO as legitimate. What is needed most is to ensure that all deputed officials including the UNO enjoy similar status. This can be done by appointing a full-time secretary and since the UZP does not have any heavy workload, s/he may be allowed to act as the chief executive officer. To grant the UNO a special status as PEO is to create inequality and encourage conflict among officials.

<sup>54</sup> The UP Act of 2009 empowers the government to transfer the services of officials and employees of several ministries working at the Union level. Officials whose services can be transferred to the UP include: sub-assistant engineer, LGED, Tubewell mechanics of the Department of PHE, sub-assistant agricultural extension officer of the Ministry of Agriculture, health inspectors and assistant health inspectors under the Ministry of Health, assistant education officers under the Ministry of Education, veterinary field assistants under the Ministry of Fisheries and Livestock, union social welfare workers under the Ministry of Social Welfare and union leader under the Ministry of Home Affairs. In the absence of a small contingent of core UP staff, the UP cannot meaningfully oversee this staff. As noted in Chapter 2 (and by Boex, 2014), the UP jurisdiction is inefficiently small to efficiently manage these staff. The implied assignment of functional responsibilities to the UP would further contribute to the fragmentation of functional responsibilities.

## Gender representation at the local level

Women at different levels of local government (e.g., UP, UZP, municipalities and city corporations) are elected in a similar manner; the type(s) of problems they face are also similar. Two options may be identified to encourage more women to join local politics as well as to help them play a more pro-active role at all levels:

First, under the existing system much of the good work of women members remain unrecognized mostly for the reason that their constituencies remain confined on paper and do not exist in practice. Territorial constituency has several advantages that are disproportionately enjoyed by male ward members while women are discriminated against. One option to redress the problem is to adopt the 'rotation system' followed in India. Women local council members in India are elected from general constituencies. Usually one-third of total constituencies are reserved for women in one election; these will be considered as open/unreserved in the next election and another three general constituencies will be kept reserved for women. Women members thus claim the same legitimacy as their male colleagues and they are not considered as a special category of members as in Bangladesh. In Bangladesh, each union is divided into nine wards, with each ward returning a member. There is no provision for reservation of such general wards for women, although the law does not bar a woman from contesting from general seats. On the other hand, Indian women are elected from general seats which are reserved for them but change with each election. Women panchayat members in India can claim equal powers, facilities and privileges with their male counterparts. But the situation is different in Bangladesh.

The risk [with rotation] is that as women's constituencies change with every election, there is not much scope for a sitting women member to get (re)elected in the next election. As Baviskar (2003) has observed:

The women elected in the first election from a reserved constituency has to choose either to contest from her old constituency – which is no longer reserved for a woman and thus compete with men as well as women – or go to a newly declared reserved constituency for women. In the latter, she will face only women candidates but will not derive any benefit from work she might have done in the old constituency. She will have to begin from the scratch. Thus women face a difficult choice either way.

The above argument cannot be accepted at its face value. Election to a reserved seat may be seen as a stepping stone to acquiring a general seat. This will help women gain experience and expertise which, in turn, may increase their confidence to confront male contenders. In other words, experience as a reserved seat member may turn out to be rewarding in the long run. The existence of the phenomenon of all-women panchayat (in India) is a clear indication that the attitude of the electorate is changing. It also implies that women are capable of contesting from both reserved and general seats.

The second option is to allow party-based elections in local government and enact laws requiring parties to nominate women in at least one-third of the total wards. This is likely to encourage more women to contest elections. In the absence of any strong outside support (either by party or CSO/NGO), many 'competent' women do not want to join the electoral race fearing threats/ recriminations from those who control local politics including violence by local 'thugs'. (Decrease in the number of women candidates may be considered as an example). Involvement of parties may help aspiring women to overcome this problem. Experience, however, shows that in some countries where statutes require nomination of a certain percentage of women in elections, parties often place women candidates in marginal seats, thereby making sure their defeat. Moreover, there is a strong case against party involvement in local government, as explained earlier.

On balance, one can find that the first option –adopting the rotation system as in India – appears to have greater relevance than the second option. While the first option is certain to ensure representation of women in local politics and also has the potential to encourage competition between male and women members, the second option is fraught with the risk of exacerbating conflicts. More importantly, it cannot ensure that women will have adequate representation in local government. Representativeness has its own merits. The more an organization is representative, the greater the prospect of enlisting the support of different groups to achieve organizational goals. It is not argued that granting better representation to women will automatically lead to an improvement in performance. Women elected to local councils (and Parliament) do not differ much from their male colleagues in terms of social origin. Both belong to similar social groups. Yet experience shows that notwithstanding similar social origins, the two groups often behave in a somewhat different manner, with women holding more egalitarian attitude towards issues that concern the great majority of people. The significance of empowering women in local government thus cannot be overemphasized.





# 4

Local government  
control over  
administration and  
service delivery



**Local government  
control over  
administration and  
service delivery**

This chapter considers whether the local government leadership in Bangladesh—as well as local governments in the comparative country cases—is given the necessary authority to exert control over the administration of local public services in order to respond to the service delivery needs of its residents and the local business community. Section 4.1 provides a brief conceptual overview of the topic. Section 4.2 considers the situation in Bangladesh with regard to local government control over administration and service delivery. Section 4.3 presents comparative international experiences with regard to local government control over administration and service delivery. Section 4.4 presents options and initial recommendations for Bangladesh.

## 4.1 Conceptual overview: local control over administration and service delivery

Local governments as well as local administrative jurisdictions need to be endowed with an appropriate degree of administrative autonomy in order to be able to respond to local needs effectively.<sup>55</sup> Full administrative control implies that the local government's political leadership appoints the heads of its own departments, as well as the heads of other local service delivery units, such as urban water authorities. In addition, local government control over local administration and local service delivery implies that the local government controls and manages the financial resources required for the delivery of local services.

Along slightly different lines, three broad powers can be identified as being crucial for local governments to administer their responsibilities autonomously: (i) the power or authority to manage their own human resources, (ii) the ability to procure goods, services and infrastructure, and (iii) to have substantive administrative control over the delivery of local services that fall within their legal mandate.

**Control over local human resource management.** Local human resource management forms a crucial link in the sound management of the public sector by aligning public sector activities and the human resources needed to engage in these activities.

Local governments' own authority over local human resources and employment policies ranges from country to country with the respect to the degree of authority over pay policy (setting overall wage rates as well as local hardship and remote allowances), budget power over wage payments (paying staff from one's own budget), budget and establishment control (controlling staff numbers and authority to remove surplus staff), recruitment autonomy (recognition as the formal employer), career management control (vertical and horizontal mobility, including transfers to other units within the local government system), and performance management (directing and supervising activities and tasks, conducting evaluations, and exercising the ability to discipline and fire).

To the extent that local government act as semi-autonomous local self-governments, local governments need effective control over their own local government staff in order to implement the legal functions and responsibilities within their remit. In many (deconcentrated as well as devolved) countries, however, a substantial amount of (if not full) responsibility for managing local human resources is retained at the central government level, making it hard for local governments to respond to specific local needs and reducing the incentive for local bodies to manage their human resources efficiently.

**Local development expenditures and procurement.** In addition to control over their own human resources, local government also needs discretion to procure goods, services and infrastructure from the private sector or other entities to ensure efficient service delivery to citizens. Beyond the basic procurement of infrastructure or goods and services, procurement contracts can take many forms including service or management contracts, leases, concessions, joint ventures, and full or partial ownership. The legislative framework guiding public procurement should provide clear guidance on the roles of different branches and levels of government in all of the various steps of procurement processes, which involves preparing the specification of goods and services to be procured; designing the contract; selecting suppliers; appraising the technical and financial qualification of the bidders; managing the bid process; finalizing the bid process; and contract management.

<sup>55</sup> This section builds in part on World Bank (2009); Aslam, Yilmaz and Gurkan (2010); and Boex (2012).

In a decentralized procurement process, local entities or officials are involved in all of these stages. It is not unusual, however, for limitations to be imposed on the ability of local governments to procure goods, supplies and infrastructure. For instance, procurement ceilings may be set for local governments: in excess of these ceilings, local governments are required to rely on central government authorities to procure goods or infrastructure on their behalf. In fact, despite the fact that local government legislation may indicate that local governments are responsible for a specific function—covering both the recurrent as well as the capital aspects of the function—it is not unusual for central line ministries to step in to procure and provide the necessary capital infrastructure directly through centralized mechanisms.

Since procurement processes provide a potent opportunity for corruption of local governments, citizen involvement in the process can be helpful in mitigating some of these risks. For example, in some countries, the legislative framework guiding local procurement requires the establishment of special bodies in which user groups or other accredited nongovernmental and community-based organizations have a role in the pre-qualification, bid, award, and management of local contracts. Some examples of user group committees are school management committees, water user groups and health facility boards.

**Local administrative control over service delivery.** A third administrative aspect of an effective local government system is the degree to which local entities have effective administrative control over the delivery of local public services, beyond human resources and procurements. Although different local functions and sectoral service delivery often fall under a common administrative and regulatory framework, the degree of effective local government control over the delivery of local services is often limited as central line ministries issue circulars or sectoral regulations that local governments have to follow. The degree of administrative control of local government officials over services within their legal mandate often varies from sector to sector. For instance, the degree of administrative local government control over a purely local function such as solid waste management may be greater than the degree of administrative control that a local government has over the provision of primary education within their local government jurisdiction.

It is difficult to measure or objectively quantify the existence and degree of local autonomy and discretion over local public services, or the degree of accountability that local officials are subjected to in the delivery of local public services. To the extent that elected local governments are assigned the responsibility for planning, supporting, or monitoring local services that are not directly under their control, it becomes even more difficult to accurately determine the degree to which they are actually effective in performing these functions.

## 4.2 The situation in Bangladesh: local control over administration and service delivery

Those holding leadership positions in local public offices have many responsibilities. As discussed in Section 3.2, leaders in rural and urban local governments in Bangladesh are made responsible for organizing their local administration, for providing certain services to local residents and for monitoring the government services provided in their jurisdictions by central government ministries.

Experience shows that candidates for elective offices often make many promises in order to attract voters. In many cases, they revolutionize the expectations of the voters. Once elected, however, they often find it difficult to respond to different issues and concerns of their constituents. As discussed in Chapter 2, local councils in practice are quite restricted in their scope of providing services to the locality. The primary responsibility for providing 'core' public services (such as primary education, health services, and other social services) rests with the central government. Even in areas where local government institutions have real service delivery responsibility, local officials are quite constrained with respect to the degree of control over administrative processes and service delivery mechanisms.

One way to make local leaders more responsive is to redefine the roles of the central government and the local government, creating more space for the latter to become proactive in service delivery. Experience shows that various central-level forces, particularly lawmakers and the field officials of different central government departments, tend to oppose moves toward meaningful devolution of power to local government. Despite recommendations by different expert bodies and development partners for greater devolution, local governments still remains a minor actor in the process of local service delivery.

What is important to note is that whatever ‘limited’ responsibilities local government have been bestowed in the provision of local services and infrastructure, particularly the UP and UZP, cannot be discharged, among other things, for lack of discretionary funds and due to the lack of administrative control. The issue of funding will be explained in detail in Chapter 5. This section explores the ways in which local political leaders remain handicapped in doing what is expected of it, because of lack of control over their core administrative systems, including local human resource management, local procurement systems, and other local decision-making processes related to local administration and local service delivery. It will be evident, that in almost every respect, local councils remain seriously handicapped.

### 4.2.1. Overview

In Bangladesh, there is an elaborate system of central government control over the day-to-day functioning of rural and urban local government bodies. There exist elaborate central powers of control and supervision in matters of local staff appointment, approval of contracts and estimates, sanctioning of new staff positions and framing of bylaws and rules. The control system is usually applied through inspection, calling of records and directions for performance of civic functions.

Table 4.1 shows the local government control over administration and service delivery in Bangladesh based on the Local Government Systems Assessment Indicator Set. Although urban local governments have slightly greater control over their administration and service delivery systems, LGIs score low across the board, with no local government type receiving a score that exceeds one point out of five. In fact, out of the five institutional dimensions being assessed by the Local Government Systems Assessment Indicator Set, every type of LGI in Bangladesh fares worse on this dimension than any of the other four dimensions being assessed.

**Table 4.1 Local government control over administration and service delivery: Bangladesh**

	Assessment Indicator	BGD - UP	BGD - UPZ	BGD - muni.	BGD - CC
<b>C</b>	<b>Local control over administration and service delivery</b>				
C1	Does the LG (Executive or Council) appoint the head of the local service delivery units (SDUs)?	0	0	0	0
C2	Does the LG approve the budget of the SDUs?	0.75	0.25	0.25	0.25
C3	Does the LG determine its own organizational structure and staff establishment?	0	0	0	0
C4	Does the LG have control over its human resource decisions?	0	0	0.25	0.25
	Does the LG plan and manage the procurement of capital				
C5	investments /infrastructure required for the service?	0	0	0.25	0.25
	<b>Total</b>	<b>0.75</b>	<b>0.25</b>	<b>0.75</b>	<b>0.75</b>

The details of the (limits on the) local administrative powers for each of the different rural and urban local bodies in Bangladesh (i.e., UPs, UZPs, pourashavas and City Corporations) is discussed in the subsequent sub-sections.

It was noted earlier in this report that there are approximately 4,500 Union Parishads in Bangladesh, and that Union Parishads differ in size, population, location and level of development. Each Union Parishad has a Parishad, or Council, which is mostly composed in a similar manner throughout the country (as discussed in Chapter 3). The different UPs, however, differ in terms of the political orientation of their key elected members (chairman, members and women members), their technical capacity to undertake functions, and the ways different actors define inter-role relationships and resolve problems of mutual adjustment. Much of what has been described about the UZP equally applies to UP. In some respects, the UP remains more disadvantaged than the UZP.

**Recruitment of staff for UPs.** The UP is the lowest unit in the local government hierarchy. It has been charged with undertaking a number of important functions, most of which are implemented in a participatory manner. There is not much scope for employing a large number of staff. Moreover, the staff need has been addressed by the national government. Most of the Departments (7) have “transferred” their extension agents at the grassroots level (ward and union) to the UP. This increased bureaucratization has restricted the scope of operation of the UP to a large extent, and also reduced the need for employing a large staff. The 2009 Act empowers the Government to transfer the functions of seven ministries at the union level and services of officials to the UP for a certain period of time. Once transferred, they will work under the guidance of the UP. No such transfer has been carried out to date.

Article 62 of the UP Act of 2009 provides that each UP shall have a secretary and an account assistant-cum-computer operator, to be appointed by the government or an authority prescribed by the government. The UP does not have the authority to appoint its core staff. The Deputy Commissioner (DC), the head of the district, appoints the secretary on the basis of the recommendation of a selection committee composed of: the DC, ADC (General), and Deputy Director, Local Government. The DC also retains the right to transfer a secretary from one UP to another within the district. The UP does not have the authority to recruit even mahalladers and dafadars – those who perform limited police functions and assist the UP in maintaining law and order; they are selected by a committee headed by the UNO and composed of OC of the police station and UP chairman.

The UP, as stated in an earlier chapter, appoints tax collectors on a commission basis. The Act, however, allows the UP to recruit additional manpower, if necessary, subject to prior approval of the Ministry and on the condition that they are paid salaries and allowances from its internal fund.

The power of the GP in India is more or less the same as in Bangladesh. A GP can employ a secretary; it can also recruit additional manpower, if necessary with the approval of the PS. Indian grassroots are, however, less bureaucratized than Bangladesh. There is a village level worker (VLW) who works as an extension agent on behalf of all departments.

**Budget formulation by UPs.** The making of the budget takes place in a more participative manner now than in the past. One of the important features of the 2009 Act is that it provides for the formation of Ward shava (open meetings) open to all adults resident in the Ward. The law requires that a Ward shava meets three times a year (including an annual meeting) to identify the needs and demands of the ward and set priorities to be included in the UP budget. The UP, as is the case with UZP, is required to prepare a budget sixty days before the commencement of a financial year, based on priorities received from ward shavas. It is also required to hold an “open budget session” where members of the public and the concerned standing committee will be present. Measures have to be taken to publicize the date of open budget meetings to be held in front of the UP office or in a school/playground. Adequate seating arrangements are to be made so that no one faces any difficulty. Local media are invited to the budget meeting. After the presentation of the draft budget, those present at the meeting are allowed to ask questions regarding any issues included in the budget. The Rules require, among other things, that the budget plans for a surplus and that sufficient allocation is earmarked for women’s empowerment and for the welfare of the youth, handicapped and the aged.

After the approval of the draft budget at a public meeting convened for the purpose, the UP will convene a special meeting to finalize it. Members will be supplied a draft beforehand so that they can study its pros and cons. After the approval of the budget by the UP, it will be sent to the UNO for review and comment.



The UNO, within 30 days of receipt, may revise the budget and send it to the UP, which will be considered as the final budget. In the ultimate analysis, it is the bureaucracy that retains the final authority to decide a UP budget.

The process of budget-making is somewhat simpler in Indian Panchayats. In the Indian case, the sanctioning authority may propose modifications, but these have to be approved by the Panchayat. Technically, the final authority to decide whether a budget is to be approved or not rests with the bureaucracy in Bangladesh, while in India, it is the democratically -elected body that has the final say although the bureaucracy has the right to suggest amendments. The triumph of popular body over the bureaucracy is clearly evident at every level in India. However, the innovation introduced in the budget-making process in Bangladesh deserves special consideration. It represents a major improvement over the traditional method of preparing budgets in secret.

**Decision-making processes followed by the UP.** The process of decision-making in UPs is more or less similar to that in the UZP. The law requires that the UP hold at least one meeting a month. The UP, however, has more freedom than the UZP. One-third of the members of the UZP form the quorum. To adjourn meetings, a quorum is not necessary. Half of the members can ask for a requisition meeting. If the Chairman fails to hold a requisition meeting within 15 days of the receipt of the notice, the panel chairman will arrange the meeting. A representative of the UNO shall attend the requisition meeting and will submit a report to him, within seven days, on the way such meeting was conducted and what decisions were taken. There is no requirement, as in the case of the UZP, to send copies of the notice of the meeting, including agenda, to anyone except the members of the UP. However, the law requires that the decisions of the meetings of the UP be sent to the UNO, with a copy to the DC as soon as the proceedings of meetings are signed. The Ministry, however, retains the right to inspect records of the UP, provide guidelines, and inquire into allegations of irregularities taking place in Parishad/project activities. The Ministry, under certain circumstances, can suspend the proceedings of the UP and, in extreme cases, dissolve it.

**Planning and Implementation of Development Projects.** A participatory planning process has been followed in the Union Parishad. According to the UP Act, 2009, UP Operational Manual 2012 and subsequent circulars issued from time to time by the Local Government Division, a Ward Committee (hereinafter WC) has to be formed to organize Ward Shava (hereinafter WS). The Planning Committee (hereinafter PC) is supposed to distribute and send sector-wise demands to respective Standing Committee (hereinafter SC) for analysis (UP Operational Manual, 2012:40). The SCs are supposed to prioritize the demands/schemes on the basis of availability of resources and prepare a five-year plan. The PC is then supposed to send a complete year plan and a five year plan with the recommendations of SC to Union Development and Co-ordination Committee (hereinafter UDCC) and to UP for final approval. These finalized plans are supposed to be displayed before all the voters of the concerned UP and sent to the UNO for final approval. When it concerns the implementation of development plans, these are basically done through Project Implementation Committee (hereinafter PIC). Projects (that are sponsored by the Local Government Support Project (LGSP-II)), not exceeding the amount of TK. 500,000 will be implemented by Ward Committees. In case of projects, exceeding TK. 500,000, that will be implemented through open tender. There has to be a Scheme Supervision Committee, whose main responsibility will be to monitor the progress of implementation of the programme.

### 4.2.3 Local administrative powers of Upazila Parishads

Upazilas differ in size, population, location (rural, semi-urban and urban) and level of development. Each upazila has an UZP, which is mostly composed in a similar manner throughout the country. The different UZPs, however, differ in terms of the political orientation of their key elected members (chairman, vice-chairs and members), their technical capacity to undertake functions, and the ways different actors define inter-role relationships and resolve problems of mutual adjustment. In the following section particular attention has been given to issues like recruitment of staff, the making of the UZP budget, the process of decision-making, the process of planning and development and the taxation system of the UZP.

**Recruitment of staff for UZPs.** Article 34 (1) of the Upazila Parishad Act of 2009 empowers the UZP to appoint different categories of officers and employees, with prior permission of the Ministry, to discharge its

responsibilities. However, as the 'core' services are delivered by different line Ministries, through their permanent civil servants in the local area, there is no need for recruiting a large staff.

Each UZP Chairman, as stated earlier, is entitled to a typist-cum-computer operator, a driver and an MLSS, while the two vice-Chairs are each entitled to have an MLSS. The UZP, on its own, can appoint a sweeper/gardener on a daily basis. A 2011 amendment of the UZP Act of 2009 now requires each UZP to have an Assistant Accounts Officer who shall be appointed by the Ministry or an authority as decided by the Ministry.

Thus, members of staff of the UZP do not have any role in service delivery: they are needed only for house-keeping purposes. The UZP does not have any role in conditions of service, transfer or promotion of the service delivery staff working in their Ministries. Although officials of different service delivery departments have sometimes been transferred to the UZPs, the latter finds it difficult to punish a recalcitrant official. Granting the power to the Chairman of the UZP to report on the performance of officials of the transferred Departments to their Departmental superiors cannot be seen as a deterrent.

The extent to which a line Ministry will agree to take action against its own officials, based on reports, from 'outside' organizations like UZPs, has not been ascertained. What appears to be certain is that the provision for dual control over Departmental officials is likely to produce dual loyalties – operational loyalty to the UZP and career loyalty to central Ministries/Departments. In case of conflict of loyalties, an official is likely to emphasize his or her career over their temporary placement with a local government. In the absence of any direct authority/control over officials of Ministries, all that a Chairman of the UZP can do is to try to persuade a recalcitrant official, failing which s/he can report to higher authorities.

**Budget formulation by the UZP.** Budgeting is an important function of any large-scale organization. UZP thus cannot be an exception. The 2009 Upazila Act requires that the UZP prepare a budget, in accordance with directives made by the Ministry, at least sixty days before the commencement of a new financial year. Before finalizing the budget, the local government is required to seek public opinion, comments and suggestions about its draft budget by attaching a copy of it on the notice board of the UZP. After fifteen days of public display, the UZP shall consider the comments and suggestions of the public and approve the budget at least one month before the commencement of the next fiscal year. A copy of the budget is to be forwarded to the DC and the Ministry. If the UZP fails to approve the budget before the commencement of the financial year, the Ministry may have the necessary statement of income and expenditure prepared, and such certified statement shall be deemed to be the 'sanctioned' budget of the Parishad. Within fifteen days of the receipt of the copy of a budget, the Ministry may, by order, modify it, and the budget so modified shall be deemed to be the sanctioned budget of the Parishad. At any time before the expiry of the financial year to which a budget relates, a revised budget for the year may, if necessary, be prepared and sanctioned.

Recently, the Government has formulated rules prescribing the procedure to be followed in making the budget. According to the rules, known as Upazila Parishad Budget (Formulation and Approval) Rules 2010, the budget is to have two parts: revenue account and development account. Different forms are to be used to show income and expenditure separately. The UZP are required to submit some statements and notes along with the budget. These include: a statement showing the particulars of the regular employees of the Parishad and the amount required annually for meeting the expenditure relating to the salaries and allowances of the employees; a statement showing the amount received from the government for expenditure on a specific scheme; a statement giving details of new items of expenditure which are for the first time proposed to be included in the budget; and a note explaining the causes of important variations in the estimates of expenditure of the current financial year and the next financial year. The budget is to be considered and sanctioned at a special meeting of the UZP by 31st May preceding the financial year to which the budget relates and a copy of it is to be submitted to the Ministry, the MP and the Deputy Commissioner. The Rules allow the formulation of a revised budget and re-appropriation from one head of account to another under certain conditions. No expenditure, however, can be incurred by the UZP in excess of the amount provided under each head in the budget.

What is evident is that the autonomy of the UZP in the preparation and approval of the budget is quite limited. This contrasts sharply with the situation in its early years, when the UZP enjoyed greater freedom in making financial decisions, including the preparation of the budget.

**Decision-making processes followed by UZPs.** The scope of decision-making in the UZP is more restricted now than it was in the past. Nevertheless, the tasks entrusted with the UZP are quite important. The Rules specify the way decisions are to be taken and implemented. According to formal rules, the UZP has to meet once in every month. The business of the UZP can be disposed of either in plenary meetings or meetings of its committee and subcommittees. The first meeting is to be convened by the UNO and, subsequent meetings, by the Upazila Chairman. Half of the members of the UZP form the quorum. To adjourn meetings, a quorum is not necessary. There is no reference to the issue of agenda setting. In general, however, as the head of the UZP, it is the responsibility of the Upazila Chairman (UZC) to set the agenda, which has to be circulated among the members at least seven days in advance. Emergency meetings can be held at short notice (e.g., 24-hour notice). Necessary papers (working papers) have to be sent to the members at least three days before a scheduled meeting.

However, while the Upazila Chairman theoretically enjoys the freedom to include in the agenda, whatever issues s/he considers necessary, the UNO enjoys some important powers in agenda setting. S/he can give a specific opinion on any of the issues included in the agenda and enjoys the power to move the agenda in UZP meetings with such specific comments. A copy of the notice of the meeting, including agenda, as well as proceedings of meetings, has to be sent to the MP and the DC. The UNO, as the secretary to the UZP, has to ensure that notices reach the members (including MP and DC) on time and working papers are prepared and supplied to them. The Rules state that no agenda item will be considered without working papers, which are to be prepared by the UNO, at least from a legal point of view.

The Rules specify that all issues are to be resolved in general meetings of the UZP and/or its committees. Special meetings can also be held. In general, issues that come up for consideration in UZP meetings are of five categories: financial (e.g., all matters related to Parishad fund, annual budget of the Parishad, proposals relating to the levy of taxes, rates, tolls and fees etc.); developmental (e.g., all development proposals and schemes pertaining to transferred subjects, all matters relating to annual development plan of the UZP, all matters relating to the five year plan of the UZP etc.); operational (e.g., matters relating to the employees of the UZP, including those transferred to it, formation of committees and subcommittees, review and approval of recommendations made by vice-chairs, review of law and order situation in the upazila, review of overall activities of the UZP etc.); coordinating (e.g., periodic review of activities of regulatory departments of the government including calling for reports and statements, monthly review of activities of transferred offices including calling for performance reports and statements and the activities of different non-government organizations working within the upazila, and sending reports to all according to law); and miscellaneous (e.g., review of implementation of all decisions taken by the Parishad, and any other matters of public interest related to transferred subjects).

Although the UZP has the authority to take decisions on different issues, if the UNO thinks that any decision of the UZP has not been taken in accordance with laws/rules, or if there is a risk of public life and public safety being jeopardized if it is implemented, s/he will request the UZP in writing to reconsider the decision. If the UZP sticks to its decision, the UNO has the duty to inform the Ministry or prescribed authority about it. The UNO, the Rules say, shall also keep the Upazila Chairman informed about his decision. The extent to which this clause is intended to be a 'safety valve', to ensure that the Upazila Chairman follows the rules in holding meetings, and/or provides a mechanism for strengthening central control over local government, has not been explored in any systematic manner. The process suggests that bureaucrats are considered by the Ministry as more competent to defend the public interest than elected representatives. Although the UNO formally provides only a secretarial service to the UZP, s/he enjoys enormous power in practice. In particular, her/his power to ask the UZP – a democratic body – to reconsider its decisions makes him superior to it (UZP) and will seriously disadvantage it.

**Planning and Implementation of Development Projects.** One of the important functions of the UZP is to plan and implement various development projects. As observed earlier, the UZP can prepare an annual development plan and a five-year plan. It, however, enjoys limited autonomy in carrying out the functions of planning and project management. Much of what it can do in this respect has been decided for it by the central government. The Ministry of Local Government first issued a Directive in October 2009 specifying the manner in which the UZP has to use development funds. It was revised in April 2010. The Directive also delineates the areas in which the UZP can take decisions and prescribes the formula for the allocation of resources to different sectors and identifies the types of projects it can undertake. It also specifies activities that cannot be undertaken with resources from the development fund. The UZP, for instance, cannot really

decide the relative importance of various departments; to a large extent, this has been decided (for the Parishad) by the central government. The Directive, as Table 4.2 shows, sets the maximum and minimum shares that can be allocated to different sectors. There is not much scope for variation in the allocation of resources. The extent to which different actors agree to abide by the rules will be explained in the next Chapter.

**Table 4.2 Sectoral Allocation Pattern for Annual Upazila Development Programme**

Sectors and Programmes	Minimum	Maximum
<b>Agriculture and Small Irrigation</b>	20.0%	32.0%
Agriculture and Irrigation: intensive crops programme, drainage and irrigation, supply of seed and development of social forestry.	10%	15%
Small and Cottage Industries: skill development	5%	7%
Fisheries and Livestock: digging of tanks, reclamation of derelict tanks, rural fisheries and development of livestock, development of poultry and livestock.	5%	10%
<b>Physical Infrastructure</b>	32.0%	47.0%
Transport and Communication: rural works programme, construction of small bridges, and culvert.	15%	25%
Housing and Physical Planning: development of hats and bazaars, community centres.	5%	7%
Public Health: supply of safe drinking water and village sanitation, mitigation of arsenic problems.	10%	15%
<b>Socio-Economic Infrastructure</b>	37.0%	48.0%
Development of Education: educational institutions, classrooms, playgrounds, supply of teaching aids.	10%	15%
Health and Social Welfare: primary health care, EPI programmes, social welfare activities including youth and women welfare.	10%	15%
Sports and Culture: promotion of games, sports and cultural activities, physical, mental and cultural development of children.	5%	10%
Miscellaneous: birth and death registration services, disaster relief measures.	5%	8%

**Source:** LGD, UZP Development Fund Utilisation Directive (Dhaka, 10 April 2010), pp. 9-10.

The Directives specify the modalities for the implementation of development projects. Those projects that cost TK. 100,000 or less are implemented by 7-9 member project committees headed by locally elected representatives and composed of popular leaders and prominent members of the society. Officers of concerned upazila departments can also be members of project committees which are to be approved by the UZP. Not more than 16 projects can be implemented by project committees in a year. Project Committees are accountable to the UZP. Projects costing more than TK. 100,000 are implemented by contractors, with the Upazila Engineer playing a pre-eminent role. He signs contracts and ensures that the quality of the project is not compromised. There is a tender committee for the selection of contractors, which is headed by the UNO and composed of different categories of members: concerned UP chairman, concerned woman member, and concerned departmental head. Decisions of the tender committee have to be approved by the UZP before work orders can be issued to contractors. The Upazila Engineer, who acts as the member-secretary of the tender committee, is also responsible to the UZP for ensuring the quality of work and timely completion of projects. If any problem arises, the Upazila Engineer has to report the matter to the UZP.

Specific provisions exist for overseeing the implementation of projects. The Directive states that the Upazila Chairman and/or UNO may visit any project any time and can order corrective measures if any lapses are noticed. Provisions also exist for setting up a committee in each union to monitor the implementation of projects. The committee shall report to the UZP from time to time. A person cannot be the chairman of a project implementation committee as well as the project monitoring committee at the same time. Chairman of a UP or the concerned woman ward member can chair the monitoring committee. In special circumstances, concerned departmental official can also perform this function. Senior officials of the government, including the Deputy Commissioner and Divisional Commissioner, can inspect the implementation of projects and make their suggestions and comments known to higher authorities. The Directive requires the UZP to review the progress with the implementation of projects at least once a month.



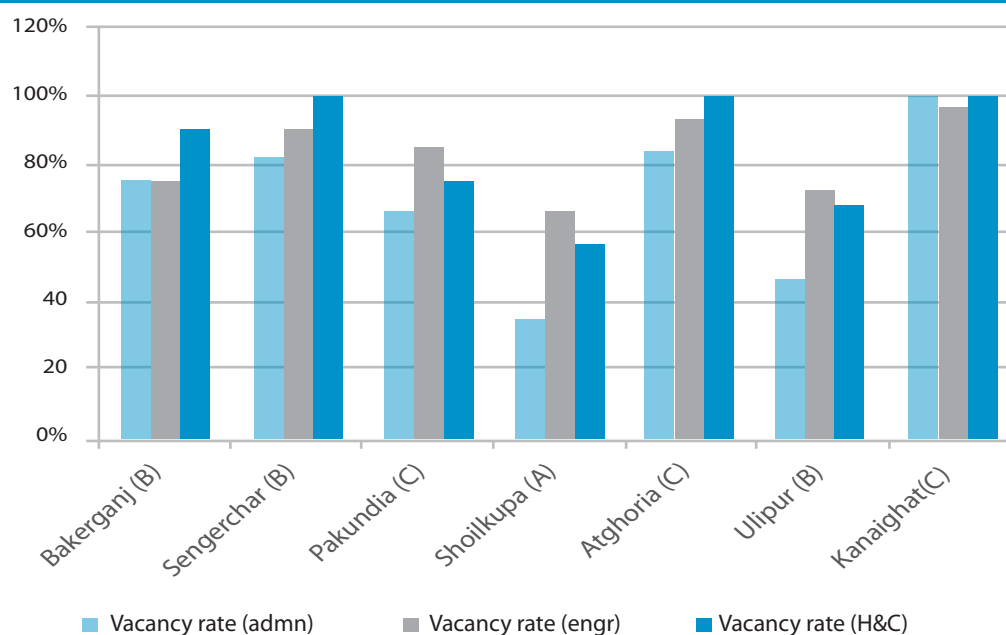
#### 4.2.4 Local administrative powers of municipalities

The effectiveness of any Pourashava governance and service delivery depends on a wide range of socio-economic and political factors. At the organizational level, however, it is shaped by the skills and motivations of Pourashavas' political leadership, officers, staff and other stakeholders. Davey (1993) observes that "the performance of a car owes much both to its driver and to the driving conditions - the state of the road, the traffic, the weather -but its innate characteristics, engine power, road holding, fuel efficiency, etc., constitute a third party to the equation. Just so the institutional characteristics of urban government play a part in determining its effectiveness, along with the people who run it and the environment within which it operates". Based on the above assessment it can be argued that the key factors affecting Pourashava performance would include: the autonomy over the recruitment of its staff, the making of the budget, the process of decision making, planning and implementation of development projects and the power to levy taxes.

**Recruitment of staff for Pourashavas.** As far as the recruitment and appointment of personnel is concerned, Pourashavas also seriously lack autonomy. They are not fully autonomous in hiring and firing their staff. First- and second-class officials get appointed by the Ministry of Public Administration, while only third- and fourth-class employees get appointed by municipalities and city corporations. The Section 73(2) of the Chapter 4 of the Act suggests that a Pourashava may, and if so required by the specified authority shall, on the prescribed terms and conditions, appoint such other employees as are deemed necessary for the efficient performance of its functions. However, this legal provision provides the Pourashavas with the authority to employ the third and fourth class employees only when the Pourashavas are in a position to compensate them from its revenue budget. Even in such cases, by law, an employee selection board is supposed to be formed by a municipality to consider the appointment of third- and fourth-class employees, with the sitting Mayor acting as chair of the board. Notably, members of parliament and district commissioners have informal influence over the recruitment process.

Most Pourashavas are understaffed and this problem is acute in B and C class Pourashavas. However, the manpower position is generally better in A class Pourashavas. A recent study demonstrates that although every Pourashava is supposed to have manpower in accordance with the Pourashava's category-wise organogram. But in reality, there is a significant gap between their actual manpower position and the manpower sanctioned by the government in their organogram. All the Pourashavas under the purview of the study had been suffering from the manpower shortages. The study concluded that all the C class Pourashavas had the higher percentages of the posts lying vacant against sanctioned position, while the percentage of posts lying vacant was lower in Class A Pourashavas. Manpower shortages were found in every section, but the percentage was found to be higher in the health and conservancy division.

**Figure 4.1: Manpower Shortages against the Sanctioned Posts (in percentages)**



Source: Source: Saifuddin Ahmed (2014).



It can be argued that the lack of skilled human resources is a factor that is affecting the performance of the Pourashavas in delivering services. As seen already, the Pourashavas generally lack adequate human resources-related autonomy. The appointment of officials is done by the central government or its subordinate agencies operating at the Division or district level. Essentially, all local government staffs are employees of the Ministry of Public Administration and ultimately report and remain accountable to their respective central government bodies rather than to the local government where they are posted. A local government division's approval is required to appoint new staff and such approval is generally difficult to obtain. Notably, municipalities and city corporations have their own personnel arrangements determined by the central government. Each city corporation and A class Pourashavas has a chief executive officer seconded from the central civil service (UN ESCAP 1999). All other officials, whether directly recruited by the city corporation or coming on secondment, are to work directly under the chief executive officer.

Local government institutions, except Union Parishads have officials on deputation who actually represent different ministries under the central government. The conditional ties of their services are fixated by their parent ministry. On the contrary, officials and employees who are appointed by Union Parishads and Upazila Parishads follow the service rules formulated by these institutions. Likewise, the officials appointed locally by municipalities and city corporations follow their respective local service rules. The management of municipal and city corporation services is pivoted by the Ministry of Local Government, Rural Development and Co-operatives as the central personnel agency (Bhattacharya et al 2013).

The provision of a Chief Executive Officer (CEO). At urban local governments (Pourashava and City Corporation), some staff are directly recruited by the local body and also some posted on deputation from the central government. City Corporation and A category Pourashavas have their own personnel set-up determined by the central government. Section 74 (1) of the Chapter 4 of the Act provides for a Chief Executive Officer. The Chief Executive Officer is appointed by the central government and they are to act as the principal executive officer of the Pourashavas. The other officers and employees of the Pourashavas are subordinated to him. Each of the 11 City Corporations and the A category Pourashavas have a Chief Executive Officer (CEO) posted on deputation from the central civil service. Although the Mayor is the executive head of the Pourashava, the Chief Executive Officers attends the meetings of the Pourashava Parishad and takes part in discussions or provides explanation if required. Considering this, it is obvious that they can wield their power and influence the decision or the decision making process of the Pourashava (Bhattacharya et al 2014). Pourashavas are not legally entitled to take any disciplinary action against any officers transferred or deputed by the central government. If any disciplinary action is to be taken against such officers the Pourashavas can only send a report to the central authority about the employee on basis of their primary investigation. The central government reserves the right to make the final decision based on the report sent by the Pourashavas.

Appointment of a Secretary. Section 73 (1) of Chapter 4 of the Act states that the specified authority may, on the prescribed terms and conditions, appoint a secretary and one or more principal officers for a Pourashava who shall perform such functions as are assigned to them. The secretary and the principal officers can be suspended, removed, dismissed by the central government only. The central government and its subordinated agency possess the right to transfer any of the persons from one Pourashava to another within its jurisdiction. However, Pourashavas are not given such authority.

Appointment and transfers of officials and staff. Section 72 (2) of the Chapter 4 of the Act states that the government may from time to time specify the posts in the Pourashavas which shall be filled by persons belonging to the Pourashava service. If required, only the central government or its subordinated agencies may suspend, remove, dismiss, or otherwise punish any person appointed at the Pourashava. The Pourashava has not been given the authority to transfer any of the persons appointed by the central government or its agencies at the Division or district level. This right is retained by the central government. Pourashavas can, by law, transfer or terminate only the 3rd and 4th class employees appointed by them. However, Pourashavas generally do not terminate any officials, this is not a common practice given realities on the ground.

**Budget formulation by Pourashavas.** Budgeting is an important document for any organization since it contains the income-expenditure statement of a particular financial year. Like all other organizations, the Pourashavas have been vested with the power to prepare its budget for each financial year with the approval of the Local Government Division which has been specified in the section 92 of the Local Government (Pourashavas) Act of 2009. Section 92(1) states that "every municipality shall, in the prescribed manner, prepare and sanction, before the commencement of each financial year, a statement of its estimated income

and expenditure for that year, hereinafter referred to as the budget, and forward a copy thereof to the Prescribed Authority. Considering people's opinion and suggestion in proposed budget under sub-section (1) municipality will send a copy of the approved budget to divisional commissioner or any authority prescribed by the government or any other authority before 30 days of the expiration of the current financial year [Section 92 (2)]. If the budget is not prepared or sanctioned by the municipality before the commencement of the financial year, the Government may have the necessary statement prepared and certify it, and such certified statement shall be deemed to be the sanctioned budget of the municipality [Section 92 (3)]. Within thirty days of the receipt of the copy of a budget under sub-section (1), the Prescribed Authority may, by order, modify it, and the budget so modified shall be deemed to be the sanctioned budget of the Municipality [Section 92 (4)]. At any time before the expiry of the financial year to which a budget relates, a revised budget for the year may, if necessary, be prepared and sanctioned, and such revised budget shall, so far as may be, subject to provisions of this section [Section 92 (5)]. In practice, the financial resources for local capital infrastructure are not included in the local budget (but instead, are determined/managed centrally).

The above clauses suggest that pourashavas in Bangladesh are not independent to prepare their budgets. Since there is a provision of sending a copy of the budget to the central government for its approval, the Government reserves the right to change and modify the budget approved by the city corporation. Such control is not at all desirable for effective implementation of decentralization in Bangladesh. Another important issue is that the budget making process of the municipality is not participatory like the Union Parishad. There is a fixed budget calendar that guides the preparation of the (urban) local government budgets and this local budget calendar is adhered to by central authorities. Most importantly, there is no provision for an open municipal budget process under the existing legal framework. However, most Pourashavas hold open budget meetings, but generally they only invite the local elites; common people of the urban area have no idea about this. As such, it cannot be said that both the ULG Executive as well as the ULG legislative council are comprehensively involved in the preparation of the local budget. Thus, the making of the budget has been dominated by the elected representatives where common people do not have any scope to participate for expressing their demands.

**Decision-making processes followed by Pourashavas.** Chapter 3 of the Local Government Act (Pourashava) 2009 provides the executive power and the business to be conducted by the Pourashavas. Specifically, Section 62 (2) states that the executive powers of a municipality shall be vested in and be exercised by its mayor, councilors or through other officers. The Section 37 (4) of the Chapter 3 of the Act states that the Mayor or Councilors will be responsible for operating the activities of Pourashavas in the public interest and they will at the same time remain responsible to Pourashava Parishad. Article 1 of the Section 37 of the Act provides the Mayor and all Councilors with the right to take part in the decision making process in the meetings of the Pourashavas. Under the existing legal framework the Pourashavas require to conduct a general meeting of the Council involving all the Councilors at least once a month. According to the law, the Mayor or the Secretary/Chief Executive Officer (CEO) of the Pourashava on behalf of the Mayor will convene the meeting. The Section 37(2) suggests that every member of the Pourashava parishad can raise question and demand explanation from the mayor or respective chairman of standing committee if it is needed. The section 37 (3) further states that if any member of the council is not satisfied with the quality or finds any fault in any project or work which is being implemented by Pourashava or any private authority then he/she may bring it to the notice of the Pourashava Parishad. Part 5 of the Act is comprised of 3 Chapters and a number of important Articles (113 to 131). According to the provisions in this Chapter the central government reserves the right to issue any standing order for the conduct of the affairs of the Pourashavas as when it would be necessary. On the other hand, the sixth, seventh and eighth schedules of the Act provide the Pourashavas with the authority to make sub-laws and regulations but only in areas specified by the government. It is suggested that for ensuring the proper delivery of services and to uphold the public interest Pourashavas can formulate rules, regulations and sub-laws with prior approval from the government by making sure that these rules and sub-laws do not contradict with the Act or any section of the Act.

Generally, decisions of the Pourashavas are taken in the municipality meeting, which has clearly spelt out in the section 63 of the Act of 2009. Section 63(1) specifies that the municipality shall conduct at least one meeting per month and the meeting shall be presided by the mayor or, in cases, the panel mayor. The meeting of the municipality shall be called by mayor or in his absence, by the Panel mayor [Section 63 (2)]. The quorum of the meeting shall be formed with the presence of 50% of councilors. If a quorum is not formed in any meeting then chairman of the meeting can postpone the meeting or can wait for an appropriate length of time. If a quorum is completed then meeting can be preceded [Section 63 (3)]. Section 63 (5) specifies that if

not otherwise mentioned in this law, all decisions in the meeting shall be made on the votes of the majority of the councilors and the chairman, according to the vote of the majority, shall inform clearly that whether the decision is accepted or not. The agreement of the councilors in the decision making process shall be expressed through raising their hands [section 63 (6)].

**Planning and Implementation of Development Projects.** According to the article 50 1(c) of the Pourashava Act, every Pourashava is expected to prepare an infrastructure development plan and urban development plan. But the ground reality is that the most Pourashavas do not generally prepare these development plans. Many Pourashavas do not prepare these plans as they are not “accustomed to this” and many lack knowledge, skills and capacity required to prepare such plans. Some Pourashavas, on the other hand, have prepared these plans seeking help from other agencies of the government. In the absence of such plans Pourashavas encounter problems including (i) development projects are often selected arbitrarily; (ii) projects take longer time than expected to be completed; (iii) some completed development works are found “not worthy” considering the local needs; (iv) control over the financial aspects becomes difficult; and (v) lack of coordination among different development activities undertaken.

The Section 95 of the Act of 2009 has specified the process of implementation of the development plans in the municipalities. Section 95 (1) specifies that, notwithstanding anything written in this act, the municipality can execute the funding, implementation, maintenance and conduct related service activities of a project through the context of environment, development planning, project implementation, maintenance, conduct and management related regulations of other acts, and through the shared contract with any government and non-government institutions to perform the provided duties under this ordinance. On the other hand, section 96 (1) specifies that to ensure delivery of infrastructural services, the municipality shall have the power to sign contracts with non-government sector through defined procedures. With respect of the above mentioned sections, the municipality is able to sign the following contracts [Section 96 (2)]:

- a. Construction, ownership and transfer;
- b. Construction, ownership, conduct and maintenance;
- c. Construction and transfer;
- d. Construction, levy and transfer;
- e. Construction, transfer and conduct;
- f. Levy and management;
- g. Management;
- h. Rehabilitation, management and transfer;
- i. Rehabilitation, ownership and management;
- j. Service delivery contract;
- k. Supply, management and transfer.

Above discussion leads us to conclude that Pourashavas formally make plans for capital investments, but generally do not have the ability to engage in capital development due to lack of funds and as they do not enjoy freedom when procuring capital goods for providing local services. Considerable urban infrastructure is being planned/executed by authorities and Central Government entities outside of municipal control (LGED, DPs and so on).

#### 4.2.5 Local administrative powers of City Corporations

At present, there are 11 City Corporations in Bangladesh. This number has risen relatively sharply in the past few years due to the creation of several new City Corporations. These bodies have been entrusted with the responsibilities of delivering better urban services to the citizens. However, there are issues that hinder the successful operation of the City Corporations. Although, these bodies have been empowered to carry out different activities, but at the same time, they are subject to central government control in most cases.

City Corporations have been vested with a long list of functions delegated to them by the central government under the Local Government (City Corporation) Act, 2009. These functions can be broadly grouped into six categories: public health, public welfare, regulation, public safety, public works and development activities. Although one would expect that City Corporations have greater administrative control over their functional responsibilities when compared to pourashavas, in fact, to some extent the opposite is the case. This is the case because for some urban functions the City Corporation acts more as a coordinating body than as an executive body because many urban functions in City Corporations are performed by different entities (e.g., CG line ministries, LGED, Dhaka WASA, National Housing Authority, Road Transport Authority, Local Development Authority, and so on), which are generally either under direct central government or under joint control by the central government with some input from the CC. As a result, the (de jure and/or de facto) assignment of functional responsibilities greatly reduces the administrative control that the CC has over the services being delivered within its jurisdiction.

**Recruitment of staff for City Corporations.** As a matter of fact, City Corporations enjoy a very limited amount of autonomy in the process of recruitment of staff. Their situation in this regard is quite similar to the situation of municipalities, even though a City Corporation with a population of half a million residents or more is surely in a better economic and administrative position to manage its own affairs when compared to a small (Category C) Pourashava.

The appointment of the Chief Executive Officer and the Secretary by the Government can result in tremendous limitations on the administrative control of locally elected leaders, and subsequent discontent among the elected representatives of the City Corporation. Section 62 (1) of the Local Government (City Corporation) Act, 2009 specifies that there shall be a Chief Executive Officer in each City Corporation, who shall be appointed by the Government under specific conditions. If it is not otherwise stated in the provision of this law and the Rules, the Chief Executive Officer shall remain responsible for implementation of all decisions and management of the administration of the City Corporation [Section 62 (2)]. The Chief Executive Officer shall remain responsible to the Mayor of the City Corporation for the exercise of his power and the discharge of his duties [Section 62 (3)]. The government shall withdraw the Chief Executive Officer if a withdrawal motion is passed against him in the meeting of the City Corporation Council with a three-fifths majority out of all councilors remained present [Section 62 (4)]. The Chief Executive Officer shall be able to attend any meetings of the City Corporation and participate in the discussion [Section 64 (1)]. However, the Chief Executive Officer shall not be able to vote or submit a proposal in the meeting [Section 64 (3)]. However, he shall remain responsible for records of the meeting minutes of the meeting of the City Corporation [Section 64 (4)]. The review of different provisions of the law guiding and prescribing the functions of the CEO suggests that the CEO plays a most significant part in the overall administration of the city government. In a way, he/she serves the interests of the Government which deputed him/her there.

Like the CEO, there is a provision of appointment of a Secretary in each City Corporation who shall be appointed by the Government under specific conditions [Section 65 (1)]. If it is not otherwise stated in the provision of this law and the rule, the Secretary shall remain responsible for providing assistance to the Chief Executive Officer in the execution of all decisions and management of day-to-day administration of the City Corporation [Section 65 (2)]. In the absence of the Chief Executive Officer, the Secretary shall discharge the duties of the Chief Executive Officer [Section 65 (3)]. Commenting on the provision of the appointment of the CEO and the Secretary in the City Corporation, Selina Hayat Ivy, the Mayor of the Narayanganj City Corporation, states that: "In most cases, the CEO and the Secretary decline to follow our directions. They always serve the interest of the central government. They perceive themselves to be superior to us, since they are deputed by the central government. Most importantly, the Government is deputing them and we are paying their salaries from the City Corporation fund. We are even required to pay 25% more salary to them since they are deputed by the Government. It is creating pressure on the City Treasury" (KII, 29 October 2014).

When it concerns recruitment of the CCs own staff, Section 66 specifies that the Government shall enact rules relating to recruitment of required number of officials, staffs and consultant for effective execution of the functions of the City Corporation. This indicates that the City Corporation is able to recruit officials and staff following the rules framed by the Government. However, the City Corporation has to recruit daily labor for execution of specific functions pending availability of funds and the sanction of the Government (Section 66). However, the Government shall retain the power to transfer any officials and staff from one City Corporation to another for execution of necessary duties and for administrative reasons (Section 67).



Having reviewed the above provisions guiding appointing of the CEO and the Secretary and officials or staff, it can be concluded that City Corporations lack autonomy. They are not fully autonomous in hiring and firing their staff. First and second-class officials get appointed by the Ministry of Public Administration, while only third and fourth-class employees get appointed by City Corporations. By law, an Employee Selection Board is supposed to be formed by a municipality to consider the appointment of third and fourth-class employees, with the City Mayor acting as the Chair of the Board (Bhattacharya, 2013). Most importantly, appointment and empowerment of CEOs are a threat to the functional autonomy of the City Corporation.

**Budget formulation by City Corporations.** Although participatory planning and budgeting have been mandated in the case of local government, it has not been mandated for the urban governance in Bangladesh. Unlike the UP, the City Corporations are not required to hold Ward shavas for identifying needs and open budget sessions for getting the budget approved by the citizens. Section 76 (1) of the Local Government (City Corporation) Act of 2009 specifies that every City Corporation shall prepare and approve, before the 1st of June, a statement of its estimated income and expenditure for the next year following the prescribed method, hereinafter referred to as the budget, and shall send a copy to the Government. If the budget could not be prepared and approved in the prescribed manner by the City Corporation, the Government shall have the statement of estimated receipts and expenditures prepared and certify it, and such certified statement shall be deemed to be the budget sanctioned by the City Corporation [section 76 (2)]. Within thirty days from the receipt of the copy of the budget under sub-section (1), the Government may, by order, modify it, and the budget so modified shall be deemed to be the approved budget of the City Corporation [section 76 (3)]. At any time before the expiry of any financial year to which a budget relates, the City Corporation may prepare and approve a revised budget for that financial year, and the provisions of this Section, so far as possible, shall apply to that revised budget as well [section 76 (4)].

The above clauses suggest that the City Corporations in Bangladesh are not independent in preparing their budgets. Since there is a provision for sending a copy of the budget to the central government for its approval, the Government reserves the right to change and modify the budget approved by the City Corporation. Such control is not at all desirable for effective implementation of decentralization in Bangladesh.

**Decision-making processes followed by City Corporations.** Through section 46 (1) of the Act of 2009, the City Corporation has been entrusted with the executive power to carry out all functions specified by law. All executive power shall be delegated to the Mayor, Councilors and other officials, subject to the provisions of the Act (section 46 (2)). Any decision concerning delegation of authority required for accelerating the process of delivery of day-to-day services must be approved by the meeting of the Corporation Council and, if necessary, the Corporation Council may amend those orders in due time [Section 46 (4)]. The Corporation Council shall have the right or authority to formulate bylaws concerning distribution of functions and financial and administrative power [Section 46 (5)].

Generally, the decisions of the City Corporation are made in the meeting of the Corporation Council. Section 49(3) specifies that at least one meeting of the Corporation Council shall be held in the first week of each month. The meeting shall be presided over by the Mayor of the CC. In the case of the absence of the Mayor, the meeting shall be presided over by the panel Mayor [section 49 (12)]. The quorum of the meeting shall be constituted with one third of the total number of the councilors [section 49 (9)]. If not otherwise mentioned in this law, all decisions in the meeting shall be made on the votes of the majority of the Councilors [section 49 (10)]. Each Councilor shall have one vote. In case of a tie, the Chairman shall be able to cast a second or a determining vote [section 49 (11)].

**Planning and Implementation of Development Projects.** The Local Government (City Corporation) Act, 2009 allows every City Corporation to undertake any development plan and its implementation under the approval of the Government's Local Government Division. In practice, the subjection of the City Corporations to the purview of the Local Government Division leaves limited space for autonomy to the City Corporations. The Third Schedule of the Act lists 28 types of activity of the Corporation, but are already noted, many of the functions legally assigned to the CC are actually being delivered by Water Authorities or otherservice delivery units that are not under the control of the City Corporation. As a result, little scope exists for the Corporation to undertake any major step that may impact the lives of city dwellers in a major way. Central government agencies are mainly responsible for major urban services. Meanwhile, local people see the elected representatives of the city corporation as the designated authority to meet their needs, although they do not have the statutory or practical power to do so.



Although the City Corporation has been vested with the power to formulate plans and budget, there is also the provision that requires approval of the Government. Thus, they are not in a position to plan everything in accordance with their priorities and needs. When it concerns the issue of procurement, however, the CC enjoys greater autonomy. The responsibility for infrastructure planning and provision of services is [at best] de facto shared by center and ULG; on top of that, the ULG does not have meaningful control over planning and prioritization.

There is a significant difference between what is written in the law and what is happening on the ground. The legislative framework is unclear or inconsistent, or not fully adhered to. In addition to legal central control, CC suffers from several problems in relation to allocation and disbursement of fund and grants if the Mayor belongs to the opposition political party. This is indicative of the existence of patron-client political culture.

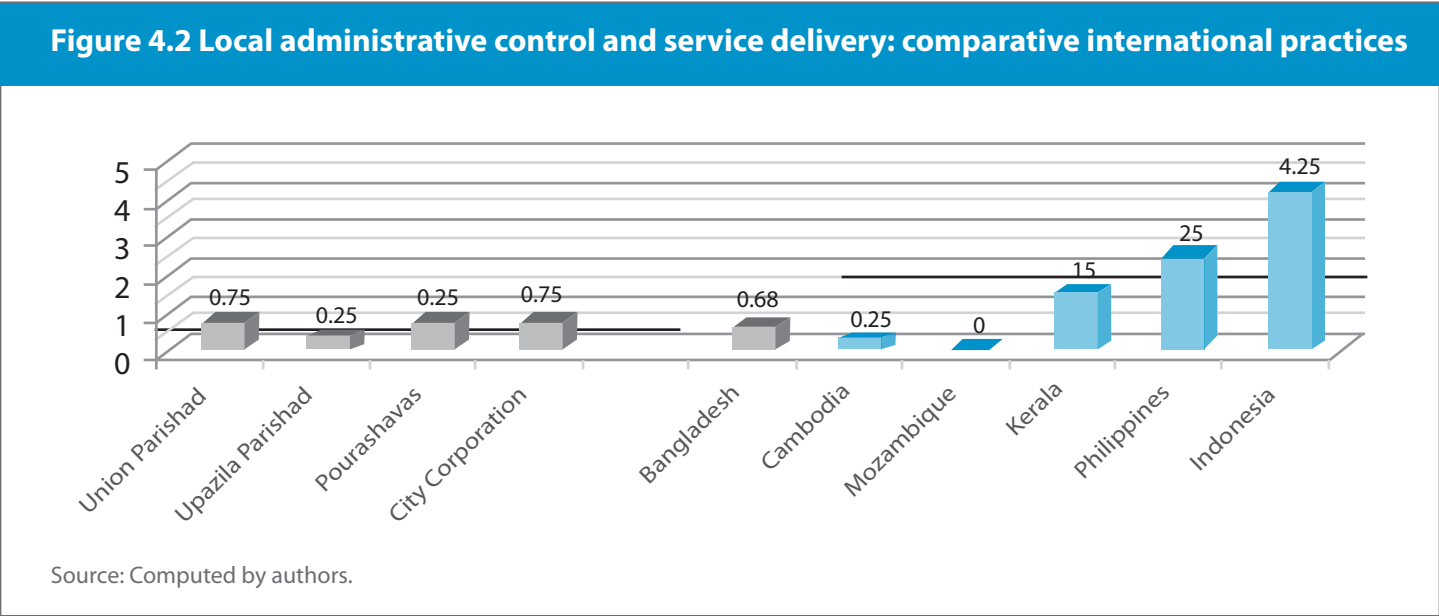
Some functions of City Corporations overlap with the jurisdiction of other agencies, which creates confusion. For instance, a City Corporation is empowered to formulate a master plan, including the provisions to develop land and regulate building construction in the city. On the other hand, RAJUK is responsible for the formal physical planning and development activities for housing, commercial and industrial use in Dhaka. However, there is no organizational and functional relationship between RAJUK and DNCC and DSCC at present. Thus, operational autonomy of city corporations has been hindered through several provisions of the law. Similarly, some services are delivered by Dhaka WASA, National Housing Authority, Road Transport Authority, Local Development Authority, and so on. At best, these entities are jointly owned by center and CC. Others are fully within purview of the central government.



### 4.3 Comparative international experience: local control over administration and service delivery



How does the local government system in Bangladesh compare with other countries with respect to the degree of local control over local administration and service delivery systems? Figure 4.2 suggests three patterns. First, across the board, scores on local administrative control are low, not only for local government institutions in Bangladesh, but generally also for our comparative country cases. Second, we again see a pattern where LGIs in Bangladesh scores lower than the average of the comparative countries. Third, while Bangladesh outperforms fully deconcentrated countries (where there is effectively no local political leadership to control local administration) and is close in its indicator score to Kerala, the experience of LGIs in Bangladesh does not at all compare favorably to countries that are meaningfully devolved (Philippines and Indonesia). These patterns do not convincingly suggest that Kerala is a model that is meaningfully different or better than the current practice in Bangladesh.



Details of the local administrative and service delivery systems in the comparative country cases are presented in Table 4.3. Before engaging in a comparative review of international practices, we briefly

describe the key highlights and strengths and weaknesses of the local political systems in each of the comparator countries.

**Table 4.3 Local government control over administration and service delivery: comparative international practices**

	Assessment Indicator	Cambodia	Mozambique	Kerala	Philippines	Indonesia
<b>C</b>	<b>Local control over administration and service delivery</b>					
C1	Does the LG (Executive or Council) appoint the head of the local service delivery units (SDUs)?	0	0	0	0.5	1
C2	Does the LG approve the budget of the SDUs?	0	0	0.5	0.5	1
C3	Does the LG determine its own organizational structure and staff establishment?	0	0	0	0.5	1
C4	Does the LG have control over its human resource decisions?	0	0	0	0.5	0.5
C5	Does the LG plan and manage the procurement of capital investments /infrastructure required for the service?	0.25	0	1	0.5	0.75
	<b>Total</b>	<b>0.25</b>	<b>0</b>	<b>1.5</b>	<b>2.5</b>	<b>4.25</b>

As noted in the earlier chapters, *Cambodia and Mozambique* are predominantly deconcentrated countries, although local bodies in each country have some elements of devolution: provinces and districts in Cambodia are legally designated as local government entities under the control of an (indirectly) elected council, while Mozambique has elected provincial councils (that provide a degree of oversight, but hold no authority over provincial administration). In addition, Mozambique has “real” local governments in its urban areas (which—given that their functional mandate is currently limited to urban services—are not further considered in the current section).

If we judge the degree to which the leadership of the local body (e.g., the Provincial Governor) has authoritative control over the administrative and service delivery apparatus at each level, we quickly find the limitations of a deconcentrated system. In fact, in neither Cambodia nor Mozambique do local officials or the council (i) appoint the heads of their local service delivery departments or units; (ii) approve the local budget for the local departments; (iii) determine their own organizational structure and staff establishments; (iv) have control over the human resource decisions for locally-posted staff; or (v) plan and manage the procurement of capital investments and infrastructure required for local service delivery. The only indicator where any fraction of a point was (generally) awarded for either Cambodia and Mozambique was on Assessment Indicator C5 in Cambodia, as Provincial Governors in Cambodia have a marginal degree of control over (small-scale) provincial development projects through the provincial salakhet budget allocation (Kimchoeun and Craig, 2008).

Although local governance systems have traditionally been divided along the lines of “deconcentration versus devolution”, this division is clearly not black and white: the comparative country cases suggest that not all devolved local government systems have extensive local government control over local administration and service delivery either. Out of the three countries with devolved local governments, only local governments in Indonesia have extensive control over their own administration and local service delivery decisions. As such, local government staff in Indonesia are legally employed, hired, and promoted by (and receive their salary from) the local government; the local government determines its own organizational structure and staff establishment; the local government appoints the heads of the local service delivery departments; and the local government approves its own budget (which includes the resources required for delivering key services).

Although devolved local government institutions in the Philippines also employ their own staff and deliver important public services (including local health services), the delivery of basic education in the Philippines is actually retained by the central government as a central government responsibility. As such, while local health centers and clinics are operated and staffed by municipalities (under the auspices of the Municipal

Health Officer), the schools within the same locality are run and supervised by the local School Superintendent, who is a central government employee. Since primary and secondary education typically form the most important category localized public service—with teachers in most countries forming the majority of public servants—the degree of local government control over local administration and localized service delivery in the Philippines is thus less robust than in Indonesia.

One further step down on the ladder in terms of local control over local administration and services is *Kerala*. While local governments in Kerala have functional responsibilities for a wide range of localized services, their responsibility is limited to the planning and implementation of development activities within these areas, rather than focusing on recurrent aspects such as local administration and service delivery. For instance, even though teachers and local health workers work in “local schools” and “local health clinics”, these “transferred staff” are actually not employed by the local governments at all; instead, they are state-level public servants. In contrast, only a small contingent of own staff is actually employed by the panchayat itself (Box 4.1).

#### Box 4.1 Human resource management for local governments in Kerala

The appointment of both own staff and transferred staff to local governments in Kerala is a state responsibility through the State Public Service Commission (PSC). GPs notify their vacancies to the State PSC through the Panchayat department, which undertakes the recruitment.

Different State departments exercise control over their staff working with the GPs. The transferred officials attend regular meetings of the local bodies to explain the performance in their sector. The local body president, the panchayat samithi, and the standing committees review the work of the transferred officials. Local bodies can take certain disciplinary action on staff who fail to adhere to the conduct expected of them as public servants. This often takes the form of formal complaints being made to the state.

However, GPs do not have powers to fire staff whose performance or conduct violates the rules of service. The local body president sanctions casual leave to the heads of offices, including the GP. However, long leave is sanctioned by the authorized officers of the respective line departments, with the application routed through the GP president. The salaries of own staff at the local body are paid out of the GP’s own resources, whilst those of transferred staff are paid by from the budget of the respective line department directly. In general, GPs have limited autonomy over the transferred staff. Transferred functionaries therefore continue to be accountable to their state line departments.

**Source:** Williamson and Muwonge (2010).

A typical local staff contingent for a GP is around 10-15 staff, whereas municipalities typically employ around 60 own staff. Crude estimates would put a GP having between 70 and 130 transferred staff, and municipalities between 120 and 230 (Williamson and Muwonge, 2010).

**Comparative international practices.** Out of the five different dimensions of a local government system, central authorities seem to be least keen to meaningfully empower local governments when it comes to authority over local administration and local service delivery. This is understandable in the context of the strong institutional interests that are at stake at the central level: while the Prime Minister and Cabinet as a whole may support decentralization (devolution) for political reasons, individual line ministries will typically strongly resist the transfer of administrative powers and authority from the line ministry to local government. The argument of “weak local capacity” often offers central officials a convenient argument or excuse not to transfer administrative authority to local governments.

The degree to which local governments are provided meaningful administrative powers varies from country to country, but it seems that the degree of (administrative and fiscal) decentralization correlates relatively highly with a country’s income level (GDP per capita) as well as with the (perception of) public sector effectiveness (Boex and Vaillancourt, 2014). In other words, wealthier countries tend to be more devolved than lower-income countries, while countries where the (local) public sector is perceived as more effective (measured by the World Bank’s

World Governance Indicators) also tend to be more devolved. It is unclear how GDP and public sector effectiveness might interact or be related: it is likely that the (local) public sector in wealthier countries is more effective. In addition, the causality of this relationship is unclear: it could be that greater decentralization causes the public sector to be more effective, greater effectiveness could result in greater decentralization, or both.

However, different countries go about limiting local government administrative power in different ways. As noted above, India has sought to empower local governments over development planning and infrastructure development, without pressuring state-level line ministries to transfer control over recurrent operations (including the human resources responsible for service delivery). The Philippines has pursued devolution of administrative powers, but has found it practical not to devolve recurrent or development responsibilities for education to the local government level (a strategy recently repeated in Kenya). In Sierra Leone's ongoing decentralization reforms, responsibilities for Operation and Maintenance for key sectoral services have been devolved to the local government level, while the central line ministries retain responsibility for all sectoral staff, as well as for most capital (infrastructure) development within the sector.<sup>56</sup>

Even in decentralization reforms that have otherwise been touted as successful (for instance, in Tanzania and Uganda), the central government tends to retain a considerable degree (if not full) control over local human resources. Beyond the fact that central government may—for political economy reasons—not be inclined to let go of their control over human resource decisions, this pattern also coincides with the recognition that handling of regular local salary payments (which typically comprises in excess of 50% of all local spending) requires a considerable degree of institutional capacity, maturity and accountability.

This presents a conundrum to central government officials: in order to devolve control over local human resource administration and other aspects of localized service delivery, there is a need to establish local political mechanisms that make local politicians responsive to their constituents (rather than upward) and put in place effective accountability mechanisms at the local level in order to prevent capture or abuse of public sector funds at the local level. At the same time, however, as discussed in Section 3.2, central political forces tend to be hesitant to devolve meaningful political authority to the local level if this comes at the expense of the political power of central political institutions, or if this might disadvantage their political party's narrow central political interests. Furthermore, as is discussed in greater detail in Section 6.2, local participatory and accountability mechanisms are often weak. Whatever the exact combination of causes, the relative low scores across the board in Table 4.3 (and reflected in Figure 4.2) suggests that in most countries, local administrative control over human resources and local services is considerably constrained.

## 4.4 Options and initial recommendations for Bangladesh

The previous two chapters raised concerns with regard to the assignment of functional responsibilities in Bangladesh and limitation with regard to the political system. Based on the local government systems assessment scores for local administrative control, however, the constraints on local administration are a serious constraint on the effectiveness of the local government system. Options and tentative recommendations for strengthening local administrative control and local control over local services follow, and are further discussed in an integrated manner in Chapter 7.

### **Strengthening local government administrative staffing**

Local governments are seriously disadvantaged vis-à-vis the central government in several respects, particularly in the limited strength of local administration. This disadvantage exists for all types of LGIs, but especially for rural local governments. The staffing level of the Union Parishad (essentially consisting of a single UP Secretary) is greatly limiting the ability of the UP to take on meaningful executive service delivery functions. The fact that the staffing level of UPs was never increased suggests the absence of political will to make the UP level a meaningful service delivery level.

Even though the UP level may not be an efficient level to take on primary responsibility for delivering major social services (such as primary education or public health care), the UP level will continue to be an important

<sup>56</sup> The case of Sierra Leone is discussed further in Boex (2014).



for the provision of community infrastructure and community development (including regular engagement between the community and the public sector). In order to ease the burden of the UP Secretary and to bring dynamism in the activities of the UP, consideration should be given to expanding the human resource structure of the UP with one or two more full time staff at the UP level. As a medium-term policy measure, the government may further consider integrating the Village police and Ansar-VDP at the UP level. If it is done, the crime-watch and law and order situation at the UP level may be improved.

The situation at the Upazila level is similar: the UZP needs considerably more staff to undertake the service delivery functions that are assigned to it by the Upazila Parishad Act. As a first step, a full-time chief executive officer (CEO) should be appointed to manage the affairs of the UZP at the direction of the UZP Chair and Council. In this regard, the UZP CEO would replace the UNO, who is currently assigned to provide secretarial services to the UZP. Over time, a logical reform would be to provide each Upazila Parishad with a core staff of 6-8 "own staff" who are appointed and report to the Chairman and Council through the CEO, and who are paid directly from the Upazila Parishad's consolidated account. This core staff would support the council in performing the UZP's executive functions, and would assist in the monitoring and reporting on services being provided by central government agencies in the UZP's jurisdiction. Kerala's experience in this regard is a good example. The Upazila Parishad's core staff would be an addition to the existing Upazila-level "delegated" staff, whom are (and would remain) employees of their respective line ministries. The UNO, like officials of other transferred departments, would be required to work under the supervision and coordination of UZP chairman. All deputed officials, including the UNO should enjoy similar status. Granting the special status to any of them is likely to create inequality and encourage conflict among officials.

In addition, the UZP's oversight and management role over the "delegated staff" (the deconcentrated staff of central line ministries within their jurisdiction) should be strengthened. However, given that these staff will retain part and parcel of their respective line ministries for the foreseeable future, the role of the Upazila Parishad should be complementary to the vertical oversight and management mechanisms already in place within each ministry.

At the Upazila level, another step that ought to be taken to raise the administrative status of the Upazila Parishad over local administration is for the Upazila Chairman to be granted, as in the early years of UZP, the status of a Deputy Secretary to the government. This will ensure the administrative superiority of Upazila Chairman over officials in the hierarchy.

For municipalities, the staffing challenge is more nuanced. For smaller municipalities, the existing manpower requirement shown in the Pourashava organogram may be exaggerated relative to the actual needs of B and C category Pourashavas. As municipalities are largely funded from own source revenues, excessive spending on municipal administrative staff is a problem because this would result in fewer resources being available for municipal resource and would reduce the value for money that municipal taxpayers receive. Pourashava's manpower should therefore be reviewed and right sized as needed and employee's training need is to be assessed on a regular basis and need based training is to be provided with a view to enhance the skills of the employees.

In order to improve the law and order situation of the urban areas, the government should consider replacing the 'community police' by introducing a 'town police' system at the Pourashava and CC level. The recently enacted provision of deputing a police officer at the municipality and CC by the police department is a first step in this direction, but the respective organizations should be given the authority to recruit other forces.

### **More local autonomy over local human resources (reducing central controls over local human resources)**

In addition to LGIs have limited administrative staffing (which limits the ability of local political leaders to administer local affairs), local leaders are also constrained by the limited control that they have over local human resources, including their own core administrative staff. While this problem exists for all types of LGIs, it is especially a constraint for urban local governments.

Although City Corporations have been given the power to frame regulations concerning the procedure and direction of their own activities or those of the Standing and other Committees, they are seriously restricted by Government interference in many aspects. For instance, the Chief Executive Officer and the Secretary are



appointed by the Government. Although the City Corporation have been entrusted with the authority to frame rules relating to recruitment of required number of officials, staff and consultants for effective execution of the functions of the City Corporation, they lack the autonomy needed to exercise the power. They are not fully autonomous in hiring and firing their staff. First and second-class officials get appointed by the Ministry of Public Administration, while only third and fourth-class employees get appointed by City Corporations. By law, an Employee Selection Board is supposed to be formed by a municipality to consider the appointment of third and fourth-class employees, with the sitting Mayor acting as the chair of the board. Most importantly, appointment and empowerment of the CEO by the Government are a threat to the functional autonomy of the City Corporation. Thus, the CC should be given more autonomy to recruit its own staff and the power of the CEO should be reduced.

Mayors, officials and staff members should have the autonomy to recruit and employ skilled labour as per the genuine needs of Pourashavas. Adequate capacity-building programmes such as on-the-job training and workshops for newly recruited staff members and officials are needed. The training related to accounting and auditing in particular would make a significant difference in overall transparency and accountability. Pourashavas should also ensure enabling environments where employees can effectively communicate, be comfortable and confident and stay self-motivated. Coordination and mutual respect throughout hierarchies, regular staff meetings and publication of reports, clear job descriptions, performance appraisal and reward systems and modern technological set-ups would help in this regard.

### **More effective deconcentration and more constructive collaboration between councils and administration at each level**

As discussed in Chapter 2, one of the underlying causes why local government institutions have limited administrative control over local services is because many local services are actually (de facto) delivered by the field administration by various line ministries. Although greater devolution could substantially reshape the public sector in Bangladesh, the objective conditions are unlikely to make this happen any time soon, as resistance to any plan for devolution is inevitable. This means that for the foreseeable future, the primary responsibility for providing services will continue to rest with field agencies of central government ministries. In this regard, more effective service delivery and greater local administrative control will not be achieved by greater devolution, but could be the result of more effective deconcentration, and more constructive collaboration between councils and administration at each level.

For instance, it is quite unlikely that ministries will agree to any plan for abdicating the responsibility for providing services in favor of local government and allowing their field officials to be on the payroll of—and under the control of—local councils. What is needed most is to make the maximum use of whatever oversight powers and limited executive authorities have been granted to local councils, including operational control over central government officials responsible for providing services at the local level.

In order for local government institutions to be more effective in their administrative oversight, “better deconcentration” is needed, as under the current system, Upazila administration officials are only weakly empowered over the sectoral services being delivered at the local level. More effectively empowering these deconcentrated officials will address an important gap in the current service delivery and accountability systems in Bangladesh. Osman et al (2014) found that local Standing Committees are often ineffective because the local committees that are monitoring the field administration staff or deconcentrated officials do not have the discretion or power to fix the service delivery obstacles being identified by the committees.

One area for follow-up, therefore, will be to encourage more effective deconcentration in the central administration structure, while at the same time identifying areas where constructive collaboration between councils and deconcentrated officials can result in better local services and a stronger role for local councils over local administration. For instance, Boex (2014) suggests that the introduction of an Upazila Parishad Human Development Grant that would allow UZP’s to provide top-up O&M resources to the public services being delivered by Upazila field offices.

One area where legal administrative authority of local councils exists but has been shown to be relatively ineffective in practice is the authority to write annual performance report. While the Upazila Chairman has been given the authority to write the annual performance report of key field administration staff in the Upazila, it does not appear that this has translated into meaningful administrative control of the council over the “deputed” staff.

### **Remove vertical administrative control (reduced approval powers of central government)**

The review of different provisions suggests that the central government has full control over enactment of legislation by urban governments. The central government frames detailed rules relating to conduct of elections, business, authority and responsibilities of elected representatives. The central government also formulates detailed rules as to how the City Corporation’s taxes are to be levied and assessed, how budgets are to be prepared, contracts are to be awarded, audits are to be carried out, and accounts are to be maintained, among other important areas. Additionally, the central government makes appointments, and service matters and employment-related rules for the local government institutions. In some rare cases, when City Corporations make the rules, these cannot be put into effect without prior approval from the central government. Parliament should consider the old English City Charter form of government, still used in many American cities, in which certain powers are delegated exclusively to the City Corporation and exempt from any action by central government. Indeed, most modern systems of local government (including those in the comparative cases) provide local governments with considerable administrative autonomy, and only allow central officials to step in when local governments violate laws or rules, rather than managing them in a top-down manner.





A decorative graphic at the top of the slide. It features a large, stylized number '5' in white with a black outline. The '5' is positioned over a series of overlapping triangles in shades of blue and grey. A thick blue horizontal bar spans the width of the slide, partially overlapping the triangles. On the left side of this bar, there are two small, overlapping squares, one light blue and one grey.

5

# Local fiscal autonomy and local financial management

# Local fiscal autonomy and local financial management



This chapter considers whether local governments are assigned the appropriate mix of own source revenues and intergovernmental fiscal transfers; have adequate autonomy over their own source revenue instruments; and effectively administer their local finances. Section 5.1 provides an overview of the topic. Section 5.2 considers the situation in Bangladesh with regard to local fiscal autonomy and local financial management. Section 5.3 presents comparative international experiences with regard to local fiscal autonomy and local financial management, whereas Section 5.4 presents options and initial recommendations for Bangladesh.

## 5.1 Conceptual overview: local fiscal autonomy and local financial management

Intergovernmental or subnational financial arrangements are traditionally grouped into four aspects or “pillars” of subnational finance.<sup>57</sup> The first pillar of intergovernmental finance or fiscal decentralization is the assignment of functions and expenditure responsibilities, which is dealt with in Chapter 2 of this study. The next three pillars of intergovernmental finance deal with the ways in which local government expenditures are funded, namely, the assignment of revenue sources; the provision of intergovernmental fiscal transfers; and the institutional framework surrounding subnational borrowing and debt. All local governments around the world are funded by some combination of own source revenues and intergovernmental fiscal transfers. While borrowing is a third possible funding source for local governments, borrowing only fills a temporal gap, as borrowing ultimately has to be repaid with either own source revenue collections or intergovernmental transfers.

**Revenue assignment, subnational revenue administration.** In countries around the world, local governments rely on a number of own source revenues including taxes (for example, property taxes) as well as non-tax revenues, including regulatory fees (for instance, for licenses and permits), rent on local government property (for example, building and equipment) and user fees (for example, market fees or tolls on roads and bridges owned by the local government).

Complete local revenue autonomy would be accomplished when local governments are able to determine which revenue instruments to use, and when they are able to determine the tax base, set the tax rate and collect revenue from the respective local revenue sources. Before providing local governments with extensive discretion to collect own source revenues, it is necessary to assess local governments’ capacity to perform this function efficiently. As a result of weak local revenue administration capacity, among other reasons, many countries assign a more limited degree of revenue discretion, whereby local revenue sources (and their tax base) are defined centrally, but perhaps allowing local government to vary local tax rates within certain limits. However, there is also an important political dimension to revenue assignments: while central governments are happy to allow local governments to collect low-yielding and politically unpopular revenue sources, most central governments retain the high-yielding tax sources (such as the VAT) for themselves. A final argument that should not be overlooked in assigning the authority to collect different revenue sources is the fact that there are significant scale economies in tax administration and enforcement, therefore suggesting (in line with the subsidiarity principle) that most major taxes should be collected by the central government.

The degree to which local revenue autonomy forms an important feature of a local government system is an unsettled debate. Some have argued that in order to achieve some of the efficiency benefits of decentralization (in terms of matching the costs and benefits for local public services), substantial local revenue authority is required (e.g., Bahl, 1999). A disadvantage of limited revenue discretion on the part of local governments—or the inability of local governments to collect revenues when they have the discretion—is that it could result in excessive reliance on transfers from central government authorities. Excessive reliance on central government transfers may reduce local responsiveness and accountability as higher degrees or reliance on transfers create incentives for local governments to respond to the demands of the central authorities rather than to the needs of their own constituents.

<sup>57</sup> This section builds in part on World Bank (2009); Yilmaz, Aslam and Gurkan (2010); and Boex (2012).

### Box 5.1. Intergovernmental fiscal transfers are not a hand-out; they are an important part of any local government finance system

While a degree of local revenue authority may be needed to ensure local accountability (“no representation without taxation”), there is a misperception held by some that local governments should be fully able to pay for the services that they provide exclusively from own sources.

In reality, the actual degree to which a local government can be financially self-reliant depends—first—on the functions and expenditure responsibilities which are assigned, and second, on the assignment of revenue sources. In many countries, local governments (especially in urban areas) are assigned functional responsibilities that are critical in ensuring that the businesses which generate national economic growth are provided access to basic infrastructure and public services. In many countries, local governments are responsible for providing businesses as well as their workers and customers with access to roads, water, sanitation, street lighting, and other urban amenities. However, for a combination of political reasons and tax administrative reasons, in most countries around the world, the most highly productive revenue sources (especially taxes paid by large businesses, including the value-added tax (VAT), import duties, natural resource revenues, personal income taxes and corporate income taxes) are assigned to the central government. The revenues assigned to local authorities frequently only include the property tax and a series of low-yielding non-tax revenue sources.

If central government wanted local governments to finance local services exclusively from own source revenues, this could simply be accomplished by assigning the VAT (or the revenues from the VAT) or some other major revenue source to the local level. Instead, central governments tend to prefer to provide local governments with significant intergovernmental fiscal transfers, so that local governments receive an adequate share of the national resources that is required for them to duly perform their functions. As such, intergovernmental fiscal transfers from the center to local governments should not be seen as temporary hand-outs or as a failure of local governments to collect adequate revenues, but rather, the provision of such transfers should be seen as an equitable sharing of the national resource pie and as an important and permanent part of an effective intergovernmental transfer system.

In many countries, even industrialized countries, the central government tends to retain the revenue-productive taxes for itself. As a result, local taxes tend to form a minority share of local government finances, so that the “vertical fiscal gap” has to be filled by intergovernmental fiscal transfers. For instance, in the majority of OECD countries, local governments contribute only between 25-50 percent of their total financial resources from local taxation. In the United Kingdom, local governments collect only 13 percent of local government funding from local taxes, requiring the provision of significant intergovernmental fiscal transfers (OECD, 2014).

**Intergovernmental fiscal transfers.** In most countries, intergovernmental fiscal transfers provide the majority of funding for local governments. As such, the design of intergovernmental fiscal transfer system has important implications for the discretion, incentives and accountability of local governments and local officials.

Intergovernmental fiscal transfers systems can be decomposed into four elements: (i) the manner or rules for deciding the total amount of transfer (also referred to as the vertical allocation); (ii) the rules that govern the “horizontal” allocation of distributable pool among eligible local governments; (iii) the purpose for the transfer and the degree of conditionality of the grant (i.e., is the transfer an unconditional general purpose grant or a conditional or earmarked transfer>); and finally (iv) the degree to which the provision of the transfer is dependent on (or intended to) incentive or promote certain local behaviors. This last dimension of the transfer schemes is particularly relevant for performance-based grants.

The nature of the overall grant system should be reflective of the country’s desired intergovernmental ambitions. Whereas revenue sharing or unconditional grants allow greater local discretion (which is appropriate in highly decentralized countries where there is a strong accountability relationship between local governments and their constituents), more conditional types of grants provide an opportunity for local government

to engage in service delivery activities while allowing central line ministries or departments to provide strong guidance (or exercise control) over local administrative departments or governments. This latter approach may be more appropriate in countries where there is an absence of strong local accountability relationships.

A rule-based transfer system brings greater stability and predictability, and thereby promotes good local planning and efficient service delivery effort. This is why some countries define the vertical allocation of resources (or the distributable pool) as a fixed percentage of budgetary resources or based on some other vertical allocation criterion. Similarly, this is why many countries adopt a formula-based grant system. On the other hand, if the distributable grant pool is determined by the central government in an ad hoc and opaque manner, it opens the door for political and institutional interference and is likely to create uncertainty at the local level regarding the receipt of the transfer revenues. This uncertainty leads to poor budgeting practices and weakens the accountability linkage between local governments and citizens. Similarly, restrictions on the use of funds transferred to the local government also diminish the ability of the local governments to respond to the preferences of the citizens.

**Sound local public financial management (PFM).** Regardless whether resources are generated from own source revenues or intergovernmental transfers, a third element required for an effective local government system is sound public financial management (PFM) at local level. An effective local government budget cycle includes an effective and participatory budget formulation process; appropriate budget execution systems (to ensure that the budget is executed as planned), as well as central and local oversight over the management of local finances during the budget year; and an ex-post audit or review of local revenues and expenditures .

## 5.2 The situation in Bangladesh: local fiscal autonomy and local financial management

This section presents a situation analysis of the local government finance system in Bangladesh, focusing largely on the degree of local fiscal autonomy that local government institutions are provided in order to perform the functional responsibilities that are assigned to them. In addition, this section reviews the effectiveness of the local financial management processes relied on by LGIs to make. Within the fiscal decision-making space provided to LGIs, do local leaders effectively plan, budget and transform the available financial resources into localized services?

### 5.2.1 Overview

On the fiscal front, local government discretion in Bangladesh is limited. Similar to the limited degree of local administrative control discussed in the previous chapter, central controls are imposed in terms of setting of tax rates, user charges and expenditures incurred beyond predetermined expenditure ceilings. Local government bodies, which are theoretically self-government units, do not actually enjoy the freedom to approve their own budgets and decide their own tax rates and user charges, even all government bodies are required to obtain central government's approval of expenditures beyond certain predetermined ceilings.

**Table 5.1 Local fiscal autonomy and local financial management: Bangladesh**

	Assessment Indicator	BGD - UP	BGD - UPZ	BGD - muni.	BGD - CC
D	<b>Local fiscal autonomy and local financial management</b>				
D1	Does the LG (or SDU) have an orderly and participatory annual budget process?	0.5	0.25	0.25	0.25
D2	Are the LGs (or SDUs) expenditure out-turns (for the service at hand) consistent with the original approved budget?	0.25	0.25	0.25	0.5
D3	What is the quality and timeliness of annual financial statements?	0.25	0	0	0.25
D4	Is the LG free to define its own local revenue instruments (e.g., specify user fees,	0	0	0	0
D5	adopt new revenue instruments, or modify existing local revenue instruments)?	0	0	0	0.25
D6	Does the LG have the right to set the tax base or tax rate for all local revenue instruments?	0	0	0	0
D7	Does the LG take into account full-cost recovery (including user cost of capital) when setting user fee rates or local tax rates?	0	0	0.25	0.25
D8	Does the LG effectively and equitably administer the property tax?	0	0	0.25	0.25
D9	Does the LG have access to borrowing from financial institutions to fund local capital infrastructure expenses?	0.5	0.25	0.25	0.25
D10	Does the LG receive (conditional or unconditional) grants/transfers from a higher level government to support local administration and to provide services to the urban poor?	0	0	0	0
	Does the LG receive formula-based grants/transfers from the higher level government in a complete and timely manner, without unnecessary administrative impediments?				
<b>Total</b>		<b>1.5</b>	<b>0.75</b>	<b>1.25</b>	<b>2.0</b>

Table 5.1 uses the Local Government Systems Assessment Indicator Set to present an overview of local fiscal autonomy and local financial management in Bangladesh. None of the local government institutions in Bangladesh score in excess of two points on this assessment dimension. Perhaps unsurprisingly, City Corporations have somewhat greater local fiscal space and somewhat stronger PFM systems than smaller LGIs. Upazila Parishads, as the newest (and arguably the most under-staffed) type of local government institutions, fares the worst in this regard. For its size, Union Parishads score relatively well compared to other local government institutions for two reasons. First, UPs have a relatively orderly, participatory and transparent budget process (D1), and second, UPs receive an unconditional block grant directly from the central government (under the Local Government Support Project, LGSP), which flows directly to each UP rather than through the hierarchical top-down systems, as was previously the case.

Before considering the local fiscal discretion and public financial management systems for each type of LGI in Bangladesh, a few general trends across all LGIs can be observed:

- Inadequate policy attention to local government finance. The topic of local government finances in Bangladesh has not received adequate attention a policy level. Because oversight over local finances is dealt with in a top-down, hierarchical manner by the next higher-level (rather than through a mechanism that monitors the system of local government finances), the data that are generated by monitoring and reporting processes are insufficient to accurately answer basic policy questions, such as “How much do local government institutions spend?” or “How much own source revenue do different types of local governments collect?”.

- Local budgeting and public financial management systems are relatively weak. While local government budgeting processes are in place to produce an annual budget plan (estimates), local budgeting and PFM processes in Bangladesh are generally not very participatory or transparent. While there is a strong concept of participation and accountability at the UP level, the idea of popular participation in fiscal matters does not carry upward to the Upazila Parishad, and the notion of participatory budgeting is largely missing in urban local bodies.
- Local revenue administration systems are relatively weak. Consistent with the relatively weak and limited role played by local government institutions in Bangladesh, the local revenue administration systems in Bangladesh are generally rudimentary and weak.
- Major misconception about the role of own source revenues in funding LGIs. There is a notion in Bangladesh that the degree to which local governments should be responsible for service delivery should depend on their ability to fund these services from own revenue sources. This notion is especially strong for municipalities and City Corporations which are expected to be largely—if not fully—revenue self-sufficient. In practice this misconception is balanced with the allocation of a small portion of development funding to local government institutions through the Annual Development Program (ADP) Block Grant. Since local governments are systematically underfunded for the functions which are assigned to them, *this misconception greatly reduces the ability of local governments* to play their role in a meaningful and effective manner across all types of local governments. As noted by Boex (2014: p. 50), functions and expenditure responsibilities of local governments should be driven by the subsidiarity principle, and not by the revenue sources available to it. In fact, the mantra in public finance suggests that “finance should follow functions” rather than the de facto (and in fact, the de jure) situation in Bangladesh where “functions follow the availability of funds”.
- The role of intergovernmental fiscal transfers in funding LGIs. As a logical follow-on to the point made above: grants to LGIs are generally treated by the central government as discretionary “gifts” to the LGIs. Instead, local government grants should be seen as an important and permanent feature of any system of intergovernmental finance to ensure that LGIs have adequate funding for the functions assigned to them.
- Local government grants are often non-discretionary and not well-integrated into the overall national budget and financial management processes. To the extent that grants are provided to LGIs (such as the ADP Block Grant, LGSP Grants, and other miscellaneous grants), grants in Bangladesh are often provided in a discretionary manner and /or in a way that is not well-integrated into the overall budget and financial management systems.

### 5.2.2 Local fiscal autonomy of Union Parishads

In rural areas, the Union Parishad is the lowest but probably the most important unit of local government. It is much closer to the people and has survived longer than any other unit. It performs a range of functions that local people find very useful. But it has faced financial problems since its inception. In addition to the provision of intergovernmental fiscal transfers, the Local Government (UP) Act of 2009 provides UPs with a number of sources from which the UP can raise revenue. Experience shows that income from “internal” or own revenue sources is limited. What is perhaps of greater concern is that own source revenue income has decreased in relative terms over the years: from more than 50% of total UP income to less than 25%. This implies that the dependence of the UP on government grants and other (international) sources has increased.

#### **Local expenditures and public financial management.**

It appears that the expenditure behavior of the UP has changed somewhat in recent decades. Development expenditure now constitutes a significant portion of the total expenditure. In the past, after paying for the recurrent expenditure, there was not much left for undertaking development activities. Several studies revealed that the expenditure on establishment accounted for 80% of the total annual expenditure of the UP (Chowdhury and Jabbar, 1979; Noor, 1984; Schroeder, 1984). The UP could spend only a small fraction of



its income on municipal and welfare services. Some change in the expenditure behavior is noticeable now, with greater resources being dedicated toward development activities. The most important factor accounting for this is the change in attitude of the central government toward local government and the willingness of Bangladesh's development partners to support local level development efforts by local government.

However, our knowledge of UP-level expenditure patterns is inexact. For instance, there is no single local government expenditure data base that captures Union Parishad spending in a systematic manner. As a result, little is known—other than based on analysis of sample studies—about how Union Parishads actually manage and spend their resources.<sup>58</sup> Between the lack of clarity and the absence of good UP-level financial records, it is not always clear how much spending is done by UPs and what the money is being spent on. For instance, anecdotal evidence suggests that some UPs record “in-kind” contributions made by central government ministries (e.g., vulnerable group feeding) as part of their UP budget, even though these resources are not directly managed by the UP.

Obviously, to the degree that different UPs follow different financial management practices, it is difficult to ascertain what the available statistics on UP expenditures actually mean. The absence of more detailed, systematic UP financial data thus greatly limits our knowledge of UP expenditures and actual public financial management practices at the UP level.

**Intergovernmental fiscal transfers.** Supporting the UP to develop the local community and deliver basic services, especially in terms of grant funds from other levels of government, is almost as old as the institution itself. Conventionally, grants to the UP were made through intermediate administrative levels; until recently, there was no direct link between the UP and the central government.

During the British period and the early years of the Pakistani rule, central grants were routed to the UP through the DB/DC. However, since the introduction of TP in the 1960s, central grants are processed to the UP through the TP/ UZP. The system had some drawbacks. Besides delay in the transfer of funds, there were instances, as Siddiqui observed, “when such grants were deliberately withheld by UZP chairmen in order to ‘sort out’ UP chairmen who did not fall in line with the former” (1991: 62). Because all upward reporting follows hierarchical channels, it was difficult to get an accurate picture of UP finances in Bangladesh.

In order to prevent delays or manipulation of funding flows by intermediate levels, as part of the introduction of LGSP (discussed below), the center has established direct contact with the UP, providing a significant grant to each UP every year to undertake important activities. As a result, there has been a major increase in the share of grants in the overall income pattern of the UP in recent years. Grants, as a percentage of total income of the UP, increased from 7.2 in 1975-76 to 30.1 in 1976-77. The share of grants further increased in the 1990s and the trend has continued until now.

Traditionally, UP has received three kinds of grants – general purpose grants, specific grants and block development grants (Siddiqui, 2005). General purpose grants are of three types – developmental, compensatory and budget deficit. On the other hand, the specific grants are given to the UP under three separate but for similar types of programs – the Rural Works introduced discretionary Basic Block Grants (BBG) for UPs on a flat rate basis used mostly for small infrastructure investment and maintenance in the core local public goods sectors (roads, education, sanitation, water and the like).

Besides BBG, Annual Development program (ADP) allocations are also being provided to UPs. ADP allocations are distributed through UZP. Apportionment of ADP block grant is 90% for general and 10% for operational performance. General grant allocation is based on: population 50%, land area 30% and backwardness 20%. Because of the availability of different kinds of grants, the average income of a UP has increased manifold.

Grant support to UPs: international dimension. In recent years, there has been an upsurge in national and international interest to strengthen the UP. Besides the government, many donors have also expressed interest and in fact provided funds for direct transfer to the UP. The decision to have some kind of direct donor-government-UP interaction did not take place all on a sudden; it followed six years of experiment in Sirajganj where different ideas and options related to the strengthening of the UP with outside support were field

<sup>58</sup> Recent improvements in UP public expenditure management seem to be driven by LGSP, UPGP and related reforms and capacity building interventions.

tested, and the results turned out to be quite encouraging. Part of the Sirajganj model has been replicated throughout the country under the LGSP, while other innovative components were further pursued under the LIC. The UPGP (and UZGP) are a continuation of the same line of innovative projects supported by the government's donor partners.

In July 2006 the government introduced a nation-wide program called Local Governance Support Project (LGSP), with funds that started flowing from 2007 to ensure larger fiscal transfers to the UP. World Bank/IDA agreed to provide \$111.5 million to support the project, while the government contributed \$78.4 million. It was a nationally-owned and executed project, although a substantial percentage of the expenditure had been provided by the development partners. Initially, the project activities remained confined to a number of UPs in a number of districts, but LGSP was gradually rolled out nation-wide, with almost all UPs claiming a stake in LGSP grant transfer. Although LGSP grant is a general-purpose grant (meaning that the UP can spend it on locally-determined priorities, albeit with some limits), the grant is performance based, so that its receipt depends on the UP attaining certain minimum conditions.

An additional project component – Learning and Innovation Component (LIC) – was later added with support from UNDP/UNCDF, which subsequently has become important in its own right. It aimed to put predictable block grants into the hands of UPs, alongside a clear set of rules and conditions to ensure that these fiscal resources are used responsively, in the interests of local communities and development priorities as found out in the context of the LGSP-LIC (Steffensen, Monem and Hossain, 2011). LIC UPs were eligible for several other grants such as supplementary block grant (SBG), performance-based grant (PBG) and finally transition block grant (TBG). While almost all UPs were eligible to claim a share of the LGSP grant, only the LIC UPs, which were located in six districts, could claim a share of the other three types of grants. Separate eligibility criteria had been prescribed for those seeking to have access to these grants. Less than one-third of the LIC UPs had received performance-based grants. LGSP II was started in 2011 immediately after the completion of LGSP I. The government, with support from World Bank, is now implementing the project expecting similar outcome as LGSPI.

**Local revenue assignment and taxation.** The autonomy of local government in Bangladesh is intricately intertwined with its financial power and revenue base. Although central governments revise the revenue-raising powers of local government from time to time, the general revenue structure of the UP is not drastically impacted by these reforms, as the central government retains all main revenue sources.

Under the 1976 Ordinance, UPs were vested with the power to mobilize resources from 28 sources. In 1983, the Local Government (Union Parishad) Ordinance drastically cut the sources of income from 28 to 5 only. These revenue sources included the holding tax (a tax on homestead and buildings); a village police rate; fees on birth, marriage, and feasts; a community tax on adult males living in the locality for the purposes of funding public welfare; and fees charged for some public welfare purposes. The current Local Government (Union Parishad) Act of 2009 provides UPs with the authority to assess and collect own source revenues per the guidelines and rates stipulated by Appendix IV (section 65-70) of the Act. The permitted revenue sources include:

- Tax on the annual value of homestead (land and building) [not exceeding 7%, except land and building owned by religious institutions those are run not for commercial purpose. Agricultural lands are excluded from such tax.]
- Tax on professions, trades and callings
- Tax on cinemas, dramatic and theatrical shows (10% of the collected entry fees)
- Fees for licenses and permits granted by the Parishad on non-motorized vehicles, normal carrier boat and mechanized boat
- Fees from selected hat-bazars (markets), ferries

- Rate for the provision of water works
- Tax on fair, agricultural and industrial exhibitions arranged on commercial motive within UP jurisdiction, will be 10% of the collected entry fees.
- Tax on signboard within UP jurisdiction
- Marriage registration fees
- Part of immovable property transfer taxes
- Part of land development taxes
- Taxes on advertisements
- Income from own property: markets, community centers, and bus stands
- Other minor receipts, including fees from fairs, leases, and so on.

The major revenue source for most UPs is the property tax (generally referred to as the holding tax), which is often not assessed or collected based on any particular valuation method but rather on a taxpayer's perceived ability to pay (World Bank, 2004, p.10). Since a complicated taxation system is not understood by rural residents and the link of visible benefits from paying the tax is weak, lack of voluntary compliance is a major hurdle in collecting local property and community taxes. While greater economic development will permit the use of formal value-based taxation systems in future, there are many other conditions need to be fulfilled for an effective local tax system to take hold, such as accurate household statistics, a clear commitment of local representatives, transparency and ability to mobilize local resources by addressing all constraining factors that may derive from existing social, economic, political and administrative and legal factors. In this connection, training efforts must be undertaken for UP functionaries, which should include both technical aspects of tax assessment and administration, as well as more purely consciousness-raising efforts.

Another cause of low tax revenue lies with the fact that locally elected representatives do not show enthusiasm to collect and assess taxes due for fear of losing the support of the taxpaying voters. There is evidence that the candidates make commitments before the elections that they will not collect the tax if elected. Thus, it is often a liability for many local leaders to take a strong stance to collect tax and ensure the regular assessment of taxes. It cannot be generalized, since there are some UPs where the opposite scenario has been seen. Moreover, the resources on which tax would be imposed are not the same in all UPs.

Overall, most of the UPs are far from self-reliant in mobilizing sufficient amount of local tax funds required to maintain both the revenue and development budgets. Thus, UPs also rely on central government grants for initiating development projects. While commenting on the performance of the tax collection one UP chairman expressed that, "the amount of tax that we collect every year is very poor. As a matter of fact, there are no industry, hats, bazars and jalmahals within the territory of my UP. Geographically, we are located very close to the territory of the City Corporation. Thus, we do everything within the city. Thus, the holding tax is the only source of my revenue" (FGD Data, 2014). The amount of collected tax is so meagre through which I can only maintain the cost relating to the printing of citizenship certificates" (FGD Data, 2014).

### 5.2.3 Local fiscal autonomy of Upazila Parishads

The evolution of local fiscal autonomy of the Upazila Parishad spans a much shorter period, as directly elected Upazila Parishad Chairmen (and therefore, arguably the re-emergence of the Upazila Parishad as a local government institution) took place only rather recently. Accordingly, this brief sub-section explores the fiscal behavior of UZP, identifying how it raises resources, the extent to which such resources are sufficient to defray expenses, the scope of diversifying sources of dependence and the implications of resource dependence.

**Local expenditures and public financial management.** Similar to the situation at the UP level, there is no single local government expenditure reporting mechanism that captures Upazila Parishad spending in a systematic manner. As such, little is systematically known (other than studies based on small samples) about the utilization (for instance, across sectors) of Upazila resources. The lack of transparency of how Upazila Parishad resources are spent is forming an impediment in the evolution of the UZP into a stronger local government institution.

One thing that is clear, however, is that the bulk of spending at the Upazila-level does not fall under the control of the Upazila Parishad. Instead, the bulk of Upazila-level resources is spent by field officials at the Upazila level, under the control of their respective Zila-level offices (Boex, 2014).

Experience shows that much of what the UZP can raise from internal sources is used to defray day-to-day expenditure. There is not much left for financing development programs. The main heads of expenditure are: honorarium for UZC and vice-chairmen, salary of UZP employees, office procurement, maintenance of UZP buildings and premise, servicing of vehicle of the UZC, and entertainment. No major variation can be noticed in the revenue expenditure pattern of different UZPs. Where some differences can be observed is in the use of revenue surplus. While revenue surplus in some upazilas is deposited in the upazila fund and used for development purposes, no record exists in other upazilas about its use. Nor does the UNO who has to oversee the administration of fund appear to be keen to discuss this issue with others. In other words, in some cases the administration of upazila funds is characterized by the lack of transparency.

**Intergovernmental fiscal transfers.** The UZP mostly depends upon the government for the funds needed to implement development projects. Unlike in the case of urban local governments (and to some extent, the UP), the government has followed a relatively liberal grants-in-aid policy to help UZP implement development projects. In reality, however, only a few percentage points of the national development budget are made available to all LGIs combined.

In addition, the government has imposed considerable conditions on how UZPs can spend the ADP Block Grant, in order to ensure a “fair” distribution of ADP resources across sectors and to promote the proper utilization of funds released to the UZP. A more negative view is that central government agencies have sought to promote their respective sectors by earmarking virtually all ADP resources to specific sectors, leaving little or no discretion for Upazila-level leaders to determine local priorities.

Unsurprisingly, perhaps, such directives are often honored in the breach. In general, the main objective of the ADP grant is to encourage the implementation of projects that have upazila-wide implications. Beyond the sectoral earmarking requirement, the central government directs that not more than 16 projects can be implemented by project implementation committees (PICs) in a financial year. This is intended to ensure that resources are allocated more to inter-union projects and also projects having wider implications. An important objective of this directive is to ensure the triumph of rationality over parochialism. Those preparing the Directive were apparently aware of the inward looking behavior of the UZP members (UP chairmen); hence they sought to put a lid on the unlimited scope of the UZP to yield to pressure of the members for projects each of whom is likely focus more on his/her own unit's interest at the expense of the interest of other's unit. The imposition of this limitation can thus be seen as a ‘safety-valve’ to guarantee some kind of rationality in the allocation of resources.

In practice, deviation from the rules largely abound. Data from a sample of different upazilas reveal that the UZPs routinely approve projects to be implemented by PICs many times more than the statutory limit. In Biswanath, for example, the UZP implemented all 185 projects by PICs in 2009-10, which clearly conflicted with the official rules. Similar situations can be noticed in all other upazilas. Rarely are projects implemented by contractors. Although officials often prefer contractors to PICs to implement projects, they remain unsuccessful. The majority of members, particularly UP chairmen, prefer the PIC approach. When asked whether a good public project can be implemented by Tk. 75,000 or 1 lakh, one Savar UP chair replied, “Well, Tk. 75 thousand or 1 lakh is insufficient to implement a sizable project for public use. Yet this is better.” He went on explaining, “If the Parishad starts undertaking large projects through tenders, only few projects can be undertaken. That will create an unhealthy competition. Who will guarantee me that a project of my union will be undertaken?” He, however, argued that if a five-year plan could be prepared and implemented properly, tendering method would produce better result.



The gap between rules and roles can also be noticed in other areas. In Kumarkhali, for example, the process of resource allocation was somewhat different than it was in other upazilas. The Kumarkhali UZP had always set aside a certain percentage of the ADP grant for the MP and the Upazila Chairman. Although the share had varied from one year to another, the existence of this provision implied some kind of deviance from the rules. Selim and Ahmed (2010) observe that such allocation for MP and UZC was used for implementing election pledges the two made to the electorate. None has ever challenged this type of resource allocation, although the rules do not allow any such spending.

The guidelines for ADP Block Grant spending at the Upazila level are ignored in other ways as well. For example, it is generally noticed that Upazila officials often fail to honor the minimum and maximum share that the Directive has prescribed for different sectors. Once again rationality is sacrificed to parochialism. In most upazilas, agriculture and irrigation sector has been neglected, while the physical infrastructure sector has been over-emphasized. The socio-economic sector has also received better attention than it deserves. In one upazila, more than three-quarters of the total allocation has been made to this sector, while in another upazila almost a similar percentage has been allocated to the physical infrastructure sector. Differences can also be noticed in the allocation of resources to different sub sectors. In the physical infrastructure sector, there is a heavy concentration of projects in the transport and communication sub-sector than in the housing and physical planning or public health sub-sectors. In Shyamnagar, for example, projects in the transport and communication (e.g., road infrastructure) accounted for three-quarters of the total projects implemented in the physical infrastructure sector in 2009-10.

**Local revenue assignment and taxation.** Section 41 of the Act of 2009 has empowered the Parishad for the management, supervision and preservation of the assets, but the valuable assets are controlled by the central government. Such practice of regulating and controlling the financial resources by the national government functionaries keeps the LG units ever resource-poor and resource- dependent on the national government. The Upazila Parishad Revenue Reserve Fund will be formed on the basis of local resources available at Upazila. The sources include house rent from residential houses, tolls, fees, rates, taxes as mentioned in 4th schedule of the Upazila Parishad (Re-introduction and Amendment) Act, 2009. More specifically, sources of UZP revenue include toll collected from Hats and bazaars (public markets) (41%) , land transfer tax (1%), land development tax (2%), profits gained from transferred property or property managed by UZP, money received from any other sources, and other sources (imposed by the government).

Analyzing the Upazila Parishad Act, it is almost found that there is a long list of sources and powers of tax collection which are ineffective in practice. Tax collection opportunities for the Upazila Parishad are limited because most productive revenue sources (revenue sources that raise a lot of revenue) are reserved to the central government. Apart from this, the Act provides opportunities to central government not only to allocate funds for various development activities but also to dictate the procedure of its spending. At the same time, "The central or the national government primarily exercises its control over the LG bodies through its field-level government functionaries such as the Deputy Commissioner (DC) and the UNO, heads of the District and Upazila administration, respectively. In addition, LG units are further controlled through a plethora of intricate and complicated orders and circulars from different agencies/ ministries which very often contradict the original legal framework." The existing Upazila Parishad Act (Section 63) certainly provides such opportunities of control and intervention which makes the central-local relation hierarchical in nature.

#### 5.2.4 Local fiscal autonomy of municipalities

**Local expenditures and public financial management.** The Pourashava Act 2009 (Section 89-94) forms the legal basis for municipal fiscal management, budget and accounts. Clause 92 of Pourashava Act 2009 provides the prescription of Pourashava budget preparation and approval. The expenditure proposals from different functional sections and other department heads are compiled by the Accounts department into a single budget proposal. At the same time, each item on which the Pourashava is authorized to impose and collect taxes is estimated under the receipts heads. Since revenue estimates are imprecise and municipal taxes are rarely assessed on a regular basis, it is common for municipal budgets to show a surplus, although in reality, municipal finances are frequently different from how they appear on paper.

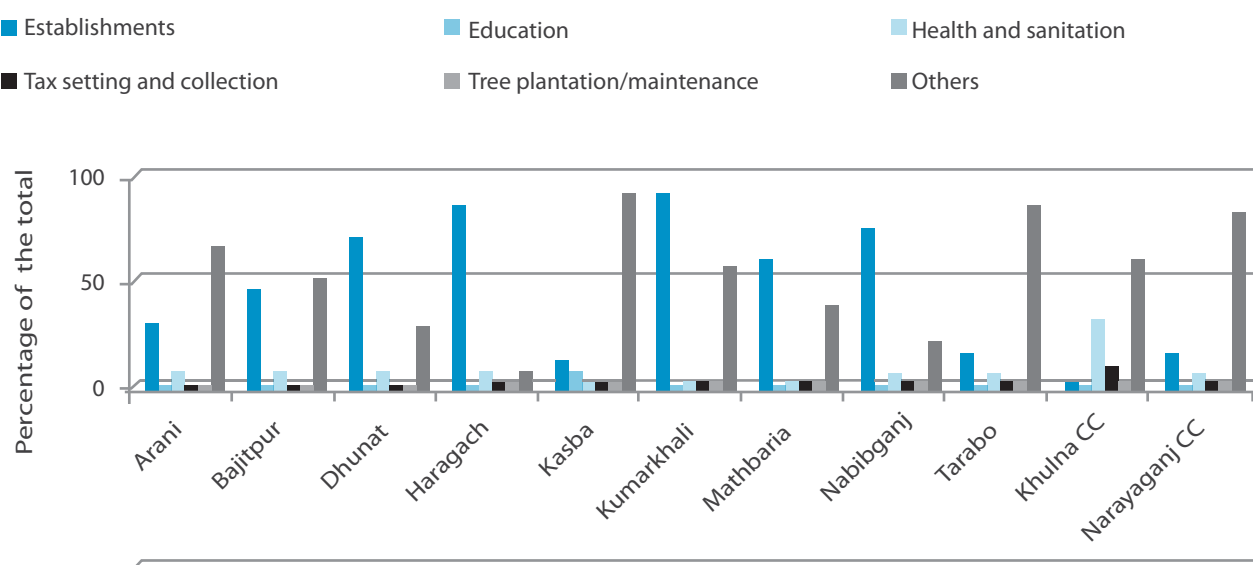


Subsequent to budget preparation by the municipality, the Pourashava budget has to be sent to the central government for approval or modification.

Pourashavas in general use budgets more as instruments for obtaining central government funds than tools for efficiency, transparency and accountability. Budget preparation is a routine exercise that is done in a simplistic manner. A budget is divided into three basic categories: “current”, “capital”, and “special” fund accounts. Due to the absence of proper definitions, municipalities mainly use the first category. In discussion with the municipal mayor and councilors, accounting departments select projects and allocate funds. Revenue estimates are prepared by totaling arrears taxes and current demand for taxes and increasing other revenues by certain percentages. Pourashavas are legally required to have balanced budgets, but a significant part of arrears taxes often remains uncollected, which causes actual revenue to fall well short of projected revenue. Only about one-third of budgeted property taxes and rates are collected annually. Estimates for central government grants are generally made on projections based on the previous year’s receipts, as the central government does not provide medium-term projections of municipal grants (N. Ahmed 2000). Pourashavas revenues and expenditures are thus conditioned by the level of resources available: in municipalities where revenues and grant receipts are (expected to be) low, municipal expenditures are also low. Such low expenditures have crucial impacts on the nature and quality of public services that can be provided by municipal authorities.

A recent study revealed that the Pourashavas’ major expenditure heads include establishments, health and sanitation, and “others”, while education evidently was given a low priority (Figure 5.2). Establishment spending generally covers the operating expenses of the Pourashava, including honorariums of mayors and councilors, staff salaries including wages of daily laborers, purchases and maintenance of vehicles, fuel for vehicles, telephone bills, electricity bills, purchases of furniture, purchases and maintenance of computers and travel allowances. The category “Others” covers expenditures on social and religious institutions, land development, audits, legal suits, observing national days, sports and cultural activities, emergency relief, street lighting and meetings. It is unclear to what degree service delivery salaries are lumped in under “establishments” and not subsequently broken down by function or service. To the extent that this is currently the practice, the budget classification system should be reconsidered in order to getting a clearer view of municipal spending.

**Figure 5.1 Major areas of expenditure of Pourashavas and city corporations, 2010–11**



Source: Bhattacharya, Monem and Rezban (2013)

The same study has demonstrated that the major development expenditures include infrastructure development, infrastructure maintenance, others and donor-funded projects. "Others" mostly covers street lighting, education, sports, public health, neighborhood development, animal resources and renovation of bus terminals (Bhattacharya, Monem and Rezbana, 2013).

**Intergovernmental fiscal transfers.** Fiscal transfers (including shared taxes and block grants) have a special role in the finances of municipalities, despite the absence of well-set policies in Bangladesh. Generally, Pourashavas depend heavily on central grants, namely ADP block grants and special block grants. While grants at present constitute a significant portion of municipal funding, these grants are inadequate for the large range of development activities they perform. In addition, there are significant weaknesses with the way in which grants are provided to municipalities.

Officially, the GoB allocates Annual Development Programme (ADP) grants to Pourashavas on predetermined scales. Generally, the central ministry allocates BDT 70 lakhs as ADP grant to A class Pourashavas, whereas for the B and C class Pourashavas ADP grants amount to BDT 60 and BDT 50 lakhs respectively per fiscal year. Given the considerable variations in the size of municipalities (even within a single class), this means that municipalities may receive vastly different grant amounts in per capita terms. In addition, there are often considerable deviations from these allocation norms, both during the budget formulation process as well as during budget execution.

Pourashavas do not know the exact amount of development grants before the resources are actually disbursed by the central government. So the budget of the local bodies is generally revised on the basis of the actual receipt of government grants. While the government in general disburses the grant to Pourashavas in installments, disbursements are often not timely. In some cases, the last installment is received close to the end of a financial year. Problems with the existing grant system are non-adherence to the criteria for allocation, and delay in receipt of funding.

Furthermore, the bulk of grant allocations seems to fall into the category of "special grant allocations". A recent study (Bhattacharya, Monem and Rezbana, 2013) testifies to the fact that the decisions about special block grants are often made upon political considerations. The volume of these grants and when they are released largely depend on whether or not a mayor represents the ruling party; how well the mayor is connected with the core leadership of the ruling party and how well the mayor can navigate through the difficult maze of central bureaucracy. Securing special block grants is difficult for municipalities that have a mayor who represents opposition political parties and in cases where they are in a position to secure such grants, the disbursement often gets delayed.

**Local revenue assignment and taxation.** Conceptually, strong arguments are made in the public finance literature which suggest that local revenues (local taxes and fees) are only an efficient and suitable funding source for local governments when local governments have suitable revenue instruments at their disposal. According to the Local Government (Pourashavas) Act, municipalities are granted 26 own source revenue instruments, but most of these revenue sources yield very limited revenues (Fox and Menon, 2008). The main own source revenues are property (holding) tax, land transfer tax, building permits, tax on professions and trades, advertisement tax, amusement tax, taxes on non-motorized vehicles (e.g., bikes and rickshaws), and several types of fees.

Though the Pourashavas have potential sources to collect revenues, but in practice, to provide basic services the Pourashavas have to depend on the central government transfers. Local government institutions in general and Pourashavas in particular lag behind on the front of own source revenue generation. There is no denying that an efficient local tax generation is crucial to reduce the dependency on the central government transfers. According to the Schedule III of Local Government Municipality Act, 2009, Taxes, Cess, Rates, Tolls and Fees which may be levied by a Pourashava are:

1. Taxes on the annual value of buildings and lands
2. Tax on the transfer of immovable property
3. Tax on Land development and 2% of collected tax
4. Tax on applications for the erection and re-erection off buildings
5. Tax on the import of goods for consumption, use of sale in the municipality

6. Tax on the export of goods from municipality
7. Taxes of the nature of tolls
8. Tax on professions, trades and callings
9. Tax on births, marriage, adoptions and feasts
10. Tax on advertisements
11. Tax on animals
12. Tax on cinemas, dramatic and theoretical shows and other entertainment's and amusements
13. Tax on vehicles, other than motor vehicles and boats
14. Lighting rate and fire rate
15. Conservancy rate
16. Rate for the execution of any works of public utility
17. Rate for the provisions of water works or the supply of water
18. Cess on any of the taxes levied by the Government
19. School fees
20. Fees for the use of benefits derived from any works of public utility maintained by a Pourashava
21. Fees at fairs, agricultural shows, industrial exhibitions, tournaments and other public gatherings
22. Fees for licensees, sanctions and permits granted by a Pourashava
23. Fees for specific services rendered by a Pourashava
24. Fees for the slaughtering of animals
25. Fees for Jalmahal/Ferrighats
26. Fees for Balumahal/Pathor mohal within the border of Pauro area
27. Any other fee permitted under any of the provisions of this act
28. Fees for acquired market lease
29. Any other tax, which the Government is empowered to levy by law

In case of pourashavas, the own source revenue generation is quite below its potentials. In a sample of 30 municipalities, own source revenue sources yielded approximately Taka 580 per person (or about US\$8.70 per capita) for 2007/08 (Fox and Menon, 2008). An attempt to prepare a comprehensive overview of municipal finances by Mott MacDonald (2011) suggests that total (aggregate) municipal tax collections for 2010/11 yielded US\$ 2.38 per municipal resident (approximately Taka 190). It is difficult to know how precise these estimates are. Estimates based on reported municipal expenditures suggest that an average municipality spends an average of around Taka 615 per year (2010/11).

Generally, Pourashavas' performance on the collection of municipal taxes is weak; this is especially the case for small and newly formed ones. Beyond the limited revenue base of municipalities, there are a number of reasons for weak municipal tax effort. The elected representatives generally do not exert adequate pressures on the citizens regarding collection of taxes because, sometimes, they fear loss of popularity. It is further observed that the collection of taxes is not significant because of the lack of tax collection and enforcement efforts on the part of municipal revenue officials. Legal action is rarely taken against tax defaulters. In practice, the realization of taxes is not related to economic activities and proportion of government grants.

In addition, the lack of regular, proactive tax collection efforts, insufficient and inexperienced assessment staff, haphazard maintenance of the tax roll, untimely implementation and settlement of appeals against assessments all delay and weaken the realization of municipal tax collections (Bhattacharya et al 2013). Besides income from municipal taxes, income from rates for specific local services constitutes an important part of internal revenue income. Owing to the absence of proper costing procedures for urban local services, the fees charged for such services as water supply or sanitation services in Pourashavas have little relation to the actual cost of these services. A recent study has more fully captured the reasons for the low level tax collection from both the taxpayers' and collectors' perspectives. (Bhattacharya et al, 2014).

**Local expenditure and public financial management.** Much like the Pourashava Act, the City Corporation Act provides legal guidance on the basic budgeting and financial management processes of City Corporations. The basic budget and PFM processes for the City Corporation are similar—if not the same—for City Corporations as they are for municipalities. In accordance with the law, every City Corporation prepares and adopts its budget 30 days before the next fiscal year, following the budget classification and budget structure prescribed by LGD. Subsequently, the budget must be sent to the central government, which has the prerogative to accept the budget or to modify it. Thus, even City Corporations—the largest urban local government institutions in Bangladesh—have limited budget autonomy. Since there is a provision of sending a copy of the budget to the central government for its approval, the Government reserves the right to change and modify the budget approved by the city corporation. Such control is not at all desirable for effective implementation for decentralization in Bangladesh.

Rather than detailing the budget and financial management processes in City Corporations (which—as noted above—is not meaningfully different from municipalities), some attention should be given to exploring why even the largest urban areas in Bangladesh are kept on such a short leash as for the central government to second-guess the locally elected council and to give itself the power to approve their budgets (rather than to take ex post action in case City Corporation budget deviate from legal or regulatory instructions).

As we have argued earlier in this study, there appears to be a lack of intention on the part of the central government to allow local governments to be meaningfully engaged in the development process as semi-autonomous entities. This lack of intent is reflected by the highly centralized, bureaucratic and legalistic manner in which the entire public sector operates. In addition, it is reflected in the policy insistence on the fact that Bangladesh is (constitutionally) a unitary country, even though the nature of a unitary state does not in any way preclude the establishment of effective, decentralized local governments. The highly centralized nature of the local government sector is engrained in all aspects of central-local relations and manifests itself, among others, through the employment of public officials on deputation in City Corporation offices. There are three significant consequences of this deputation—first, these officials do not really take an interest in the development planning and concentrate more on the service delivery functions. Second, it is hard for the local council to hold these officials to account, even to the point where some of them may try to influence procedures to divert resources.<sup>59</sup> Third, the appointment and role played by these officials demoralizes the City Corporation officials: “it is a shame that we do not have any authority. People recognize the central government officials whereas we are not respected, as people do not understand our function”.

Another important factor that bars the City Corporation from moving into effective service delivery and development planning within the City Corporation activities is the lack of manpower and expertise among the city government officials. Since City Corporation budgets (including human resource spending) needs to be approved by the central government, and since resource availability is one of the major constraints being faced by City Corporations, the central government has an important degree of culpability in terms of the lack of manpower and weak administrative capacity of local governments, City Corporations included. As an example, one official provided the following example:

“In this City Corporation, there are 27 wards and there should be nine tax assessors working here. But right now, we have five, and of these five, two are assistant tax assessors. Furthermore, two of them have been transferred to other positions and one other official has been posted here, and thus, right now we have four tax assessors. And it is not possible to work only with so few people. At the same time, in order to collect taxes, we need 27 people for 27 wards but right now we have 12 people and two of them have already been transferred elsewhere. We are collecting taxes from nine wards and in the remaining 18 wards, there are no tax collectors.”

<sup>59</sup> As one city corporation official in charge of tax collection said, “This is problematic. Sometimes we try to take action against the people who did not pay tax and we go to their houses to confiscate their properties. In many cases, when we are doing our job we are obstructed by higher officials via a phone call and we have to follow their orders.”



The lack of manpower is not the only issue. The City Corporation officials also lack necessary expertise in performing their duties as many of them come from backgrounds which do not train them for these kinds of jobs. So, they learn being on-the-job. These limitations are well-known to the mayor and during our short interview with her, she acknowledges these problems— “we do not have the necessary people and the people we have seriously lack expertise. The thing is the National Institute of Local Government is supposed to provide these people with trainings and we have contacted them many times but nothing has happened.”<sup>60</sup>

Third, probably the time factor has also played an important role in limiting the role of the City Corporation. As the mayor pointed out, this City Corporation is new and it is taking a lot of time “in making sense of what should be their proper role.” She pointed out that, “right now, I am more concerned about making things move. There are huge problems— we have become a City Corporation and we do not have money, manpower or other resources. As such I am trying to manage as best as I can. There are problems and we cannot do everything we want to do. Who knows an elected mayor after 10 or 12 years will be able to do a number of other things”.

Fourth, whereas the time factor may be considered as an important issue, we have also observed an alarming trend. Even though the mayor is aware of the role of the City Corporation, including its role in developing a master plan, the other councilors have no idea about these issues. We have not observed any ward councilor speaking about his/her long term plan or have not heard from them about having any such discussion with the mayor. There can be two possible reasons behind this— the first reason can be that the power of the City Corporation has been centralized in the hands of the mayor and she is actually dictating the way the City Corporation should run. In fact, one ward councilor indicated something like that to us. However, our study could not confirm this since in contrast to this opinion, we have met other ward councilors who were extremely pleased with the mayor and considered her to be an efficient, accessible and helpful person. The second reason can be the lack of understanding of the role on the part of the ward councilors. Even though our study could not confirm Although the CCs have been provided through the Act the power to levy taxes on different matters, in every case, the provision has been kept for the interference of the Government. For instance, before the levied taxes go into effect, the local taxes have to be approved by the Government. Once approved, the decision must be published in the Government’s Official Gazette. Moreover, the Government retains the power to provide direction to change the imposed taxes, tolls, fees and others. why the councilors are not interested in extending their roles, we think that this issue should be looked into in detail and the councilors need to reorient towards their bigger role (The State of Governance in Narayanganj City, IGS, 2012).

**Intergovernmental fiscal transfers.** Like other urban local bodies in Bangladesh, City Corporations received a share of the Annual Development Program in the form of block grants. In addition, City Corporations received special or earmarked contributions from central government towards capital project implementation costs. Typically, these are made for the funding of no cost or indirect cost recovery programs such as roads, flood protection and drainage, whether from internally generated central government revenues or from external loan/grant proceeds.

However, as is the case for other local governments, the general inadequacy of financial resources results in central government stepping in and performing local government functions within the jurisdiction of City Corporations. As a result, central line ministries receive budget allocations to perform functions and implement projects that are legally City Corporation functions. By allocating resources to central government ministries or departments for city-level functions and projects (say, to LGED) rather than to the City Corporation itself, the central government is actually undermining the long-term prospects of the local government system as a whole.

One factor that further complicates central government support to public services and infrastructure within City Corporations is the fragmentation of urban functions and responsibilities not only to central government agencies, but to a range of local development authorities, water authorities, and other entities that are (semi-)autonomous public agencies which are outside the direct control of (and outside the funding responsibility of) the City Corporation.

<sup>60</sup> In addition to identifying a major practical constraint in local governance, this comment illustrates that unclear functional assignments, weak local government systems and weak decentralization provides local government officials with an argument (whether deserved or undeserved) to shift the weaknesses and failures of the local government to the central level.



**Local revenue assignment and taxation.** A City Corporation may, in the manner specified by the Rules and with the previous sanction of the Government, impose all or any of the taxes, rates, tolls, and fees mentioned in the Fourth Schedule (Section 82). All taxes, rates, tolls and fees imposed by a city corporation shall be notified through a government gazette and unless otherwise directed by the government, shall be subject to previous notification [Section-83 (1)]. Where a proposal for the imposition of a tax, toll, rate or fee or for the modification thereto is sanctioned, it shall be effective on such date as the Government may specify [Section-83 (2)]. However, the government shall retain the authority to provide direction to impose taxes, rates, tolls or fees on already imposed taxes, rates, tolls or fees; reduce or increase any taxes and others imposed in accordance with the clause; and, release any person or property from the taxes and others imposed in accordance with the clause, or provide order to suspend or withdraw the matter. All taxes, rates, tolls or fees and other claims levied by the city corporation may be levied, imposed and regulated in such manner as may be specified by the Rules [Section 90(1)]. Rules in relation to the matters mentioned under this Section shall, among other matters, provide for the obligations of the taxpayers and the duties and powers of the officials and other authorities responsible for the assessment and collection of taxes [Section 90(1)].

- (1) Taxes on building and annual value of lands
- (2) Taxes on transfer of movable properties
- (3) Taxes on the application to construction and re-construction of buildings
- (4) Taxes on import of goods for personal use, and selling within the city
- (5) Taxes on the export of goods from the city
- (6) Taxes like tolls
- (7) Taxes on profession and scholarships
- (8) Taxes on birth, marriage, adoption and invitation
- (9) Taxes on advertisement
- (10) Taxes on animals
- (11) Taxes on cinema, drama and exhibitions of drama and other recreations
- (12) Taxes on all vehicles, excluding cars and boats
- (13) Rates on lights and fire
- (14) Rates on cleaning of wastes
- (15) Rates on execution of social welfare activities
- (16) Rates on tube-wells and water supply
- (17) Taxes on the taxes imposed by the government
- (18) Fees on Schools
- (19) Taxes on taxes received from any social welfare activities executed by the corporation
- (20) Fees on fairs, agriculture exhibitions, art exhibition, and other public gatherings
- (21) Fees on markets
- (22) Fees for licenses, approval and permissions issued by the corporation
- (23) Fees on any special activities executed by the corporation
- (24) Fees on slaughtering of animals
- (25) Any other fees approved under any provision of this act
- (26) Any other taxes imposed by the government in accordance with the law.

Although the CCs have been provided through the Act the power to levy taxes on different matters, in every case, the provision has been kept for the interference of the Government. For instance, before the levied taxes go into effect, the local taxes have to be approved by the Government. Once approved, the decision must be published in the Government's Official Gazette. Moreover, the Government retains the power to provide direction to change the imposed taxes, tolls, fees and others.

### 5.3 Comparative international experience: local fiscal autonomy and local financial management

How does the local government system in Bangladesh compare with other countries with respect to local fiscal autonomy and local public financial management (PFM)?

Figure 5.1 reveals that this dimension of the local government system follows a similar pattern as the other dimensions of local governance: Bangladesh performs more or less the same when compared to other (predominantly) deconcentrated countries, while predominantly devolved countries have a higher assessment score than Bangladesh on this dimension. This suggests that Kerala, the Philippines and Indonesia have a greater degree of fiscal autonomy and stronger local public financial management systems.

Although the scoring range for this local government dimensions is the same as for all other dimensions of the local government system (with the total possible score for the assessment dimension ranging from 0-5), the assessment of local fiscal autonomy and PFM contains 10 specific assessment indicators (rather than 5 questions, as was the case for the previous dimensions of the local government system) in order to ensure that different important aspects of local government finance are covered in this institutional dimension. Indicators D1-D3 deals with the robustness of the annual budget cycle and local PFM; indicators D4-D8 deal with local revenues and borrowing; while D9 and D10 ask about the intergovernmental transfer system. Whenever appropriate, the indicators used in this dimension are aligned with the comprehensive Public Expenditure and Financial Accountability (PEFA) framework.

Like the PEFA methodology, one “weakness” of the current methodology is that it assesses the state of local fiscal autonomy and local financial management in different countries without actually looking at the fiscal picture in different countries, but generally limits itself to assessing the discretion and quality of local public financial management processes. For instance, a country where local governments only control 5 percent of public financial resources (which they may receive either through grants or through own revenue sources) could in principle receive the same assessment scores as a country where half of all public finances are managed at the local level by local governments. Similarly, a country that has a sound local property tax—but where the local property tax is a miniscule source of local revenue—could in principle receive a higher assessment score on this dimension than a country where the local property tax generates considerable revenue for the local level.

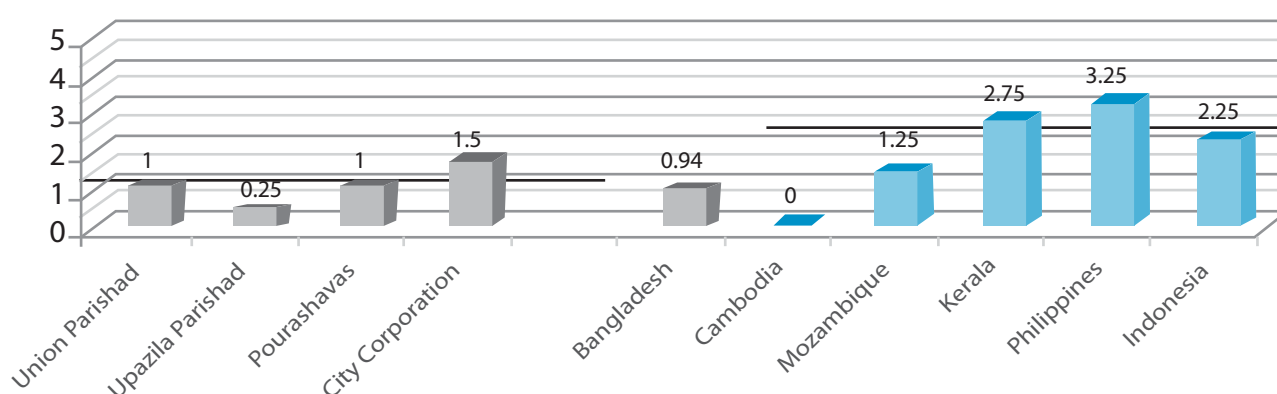
With these qualifiers noted, Table 5.2 presents assessment indicator scores for the five comparative cases. It is interesting to note that the range of scores for the selected international experiences being review here for this institutional dimension seems to be somewhat smaller when compared to the previous dimensions – no country scores below a 1 or above a 4 or a 5 on this assessment dimension. This either means that there are no truly weak or stellar performers within the group, or possibly, that the assessment framework does not rely a sound set of assessment indicators for this dimension.

**Table 5.2 Local fiscal autonomy and local financial management: comparative international practices**

	Assessment Indicator	Cambodia	Mozambique	Kerala	Philippines	Indonesia
D	<b>Local fiscal autonomy and local financial management</b>					
D1	Does the LG have an orderly and participatory annual budget process?	0.25	0.25	0.5	0.5	0.5
D2	Are the LGs’ expenditure out-turns (for the service at hand) consistent with the original approved budget?	0.25	0.25	0.25	0.25	0.25
D3	What is the quality and timeliness of annual financial statements?	0	0	0.25	0.25	0.25
D4	Is the LG free to define its own local revenue instruments (e.g., specify user fees, adopt new revenue instruments, or modify existing local revenue instruments)?	0	0	0.25	0.25	0.25
D5	Does the LG have the right to set the tax base or tax rate for all local revenue instruments?	0	0	0	0.25	0.25
D6	Does the LG take into account full-cost recovery (including user cost of capital) when setting user fee rates or local tax rates?	0	0	0	0.25	0.25
D7	Does the LG effectively and equitably administer the property tax?	0	0	0.25	0.25	0.25

	Assessment Indicator	Cambodia	Mozambique	Kerala	Philippines	Indonesia
D8	Does the LG have access to borrowing from financial institutions to fund local capital infrastructure expenses?	0	0	0.25	0.25	0.25
D9	Does the LG receive (conditional or unconditional) grants/transfers from a higher level government to support local administration and to provide services to the urban poor?	0.5	0.5	0.5	0.5	0.5
D10	Does the LG receive formula-based grants/transfers from the higher level government in a complete and timely manner, without unnecessary administrative impediments?	0.25	0.25	0.25	0.5	0.5
	<b>Total</b>	<b>1.25</b>	<b>1.25</b>	<b>2.5</b>	<b>3.25</b>	<b>3.25</b>

**Figure 5.2 Local fiscal autonomy and local PFM: comparative international practices**



Source: Computed by authors.

**Cambodia.** Cambodia's public sector is primarily deconcentrated, meaning that (other than at the Commune level—which is the lowest level of the territorial-administrative structure) all "local" spending is contained in the national budget. Because provinces are a hierarchical part of the central government, provinces do not collect their own revenues: to the degree that provinces collect any revenues, they deposit the proceeds in the national treasury. Similarly, provinces in Cambodia cannot borrow funds in their own name. Furthermore, instead of "intergovernmental fiscal transfers" deconcentrated administrative entities receive budget allocations through the provincial treasury office (which is part of the national treasury).

Unlike the situation in Bangladesh (where the national budget is not structured according to different territorial-administrative levels or tier), the national budget in Cambodia is vertically (or sectorally) deconcentrated down to the provincial level. This means that the budgets for each of the main line ministries (including the budgets for the Ministry of Health and the Ministry of Education) identify central line department expenditures separately from provincial line department expenditures within the relevant ministry. The deconcentrated provincial line department budgets contain the recurrent spending used by the provincial line department to deliver localized services, such as health and education services. In other words, all the resources needed for the provincial education department to provide primary and secondary education within the province (including not only the salaries of the provincial education officials, but also the salaries for the teachers in the province, as well as the spending required for operation and maintenance and basic teaching materials) are contained in the provincial department's budget, which is separate from the central directorates. This arrangement allows for considerable transparency in the budget process, as it clearly reveals the (vertical) share of national (recurrent) budgetary resources that flow down to the subnational level within each line ministry, as well as how different sectors distribute their recurrent resources across different provinces (Boex, 2009).

The fact that provincial line departments are “secondary budget units” (or budgetary sub-organizations) within their respective line ministries gives the heads of provincial line departments some degree of discretion and autonomy, even though they are not autonomous local government units. While during budget formulation, provincial line departments are formally supposed to submit their budget requests to the Ministry of Economy and Finance through their respective central ministries (which then prioritizes sectoral spending needs across provinces), well-connected provincial department heads may approach the Ministry of Economy and Finance directly to lobby for a relatively greater budget allocation.

Only about one-third (33.4 percent) of total public expenditures (across all government functions) trickle down to the local level in Cambodia. This total amount (across all sectors) includes about 15 percent of total public sector expenditures which take place in a sectorally deconcentrated manner at the provincial level through the provincial line departments. However, only recurrent expenditures are deconcentrated; essentially all development spending is managed centrally. As such, in addition to the deconcentrated recurrent spending, central government line directorates roughly spend another 15 percent of total public spending on ‘local’ infrastructure and services. Only about 2 percent of public sector expenditures in Cambodia take place at the commune level, whereas district-expenditures account for less than 1 percent of public sector spending. The remainder of public expenditures (66.6 percent) is retained at the central government level for national functions and central government administration.

**Mozambique.** Since both Cambodia and Mozambique are both deconcentrated countries, there are important similarities in the subnational budget and PFM processes in both countries, yielding a very limited (if any) degree of fiscal discretion to local officials. However, there are also important differences between the subnational budget structures, resulting in different degrees of subnational transparency and (potential) subnational empowerment.

As a “territorially deconcentrated” country, the primary breakdown of the budget in Mozambique is by administrative level or “sphere” (as opposed to the sectoral or vertical structure in Cambodia). As such, the national budget is comprised of three “spheres”: a central sphere, a provincial sphere and a district sphere. In line with the functional responsibilities all spending that takes place at each of the different levels is budgeted within each of these three spheres. For instance, provincial line department budgets are grouped by province (as part of the provincial sphere of the budget) rather than being included with their respective line ministry budgets. As a result, each province has its own “provincial budget” which is part of the national budget, containing all (recurrent and development) expenditures which are made within each province to deliver the services assigned to them (including essential all front-line services such as education, health services, agricultural extension services, and so on). Even though their budgets are part of the national budget, provincial officials are integrally involved in the planning formulation of “their” budgets, which is developed in a bottom-up manner with their input. At the end of the budget formulation process, the national parliament approves budget ceilings for provincial line departments within each province, so that line officials within each province are clearly aware of the resources which are available to them to perform their functions.

Similarly, district-level budgets and expenditures are grouped by district jurisdiction at the district administration level into “budgets” for each district, which are clearly identifiable in the national budget. Although the bulk of resources for local services (including health, education, and so on) is contained in the budgets of the provincial line departments, the resources for operation and maintenance expenditures have been transferred to the budgets of district administrations, as part of a gradual deconcentration process to the district level.<sup>61</sup> The result is an extremely transparent structure, which clearly identifies all central and deconcentrated budget allocations by organization and sector, as well as by administrative level and jurisdiction (province and district).<sup>62</sup>

When we look at total public spending in Mozambique—across all government functions—almost half (44.1%) of public sector expenditures in Mozambique take place within the local public sector. Despite the fact that Mozambique is deconcentrated rather than devolved, this places the country among the most “localized” public sectors in the world. In fact, the share of public resources spent at the local level in Mozambique exceeds that of many devolved countries in the same region, such as Tanzania or Uganda.

<sup>61</sup> The reader is reminded that the provincial level in Mozambique is roughly equivalent to the Zila level in Bangladesh, while the district level is more or less equivalent to the Upazila level.

<sup>62</sup> Since municipalities are elected local governments, the national budget does not include (or provide information on) municipal expenditures or revenues (beyond the level of grant funding provided to municipalities). Since municipalities are only a small share of local public sector spending, the discussion and assessment focused on the deconcentrated budget system.



In aggregate, about one quarter (26.8%) of total public expenditures take place at the provincial level (through provincially deconcentrated budgets); 6.5% at the district level (through district-level budgets); and 1.9% of public expenditures spent by municipalities. These proportions are a reflection of the respective de facto functional responsibilities assigned to local government. In addition to these deconcentrated and devolved expenditures, roughly 8.9% of total public expenditures are made by central government ministries for public services that are delivered at the local level. This mostly reflects spending on hospitals and universities supported by central line ministries, as well as centrally-controlled development projects. Across all government functions, the national government retains 55.9% of public sector resources for national functions and activities that fall outside the local public sector (such as central policy formulation, oversight and regulation; national defense; and so on).

As a deconcentrated system, revenues collected by provinces and districts are not retained by subnational jurisdictions themselves and flow into the national treasury. Likewise, they are not allowed to borrow. Instead, their expenditures are funded from subnational budget allocations through the treasury system. In contrast, municipalities are permitted to collect several municipal taxes and other local revenues. However, these municipal revenue sources are under-utilized, and are generally not spent on health, education or other social services, with the exception of some spending on public health services (i.e., solid waste removal and sanitation). In addition to own source revenues, municipalities receive some formula-based recurrent and capital grants from the central government, known as grants from the Municipal Compensation Fund and the Investment Fund for Municipal Initiatives, respectively.

One important element of decentralization in Mozambique that is recently receiving a lot of attention is the fact that the central government is permitted to delegate responsibilities for education services, health and other social functions to municipalities. As such, there is a process ongoing to transfer the responsibility for key public services (including education and health services) to the local government in the capital city of Maputo (and possibly, other large municipalities). This would result in a dual system where certain functions being delivered by devolved local governments in some part of the country, while the same functions would be delivered by deconcentrated administrative entities in other parts of the country.<sup>63</sup>

**Kerala.** Unlike in the case of deconcentrated countries, local governments in devolved systems prepared, approve and implement their own budgets. The decentralization process in Kerala has resulted in a considerable devolution of financial resources to the local level, particularly on the development side of the budget and with regard to operation and maintenance expenditures. The vast majority of local government revenues can be placed into four categories (Williamson and Muwonge, 2010):

- State Finance Commission Transfers. General-purpose (or “non-plan”) transfers are made based on the recommendations of the State Finance Commission. The size of the grant pool for these general-purpose transfers is determined as a share of state-level revenue sources. In order to avoid disproportionality between asset creation, maintenance and operation of it, a share of the general-purpose grants is earmarked to the local governments for the maintenance of assets including transferred assets under the control of the local governments. In Kerala, transfers made by the central finance commission are subsumed within State Finance Commission allocations.
- State-funded programmes. These are transfers for specific programmes implemented through LSGs relating to both traditional functions and transferred institutions. Since these funds are tied to specific sectoral plans, these are sometimes referred to as “plan assistance” or “plan grants”. They also include the counterpart funding of central programmes. Funds are allocated and released by line departments, including from LSGD, to LSGs.
- Centrally Funded Programmes. These are typically tied to the implementation of specific central programmes. There are two types. Firstly, direct transfers to LSGs from central government, which are typically tied to the implementation of specific programmes. Examples include the National Employment Guarantee Scheme (NREGS) and its predecessor Sampoorna Grameen Rozgar Yojana (SGRY). Secondly, centrally-funded transfers released through the state budget by the LSGD, and these include urban programmes such as the Integrated Housing and Slum Development Programme (IHSDP). These funds are managed outside the treasury system of the state.

<sup>63</sup> Thailand is a notable example of a country that has a similar hybrid approach.



- **Locally Generated Resources.** This includes own source revenues (tax and non-tax) raised by LSGs themselves, beneficiary contributions, and other local contributions.

One of the strengths of Kerala's decentralization process is the increased local involvement that it has brought into the prioritization of resources at the local level mechanism. Financial devolution to panchayats is such that each village (gram) panchayat in Kerala, on average, command control over Rs.17.3 million (around US\$300,000) in unconditional grant resources in 2010–11 (Williamson and Muwonge, 2010), in addition to substantial “plan” resources. This translates into an unconditional grant amount of around Rs. 520 or US\$ 8.50 per resident.

It bears repeating that even though decentralization on the development side of the budget has been substantial, decentralization on the recurrent side of the budget has been much more moderate. Salaries for all local sectoral staff—including front-line service delivery staff in education and health—continue to flow through vertical (deconcentrated) channels. Similarly, while operation and maintenance expenditures for many transferred functions now flow through the budget of Gram Panchayats and municipalities, they are funded by sectoral grants that are earmarked by the respective state-level line departments.

**The Philippines.** Similar to Kerala, Local Government Units in the Philippines are local self-government units, and therefore, they plan, adopt and manage their own budgets. The responsibility for local financial management rests with the Local Chief Executive (LCE). The LCE is assisted by three key financial officials: the Treasurer, the Budget Officer and the Accountant, who report directly to the LCE and are independent of each other. The Treasurer is appointed by the Bureau of Local Government Finance (BLGF) from among three nominees recommended by the LCE. Several central government departments (the Department of Interior and Local Government, the Department of Finance and the Department of Budget and Management) exercise shared oversight of administrative and financial control over LGUs (ADB/World Bank, 2005).

The Local Government Code in the Philippines provides a range of financial resources to local government units, including (1) their own taxing powers as well as revenues from local fees and charges; (2) revenue sharing from the national wealth exploited in their areas (e.g., mining, fishery and forestry charges); and (3) allocation to LGUs of a share from the national taxes.

When the responsibility for key public services was transferred to the local level as part of the implementation of the Local Government Code, the financing of these newly devolved functions also became the responsibility of the LGUs (ADB/World Bank, 2005; Capuno, 2008).<sup>64</sup> Since the enactment of the LGC, the distribution of expenditures across levels of the government has also shifted (ADB/World Bank, 2005: 27). While devolved functions continue to be shared by LGUs and the national government, the sub-national share of general government spending increased substantially from around 11 percent in the pre-devolution period (1985-1991) to around 20 percent in the years following devolution (1992-1996), to around 24 percent in the later post-devolution period (1997-2002). The role of LGUs in sectors where services are delivered increased much more substantively during the devolution process. The most pronounced increases in localized expenditures have occurred in the areas of housing and community development (from 33 percent in 1991 to 79 percent in 2002), health (from 10 percent to 53 percent), other economic services (from 53 percent to 91 percent) and general public administration (from 39 percent to 60 percent).

All or nearly all of the revenue that a local government has to spend comes from their Internal Revenue Allotment (IRA), which is allocated among LGUs based on an objective resource allocation formula. Own and shared revenue sources typically form a smaller share of LGU finances. For municipalities, the IRA typically accounts for around 90% of total revenues. Since cities generally have a larger economic base for local taxation, internal revenue allotments for cities typically account for 50 - 70% of their total budgetary resources. The IRA is automatically released to each local government unit and may not be held back by the national government for any reason, except in extreme cases.

<sup>64</sup> The LGC devolved to LGUs the principal responsibility for the delivery of basic services and the operation of facilities in: (i) agricultural extension and research, (ii) social forestry, (iii) environmental management and pollution control, (iv) primary health and hospital care, (v) social welfare services, (v) repair and maintenance of infrastructure, (vi) water supply and communal irrigation, and (vi) land use planning.

**Indonesia.** Similarly, Indonesia's decentralization reforms have been successful not only in achieving a de jure reassignment of functions and responsibilities to the local level, but by matching the legal transfer of functions with the de facto transfer of functions by reallocating the resources needed to deliver services to the local government level. In fact, about half (48.3%) of public sector expenditures in Indonesia take place within the local public sector. Just under one-third (29.1%) of total public expenditures take place at the local government (kabupaten/kota) level while another 9.5% of public expenditures are made at the provincial level. This reflects the highly devolved functional responsibilities assigned to local government. In addition to these provincial and local expenditures, 9.7% of total public expenditures are made by central government ministries for public services that are delivered at the local level. The national government retains 51.7% of public sector resources for national functions and activities that fall outside the local public sector.

The high level of decentralization in Indonesia also translates into an above-average degree of localization of health and education expenditures. In the health sector, 81% of sectoral expenditures are made within the local public sector, whereas 88 % of education expenditures are spent at the local level. In both sectors, the vast majority of these expenditures represent devolved expenditures made by local governments. Centrally-controlled localized spending only represents a relatively small share of sectoral expenditures in the health sector (12%), while centrally-controlled funding for higher education causes the corresponding percentage to be larger in the education sector (24.4%).

Despite the high degree of devolved spending in Indonesia, the central government continues to play an important role in funding public services at the provincial and local levels. The majority of local government funding (77.8%) comes in the form of intergovernmental fiscal transfers, with 71.1% of local government funds being contributed by the central government in the form of general purpose transfers (revenue sharing and equalization grants, known as the DAU). In addition, 6.7% of local government finances are provided by the central government in the form of earmarked transfers (including capital grants, known as the DAK). Revenues from property taxes, income taxes and natural resource revenues are shared between the central and local level on a derivation basis. Own source revenues account for 22.3% of funds at the local government level.

**Comparative international practices.** Since “fiscal decentralization” or “local public sector finance” encompasses such a broad range of important issues, the comparison of international practices and experiences with regard to local fiscal discretion and local PFM can best be done by segmenting the discussion into three subsidiary discussions dealing with (i) robustness of the annual budget cycle and local PFM; (ii) with local revenues and borrowing; and (iii) the intergovernmental transfer system. This segmentation is in line with structure of assessment indicators for this institutional dimension of the local government system.

Indicators D1-D3 in the assessment framework (Table 5.2) deal with the robustness of the annual budget cycle and local PFM. What the comparative experience suggests is that local entities in all comparator countries—whether deconcentrated or devolved—play a role in the annual planning and budgeting cycle. Regardless of the type of decentralization or localization chosen, the vertical or intergovernmental dimension of public sector finance requires considerable attention, as working at the local level in many local jurisdictions across a country—while necessary to bring public financial resources closer to the people and ensuring the efficient and responsive use of public resources—is always more difficult than centralized management of public finances (Kelly and Boex, 2013).

In devolved countries (including Kerala, the Philippines and Indonesia), local governments prepare, adopt and implement their own budgets. Even though local governments in each of these countries have a high degree of functional responsibility and local fiscal discretion, local governments in the comparative country cases are given a substantial share of public financial resources through intergovernmental fiscal transfers. While in each of these countries local governments are assigned the responsibility to implement important national public functions, the main public revenue sources (VAT, personal income taxes, corporate taxes, and so on) are retained at the central level.

Local deconcentrated entities in Cambodia and Mozambique also play an important role in the budget process of their respective countries, separately from their respective central line ministries. This is made possible due to the fact that, first, provincial and district-level line departments are formally classified as budgetary sub-organizations in the budget classification system, so that deconcentrated line department officials have their “own” local budget (within the national budget) over which they have a degree of ownership; and second, the budgets of the subnational line departments contain all the resources necessary to deliver local

services. This stands in contrast to the vertical budget structure in Bangladesh, where (i) deconcentrated officials (say, at the Upazila level) do not have any meaningful degree of budgetary authority within their vertical structures, and (ii) where the budgetary resources needed to deliver local education services are vertically distributed across the budgets of a number of central line directorates, zila-level departments, and the Upazila-level sectoral office. As such, the deconcentrated budget structure prevents deconcentrated officials from playing a more important and effective role in localized service delivery.

With regard to local revenues and borrowing, the comparative experience suggests two findings. First, the comparative analysis confirms that deconcentrated countries lack any discretion with regard to local revenue collection and borrowing, as deconcentrated entities do not have the fiscal autonomy or legal standing to collect own source revenues or to engage in borrowing. Second, the comparative analysis suggests that—even in devolved countries—own source revenue collections and borrowing are not an easy source of local government revenue. For a number of (political and technical) reasons, local revenue administration is a difficult challenge, and often only accounts for a small share of local government finances.

The logical corollary to the previous finding (of a limited role for local own source revenues) is that subnational budget allocations and intergovernmental transfer systems play an important role in all countries. Indeed, the vast majority of localized (and mostly pro-poor) services is funded by intergovernmental fiscal transfers. The sound design and effective implementation of an intergovernmental transfers system does not arise by itself. Instead, it appears that the stronger the local government level is and the more transparent and straightforward the intergovernmental fiscal system, the more regular finances flow to—and are spent at—the local government level.

## 5.4 Options and initial recommendations for Bangladesh

Within the realm of local fiscal autonomy and local public financial management, Bangladesh scores on the low end of the scale. In this dimension, Bangladesh scores roughly on par with predominantly deconcentrated countries, while devolved countries (Kerala, the Philippines and Indonesia) considerably out-perform LGIs in Bangladesh. This suggests that there is room for improvement with regard to this aspect of the local government system in Bangladesh.

Given that many of these reforms fall within the purview of LGD and/or Ministry of Finance (and the fact that such reforms will generally not need extensive support or buy-in from central line ministries and/or parliament), the realm of local government finance should be seen as an area where progress might be possible in the short term.

Options and recommendations for strengthening the local fiscal space and the local public financial management systems of LGIs include the following:

### **Engage in regular policy analysis of local government finance**

There seems to be a correlation between the amount of policy-level attention that a country pays to local government finances and the effectiveness of the local government system in this regard. This matches the observation that the topic of local government finances has not received systematic attention at the policy level in Bangladesh. In fact, neither LGD nor other key stakeholders are able to clearly articulate how much own revenue different LGIs collect, how much money flows to LGIs through different channels, (and how much money flows to different deconcentrated levels) and how these resources are spent. Such information is critical for two purposes. First, such information is needed in order to guide technical improvements in the different aspects of the local government finance system. Second, such information is needed to convince other central stakeholders about the (potential) importance of LGIs as part of the public sector.

One concrete proposal for engaging in evidence-based policy analysis is for LGD and the Ministry of Finance (together with other central ministries, as appropriate) to jointly produce an annual Local Fiscal Review, which could provide an overview of the finances of local governments and local administrations. South Africa's annual Intergovernmental Fiscal Review could provide an example for such an annual policy document. During the initial iterations of such a document, external technical support may be needed to produce such as document.

### **Improving local budgeting, local public financial management and reporting of local finances**

It was noted earlier in this chapter that while local government budgeting processes are generally in place to produce an annual budget plan (i.e., budget estimates) for each LGI in a timely manner, local budgeting and PFM processes in Bangladesh are generally not very participatory or transparent. This is especially true for the Upazila Parishad, which is the newest local government institution. While the Upazila Governance Project (UZGP) is supporting a number of Upazila Parishads in establishing an effective and participatory local budget process, much more needs to be done to make sure that UZP planning, budgeting and financial management processes are credible and robust.

While the concept of participatory planning and budget accountability is stronger at the UP level, it is difficult for LGD to gather and oversee budget reports from over 4000 UPs. While attempts are being made under various projects (including LGSP, UPGP and Sharique) to strengthen UP-level budget and PFM processes, these efforts have yet to converge to a single “best practice” in terms of UP-level budgeting and financial management. In the absence of a basic electronic reporting system (e.g., a basic Excel-based local government financial report template), it is possible for the next-higher level to monitor the budgets of the lower-level LGIs within their jurisdiction, but it is nearly impossible for LGD to monitor the effective of the local government finance system as a whole.

Support to urban local governments is quite possibly even more fragmented than the support being provided to rural local governments, and the notion of participatory budgeting and regular budget reporting is weak for urban local bodies (Boex, 2012b). On the positive side, however, there are relatively fewer urban local governments in Bangladesh and their potential administrative capacity is (relatively speaking) higher than UPs or UZPs. It should therefore be easier for LGD to require pourashavas and City Corporations to make their local budget plans and financial management reports publicly available on a regular basis in a prescribed format.

A precondition for the evolution of the local government system into a system that takes on a stronger service delivery role is to have a local government finance system where central stakeholders (not only LGD, but also MOF, central line ministries and DPs) can be assured that resources being transferred to the local level are effectively used for supporting local services. For instance, the Ministry of Health will be hesitant to devolve any of its sectoral functions to Upazila Parishads in accordance with the Upazila Parishad Act unless it is able to see that funds being provided to UZPs are actually spent on health functions. As a result, wide-ranging support in strengthening local financial management system across all types of LGIs will be needed. Different degrees of computerization are appropriate for local government accounts: while UPs may benefit from using Excel or simple accounting software in preparing their budgets and financial reports, large municipalities and City Corporations might benefit from customized revenue administration and account management software systems.

As such, strengthening local PFM systems in Bangladesh cannot be done in a one-size-fits-all fashion, but rather, should be done in manner that recognizes the differences between different types of LGIs, as well as their similarities. To the degree that all different types of LGIs should adhere to the same basic PFM processes (e.g., use the same chart of accounts, and so on), it would be useful to coordinate the local PFM strengthening efforts for different types of LGIs to prevent the development of duplicative systems and processes.

Annual and quarterly reporting of LGI finances should not just be to the next-higher level (which typically simply aggregates and pushes reports upward), but in order to enhance the transparency and accountability of LGIs, the reports of individual jurisdictions should be readily available to central government stakeholders (including not only LGD and MOF officials, but across other line ministries as well) in addition to officials at intermediate levels, and to the local community. One option for achieving such a high degree of budget transparency is to introduce a standard LGI financial reporting format, and then requiring LGIs to post their reports to a “Digital LGI Noticeboard” that could be part of the country’s “Digital Bangladesh” efforts.

### **Put in place local government finance policy / strategic framework**

Given the fragmentation of the local government system in Bangladesh across different levels and types of government, the attention paid to local government finance has been equally fragmented. This has prevented the emergence of a coherent local government finance policy framework, which would set a vision for the overarching local government finance system.



Even though the current Local Government Acts already specify the own source revenues of different LGIs and the fact that intergovernmental fiscal transfers (grants) can be provided to the different LGIs, the legal framework does not specify key elements of the local government finance system. For instance, it would be useful for the Government to clarify its position that recurrent and development grants ought to be a permanent feature of the local government finance systems in Bangladesh (to dispel the misconception that local governments should generally be able to fund their services from own sources). Among others, a local government finance policy (or strategic framework) would give guidance on the expected levels and compositions of spending by different types of LGIs, as well as the expected balance between own source revenues and intergovernmental fiscal transfers.

The development of such a policy framework would be informed by policy analyses of the local government finance situation in Bangladesh (such as the intergovernmental fiscal review document suggested above), as well as an expenditure analysis of envisioned local government responsibilities (i.e., a costing study), in addition to analyses of policy options and comparative international experiences.

Since local government fiscal requirements do not remain constant over time, an important decision is how to ensure that the local government finance system is updated and fine-tuned from time to time. While many South Asian countries have chosen for a recurring Finance Commission to guide the relations between different government levels, the selection of an intergovernmental fiscal coordinating mechanism often has important political implications. The local government finance policy framework would be an appropriate place to make the determination what kind of intergovernmental fiscal coordinating mechanism would be appropriate for Bangladesh.

### **Options for strengthening the role of own source revenues in funding LGIs**

Consistent with the relatively weak and limited role played by local government institutions in Bangladesh, the local revenue administration systems in Bangladesh are generally rudimentary and weak. Although own sources revenues should only be one of several local government funding sources, it is nonetheless important to strengthen the role of own source revenues for LGIs and to strengthen local revenue administration.

It is likely that a greater emphasis on own source revenues will have a bigger impact for urban LGIs when compared to rural LGIs, since the taxable economic base of urban areas tends to be greater in urban areas than in rural areas. At the same time, it would be wrong to assume that all municipalities should be able to generate considerable resources from local taxes and user fees. Although only limited sound research has been pursued in the realm of local revenue potential in Bangladesh, the economic base of many smaller municipalities—like the tax base of many rural LGIs—is likely quite limited.

Although municipalities and City Corporations have been provided through the legal power to levy taxes and to determine user fees, in every case, the central government has retained for itself the power to approve or disapprove local tax changes. For instance, before the local taxes go into effect, they have to be approved by the central government and published in the Government's Official Gazette. Moreover, the Government retains the rights to make changes to locally imposed taxes, tolls, fees and other local revenues. The Government's power to intervene in local taxes should be more limited.

While strengthening local revenue administration systems will be an important step in improving the financial strength (and to some degree, the autonomy) of local governments in Bangladesh, there are numerous ways in which weaknesses in the broader local government system counteract local revenue efforts. Indeed, care should be taken not to exaggerate the own source revenue potential of LGIs.<sup>65</sup>

For instance, lack of clarity in expenditure assignments, limited local administrative control and weak accountability mechanisms all contribute to a situation where residents have limited expectations from their local governments. In addition, in many cases, it is likely easier for local politicians to obtain funds from discretionary grants or donor projects than it is to collect greater own source revenues from local taxpayers.<sup>66</sup>

<sup>65</sup> Local revenue enhancement studies have a tendency to focus on the technical features of local revenue administration, while often ignoring the fact that political economy factors are often (and should be) an important determinant of local tax effort.

<sup>66</sup> A famous saying in tax administration suggests that local taxation is hard to do because the local politician imposing the tax lives in the same community as the taxpayer. From a political viewpoint, it is more convenient for taxes to be imposed on people that are at a greater distance (physically and politically) from the decision-maker: "Don't tax me, don't tax thee, tax that fellow behind the tree!"



Therefore, in the presence of discretionary grants, the incentive for LGIs to sustainably collect greater revenues is limited. Furthermore, without effective local government systems in place to ensure that local revenues are spent on the priorities of the local community, increasing local revenue collections would likely reduce the well-being of local constituents, rather than enhance the well-being of the community. Under such circumstances, it is appropriate not to push for greater local revenue collections.

### **Establish an integrated, formula-based intergovernmental fiscal transfer system for all LGIs**

Building on the policy understanding that each government level needs its “fair share” of the public sector resources in proportion to the functions and services that each level or type of local government is expected to deliver, Bangladesh should move to an integrated, formula-based grant system for all LGIs. It is likely that an effective grant system will incorporate some combination of a general-purpose (unconditional) grant along with a number or targeted, conditional or sectoral grants. It would be appropriate for the overall grant structure to be the same for each of the different types of LGIs, while the specific grant schemes being provided would likely vary based on the type of LGI. Experiences from India, as well as experiences from the Philippines and Indonesia, can be helpful in conceptualizing a well-functioning intergovernmental fiscal transfer system for all LGIs in Bangladesh.

On the recurrent side, all LGIs should be provided with a general purpose grant that supports the general administration and operation of the local government institutions and that ensures that all residents have access to a basic level of local services.<sup>67</sup> This may either take on the form of a general Local Government Grant Fund from which all types of LGIs receive a basic general-purpose grant (in accordance with some formula), or alternatively, this could take the form of a series of separate grant mechanisms (e.g., a Union Parishad Grant Fund, an Upazila Grant Fund, and a Pourashava (/City Corporation) Grant Fund). It is not unusual for a fixed share of total national resources to be set aside for such a general Local Government Grant Fund. The exact composition of the intergovernmental transfer system in the long run would of course be driven by the exact local government structure, as discussed in Chapter 2. It should be noted that this general-purpose grant fund (or funds) would be for recurrent, operational purposes, and therefore, would not be a substitute for (but rather, a complement to) the current ADP Block Grant.

In addition to a general purpose grant, one could imagine a series of more conditional, sectoral grants being provided to different types of local governments. Such conditional grants could be provided for recurrent or development purposes. For instance, as noted in Chapter 2, Boex (2014) recommends that Upazila Parishads should be provided with formula-based earmarked grants for education, health and sanitation services (as part of an Upazila Parishad Human Development Grant) that would allow UZP’s to support the operation and maintenance of Upazila-level public services (in close coordination with the Upazila-level field administration). Likewise, one could imagine that, building on the experience of UGIIP-2 and MGSP, urban local government would become the recipients of a government-led grant scheme that provides targeted funding for the development of urban services and infrastructure by municipal authorities.

On the development side of the budget, attention should be given to the role of the ADP Block Grant. In the absence of a clear assignment of expenditure responsibilities, every local government level has been provided with some (notionally formula-based) ADP Block Grants. At the UP level, the ADP Block Grant allocation has been replaced in practice by the LGSP Block Grant. However, given that the functional responsibilities for key public services have effectively been retained by the central line ministries, LGIs typically only receive a tiny share of the ADP resources. The ADP Block Grants provided to the local level—along with more discretionary development funds allocated to LGIs—appear to serve the function of “political sweeteners” rather than reflecting a serious attempt to fund meaningful local development activities.

Efforts to establish an integrated, formula-based intergovernmental fiscal transfer system for all LGIs can learn not only from comparative experiences, but also from lessons within Bangladesh. For instance, LGSP has shown that the objectivity, transparency, and disbursement efficiency of local government grants can be greatly enhanced when grants are formula-based and flow directly from the central government to LGIs, without going through any intermediate levels. The increased focus on local government finances should ensure that such innovations are made permanent, and that the lessons from grant schemes to one set of LGIs (and international experiences) are used to inform the effective design of other grant schemes.

<sup>67</sup> Conceptually, locally-collected revenues are best spent on local service delivery or on local infrastructure. If LGIs are expected to spend their own source revenues on local administration, this would (a) reduce the resources available to for local service delivery, and (b) discourage local tax compliance. Furthermore, , it would be appropriate for grant funding to be provided to the extent that local governments are expected to deliver some level of services to poor residents (who are unable to “pay” for these services through local taxes or user fees).

A decorative graphic at the top of the slide features overlapping triangles in shades of blue and grey. A large, white, 3D-style number '6' is prominently displayed in the center of these shapes. Below the triangles is a solid blue horizontal bar. On the left side of this bar, there are two small, overlapping squares, one light blue and one grey.

# 6

Local participation  
and  
accountability  
mechanisms

# Local participation and accountability mechanisms

This chapter considers whether appropriate participation and accountability mechanisms are in place in Bangladesh as well as in the comparative country cases in order to ensure that local leaders and local officials are responsive to the need of local residents and businesses. In order to begin answering this question, Section 6.1 provides a conceptual overview of the topic. Next, Section 6.2 considers the situation in Bangladesh with regard to local participation and accountability mechanisms, with details for the four main types of local government institutions. Section 6.3 presents comparative international experiences with regard to local participation and accountability for the five comparative cases presented in this report. In closing, Section 6.4 presents options and initial recommendations for policy reforms in Bangladesh.

## 6.1 Conceptual overview: local participation and accountability

Greater participation, accountability and responsiveness are not automatic outcomes of increased power and discretion of local governments. Specific mechanisms should be designed to ensure that citizens and higher officials are able and willing to hold local governments and local officials accountable for their performance. That being said, local governments and local officials can truly only be held accountable for public services and functions over which they have meaningful control. As such, local participation and accountability is more effectively achieved in devolved countries (where local governments are responsible for delivering public services) as opposed to deconcentrated countries, where locally elected councils (if any) can only monitor and complain about service delivery failures, but do not actually control the service delivery unit. Therefore, local elected officials are not actually empowered to correct service delivery problems that arise in deconcentrated systems.

Effective local participation and accountability requires that local governments involve the community in the prioritization of expenditures; clearly state the service delivery standards that residents can expect; provide their citizens with relevant and timely information about service provision and budget execution; and that mechanisms are in place that allow residents to monitor the performance of local services and voice their concerns when problems arise.

**Local service delivery standards.** An effective local government system requires local governments to put in place and applied an effective local performance framework, clearly stating the service delivery standards that residents can expect from their local officials. A Citizens Charter provides the basis for such a performance framework in many countries. The assessment whether the performance framework is effective, however, should not just take into account whether a performance framework is pro forma in place (i.e., a paper exercise), but that the performance framework is actually being followed or applied (in other words, that meaningful efforts are made to apply, adhere to, and monitor adherence to the local service delivery standards).

**Participatory planning and budget processes.** A transparent and accountable local budget process is an important element of an accountable local government system. An open local government budget process ensures (i) timely availability of budget information to the public at the local level; (ii) clarity and relevance of the information contained in the main budget reports available to citizens; (iii) effective mechanisms are used to disseminate budget information among citizens; and (iv) effective channels are established for participation of citizenship in the review and monitoring of the budget documents. Even though many countries have open document laws or freedom of information legislation that are applicable to local governments, in practice, public participation in local budget formulation and public access to local government budget information is often quite limited (International Budget Partnership, 2013).

**Local government transparency, service delivery monitoring and effective complaint mechanisms.**

Meaningful and effective monitoring of the performance of local services by local residents requires more than a legal mandate to do so. Instead, it requires transparency (e.g., the release of relevant information regarding the performance of the service delivery unit against its performance framework) and the opportunity for residents and local stakeholders to participate in the assessment process (e.g., through public hearings or committee meetings). An effective complaint mechanism means that the local government not only receives complaints from citizens, but also follows up with local service departments to ensure that they are addressed and resolved.

### Box 6.1 Localizing Development: Does Participation Work?

In *Localizing Development: Does Participation Work?*, Ghazala Mansuri and Vijayendra Rao (2013) review the World Bank's efforts over the past ten years to support local participatory development through community development and decentralization initiatives. While the World Bank's efforts in this area are driven by the underlying belief that a more engaged citizenry should be able to achieve a higher level of cooperation and make government more accountable, the authors acknowledge that in practice, little is known about how best to foster such engagement. The report focuses on the "demand-side" aspects of participatory, and reviews almost 500 (mostly empirical) studies on participatory development and decentralization in order to draw nuanced conclusions about (i) the importance of capture in localized development; (ii) whether participation improves development outcomes; and (iii) whether participation strengthens civil society.

Although the authors are broadly supportive of the need to focus development interventions at the local level, the review of the literature by Mansuri and Rao finds that localized development interventions are not a panacea: effective civic engagement does not develop within a predictable trajectory; outcomes from localized interventions are highly variable across communities; and a variety of factors limit the potential impact of localized development interventions.

One of the main findings of the World Bank report is that induced participatory interventions work best when it works within a "sandwich" formed by support from an effective central state that demands participation from the top and civic action from the bottom. In contrast, it is found that parachuting funds into local communities without adequate monitoring by a supportive state can result in the capture of decision making by local elites who control the local cooperative infrastructure.

**Source:** Mansuri and Rao (2013).

## 6.2 The situation in Bangladesh: local participation and accountability

Popular participation is regarded as one of the cornerstones of good governance. It helps enhance accountability, transparency and ensure sustainability of local development initiatives through enhancing local people's ownership. Citizens' meaningful participation in the affairs of the local government institutions is seen to be the most important and effective contributing factor to local government institution's accountability structures. Contemporary theories and empirical evidence suggest that participation increases transparency of decision-making, improve the quantity and quality of services provided and increase the willingness of those who receive better and more reliable services to pay for them and may as well decrease the overall cost of governance (Crook, 2003).

While local governments are primarily expected to be accountable to their constituencies and electorates, this is actually only one of the avenues through which decentralization enhances accountability. It is important to note that an effective and accountable intergovernmental structure should be subject to accountability not only to its citizens, but also to public agencies and to higher-level governments. Thus, accountability can either be downward (bottom-up), horizontal or vertical (top-down). Bottom-up accountability includes citizens acting through the electoral process or indirectly through civic organizations or the news media, holding public officeholders to account. Bottom-up processes establish linkages with communities to identify people's needs and preferences. Horizontal accountability covers the range of public entities that check local government abuses and inefficiencies. These agencies may include local government councils, anti-graft/corruption agencies, public complaints agencies and various auditing agencies. Local governments are also held accountable to higher-level governments since they set the rules under which local governments operate and also provide some financial resources through fiscal transfers.

Against this backdrop and in the specific context of Bangladesh this section raises a few pertinent questions such as: Do the local government institutions promote people's participation in their decision making process? What are the existing mechanisms in place to ensure people's participation in the affairs of the different tiers of local governments in Bangladesh? What are the factors that affect the participatory process in local government? What does the existing local government accountability framework look like? How effective are these accountability mechanisms in the absence of the genuine people's participation?



## 6.2.1 Overview

Bangladesh has a democratic and unitary form of governance, although democracy at all levels is still at a “teething stage”, and is still in the process of growing and maturing. The constitution provides for many fundamental rights including the rights of equality before law and freedom of movement, assembly, association, thought-conscience-speech and profession or occupation. The Right to Information (RTI) Act of 2009 was enacted with the aim of empowering the citizens through the promotion of transparency and accountability in the working of the public, autonomous and statutory organizations run by the government.

In 2009-10, a series of revised Local Government Acts were also enacted to further strengthen local governance institutions. These acts sought to bring the public sector closer to the people, as provisions in the different laws recognize the concept of participation by citizens and communities through different mechanisms. The history of Bangladesh shows that each incoming government states its intent to establish decentralized local governance and ensure people's participation in the local development. Nevertheless, the previous chapters suggest that in several crucial dimensions of local self-governance, including the devolution of meaningful functions decision-making power to local bodies and the creation of meaningful financial space of local government institutions, have not been achieved by any government. Therefore, in the absence of meaningful functions or resource to make decisions over, the issue of people's participation, local control and effective local accountability has remained limited to theory only. An overview of the key features of the local participation and accountability in Bangladesh is presented in Table 6.1.

**Table 6.1 Local participation and accountability mechanisms: Bangladesh**

	Assessment Indicator	UP	UZP	Municipality	City Corp
<b>E</b>	<b>Local participation and accountability mechanisms</b>				
E1	Is a local performance framework in place and being applied for the service? (E.g., Service Charter?)	0	0	0.5	0.5
E2	Who monitors the performance of the service delivery unit?	0.5	0.25	0.5	0.5
E3	Are local budgets and finances (for the service at hand) managed in a participatory and transparent manner?	0.25	0	0	0
E4	Does the LG or SDU have its own effective participatory planning / social accountability / oversight mechanisms?	0	0	0	0
E5	What is the frequency of public interaction between the LG and/or SDU and citizens?	0.25	0	0	0
E6	Does the LG (separate from SDU) have an effective mechanism in place to receive and resolve complaints about the service at hand?	0	0	0	0.5
<b>Total</b>		<b>1</b>	<b>0.25</b>	<b>1</b>	<b>1.5</b>

The low scores in Table 6.1 suggest that although the representatives of the local government institutions (except for Zila Parishad) are popularly elected, the existing local government structure hardly provides any scope for meaningful participation of common people in the decision making process. There are two basic reasons for the ineffectiveness of meaningful participation and accountability mechanisms. First, local government institutions themselves are not empowered. Therefore, the local people can see development initiatives being formulated and implemented by the local government institutions, but the local governments themselves lack the legal, administrative and financial mechanisms to transform their plans and ideas into reality. The degree of local disempowerment is further worsened by the inability of local government institutions to oversee central government officials posted at local administrative tiers has been limited. Second, even to the extent that local government institutions have any degree of power or discretion, these institutions have generally failed to introduce and sustain effective upward and downward accountability mechanisms. Despite numerous reform initiatives undertaken by the central government, local government institutions have not (yet) evolved as truly citizen centric, autonomous and self-governing institutions capable of engaging citizens in their affairs.

**Participation in the budget process.** A hallmark of participation and accountability is the involvement of the people in the budget formulation process. In Bangladesh, the UP Act makes it compulsory for the UP to organize open budget sessions. Furthermore, a participatory, open budget process is an eligibility requirement for receiving LGSP grants

Evidence from the field shows that most of the UPs routinely comply with the requirement of the law in these respects. Notwithstanding some defects, these innovations have contributed to enhancing effectiveness of the UP operations, ensured public participation and made elected representatives more responsive and accountable than before. Ullah and Pongquan (30-31) have referred of the significance open budget in the following way:

The new system of participatory budgeting in UP has been facilitating democratization of local planning including a process of decision making power deemed has transfer effect from central to the local government. UP functionaries said that the new system of budgeting and planning has induced local people to make strategic plans in using UPs financial resources and realize taxes which were absent before. It is observed that the system has created local ownership and a stake in project selection and implementation with their local knowledge ... Open budget discussion has brought about diverse views among local people which also command citizens learning for meaningful discussion and to make UP budget as an actual planning tool.

However, the system of open budget has its own limitations. Open budget meetings generally serve as an engagement which empowers local people to better understand their rights and duties as people as well as the responsibilities of the UP. However, not all UPs are equally capable of holding or sustaining such practices in a consistent manner. When open budget meetings are organized just to comply with the rule it is bound to function poorly and the purpose of open budget meeting is defeated. It may as well then increase local people's cynicism about democracy, decentralization, and participation as participants become disillusioned with an ill-performing institution. At the UP level, it is often found that very few eligible people actually participate in open budget meetings. Getting people to attend open budget meetings remains a difficult proposition, for reasons that plague participation in any public setting. These include the time and financial cost of attending meetings, general apathy, the lack of awareness of the importance of open budget meeting, and the perception of partisanship within the participatory budgeting process. Open budget meetings will only be deemed to be successful at encouraging participation when UPs are able to produce outputs that reflect the decisions made through the process. In reality people are willing to give their time to this process if they believe that the outcomes will benefit them.

While UP's logic for organizing open budget meetings is straightforward — to encourage public consultation on budgets — the extent to which these meetings have helped perfect budgetary processes is difficult to ascertain. First, the format in which budgets are presented to the public is too technical for the common people to understand. Second, open budget meetings cannot be considered a success because they are perceived to be cultural events as much as occasions for deliberating issues of policy significance. In some UPs open budget meetings were attended by numerous citizens. Generally, open budget meetings are organized in a pompous, grandiose manner. People may therefore get attracted more to being entertained in a lively setting than contributing to budgetary discussions. Third, poverty and illiteracy often discourage many people from attending open budget meetings. Finally, political pressure and local ruling party interventions were perceived to be common.

**People's participation in project identification, implementation and monitoring.** The existing legal framework requires UPs to organize meetings of ward-shava to be organized twice a year by involving 5 percent of the voters of a ward. In theory, this is an effective mechanism through which citizen's participation in the identification of the local development projects could be ensured. However, in reality, common people do not have time or willingness to attend ward-shava unless they have a direct stake.

Introduction of PICs is seen as an important mechanism that has the potential to encourage participation and promote accountability is the provision for involvement of the people in project preparation, monitoring and implementation. As observed in an earlier chapter, local council chairmen and members prefer project imple

mentation committees (PICs) to contractors for implementing development projects. The more the PICs, the better is the prospect of public involvement in development activities. However, PICs also have its limitations; it also failed to meaningfully enhance people's participation in planning and implementation of development projects. Mohammad (2010) reveals that poor people are hardly included in PICs. Committees are mostly dominated by people with strong socio-economic or political background. In addition, project committees have largely been used as mechanisms of patronage distribution. Development projects have been a means for the local representatives to build a future for themselves. He further identifies that prevailing socio-economic and political contexts act as important deterrents to grassroots' participation in the development process.

**UP Standing committees and accountability.** One of the important goals underlying the LIC is to help activate the standing committee system of the UP. The concern with making the committees functional was a right decision. For a long time these bodies remained moribund for several reasons, of which a lack of any clear cut account of their roles and responsibilities was the most important. This lacking still exists. The functions of the Standing Committees shall be regulated through by- laws, but they shall be determined at the general meeting of the Parishad until the by-laws are prepared. No such by-laws have yet been prepared. Thus, activities of different standing committees are mostly done in an ad-hoc manner. In total, there are now 13 standing committees of which six have some responsibility for the delivery of services (Osman, 2011). However, there is no formal rule regarding the membership of these committees. As Osman observes:

In some unions, some SCs were found to have the departmental officials as the Member Secretary while in some cases, even in the same union, it was not practiced. Thus committee formation is rather done on random basis than on any formal guideline. Even the frequency of meetings also does not always conform to the Act. In most of the unions the SCs meet three monthly, in some unions it takes place bi-monthly but in some unions meeting takes place six monthly or even without any such fixed schedule. But such committees do not always receive support from concerned line departments which are responsible for providing services.

Relations between the standing committees of the UP and the line agencies of the government have not been properly defined. In some cases, officials have been made members – secretaries, in others, they have no representation in committees. It is not possible to depute union-level bureaucrats to the UP, as is the case with UZP. Agency officials are unlikely to accept an arrangement where their day to day activities will be closely monitored by public representatives. Probably the best approach would be to make the best use of the standing committees, allowing them to monitor the behavior of the officials so that they become responsible and responsive, and not to use them for project implementation.

The standing committees of Union Parishad need to ensure the participation of the people in the local level planning as well as local development process. It is the people living in the unions and villages who know the real problems of the Union Parishad because they experience those issues on a day to day basis. But the reality is quite opposite to what is expected. The people have minimal access to decision making process of standing committees mostly as the committees are non-functional and there also some procedural lacking. Meetings of standing committees are not arranged regularly. Members do not have a clear conception about the importance of standing committees. Weaknesses also exist in coordination and interrelation among the different UP standing committees. Members remain busy with their personal work and therefore unable to dedicate enough time to the Union Parishad activities. The standing committees are formed officially but are not active because of the lack of sincerity of the chairmen. All the chairmen and members are more interested to play an active role in the Project Implementation Committee (PICs) or other project committees. Most of the standing committee's activities are not related with monetary matters, so the members are not much interested in the activities of those committees.

**Citizen's charter and information disclosure.** By law UPs are required to display a Citizen's Charter which is considered to be an effective mechanism to ensure UPs accountability to common people.<sup>68</sup> Besides, the provision for public display of the draft budget, annual financial statement and audit report can also be seen as important, especially from the standpoint of encouraging public participation in local governance as well as ensuring accountability of public representatives. As budget documents overall activities of the last year

<sup>68</sup> A Citizen's Charter is the expression of an understanding between citizens and the provider of a public service with respect to the quantity and quality of services the former receive in exchange for their taxes. It is essentially about the rights of the public and the obligations of the public servants.

and provides a detailed account of what the UP wants to do in the coming year, members of the public can make an assessment of the performance of elected people's representatives.

**Citizen complaints and grievance redressal mechanisms.** At the UP level there is no standard mechanism in place for redressing the people's grievance. However, as a requirement of a number UP level project (e.g., LGSP, UPGP, Sharique) UPs are expected to maintain a citizen's complain box at the UP premises. However, most UPs fail to comply with this mechanism. As a result, local people cannot have their dissatisfactions with either the delivery of services or actions of UP functionaries dealt with in a manner acceptable to them.

### 6.2.3 Local participation and accountability of Upazila Parishads

**Participation in the budget process.** The 2009 Upazila Act requires that the UZP prepare a budget in accordance with directives made by the government at least sixty days before the commencement of a new financial year and seek public opinion, comments and suggestion on it by attaching a copy of it in the notice board of the UZP. After fifteen days of public display, the UZP shall consider the comment and suggestion of the public and approve the budget at least one month before the commencement of the next fiscal year. It is observed that not all UZPs hold open budget meetings and in the absence of such mechanism it cannot be claimed UZP will ever receive any feedback from the local citizens about the budget which they unilaterally prepare and execute.

Although the upazila parishad law envisages public participation in planning and budgeting, the scope is extremely limited and there is no guideline for participatory planning and budgeting. While incorporating citizens' opinions is optional, the upazila parishad has the sole authority to accept or discard the people's opinions on upazila budget and ADP discussed in the open meeting before approving the next year's budget. The Upazila Parishad Budget (Preparation and Approval) Rules 2010 states that the parishad reserves the sole rights to accept or reject opinions of such discussion meetings.

**People's participation in project identification, implementation and monitoring.** One of the important functions of the UZP is to plan and implement various development projects that are intended to benefit the maximum number of people. The UZP can prepare an annual development plan and a five-year plan. It, however, enjoys limited autonomy in carrying out the functions of planning and project management. There is no mechanism in place for the UZP to directly involve people in planning and implementing development projects. There is a provision for forming a project selection committee by law which is responsible for the selection of the project. But under the existing arrangements when the list is prepared by the project selection committee and it is then submitted before the UZP for approval. But the reality is that the UP chairmen can (through syndication) easily cross out even an ideal project (if they so wish) from the list as they constitute the majority in the UZP members with voting rights. Now there is nothing wrong in it if this happens for a good cause, but UP chairs in some cases might want to use this for achieving individual or partisan interest. However, this only happens in case of approval of the projects under the ADP allocation.

Currently, there is no guideline or manual for preparing five-year or perspective plan of the upazila parishad and participatory planning and budgeting. Moreover, even if recommendations by local citizens are incorporated in the budget, the government can amend the upazila parishad budget and overrule this when it is submitted for approval (Article 38). However, in the case of development planning, soliciting opinions and suggestions from local people is fully 'optional', but accepting suggestions of the related MP is 'mandatory'.

**UZP Standing committees and accountability.** The UZP Act of 2009 (as amended in 2011) provides for setting up 14 committees, most of which parallel different transferred departments as well as retained departments (such as law and order (police), land, forest and environment, and information and culture). Like the parliamentary standing committees on ministries, UZP standing committees may be given the power to review the activities of the departments they shadow, inquire into their irregularities and lapses and report to the UZP on improving the situation. The Upazila Parishad Act empowers different standing committees to co-opt people having expertise in subjects related to the retained areas as well as transferred areas to facilitate their work. Although those co-opted do not have the right to vote, their presence in committee meetings can still make an important difference. For substantial advice and expertise the UZP at present mostly depends upon upazila officials of central government. The provision for seeking expert advice from 'outside' is likely to help the UZP reduce such dependence and work more independently of the influence of departmental officials.



Relations between the standing committees of the UZP and the line agencies of the government have not been properly defined. Line agency officials have been made members secretaries in of the standing committees. Agency officials are unlikely to accept an arrangement where their day to day activities will be closely monitored by public representatives. Probably the best approach would be to make the best use of the standing committees, allowing them to monitor the behavior of the officials so that they become responsible and responsive, and not to use them for project implementation.

Union Parishad Chairmen generally see the standing committee meetings at the Upazila level as additional burden on them. They show little real interest in holding regular meetings of the standing committees. Female Vice-Chairmen find it difficult to convene meetings as the UP chairs do not seem to cooperate. Besides, under the existing law the standing committee meetings are supposed to be held 6 times a year. It is important that with a view to activate the standing committees, UZPs should have an earmarked budget for offering a nominal conveyance allowance to the standing committee members and also having some funds to be used for refreshments during such meetings to ensure attendance and also to increase the level of involvement of the members.

**Citizen's charter and information disclosure.** By law UZPs are required to display a citizen's charter which is seen as tool to ensure UZPs accountability to common people. Besides, the provision for public display of the draft budget, annual financial statement and audit report is an important mechanism for ensuring accountability of public representatives as well as Upazila administration.

**Citizen complaints and grievance redressal mechanisms.** At the Upazila level there is no standard mechanism in place for redressing the people's grievances.

#### 6.2.4 Local participation and accountability of municipalities

**Participation in the budget process.** Urban local authorities, both city corporations and pourashavas, are themselves responsible for the preparation of their respective annual budgets. By law municipalities are required to "consider peoples opinion and suggestion" of citizens in the budget preparation process. Open budget meetings are important mechanisms to ensure citizens' participation in the affairs of Pourashavas and could play an important role in ensuring a pourashava's accountability to its citizens. However, in contrast to the legislation for rural local governments, the Local Government (Municipality) Act, 2009 does not specifically include any provision for the pourashavas to organize open budget meetings for involving common people in budget-making processes.

While some pourashavas organize open budget meetings on a regular basis, others do not seem to care about it. Thus decisions regarding the allocation of resources do not always reflect citizens' needs and demands. It is important to note that even where these open budget meetings are organized, there are few opportunities for the citizens to provide their opinions or there is little scope for them to make their opinions count. Citizens in many pourashavas, particularly in small ones (where a traditional social hierarchy may still dominate) perceive that their participation in these meetings will not make any difference as these meetings are often dominated by elected representatives or their local political associates. Generally, only some selected community leaders, political leaders, journalists, local contractors, teachers, businessmen and locally influential individuals are invited or welcome to discuss proposed budgets.

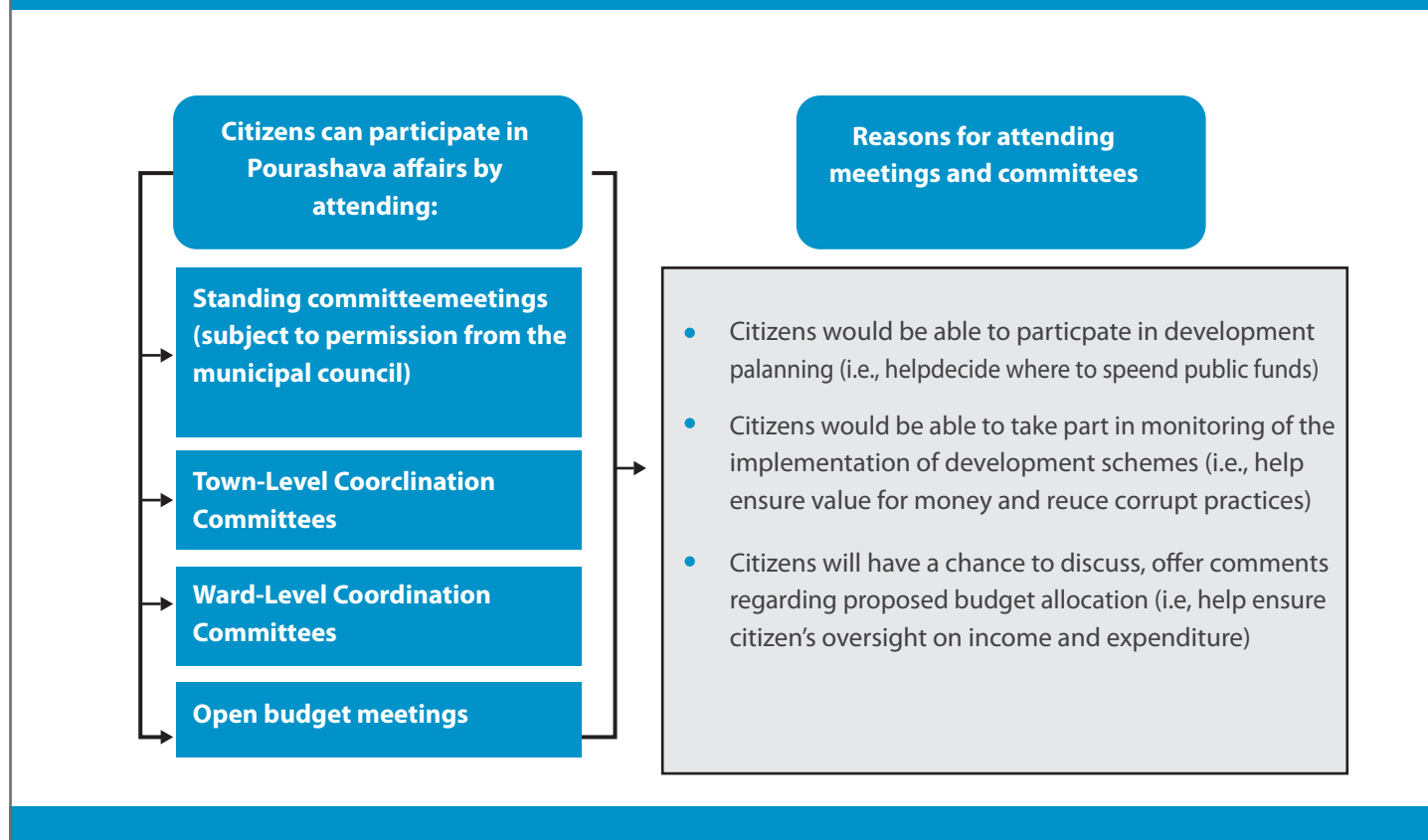
Many pourashavas do not make efforts to ensure that meetings were attended by people from all walks of life who would be affected by the implementation of budgets. In these cases, budget meetings are more ceremonial than substantial. Pourashavas are not always at fault, however. The citizens in some cases do not want to attend open budget meetings despite open invitations to all citizens. The reasons are they as follows: the people "do not have interest in such meetings" or "people cannot play any meaningful role in such meetings" or "they were not given importance in the past when they attended such meetings" (Bhattacharya et al 2013). Members of the TLCCs can also take part in discussions on the budget, but the budget process does not allow for major changes, as most of the municipality's budget is already committed to staff salaries and other "establishment spending". It therefore appears that open budget meetings by themselves are not a completely effective mechanism to ensure citizens' participation and pourashava's accountability to citizens.



**People's participation in project identification, implementation and monitoring.** Projects conceived and implemented by outside organizations often fail because inadequate consideration is given to the importance of local people's participation (Jazairy, 1989). In order to prevent such lack of ownership, project beneficiaries or the community should be included in all phases of development projects – from the process of needs assessment for the design and development of a project, through project implementation to project monitoring and evaluation. Such citizen's participation in project identification, implementation and monitoring should be easier in Pourashavas compared to rural local governments due to the greater proximity of the citizens to their local governments; the greater population density (resulting in more urban residents using the same infrastructure, and therefore increasing the size of the pool of potentially interested residents); as well as the higher levels of education, income and higher demand for public services and infrastructure in urban areas.

Bangladesh's Constitution allows citizens to participate in decision-making processes in all spheres of public affairs. According to Section 7.1 of the Constitution: "All powers in the Republic belong to the people, and their exercise on behalf of the people shall be affected only under, and by the authority of this Constitution" (GoB 1972). The Local Government (City Corporation) Act, 2009 and the Local Government (Municipality) Act, 2009 also empower citizens to participate in Pourashava's affairs. Theoretical legal provisions for participation are outlined in the figure below.

**Figure 6.1 Mechanisms for citizens' participation in pourashava affairs**



While the constitution categorically emphasizes the need for establishing local governments with a representative character and representatives of local governments are indeed popularly elected, these legal provisions cannot fully guarantee citizens' participation. Existing local government structures provide only limited scope for citizens to participate in the monitoring and implementation processes of pourashavas.<sup>69</sup> There are also provisions for the establishment of town-level coordination committees (TLCC) and ward-level coordination committees (WLCC) in Pourashavas. As a matter of fact, WLCC and TLCC can play a crucial role even at the stage of plan formulation by involving broad citizen groups, including women and the poor. The participatory formulation of Pourashava development plan can then immensely contribute to accountability of its officials and elected representatives to communities which ultimately help increase transparency on the use of resources and bring about improvement in local service delivery.

<sup>69</sup> A TLCC is a unique entity whose membership includes both government officials from the municipal council and representatives of citizens' groups and other local

These committees also are seen to be the most effective mechanisms through which citizens can participate in the implementation and monitoring of the urban development projects. In practice, these committees have been relied upon by urban development projects such as UGIIP-2 and MGSP. However, evidence suggests that in most municipalities, these committees exist only on paper — in other words they have not been made fully operational in most pourashavas. Instead, most urban development projects are arbitrarily identified by the elected mayors and councilors without considering the local people's opinion or their priorities. In fact, unlike Union Parishads, there is often no effective mechanism in place for consultation with the local citizens when it comes to urban development project identification.

As such, the existing legal framework on ensuring the citizen's participation in all above activities is quite weak and its enforcement limited. The way Pourashavas are currently being governed does not provide an effective and adequate platform for the citizens to meaningfully involve themselves in the local development process as such.

Social mobilization in urban areas. When citizens' groups and civil society are mobilized and organized in a systemic way, they are in a better position to identify their issues and challenges and also assess gaps in the governance system especially with regard to service delivery (through community monitoring and use of social accountability tools). This results in an increased demand for a more accountable and transparent delivery of services at the local level, which in the context of urban governance are basic municipal services like water, sanitation, education, health etc. When the demand for transparency and accountability increases, it improves the access of citizens to crucial information as municipal authorities start opening up and sharing relevant information demanded by the citizens. Gradually, this increased demand on the part of citizens for effective and accountable pourashava governance leads to the adoption or improvement of social accountability mechanisms, like citizen charters, information disclosure and grievance redressal systems by the Pourashavas.

When municipalities adopt these mechanisms, they are better equipped to deal with the increased demands of citizens and address the complaints and issues raised by them.

**Pourashava Standing committees and accountability.** Pourashavas are required to form 10 standing committees per Section 55 of the Local Government (Pourashava) Act, 2009. In principle, the mayor should not be made chairman of any standing committee other than the committee which deals with the rules, regulatory and public security. However, the mayor has to be made ex-officio member of all Standing committee.

The existing legal framework does not facilitate extensive involvement of local citizens in the Standing Committees. Although, the law states that for the benefit of its functioning, any committee can co-opt a person as a member who is expert of a respective issue, in reality, pourashavas are not generally found to be interested in co-opting any member in the standing committees from the community. The hard fact is that these standing committees are not formed in most pourashavas. In case where these exist, they do not seem to hold meetings on a regular basis. And when such meetings are held, the mayors tend to dominate the meetings and unilaterally make decisions.

It is important to note that there is a huge gap that exists between the mayors and the councilors in terms of educational background, economic well-being, political and social standings. And therefore, the councilors fail to exert their de jure supremacy in the standing committee meetings with the mandatory presence of the mayor ensured by law. In many cases, the ideas and desires of the councilors are disregarded by the mayors. The councillors can hardly play meaningful and serious roles in decision-making and ensure accountability

---

stakeholders. A TLCC has a diverse membership from the local public, including the elite and slum dwellers. A TLCC comprises of a maximum of 50 members and is headed by the mayor and represented by all councilors and representatives of local stakeholders. Representatives of local stakeholders include public agencies like district administration, the Local Government Engineering Department, Department of Public Health Engineering, Roads and Highways Department, Public Works Department, Ministry of Social Welfare, Department of Cooperatives and Ministry of Posts and Telecommunications, and community representatives such as different professionals, civil society and non-governmental organizations, women, the urban poor and other vulnerable groups. It is mandatory that one-third of TLCC members are women, while the poor in the community must be represented by at least seven members, including two women (GoB 2013). A WLCC is a forum where community members can raise issues regarding local development and social concerns. A WLCC meets every three months and is composed of 10 members. It is headed by the concerned ward councilor, female ward councilor as vice president, representatives of slums, community-based organizations, non-governmental organizations, different professional organizations and citizen groups, women, school teachers, and officials nominated by the mayor as member-secretary. The percentage of female members is 40 per cent (GoB 2013).

apart from approving what was being proposed by mayors. They were found to be acting in a way that they “are not elected representatives on their own right”, rather they “are subordinated to the mayors” (Bhattacharya et al 2013). Many councillors are unconcerned with their voices not being heard and their marginalized roles in decision-making as long as they got their shares from their pourashavas development funds. The failure of the local political machinery and the imbalance of power between mayor and councilors is thus one of the major reasons for weak accountability practices in pourashavas.

**Citizen’s charter and information disclosure.** The adoption of tools like citizen charters and information disclosure helps the municipalities in communicating with the citizens about their services and standards. There are legal obligations in Bangladesh to exhibit the citizen’s charter in Pourashavas’ offices. This informal mechanism has proven to be ineffective, either because of citizens’ “illiteracy” or their “lack of trust” in pourashavas or “widespread apathy” toward pourashavas’ activities in general. Many people do not take notice of this. There is no attempt either from the pourashava or on the part of the central government to popularize the concept of citizen’s charter and explain its efficacy as a tool in ensuring pourashava’s accountability to citizens. Besides, pourashavas are expected to display such documents as development project lists, annual financial report, copy of the budget and audit reports etc. in the notice board for public viewing. But most pourashavas do not tend to follow this disclosure mechanism, which again makes institutions’ downward accountability weak.

**Citizen complaints and grievance redressal mechanisms.** Formal complaint procedures also play an important role in achieving downward accountability. Mechanisms must be in place for citizens to lodge appeals, make petitions and express their view on the performance of the council. Instruments like opinion surveys and polls, which can serve as barometers that gauge citizen satisfaction with local government services, can be very instrumental in facilitating accountability. This might also include the use of suggestion boxes although the placing of suggestion boxes does not necessarily mean that either citizens use them or that pourashavas take any notice of what is put to them. A properly structured grievance redressal system helps in resolving the problems faced by citizens; pourashavas will then become more responsive towards the citizens’ needs and are also able to improve their performance and service delivery. In fact, this grievance redressal works as an effective feedback mechanism. When these experiences of the pourashavas are shared widely with multiple stakeholders at different levels, i.e. the policy makers, concerned ministries and officials at the national level, other pourashavas, practitioners, civil society at the sub-national, they can initiate deliberations around the institutionalization and adoption of these mechanisms. This also opens up a ground for influencing national and sub-national governments to bring about necessary changes and modifications in policies so that practices at the local level could be improved. But the pourashavas do not seem to have effective formal mechanisms to regularly receive and convincingly redress citizens’ complaints and grievances. Evidence from the field suggests that all these mechanisms are weak and ineffective. Citizens generally do not lodge complaints about the poor quality services provided by pourashavas. The main reason for this apathy is their prior experiences with pourashavas--where complaints were indeed lodged but their grievances were rarely redressed. Besides, there is a widespread perception among citizens that nothing would change if complaints are lodged (Bhattacharya et al 2014). This certainly weakens the pourashava’s downward accountability to citizens to some degree.

### 6.2.5 Local participation and accountability of City Corporations

Especially for the largest cities, citizens’ participation is immensely important in order to organize the city as a social and political unit. In fact, without opportunities to engage in a participatory local decision-making process, it is unlikely that cities will achieve the long-run social resilience needed to efficiently and peacefully accommodate diverse urban populations.

With that said, however, the city corporations have not been structured to be sufficiently responsive to the demands and interests of their respective populations. For instance, a ward councilor in Dhaka may represent over a 100,000 people, which is likely too large a unit for responsible local government. In an effort to strengthen this long route of accountability, there may be need to change the structure of metropolitan government, according to population size so that each elected representative is responsible for a smaller more manageable group and can be monitored by their voters. The experience of the new city government structures in other countries in South Asia (or around the world) may provide lessons about how to improve the institutional framework in urban areas.

**Participation in the budget process; project identification, implementation and monitoring; and Standing committees.** When it concerns people's participation in the development process of the City Corporation in Bangladesh, the review of the existing legal documents suggests that there is hardly any opportunity for the people to get involved in the process of formulation and implementation of development plans of the City Corporation. There are a couple of sections in the law that create an opportunity for the people to get involved in the activities of the city corporation, but these are not related to the implementation of the developmental activities.

Section 50 of the Local Governments (City Corporations) Act stipulates that the Corporation should form standing committees. The committees will function for a period of 2 years and 6 months, and after this period, new committees will be formed. Section 53 (1) specifies that the city corporation or any of the standing committees may engage any individual in its activities if his/her assistance or advice is required for implementation of its activities. That person shall be able to participate the discussion session of the corporation, but he/she shall have no voting right [section 51 (2)]. Entrance of the common people in the meetings of the corporation has been made open through the section 54. It suggests that if any meeting is not held as a closed meeting (as decided by the majority of the councilors), such meeting will remain open for the people. However, the corporation shall be able to restrict people's participation in the meeting through rules [Section 54 (2)]. Thus, it can be concluded by saying that the participation of the people is limited only to the right to vote and to be voted for in the election.

It is important to mention here that participation of the general public in the activities of the city corporation has not been encouraged through any of the provisions of the Act of 2009. Few sections, mentioned above, only create limited scope for participation. If we talk about the rural local government bodies in Bangladesh there are provisions, (ward shava and open budget) that ensure people's participation in the decision making process and participatory budgeting. Even, where there is an opportunity to participate, the scope is strictly limited to the general public. For instance, the participation in different committees is not based on a fair way rather on personal or political linkage. As a result, supporters of elected bodies (the mayor and councilors) are appointed as members of such committee, even though people with dishonest background. Honest people have little interest to be elected as a representative or selected as committee members because of the vicious circle of dishonest people and bad image of urban government for limited activities and corruption. Thus, it can be said, without hesitation, that the governance of **City Corporation is not at all inclusive.**

**Citizen's charter and information disclosure.** Section 50 of the Local Governments (City Corporations) Act deals with the citizen charter, and indicates that the Corporation will publish a document titled "Citizen Charter" with a description of the services to citizens, conditions for the services, the timeline of the services etc.

- This charter will be updated once in a year.
- The Corporation can make guidelines regarding an ideal citizen charter.
- The Corporation can bring necessary changes and additions in the charter subject to the notification to the government and the commission.

The charter will include an accurate and clear description of the services, charges of such services, eligibility of receiving and demanding services and the processes thereof, specific timeline of the services, responsibilities, assurance of services to the citizens, disposal of complaints related to services, and the consequences of violations of the promises.

Section 62 of the law provides that (the Corporation will) preserve all documents in a proper manner. It further says the Corporation will prepare reports and statements, and publish them. The Corporation will disclose information as the government asks for, from time to time.

Section 110 (1) specifies that any citizen will have right to information regarding the Corporation in the defined system. At the same time, the city corporation authority has been given the power to classify any records. Section 110 (2) specifies that the Corporation, through gazette notification, can classify any records or documents to the interest of the people and of the administrative security; that citizens will lose their right to access those classified records or documents; and that the Corporation can deny any such requests from the citizens. It further says that the government can instruct Corporation to publish list of information deliverable to the citizens.



**Multiple organizational involvement and diffused accountability.** Although City Corporations face many of the same problems as pourashavas, in one area City Corporations more or less distinguish themselves: when a city reaches the threshold and status of a city corporation, specialized authorities are set up (such as the Water and Sanitation Authority or the Local Development Authority) to take over some of the key functions of the city corporation. Since these authorities are generally controlled by central line ministries and their appointees, this system disempowers the elected city leadership and moves the City Corporation into a role a coordinator of city services rather than a provider of city services. The involvement by multiple organizations also diffused participation and accountability processes.

There is a sharp distinction between City Corporations and various government departments with regard to their modes of operation and patterns of accountability. City corporations are directly elected political organs and their leaders are elected through a popular vote. The political leadership is therefore responsible to the general public for every action it takes. Government departments, on the other hand, are staffed by civil servants who are accountable to their line ministries in a hierarchical manner. This means that centrally-managed urban services are subject to a “long accountability route” (see Boex, 2014: 37-38).

This contrasting pattern of accountability seriously affects inter-organizational coordination at the City Corporation level. Panday and Jamil (2011) identified a number of reasons for coordination problem between city corporations and different government departments. First, decision-making in a bureaucratic organization is lengthy (hierarchical), whereas the decision-making process in the city corporation happens much more quickly. In communicating with government offices, city corporation authorities expect to get prompt responses from field-level functionaries in line ministries, but field-level bureaucrats seldom respond promptly to queries and requests from the city corporation, because all decisions need to be approved by the respective ministries. This sometimes causes serious coordination problems. In such situations the city corporation authorities, sometimes out of frustration, implement their plans without waiting for approval from government offices. In some cases, however, making decisions without going through the proper government procedure leads to clientelism and the awarding of undue favors.

Second, civil servants commonly hold the view that politicians in Bangladesh are not as transparent as they should be; the politicians are preoccupied with seeking personal gain while ignoring the ordinary people’s welfare. On the other hand, bureaucrats are not in a position to exercise the same kind of power as politicians. The bureaucrats argue that sometimes politicians put pressure on them to act illegally. If they resist, they are harassed. This type of manipulation by politicians is a type of corruption. It may be argued that if corruption is pervasive, it usually starts at the top of the political and administrative system. When leaders are corrupt, middle range civil servants and the police on the street are soon involved in the corruption as well. In this way, local service delivery objectives may be interfere with when civil servants are pressured by (central or local) politicians who are not acting in the public interest. Box 6.1 presents a classic example of the lack of coordination in the implementation of the infrastructure policy of the city corporations.

#### **Box 6.2 Coordination Failures between the Roads and Highways Department (R&HD) and Rajshahi City Corporation**

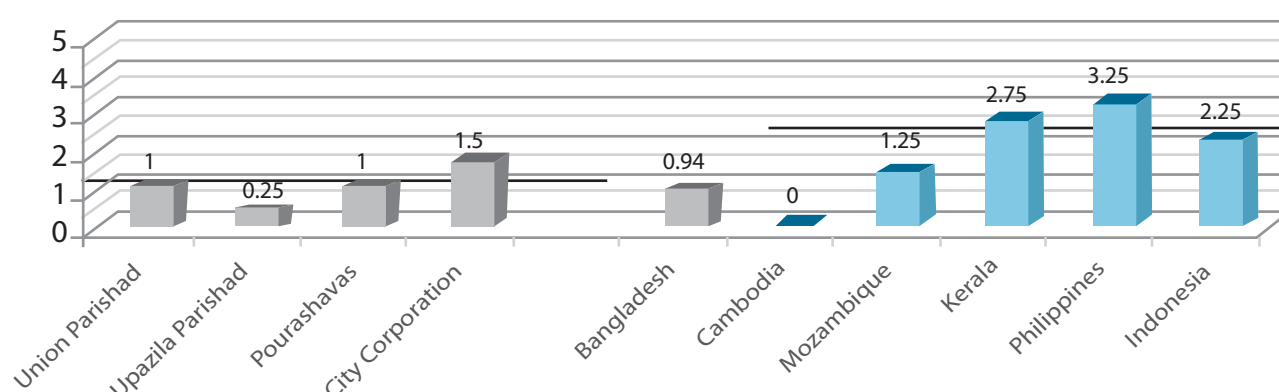
The Roads and Highways Department (R&HD) in Rajshahi made a Jatri Saouni (waiting place for the passer-by on the road side) by the side of a road in the center of Laxmipur in Rajshahi city in 2001. The ownership and maintenance of this waiting place were the responsibility of the R&HD. But in 2003, the RCC, in apparent violation of rules and regulations, divided that Jatri Saouni in two and leased it to some individuals who established shops there. Some informal sources said that some RCC officials were bribed to do this for 8 million Taka, which was equivalent to \$15,000 USD. Once informed about the matter, the R&HD started a formal correspondence with the RCC authorities, requesting them to break the divider and evacuate the shopkeepers. Altogether, R&HD sent four letters to the RCC authority, but the RCC took no action. The R&HD did not even receive any letter from the RCC regretting their action (Panday and Jamil, 2011: 173).



## 6.3 Comparative international experience: local participation and accountability

How does the local government system in Bangladesh compare with other countries with respect to local participation and accountability? Consistent with the descriptions in the previous section (which referred to some local committees as largely “paper-based”), Figure 6.Z suggests that LGIs in Bangladesh score relatively poorly on this institutional dimension (with some variation among different types of LGIs). Likewise, the scores for local participation and accountability in most of the comparator country cases are also relatively low, even in countries that are otherwise considered “good performers” with regard to their local government system. Detailed of the local participation and accountability systems in the comparative country cases are presented in Table 6.ZZ and discussed further below.

**Figure 6.2 Local participation and accountability: comparative international practices**



Source: Computed by authors.

**Table 6.2 Local participation and accountability mechanisms: comparative international practices**

	Assessment Indicator	Cambodia	Mozambique	Kerala	Philippines	Indonesia
<b>E</b>	<b>Local participation and accountability mechanisms</b>					
E1	Is a local performance framework in place and being applied for the service? (E.g., Service Charter?)	0	0.25	0.5	1	1
E2	Who monitors the performance of the service delivery unit?	0	0	0.5	0.5	0.5
E3	Are local budgets and finances (for the service at hand) managed in a participatory and transparent manner?	0	0.5	0.5	0.5	0.25
E4	Does the LG or SDU have its own effective participatory planning / social accountability / oversight mechanisms?	0	0	0.25	0.25	0
E5	What is the frequency of public interaction between the LG and/or SDU and citizens?	0	0.25	0.5	0.5	0
E6	Does the LG (separate from SDU) have an effective mechanism in place to receive and resolve complaints about the service at hand?	0	0.25	0.5	0.5	0.5
<b>Total</b>		<b>0</b>	<b>1.25</b>	<b>2.75</b>	<b>3.25</b>	<b>2.25</b>

The limited effectiveness of local participation and accountability in Cambodia and Mozambique is heavily shaped by the fact that the public sectors in these countries follow a deconcentrated structure. As noted in Chapter 2 of this report, some of the potential benefits of decentralization and localized public service delivery are difficult (if not impossible) to achieve in the absence of democratic decentralization: after all, it is difficult to achieve meaningful participation if public sector decision-makers sit hundreds of kilometers away. Similarly, it is difficult for the public sector to be responsive or for constituents to hold local officials accountable for their performance if the officials that are tasked with delivering their public services have little or no power to bring about better local service delivery outcomes.

Cambodia's experience with regard to participation and accountability is reflective of its particular hybrid of decentralization. Although Cambodia's Organic Law states that provinces (and districts) act as semi-autonomous local governments, in reality, provinces are a deconcentrated part of the national government. In reality, the (indirectly) elected councils have little or no authority over the provincial administration, and therefore, their ability to ensure participation—as well as their ability to hold provincial officials accountable—is quite limited. Furthermore, the indirect nature of provincial elections means that there is no strong link between the electorate and their elected representatives.

In the absence of an elected political leadership or any true decision-makers at the subnational level (in either Cambodia or Mozambique), any set of public service delivery standards (such as Citizens Charter or service delivery charter) has to be imposed and monitored in a top-down manner. After all, there is no elected official at the local level to whom local constituents can complain about service delivery failures, who is effectively empowered to resolve local service delivery failures.<sup>70</sup> Similarly, although the budget in both of these countries is deconcentrated in a relatively transparent manner, it is almost impossible for community based organizations to effectively translate this greater transparency into accountability at the local level. While there are countries that have flourished for some time under such top-down systems, there is a clear limited to systems where the entire web is controlled by a single spider: when the spider gets disrupted or dies, the whole system falls into dysfunction (Pritchett, 2013).

The decentralization reforms in *Kerala* were driven to a large extent by the desire to ensure people's participation. In 1996, a coalition of leftist parties led by the Communist Party of India launched the "People's Campaign for Decentralized Planning." Through these reforms and an extensive social mobilization campaign, state leaders sought to promote direct participatory democracy by mandating structures and processes designed to maximize the direct involvement of citizens in local-level planning, budgeting and implementation (Varatharajan, Thankappan & Jayapalan, 2004). People's participation in decentralization was sought mainly through meetings of the GP ward-level Grama Sabha. The Grama Sabha, chaired by the ward member, requires attendance of at least ten per cent of the voters of the ward. In addition to the Grama Sabha, local participatory planning in the State relies on a range of other mechanisms, including Neighborhood Groups, Local Resource Persons; and a system of Panchayat Standing Committees (Abdul Kareem and Cyriac, 2006).

While the considerable efforts in Kerala to ensure popular participation and achieve social accountability reaped some benefits, the process also highlighted some fundamental challenges in translating stronger local governance into improved local services. For instance, the health sector failed to attract development funding from panchayat resources, partly because of the State Planning Board directives and partly because of the health sector's lukewarm response to the entire decentralization process. In the absence of active lobbying and technical expertise to convert health care needs into fundable projects, the panchayats were helpless and allocated insufficient funds to health (Varatharajan, Thankappan & Jayapalan, 2004). There is similarly a degree of disillusionment with the degree that decentralization has brought within the education sector (Mukundan & Bray, 2004). Perhaps the most important factor explaining the gap between rhetoric and reality lies in the nature of the People's Campaign for Decentralized Planning. State-level planners overestimated the capacity of administrators and community members at the local level, and policy-makers mistakenly assumed that the participants in the Grama Sabhas could, with assistance, rise to the challenge fairly easily.

<sup>70</sup> Such an advocate would have to be outside the vertical service delivery system himself (or herself) in order for a conflict of interest to arise between his/her executive duties and his/her accountability duties. Furthermore, the elected local advocates would also have to have a meaningful degree of control over service delivery outcomes: the effectiveness of local monitoring committees is compromised when they are formed without a clear mechanism to influence or improve service delivery outcomes when bottlenecks are identified. Although Members of Parliament have sought to play this role in some countries, it is neither the mandate of individual MPs to micro-manage the service delivery responsibilities of all line ministries, nor are individual MPs appropriately empowered to effectively perform this function in a way that achieves equitable access to public services for all local residents.

In practice, when the Grama Sabhas did identify needs, they tended to focus on capital works and on familiar schemes such as noon-day feeding. The more nuanced, qualitative sides of education proved much more difficult to address through participatory processes.

India's experience with decentralization reforms demonstrates that it is difficult to mandate participation and community involvement as part of a decentralization reform process. Instead, there are variations in the degree to which local officials are willing to be engaged in participatory planning and social accountability mechanisms. Similarly, there can be considerable variations in the degree to which community members are willing (and able) to participate in local participatory planning and accountability efforts. For instance, while all states in India were subjected to the same Constitutional amendments regarding decentralization, the application of these amendments has varied widely across Indian states (Subrahmanyam, ND).

In *the Philippines*, the direct engagement and empowerment of citizens is a central component of the current government's effort to improve the quality of governance. There have been a series of institutional reforms over the past three years, as the Aquino government seeks to build new institutions that will create the opportunity to alter spending patterns and improve governance (Wampler, 2013).

Greater local transparency, participation, and accountability initiatives are being pursued at all levels of government, including as part of the country's Open Government Partnership commitments (Mangahas, 2013). For instance, according to the Government, in 2012, at least 595 cities and municipalities underwent participatory budgeting and planning processes. Stakeholders split between those who praised this project, and those who doubted the relevance of this project, which has assumed the name of "bottom-up budgeting" (BUB) in Government documents. Likewise, since August 2010, local governments in the Philippines have been required to post online information on fund utilization and project implementation in local forums. Although an increasing number of local governments are committed to complying with this requirement, full compliance by local governments remains low. Stakeholders reported a need for independent monitoring and citizen participation.

Finally, *Indonesia's* experience with local participation and accountability seem to suggest that even in countries with relatively devolved local governments, local government officials do not necessarily spontaneously embrace greater participation and transparency. In a recent study, the International Budget Partnership found considerable limits to the scope for local participation in the various stages of planning, budget formulation and implementation in Indonesia as part of a recent comparison of subnational transparency in Brazil, Indonesia and Tanzania (IBP, 2013). For a sample of local governments studied in Indonesia, the mean level of local budget transparency was 24%, with individual local government scores ranging from 3% to 51% (IBP, 2013: 20). Likewise, information about local service delivery standards and mechanisms to register complaints about local services were found to be weak in Indonesia (27%), while participatory mechanisms at the local level received an average score of 47%. Urban local governments were found to be decidedly more participatory and transparent than rural local governments.

**Comparative international practices.** What are the lessons from international practice with regard to local participation, accountability and transparency?

First, increased local participation, accountability and transparency are key preconditions for achieving effective decentralized governance and more responsive and equitable local services. Without appropriate mechanism for local participation, accountability and transparency, decentralization would merely replace central decision-making by a far-away elite with decision-making that is captured by a handful of unaccountable leaders at the local level. The comparative analysis shows that unless a country has made a clear commitment to democratic decentralization (i.e., devolution), local participation and accountability are nearly impossible to achieve. And even in cases where national and local leaders are strong champions of good local governance, the actual process of making sure that local accountability mechanisms work—making sure that when a complaint is received, it is acted upon by local officials so that the client's service delivery problem is resolved—is a systemic change that is not easily accomplished, as it requires the transformation of local governments from reactive, passive organizations that implement top-down instructions to high-performing local government organizations that are pro-active and seek to be responsive to the needs of their community ((Kimble, Boex and Kapitanova, 2012).

Second, even though pursuing “good governance” is a positive development for society as a whole, this does not mean necessarily mean that all local government actors will embrace it. For local officials, operating in a participatory and open manner is time-consuming and competes with the pressure to “get things done”. Furthermore, not all local political leaders and local officials are necessarily keen to be subjected to greater scrutiny. As such, unless mandated by the central government, local governments may limit the scope for citizens’ participation in the local budget process and in monitoring of local infrastructure projects and local service delivery performance. This is consistent with the findings by Mansuri and Rao (2013) who suggest that participatory development is most effective when it works within a “sandwich” formed by an effective centrally-imposed framework for local participation and accountability from the top, and demand for participation and accountability through bottom-up civic action. However, national political leaders in countries like the Philippines and Indonesia (as well as state government officials in Kerala) are finding the investment in good local governance and social empowerment worthwhile given the expected political return, as well as the returns in terms of improved local services and increased social resilience.

## 6.4 Options and initial recommendations for Bangladesh

Local participation and accountability is a “chicken-and-egg” problem: which comes first? Logically, effective local participation and accountability mechanisms should be established first before the central government transfers significant “real” functional responsibility to local governments. At the same time, however, participatory mechanisms will remain weak unless real powers and authority are transferred to local governments to be able to have a meaningful impact on local services and development.

There is a growing acceptance that citizen’s agency needs to be acknowledged as a force for change in Bangladesh. In general terms, accountability interventions which link citizen’s agency to local government’s responsiveness, connects to these dynamics. The success of LGSP (and the Sirajganj Local Governance Development Project before it) showed in dramatic fashion that it was possible to engage citizens in public decision-making at the UP level, while at the same time showing that it was possible to make public officials responsive to the demands and needs of the citizens. Efforts must thus be made to build on this experience and to put in place the mechanisms so that citizens can be turned into more active drivers for improving public services. Not just by creating voice, but also by facilitating their engagement with local government bodies in partnership arrangements or sharing responsibilities for access and quality of services in all local government tiers.

With regard to the chicken-and-egg problem, Bangladesh’s own experience suggests that the latter argument carries the day in Bangladesh: participatory mechanisms will remain weak unless real powers and authority are transferred to local governments. To the degree that participatory oversight through committees has been introduced in rural areas, their failure seems largely driven by the inability of elected officials (and even of field administration staff) at the relevant administrative levels to address the obstacles identified by the committees (Osman et al, 2014). As such, improving the assignment of functional responsibilities; ensuring more responsive local political institutions; increasing local administrative control and widening local fiscal space should all be seen as complementary steps to focused efforts to enhance the participation and accountability at the local level in Bangladesh.

### **Activation of standing committees is essential and should be given top priority**

At present, the standing committee mechanism to ensure accountability of the local government executive and to ensure the effectiveness of services is not functioning properly, if at all. Where standing committees are not yet activated by appropriate regulation, they must be activated with immediate effect. Where they are already in place, their number and functions may be reduced or restructured to fit the practicalities of all tiers of local government. Reasonable honoraria for the standing committee members should be made available for the time costs and travel expenses incurred by the committee members (i.e., in the form of sitting allowance) so that they get involved and take their responsibilities seriously. At the same time, it is imperative to provide additional discretion and resources not to the committee itself, but rather, to the central or local government officials that implement local services, so that he or she is in a position to take on board the suggestions and recommendations of the relevant committees.



In this context, it should be noted that legislation creating different local committees has stressed more on ensuring the accountability of elected representatives, while the issue of accountability of field agency officials has generally been neglected. Greater emphasis ought to be placed on user committees as oversight bodies rather than as executive bodies. Implementation and oversight ought to be clearly separated; standing committees be charged with the latter function. Like parliamentary standing committees for ministries, these oversight bodies should be encouraged and given support to review the activities of different departments on a regular basis and inquire into complaints of irregularities and corruption and report to UZP/UP.

It is also important to monitor the activation of the existing citizens' forum such as TLCCs and WLCCs in pourashavas. Once activated, these forums can ensure local people's participation and the downward accountability of the pourashavas. However, such operationalization will not only depend on pourashavas' elected representatives, but also on citizens' awareness. Furthermore, local government leaders and officials may not always appreciate participatory mechanisms. Regular and comprehensive monitoring on the part of the central government in this regard would be important to ensure compliance of different local government tiers.

### **Increase citizen's access to information to build new accountability relationships**

There is a disconnect between the government and citizens in Bangladesh, especially at the central level but also at the local level. Although there are numerous formal opportunities for participation and accountability, many of these "opportunities" are ritualized: people going through the motions of meetings, participation in committee meetings and voting, knowing that nothing will fundamentally change. Unless a real connection can be built and strengthened between local governments and their main constituents—the people—, accountability will remain an empty shell.

Rebuilding the connections between state and citizens should be at the core of the transformation agenda. A simple, yet potentially powerful catalyst for building accountability relations is the provision of relevant and accessible information, as that builds the capacity of citizens to have the knowledge and be aware of their rights. It is indispensable to build accountability relationships in all tiers of local government in Bangladesh.

In the current situation, local governments prepare paper-based plans, budgets and other documents. Access to these documents is often limited to those who are able to physically see a copy of the document at the local government office or on a local noticeboard. In addition, government officials at the next-higher level may be able to obtain a copy of local government documents, but due to their paper-based nature, these documents are often not further widely shared.

In line with the Right to Information, and in line with similar provisions in the local government acts, and in line with the push for a Digital Bangladesh, local governments could be required to make key local government documents available online.

#### **Box 6.3 Digital Local Government Noticeboards**

A possible solution to the transparency challenge at the local government level is to require local governments to make all relevant local government documents to be made available on the internet on the local government's own website. However, not all local governments in Bangladesh might have the technical capacity to prepare their own website; nor would this solution be efficient. In addition, if each LGI would maintain its own website, it would be difficult for central government officials and other national stakeholders to collect information from thousands of different websites about different aspects of local governance and local service delivery.

Thus, rather than each LGI creating its own website, LGD could develop a single website (an online Digital Local Government Noticeboard), where LGIs would be required to upload these documents. This would greatly reduce the effort and cost required for LGIs to upload the documents, and it would greatly facilitate the sharing of relevant local-level documents among central and district-level stakeholders. Unlike other ongoing efforts, the responsibility for uploading relevant documents on a regular basis would lie with the LGIs themselves— not with external consultants or with Zila-level officials. This will ensure the sustainability of the effort.



### **Make open budget meetings mandatory and truly open for strengthening participation and accountability**

Organizing open budget meetings as a platform for people's participation and as a mechanism for ensuring accountability must be made mandatory for all local government institutions including pourashavas and city corporations. In local government tiers where this legal provision already exists, the open budget meetings must be made truly open by inviting citizens from all walks of life. International experiences show that minor changes in how participatory local government meetings are managed (e.g., by sending invitations to key community leaders, rather than by merely announcing an open meeting) can have a major impact on their participatory nature.

All local government institutions must allow the citizens' voices to be heard and make their comments and opinions count by translating them into relevant budgetary allocations and redistributive measures. Participatory budgeting processes require evaluations of budgetary outcomes. Outcomes should not solely be judged against standard criteria such as changes in wealth distribution, sectoral allocations and economic resources. Evaluations of processes of participation in decision making and whether the resulting redistribution has created conditions for improved well-being should also be taken into account alongside. Without such evaluations, participatory budgeting processes may perpetuate inequities or generate new ones.

### **Support citizen based monitoring and social accountability**

Greater transparency and accountability of local governments will make them a stronger and more viable part of the public sector. As such, it is in the common interest of central government, local government and the community at large to promote greater social accountability. Introduction of social accountability efforts, such as citizen based monitoring of local services and local infrastructure development, will help promote and ensure participatory development practices at different tiers of local governments.

Numerous mechanisms or techniques are available to engage citizens to engage in monitoring of local government efforts. For instance, under the Service Improvement Action Planning (SIAP) approach, groups of citizens ensure social monitoring of the local development process by enabling local residents to follow the implementation of government decisions and policies at the local level, measure their efficiency and adequacy and provide feedback (Mark, 2014). In line with this approach, committees are formed comprising of civil society members, local media, school teachers and/or youth, which work as a watchdog within their local communities and recommend measures to improve participation level. The committee would not directly interfere in the activities of LGIs, but ensure that feedback in a participatory manner on local services and on local development projects.

Similar committees and groups—outside the formal structures of the public sector—could also be relied upon to make sure that key stakeholders have been consulted before taking up any projects and have been included in the implementation process.





# Options and recommendations for the reform of the local government structure in Bangladesh

**Options and recommendations  
for the reform of the local government  
structure in Bangladesh**

**T**he final chapter pulls together the preliminary lessons and recommendations from the previous chapters. Based on the current situation with respect to local governance in Bangladesh as well as the lessons from comparative practices in other countries, this chapter summarizes the eight main challenges being faced in Bangladesh with regard to its local government system and makes recommendations for the way forward:

1. Towards a unified local government system and a unified legal framework.
2. Functional assignment: strengthening deconcentration to the upazila level to reduce coordination failures and improve localized services.
3. Functional assignment: balancing LGIs' executive functions versus LGIs' monitoring functions.
4. Reform of local political systems: towards stronger councils at the local level.
5. Ensuring local control over local functionaries.
6. Moving towards a consolidated local government grant system in Bangladesh.
7. Strengthening local budgeting, PFM and local revenue administration.
8. Strengthening local participation and accountability.

In a perfect world, the Government of Bangladesh and its partners who support and champion stronger local governance in the country would pursue all of these recommendations all at once. However, in reality, local government reform is seldom linear and many of these recommendations will take 3-, 5- or even 10 years to implement. As such, a phased approach with intermediate milestones would be appropriate for each of these eight recommendations.

It is difficult to identify windows of opportunity for local government reform up-front. This point notwithstanding, Table 7.1 attempts to identify a reform path for each of the eight key areas of recommendations, identifying potential intermediate milestones and final policy outcomes. Priority reform areas are noted in bold in the table.

To the extent that it is possible to identify areas of greater policy importance and greater policy opportunity within these eight areas, it is important to recognize that some areas will move more slowly. For instance, legislative reforms and reforms of the local political system (including points 1 and 4) are likely to take time. Within these policy areas, the bulk of the focus should be on achieving intermediate outcomes. However, since policy reforms are unpredictable, it is important for the champions of good local governance to be ready to seize opportunities when they arise. In other areas of local governance reform, greater progress towards the final policy outcome is likely to be possible more quickly.

The recommendation would be for champions of a stronger local governance system and more effective localization of public services to focus on two general areas. The first general area of focus should be strengthening local government institutions as legitimate and responsive local self-governance bodies. Without local government bodies that are responsive to the needs and priorities of their local communities, the rationale for stronger local governance will be lost. This will require clarifying the "real" (executive) functional responsibilities of LGIs (point 3); ensuring that all LGIs have (some) discretionary financial resources as part of a nascent formula-based local government grant system (point 6); greater transparency and equity in local financial management (point 7) and stronger and more effective local participation and accountability (point 8). To the extent that the legal framework gives LGIs scope for taking action on their own, many of these policy objectives can initially be pursued through pilot efforts or by supporting reform-minded LGIs.

**Table 7.1 Towards a stronger local governance system and more effective localization of public services in Bangladesh**

	Recommendation	Intermediate milestone	Final policy outcome
1	A unified local government system and a unified legal framework.	<b>Local government strategy adopted by GoB that deals with LGIs in a comprehensive fashion</b>	Consolidated Local Government Act
2	Functional assignment: strengthening deconcentration to the upazila level to reduce coordination failures and improve localized services.	<b>Institutional capacity and buy-in for budgetary deconcentration achieved from MOF</b> Institutional capacity and buy-in for upazila-level HR management achieved from MPA	Financial resources for localized services planned/budgeted at upazila level National budget document presents upazila-level budgets HR management deconcentrated at upazila-level
3	Functional assignment: balancing LGIs' executive functions versus LGIs' monitoring functions.	<b>Clarification of LGIs' key executive functions in policy paper adopted by LGD (also input into (1))</b>	Functional assignments clarified and strengthened in legal framework
4	Reform of local political systems: towards strong councils at the local level.	Inform policy debate on reforming local political systems towards more responsive and accountable LGIs	Reform of Local Government Act(s) empowers councils and people
5	Ensuring local control over local functionaries.	<b>Policy paper formulated and adopted by LGD clarifying local control over local functionaries (also input into (1))</b> <b>Establish regulatory framework for LGIs (UZPs) having own core staff</b>	Legal framework clarified with regard to local control over (different types of) local functionaries All LGIs have own core staff
6	A consolidated local government grant system in Bangladesh	<b>Institutional capacity and buy-in for formula-based grant system achieved from MOF and LGD</b> <b>Formula-based grant system developed and piloted for selected LGIs (e.g., building on Upazila Fiscal Facility)</b>	Legal basis established for comprehensive, rule-based and formula-based grant system All LGIs receive adequate, annual formula-based recurrent grant and formula-based ADP (development) grant
7	Strengthening local budgeting, PFM and local revenue administration.	<b>Standardized template for reporting LGI finances developed and piloted</b> <b>Regular public reporting of LGI finances piloted (e.g., Digital Upazila Noticeboard)</b>	Effective local budgeting, PFM and local revenue administration systems in place for all LGIs
8	Strengthening local participation and accountability.	Mechanisms for stronger participation and accountability developed for all LGIs <b>Effective system for open local governance developed and piloted allowing residents to monitor local service performance (e.g., Digital Upazila Noticeboard)</b>	Effective local participation and accountability systems in place for all LGIs

**Source:** LGD, UZP Development Fund Utilisation Directive (Dhaka, 10 April 2010), pp. 9-10.

The second general area of focus should be on improving the system of local government finance and inter-governmental fiscal relations. This touches on supporting more effective budgetary deconcentration (included in point 2), support for the development of a consolidated local government grant system in Bangladesh (point 6), and strengthening local budgeting, PFM and local revenue administration (point 7).



## 7.1 Options and recommendations regarding local government structure

This policy study sought to address four specific policy questions regarding the local governance structure or “intergovernmental architecture” in Bangladesh. While these questions could not be addressed without investigating the five key dimensions of the broader local government system, this section revisits the original policy questions that formed the starting for the current investigation:

- Single-tier or multi-tier? Does Bangladesh need so many tiers of (rural) local government? If not, what options would be available to the country to re-organize its subnational governance structure?
- Rural and urban local government: one system or two systems? (And if separate local government systems: how to create an effective interface between rural and urban LG in the context of growing urbanization?)
- A unified legal framework? What are the pros and cons of exclusive tier specific laws for LGIs and a unified legal framework for local government?
- Integrating devolved LGIs and deconcentrated administrations. How to establish interface between local administration and local government in terms of functions, funds and functionaries to create a balance of discretion of decision making between them together with accountability of LG towards citizens?

The first three conclusions and recommendations deal directly with the local government structure or architecture and jointly answer these four policy questions. The next five conclusions and recommendations deal indirectly with the local government structure, but are nonetheless critical for making sure that the local government system as a whole is effective.

### 1. Towards a unified local government system and a unified legal framework.

Although Bangladesh has different types of local government institutions, each type of LGI seems to have evolved within its own trajectory. This has resulted in a local government system that does not function effectively as a unified whole. For instance, the functional responsibilities of different types of LGIs are not well-aligned, resulting in a situation where there is no overarching vision about which LGI should be doing what. As a result, four different laws assign duplicative and overlapping functional responsibilities to different local government institutions.

The source of the problem is not that there are several different levels of local government, nor is the problem the distinction between urban and rural local governments. In fact, the comparative practices reviewed suggest that all countries have multiple government levels or administrative tiers, and most (if not all) local government systems make legal and practical distinctions between urban and rural local governments.

Instead, the main obstacle to an effective local government system in Bangladesh is not the number of government levels or the distinction between urban and rural LGIs, but rather, the lack of a coherent legal framework that properly clarifies the functional responsibilities of different types of local governments and that ensures that different local government institutions perform their functions effectively.

Single-tier or multi-tier? The question whether Bangladesh needs several tiers of (rural) local government (Zila, Upazila and Union) is answered to a large extent by the approach used to assigning functional responsibilities. As long as each local government level (and/or administrative tier) claims responsibility over more or less the same set of functions and activities based on the “territorial approach” to assignment of responsibilities, then there is little reason to have multiple tiers of local government.<sup>71</sup> After all, in such a situation, functional responsibilities are duplicated and it is often simply the hierarchically highest-level (either the Zila level or even the central government itself) that can claim ultimate authority over the function. If there is no meaningful distinction between the functional responsibilities of different government levels or tiers and if, either due to their greater political power or simply due to their position in the governance hierarchy the authority of the higher level always trumps the authority of the lower level, then there would indeed be little or no reason for multiple local government levels.

<sup>71</sup> The “territorial approach” to assignment of responsibilities occurs when a local government can claim functional responsibility over the activity simply because that activity takes place within its territorial jurisdiction.

However, if functions are assigned in accordance with the subsidiarity principle (as recommended), different government levels in Bangladesh would be assigned different functions. In fact, this is how the public sector in the comparative countries (and in most countries around the world) is organized.

For instance, as discussed in Chapter 2, the lower-level rural local governments (Union Parishads) could be assigned with responsibility for community infrastructure (i.e., small-scale schemes), community development and community engagement, while Pourashavas (the lowest-level urban local governments) could be assigned the responsibility for urban services. This lowest level, however, would not have any responsibilities for social services (such as education, health services or social protection), beyond supporting higher-level local governments with community engagement as needed. In turn, Upazila Parishads would be responsible for ensuring the delivery of social sector functions in their jurisdiction (together with the upazila administration), but would not have any responsibility for the functions and services that are assigned to UPs and Pourashavas. The Zila Parishad would be responsible for a limited number of regional-level functions, such as Zila hospitals and district roads.

In other words, a multi-tier public sector structure would be appropriate for Bangladesh with local government institutions at the Union, Upazila and Zila levels. This structure would be also consistent with the constitutional provision (Section 11) that effective participation by the people will be ensured at all (main) levels of administration through their elected representatives.

Rural and urban local government: one system or two systems? In Bangladesh, as in other countries, rural and urban areas are different in nature: they have different economic contexts and different revenue bases, different service delivery needs, and may require different local governance structure. As a result, the local government systems in all comparative countries make a distinction between rural and urban local governments, with urban local governments generally having greater functional responsibility for urban services, and often a greater degree of local political autonomy and/or administrative discretion. A similar distinction between urban and rural LGIs would also be appropriate in Bangladesh.

In fact, the current legal framework in Bangladesh already distinguishes local governments based on their urban nature: UPs could be considered as “rural local governments” or “rural municipalities”; local public services in urban areas are provided by pourashavas, which are further classified into three types of municipalities; and City Corporations take care of the largest urban areas in the country. However, rather than forming an integrated system of local government institutions, these three types of local governments each have their own historical trajectories which prevent them from functioning effectively together as a system. For instance, when a Union Parishad “graduates” to become a pourashava, there is a large jump in functions, regulatory powers, as well as administrative and fiscal responsibilities, which is a difficult—if not impossible—transition to make.<sup>72</sup> As a result, it appears that small urban centers fall in a gap: too weak to perform their “urban” functions on their own, but no longer considered rural, and therefore excluded from national programs focused on rural development (e.g., Vulnerable Group Feeding).

Rather than treating rural and urban LGIs as discrete types of local governments, it would be appropriate for the legal framework in Bangladesh to formally recognize UPs and urban local governments as a continuum of lower-level local governments that serve an increasingly urbanized population. This would allow different types of local governments (and different categories of pourashavas) to have a more gradual increase in functions, regulatory powers, revenues and political structures, as appropriate.

A unified legal framework? Treating UPs and urban local governments as a continuum of lower-level local governments can be done most effectively if these local governments are all governed by a single act that spells out the functions and powers of different types of local government institutions. By including the Upazila Parishad and the Zila Parishad into a single unified legal framework, the legal framework could further clarify the functional responsibilities of the lowest level of local government versus these higher-level local government institutions. Bhuian (2014) presents an example of what such a consolidated Local Government Act for Bangladesh might look like.

<sup>72</sup> Similarly, when a pourashava becomes a City Corporation, there is a discontinuity, but in the opposite direction: functions that were previously executed by the pourashava itself are suddenly transferred to authorities that are centrally-controlled.

The round of legal reforms that took place in 2009-10 in Bangladesh already resulted in a considerable improvement and harmonization of different types of local governments, and it is unclear whether the current political climate is favorable for a major revision of the legal framework. In principle, the alignment of functional responsibilities and other powers (e.g., taxing powers) of different LGIs could be accomplished by amending each of the existing five acts, rather than passing a comprehensive local government law.<sup>73</sup>

However, international experience suggests that it is clearer and more effective to have a single law that sets up the local government system as a whole, rather than doing so in a piecemeal fashion. An added advantage of a unified legal framework is that it provides a legislative context for specifying how different local government institutions should interact (and how they should interact with the central government); it facilitates specifying a single local government finance system, including a harmonized intergovernmental fiscal transfer system; and allows for greater harmonization of the regulatory framework of local government institutions.

## **2. Functional assignment within the field administration: strengthening deconcentration to the upazila level to reduce coordination failures and improve localized services.**

Although local governments play some part in the delivery of local services in Bangladesh, localized services are mainly provided by the deconcentrated field administration of different central line ministries. As a result, officials posted at several different administrative tiers are often involved in making service delivery-related decisions, with the officials at the highest (central and Zila) levels retaining ultimate decision-making authority. While lower-level field officials may be “delegated” administrative responsibilities, they lack any meaningful operational decision-making authority and virtually always rely on higher-level officials for approval or action. Because they are currently not effectively empowered, upazila-level officers are often ineffective at establishing their authority over front-line staff and they cannot be effectively held accountable. They spend a considerable amount of time away from their post (presumably to secure the necessary permissions and approvals from higher levels) rather than focusing on the downward delivery of services. Absenteeism among local service delivery staff (especially in the health sector) is high, as upazila-level officers lack the authority to discipline staff without the approval or support from higher level officials. Efforts at citizens’ engagement through committees at facility-level, UP-level and Upazila-level are largely ineffective because upazila-level officers themselves lack the discretion and authority to respond to the problems identified by these committees.

The lack of coordination in delivering services has been raised as an important obstacle to effective local services. Indeed, the assessment of functional assignments in Chapter 2 (based in part on Osman et al 2014 and Boex 2014) suggests that the main impediment to effective vertical coordination is the distance between the front-line service delivery unit (where the service is delivered) and the officials that ultimately have authoritative decision-making power over local service delivery (at the Zila level or above). In order to resolve this problem with vertical coordination within the field administration, there is a need to assign functional responsibilities *and the full administrative authority for these tasks* to the lowest administrative tier that is able to perform each task efficiently.

Deconcentrating human resource management authority. Given the relatively size of upazila jurisdictions and the considerable potential for administrative capacity at this level, comparative experiences suggest that the upazila level is the lowest level that can administer most localized services efficiently within the field administration. For instance, rather than the Upazila Education Officer (UEO) merely being the coordinator of primary education activities in an upazila while teachers and headmasters are hired, promoted and (as needed) disciplined or fired by higher-level officials, the UEO could become the actual head of the Upazila Education Department, with the authority to hire, promote, discipline and fire front-line education staff. This would require making the necessary changes to the central government’s public administration system (human resource management systems), as well as the transferring of relevant administrative authority to upazila-level officials.

<sup>73</sup> These five acts include the Local Government (Union Parishad) Act; the Local Government (Pourashava) Act; the Local Government (City Corporations) Act; the Local Government (Upazila Parishad) Act; and the Local Government (Zila Parishad) Act.

Deconcentrating budgetary authority. Likewise, in virtually all cases, upazila-level officers do not have budgetary control over the financial resources necessary to perform the tasks which they are mandated to perform. Effective budgetary deconcentration would entail placing the financial resources that are used for the delivery of sectoral services within an upazila into the budget of the respective upazila line department's budget. As such, the Upazila Primary Education Department's budget should contain the salaries and wages of all teachers and headmasters within the upazila, as well as the financial resources required to operate and maintain the primary schools within the upazila.

It is important to note that these budgetary resources would continue to fall within the budget of the respective central line ministry. What would change, however, is the degree of involvement and authority of the upazila-level officers within each ministry over the planning, budgeting and execution of financial resources that are used for front-line service delivery.

An important benefit of preparing the budgets for localized services at the upazila level is not only that it reduces vertical coordination failures, increases vertical accountability and improves localized services, but it also enhances the equity and transparency of the allocation of budgetary resources. The preparation of deconcentrated budgets for central line departments at the upazila level would ensure that each upazila receives its fair share of sectoral resources, and it would further enhance the ability of elected officials at all levels to hold field administration officials accountable.

Political economy implications. Comparative international experience suggests that budgetary deconcentration and deconcentration of human resource management responsibilities are not necessarily difficult technical reforms, but such reforms often generate considerable institutional resistance at the higher level within central line ministries.

### **3. Functional assignment: balancing LGIs' executive functions with LGIs' monitoring (and supporting) functions.**

Local government institutions in Bangladesh effectively fulfill two types of functions. First, they manage the affairs of the local community and promote the human and economic development of the jurisdiction in accordance with the priorities of its constituents. Second, LGIs (are supposed to) monitor and support the implementation of programs and services by central government (and/or higher-level LGIs) within its territorial jurisdiction. In other words, LGIs have executive functions on one hand, and monitoring functions on the other hand.

Although the various local government acts delineate the functions and powers of different local government institutions, there are numerous problems with the assignment of functional responsibilities. Based on the territorial approach of functional assignment, higher-level local governments (Upazila and Zila Parishads) are assigned responsibility for services that can be effectively delivered at a lower level. Similarly, in some cases, functions are assigned to the lowest government level (Union Parishads and Pourashavas), even when these local government institutions are too small to efficiently deliver these services. To the degree that functions are assigned to multiple government levels at the same time, the legislative framework does not clarify which level is supposed to do what. In practice, the highest government level tends to retain the greatest amount of authority (and resources), rather than the government level closest to the people. Furthermore, the legislative framework undermines the assignment of functions to LGIs by delimiting their responsibilities by the availability of resources, and does not clarify the extent to which LGIs are responsible vis-à-vis deconcentrated field administration.

A first step in correcting this situation is for the legislative framework to clarify over which functions (or to what extent) LGIs have executive responsibility for "their" functions, and to what extent their responsibility is merely supervisory in nature. This requires a more detailed delineation of functional responsibilities. For instance, to the extent that Union Parishads is not actually expected to employ any medical doctors, nurses or community health workers (even though the central government has the power to "deploy" these government officers and staff to work with the jurisdiction of the Union Parishad), the legal assignment of functions (in the Union Parishad Act) should clarify that the UP's responsibility for "[i]mplementation of activities relating to health and family planning" is limited almost exclusively to monitoring the implementation of activities relating to health and family planning. Under the current division of responsibilities at the Upazila level, the same is true for the role of the Upazila Parishad: with the exception of very minor sectoral spending from the ADP Block Grant by Upazila Parishads (and very minor sectoral spending from the LGSP Block Grant by



Union Parishads), these local government institutions have little or no involvement in actually delivering social sector services (such as primary education or public health services).

Making a clear distinction between the executive functions assigned to LGIs on one hand, and their monitoring responsibilities on the other hand will set LGIs free from the extensive unfunded mandates and unreasonable expectations currently imposed upon them by the central government.

Being explicit about this distinction will help local government officials focus on the responsibilities for which they have executive responsibility, and therefore, will actually allow them to potentially deliver meaningful public services (although in a relatively narrow realm) to their constituents.

To the degree that central government line ministries wish to co-opt LGIs in supporting the implementation of programs and services by central government (and/or higher-level LGIs) within its territorial jurisdiction, the rule should be that “finance should follow function”. In other words, to the extent that LGIs are expected to support the delivery of public services that are a national priority, the central government should provide LGIs with sectorally earmarked grants to perform these functions.

## 7.2 Options and recommendations regarding the main dimensions of the local government system

As noted in Section 7.1, getting the “local government structure” or “intergovernmental architecture” right requires not only making sure that the local government system has the “right” number of government levels and administrative tiers, but also, that functional responsibilities are assigned to the different government levels.

However, achieving an effective local government structure and a proper functional assignment is only the first of five key dimensions of an effective local government system. Chapters 3 through 6 presented the importance of effective local political systems; effective local administrative controls; local fiscal discretion and effective local public financial management; and local participatory and accountability processes. These chapters also presented the shortcomings of LGIs in Bangladesh with regard to these dimensions, as well as comparative experiences from other countries. Without reforms in these dimensions of the local government system, achieving an optimal local government structure and a “perfect” assignment of functional responsibilities would not achieve the policy objectives that Bangladesh wishes to achieve through the local government system (effective democratic participation and better local services). As a result, the final five policy recommendations are derived from our review of these dimensions of the local government system.

### **4. Reform of local political systems: towards stronger councils at the local level**

Chapter 3 expresses the need to transform LGIs from a political “one-man-show” into true local government entities with effective local political mechanism, where the council is the highest decision-making body of the local government entity, and where the local government itself is accountable to the local people.

As a general rule, strengthening LGIs to become more effective local bodies in Bangladesh will require strengthening the role of the local council in decision-making, and in providing a check on the local executive. Some have suggested that this will require “disempowering” the local executive by switching from a “presidential” (directly elected or “strong executive”) system to a system by which the local executive is selected by the local council (e.g., Ahmed, 2014). While this is one of the possible local political structures, comparative analysis does not seem to consistently favor one system over the other.<sup>74</sup> What is important is not necessarily to weaken the local executive (which may result in executive inertia and potentially increase

<sup>74</sup> It could be argued that the central political system in Bangladesh—which is plagued by considerable lack of trust, inefficiency and other governance problems—does not form an attractive model for replication at the local level. An often-heard argument in favor of indirect election of local executives in Bangladesh is that since the central government in Bangladesh operates on a parliamentary system, the local level has to follow suit. This argument is incorrect. For instance, since 2000, all local councils in England and Wales have had the choice between the “leader and cabinet” model (where the council leader is selected from the councilors) and the “mayor and cabinet” model (with a directly elected mayor). As of May 2013, 15 councils are using the “mayor and cabinet” model of governance with a directly elected executive mayor. Conversely, 40 percent of municipal governments in the United States (with a directly elected President and Governors) have a “council-manager” form of government where the local executive is not directly elected.



local patronage, waste and corruption, as the local executive is forced to “reward” the council) but to strengthen the role of the council in setting local priorities, approving the local budget, and holding the local executive accountable for implementing local priorities as budgeted.

It is important that the policy debate is broad-based and well-informed before reforms are made to the political organization of local government institutions in Bangladesh. Beyond ensuring greater checks and balances at the local level by strengthening the role of the council, other reforms should be considered, such as the introduction of effective recall provisions (both of elected local executives as well as elected council members), and the more effective representation of women and other disadvantaged groups.

One area where more immediate action is required is in revisiting the composition of the Upazila Parishad, as the current composition of the council is contributing to ineffective checks and balances at the Upazila level. Rather than each Union and Pourashavas being represented by its Chairman or Mayor, it is recommended to introduce directly elected Upazila Parishad council members.

## **5. Ensuring local control over local functionaries**

Chapter 4 documents the extremely limited control that local government leaders have over local administration and local services. In particular, local governments have little or no control over local human resources.

LGI own (core) staff. In order for LGIs to function effectively, there is a need for LGIs to employ their own core staff. For instance, at the upazila level, a full-time chief executive officer (CEO) should be appointed to manage the affairs of the UZP at the direction of the UZP Chair and Council. In this regard, the UZP CEO would replace the UNO, who is currently assigned to provide secretarial services to the UZP. Over time, a logical reform would be to provide each Upazila Parishad with a core staff of 6-8 own staff who are appointed and report to the Chairman and Council through the CEO, and who are paid directly from the Upazila Parishad’s consolidated account. This core staff team would support the council in performing the UZP’s executive functions, and would assist in the monitoring and reporting on services being provided by central government agencies in the UZP’s jurisdiction. Kerala’s experience in this regard and the experiences of other Indian states form good examples.

In contrast to current practices, these core staff should not be seconded from the national public service in order to ensure the LGI’s full control over its own core staff. One option would be to allow LGIs to hire their own core staff on a contractual basis similar to the way in which private sector entities (i.e., businesses and NGOs) hire and fire their employees.

Alternative, it may be prudent to introduce a Local Government Service Board that supports LGIs in the hiring, firing, promotion and transfer of LGI core staff. Such a board would operate independent of the central government (LGD), while at the same time preventing potential problems and excesses sometimes associated with local politicians acting “freestyle” (and thus adding a further check-and-balance to local government institutions). While core LGI staff would serve at the pleasure of the local executive and the council, having a Local Government Service Board would provide a firewall between the professionals employed by LGIs and the political leadership of individual LGIs.

Local field administration staff (“deployed staff”). While all officials of “transferred departments” ought to be monitored by the elected representatives within their respective jurisdictions and therefore work under the supervision and coordination of the UZP, for the foreseeable future, all deconcentrated field administration staff are—and would remain—de jure and de facto employees of their respective line ministries.

Since LGIs do not have meaningful operational control over the staff of central line ministries within their jurisdiction, it is important to clarify that authority over field staff is not actually “transferred” or “delegated” to any LGI.<sup>75</sup> In order to ensure a consistent understanding of the role of local governments, it is thus important to acknowledge the limited supervisory control that LGIs have over locally-posted staff. As noted above, the more effective deconcentration of line ministry staff and human resource management functions to the upazila level should be a first step in achieving greater responsiveness and accountability over deployed staff.

---

<sup>75</sup> It would be appropriate to refer to local field administration as “deployed staff” (as is done in the UP Act), which does not imply that the staff actually belongs to the LGI, but not as “transferred” or “delegated” staff (which does imply that the staff somehow belongs to the LGI).

In this context, the actual transfer of deconcentrated field administration staff (including making the UZP responsible for the payment of staff salaries) is not likely to result in improved local service delivery and—in fact—may result in a deterioration of service delivery quality until stronger local political and administrative systems are established at the Union and Upazila levels.

Making this point clear to central line ministries—that LGD is not out to “take over” their field administration—may reduce potential institutional tensions between LGD and the respective line ministries, and may result in central line ministries being more prone to seeing LGD and LGIs as potential allies in improving sectoral services, rather than seeing them as potential competition.

**Seconded LGI staff.** In addition to LGI’s own (core) staff and locally deployed central government field administration staff, the local government system in Bangladesh should recognize seconded LGI staff as a third category of local public servant in order to ensure more effective local control over local functionaries.

Seconded local government staff are local government employees that are legally employed and paid by the LGI, but where the person in question is a national (central) civil servant who is temporarily released from his or her central government duties in order to work for the LGI.<sup>76</sup>

Seconded LGI staff should fully serve at the pleasure of the local executive and council, meaning that if the council (for any reason) is unsatisfied with the seconded official, the LGI can release the official from his or her local duties. In fact, it could be argued that LGIs should have the ability to replace seconded staff with directly employed staff, if they are in the position to attract properly qualified own staff. The inability of LGIs to decline individuals being proposed for secondment by the central government, and the inability of LGIs to “return” seconded staff to the central government when their performance is inadequate effectively results in an unfunded mandate, whereby the local government has to accept and pay for a central government employee who may or may not diligently fulfill his or her duties in response to the priorities of the local government’s leadership.

## **6. A consolidated local government grant system in Bangladesh**

The different local government acts assigned LGIs with important functions. However, the functional responsibilities of LGIs are generally constrained because by law, the executive responsibility of LGIs for functions is explicitly limited by their ability to finance these services. For instance, the Upazila Parishad Act states that “the Parishads shall execute [their] functions in accordance with the capacities of their funds”. Whereas the national government is willing to provide central line ministries and central government departments and agencies with considerable budget allocations in order to provide localized services, the central government is much less willing to provide LGIs with the resources needed to perform their functions. For instance, LGIs only receive about 2-3 percent of the Annual Development Program in the form of block grants. Furthermore, the central government retains all productive revenue sources for itself. As a result, the funds available to the local government institutions fall far short from the resources needed for LGIs to be in a position to effectively deliver local services.

In order to channel adequate financial resources to the local government level, a consolidated local government grant system has to be put in place. Three types of intergovernmental fiscal transfers are required as part of a complete system of local government finance. First, since LGIs cannot afford to pay for basic local administration and the provision of local public services from their meager own revenue sources, LGIs should receive an unconditional (recurrent) grant to fund their ongoing operation and to support the provision of basic services, especially to poor residents. Second, LGIs should receive a grant to support the development of capital infrastructure for the executive functions assigned to LGIs. Third, LGIs should receive sectoral grants or earmarked grants for the purpose of supporting the localized delivery of national programs and services.

---

<sup>76</sup> In fact, under current arrangements, LGIs are required to pay seconded officers and staff an allowance in addition to his or her customary government salary.

In order to ensure that adequate financial resources are provided to the local government level and to prevent political manipulation, it would be appropriate to fix the size of the two main windows of the grant system (the recurrent unconditional LGI grant and the ADP Block Grant) could be fixed as a share of the national budget (e.g., 5 percent). These grants should then be distributed to LGIs during the budget year without any further requirement or impediment in accordance with an agreed-upon allocation formula that is objective, efficient and equitable. In order to ensure that these intergovernmental fiscal transfers are distributed to the local level in a transparent, timely, and complete manner, comparative experiences (including the experience of LGSP in Bangladesh) suggest that the main windows of the grant system should be disbursed directly from the Ministry of Finance to LGIs.

## **7. Strengthening local budgeting, PFM and local revenue administration**

In order to be legitimate, responsive and responsible local self-government units, local government institutions need to adhere to participatory budget process, transparent public financial management practices, and equitable revenue administration. In this context, there is a need to strengthening local budgeting, PFM and local revenue administration process on an ongoing basis across LGIs in Bangladesh.

One element that requires specific attention in the process of strengthening the local public financial management systems is the way in which LGI finances are monitored. A change in the approach to monitoring local government finances is required as Bangladesh aims to shift from a top-down, hierarchical post-colonial public sector (where LGIs are merely agents of the central government) to a democratic and responsive public sector (where local governments ensure greater responsiveness and accountability). Whereas in a hierarchical public sector LGI finances are essentially only monitored by officials at the next-higher level in the administrative hierarchy, in an effective, democratic local governance system, local financial information should be publicly available in order for local constituents as well as other stakeholders at different government levels. This requires a standardization of the way in which LGI budgets and finances are publicly reported by LGIs. In addition, in line with the public's right to information, this requires an effective mechanism for publicly sharing LGI financial reports beyond the traditional local noticeboards. As part of the wider Digital Bangladesh initiative, it would be possible to develop a system of online "Digital LGI Noticeboards" which would allow LGIs to post key budget and financial information online (in addition to other relevant local government documents) in a way that is relevant and understandable to local constituents as well as to other stakeholders.

## **8. Strengthening local participation and accountability**

Comparative international experience suggests that local participation and accountability is an area of relative weakness in most local government systems. In line with international experience, local participation and accountability mechanisms are also relatively weak for LGIs in Bangladesh. Although citizen participation and accountability mechanisms are weak for all types of LGIs, the weakness in this dimension is especially pronounced for Upazila Parishads.

Strengthening local participation and accountability in Bangladesh will require reforms and efforts in two areas. First, to the degree that LGIs act as local self-governments in delivering and executing their own functions, LGIs should operate with considerable openness and transparency with respect to their own (LGI) planning, budgeting, finances and operations. An opportunity exists for local governments to form the vanguard of a more open, participatory and responsive public sector in Bangladesh by ensuring adequate opportunities for citizen interaction with local decision-makers and implementers. Greater public support resulting from a more participatory, responsive and accountable approach to local governance is needed in order to secure broader support for long-term local governance reforms.

In order to ensure that citizens, their local elected representatives, other local constituent as well as other stakeholders are well-informed, urban local governments as well as Upazila Parishads should make key LGI documents—including council minutes, planning and budgeting document, as well as information about the executive functions and services provided by the LGIs themselves—available online on "Digital LGI Noticeboards" which are linked to the current online RTI efforts.

Second, to the degree that LGIs serve as overseers of the deconcentrated field staff within their jurisdictions, LGIs need to proactively engage in this role.<sup>77</sup> One option that would leverage the strengths of LGIs (particularly at the Upazila level) would be to require UZPs to make key upazila-level sectoral documents and local performance indicators available. For instance, in the education sector, one can imagine that each UZP might make the Upazila Primary Education Plan (UPEP) publicly available, along with key information (enrolment, number of teachers, basic performance information, and SLIP allocations) for each school within the Upazila.

However, it is unlikely that Upazila Chairmen will prioritize this monitoring role unless there is some benefit to the UZP as a political or executive organization. Likewise, it is unlikely that field administration officials—such as the Upazila Education Officer—would voluntarily facilitate a greater monitoring role by the UZP by providing the necessary information to the council, unless their involvement and compliance is incentivized. Boex (2014: 131) proposed that sectorally-earmarked performance-based grants could be used to incentivize both the UZP as well as deconcentrated field officials to collaborate more closely and to work together to improve the performance of local service delivery systems.



<sup>77</sup> It should be noted that the Upazila Parishad's monitoring role is currently seriously constrained by the limited amount of discretion that Upazila-level field officials have over localized service delivery. As noted in Section 7.1 above, there is a need to strengthening deconcentration to the upazila level to improve the coordination and cooperation between communities, field administration staff and LGIs.

# References



## References

- Abbott, Frank F. and Allan Chester Johnson. 1926. *Municipal Administration in the Roman Empire*. London: Oxford University Press.
- Abdul Kareem, P.K. and Antony Cyriac. 2006. *Evaluation Report on Decentralised Experience of Kerala*. Programme Evaluation Organisation, Planning Commission, Government of India. New Delhi: January 2006.
- Ahmed, Nizam. 1995. Party Politics in Bangladesh's Local Government: The 1994 City Corporation Elections, *Asian Survey*, Vol. 35(11): 1017-1029.
- Ahmed, Saifuddin. 2014. *Capacity Development Needs Assessment Survey on Pourashavas (2014)*.
- Ahmed, Tofail. 2012. *Decentralisation and the Local State: Political Economy of Local Government in Bangladesh*. Dhaka: Agamee Prakashani.
- Ahmed, Tofail. 2014. *Strategy Paper For Local Government Strengthening: Background Paper for Preparation of the Seventh Five Year Plan (Draft)*. December, 2014.
- Amader Shomoy. 2011. A Bengali Daily published from Dhaka, January 16, 2011.
- Aminuzzaman, S. M. 2010. *Local Government and development in Bangladesh: Lessons Learned and Challenges for Improving Service Delivery of Union Parishad (UP)*, Local Government Division, Ministry of Local Government, Rural Development and Co-operatives, Government of People's Republic of Bangladesh (GoB), Dhaka.
- Angel, Shlomo, David de Groot, Richard Martin, Yohannes Fisseha, Tsigereda Taffese and Patrick Lamson-Hall. 2013. *The Ethiopia Urban Expansion Initiative: Interim Report 2*. New York: NYU Stern - The Urbanization Project.
- Asian Development Bank / World Bank. 2005. *Decentralization in the Philippines: Strengthening Local Government Financing in the Short Run*. Manila: Asian Development Bank, 2005.
- Aslam, Ghazia, Serdar Yilmaz and Asli Gurkan . 2010. *A Framework to Assess Administrative Decentralization*. Social Development Note No. 129. Washington: The World Bank.
- Bahl, Roy. 1999. *Implementation Rules for Fiscal Decentralization*. ISP Working Paper 99-01. Atlanta: Andrew Young School of Policy Studies, Georgia State University.
- Baviskar, B. S.. 2003. *Impact of Women's Participation in Local Government in Rural India*, A Paper Presented in a Workshop entitled "A Decade of Women's Empowerment Through Local Government in India, New Delhi, Institute of Social Sciences, in association with South Asia Partnership Canada and International Development Research Centre.
- BBC. 2014. *Indonesia scraps direct elections for regional leaders*. London, 26 September 2014.
- Begum, A.. 2007. *Local Governance in Bangladesh: Towards a "Critical Mass" to Combat Discrimination against Women with Special Reference to India*, *Journal of Social Science*, Vol. 14 (3): 261-272.

- Bhattacharya D., Mobasser Monem, and Umme Shefa Rezbana . 2013. Finance for Local Government in Bangladesh-An Elusive Agenda, CPD-CMI working paper, No. 6, Dhaka: Centre for Policy Dialogue.
- Bhattacharya D., Mobasser Monem, Hasan Muhammad Baniamin and Umme Shefa Rezbana. 2014. The Unheard Voices: A Citizen Perception Study on Governance and Service Delivery by Urban Local Government Institutions in Bangladesh, CPD working paper. Dhaka: Centre for Policy Dialogue.
- Bhuiyan, Mohammad Nazmuzzaman. 2014. Review of Local Government Laws of Bangladesh towards Prospect of a Local Government Uniform Framework Legislation
- Boex, Jamie and Benjamin Edwards. 2014. Localizing Public Services and Development: The Local Public Sector's Role in Achieving Development Goals in Health and Education. Washington: The Urban Institute.
- Boex, Jamie. 2012a. Measuring the Local Public Sector: A Conceptual and Methodological Framework. Washington: The Urban Institute.
- Boex, Jamie. 2012b. Exploring the Fiscal and Financial Framework for Secondary Cities in Bangladesh. Washington: The World Bank.
- Boex, Jamie. 2014. Decentralization and Localization in Bangladesh: The Role of Local Governments and Local Administration in Ensuring Efficient and Equitable Health and Education Services.
- Boex, Jamie and Jorge Martinez-Vazquez. 2004. Developing the institutional framework for intergovernmental fiscal relations in developing and transition economies. ISP Working Paper 04-02. Atlanta: Andrew Young School of Policy Studies, Georgia State University.
- Boex, Jamie, Jorge Martinez-Vazquez and Andrei Timofeev. 2004. Subnational Government Structure and Intergovernmental Fiscal Relations: An Overlooked Dimension of Decentralization. ISP Working Paper Number 04-01. Atlanta: Andrew Young School of Policy Studies, Georgia State University.
- Boex, Jamie and Francois Vaillancourt. 2014. The Local Public Sector: composition, determinants and issues of definition and measurement. Paper prepared for presentation at the National Tax Association meetings, Santa Fe, NM, November 13, 2014.
- Boex, Jamie and Serdar Yilmaz. 2010. "An Analytical Framework for Assessing Decentralized Local Governance and the Local Public Sector." IDG Working Paper 2010-06. Washington, DC: The Urban Institute.
- Boex, Jamie, Brittany Lane, and Guevera Yao. 2013. An Assessment of Urban Public Service Delivery in South Asia: An Analysis of Institutional and Fiscal Constraints. Washington: The Urban Institute.
- Boex, Jamie, Benjamin Edwards, Jennifer Joel, Brittany Lane, Naledi Modisaatsone, Ammar Malik and Guevera Yao. 2014. Urban Service Delivery Assessment Framework, Washington, DC: The Urban Institute.
- Chowdhury. M. A. 1969. Rural Government in East Pakistan , Dhaka: Puthighar.
- Chowdhury, S. N. and M. A. Jabbar. 1979. Development Orientation of Local Government in Bangladesh", The Bangladesh journal of Agricultural Economics, Vol. 2.
- Capuno, Joseph J. 2008. A case study of the decentralization of health and education services in the Philippines. Manila: U.P. School of Economics

- Collier, Paul. 2009. *Wars, Guns, and Votes: Democracy in Dangerous Places*. New York: HarperCollins.
- Council of Europe. 1985, *European Charter of Local Self-Government*. Strasbourg: 15.X.1985
- Claire Charbit. 2011. *Governance of Public Policies in Decentralised Contexts - the Multi-Level Approach*. Paris: OECD.
- Crook, Richard C. 2003. "Decentralisation and Poverty Reduction in Africa: The Politics of Local–Central Relations." *Public Administration and Development* 23 (1): 77–88.
- Daily Star. 2011. *An English Daily Published from Dhaka* (30 November, 2011).
- Daily Star. 2014. *An English Daily Published from Dhaka* (January 28, 2014)
- Davey, K. 1993. Current trends in local government finance in Europe, in G. Marcou and I. Verebelyi (eds.) *New Trends in Local Government in Western and Eastern Europe*, Brussels: International Institute of Administrative Sciences, 165-90.
- Eaton, Kent, Kai Kaiser, and Paul Smoke. 2010. *The Political Economy of Decentralization Reforms: Implications for Aid Effectiveness*. Washington: The World Bank.
- Eaton, Kent, & Larry Schroeder. 2010. "Measuring Decentralization." In *Making Decentralization Work: Democracy, Development, and Security*, edited by Kent Eaton Connerley and Paul Smoke. Boulder, Colorado: Lynne Rienner Publishers.
- Fox, William F., and Balakrishna Menon. 2008. *Decentralization in Bangladesh: Change Has Been Elusive*. ISP Working Paper 08-29. Atlanta: Andrew Young School of Policy Studies, Georgia State University.
- Fritz, Verena, Kai Kaiser and Brian Levy. 2009. *Problem-driven Governance and Political Economy Analysis: Good Practice Framework*. Washington: The World Bank.
- Governance and Social Development Resource Centre (GSDRC). 2014. *Topic Guide: Tools for political economy analysis*. <<<http://www.gsdr.org/go/topic-guides/political-economy-analysis/tools-for-political-economy-analysis>>>. Accessed December 17, 2014.
- Government of Bangladesh (GoB). 1972. *The Constitution of the People's Republic of Bangladesh* (Dhaka, Ministry of Law and Justice).
- Government of Bangladesh (GoB). 2011. "Circular on Union Development Coordination Committee" (Local Government Division, Ministry of Local Government and Rural Development).
- Government of Bangladesh (2012) *Union Parishad Operation Manual*, Dhaka: Local Government Division, Ministry of Local Government, Rural Development and Cooperatives.
- Graner, Elvira, Fatema Samina Yasmin and Syeda Salina Aziz. 2012. *Bangladesh Youth Survey 2011: Giving Youth a Voice*. Dhaka, Bangladesh: Institute of Governance Studies, BRAC University.
- Gurkan, Asli, Serdar Yilmaz and Ghazia Aslam. 2010. *A Framework for the Assessment of Political Decentralization*. Social Development Note No. 124. Washington: The World Bank.
- Hicks, Ursula K. 1961. *Development From Below: Local Government and Finance in Developing Countries of the Commonwealth*. Oxford: Oxford University Press; First Edition.
- Institute of Governance Studies (IGS). 2012. *State of Cities: Urban Governance in Dhaka*. Dhaka: IGS, BRAC University.

- International Budget Partnership. 2013. Synthesis Report on the piloting of the Sub-National Open Budget Survey in Brazil, Indonesia and Tanzania. Washington: International Budget Partnership.
- Islam, N. and M. Khan (eds). 1997. Urban Local Governance in Bangladesh and Pakistan, Dhaka: Centre for Urban Studies.
- Jazairy, I. 1989. Assessing Participatory Development: Rhetoric versus Reality, Rome: Westview Press.
- Kabir, Mahfuz. 2014. Mapping of Fiscal Flow and Local Government Financing in Bangladesh.
- Kelly, Roy and Jamie Boex. 2013. "Fiscal Federalism and Intergovernmental Financial Relations". Chapter 11 in: International Handbook of Public Financial Management. R. Allen, R. Hemming and B. Potter, eds. Palgrave MacMillan.
- Key Informant Interview (KII). 2014. Interview with Selina Hyat Ivy on 29 October 2014 at UNDP office in Dhaka.
- Khan, M. M. 1997. Urban Local Governance in Bangladesh: An Overview, In: Islam, N. & Khan, M. M. (eds) Urban Governance in Bangladesh and Pakistan (Dhaka: Centre for Urban Studies).
- Kimble, Deborah, Jamie Boex, and Ginka Kapitanova. 2012. Making Decentralization Work in Developing Countries: Transforming Local Government Entities into High-Performing Local Government Organizations. IDG Policy Brief: November 2012. Washington: The Urban Institute.
- Kimchoeun, Pak and David Craig. 2008. Accountability and Public Expenditure Management in Decentralised Cambodia. Phnom Penh: CDRI.
- Litvack, J. and Jessica Seddon (eds.). 1999. Decentralization Briefing Notes. Washington, DC: World Bank.
- Mangahas, Malou. Open Government Partnership: Philippines Progress Report 2011-2013. Manila: Philippine Center for Investigative Journalism.
- Mansuri, Ghazala & Vijayendra Rao. 2013. Localizing Development: Does Participation Work? Washington: The World Bank.
- Mark, Katharine. 2014. Performance Management Can Improve Local Services in Developing Countries: The Service Improvement Action Plan. PREM Notes: Number 2014-29. Washington: The World Bank.
- Mohit, M. A. 1992. Institutional management for the development of Dhaka metropolitan area: Problems and prospects. In N. Islam, A. I. Chowdhury (Eds.). Urban Land Management in Bangladesh. Dhaka: Ministry of Land, Government of Bangladesh.
- Mott MacDonald. 2011. Preparing Frameworks for Municipal Development Interventions. Dhaka: Mott MacDonald/LGED.
- Mukundan, Mullikottu-Veetil , and Mark Bray, 2004. "The Decentralisation Of Education In Kerala State, India: Rhetoric and Reality," International Review of Education 50: 223–243.
- Nasir Uddin, A. M. M. 2014. Review of Local Government Revenue Regimes of Bangladesh Towards Prospect of a Uniform Local Government Taxation / Revenue Policy.
- Noor, A. 1984. Pattern of Expenditure of the Union Parishad in Bangladesh, The Journal of Local Government, Vol. 13:53-67.

North, Douglass C., John Joseph Wallis, Steven B. Webb and Barry R. Weingast. 2007. Limited Access Orders in the Developing World: A New Approach to the Problems of Development. Policy Research Working Paper 4359. Washington: The World Bank.

OECD. 2014. Tax revenue as percentage of total revenue for each level of government. OECD Fiscal Decentralisation Database. Accessed December 2, 2014. <<<http://www.oecd.org/tax/federalism/oecdiscaldecentralisationdatabase>>>

Osman, Ferdous Arfina, Jamie Boex, Mokshedul Hamid, and Abdul Hannan Shaikh. 2014. An analysis of functional assignments in health and education in Bangladesh: the role of local governments and local administration. Dhaka: UNDP.

Panday, P. K.. 2006. Central-Local relations, Inter-Organisational Coordination and Policy Implementation in Urban Bangladesh, *The Asia Pacific Journal of Public Administration*, Vol. 28 (1):1-19.

Panday, P. K.. 2007. Policy Implementation in Urban Bangladesh: Role of Intra-organizational Coordination, *Public Organization review: A Global Journal*, Vol. 7: 237-259

Panday, P. K.. 2008. Representation without Participation: Quotas for Women in Bangladesh, *International Political Science review*, Vol. 29(4): 489-512.

Panday, P. K.. 2013. Women's Political Participation in Bangladesh: Institutional Reforms, Actors and Outcomes, USA and India: Springer.

Panday, P. K. and J. Jamil. 2011. Challenges of Coordination in implementing Urban Policy, *The Bangladesh Experience*, *Public Organization Review*, Vol. 11: 155-176.

Pande, Rohini. 2004. Overview of Decentralization in India. Initiative for Policy Dialogue. New York: Columbia University.

PEFA. 2011. Public Financial Management Performance Measurement Framework (Revised, January 2011). Washington: PEFA Secretariat.

Planning Commission. 2011. Sixth Five Year Plan FY2011-FY2015. Ministry of Planning, Government of the People's Republic of Bangladesh.

Pritchett, Lant. 2013. *The Rebirth of Education: Schooling Ain't Learning*. Washington: Brookings Institution Press.

Rahman, A.T.R.. 1962. Basic democracies at the Grassroots. Comilla: Pakistan Academy of Rural Development (PARD).

Rocamora, J.. 2004. 'Party Building and Local Governance in the Philippines', *Dialogue + Cooperation*, 3: 51-68.

Rondinelli, Dennis. 1986. Briefing Notes: Overview of Decentralization in Developing Countries. Washington, D.C.: USAID.+ *Cooperation*, 3: 51-68.

Sanu George, M. 2007. An introduction to local self-governments in Kerala. First Edition, September 2007.

Schroeder, L.. 1984. A Review of Bangladesh Zila Parishad and Union Parishad Finances, N.Y., Metropolitan Studies Program, Syracuse University.

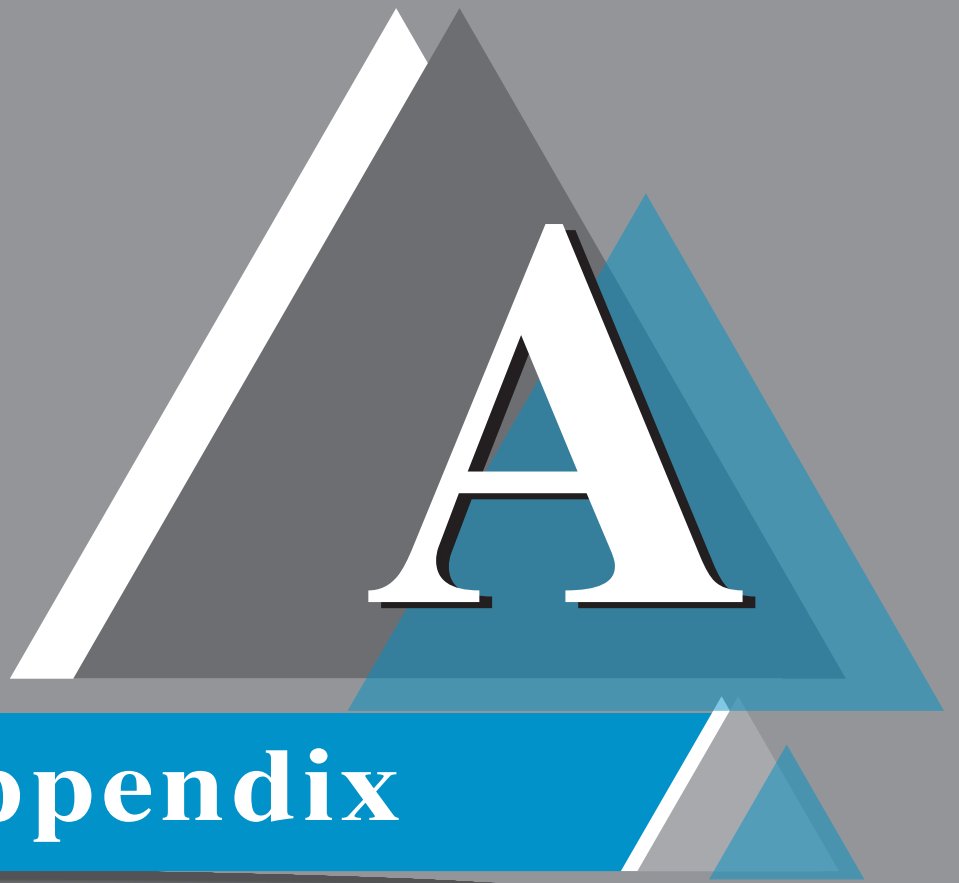
Selim, M. and S. Ahmed. 2010. Working of Upazila System: A case Study of Kumarkhali Upazila (Draft Report) (Dhaka, UNDP, 2010).

Siddiqui, K.. 1991. Fiscal Decentralization in Bangladesh (Dhaka, NILG).

Siddiqui, Kamal Uddin. 2000. Local governance in Bangladesh: Leading issues and major challenges. Dhaka: University Press Ltd.



- Siddiqui, K.. 2005. *Local Government in Bangladesh (Revised Third Edition)* (Dhaka, UPL).
- Skoufias, Emmanuel, Ambar Narayan, Basab Dasgupta and Kai Kaiser. 2014. *Electoral Accountability and Local Government Spending in Indonesia*. World Bank Policy Research Working Paper 6782. Washington: The World Bank.
- Steffensen, J., M. Monem and E. Hossain. 2011. *Final Report on the Assessment of the LGSP-LIC Performance-Based Grant System – PBGS* (Dhaka, UNCDF/UNDP).
- Subrahmanyam, Kompella Siva. ND. *Innovative Features in Panchayat Raj in Select States and Scope for Their Replication*. National Institute of Rural Development.
- Teehankee, Julio C. 2012. Clientelism and party politics in the Philippines. Chapter 10 in: Dirk Tomsa and Andreas Ufen (eds). *Party Politics in Southeast Asia: Clientelism and Electoral Competition in Indonesia, Thailand and the Philippines*. London: Routledge.
- Ullah, A. & Pongquan, S.. 2011. "Revenue Mobilization Performance of Union Parishad in Bangladesh: Is it Convergence of Central-Local relations?", *Asian Social Sciences*, Vol. 7, No. 2, pp. 25-40.
- UN Economic and Social Commission for Asia and the Pacific (UNESCAP). 1999. *Local Government in Asia and the Pacific: A comparative Study of Fifteen Countries*. Bangkok, Thailand: UNESCAP.
- UN HABITAT. 2007. *International Guidelines on Decentralization and Strengthening of Local Authorities*., Kenya: United Nations Human Settlements Programme.
- USAID. 2009. *Democratic Decentralization Programming Handbook*. Washington: USAID.
- Varatharajan, D., R Thankappan & S. Jayapalan. 2004. "Assessing the performance of primary health centres under decentralized government in Kerala, India," *Health Policy and Planning*; 19(1): 41–51.
- Wampler, Brian. 2013. *Participation, Transparency and Accountability: Innovations in South Korea, Brazil, and the Philippines*. Global Initiative for Fiscal Transparency.
- Williamson, Tim and Abdu Muwonge. 2010. *Fiscal Analysis of Local Self Governments in Kerala (with a focus on Municipalities and Gram Panchayats)*. Washington: World Bank.
- World Bank. 2004. *Fiscal Decentralization to Rural Governments in India*. Report No. 26554-IN. New Delhi: The World Bank.
- World Bank. 2005. *East Asia decentralizes: Making Local Government Work*, Washington, DC: The World Bank.
- World Bank. 2007. *Bangladesh: Strategy for Sustained Growth*. Bangladesh Development Series Paper No. 18. Dhaka: The World Bank.
- World Bank. 2009. *Local Government Discretion and Accountability: Application of a Local Governance Framework*. Social Development Department, Report No: 49059-GLB.
- World Bank. 2013. *Governance in Bangladesh*. Country Brief. <<http://www.worldbank.org/en/country/bangladesh/brief/bangladesh-governance>>. Accessed October 30, 2014.
- Yilmaz, Serdar, Yakup Beris, and Rodrigo Serrano-Berthet. 2008. "Local Government Discretion and Accountability: A Local Governance Framework." Social Development Working Paper No. 113. Washington, DC: The World Bank.
- Yilmaz, Serdar, Ghazia Aslam and Asli Gurkan . 2010. *A Framework for the Assessment of Fiscal Decentralization System*. Social Development Note No. 123. Washington: The World Bank.



# Appendix

## Terms of Reference

## Objectives

The policy research will analyse gaps and challenges within the existing institutional and legal frameworks of LGS in Bangladesh. It will recommend policy options for the policy makers to further promote decentralization and strengthen local democracy through initiating appropriate policy and legal reforms, which will help eradicate poverty and expedite achievement of "Vision 2021".

The recommendation will be in the realm of administrative, legislative and institutional perspective to restructure, reorganize and connect existing tier based LGS. It will identify responsible partner/agency and a proposed time frame for realization of the proposed options. Gender will be used as a cross-cutting and integral theme of the entire study. The comprehensive report will be submitted to the Local Government Division to initiate appropriate policy reform.

## Background

The Union Parishad Governance Project (UPGP) and Upazila Governance Project (UZGP) are a part of the overall programmatic framework for UNDP and UNCDF support to the Government of Bangladesh in the area of Local Governance reforms, supported by the European Union, and the Governments of Switzerland (SDC) and Denmark (DANIDA). The timeframe for UZGP is from August 2011 to July 2016, while UPGP is being implemented covering the period December 2011 to November 2016.

Both the projects have 3 outputs that focuses on (a) strengthened Upazila Parishads & Union Parishad as more functional, democratic, transparent and accountable institutions; (b) Strengthened Planning and Budgeting system at UZP & UP with MDGs orientation for pro-poor service delivery mechanism; and (c) Strengthened technical capacity of Local Government Division for effective policy review, monitoring, lesson learning and capacity development of LGIs for improved Local Governance. Both projects are conjoined through the third output which is jointly pursued.

Currently, Local Government System in Bangladesh has separate systems for rural and urban areas. The rural system has 3 tiers whereas urban system is double tiered. The inter and intra institutional interface among these tiers is non-existent, despite complementary mandate especially within the perspective of funds, functions and functionaries. Similarly each tier has its own law and operational framework which are not mutually inclusive. All the tiers of LGS, be urban or rural, have generally been documented to be operational with each level having its share of institutional hiatus and subjected to legal iterations.

Therefore, neither there is a community of practice for institutional cooperation, citizen engagement and LGIs tier specific participatory local planning & development for service delivery; nor a unified legal framework that strengthen the Local Government System. Collectively, it effects on functioning and accountability of the respective LG tier.

This establishes the need for undertaking a comprehensive national review and analysis of existing local government system to draw a comparative perspective and practices based analysis of the operational LGS having similar contextualization. The perspective and practice based analysis will focus at institutional (tier) and legal level.

## Scope of work and expected outputs / deliverables:

The objective of the study, in line with UZGP programme output, is to 'Strengthen the Local Government Institutions (LGI) and local governance in Bangladesh through effective policy review and comparative analysis'. The Specific objectives of the study will be to:

1. Assess and review existing Local Government System, both urban & rural, in Bangladesh within its tier based institutional structure and corresponding legislative framework for each tier
2. Undertake comparative perspective and practices together with analysis of functionality and operationalization of LGS with at least two countries having similar context in the region; preferably India and the Philippines.
3. Recommend policy options for institutional streamlining and strengthening legal framework of LGS in Bangladesh

Following research dynamics will be the basis for critical evaluation, policy research and reporting for perspective and practices based comparative analysis:

- Rural and urban LGS – a divide or interface
- Multi-tier or Single tier LG system
- Interface of local administration and local government in LGS with reference to funds, function and functionaries
- Exclusive tier specific legal provisions for LGIs or unified legal framework for LGS

A comparative international perspective and analysis of practices of decentralization process will also be integrated in the study to reflect on policy options for Bangladesh. The study is expected to focus on LGS in India and the Philippines. The study will:

- Analyze historic evolution of administrative, institutional and legal frameworks focusing LGS in Bangladesh.
- Evaluate existing LGS tiers: its level of decentralization & fiscal flow patterns, complementarity and gaps. (funds, functions & functionaries)
- Evaluate existing legal framework/provisions for each of the LGI tiers: its level of mutual inclusiveness and gaps.
- Co-relate and validate secondary data analysis and findings through desk and literature review, field visit, expert views and stakeholder consultation.
- Compare edifice of decentralization, its process and operationalization of system with at least 2 countries (preferably India and the Philippines) to recommend good practices.

The policy research will integrate all LGI perspectives and stakeholders through range of research tools. The secondary research tools will be employed to focus on reports of earlier governmental review commission & committees and any similar work of the civil society. The tier specific legal framework inclusive of all its iterations will also be reviewed. The critical research(s) of at least last 5 years, which are complementary to the objectives of the current research, will also be consulted along with the selective work of development partners to Bangladesh.

The primary research tools will be used to bring in operational ground realities and existing legislations in perspective both in terms of challenges and opportunities for the LGS tiers. The stakeholder perspective will also be integrated from Central to all LGIs level focusing existing institutional mandates and delivery mechanism in terms of funds, functions and functionaries to identify gaps and way forward towards the policy reform and re-organization

A large, stylized white letter 'B' is the central focus. It is set against a background of overlapping geometric shapes: a large grey triangle, a medium blue triangle, and a smaller white triangle. The letter 'B' has a thick black outline. Below the letter, there is a horizontal blue bar with a white diagonal line on the right side. To the left of the word 'Appendix' on this bar, there are two small squares, one light blue and one grey, overlapping each other.

# B

## Appendix

### Local Government Systems Assessment Indicator Set



The five main institutional dimensions of local government systems reflected by this Assessment Framework are evaluated on the basis of 31 individual indicators (Boex et al, 2014). Each assessment indicator seeks to assess the functioning of a key element of the local government system based on an ordinal indicator ranging from zero points to one point. In some cases, the maximum score for an indicator is half a point. For some indicators, fractions of points can be awarded. Aggregate assessment indicators are computed for each of the five institutional dimensions by aggregating the scores for the individual assessment indicators in each category.

The set of assessment indicators is focused on the basic performance of the local government system based on existing good international practices. Guidance is provided in this appendix on what performance would meet each score, for each of the indicators. The highest score (typically one) is warranted for an individual indicator if the criterion meets the relevant objective in a complete manner, whereas the lowest score indicates that an urban area has failed to meet the criteria.

## A. Effective assignment of functions to the local level

Local governments are assigned the effective responsibility and authority to manage local affairs.

PI	Assessment Indicator	Scale	Clarification
A1	According to the legal framework, is the LG responsible for providing or delivering the service (in accordance with the subsidiarity principle)?	<p>0 - The legislative framework is unclear about the legal assignment of functions</p> <p>0 – Inconsistent with the subsidiarity principle. The responsibility for service provision is assigned to the center (central ministry / central parastatal / local entity directed by central ministry)</p> <p>0.5 - The responsibility for service delivery is legally shared by the LG and higher-level authorities</p> <p>1 – Yes, the LG (or a SDU under LG) is fully legally responsible for delivering the service in accordance with the subsidiarity principle</p>	<p>If the LG is only legally responsible for part of the service delivery function (e.g., if the LG is assigned the responsibility for the recurrent aspects of service provision but not for capital investments), please assign only half point.</p> <p>Note, the indicator asks which level is responsible for the provision or delivery of the service. The question does not pertain to whether higher levels set policy standards, regulate, or finance the service. The question also does not pertain to whether the service is produced by the LG itself (for instance, the production of the service may be contracted out to a private sector provider).</p>

PI	Assessment Indicator	Scale	Clarification
A2	In practice, is the LG responsible for the recurrent provision of the service?	<p>0 - No, in practice, this responsibility is performed by a higher-level entity (e.g., central ministry / central parastatal / local entity not under LG)</p> <p>0.5 - The responsibility for recurrent provision is de facto shared by center and LG</p> <p>1 - Yes, in practice the recurrent provision of this service is done by the LG (or SDU under LG)</p>	<p>Recurrent provision includes human resources, operation, and maintenance.</p> <p>If the local government level in reality provides only part of the service delivery function, please assign half the points indicated.</p> <p>Again, the question also does not pertain to whether the service is produced by the LG itself (for instance, the production of the service may be contracted out to a private sector provider).</p>
A3	In practice, is the LG responsible for planning and procuring the capital infrastructure required for providing the service?	<p>0 - No, in practice, this responsibility is performed by a higher-level entity (e.g., central ministry / central parastatal / local entity not under LG)</p> <p>0.5 - The responsibility for infrastructure planning and provision for the service is de facto shared by center and LG</p> <p>1 - Yes, in practice, planning and procuring capital infrastructure is done by the LG (or SDU under LG)</p>	<p>The de facto situation is revealed by the extent to which central agencies (directly or indirectly) provide or control the capital infrastructure for the relevant urban service delivery function.</p> <p>If infrastructure investments are made through local accounts, but the LG does not have meaningful control over planning and prioritization, please assign half of the points indicated.</p>
A4	Does the de facto assignment of functional authority match de jure responsibility (with regard to the service at hand)?	<p>0 - The legislative framework is unclear or inconsistent, or not fully adhered to</p> <p>1 - Yes, the legislative framework is clear and consistent, and fully adhered to</p>	<p>Receiving full points requires a clear and consistent legal framework (e.g., no contradictions with sector legislation) AND perfect correspondence between legal framework and actual practice (both for recurrent and capital functions). (No partial credit).</p>
A5	What is the organizational status of the local service delivery unit (SDU)?	<p>0 - The SDU is organizationally part of a central government entity or a corporate body controlled by a central government entity</p> <p>0.5 - The SDU is a corporate body jointly controlled by LG and higher-level government</p> <p>1 - The SDU is part of the LG organization (e.g., a municipal department), or a corporate body controlled by the LG</p>	<p>The score for this question deals exclusively with the organizational / legal status of the local service delivery unit; the scoring of this question should not depend on the degree of functional control that the local entity/SDU has.</p>

### ***Discussion and clarifications:***

- Rather than assessing the overall assignment of functional responsibilities, these assessment indicators address the specific (urban) service under consideration.
- In some countries, urban services are not fully the responsibility (either de jure or de facto) of urban local governments. For instance, urban local governments may be assigned the legal responsibility to collect local waste, but a central government entity may be legally responsible for operating the local landfill. As another example, urban local government may be assigned the responsibility to construct and maintain local roads and infrastructure, while in reality a central government entity has taken responsibility for constructing and paving local roads. Other scenarios might involve local govern

ments providing and maintaining the infrastructure required for a public service, while the central government retains the (either de jure or de facto) direct responsibility for staffing and operating the service delivery facilities.

## B. Dynamic local political leadership

The local political leadership is given the necessary political space and is effective in identifying and responding to the needs of its residents and the local business community.

PI	Assessment Indicator	Scale	Clarification
B1	Is the Urban Local Government Executive directly elected?	<p>0 - The LG Executive is not recruited through elections (e.g., appointed by center)</p> <p>0.5 - The LG Executive is elected or appointed by the local council</p> <p>1 - The LG Executive is elected in direct elections by the voting population</p>	Direct election is a term describing a system of choosing political officeholders in which the voters directly cast ballots for the person, persons, or political party that they desire to see elected.
B2	Are the LG election system and LG elections competitive?	<p>Add the points below if the following statements are correct:</p> <p>0.25 – There is no ruling party dominance across LGs</p> <p>0.25 – There is no central party dominance over the selection of local political candidates</p> <p>0.25 – Between 35-60% of the total registered voting population participated in the last LG elections</p> <p>0.5 - At least 60% of the total registered voting population participated in the last LG elections</p>	<p>A national ruling party has a dominant position at the local level if it is able to leverage its political strength in order to ensure that more than 75 percent of localities or locally elected positions are consistently won by ruling party candidates.</p> <p>Central party dominance over the selection of local political candidates exists when the central political party is able to select the party's candidates for local office. No such dominance exists if local chapters of the political party select local candidates without central party involvement, or if candidates are selected through an open primary election process.</p>
B3	Does the LG Executive have broad support from the LG legislative council and LG's administrative apparatus/staff?	<p>0 – No; a cooperative relationship does not exist between executive on one hand and the council and local administrators/staff (or an oppositional relationship exists)</p> <p>0.5 – Council and administrators/staff play their roles without prejudice to stance of the executive (e.g., council supports when it agrees; withholds support when it disagrees)</p> <p>1 – LG Executive has general / broad support from LG legislative council and LG's administrative apparatus/staff</p>	Receiving full points requires a clear and consistent legal framework (e.g., no contradictions with sector legislation) AND perfect correspondence between legal framework and actual practice (both for recurrent and capital functions). (No partial credit).

PI	Assessment Indicator	Scale	Clarification
B4	Does the LG Executive recruit, appoint and holds authority over the core local administration team (chief administrative officer, CFO, etc.) and the head administrators of local service delivery agencies?	<p>0 – No, LGs do not hold the power to recruit, appoint nor management authority over core local admin team or administrators of service delivery agencies</p> <p>0.25 – One or more local administrators / department heads are appointed by higher level government</p> <p>0.5- LGs have the power to recruit or exercise HR authority, but only with oversight/approval from the central/state government</p> <p>0.75 – The LG Executive can recruit/appoint/hold authority over the core admin team, but subject to confirmation by local council</p> <p>1 – LG Executives holds the power to recruit and exercise authority over administrators of service delivery departments / agencies</p>	This PI is not limited to the specific service under consideration
B5	Is the LG focused on achieving results in the service delivery areas that constituents care about?	<p>0 – No, LG priorities and actions generally do not reflect the priorities of local constituents (residents and the local business community)</p> <p>0.5 – The LG's priorities and actions partially reflect the priorities of local constituents (residents and the local business community)</p> <p>1 – Yes, within its constraints, the LG's leadership makes focused efforts to identify and address the service delivery priorities of its constituents (residents and the local business community).</p>	<p>This PI deals with whether the LG's efforts are focused on service delivery issues that are priorities for their constituents. This requires that the LG not only engages in (formal or informal) consultations with its constituent, but also that it acts on the service delivery priorities identified by the constituents.</p> <p>It is difficult to score this PI based on pre-defined set of objective criteria, especially since the LG may be constrained in achieving effective results by various (political, administrative, or fiscal) factors beyond their control.</p> <p>Partial scores (quarter points) can be awarded as appropriate.</p>

### ***Discussion and clarifications:***

- Unlike some of the other institutional dimensions included in the Assessment Framework, the score on dynamic local political leadership in principle does not apply to any specific service, and may not vary much (if at all) across different urban services.
- It should be noted that this performance dimension focuses on the preconditions for dynamic local political leadership and on whether dynamic local political leadership is supplied, and not on the demand side for effective local political leadership.
- The assessment indicators included in this performance dimension focus considerably on identifying whether the local political leadership is given the necessary political space to make local decisions. This is viewed as a critical precondition for effective local political leadership. After all, local political leaders will only respond to the service delivery needs of their residents and the local business community when they have the political autonomy (discretion) and the political incentives to do so. In addition, as measured by other performance dimensions in the assessment framework, the

local political leadership needs local administrative control over service delivery as well as adequate local fiscal discretion before it is able to respond effectively the service delivery needs of their constituents.

- In part, this performance dimension tries to measure whether the local political leadership (LG Executive) is effective in working together with the LG legislative council and the LG's administrative apparatus/staff (B3). In addition, in order for a LG to have dynamic local political leadership, the LG should focus its efforts on identifying and responding to the service delivery areas that constituents (residents and the local business community) care about (B5). It is noted that, in many cases, it is difficult to objectively measure the degree of responsiveness and effectiveness of local authorities.
- In some cases, the responsiveness of the local political leadership is constrained by strong top-down political incentives to secure political support from the central political leadership, which may place local leaders at odds with the priorities expressed by their local constituents. In other cases, the effectiveness of local leaders is constraint by the absence of control over local administrative or fiscal mechanisms. Beyond the performance scores identified here, the USD-AR provides the opportunity to present a more nuanced discussion and assessment of these issues.
- In some countries, dynamic local leadership is equated with local leaders who are successful in securing additional resources from the central (higher-level) government budget. Even though support from central political leaders may be seen as an important element of a dynamic local leader, the performance framework emphasizes the importance of local executives to secure support from the LG's council, the LG's bureaucrats and staff, and its local constituents (both residents and the local business community). To the extent that a local government's ability to secure the funding necessary to deliver urban local services is dependent on personal access to central government decision-makers, this may in fact be seen as a weakness of the local government system.

## C. Local control over administration and service delivery

The local political leadership is given the necessary control over the administration of local public services in order to respond to the service delivery needs of its residents and the local business community.

PI	Assessment Indicator	Scale	Clarification
C1	Does the LG (Executive or Council) appoint the head of the SDU?	0 - No, a higher-level authority (e.g., central ministry / central parastatal / local entity not under LG) appoints SDU head 0.5 – The LG appoints the head of the SDU, but requires approval from higher-level authorities 1 – The SDU head is appointed by the LG (either LG Executive or LG Council) without central involvement or approval	
C2	Does the LG approve and manage the budget of the SDU?	0 – No, a higher-level authority (e.g., central ministry / central parastatal/ local entity under central control) approves and/or manages the SDU's budget 1 – Yes, the LG approves and manages the budget of the SDU	If the financial resources for capital infrastructure are not included in the SDU budget (but instead, are determined centrally), please reduce the score in half. Partial scores (half or quarter points) can be awarded as appropriate.



PI	Assessment Indicator	Scale	Clarification
C3	Does the LG determine its own organizational structure and staff establishment (for the service at hand)?	<p>0 - No: a higher-level authority (e.g., central ministry / central parastatal / local entity not under LG) controls the LG (or SDU's) organizational structure and staff establishments</p> <p>0.5 - The LG (or SDU under LG) has partial control over the organizational structure (or requires central approval)</p> <p>1 - Yes: The LG (or SDU under LG) has full control over organization structure and staff establishment</p>	<p>Full control over its organizational structure requires LG to be able to determine its own establishments (staff organization) without higher-level approval.</p> <p>Partial credit may be awarded if a LG falls between categories, or when it has a higher degree of control over some (but not all) of the organizational/staffing structure for the service at hand.</p>
C4	Does the LG have control over its human resource decisions (for the service at hand)?	<p>0 - No: a higher-level authority (e.g., central ministry / central parastatal / local entity not under LG) has control over the human resources (for the service at hand)</p> <p>0.5 - The LG (or SDU under LG) has only partial control over its human resources (or requires central approval)</p> <p>1 - Yes: The LG (or SDU under LG) has full control over its own human resource decisions</p>	<p>Full control over HR decisions requires LG to be able to set its own wage levels, and implies the power to hire/ fire/ promote all local staff; all without central government approval.</p> <p>Partial credit may be awarded if a LG falls between categories, or when it has a higher degree of control over some (but not all) of its own staff for the service at hand.</p>
C5	Does the LG plan and manage the procurement of capital investments /infrastructure required for the service?	<p>0 - No: a higher-level authority plans and manages the procurement of capital investments /infrastructure required for the service</p> <p>0.5 - The LG (or SDU under LG) has partial control over infrastructure planning and procurement</p> <p>1 - The LG (or SDU under LG) has full control over infrastructure planning and procurement</p>	<p>In order for full credit to be awarded, the LG must both plan and procure its capital investments for the relevant service.</p> <p>Partial credit may be awarded if a LG is felt to fall between categories, or when it has a higher degree of control over some (but not all) procurements</p>

### ***Discussion and clarifications:***

- The current institutional dimension focuses considerably on identifying whether the LG has control over local administrative systems and mechanisms for the service under consideration (including the appointment of the SDU head; control over the allocation and management of the SDU's financial resources; management control over the human resources that deliver the service; and control over service delivery related planning and procurement). When a service delivery responsibility is assigned to the local level, local control over the relevant administrative and service delivery mechanisms should be viewed as a critical precondition for effective local service delivery. In turn, this performance dimension may somewhat downplay the manner in which local officials execute the administrative responsibilities that they actually have.
- It should be noted, however, that providing local officials with considerable control over local administrative mechanisms is necessary, but not a sufficient, condition for effective and inclusive local service delivery. In addition to administrative control, local officials need to be given incentives to perform well; they need the financial resources, skills and tools to effectively deliver the services which they are tasked to provide; they need strong local political oversight (e.g., council monitoring of service delivery efforts); top-down monitoring of local government performance, as well as strong bottom-up accountability mechanisms in order for local officials to be held account

able for their performance. Some of these aspects are measured by other assessment indicators contained in the assessment framework.

- Effective local control over local administration and service delivery requires local government not only to serve as a reactive administrator of local services, but rather, to act as a pro-active manner of urban local services. For instance, in some countries, infrastructure plans for urban services are developed centrally (either by central government agencies themselves, or by technical experts contracted by central authorities) and “parachuted in” at the local level. In these cases, the actual involvement of the LG may be limited to the signature of the LG executive or SDU head on the final plan and/or on the procurement document. This lack over true ownership over urban service delivery planning is not likely to produce the same service delivery outcomes as more robust ownership over local service delivery planning.

## D. Local fiscal autonomy and local financial management

Local governments are assigned the appropriate mix of own source revenues and intergovernmental fiscal transfers; have adequate autonomy over their own source revenue instruments; and effectively administer their local finances.

PI	Assessment Indicator	Scale	Clarification
D1	Does the LG (or SDU) have an orderly and participatory annual budget process?	Add the points below if the following statements are correct: 0.25 - Existence of and adherence to a fixed budget calendar 0.25 - Comprehensiveness of local political involvement in the preparation of the budget, resulting in timely budget approval by the local council	Based on most recently completed financial year.  See Discussion and Clarification section below for a detailed clarification on the scoring of this assessment indicator
D2	Are the LG's (or SDU's) expenditure out-turns (for the service at hand) consistent with the original approved budget?	0 – No; actual expenditures for the service at hand deviate more than 15% from the budgeted expenditure 0.25 - The actual expenditure for the service at hand (or for the SDU) deviated from budgeted expenditures by an amount equivalent to between 5% and 15% of budgeted expenditure 0.5 - The actual expenditure for the service at hand (or for the SDU) deviated from budgeted expenditures by an amount equivalent to no more than 5% of budgeted expenditure	This PI is based on total (recurrent plus development) expenditures for the service at hand, and should be based on the most recently completed financial year for which budget data are available.  (Note: this PI is based on PEFA PI-1)

PI	Assessment Indicator	Scale	Clarification
D3	What is the quality and timeliness of annual financial statements?	Add the points below if the following statements are correct: 0.25 – Annual financial statements are prepared in a complete manner; submitted within 6 months of the financial year; in accordance with national or international accounting standards. 0.25 – The LG received a clean (unqualified) audit report	Based on most recently completed financial year for which data are available. (Note: this PI is based on PEFA PI-25)
D4	Is the LG free to define its own local revenue instruments (e.g., specify user fees, adopt new revenue instruments, or modify existing local revenue instruments)?	0 – No: LGs depend on the central/state government for revenue decisions (“closed list approach”) 0.25 – Partial: LGs have some discretion, but only with approval from the central/state government 0.5 – Yes: LGs have considerable authority to define their own revenue instruments (within reasonable constitutional or legislative constraints)	The scoring of this PI is not limited to (revenues related to) the specific service under consideration.
D5	Does the LG have the right to set the tax base or tax rate for all local revenue instruments?	0 – No, the LG generally does not have control over local tax/fee rates 0 – The LG has meaningful control over non-tax instruments (fees and charges), but limited or no control over local tax rates (or bases) 0.25 – In addition to discretion over non-tax instruments, LG has meaningful (de facto) control over some local tax rates (or bases) 0.5 – Yes, LG has substantial discretion over the rates (or bases) for all local revenue instruments	The scoring of this PI is not limited to (revenues related to) the specific service under consideration.
D6	Does the LG take into account full-cost recovery (including the user cost of capital) when setting user fee rates or local tax rates for the service at hand?	0 – No, the user fee (or designated local tax or revenue source) only covers the recurrent cost of service provision (or is not even adequate to cover recurrent costs) 0.25 - The user fee (or designated local tax or revenue source) only partially covers the user cost of capital (in addition to recurrent/operational costs). 0.5- Yes, the user fee (or designated local tax or revenue source) is adequate to cover recurrent as well as capital expenditures	If the service is funded from general revenues (instead of a user fee or earmarked revenue source), the de facto adequacy of local tax rates should be assessed based on whether—after covering recurrent expenditures—sufficient financial resources are available for the regular replacement of existing capital infrastructure  This PI implicitly also considers the LG’s enforcement effort, as the de facto tax rate for a fee/tax that is not collected equals zero.

PI	Assessment Indicator	Scale	Clarification
D7	Does the LG effectively and equitably administer the property tax?	<p>0 – No. Adequate property taxes are collected for 50% or fewer of taxable properties</p> <p>0.25 – Adequate property are collected for 50-90% of taxable properties</p> <p>0.5 – Yes, adequate property taxes are paid for 90% or more of taxable properties</p>	<p>This PI deals with the local property tax (or the main general-purpose revenue source, if the LG does not collect a property tax) irrespective of whether this tax funds the service at hand.</p> <p>Subtract 0.25 points if collection rates exceed 50%, but consistent discrepancies exist between the amount of tax collected and the tax amount legally due. Taxable properties include all properties that ought to be included in the tax base (not necessarily just those included on the cadaster/tax roll)</p>
D8	Does the LG have access to borrowing from the private sector (e.g., from financial institutions or bonds) to fund local capital infrastructure expenses for the service at hand?	<p>0- No</p> <p>0.25 – The LG can only borrow from a central lending institution or only with specific central government approval</p> <p>0.50 – Yes; the LG has access to borrowing without specific approval from the center</p>	Without loss of points, LGs may need to comply objective (norm-based) criteria established for borrowing
D9	Does the LG receive adequate (conditional or unconditional) grants/transfers from a higher level government to support local administration and to provide services to the urban poor (for the service at hand)?	<p>0 - The LG receives no (or completely inadequate) transfer funding to support local administration or to provide services for the urban poor</p> <p>0.25 - The LG receives some (but not adequate) transfer funding to support local administration and to provide services for the urban poor</p> <p>0.5 - The LG receives meaningful transfer funding to support local administration and to provide services for the urban poor</p>	It is difficult to objectively define the adequacy of resources with respect to this PI. “Meaningful funding” suggests that grant support covers 50% or more of local administration costs and the cost of delivering basic services to the urban poor
D10	Does the LG receive formula-based grants/transfers (for the service at hand) from the higher level government in a complete and timely manner, without unnecessary administrative impediments?	<p>Add the points below if the following statements are correct:</p> <p>0.25 – Formula-based grants are provided without administrative impediments</p> <p>0.25 – Grants are provided in a complete and timely manner.</p> <p>(The score is zero if no grants are provided).</p>	In order to receive full score on each of the two respective elements, the LG must receive its grants/transfers from the higher level—for the first element—in a formula-based manner AND without unnecessary administrative impediments—and for the second element—in a complete AND timely manner. <sup>78</sup>

<sup>78</sup> The clause “without administrative impediment” means that grants are disbursed “on standing order.” In other words, grants are disbursed regularly without any further administrative action: no administrative conditions have to be fulfilled during the budget year to trigger any subsequent disbursement. In order for grant disbursements to be complete, at least 95% of the budgeted grant amount was released. Timeliness of grant disbursements is relative to the higher-level authorities disbursement plan. If grants are not released against a formal grant disbursement plan, the LG should receive at least 25% of its resources prior to the end of Q1; 50% prior to the end of Q2; and 75% prior to the end of Q3.

## ***Discussion and clarifications:***

- Given the importance of local fiscal autonomy and sound local financial management in achieving effect urban services, this performance dimension contains ten individual assessment indicators, each of which can be awarded a maximum score of half a point. The assessment indicators cover a wide range of intergovernmental fiscal systems and local public financial management practices, including local planning, budgeting and expenditure processes; revenue assignments and local revenue collections; intergovernmental fiscal transfers; and local government borrowing. For a more comprehensive assessment of local public finances, consider conducting an assessment using the PEFA Public Financial Management Performance Measurement Framework.
- Like some of the previous performance dimensions, it should be noted that many of the assessment indicators within the current dimension focus on the existence of local fiscal discretion and the preconditions for effective local revenue administration. After all, LGs will only be able to respond to the service delivery needs of their constituents when they have access to the necessary financial resources to do so.
- Several other assessment indicators within the current performance dimension focus on the degree to which urban local authorities adhere to good PFM practices and effectively use their local fiscal space. Although it is common to attribute a local government's failure to fully use its fiscal space (e.g., its failure to fully exploit its local property tax) to a lack of capacity, it is not unusual for local governments to be constrained by (central or local) political incentives in adhering to good PFM practices at the local level.
- For instance, although greater reliance on own source revenues is typically a sign of greater local fiscal autonomy and effective local revenue administration, it is not necessarily the case that limited own source revenue collections are indicative of weak local revenue administration. Instead, limited local revenue collections are often the result of weak revenue assignments to the local level as well as potential difficulties faced by local political leaders in collecting local revenues from local constituents. In addition, local leaders may face political pressure from higher-level authorities or other incentives not to maximize local revenue collections or to pursue other good PFM practices (e.g., intergovernmental fiscal transfers may discourage the collection of own source revenues). It should further be noted that, in many cases, it is difficult to objectively measure the degree to which urban local authorities are effective in using the revenue space available to them.
- In order for the LG to devote all of its own source revenues to local public services (which establishes a strong link between the benefits of local services and the cost to local taxpayers), it is appropriate for the higher-level government to provide grant funding to support the general cost of local administration. Likewise, in some countries, local governments are expected to cross-subsidize the provision of public services to poor residents by imposing higher taxes or fees on wealthier residents in order to provide free or reduced-cost services to the urban poor. There is a strong consensus with the literature on local public finance that the role of local governments in such de facto income redistribution should be limited, and that the central government is in the best position to finance such redistributive programs through (equalizing or pro-poor) intergovernmental fiscal transfers.
- As needed, the USD-AR provides the opportunity to present a more nuanced discussion and assessment of issues related to local fiscal discretion and local public financial management.

## ***Clarifications for Assessment Indicator D1:***

- An orderly local budget process requires the existence of—and adherence to—a fixed budget calendar, by both central and local authorities.<sup>79</sup> This guidance may come in the form of legislative guidance (e.g., from the Local Government Act), but additional details may need to be provided in the form of budget regulations and/or circulars. For instance, in order for a LG to prepare its budget, it needs to be informed in a timely manner of the expected level of intergovernmental fiscal trans

<sup>79</sup> See PEFA, 2011: PI-11 for a further discussion of this issue.



fers (which is commonly done as part of a budget circular or as part of Local Government Budget Guidelines). Please assign 0.25 points to Assessment Indicator D1 if (a) there is a fixed budget calendar that guides the preparation of the (urban) local government budgets and (b) this local budget calendar is adhered to by central authorities. Both criteria need to be satisfied in order to award the points and no partial credit can be given.

- In addition to the points above, an addition 0.25 points may be awarded if both the LG Executive as well as the LG legislative council are comprehensively involved in the preparation of the local budget, and the local budget is approved by the local council in a timely manner.

## E. Local participation and accountability mechanisms

Appropriate participation and accountability mechanisms are needed in order to ensure that local leaders and local officials are responsive to the need of local residents and businesses.

PI	Assessment Indicator	Scale	Clarification
E1	Is a local performance framework in place and being applied for the service? (E.g., Service Charter?)	0 - No performance framework is in place 0.25 - A performance framework is in place but is produced (or requires approval) by higher-level government 1 - Yes, a performance framework is in place and approved by LG	Scoring should reflect the de facto situation: a positive response implies not just that a performance framework is in place (i.e., a paper exercise), but that the performance framework is actually being followed or applied (in other words, meaningful efforts are made to apply or follow the performance framework)
E2	Who monitors the performance of the service delivery unit?	0 - The LG is not meaningfully involved in the monitoring of the SDU 0.5 - The LG formally monitors the performance of the SDU, but does not do so in a transparent or participatory manner 1 - The LG effectively monitors the performance of the SDU (e.g., standing committee of council)	Meaningful and effective monitoring of the performance of a SDU requires more than a paper exercise. It requires transparency (e.g., the release of information regarding the SDU's performance against its performance framework) and the opportunity for residents and local stakeholders to participate in the assessment process (e.g., through a public hearing)
E3	Are local budgets and finances (for the service at hand) managed in a participatory and transparent manner?	Add the points below if the following statements are correct: 0.25 - Open planning/budget hearings are required and practiced 0.25 - Local budget documents and financial statements are readily available to average citizens	See Discussion and Clarification section below for a detailed clarification on the scoring of this assessment indicator

PI	Assessment Indicator	Scale	Clarification
E4	Does the SDU have its own effective participatory planning / social accountability / oversight mechanisms (e.g., interact with community groups, etc.)?	0 - No (or Yes, but ineffective) 0.25 - Yes, but only partially effective 0.5 - Yes, the SDU has effective participatory planning / social accountability / oversight mechanisms	The scoring of this question requires SDU leadership or senior staff itself (rather than the LG/council) to have direct, meaningful interaction with community groups / service users.
E5	What is the frequency of public interaction between the SDU and residents?	0 - No formal interaction exists between the SDU and residents 0.25 - Interaction takes place quarterly or annual 0.5 - Interaction takes place more frequent than quarterly (e.g., monthly, weekly)	The scoring of this question aims at direct and meaningful interaction between the SDU leadership (or senior staff) and residents. It is recognized that the judging the depth of interaction may be difficult to establish in an objective manner.
E6	Does the LG (separate from SDU) have an effective mechanism in place to receive and resolve complaints about the service at hand?	0 - No (or Yes, but ineffective) 0.5 - Yes, but only partially effective 1 - Yes, the LG's complaint mechanism is effective and responsive	An effective complaint mechanism means that the LG not only receives complaints, but also follows up with SDU to ensure that they are addressed/resolved.

### ***Discussion and clarifications:***

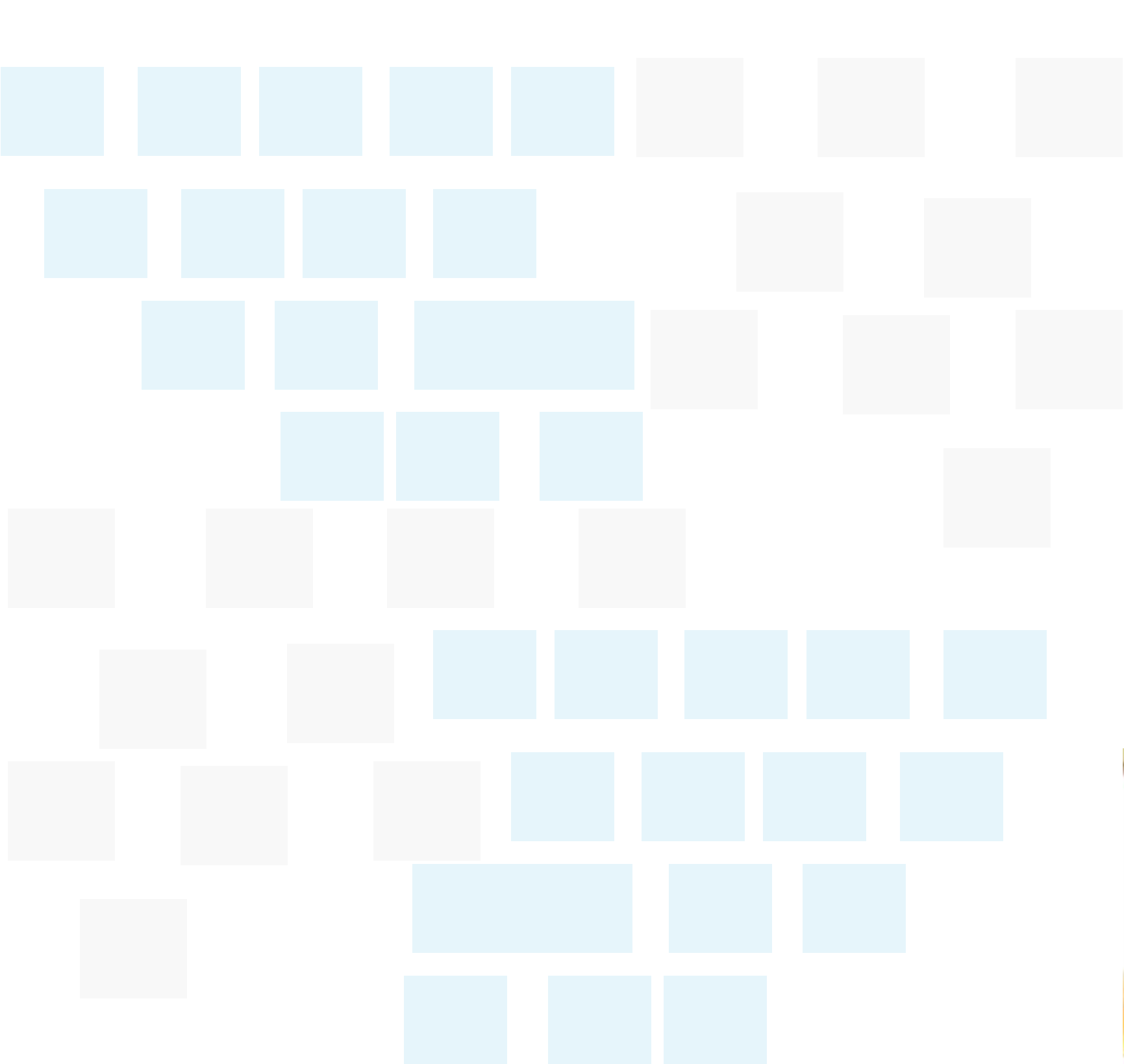
- Effective local participation and accountability requires that local governments involve the community in the prioritization of expenditures; clearly state the service delivery standards that residents can expect; provide their citizens with relevant and timely information about service provision and budget execution; and that mechanisms are in place that allow residents to voice their concerns when problems arise.
- Unless otherwise noted, the assessment of the PIs included in the current institutional dimension focuses on the specific service (and specific SDU) under consideration.
- A transparent and accountable local budget process is an important element of an accountable local government system. An open local government budget process ensures (1) Timely availability of budget information to the subnational public; (2) Clarity and relevance of the information contained in the main budget reports available to subnational citizens; (3) Effective mechanisms are used to disseminate budget information among citizens; (4) Effective channels are established for participation of citizenship in the review and monitoring of the budget documents. Even though many countries have open document laws or freedom of information legislation that are applicable to local governments, in practice, public access to local government budget information is often quite limited (International Budget Partnership, 2013).
- It should be noted that the responses to the Assessment Indicator set should reflect actual practice, rather than the legal requirement.

### ***Clarifications for Assessment Indicator E3:***

- Assessment Indicator E3 should be awarded 0.25 points when the budget formulation process in the LG is open and participatory in nature. This requires that a regular, annual mechanism is used to identify the public's perspective on budget priorities.

- An additional 0.25 points should be awarded to Assessment Indicator E3 if (and only if) the following four local budget documents are available to any member of the public, either online or on demand: (1) Executive Budget Proposal; (2) Enacted Budget; (3) Year End Report on budget execution; (4) Annual Audit Reports.
- If the SDU for the service at hand is part of the regular LG budget, the indicator may be assessed based on the budget process for the entire (regular) LG budget. If the SDU for the service at hand is not an integral part of the regular LG budget (e.g., a municipal corporation of metropolitan authority), please assess this indicator specifically for the SDU.





This report has been prepared with support from EU, DANIDA, SDC, UNDP and UNCDF

